

Compliance Framework

1. Brief description

Western Power's vision is to deliver on the changing energy needs of Western Australians, powered by community trust and the passion of our people while ensuring we continue to supply safe, reliable and efficient energy. An important aspect of achieving this vision is to ensure Western Power acts consistently and with integrity as a trusted service provider to the community and in compliance with all applicable legislative and regulatory Obligations when meeting expectations of its owner and other stakeholders.

1.1 Related policies

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

1.2 Introduction

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 risks and support the achievement of Western Power's strategic objectives
- identify, document and allocate Obligations applicable to Western Power operations
- prevent the failure to comply with an Obligation by identifying priorities and accountabilities through a risk-based approach
- 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 potential Compliance Failures
- encourage the identification of Obligations that could be reformed to provide more efficient outcomes and encourage engagement with relevant Regulators to advocate for more relevant and effective legislative and regulatory amendments, and
- enhance and protect Western Power's corporate reputation by demonstrating a comprehensive compliance program and proactive compliance culture providing a more robust corporate governance 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 embedded contractor working as part of Western Power’s substantive workforce.

2. Details

2.1 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. This international standard, AS/ISO 19600:2015 includes risk management as an essential aspect of a compliance management system and focuses on compliance as part of the culture of an organisation.

This Compliance Framework aims to ensure that Western Power’s 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 the six components of context, leadership, support, operation, evaluation and continuous improvement (refer to Figure 1 below).

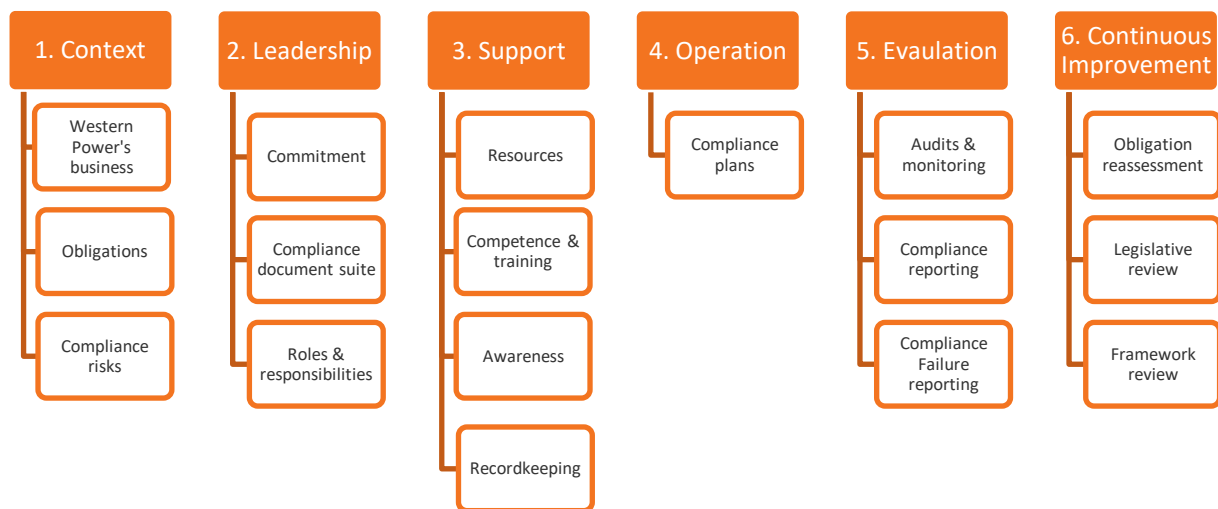


Figure 1: Western Power’s Compliance Management System structure, adapted from AS/ISO 19600:2015 – Compliance Management Systems – Guidelines.

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 energy in a way that is safe, reliable, efficient and continually delivering on the changing energy needs of the Western Australian community.

3.2 Obligations

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

All Obligations relevant to the operation of Western Power 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 key legislative and regulatory 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 the approved Enterprise 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.

After identifying relevant controls, a residual risk rating is then determined.

Obligations with an inherent consequence severity of "catastrophic" or a residual risk rating of "high" or "extreme" are categorised as a Significant Legislative Obligation (**SLO**). All SLOs have an SLO Sponsor(s) at a function level that manages compliance with the SLO.

The risk assessment allows Western Power to prioritise the management of SLOs and Obligations according to the potential impact and likelihood of non-compliance.

