Appendix 5.1.5(a) Risk Management and Compliance Framework

RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

PURPOSE: Flow Systems is committed to managing its risks and ensuring compliance with all relevant laws and regulations in a proactive, on-going and positive manner. This document outlines Flow's Risk Management and Compliance Framework, which is reviewed every three years by Flow's Board, or otherwise as required.

APPLICABLE TO: Flow Systems Group and all employees

Risk Management

Flow recognises to the need to systematically manage and regularly review its risk profile at a strategic, operational, and project level. An integral part of this involves ensuring compliance with all relevant laws and regulations, including the Water Industry Competition Act (and regulations) and workplace health and safety laws.

Flow has developed a Risk Management and Compliance Framework that determines the process and identifies tools for realising its objectives. Not only does it wish to minimise its risks but also maximise its opportunities.

The framework's scope is Group-wide and is aligned with key strategic, operational and project plans. Governance and management roles and responsibilities for risk management are outlined below.

The framework is managed by the Business Manager and overseen by Executive Directors and the Audit & Risk Committee of the Flow Board. Content input comes from those members of the Senior Management team with accountability in specific areas. A risk register is being developed which will be reviewed and reported on once a year by members of the Senior Management team. This will be reviewed by either of Flow's Executive Directors and then recommended to the Flow Board's Audit and Risk Committee for approval. Content and recommendations will be used to inform the Group's audit programme and subsequent iterations of the Risk Register.

Legal Compliance

As part of the risk management process, Flow appreciates that one of its core risks is compliance with statutory and regulatory obligations (including compliance with all relevant licences and approvals). It is committed to not only identifying the legislation which it is obliged to comply with but also monitoring the levels of compliance in the Group. Legal compliance forms an integral part of the Group's Risk Management and Compliance Framework.

Definitions

Controls – are the existing processes, policy, devices, practices or other actions that act to minimize negative risks or enhance positive opportunities.

Impact (or **consequence**) – the outcome of an event which impacts an objective either positively or negatively. The impact may be certain or uncertain and may be expressed qualitatively or quantitatively.

Likelihood – the chance of something happening; whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically.

Risk Assessment – the overall process of identifying, analysing, and evaluating risks. It may also be referred to as a 'risk analysis' or 'risk evaluation' or 'risk profile' and may involve a qualitative and/or quantitative assessment; see Appendix A.

Risk – a threat to the achievement of an objective. That objective can have different aspects (such as financial, health and safety, and reputational goals) and be of various types, e.g. strategic, operational, and project. A risk is often specified in terms of an event or circumstance and the impact or consequences that may flow from it. It is measured in terms of a combination of the impact or consequence of an event and its likelihood. Note that risk is characterised by uncertainty.

Risk Management – the culture, processes, coordinated activities, and structures that are directed towards realizing potential opportunities and/or managing adverse effects. The risk management process involves communicating, consulting, establishing context, identifying, analysing, evaluating, treating, monitoring and reviewing risks.

Risk Owner – the person or entity (e.g. Audit & Risk Committee) with the accountability and authority to manage a risk.

Risk Register – a documented record of each risk identified. It specifies: a description of the risk, its causes and its impacts; an outline of the existing internal and external controls; an assessment of the consequences of the risk should it occur and the likelihood of the consequence occurring, given the controls; a risk rating; and an overall priority for the risk. It should also identify future actions or an action plan.

Types of Risk

☐ **Strategic Risks** are external and internal forces that may have a significant impact on achieving key strategic objectives. The causes of these risks include such things as national and global economies and, most significantly, Government policy. Often, they cannot be predicted or monitored through a systematic operational procedure. The lack of advance warning and frequent immediate response required to manage strategic risks means they are often best identified and monitored by senior management as part of their strategic planning and review mechanisms.

☐ **Operational Risks** are inherent in the on-going activities that are performed in an organisation. These are the risks associated with the operation of our facilities, network infrastructure and utility platform, as well as such things as the day-to-day operational performance of staff, the risks inherent in the organisational structure, and the manner in which core operations are performed.

