

# Compliance framework

*Western Power's purpose is to connect people with electricity in a way that is safe, reliable and efficient and continually developing to embrace emerging industry technologies. An important aspect of achieving this is to ensure Western Power acts consistently in meeting the expectations held by the owner, the community, Regulators and other stakeholders.*

*Western Power aspires to maintain a culture that values and supports continued compliance with all applicable legislative and regulatory Obligations and appropriate ethical standards. This Compliance Framework outlines Western Power's approach to achieving compliance with all these Obligations and standards.*

## 1.1 Related policies

This Compliance Framework is made under and supports the Assurance and Risk Policy.

## 1.2 Objectives

This Compliance Framework outlines the mechanisms and identifies responsibilities to be implemented by Western Power in order to achieve the following compliance objectives:

- establish an effective Compliance Management System to minimise Western Power's regulatory risk
- identify, document and allocate to functions, Obligations applicable to Western Power operations
- prevent the failure to comply with an Obligation by identifying priorities and accountabilities
- support the establishment and maintenance of a proactive culture of compliance through compliance planning, monitoring and reporting
- establish a reporting framework by which the Executive and Board can be informed of Western Power's compliance status
- empower all Personnel to embrace a proactive compliance culture and to be accountable for compliance within their area of work, ensure completion of training
- maintain open communication with Personnel on compliance outcomes and support and encourage the reporting of actual or suspected Compliance Failures
- encourage the identification of Obligations that could be reformed to provide more efficient outcomes and encourage engagement with relevant Regulators to influence favourable legislative and policy amendment
- enhance Western Power's corporate reputation by demonstrating a comprehensive compliance program and proactive compliance culture to its owners, customers, Regulators and key stakeholders.

### 1.3 Scope

This Compliance Framework applies to all Western Power Personnel.

In this Compliance Framework, Personnel means:

- (i) every employee, officer and director of Western Power, and
- (ii) every contractor of Western Power when performing activities on behalf of Western Power.

## 2. Compliance Management System

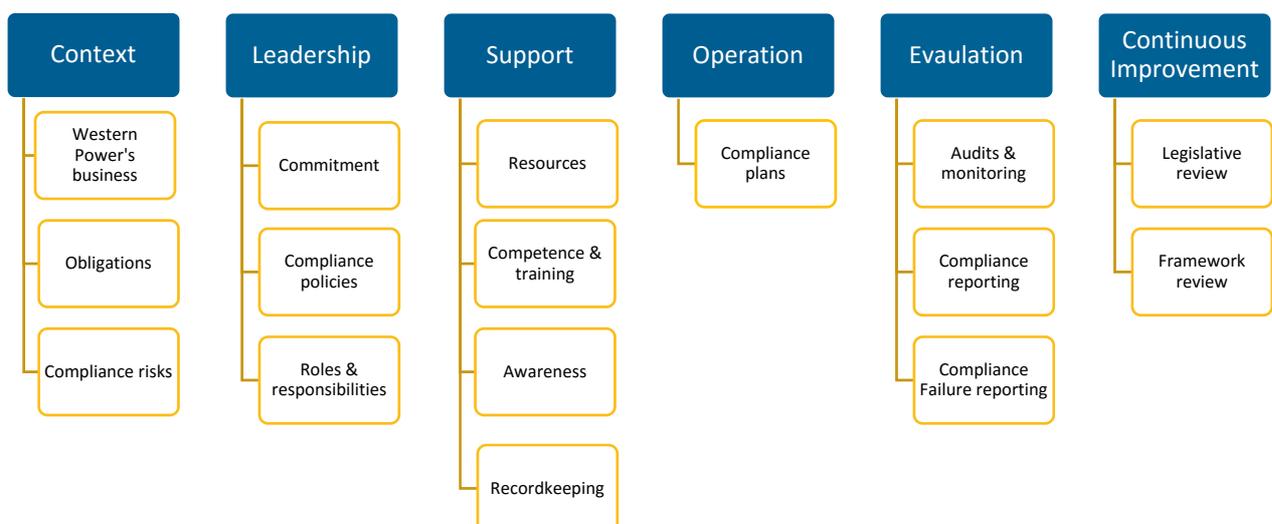
Western Power has taken guidance from AS/ISO 19600:2015 – Compliance Management Systems – Guidelines in designing this Compliance Framework for Western Power’s Compliance Management System. The international standard, AS/ISO 19600:2015 includes risk management as an essential aspect of a compliance management system and also focuses on compliance as part of the culture of an organisation.