4. Leadership

4.1 Commitment

4.1.1 Code of Conduct

Western Power's Code of Conduct, approved by the Board and established under the *Act*, makes a clear commitment for all Personnel to '...respect and observe all applicable laws and all Western Power Corporate Policies'. The Code of Conduct is a document which sets out the mandatory standards and fundamental principles for appropriate ethical, responsible and professional behaviour expected of all Personnel.

4.1.2 Risk Appetite Statement

The Board approved Risk Appetite Statement guides decision making throughout the business. It provides clarity on the Board’s expectations on activities the business is willing to do and those the business is not willing to do. The statement clearly sets out Western Power’s commitment to compliance by reinforcing the expectations of the Code of Conduct in that any action clearly in conflict with the Code of Conduct is not acceptable.

4.1.3 Strategic Plan

The Western Power Strategic Plan includes corporate objectives of safety, reliability, efficiency and is continually developing to embrace emerging industry technologies in connecting people with energy. A significant proportion of Western Power’s Obligations arise out of legislation enacted to ensure the safety of both Personnel and the community and the reliability of supply. A compliance program that delivers compliance with these Obligations aligns with Western Power’s objectives of safety and reliability.

4.1.4 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

There are several documents within the organisation that support Western Power’s approach to compliance (refer to Figure 2 below).



Figure 2: Western Power’s compliance document hierarchy

4.2.1 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.

- Information Management Standard: A Standard detailing how Western Power manages its information.

It is also underpinned by the following Standards that whilst managed by other parts of Western Power work in collaboration with Corporate Compliance:

- Regulatory Compliance Standard: A Standard detailing the activities completed by the Regulation and Investment Assurance function for the purposes of maintaining compliance with regulatory requirements and Obligations.
- Safety Health and Environment Standard: A Standard detailing the key responsibilities for Personnel to meet safety, health and environment Obligations, and it describes how the Safety, Health and Environment management system operates.

4.2.2 Compliance Procedures and Guidelines

Underpinning 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 which forms part of the Compliance Management System. 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. These individual roles are explained in further detail below.

4.3.1 Board

The Board is ultimately responsible for ensuring that Western Power conducts its operations in compliance with all applicable Obligations and established the Audit & Risk Committee (ARC) to assist the Board in fulfilling its fiduciary and corporate governance responsibilities, including those related to compliance, audit, risk management and external reporting.

4.3.2 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.

4.3.3 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 its supporting Standards, managed by Corporate Compliance, which support the Compliance Management System.

4.3.4 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. This includes ensuring appropriate resources for compliance are available compliance objectives are met and the desired compliance culture within Western Power is promoted as required.

4.3.5 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.

The Corporate Compliance team is comprised of a number of compliance specialists who are appointed based on skills, experience and ability. The team also includes information compliance specialists whose primary focus is the establishment of, and ensuring compliance with, information management processes and all applicable Obligations (see the Information Management Standard).

To effectively implement the Compliance Management System, Corporate Compliance must have access to all levels of the corporation, including the senior leadership team. Corporate Compliance also has access to internal and external legal advisers to provide up-to-date advice on compliance matters as required.

All Compliance Failures submitted directly to Corporate Compliance enable enhanced compliance reporting to the Board and Executive and provide a more holistic view of compliance across Western Power.

4.3.6 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 Assurance function, in the Finance, Regulation and Metering business unit.

4.3.7 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 is the SHE Management System and dedicated Personnel that complement and support this Compliance Framework. 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 section 6.1 below) and provide quarterly personal representations as to compliance performance within their function via the Quarterly Compliance Assurance Report process.

4.3.8 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. 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 an 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

Compliance Plans are tools which document and assist in evidencing how a business function manages the Obligations (including SLOs) for which the function is responsible.

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 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

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 SHE Management System is a key component of the Compliance Framework. The SHE Management System, administered by the SEQT function:

- manages the incident investigation process and supports the business to identify actions to minimise the risk of an incident recurring
- manages an Assurance Plan which details assurance activities related to the first line of defence and second line of defence to support compliance against SHE Obligations
- analyses incident data to identify trends
- liaises with Regulators to influence legislative changes
- reports Compliance Failures to the relevant Regulator and provides investigation reports 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 which is reported annually to the Minister and Public Sector Commissioner.

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 ARC. 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 any delegated authority
- trending data related to Compliance Failures
- communications with Regulators.

