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+ Policy Statement

Stanwell is committed to conducting its business activities lawfully and in a manner that will enhance the qualities valued by Stanwell, in particular ethics, integrity and individual accountability and to:

- + ■ ensure that its Representatives 'get it right' in relation to Stanwell's legal obligations (that is, compliance with legislation, Stanwell's Australian Financial Services License, the National Electricity Rules, compliance with Stanwell's policies, procedures and guidelines and compliance with Stanwell's contractual commitments);
- + ■ maintain and raise the level of awareness of Stanwell's legal obligations by the provision of a Legal Compliance Manual, education systems, legal advice and legal updates;
- develop and deploy appropriate practices and processes to ensure compliance with Stanwell's legal obligations;
- monitor Stanwell's compliance with its legal obligations;
- take appropriate corrective action against its Representatives with the view to preventing recurrence of compliance breaches; and
- take appropriate disciplinary action against its Representatives, who wilfully breach the law or wilfully fail to comply with Stanwell's legal obligations. Further, Stanwell will not provide support to such Representatives in the event of a prosecution at law.

All Representatives are expected to adhere to high ethical standards when acting on behalf of Stanwell and to strictly comply with all relevant laws and regulations.

Stanwell recognises that it will achieve its goals and objectives more efficiently through the implementation of a Legal Compliance System to better manage its legal compliance risks. Stanwell will exercise good corporate governance and encourage proactive, accountable management by maintaining and continuously improving its Legal Compliance System.

To achieve these goals, Stanwell seeks to provide compliance tools to its Representatives so as to enable them to meet their legal and ethical obligations. Accordingly, Stanwell expects those compliance tools to be utilised.

As part of continuous improvement, this policy may change from time to time.

Objectives

This policy seeks to provide:

- a uniform approach to ensure compliance with all laws, licenses, rules, regulations, industry and internal codes of conduct which impact on the day to day activities of Stanwell;
- promote a compliance culture at Stanwell;
- uphold good corporate governance practices; and
- risk treatments in respect to compliance which will be commensurate with risks facing Stanwell.



++ + Scope

This policy applies to all areas and all activities of Stanwell and includes Stanwell's subsidiaries.

- + The policy seeks to ensure consistency in Stanwell's approach to compliance and that there is consistency between
- + laws, by-laws, regulations and industry codes with Stanwell's policies, procedures and guidelines.

The more detailed operational procedures supporting Stanwell's Compliance Policy are specified in Stanwell's Legal Compliance Manual.

Policy Outline

Stanwell's Compliance Policy is based on the best practice *Australian Standard AS3806: Compliance Systems*.

There are three key elements for an effective compliance system:

- Structural elements – Stanwell commitment and establishment of a compliance system;
- Operational elements – identification, implementation and reporting requirements; and
- Maintenance elements – education, monitoring and review of existing processes.

All persons and corporate bodies must comply with all relevant legislation, laws, regulations, standards, Codes and internal policies applicable to their business. In this respect, a policy requiring compliance with the law is simply good management.

The obligation for Stanwell to comply with all relevant legislation, laws, regulations, standards and Codes originates from its initial corporatisation as a company government owned corporation, pursuant to the *Government Owned Corporations Act 1993* (Qld).

The key principles applying to Stanwell are:

- clarity of objectives;
- management autonomy and authority;
- accountability for performance;
- ethics; and
- integrity.

To achieve this Stanwell:

- has established a Legal Compliance Manual that details the statutory obligations of Stanwell;
- will maintain a detailed list of all Commonwealth and State legislation which impacts upon Stanwell's operations;
- will provide education and training as part of the implementation of the Legal Compliance System, detailing individual responsibilities, reporting and communication methods;
- will review processes and procedures to integrate statutory obligations into the day to day operation of Stanwell;
- will ensure the effectiveness of the Legal Compliance System by conducting regular reviews in addition to internal audits;



- will introduce a process of continuous improvement with the reporting of non-compliance matters and recognition for high compliance standards;
- will promote an ethical and positive compliance culture in relation to the law;
- will report on a quarterly basis (and any other time during the quarter as necessary) to the Board via the ARMC on breaches, non-compliance risks and complaints and related actions undertaken or proposed;
- will report on an annual basis (and any other time during the year as necessary) to the Board via the ARMC on proposed improvements to the Legal Compliance System to more closely align with the best practice as defined by AS3806;
- will include significant compliance responsibilities in position descriptions and key performance indicators and discussions at performance reviews.

Definitions

Key definitions for Compliance, based on the *Australian Standard AS3806: Compliance Systems*, are as follows:

Code: Mandatory industry codes and voluntary industry codes with which Stanwell has chosen to comply.

Compliance: Ensuring that the requirements of laws, regulations, bylaws, Codes and organisational standards are met.