This Compliance Framework aims to ensure that Western Powers’ compliance functions have:

- direct access to Western Power’s Board
- independence
- appropriate authority and adequate resources.

The Corporate Compliance Standard provides guidance for establishing, developing, implementing, evaluating, maintaining and continually improving an effective and responsive Compliance Management System.

Western Power’s Compliance Management System is structured according to context, leadership, support, operation, evaluation and continuous improvement, as follows:



## 3. Context

### 3.1 Western Power's business

Western Power is a Western Australian State Government owned statutory corporation with the purpose of connecting people with electricity in a way that is safe, reliable, efficient and continually developing to embrace emerging industry technologies.

### 3.2 Obligations

Western Power is governed by licences, legislation, regulations and codes covering many aspects of its operations, including business performance targets, waste disposal and the safety of both Personnel and the public. Western Power must also comply with guidelines and rules issued by relevant Regulators.

All Obligations relevant to the operation of the corporation are identified and documented forming part of the Compliance Management System.

Western Power maintains an electronic Obligations register, referred to as the Online Compliance Register, which catalogues the Obligations that are applicable to Western Power's operations. All Personnel have access to the Online Compliance Register.

### 3.3 Identification, analysis and evaluation of compliance risks

Each Obligation is assessed against approved Risk Assessment Criteria and an inherent risk rating is identified for the Obligation. Each Obligation is assigned to the business unit function(s) best positioned to manage and control the risk of non-compliance.

Obligations with an inherent rating of catastrophic, major or moderate receive a residual risk rating. An Obligation scoring a residual risk rating of high or extreme is categorised as a SLO.

The residual risk assessment also allows Western Power to prioritise the management of SLOs according to severity.

## 4. Leadership

### 4.1 Commitment

#### 4.1.1 Statement of Corporate Intent

Western Power's commitment to compliance is evidenced in its annual Statement of Corporate Intent.

The Statement of Corporate Intent is prepared in accordance with Part 5 of the Act. It sets out Western Power's business intentions for the following financial year and outlines the objectives, functions, main undertakings and performance targets for the year, the community service obligations required of Western Power, the dividend and accounting policies to apply, and the information to be provided to the Minister (section 99 of the Act).

The Statement of Corporate Intent sets compliance with Obligations as a key annual priority and provides that:



*Western Power is committed to meeting its obligations by working with regulators and other third parties and delivering on its commitments.*

