

COMPLIANCE POLICY

GOV - POL - 20

1. Objectives

Tarong Energy is committed to conducting its business activities in a manner consistent with all of its regulatory, legislative, contractual and policy obligations.

The objectives of this compliance policy are:

- to identify a clear compliance framework within which Tarong Energy will operate;
- to promote a consistent and rigorous approach to compliance throughout Tarong Energy;
- to develop and implement practices and procedures that facilitate and monitor compliance;
- to uphold good corporate governance practices; and
- to engender a culture of compliance where every person within Tarong Energy accepts personal responsibility for compliance.

2. Scope

This policy applies to every person working at Tarong Energy and its subsidiaries.

The policy seeks to ensure Tarong Energy's approach to compliance is consistent and comprehensive having particular regard to:

- regulatory compliance;
- legislative compliance;
- contractual compliance; and
- (internal and external) policy compliance.

Detailed operational procedures and practices supporting this compliance policy will be specified in written procedures.

3. Policy Statement

This Compliance Policy is aligned with Tarong Energy's strategic objectives as articulated in the *Statement of Corporate Intent* and *Corporate Plan*.

Tarong Energy acknowledges the principles and standards identified in *Australian*

WRITTEN BY: APPROVED BY: DATE: 17 October 2007....
 NAME: D Farrelly NAME: J Williamson

QA CHECK BY:/N/A..... CONTENTS CHECK BY:/N/A.....
 NAME: NAME:

GOV_POL_20.DOC Doc No: GOV-POL-20 Rev: 0 Rev Date: 17/10/2007 Page 1 of 5

Refer to Board Memorandum BD-07-10-4.1 for final Board Approval

THIS DOCUMENT IS UNCONTROLLED IN HARD COPY FORMAT

Standard 3806: Compliance Systems.

Tarong Energy recognises that there are three key elements for an effective compliance system:

- structural elements – Tarong Energy’s commitment to and establishment of a compliance system;
- operational elements – identification, implementation and reporting requirements;
- maintenance elements – education, monitoring and review of existing processes.

To achieve its compliance charter, Tarong Energy will:

- encourage and support an effective Board and senior management organisational structure which endorses a compliance culture within Tarong Energy;
- establish and implement an appropriate compliance system for the identification, assessment, management, reporting, review and monitoring of material compliance obligations;
- ensure the compliance system identifies clear accountability for and ownership of the compliance system and any compliance issues within Tarong Energy;
- require regular compliance reporting via the Executive Management Team to the Board and/or its committees (as required);
- review processes and procedures to ensure compliance obligations are integrated into day to day operations of Tarong Energy;
- provide necessary communication, instruction, training and resources to enable the Corporation’s employees to understand their own personal accountability in respect of compliance and to be able to effectively carry out their responsibilities;
- ensure the effectiveness of the compliance is monitored by reporting of non-compliance incidents and recognition of high compliance standards; and
- incorporate compliance management into business plans and risk management processes.

4. Responsibility and Authority

All personnel working at Tarong Energy are responsible for:

- ensuring that on a day to day basis they comply with relevant legislation, regulations, contractual obligations and policies in performing their work;
- incorporating compliance management practices into their business units; and
- reporting any actual or potential breaches or incidents as required by the compliance system.

The **Tarong Energy Board** has ultimate accountability to shareholding Ministers for the Corporation’s compliance with its legislative, regulatory, contractual and policy obligations. The Board is advised regularly on compliance related issues and any non-compliance incidents. The Board has established the **Audit and Risk Management Committee** to:

- assist the Board in discharging its responsibility to ensure effective compliance systems are in place; and
- review the management of risk and compliance within the Corporation.

The Audit and Risk Management Committee operates and reports within terms of reference set by the Board.

The **Chief Executive Officer (CEO)** is accountable to the Board for ensuring implementation of Tarong Energy's compliance system and, specifically, ensuring a compliance culture is promoted within Tarong Energy and all personnel adhere to this Compliance Policy. The CEO is to periodically certify Tarong Energy's compliance to the Board as required by the Board.

The **General Manager – Corporate Governance** is the corporate sponsor of Tarong Energy's compliance system and this Compliance Policy. The General Manager – Corporate Governance is accountable to the CEO for overseeing the compliance system to ensure:

- the ongoing effectiveness, integrity and relevance of the compliance system to the operations of Tarong Energy;
- the compliance system accords with the requirements of the Board of Directors of Tarong Energy;
- to the extent relevant, the compliance system complies with principles of good corporate governance and achieves applicable standards.

