



# Commercial Services Non-Compliance Management Policy

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## Version History

REV NO.	DATE	REVISION DESCRIPTION	APPROVAL
1.0	June 2007	Original Issue	General Counsel
2.0	December 2009	Update to the group Aurora Energy Compliance Governance Framework	General Counsel/Company Secretary

## Authorisations

Prepared by Regulatory Compliance Manager  
Reviewed by General Counsel/Company Secretary  
Authorised by CEO  
Review Cycle Annual

5 March 2010

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A handwritten signature in blue ink, appearing to be "Christine Jones", written over a dotted line.

6/5/2010

January 2011

## Contact for enquiries (Policy Owner)

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Regulatory Compliance Manager

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## 1. Introduction

This policy is to outline the principles to be applied and practices to be followed in relation to the management of non-compliance across Aurora Energy.

## 2. Purpose

The purpose of this Policy is to set a consistent process for the effective management, recording and reporting of non-compliances. This Policy comprises one of the key elements of the Integrated Compliance Management Model for Aurora Energy.

The Regulatory Compliance Manager is responsible for the categorisation of non-compliances under the Compliance Framework to form a Group Non-Compliance Register, which helps to identify control breakdowns and target improvement initiatives. An enhanced control environment significantly reduces the likelihood of incurring larger operational impacts in the future.

Timely identification and reporting of non-compliances is a key element of the Aurora Energy Risk Management Framework (refer risk identification available on the Intranet) and assists Aurora Energy to:

- understand the underlying cause of a non-compliance;
- implement an appropriate resolution to remedy the non-compliance and prevent a reoccurrence; and
- ensure we meet our regulatory obligations in relation to breach reporting.

## 3. Scope

This policy applies to all legal entities, contractors and employees of the Aurora Energy Group ('Aurora Energy'). This policy is not a stand-alone document but is supported by operational policies, procedures and processes. This policy will remain in force until notification is issued of the policy being superseded by an appropriately approved new version.

The scope of the Policy extends to obligations imposed by:

- Statutory and regulatory requirements;
- Aurora Energy Corporate policies, standards, procedures and compliance plans;
- Relevant industry codes of conduct and practice notes;
- Reasonable community expectations and accepted community ethical standards, captured under the Aurora Energy Personal Code of Conduct; and
- Australian Standard Compliance Program AS 3806-2006.

This Policy and the compliance framework have been developed with the aim of substantially meeting the standards outlined by AS 3806-2006

This Policy excludes obligations in relation to reporting non-compliances for **Safety, Health and Environment (SH&E)**. Information on this is available on the Intranet>SH&E>Incident Reporting.

## 4. Policy Revision (Review cycle)

This Policy is to be reviewed and endorsed on at least an annual basis or when there is a significant change to the business, which may impact the policy.

## 5. Definitions

<b>Aurora Energy Group (Aurora Energy)</b>	Includes all legal entities, employees and contractors associated with Aurora Energy.
<b>Aurora Energy Risk Management Framework</b>	The Risk Management Policy, processes and activities which govern management of risk across Aurora Energy
<b>Breach</b>	Non-compliances where legal, regulatory or company policy requirements have not been met. These non-compliances need to be assessed in relation to Aurora’s obligations and escalated/reported through the appropriate channel (Refer: Appendix B)
<b>Compliance Plans</b>	All appropriately approved divisional, functional or subsidiary compliance plans which are in force across Aurora Energy
<b>Divisional Compliance Resources</b>	Employees tasked with compliance roles across Aurora Energy
<b>Integrated Compliance Management Model</b>	A collection of policies, procedures and activities that are undertaken by Aurora Energy to manage compliance obligations. Other functional frameworks compliment the Model.
<b>Legal &amp; Regulatory Compliance Environment</b>	The responsibilities, frameworks and foundation blocks which impact the legal and compliance obligations and processes
<b>Non-Compliance</b>	A breakdown in operational, financial or business processes or controls that may lead to a failure to meet internal policies, procedures, standards and regulatory requirements or <u>which may</u> have the potential to impact a customer. A non-compliance does not necessarily impact a customer.
<b>Non-Compliance Owner</b>	Means the Aurora Energy person who is accountable for ensuring the action plan established to resolve the non-compliance and implement changes to prevent reoccurrences
<b>Regulating Entities</b>	Any regulator, ombudsman or entity with the ability to issue a binding instruction on Aurora Energy.
<b>Regulator</b>	Means a relevant authority with obligations to enforce an Act, Regulation, Code or licence that imposes constraints or obligations on Aurora. Regulator includes such bodies as ACCC, OTTER, ASIC, NECA, Electricity Standards and Safety and the like.
<b>Responsible Manager/ Accountable Person</b>	Means the Aurora Energy person who has responsibility for compliance obligations to a Regulator under an Act, Regulation, Licence, or Code, and includes a person responsible for an obligation included in a Compliance Plan.