#### 4.1.2 Strategic Plan

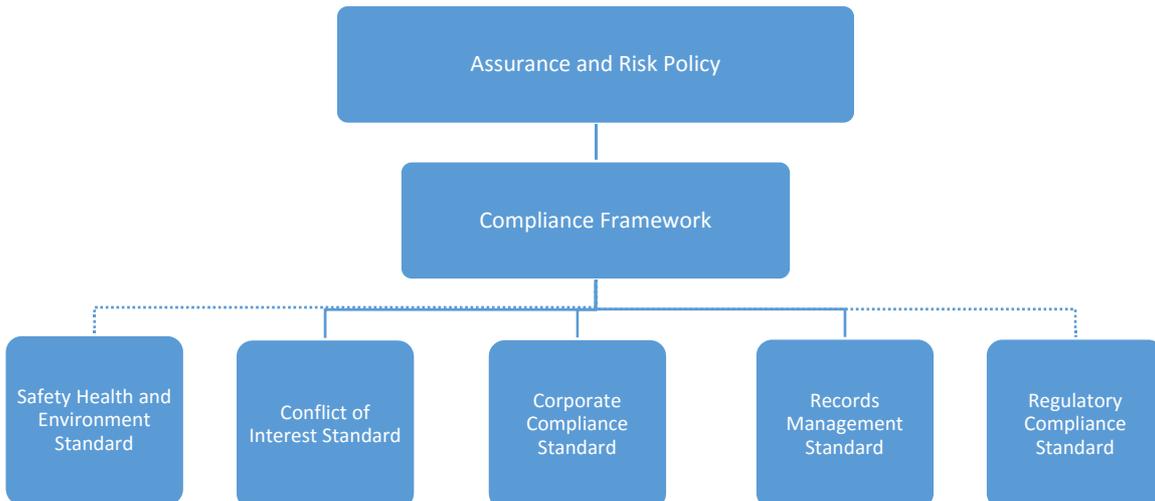
The Western Power Strategic Plan 2017-22 includes corporate objectives of safety, reliability, efficiency and continually developing to embrace emerging industry technologies in connecting people with electricity. A significant proportion of Western Power's Obligations arise out of legislation enacted to ensure the safety of both Personnel and the public and the reliability of electricity supply. A compliance program that delivers compliance with these Obligations aligns with Western Power's objectives of safety and reliability. It also upholds the corporate value of integrity.

#### 4.1.3 Corporate Document Framework

In accordance with best practice recommendations, Western Power has documented a Corporate Document Framework which establishes a hierarchy and approval structure for Western Power's corporate documents. An aspect of the Corporate Document Framework is the establishment of Western Power's Corporate Policies.

### 4.2 Compliance document suite

#### 4.2.1 Compliance hierarchy



#### 4.2.2 Compliance standards

This Compliance Framework is underpinned by the following Standards managed by Corporate Compliance:

- **Corporate Compliance Standard:** A Standard detailing the activities completed by Western Power for the purposes of maintaining the Compliance Management System.
- **Conflict of Interest Standard:** A Standard detailing how Western Power manages conflicts of interest.
- **Records Management Standard:** A Standard detailing how Western Power manages its records and information.

It is also supported by the following Standards that are managed by other parts of the corporation:

- Regulatory Compliance Standard: A Standard detailing the activities completed by the Regulation and Investment Management function for the purposes of maintaining compliance with regulatory requirements and Obligations.
- Safety Health and Environment Standard: A Standard detailing activities completed by the Safety, Environment, Quality and Training (SEQT) function for the purposes of maintaining and managing safety, health and environment management systems and operations.

#### 4.2.3 Compliance Procedures and Guidelines

Sitting below the Standards managed by Corporate Compliance are various compliance Procedures and Guidelines as approved by the Head of Governance, Risk and Compliance from time to time. See the related documents section for more information.

### 4.3 Roles and responsibilities

Western Power is committed to having adequate compliance resources to implement, monitor and review its Compliance Management System. Ownership and accountability for compliance within Western Power is a shared day-to-day responsibility and is cascaded from the Board and Executive Managers to all Personnel.

#### 4.3.1 Board

The Board is ultimately responsible for ensuring that Western Power conducts its operations in compliance with all applicable Obligations.

#### 4.3.2 Finance & Risk Committee

The F&RC is a Board committee established to assist the Board in fulfilling its fiduciary and corporate governance responsibilities, including those related to compliance.

#### 4.3.3 Executive Managers

Executive Managers are responsible for implementing, maintaining, and communicating this Compliance Framework throughout Western Power and to all Personnel. In addition, Executive Managers must ensure that all Personnel reporting to them are aware of and comply with all applicable Obligations and Compliance Policies, including the Compliance Failure Reporting Procedure.

Executive Managers must also provide Quarterly Compliance Assurance Reports for identified SLOs and other Obligations that are their business unit's responsibility to manage and implement rectification actions arising from reported Compliance Failures within their business unit.

#### 4.3.4 Governance & Assurance

Western Power's General Counsel, the Executive Manager Governance and Assurance, has the overall accountability to approve Western Power's Compliance Management System including this Compliance Framework and those Standards, managed by Corporate Compliance, which support the Compliance Management System.

