

# Communities & Relationships

The strength of working relationships with key stakeholders; our brand and reputation.



## Licence to operate

AGL recognises that community trust in institutions, including energy companies, is low. By making it a strategic priority to build and maintain our social licence we are demonstrating our commitment to driving the cultural change necessary to gain the increased trust of our customers and the community, which, in turn, is needed to deliver long-term sustainable value for our shareholders. Managing our licence to operate enables us to pursue our growth agenda and requires a commitment to transparency and investment in the community.

## Strategic context

AGL strives to make a net positive social, economic and environmental contribution to the communities in which we operate. A wide variety of people and groups are interested in, or affected by, the decisions that AGL makes. We proactively engage with our stakeholders on relevant issues in ways that are most appropriate to each group. We understand that the current state of energy market transition and policy uncertainty can lead to challenges, and we consider it important to understand the different views and perspectives held by our stakeholders.

We undertake ongoing assessments of our business culture, practices and policies, and how well they currently support our public commitments to the community, our people and our customers. This is important to enable us to prioritise areas requiring improvement.

Engagement with local communities in the context of projects such as our power generation assets, energy storage assets and development projects, is particularly important as it ensures that community members receive timely and transparent information and have an avenue through which to raise concerns. We conduct regular sentiment surveys in the Latrobe Valley, our largest power generation asset community, and are expanding this work to the communities of our other large power generation assets to understand the issues of importance to them, including their attitudes towards the local power industry and their views on energy transition.

As a supplier of an essential service we have a responsibility to engage openly with governments at all levels in relation to energy and related policies. In a highly regulated industry such as the energy industry, government decisions have a significant influence on the way we source, produce and price energy and energy-related products, and the way in which we interact with and support our customers.

Engagement with our supply chain is also becoming increasingly important, particularly in light of recent federal and New South Wales government modern slavery legislation. We are focusing on improving our procurement framework and supplier assessment processes to ensure that we have an ethical supply chain. This not only protects vulnerable parties that may otherwise be prone to be taken advantage of, but in addition protects AGL's brand and reputation.



## Creating value

Measuring our reputation	KPI		FY19	FY18	FY17	FY16	FY15
AGL's Reprtrak score declined since FY18. The drop in AGL's reputation over the past year has been driven by declining scores on three important dimensions of reputation – leadership, workplace and citizenship. This decline in reputation was consistent with scores across the energy industry as a whole.	Reprtrak score	●	61.7	64.0	58.4	60.8	59.1

## Transparent policy positions

It is important to our stakeholders that our involvement in public policy development is undertaken transparently and consistently. Our submissions to government processes are published on AGL's online channel, [The Hub](#).

Further, the community expects that corporations should not have an undue level of influence on government policy by providing a level of financial contribution to political parties that could result in, or could be perceived to result in, preferential treatment. We adopted a Political Donations Policy in August 2015, which prohibits AGL from making political donations.

No political donations (monetary or in-kind) were made during FY19, nor were any political donations made through third parties. AGL will continue to monitor the positions of industry associations to which it is a member. This monitoring will include policy positions and public advocacy statements. AGL will continue to disclose differences between our position and that of industry associations.

## Community contributions and investment

We invest in the communities in which we operate through local procurement, local employment opportunities, a structured program of community investment, and opportunities for AGL employees to volunteer with charitable or community-based organisations.

Community investment priorities are determined through: external community consultation; an understanding of the demographic profile and needs and aspirations of the communities in which we operate; operational project plans; and identification of project-related and cumulative impacts. AGL's contribution to the community increased in FY19.

We are committed to meeting all tax compliance obligations, and to providing our stakeholders with information about the taxes we pay. In this regard we have adopted the Board of Taxation's voluntary Tax Transparency Code. During FY19, we contributed and collected a total of \$759 million in taxes (including corporate income tax instalments of \$263 million). Our underlying effective tax rate on Underlying Profit has been in line with the Australian corporate tax rate of 30%.

KPI		FY19	FY18	FY17	FY16	FY15
Community contribution	<span style="color: green;">●</span>	\$4.5 m	\$4.3 m	\$3.5 m	\$3.2 m	\$2.7 m
Underlying effective tax rate	NA	29.1%	29.5%	29.6%	29.0%	29.4%

### Legend

- Improving trend and/or satisfactory outcome
- Neutral trend

- Deteriorating trend



- KPI linked to remuneration outcomes for CEO and Key Management Personnel (page 58)

## Key relationships and trade-offs with other Business Value Drivers



Our existing and potential investments in energy infrastructure (refer to page 20) create both social and economic opportunities and potential impacts in the communities in which they are located. We expect our investments in energy supply to contribute to the long-term affordability and reliability of energy. While such investments will benefit our customers and the community and economy more broadly, we recognise the need to balance these benefits with the specific needs of the communities and environment in which our projects are located.