## 6. Non-Compliance Management Responsibilities

The group compliance framework relies on the role and responsibilities of the Board as supported by the AET, Group Risk and Internal Audit, the divisional compliance resources and Regulatory Compliance Manager who all have direct responsibility and accountability for compliance activities within their areas of business.

In relation to management of non-compliance the following responsibilities exist:

### 6.1 Management

Managers must consistently convey the message that Aurora Energy is committed to meeting its compliance obligations and provide an environment, which embraces active identification and notification of potential non-compliances for appropriate assessment. Managers are required to encourage employees to identify and report non-compliances to ensure effective operational risk management across Aurora Energy.

Managers are responsible for ensuring appropriate training is identified, organised and delivered (including the maintenance of training records) for their respective areas.

### 6.2 Regulatory Compliance Manager

The Regulatory Compliance Manager is responsible for the Integrated Compliance Management Model and associated policies and procedures, including the ongoing maintenance and training requirements. The role is also responsible for reviewing the grading given to incidents by divisional resources that are added to the Group non-compliance database and associated reporting requirements.

### 6.3 All employees

All employees are responsible for identifying and then reporting non-compliances to their immediate manager and/or the Regulatory Compliance Manager in accordance with this Policy.

All employees need to work towards ways to improve our compliance performance. Employees are to observe at all times, the Aurora Energy Personal Code of Conduct.

All employees must be trained with respect to the importance and application of compliance in their daily business conduct. All employees have an ongoing responsibility to report all incidents of non-compliance.

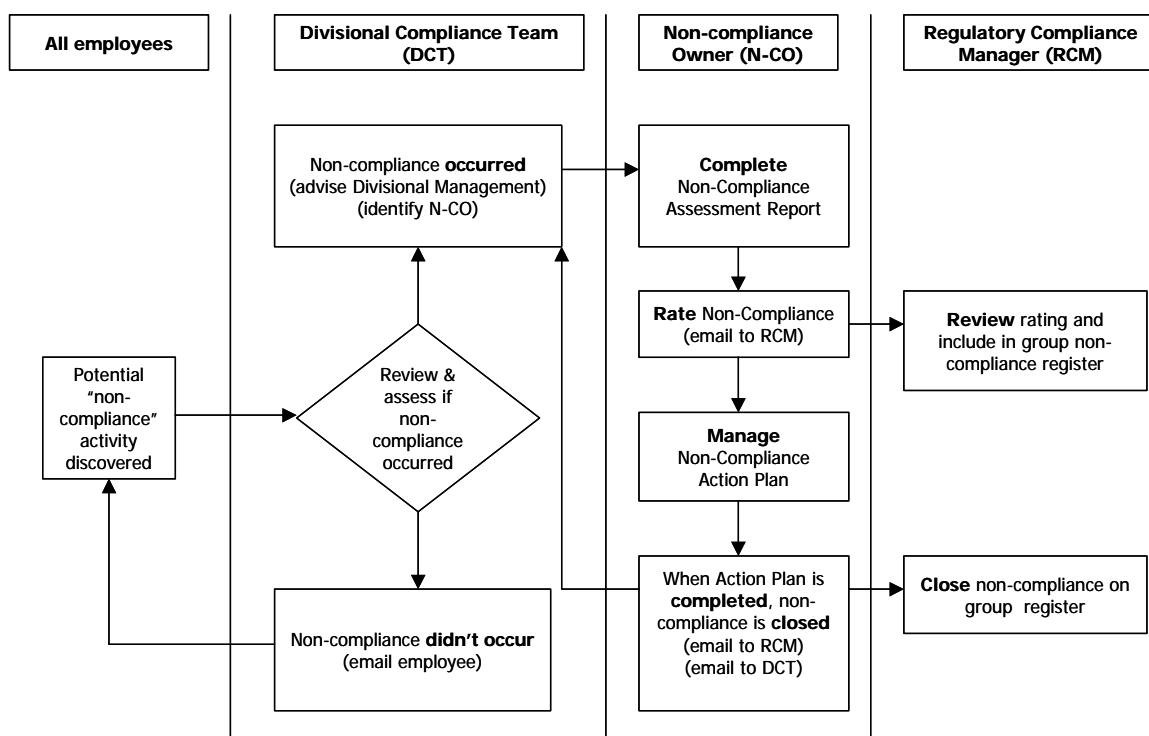
Incidents of willful non-compliance with this Policy are considered to be serious and will be dealt with in accordance with the Company's normal performance management process which may lead to dismissal.