#### 4.3.5 Governance, Risk and Compliance



Western Power's Head of Governance, Risk and Compliance is responsible for the design, implementation, development, maintenance, performance and continuous improvement of the Compliance Management System and is tasked with ensuring appropriate financial and other resources are available and that it meets performance objectives and promotes the desired compliance culture within Western Power as required.

#### 4.3.6 Corporate Compliance

Western Power's Corporate Compliance Manager sits within the Governance, Risk and Compliance function and, together with the Corporate Compliance area, is responsible for the day to day implementation and operation of the Compliance Management System. All Compliance Failures submitted directly to Corporate Compliance enable enhanced compliance reporting to the Board and Executive and a more holistic view of compliance across Western Power.

#### 4.3.7 Regulatory Compliance

Western Power has a dedicated Regulatory Compliance area with oversight of Western Power's compliance with the Obligations prescribed in its distribution and transmission licences. Regulatory Compliance sits within the Regulation and Investment Management function, in the Finance, Regulation and ICT business unit.

#### 4.3.8 Safety, Environment, Quality and Training

The SEQT function that sits within the Asset Management business unit has significant function-specific compliance responsibilities. In response to this, there are SEQT-specific systems and Personnel that complement and support this Compliance Framework.

#### 4.3.9 Records management

Western Power is responsible for the appropriate management of its records in accordance with all applicable Obligations. Information Compliance Specialists, sitting within Corporate Compliance, manage Western Power's records and information, ensuring records are created and maintained over time and disposed of in accordance with all applicable Obligations as set out by Western Power's Records Management Standard.

All Personnel are responsible for the management of information created pursuant to their role, in accordance with Western Power's Records Management Standard.

#### 4.3.10 Enterprise Risk

Western Power operates in accordance with an Enterprise Risk Management Standard and has a dedicated Risk business area within the Governance, Risk and Compliance function.

#### 4.3.11 Heads of Function, Area Managers and formal leaders generally

In order to achieve an embedded compliance culture across all Western Power operations, all formal leaders within Western Power must promote and implement this Compliance Framework. All formal leaders must lead by example and actively support this Compliance Framework. In addition, all formal leaders must ensure that compliance KPIs are included in applicable Personnel performance evaluations and ensure the completion of all relevant Personnel training.

Heads of Function are responsible for the day-to-day management of compliance with the Obligations and SLOs allocated to their function. Heads of Function actively maintain a



Compliance Plan of Obligations (see below) and provide quarterly personal representations as to compliance performance within their function via the Quarterly Compliance Assurance Report process.

#### 4.3.12 All Personnel

All Personnel must act in accordance with the principles of Western Power's Compliance Management System and the Code of Conduct. Personnel must ensure that they complete all relevant training to ensure that they are aware of all Obligations and Compliance Policies relevant to their position.

All Personnel are responsible for reporting any Compliance Failures in accordance with the Compliance Failure Reporting Procedure.

## 5. Support

### 5.1 Resources

Western Power is committed to retaining adequate compliance resources to implement, monitor and review its Compliance Management System.

### 5.2 Competence and training

Education and awareness of Obligations and Compliance Policies are key components in the management of Western Power's Compliance Management System. Personnel must undertake regular compliance training on Obligations and applicable Compliance Policies deemed relevant to their position.

The aim of compliance education is to ensure that all Personnel understand Obligations relevant to their position, recognise what can go wrong, how they should act in particular circumstances and when they need to seek advice.

### 5.3 Awareness

All Personnel must remain aware of the requirements of the Assurance and Risk Policy, Code of Conduct and Compliance Policies relevant to their position.

Western Power places the utmost importance on the ethical behaviour of its Personnel. The principles established by the Code of Conduct are an important part of Western Power's Compliance Management System. Under legislation governing Western Power's distribution and transmission licences, the Board is required to report to the Government on the observance of the Code of Conduct by all Personnel, and include the results in its annual report. Adhering to the Code of Conduct and other Corporate Policies, is considered an essential term of employment applying to all Personnel. Any Personnel who breach the Code of Conduct may face disciplinary action including dismissal. Misconduct, including breaches of laws or regulations, by Personnel is reported to external regulators and may also be referred to appropriate law enforcement authority.