Assistant Company Secretary/Corporate Lawyer: Responsible for the coordination of the Legal Compliance System throughout Stanwell.

Executive Management Team: Chief Executive Officer and the General Managers.

Legal Compliance: Effective control of legal risks in order to ensure that the law is complied with (due diligence).

Legal Compliance System: Legal Compliance System includes this compliance policy, compliance procedures and Stanwell's Legal Compliance Manual.

Managers: Managers, Team leaders, Site Managers and Department Heads (excluding General Managers).

Organisational standards: Any code of ethics, codes of conduct, good practices and charters that Stanwell may deem appropriate standards for day to day operations.

Representatives: Representatives include Board members, employees (full-time, part-time and casual), agents and contractors.

Specialist adviser: Specialist staff member/s appointed as responsible for compliance with a particular legislation.

Risk Plan: In line with Stanwell's Risk Management Policy and Guidelines, Risk Plans detail all information relating to a risk, its risk assessment (potential, current and target), owner, and the relevant controls in place to limit a risk's likelihood or impact.



Risk Ranking: In line with Stanwell's existing Risk Management Policy, the risk of breaching statutory obligations and matters of non-compliance are to be assessed to ascertain the level of exposure to Stanwell.

Trading: Employees engaged in electricity dealing activities on behalf of Stanwell including managers within the Trading Division and all employees located in the Front and Middle Office of the Trading Division.

Trading Compliance: Ensuring that the terms and conditions of Stanwell's Australian Financial Services Licence and related legislative requirements and standards are met.

Senior Compliance and Risk Analyst : Responsible for the coordination of the Trading Compliance Work Procedure and provides specialist advice to the Assistant Company Secretary / Corporate Lawyer.

Trading Compliance System: Operates as a subset of the Legal Compliance System and includes this Trading Compliance Policy, Trading compliance procedures, and Trading Compliance Risk Plans.

Trading Compliance Committee: Committee with obligations under the Trading Compliance Work Procedure to respond to issues under Stanwell's Australian Financial Services Licence as they arise. The Trading Compliance Committee includes Responsible Managers (including but not limited to the General Manager -Trading and Chief Financial Officer), Company Secretary, Assistant Company Secretary/Corporate Lawyer, Senior Compliance and Risk Analyst and **Manager Planning & Strategy**.

Trading Risk Management Committee: Committee with obligations under the Trading Risk Policy and the Trading Credit Policy with respect to key changes to strategy, review of counterparty credit exposure, approval of credit limits, approval of new trading products, management of key strategic arrangements and review of the Trading Policies. The Trading Risk Management Committee includes the Chief Executive Officer, Chief Financial Officer, Company Secretary, General Manager - Trading, General Manager - Business Development and the Middle Office Manager.

Responsibilities

In accordance with Stanwell's Code of Conduct, it is the responsibility of all Representatives (commensurate with their roles, functions and span of control) to comply with relevant statutory obligations.

The Board

The Board retains the ultimate responsibility for legal compliance and for determining the appropriate level of compliance that the Board is willing to accept in the conduct of Stanwell's business activities. The Board has established the Audit and Risk Management Committee (ARMC) to provide assurances concerning the management of risks within Stanwell.

The Board has among its primary responsibilities the establishment and monitoring of systems of internal control and risk management. In addition, Stanwell is required to include in its Annual Report details of the processes in place for managing, reviewing and communicating risks. Risks associated with non-compliance with the law are encapsulated in these requirements.



Audit and Risk Management Committee (ARMC)

The ARMC is delegated by the Board with overall responsibility for overseeing the compliance activities of Stanwell and approving appropriate compliance procedures and measurement methodologies across the organisation. The ARMC is responsible for reporting higher level compliance and risk exposures to the Board. The responsibilities and detailed administrative duties of the ARMC are set out in the Board approved Audit and Risk Management Committee Charter.

Executive Management

Executive Management are accountable for the identification, analysis, treatment and reporting of legal compliance risks and legal compliance breaches. They are responsible for the ultimate sign off of all risk information which they present to the ARMC.

Managers

Managers assume responsibility for ensuring effective implementation and maintenance of this Policy and that all personnel adhere to the associated systems and guidelines. Managers are then responsible for the regular reporting of the status of controls, compliance breaches and their improvement to Executive Management.

As new risks are identified or existing risks are removed or changed in character, Managers must ensure that the Compliance and Risks Database is updated and reported monthly on the risks within their business unit.

Managers are also responsible for thoroughly reviewing the risk profile of their units at least once a year as part of business planning and budgeting exercise. This review will consider the completeness of the risks identified, the accuracy of assessments, the continued operation of identified controls and accountabilities.