## 7. Public Interest Disclosure (Whistle blowers)

In extreme circumstances an individual may be concerned that a serious breach has occurred but be in a position where he or she believes that it would be personally damaging to pursue it through normal channels. In such circumstances the individual should contact the protected disclosure coordinator as outlined in the Public Interest Disclosure Act Procedures (Whistleblowers) available on the Intranet. The **Protected Disclosure Coordinator** will do all that is possible and practicable to ensure the identity of the individual and the identity of the person who is the subject of the disclosure are kept confidential.

## 8. Non-Compliance Management Process

All employees are responsible for identifying and communicating non-compliances. The following diagram provides a high level overview of the process.



The first step in this is to discuss the activity with their immediate manager. Managers are required to encourage employees to identify and report incidents to ensure effective operational risk management across Aurora Energy. Once identified, a non-compliance owner must be identified as that owner is responsible for managing the non-compliance until it is closed. All non-compliances are to be reported using the “Non-Compliance Assessment Report” (Appendix C) within three business days in conjunction with their divisional compliance resources to the Regulatory Compliance Manager. Early involvement of the compliance community will assist in full assessments being completed.

Further details including the form is available on the Intranet.

## 9. Reporting Requirements

### 9.1 Identification

On identification of a non-compliance (or potential non-compliance) the employee must report the matter immediately to their manager or divisional compliance team for initial investigation. The completion of a “Non-Compliance Assessment Report” (Appendix C) must be forwarded to the Regulatory Compliance Manager within three days of discovery for tracking purposes, final grading and entry to the non-compliance register.

### 9.2 Record Keeping

As part of the Group Compliance Program, the Regulatory Compliance Manager will;

- maintain a Group non-compliance register;
- provide reporting to the Management Compliance Committee, who will facilitate reporting as required to the AET and/or BARC
- liaise with the Internal Audit Function to assist in targeting review of control self assessments defined in compliance plans and consider any systemic issues.

Non-Compliance Owners are required to maintain their incident reports and provide final reports once all action item's have been completed to the Regulatory Compliance Manager.

## 10. Non-compliance assessment

There are two potential outcomes from any identified non-compliance occurrences:

- Action by the *Regulating Entity* responsible for the instrument, whether an Act, Licence, Regulation or Code; and
- The likely effect on the business either divisional or as a whole.

The response from the *Regulating Entity* will depend on the nature of the event. Responses will vary from possible loss of an operating licence at one extreme, to little or no interest at the other, with significant financial penalties possible. High levels of regulatory intervention also carry the attendant costs of management attention being diverted from running the business.

The impact on the business will similarly vary in financial terms from low to extreme, and may or may not be related to the level of regulatory interest. Large impacts on the business will be of interest to *Regulators* even if the causal event is not of a great regulatory significance, as the running of the business may be impaired to the extent that customer service or compliance obligations are downgraded.

The actions taken in response to a non-compliance event will depend upon the combination of these two impacts.