Corporate Compliance gathers information to prepare Quarterly Compliance Reports from the Quarterly Compliance Assurance Reports, electronic compliance tools, audits, periodic meetings with senior managers and direct liaison with Personnel who are assigned remedial actions.

Monthly and quarterly compliance reports collated for the Executive and Board (submitted through the ARC) contain information on SLO Compliance Failures for the reporting period, status of remedial actions 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 (see above) must be available for review by the relevant Executive Manager for preparation of the Quarterly Compliance Assurance Statements.

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 potential Compliance Failures.

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

The rectification of a Compliance Failure is the primary responsibility of the relevant Head of Function, in liaison with the Corporate Compliance Manager and Head of Governance, Risk & Compliance, where appropriate.

Corporate Compliance maintains a comprehensive breach register that records the details of reported Compliance Failures. Corporate Compliance reports on SLO breaches, including the status of remediation activities, to the Board (via the ARC) 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 in the type, frequency and consequences of Compliance Failures 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. The Corporate Compliance area coordinate regular meetings with key internal stakeholders to identify and monitor legislative changes.

9. Dictionary

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

Defined term	Meaning
Act	Electricity Corporations Act 2005 (WA)
Compliance Failure	A Compliance Failure includes a breach of a regulatory or legislative Obligation (including an SLO), a breach of the Delegated Financial Authority, a Potential Breach or a Near Miss. (see the Compliance Failure Reporting Procedure for more information about Compliance Failures)
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	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: <ul style="list-style-type: none">• the obligations for which the function is responsible• a residual risk evaluation of the Obligations in relation to the risk of non-compliance• controls and accountability of controls• self-assurance activities.
Compliance Policies	This Compliance Framework and any relevant supporting Standards, Procedures or Guidelines which fall under this Compliance Framework.
ERA	Economic Regulatory Authority (WA)
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"> • Commonwealth Government legislation and regulations • State Government legislation and regulations • Western Power’s electricity operating licences - Electricity Distribution Licence ‘EDL1’ and Electricity Transmission Licence ‘ETL2’ (see ERA Electricity Compliance Reporting Manual) e.g. Type 1 Obligations • industry codes of conduct • conditions imposed on approvals and licences required to carry out the business • general law, such as case law • Commonwealth and State Government policy, guidelines and practice statements • relevant industry standards, guidelines and practice statements • Western Power’s DFA Policy, Matrix and Guidelines. <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 has breached an Obligation and for which:</p> <ul style="list-style-type: none"> • advice is sought on whether a Compliance Failure occurred, or • a third party (i.e. a Regulator may determine a Compliance Failure occurred, or • investigation into an incident is pending and the cause or liability of the incident is unknown. <p>For example, a customer receives an electric shock from their premises. An investigation is underway into the cause, but it is currently unknown whether the incident was the result of the workmanship of Western Power or a private electrician.</p>
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), Building & Energy, Australian Electricity Market Operator, the Inspector of Dangerous Goods, Environmental Protection Authority and ERA.
SHE Management System	A structured, systematic, ‘quality assured’ way in which SHE risks and compliance requirements are managed to so far as is reasonably practicable to achieve the commitments and requirements stated in the Western Power SHE policy (EDM 34283267).
SLO	Significant legislative obligation(s). Obligations with an inherent consequence rating of catastrophic or 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.
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 by the ERA 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 Framework please contact either the Head of Governance, Risk and Compliance or the Corporate Compliance Manager.

11. Content owner

Executive Manager Governance & Assurance

12. Accountabilities

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

13. Review

This Framework will be reviewed and evaluated by the content owner at least once in every three-year period taking into account the purpose of the Framework and the outcome of the compliance review.

14. Related documents

Title	EDM reference
Assurance and Risk Policy	EDM 32565084
Code of Conduct	EDM 34010733
Compliance Failure Reporting Procedure	EDM 24012640
Corporate Compliance Standard	EDM 42982044
Delegated Financial Authority	EDM 42624629
Enterprise Risk Assessment Criteria	EDM 34037272
Enterprise Risk Management Standard	EDM 41495635
Internal Audit Charter	EDM 31064221
Information Management Standard	EDM 34049528
Regulatory Compliance Standard	EDM 43273379
Risk Appetite Statement	EDM 43397084
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
8.	Executive Manager Governance & Assurance	23/04/2021	N/A	Refreshed with minor clarifications to documents and process

Date of Approval: 23/04/2021

May Lin Chew

Executive Manager Governance & Assurance