## 6. Operation



Western Power ensures that it meets its Obligations by planning, implementing and maintaining controls to manage and mitigate identified compliance risks and to achieve a proactive compliance culture.

## 6.1 Compliance Plans

Each SLO Sponsor must document assigned SLOs in a Compliance Plan and identify the controls that mitigate the SLO risks, the control owner and the residual risk rating.

The SLO Sponsor must also document control self-assurance activities (where relevant) and any identified improvement actions including training needs or any audit recommendations.

# 7. Performance evaluation

## 7.1 Audits and monitoring activities

### 7.1.1 Compliance Framework audits

This Compliance Framework is subject to internal audits through Western Power's approved Annual Audit Plan.

### 7.1.2 Licence audits (including Type 1 Obligation audits)

Western Power reports regularly to the ERA in relation to its asset management system and its adherence to its transmission and distribution licence Obligations. Additionally, the business may conduct periodic Type 1 Obligation audits with results reported to the ERA.

### 7.1.3 Safety, health and environment (SHE)

Western Power's business activities and assets have inherent risks and have the potential to cause damage to property, serious injury or fatalities. Western Power's safety management system, managed by the SEQT function, sets out the measurable and quantifiable KPIs (lead and lag indicators) designed to provide assurance that Western Power activities and assets are being managed responsibly.

Western Power's SHE tools include investigation activities that generate reports and other data regarding safety, health or environmental incidents that have occurred. To support this Compliance Framework the SEQT function:

- conducts independent investigations following a significant safety, health or environmental incident that has occurred
- provides recommendations to the business following an investigation into an incident to mitigate risks associated with the incident and to minimise recurrence
- conducts compliance monitoring activities against SHE Obligations
- provides investigation reports to Regulators as required.

Corporate Compliance uses SHE investigation information to liaise with the business where Compliance Failures have occurred as a result of an incident and to ensure the business reports Compliance Failures in accordance with this Compliance Framework. The business is

responsible for implementing recommendations as identified by SHE investigation reports, or otherwise documenting reasons why recommendations are invalid or unnecessary.

## 7.2 Compliance reporting

### 7.2.1 Annual reporting

Western Power's Annual Report includes compliance disclosures in relation to specific Obligations as required under legislation. This includes Western Power's observance of the Code of Conduct.

### 7.2.2 Monthly and quarterly reports

Corporate Compliance prepares monthly compliance reports to the Executive and Quarterly Compliance Reports to the Board via the F&RC. The Quarterly Compliance Reports may include reporting on:

- compliance monitoring results
- compliance training results and effectiveness
- significant changes to Obligations
- changes to the number of SLOs under management
- legal and regulatory updates
- qualifications from Heads of Function, and Executives contained in Quarterly Compliance Assurance Reports
- Compliance Failures of Obligations and related rectification actions
- breaches of the Code of Conduct including Conflicts of Interest
- breaches of any delegated authority
- communications with Regulators.

Corporate Compliance gathers information to prepare Quarterly Compliance Reports from the Quarterly Compliance Assurance Reports, electronic compliance tools, audits and periodic meetings with senior managers.

Monthly compliance reports collated for the Executive contain information on SLO Compliance Failures for the reporting month and any legislative changes that have the potential to impact business operations.

### 7.2.3 Quarterly Compliance Assurance Reports

Executive Managers and Heads of Function are required to report on, and provide a personal certification in relation to, their business functions' compliance management performance on a quarterly basis. The information collected by the respective SLO Sponsors in their Compliance Plans must be available for review by the relevant Executive Manager for preparation of the Quarterly Compliance Assurance Report.

## 7.3 Compliance failure reporting

A strong compliance culture and program requires all Personnel to be aware of the specific requirements for handling and reporting actual or suspected Compliance Failures.