Company Secretary

The Company Secretary is responsible for the oversight of the Legal Compliance System implementation and operation, as conducted by the Corporate Compliance Officer. It is their duty to ensure that non-compliance issues are adequately investigated and all issues reported to appropriate parties in a timely manner.

All enquiries to the Australian Securities and Investments Commission (ASIC) be dealt with by the Company Secretary. Otherwise there must be no communication to ASIC without prior approval from the Company Secretary.

Assistant Company Secretary / Corporate Lawyer

To demonstrate its commitment to compliance with the law, Stanwell's Assistant Company Secretary / Corporate Lawyer is responsible for coordinating legal compliance. The Corporate Compliance Officer reports to the Company Secretary.

The Corporate Compliance Officer is responsible for:

- the provision of reporting, guidance, policy and legal advice to Stanwell in relation to compliance matters;
- ensuring that new laws and changes to the law are appropriately recorded, communicated and responded to across the organisation;
- conducting regular assessments on the impact and exposure of the legislation to each area;
- facilitating the development and continuous improvement of an organisation-wide Legal Compliance System;
- overseeing the implementation and continuous improvement of legal compliance structures and processes in place throughout the organisation;
- liaising with external parties;
- ensuring that throughout the organisation, compliance risks have been identified and assessed and appropriate controls developed to reduce the current risks to levels acceptable to the Board;
- This position is the contact point for any personnel wishing to confidentially report any non-compliance concerns or questions in relation to legal compliance issues.

Trading Compliance Committee

The Compliance Committee includes Responsible Officers (including but not limited to the General Manager Trading and Chief Financial Officer), Company Secretary, Corporate Compliance Officer, Trading Compliance Officer and Middle Office Manager.

The objective of the Trading Compliance Committee is to ensure that the obligations within the Trading Compliance Work Procedure are met and to report on specific identified Trading compliance issues and breaches to the Audit and Risk Management Committee, through the Quarterly Report Compliance Form reporting process as outlined in the Corporate Policy for Legal and Regulatory Compliance.

Responsible Officers

Responsible Officers have been nominated to manage the obligations under Stanwell's Australian Financial Services Licence and ensure that those obligations have been discharged. In their role, they must be capable of

- Managing the financial services aspects of the business
- Ensuring the quality of the financial service provided to its customers
- Ensuring the business is run in accordance with AFS requirements

Trading Compliance Officer



- The Trading Compliance Officer has been appointed to ensure that the objectives contained within the Trading Compliance work procedures have been satisfied. This includes:
- Complying with the obligations set out in the Trading Compliance Work Procedures and Risk Plans
 - Reviewing Compliance Reports from Reporting Managers
 - Investigate and Report on non-compliance and breach issues
 - Maintain the Trading Compliance and Breach Register
 - Monitor rectification of non-compliances
 - Liaise with the Corporate Compliance Officer on financial services and other legal compliance issues

The Trading Compliance Officer reports to the Trading Compliance Committee, General Manager – Trading and the Responsible Officers.

All Trading Representatives

As detailed in the Corporate Policy for Legal and Regulatory Compliance, all representatives have a responsibility to ensure that their activities on behalf of Stanwell and those of their colleagues comply with all applicable laws. All Trading Representatives are required to:

- comply with all relevant statutory compliance obligations
- familiarise themselves with Stanwell's policies concerning compliance with specific areas of legislation that affect their workplace activities
- report perceived breaches, near misses, risks, hazards, incidents and complaints
- refer to the relevant Stanwell policy before they act if they are uncertain as to what is legally compliance behaviour in a given situation
- implement the practices learned in training provided by Stanwell.

Specialist Advisers

A Specialist Adviser possesses specialist knowledge in an identified risk area and has a thorough understanding of all Stanwell policies or processes, laws, regulations, standards and guidelines applicable to that area. For example, the Corporate Health and Safety Advisor is the designated Stanwell Compliance advisor for all workplace health and safety laws with which Stanwell must comply, whilst the Financial Controller occupies the same position in relation to financial issues.

All Representatives

All Representatives have a responsibility to ensure that their activities on behalf of Stanwell and those of their colleagues comply with all applicable laws. All Representatives are required to:

- comply with all relevant legislation;
- familiarise themselves with Stanwell's policies concerning compliance with specific areas of legislation that affect their workplace activities;
- report perceived breaches, risks, hazards, incidents and complaints;
- refer to the relevant Stanwell policy before they act if they are uncertain as to what is legally compliance behaviour in a given situation; and
- implement the practices learned in training provided by Stanwell.

Policy

Legal and Regulatory Compliance



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To improve Stanwell's strong corporate governance and due diligence environment, Stanwell is committed to continuing to maintain and improve the existing Legal Compliance System. The Legal Compliance System is a management tool for identifying, monitoring and reporting on legal risk.

