

Compliance Policy

Policy Statement

The Australian Energy Market Operator (AEMO) is committed to adhere, and demonstrate adherence, to all relevant laws, rules and regulations. The purpose of the Compliance Policy (Policy) is to set out AEMO's compliance management objectives, its commitment to maintaining a culture of risk-based compliance and to clearly articulate responsibilities of all AEMO personnel in relation to compliance.

This Policy is supported by AEMO's Compliance Framework and relevant procedures and aligns with the principles and requirements set out in the *AS ISO 19600:2015 Compliance Management Systems*.

AEMO's Compliance Context

AEMO is a not-for-profit public company limited by guarantee incorporated under the *Corporations Act 2001*. AEMO is the independent system and market operator, with the primary responsibility of managing and maintaining energy system security for all Australians and keeping costs as low as reasonably practicable. AEMO's operating environments are complex and diverse which creates a higher level of inherent compliance risk. AEMO is required to comply with approximately 4,500 obligations.

AEMO operates in a highly regulated environment and is subject to a wide range of compliance obligations. AEMO's compliance obligations include, but are not limited to:

-) Laws and regulations;
-) Orders, rules and guidance issued by regulatory agencies;
-) Relevant industry codes and compulsory standards;
-) Judgements of courts and administrative tribunals;
-) AEMO's organisational requirements including policies and procedures; and
-) Obligations arising under contractual arrangement with third parties.

Objectives

AEMO's objectives in relation to managing compliance risk are:

-) Demonstrating a commitment to the highest standards of ethics and compliance with all applicable laws, regulations, rules and policies.
-) Promoting an enterprise wide approach to compliance management by aligning it with AEMO's Corporate Strategy, Risk Management Policy and Risk Tolerance Statements.
-) Fostering a culture that encourages all employees and contractors to identify and report actual and potential compliance breaches so that systems and processes can be improved to maintain ongoing compliance. This includes actions taken to change regulations where doing so will result in improved outcomes
-) Identifying and managing AEMO's compliance obligations through assessing compliance materiality and developing appropriate controls and processes.
-) Maintaining a high level of organisational awareness of obligations through the provision of education programmes, legal advice and regular updates.

-) Developing and deploying appropriate practices and processes to support employees and contractors in complying with their obligations.
-) Monitoring changes to our obligations as a result of rule changes, changes to law, regulations and ensuring processes are reviewed to ensure ongoing compliance.
-) Monitoring and testing compliance with the obligations through a combination of market audits, targeted inquiry, exception reporting and internal audit.
-) Taking appropriate corrective action to prevent recurrence of compliance failures.
-) Provide timely and accurate compliance reporting to Executive Leadership Team (ELT) and Risk and Audit Committee (Committee).
-) Continuous monitoring, review and ongoing improvement of the Compliance Framework.

Scope

This policy applies to all AEMO, its directors, employees and contractors.

Compliance Commitments

AEMO is committed to developing and implementing a Compliance Framework to ensure it meets its compliance objectives detailed in this Policy. The commitment is reflected in the following areas:

-) *Compliance Awareness, Management and Training*
Business areas are responsible for managing their compliance risks and ensuring employees understand and are aware of their compliance obligations.
Governance, Risk and Legal will have oversight of AEMO's compliance training program aimed at providing employees with the necessary competencies to understand their compliance obligations to perform their roles.
-) *Compliance Management*
Governance, Risk and Legal monitor for changes in compliance obligations and work with the departments across AEMO to implement controls to manage the compliance risk and ensure ongoing compliance.
-) *Reporting*
AEMO fosters a culture of proactive reporting and remediation of compliance breaches and issues through the establishment of compliance reporting processes. This reporting includes Compliance reports to the ELT, the Committee and the regulators as required.
The WhistleBlower Protection Policy also supports the reporting of such matters.
-) *Compliance Framework*
AEMO will maintain a Compliance Framework which provides further detail and clarity to all staff across AEMO on roles, responsibilities, accountabilities and processes required to maintain compliance with AEMO's obligations.
Annual market audits are performed to comply with our requirements under the National Electricity Rules, National Gas Rules and Wholesale Electricity Market Rules and provide assurance to the Committee and Management on our control environment implemented to ensure compliance.

Responsibilities

While we recognise that compliance is undertaken by every employee and contractor, there are specific responsibilities for assuring compliance within AEMO:

- J The AEMO Board is the owner of this Policy. The Committee, as delegated by the Board, reviews and monitors all elements of AEMO's Compliance Framework and receives reports on significant or systemic breaches.
- J The Managing Director & Chief Executive Officer is responsible for the implementation of this policy and is accountable to the Board for fostering a positive, transparent and risk-based compliance culture and for monitoring and reporting on adherence with AEMO's obligations.
- J The Risk, Compliance and Audit Division are responsible for:
 - o Facilitating a risk-based approach to compliance management and assisting the business to manage compliance obligations, processes and controls that help maintain ongoing compliance
 - o Regular reporting to the ELT and the Committee on compliance matters.
- J The ELT of AEMO is charged with understanding the obligations that they are responsible for, implementing systems and processes to support compliance, regularly reviewing the effectiveness of controls and adapting processes and controls to remediate causes of breaches.
- J It is the responsibility of all employees and contractors to undertake their obligations diligently and to report any actual or potential breaches as soon as practicable. Compliance is supported throughout the organisation by a dedicated Compliance function and appropriate tools, training and support is provided to all employees and contractors.

Compliance function

A compliance function exists within the Governance, Risk and Legal division at AEMO. This function includes resources to provide the required support to all staff to maintain on-going compliance with AEMO's obligations under the various rules, regulations and statutes. This support includes a Compliance Framework, compliance policies, training, processes and tools for breach reporting internally and to regulatory bodies as required.

Non-compliance with AEMO's compliance obligations

AEMO is committed to fostering a culture of identifying and managing compliance with a *low* tolerance for non-compliance with our obligations. All AEMO staff will do their best to ensure we maintain compliance with our obligations. In circumstances where we become aware that we need to breach an obligation to reduce the consequence of market outcomes, proper escalation processes both internal and external shall be followed to keep all parties aware to effectively manage the consequences.

Review

- J This Policy will be reviewed by the Committee every two years at a minimum or in response to an event or change of circumstances requiring a review of policy. The updated policy will be presented to the Board for approval.
- J This Policy is managed by the Risk, Compliance and Audit team within the Governance, Finance, Risk and Legal division.

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Approved by the Board

Date approved: 6 February 2020