Each member of the **Executive Management Team** is accountable to the CEO for the on-going identification, assessment, management, reporting, review and monitoring of compliance issues within their respective business units and for ensuring adherence to this Compliance Policy. Each member of the Executive Management Team is to periodically certify compliance in respect of their business unit to the CEO as required by the CEO. The Executive Management Team may utilise its management sub-committee structure to assist it on compliance issues.

The **Corporate Risk & Compliance Manager** is accountable to the General Manager – Corporate Governance for coordinating risk and compliance management at Tarong Energy in accordance with this Policy and approved procedures. The Corporate Risk & Compliance Manager is also accountable for ensuring that:

- Awareness of compliance is promoted within Tarong Energy;
- Tarong Energy identifies its compliance obligations whether those obligations arise in a regulatory, legal, contractual, internal policy or governmental policy context;
- Tarong Energy has appropriate Board-approved systems, processes and procedures in place to meet material compliance obligations.

For the avoidance of doubt, it is not the responsibility of the Manager to ensure compliance by individual business units or personnel within Tarong Energy.

The **Internal Auditor** has a separate charter agreed by the Board. The role of the Internal Audit in respect of compliance is to review the adopted compliance systems against set criteria to confirm the effectiveness of the systems and to identify any need for improvement or change in the systems.

5. Compliance System Content

5.1 Compliance System Design and Content

The compliance system is to cover material compliance obligations whether they arise from a regulatory, legislative, contractual, internal policy and governmental policy requirements.

The particular obligations to be included within the compliance system, and obligations to be excluded from the compliance system, are to be approved by the Board.

Broadly, the scope of the compliance system will include:

- (a) Legislative obligations
 - (i) Existing obligations (both general obligations and specific (eg Directions issued to Tarong Energy under legislation (eg Water Act, Government Owned Corporations Act, Electricity Act); and
 - (ii) New or amended obligations
- (b) Regulatory obligations
 - (i) Existing
 - (ii) New or amended regulatory obligations
- (c) Contractual obligations
- (d) External and Internal policy obligations
 - (i) External policies (eg GOC policies);
 - (ii) Internal policies (Tarong Energy policies); and
 - (iii) External directives/requests (including Ministerial requests/directives other than formal Directions under legislation).

5.2 Compliance reporting

The compliance system must enable regular efficient and effective reporting to both senior management and the Board in respect of Tarong Energy's compliance obligations.

Where reasonable and appropriate, this reporting may be electronically enabled to promote efficiency.

The reporting must identify non-compliances with Tarong Energy's compliance obligations and specify the nature and status of any corrective actions planned or undertaken in relation to the non-compliance.

5.3 Compliance training

The compliance system must promote awareness of compliance through facilitation of training and education of personnel in Tarong Energy's compliance obligations. Where necessary, training may be tailored to meet the specific obligations applicable to respective positions in the corporation.

Where reasonable and appropriate, this training may be electronically enabled to promote efficiency.

5.4 Continuous Improvement

The Corporate Risk & Compliance Manager must ensure that compliance obligations contained in the compliance system remain an accurate and up-to-date outline of Tarong Energy's obligations and must ensure that new compliance obligations are examined (and if appropriate recommended) for inclusion in the compliance system.

The Corporate Risk & Compliance Manager, in consultation with the members of the Executive Management Team, must also periodically review the overall compliance system to ensure it remains efficient and effective and is appropriate to Tarong Energy's needs. The Manager may make recommendations for improvement.

6. Definitions

For the purposes of this Policy, **Compliance** means ensuring that the requirements of:

- laws, regulations, by laws, Codes and Standards;
- Tarong Energy policies, procedures and standards;
- Tarong Energy contractual obligations ; and
- Government directives and policies;

(as approved by the Board for inclusion in the compliance system) are met.

7. Review

This policy will be reviewed every 2 years.

8. Revision History

Rev. No.	Rev. Date	Revision Description	Author	Approved. By
0	17 October 2007	New Compliance Policy. Previously Risk and Compliance Management Policy GOV-POL-04 was in place.	D Farrelly	Board