The Non-Compliance Impact Matrix shown Appendix A, provides objective levels of financial impacts to the business and likely impacts on our license to operate and regulator response as outlined in the Aurora Energy Risk Management Framework. Each event can be assessed in relation to the business and customer impacts, and the required action becomes apparent from the rating allocated. Appendix B outlines the responsibilities, escalation and reporting requirements for each non-compliance event.

It is noted that the actions undertaken in the event of “extreme” or “very high” non-compliance event are identical due to the nature of the impact on the business.

## **11. Training and Awareness**

Management must ensure that the employees of their division are trained with respect to their obligations, the importance of compliance, the way in which the compliance process works and their responsibilities with regard to the operational procedures. Employees must be made aware of their responsibilities for reporting of non-compliance.

The Regulatory Compliance Manager is responsible for developing training tools to assist the divisional compliance resources with the training activities for all aspects of the Integrated Compliance Management Model (refer Policy: Compliance Operational Policy available on the Intranet).

## **12. Contact with Regulators**

Aurora Energy operates in a heavily regulated environment. It is necessary that contact with regulating entities be conducted in a controlled manner to ensure that Aurora Energy's interests are protected as outlined in the Compliance Operational Policy. Where contact with a regulating entity is required as a result of a non-compliance, the appropriate processes must be followed.

## **13. Point of Contact**

The key point of contact for this Policy is the Regulatory Compliance Manager

**Appendix A - Non-Compliance Impact Matrix –assessments and scoring matrix**

Rating	Financial Impact	Severity Matrix (Refer Risk Matrix)	Compliance impact (Refer Risk Matrix)		
Extreme	> \$20m	The impact is beyond Aurora’s ability to manage or resource and as such threatens the survival of the company	Breaches of regulatory, statutory and legislative responsibilities resulting in severe fines and/or multiple third party claims		
			<b>License</b>	<b>Criminal &amp; Civil</b>	<b>Regulator</b>
			Loss of key business licence	Criminal offence by director or manager	Regulatory censure
Very High	\$5 - \$20m	The impact would threaten the ability of Aurora to achieve its strategic objectives in the medium term	Moderate breach of law or regulations		
			<b>License</b>	<b>Criminal &amp; Civil</b>	<b>Regulator</b>
			Conditions imposed on business licence	Civil offence by director or manager	Regulatory censure
High	\$1 - \$5m	The impact would threaten the ability of Aurora to achieve its strategic objectives in the short term	Breaches of regulatory, statutory and legislative responsibilities resulting in litigation or prosecution and/or penalty		
			<b>License</b>	<b>Criminal &amp; Civil</b>	<b>Regulator</b>
			Moderate implication for business licence	Civil offence by company	Increased regulatory oversight
Medium	\$0.1 - \$1m	The impact would threaten the ability of Aurora to achieve current year objectives	Impact on community: segmented incidents with moderate impact		
			<b>License</b>	<b>Criminal &amp; Civil</b>	<b>Regulator</b>
			Minor implications for business licence	Civil offence by employee	Potential review by regulator
Low	<\$0.1m	The impact can be dealt with by routine operations	Minor breaches of regulatory, statutory and legislative responsibilities without litigation or prosecution and/or penalty		
			<b>License</b>	<b>Criminal &amp; Civil</b>	<b>Regulator</b>
			Minor breach of law	Minor sanction or penalty	Potential review by regulator

**Appendix B - Escalation Matrix**

Rating	Definition (Risk Management Framework)	Escalation Requirements	Responsibility
Extreme	The impact is beyond Aurora’s ability to manage or resource and as such threatens the survival of the company	Immediate escalation to CEO, Board, Shareholders and <i>Regulator</i>	The Aurora Executive Team, led by the relevant GM, will be responsible for managing the event.
Very High	The impact would threaten the ability of Aurora to achieve its strategic objectives in the medium term	Immediate escalation to CEO, Board, Shareholders and <i>Regulating Entity</i>	The Aurora Executive Team, led by the relevant GM, will be responsible for managing the event.
High	The impact would threaten the ability of Aurora to meet its strategic objectives in the short term	Immediate escalation to senior management, notify <i>Regulating Entity</i> (where required), report to next Board meeting	The relevant GM and the <i>Responsible Person</i> will be responsible for managing the event in conjunction with the Regulatory Compliance Manager.
Medium	The impact would threaten the ability of Aurora to achieve current year objectives	Management responsibility must be specified, routine reports to <i>Regulating Entity</i> (where required) and Board	The relevant <i>Responsible Person</i> will be responsible for managing the event in conjunction with the Regulatory Compliance Manager.
Low	The impact can be dealt with by routine operations	Manage by routine procedures	The event may be managed by routine processes. Generally, only non-compliance assessment reporting and associated action plan is required.