The key elements of the Legal Compliance System are:

- the areas within Stanwell that are affected by each statutory requirement;
- penalties for non-compliance;
- processes and procedures currently in place to ensure compliance;
- any identifiable gaps in the current processes;
- Risk Ranking of statutory obligations and any identified gaps;
- last review date of relevant risks; and
- education and training.

Identified statutory obligations will be risk assessed by the Corporate Risk Coordinator in conjunction with the Corporate Compliance Officer. This will allow the ARMC, with the support of the Corporate Compliance Officer and Company Secretary, to initially target resources to those areas of Stanwell where the greatest potential exposure lies.

Any subsequently identified non-compliance matters will also be risk assessed. On a weekly basis, divisions will maintain an Emerging/De-merging Issues Report which will identify incidents and compliance issues.

Monitoring and Reporting

Compliance is a dynamic environment with changes occurring both in internal processes and the statutory guidelines. As responsibility for compliance lies with all Representatives, reporting will operate through existing management reporting structures.

The Corporate Compliance Officer in conjunction with the specialist advisers for each division, will monitor the laws, regulations and codes for any changes or new statutory requirements. The Managers will monitor changes in internal processes to ensure that compliance is not negatively impacted. Continual consultation will be required between the Corporate Compliance Officer, General Managers, Company Secretary, Managers and the Specialist Advisers, to ensure that Stanwell is adhering to statutory requirements at all times.

A quarterly compliance reporting process has been developed. General Managers are asked to report on alleged breaches, risks of non-compliance and complaints received in the legislative area for which they have responsibility. They are required to detail remedial action taken to resolve breaches and prevent their recurrence and strategies and controls in place, or being developed, to better manage compliance risks.

The Corporate Compliance Officer will prepare a consolidated report on the outcomes of this process for the ARMC.



Continuous Improvement

On going reviews and certifications will be conducted in all areas. They will be conducted by the Corporate Compliance Officer, with the support from the Managers and specialist advisers. The reviews and certifications are in addition to internal audits. The results of these reviews shall be reported to the Managers, General Managers, Company Secretary and the ARMC. This will provide the Board with a level of comfort that the Legal Compliance System is effective and will highlight areas within the process that can be improved.

Education and Training

There are existing specialist areas within Stanwell:

- Financial Services;
- Business Services (including Workplace Health and Safety, Legal, Environment and Land and Property Management);
- Operations and Maintenance (including Employee Relations);
- Asset Management and Technical Services; and
- Energy Markets (including Business Expansion and Trading).

The General Managers and Managers, who are specialists in these areas, will provide invaluable support and guidance for staff in the maintenance and improvement of the Legal Compliance System.

The Corporate Compliance Officer, in conjunction with external legal advisors, will provide education and training to staff in relation to the Legal Compliance System. This education will be provided using newsletters, updates, presentations and specific advice on an as required basis. The newsletters will be issued by the Corporate Compliance Officer to advise of any compliance changes and detail the anticipated impact on Stanwell and the specific divisions. Training will be provided to personnel on specific legislative requirements and will be available to personnel in conjunction with the Training Coordinator.

This ongoing training will align itself with the dynamic nature of both Stanwell and the compliance arena.

Review and Audit

Audit and risk management facilitates good governance by periodically reviewing the continuing sustainability and effectiveness of this policy and reporting to ARMC any findings and recommendations for improvement.

The Corporate Compliance Officer conducts ongoing audits of the divisional compliance systems established by the Specialist advisers. The audit system is based on the Australian Standard for Compliance Systems, AS3806.

Annually, the Corporate Compliance Officer with the support of the Company Secretary will perform an audit of the Legal Compliance System. The details of the nature of the audit are included in Section 1 of the Legal Compliance System.



++ + Communication Plan

The policy will be communicated to stakeholders using education and training as detailed above and via email.

+ Links and References

- Australian Standard for Compliance Systems, AS3806;
- Stanwell's Legal Compliance System (available via intranet);
- Stanwell's Corporate Risk Management System (available via intranet);
- Stanwell's Environmental Management System (available via intranet);
- Stanwell's Quality Management System (available via intranet);
- Health and Safety System (available via intranet);
- All Commonwealth and State laws, regulations, standards, guidelines, policies applicable to Stanwell's operations (as listed in Schedule 2 of the Legal Compliance System);
- Stanwell's internal policies, strategies, procedures, work instructions and authority to work;
- User Guide to Completing the Quarterly Report – Compliance Forms (Operations and Maintenance);
- User Guide to Completing the Quarterly Report – Compliance Forms (Finance);
- User Guide to Completing the Quarterly Report – Compliance Forms (Business Services);
- User Guide to Completing the Quarterly Report – Compliance Forms (Energy Markets);
- User Guide to Completing the Quarterly Report – Compliance Forms (Asset Management and Technical).