All Personnel must follow the Compliance Failure Reporting Procedure when reporting Compliance Failures.

The rectification of a particular Compliance Failure is the primary responsibility of the relevant Head of Function, in liaison with the Corporate Compliance Manager and General Counsel, where appropriate.

Corporate Compliance maintains a comprehensive breach register that records the details of reported Compliance Failures. Corporate Compliance reports on the breach register including status of remediation activities, to the Board (via the F&RC) through Quarterly Compliance Reports.

## 8. Continuous improvement

### 8.1 Obligation reassessment

Obligations are reassessed periodically and whenever there are:

- changes to Western Power's organisational structure or strategy
- significant external changes such as market conditions, liabilities or stakeholder relationships
- changes to source legislation.

### 8.2 Legislative review

Western Power works closely with regulatory authorities to identify and influence development of or amendments to, legislation, regulations and codes to assist Western Power to use its resources more effectively and to deliver a reliable and efficient service to its customers.

## 9. Dictionary

Words in the first column of the following table are defined terms or acronyms and have the corresponding meaning shown in the second column of the table. Note, defined terms appear in this document as capitalised.

Defined term	Meaning
Act	<i>Electricity Corporations Act 2005 (WA)</i>
AEMO	Australian Electricity Market Operator
Compliance Failure	A Compliance Failure includes a breach of an Obligation (including an SLO), a Potential Breach, a Policy breach and a Near Miss.

Defined term	Meaning
Compliance Framework	This Compliance Framework
Compliance Management System	Western Power's Compliance Management System comprises of the Assurance and Risk Policy, this Compliance Framework, the Corporate Compliance Standard and other related Standards and underlying Compliance Policies.
Compliance Plan	<p>Compliance Plans are tools which document and assist how a business function manages the Obligations (including SLOs) for which the function is responsible. Compliance Plans include:</p> <ul style="list-style-type: none"> <li>the obligations for which the function is responsible</li> <li>a residual risk evaluation of the Obligations in relation to the risk of non-compliance</li> <li>controls and accountability of controls</li> <li>self-assurance activities.</li> </ul>
Compliance Policies	This Compliance Framework and any relevant supporting Standards, Procedures or Guidelines which fall under this Compliance Framework.
Corporate Policies	Any Policy, Framework, Standard, Guideline or Procedure governed by Western Power's Corporate Document Framework.
EPA	Environmental Protection Authority (WA)
ERA	Economic Regulatory Authority (WA)
Executive	All of the Executive Mangers of Western Power
Executive Manager	An Executive Manager of Western Power
F&RC	Finance & Risk Committee of Western Power's Board
Framework	A structure of Procedures and Guidelines and other controls that support the implementation of the stated outcomes of policies in a consistent manner in a specified area. It explains the interactions with other Frameworks and key Policies.
Guideline(s)	Statements or practices aimed at streamlining a particular business process according to a set routine or sound practice. Guidelines may be mandatory or optional.
KPI	Key performance indicator
Near Miss	An incident, event or circumstance that could have resulted in a breach of an Obligation but did not due to timely intervention, luck or chance.