## Appendix C - Non-Compliance Assessment Report

This Assessment Report is required to be completed to enable assessment of all non-compliance events in consultation with Group Legal and Compliance. Any questions in relation to this form, or the event in question should be directed to your divisional compliance resources, or Regulatory Compliance Manager (RCM)

(For incident reporting in relation to safety, health and environment please complete the Incident Report found on the Intranet - <http://thevolt/she/Pages/IncidentReporting.aspx> )

On completion it should be forwarded to your divisional compliance resource and Christine Jones (RCM) ([christine.jones@auroraenergy.com.au](mailto:christine.jones@auroraenergy.com.au))

Register Number: \_\_\_\_\_ (allocated by RCM)

<b>Nature of Incident</b>			
<b>Entities/Divisions (incident applies to)</b>			
<b>Date incident occurred</b>			
<b>Date discovered</b>			
<b>Date of this report</b>			
<b>Report created by (include your contact details)</b>			
<b>Details of the Incident</b>			
<b>Why did it occur?</b>			
<b>How was it identified?</b>			
<b>Has it happened before? (if so, provide details)</b>			
<b>Please answer the following questions to assist with the rating process – it is OK if not all the information is provided in the initial non-compliance report, the report can be updated as information becomes available.</b>			
<b>Is this likely to cause adverse media attention?</b>	<input type="checkbox"/> Low brand impact	<input type="checkbox"/> Potential isolated brand impact	<input type="checkbox"/> Significant State impact
<b>Is there an actual or potential loss to the company?</b>	<input type="checkbox"/> Nil <input type="checkbox"/> <\$10K <input type="checkbox"/> \$10K - \$20K	<input type="checkbox"/> \$20K - \$100K	<input type="checkbox"/> \$100K +
<b>Has compensation been paid or will it be paid to the customers/third party</b>	No compensation required for customers <input type="checkbox"/>	Some compensation required limited in size and scale <input type="checkbox"/>	Widespread compensation for customers <input type="checkbox"/>

<b>Was the incident the result of fraud</b>	<input type="checkbox"/> Yes		<input type="checkbox"/> No	
<b>Does the incident impact on the entities ability to provide services?</b>	Negligible impact on day to day activities <input type="checkbox"/>	Moderate impact on day to day activities <input type="checkbox"/>	Significant disruption to day to day activities <input type="checkbox"/>	
<b>What is the impact of the activity required to rectify the incident</b>	Impact absorbed and managed through normal activities <input type="checkbox"/>	Impact requires additional management effort to resolve <input type="checkbox"/>	Impact critical and requires extraordinary effort by management <input type="checkbox"/>	
<b>Is the incident likely to cause complaints?</b>	<input type="checkbox"/> Yes		<input type="checkbox"/> No	
<b>Is the incident likely to cost the business customers?</b>	<input type="checkbox"/> Yes		<input type="checkbox"/> No	

**Action Plan**

An easy way to manage the resolution of a non-compliance is to agree to an action plan. This action plan should also include what actions are required to prevent further non-compliances in the future. The Incident Owner is responsible for setting realistic completion dates and communicating the plans to those impacted.

Non-Compliance Owner		
Required Remedial Actions (to resolve non-compliance)	Estimated date for completion	Owner responsible for resolution

Non-Compliance Owner		
Required Preventative Actions (to prevent reoccurrences)	Estimated date for completion	Owner responsible for resolution

**Your completion checklist!**

Non-Compliance Report emailed to :	<input type="checkbox"/>
Action Plans – responsible persons notified	<input type="checkbox"/>
Action Plans – followed up	<input type="checkbox"/>
Non-Compliance Report updated and emailed to: on completion of Action Plan	<input type="checkbox"/>
	<input type="checkbox"/>