



REPORTING FOR SUSTAINABILITY

AGL ENERGY LIMITED (AGL)

THE COMPANY: AGL is Australia's leading integrated renewable energy company, and is taking action toward creating a sustainable energy future for customers, investors and the community. AGL operates retail and merchant energy businesses and power generation assets.

As Australia's largest energy retailer, AGL has continually advocated policies that deliver increased renewable energy production and lower greenhouse gas emissions. The company also works closely with customers to help them reduce the greenhouse gas intensity of their operations. AGL acknowledges that its investment decisions, daily operations and products all contribute to the greenhouse intensity of the energy it supplies.

THE DRIVERS: Globally, the energy sector and energy policy makers need to respond to three key public policy issues:

Climate change – Emission trading schemes and renewable energy policies are being implemented around the world. Domestically, the proposed Carbon Pollution Reduction Scheme (CPRS) would require Australia to reduce emissions by between 5% and 25% of 2000 levels by 2020.

Energy security – Concerns about energy security are compounding the need for the world to shift to renewable technologies to minimise dependence on fossil fuels.

Fuel poverty – Energy prices are increasing meaning that the number of customers experiencing fuel poverty (defined as customers who spend more than 10% of their incomes on electricity and gas) is rising.

AGL recognises that its ability to respond to the social, environmental and economic challenges arising from these three critical issues will have a fundamental impact on its medium to long term value and performance.

TAKING ACTION: AGL's sustainability reporting practices have acted as a catalyst for delivering improvements in its own business results across many areas. In particular, greenhouse gas reporting, disclosure, and policy development have helped AGL prepare for the introduction of emissions trading, and positioned the company to deliver additional value in a carbon-constrained environment.

Investment portfolio: Over the past few years, AGL has made a number of strategic investment decisions which have significantly reduced the greenhouse intensity of its operations, e.g. 78% of AGL's owned and/or controlled generation capacity is now low or zero emission. With the completion of all assets under development (including proposed gas and renewable projects), this figure could increase to 93%.

Stakeholder engagement: AGL believes that engaging with the company's stakeholders around reducing greenhouse gas emissions is

critical in addressing climate change. Therefore, it engages with investors, policy-makers, communities, industry and customers about ways in which emissions can be reduced both within and outside the energy sector.

The AGL Climate Change Council was established during 2008/09 comprising representatives from AGL and non-governmental organisations (WWF-Australia, the Australian Conservation Foundation and The Climate Institute). The Council meets quarterly and enables discussion and constructive dialogue on a range of issues relating to climate change, including government policy, emission reduction targets and programmes.

AGL has publicly detailed, both the positive and negative, effects on its business associated with the introduction of the CPRS and the Expanded Renewable Energy Target. Incorporating this analysis into stakeholder communications will lead the industry to develop similar analysis and disclosure.

Transparent reporting of emissions, economic impacts and risks: AGL's approach to managing and transparently reporting on carbon and sustainability risk has received Australian and international recognition. Listed in September 2009 on the Dow Jones Sustainability World Index (DJSI World), AGL is the only Australian integrated energy company to be listed.

Leadership in this context was also recognised in 2008/09 by being ranked third in the world out of 110 of the largest publicly listed electric utilities globally through the Carbon Disclosure Project (CDP). AGL has also earned a place in the ASX200/NZ50 2009

Climate Leadership Index, and a leading ranking in the Australian and New Zealand utilities sector in the CDP. In December 2009 AGL also received the Australasian Investor Relations Association Award for the Best Environmental, Social and Governance Disclosure by an Australasian Company.

WHY IS IT CSR? AGL's integrated strategy is all about making sure the company is successful and respected, 10, 20 or 50 years from now. AGL's ability to anticipate and respond to future challenges is fundamental to the success of its business. The company has found that effectively managing social, environmental and economic risks drives business improvement, enhances brand, and demonstrates the long-term value of the company while concurrently strengthening community support and engaging employees.

WHAT NEXT? AGL is focusing on continuing to embed sustainability considerations deeper within its overall governance framework by developing enhanced business-focused sustainability targets and KPIs and integrating these into business unit plans.

The company continues to focus on building engagement with the investment community, and in November 2009, AGL held its first sustainability-focused investor webcast, acknowledging that the investment community, now more than ever, recognises that a company's sustainability strategy and performance is integral to its long-term economic success.

For further information, please contact Article 13 on 020 8840 4450 or visit www.article13.com.

For more information on AGL's sustainability strategy and performance, please contact Cathlin Thurbon, Manager Sustainability Strategy at sustainability@agl.com.au