As we undertake end of life planning for our thermal assets, we are addressing safety concerns from ageing infrastructure as well as issues of local community economic sustainability, and the broader community's desire for carbon-intensive assets to be closed, balancing People, Environment and Infrastructure Business Value Drivers. When planning for asset closures we are mindful of the impact these will have on our people who work on these assets and on the communities where they are located. AGL has committed to no forced redundancies when we close the Liddell Power Station and we expect to provide retraining opportunities as we repurpose the site and progress plans to provide new sources of energy supply.

### Beyond FY19

Our Social Licence program will be delivered to drive cultural change across AGL's business to ensure we can better understand and meet rising customer and community expectations at a critical time in the energy sector, and develop robust metrics by which we will be able to measure our performance in key areas.

Having a better understanding of the social return on our investment in local communities will help us focus on and invest in programs that will deliver the most value to our stakeholders and our business and continuously improve disclosure in this area.

### More information

Visit [2019datacentre.agl.com.au](http://2019datacentre.agl.com.au) for various measures of community investment. Information about the ways in which we engage with local communities is available on our website at [agl.com.au/about-agl/how-we-source-energy](http://agl.com.au/about-agl/how-we-source-energy).

Information about the taxes that we pay and the taxation policies that we employ (meeting the requirements of the ATO's Tax Transparency Code) is available at [agl.com.au/about-agl/who-we-are/our-commitments](http://agl.com.au/about-agl/who-we-are/our-commitments).

# People

The competencies, experiences, behaviours, engagement and wellbeing of AGL's employees and contractors.



### Workplace talent and culture

We are focused on attracting, developing and retaining the right talent to build a safe, engaged and performance-driven culture that can deliver the best outcomes for our customers and other stakeholders. We recognise the significance of this Business Value Driver to AGL's ability to deliver on strategic priorities and manage Tier 1 Strategic Risks (page 8).

Following a comprehensive review of our values in FY19, AGL's refreshed values are: **Care in every action, Integrity always, Better together, Deliver your best, and Shape tomorrow.** These values provide a guide as to how we will deliver on our strategic priorities (page 6).

### Strategic context

The safety of our people is always our first priority. Our Target Zero strategy, which starts with the belief that all incidents are preventable, focuses on three pillars: visible leadership, fundamental risk management and simplified systems. During FY19 we focused on implementing the AGL Lifesaving Rules across the business to establish clear expectations of our people. This includes rolling out Critical Control Checks as part of the visible leadership program, and developing an AGL-wide Safe System of Work framework that provides guidance on permitted and non-permitted work on-site and the minimum risk controls required.

To deliver on our strategy, we need an engaged and diverse workforce with the right skills to ensure that we continue to optimise the value of our existing business, and the capabilities to meet the requirements and opportunities of the evolving energy landscape.

Recognising the broad-ranging benefits of an engaged workforce, during FY19 we focused on a range of initiatives under the two focus areas borne out of an engagement survey undertaken in late 2018 – keeping our employee promise and making it safe to speak up. These initiatives have included launching additional employee benefits, developing a 'Families at AGL' portal to help our people navigate work-life balance, launching a new connected leadership development program, and undertaking broad workplace consultation as part of the refresh of our values.

We continue to prioritise an inclusive workforce culture, recognising that increased diversity of thought, experiences and backgrounds in our workforce enhances our ability to innovate, problem solve and deliver sustainable outcomes for our customers and communities. An

inclusive workplace culture also enhances our ability to compete for talent and retain talented people. Our FY19-20 Diversity and Inclusion Strategy channels our activities into four focus areas to drive success: inclusive practices, diversity in leadership, flexible working, and engaging externally.

During FY19, we critically reviewed our organisation to ensure we have the right structure and capabilities to deliver on our strategy. This involved AGL undertaking a significant review of our organisational design to put in place a structure, including new Executive Team appointments, to position AGL for our next phase of development, while also recognising the importance of having a stable environment for our people to perform their roles.

We are committed to ensuring our corporate governance framework, policies and practices reflect a high standard of ethical behaviour. For AGL, ethical governance means more than just complying with legislative requirements – it means setting clear principles and values of expected behaviour and holding our people to account. Ensuring our people feel safe to speak up is an important pillar in maintaining a strong ethical culture.

Creating opportunities for our people to develop and grow reduces the risk of skills and knowledge loss and enhances performance and business continuity. We support the targeted development of AGL people through a range of solutions including internal and external learning programs, and critical experiences gathered on the job in the form of key projects, secondments and other internal and external placements. We also have a talent strategy designed to deliver end-to-end talent solutions that focus on diversity and inclusion, capability development and a strong talent pipeline.

3,750

Number of employees (headcount)

3,586

Number of employees (FTE)

47.9%

Proportion of workforce employed under enterprise bargaining agreements