Defined term	Meaning
Obligations	<p>The obligations that apply to Western Power’s operations contained in the following sources:</p> <ul style="list-style-type: none"> <li>• Commonwealth Government legislation and regulations</li> <li>• State Government legislation and regulations</li> <li>• industry codes of conduct</li> <li>• conditions imposed on approvals and licences required to carry out the business</li> <li>• general law, such as case law</li> <li>• Commonwealth and State Government policy, guidelines and practice statements</li> <li>• relevant industry guidelines and practice statements</li> <li>• compliance related internal policies and ethical standards.</li> </ul> <p>Western Power utilises additional Obligation classifications of SLOs and Type 1 Obligations.</p>
Personnel	Personnel has the meaning in Section 1.3 of this document.
Policy	High-level, brief, clear, statements of principle indicating Western Power’s intention and direction, to enable effective decision-making processes.
Potential Breach	<p>An incident, event or circumstance for which there is uncertainty on whether Western Power breached an Obligation and for which:</p> <ul style="list-style-type: none"> <li>• advice is sought on whether a Compliance Failure occurred, or</li> <li>• a third party (i.e. a Regulator) may determine that a Compliance Failure occurred.</li> </ul>
Procedures	How-to or step-by-step instructions implementing a process and detailing the roles and responsibilities of the people assigned to carry out the particular activities.
Quarterly Compliance Assurance Report	A quarterly report produced in accordance with the Compliance Framework, where the Heads of Function and Executives provide quarterly certification for SLOs and Obligations supported by appropriate evidence.
Quarterly Compliance Reports	A quarterly report on all relevant compliance matters prepared by Corporate Compliance for the Board via the F&RC.
Regulators	State or Commonwealth Government regulators that administer Obligations governing Western Power’s business including but not limited to the Australian Competition and Consumer Commission (ACCC), EnergySafety, AEMO, AER, the Inspector of Dangerous Goods, EPA and ERA.
SLO	Significant legislative obligation(s). Obligations assigned a residual risk rating of extreme or high.
SLO Sponsor	The Head of Function(s) assigned accountability for Western Power’s compliance with a SLO.
Standard	Refined statements of principle within a specific area covered by a Policy that assist with the achievement and implementation of the stated outcomes of that Policy. Standards establish levels of quality or thresholds which must be met.

Defined term	Meaning
Type 1 Obligations	Refer to the ERA's risk and reporting classification of electricity licence Obligations (see ERA Electricity Compliance Reporting Manual July 2017). Type 1 Obligations are classified on the basis that the consequences of non-compliance would cause major damage, loss or disruption to customers or the consequences of non-compliance would endanger or threaten to endanger the safety or health of a person.

## 10. Further information

If you have any questions in relation to this Compliance Framework please contact the Corporate Compliance Manager.

## 11. Content owner

General Counsel

## 12. Accountabilities

General Counsel	Accountable for approving the content of this Compliance Framework.
	Accountable for publishing the approved version of this Compliance Framework in Western Power's Corporate Policies register.
Head of Governance, Risk and Compliance	Accountable for the development, maintenance and implementation of this Compliance Framework.

## 13. Review

This Compliance Framework will be reviewed and evaluated by the content owner at least once in every three year period taking into account the purpose of this Compliance Framework, or earlier if circumstances require.

## 14. Related documents

Title	EDM reference
Assurance and Risk Policy	EDM 32565084
Code of Conduct	EDM 34010733
Compliance Failure Reporting Procedure	EDM 24012640
Conflict of Interest Standard	EDM 34015624
Corporate Compliance Standard	EDM 42982044

Title	EDM reference
Corporate Document Framework	EDM 23219616
Enterprise Risk Management Standard	EDM 41495635
Internal Audit Charter	EDM 31064221
Records Management Standard	EDM 34049528
Regulatory Compliance Standard	EDM 43273379
Risk Assessment Criteria	EDM 34037272
Safety, Health and Environment Standard	EDM 32254910

## 15. Approval history

Version	Approved by	Date of approval	Resolution no.	Notes
1.	F&RC	03/05/2010	023/2010/FRC	Predecessor Legislative & Regulatory Compliance Framework
2.	Board	18/12/2006	BD/114/2006	Predecessor Legislative & Regulatory Compliance Policy
3.	F&RC	19/7/2007	FRC/15/2007	Predecessor Legislative & Regulatory Compliance Framework
4.	F&RC	03/05/2010	023/2010/FRC	Predecessor Legislative & Regulatory Compliance Policy
5.	Board	05/08/2014	015/2015/BD	
6.	General Counsel	31/03/2015	04/2015/BD	Minor amendments approved under authority delegated by Board on 01/07/2014
7.	General Counsel	27/7/2017	N/A	Separated the Compliance Framework from the Corporate Compliance Standard and further clarified accountabilities

Date of Approval: 27/07/2017

Sam Barbaro  
General Counsel