☐ **Project Risks** are risks associated with projects that are of a specific, sometimes short term nature and are frequently associated with the following: new projects, significant new acquisitions, change management, integration, major IT and capital development projects. Project sponsors are accountable for the achievement of project deliverables and outcomes. However, specific risks associated with project management are normally delegated to project managers for attention and action. Included among the benefits of efficiently managing project risks are the avoidance of unexpected time and cost overruns. In addition, when project risks are well managed, there are fewer integration problems with assimilating required changes back into general management functions.

Governance and Management

Specific roles and responsibilities for risk management are as follows:

Executive Director	• Governance responsibility for risk management and legal compliance • Review of Risk Management and Compliance Framework(& material changes) • Determination of the levels of acceptable risk and risk treatments • Monitoring of Risk Register and reporting to Audit & Risk Committee on management of risk issues
Senior Management Team	• Responsible for risk assessment, management, monitoring and reporting to the Executive Director for all risks relative to their areas of accountability (whether strategic, operational or project level) • Management of the process of identifying and monitoring risk
Business Manager	• Maintenance of Risk Register • Provision of regular training opportunities for all staff to promote a risk culture • Publication/dissemination of regular risk management and compliance information to keep staff informed of relevant issues • Specific responsibility for WH&S framework and Insurance framework as integral parts of Risk Management and Compliance Framework
Project Sponsors and Project Managers	• Assessment, management, monitoring and reporting of relative project risks to relevant Senior Management Team members
All Staff	• Cognisance of operational, project and strategic risks, together with the ability and responsibility – where appropriate – to identify and report increases in risks or new risks in a timely way. It is also expected that tasks will be performed in a careful and conscientious manner that reflects - but is not limited to - Flow Group polices and codes of practice

It is Flow Group's intention to establish an internal audit function. That function will be provide:

- advice to Senior Management in the development of best practice risk management systems
- oversight of professional independent advice on key risk and control issues
- regular audit reviews of business functions and Flow Group's risk management processes.

While Senior Management members are accountable for risk management in their particular areas, responsibility for good risk management rests with every staff member. This includes conducting themselves in a professional, careful and conscientious manner that contributes to the high ethics and culture within Flow.

Approach

Flows is committed to implementing a process by which strategic, operational and project risks are identified, communicated, monitored and regularly reported. To facilitate this, Flow Group's Risk Management and Compliance Framework proactively and systematically identifies, monitors, and manages risks – both positive and negative.

The risks identified will be determined and monitored by those with accountability in specific areas.

Objectives

Flow Group's risk management objectives are to:

- Identify and manage existing and new risks in a planned and coordinated manner with the minimum of disruption and cost

- Develop a "risk aware" culture that encourages all staff to identify risks and associated opportunities and to respond to them with cost effective actions;

- Be perceived by all stakeholders as a leader through adopting best risk management and legal compliance practice; and

- To use its Risk Management and Compliance Framework to promote its business

Risk Actions

The types of risks are categorised as strategic, operational or project type risks.

Flow has five main ways in which it can effectively manage risk, as follows.

1. Accept the risk and make a conscious decision to not take any action
2. Accept the risk but take some actions to lessen or minimize its likelihood or impact
3. Transfer the risk to another individual or organization, by, for example, outsourcing the activity
4. Finance (insure against) the risk
5. Eliminate the risk by ceasing to perform the activity causing it

Process

Flow will maintain a Risk Register that identifies and registers key strategic, operational, and project risks. This is reviewed and reported to the Audit & Risk Committee once a year.

Risk Category	Area of Business	Risk Description
Strategic Risks	• Stakeholder (Shareholders, Business Partners) • Regulator • Government • Economic Climate	
Project Risks	• Financial • Utility Operations – Network infrastructure • Marketing & PR • Utility Delivery	
Operational Risk	• Smart Water Network Build • Smart Water Network Operations • Utility Operation (Retail) • Corporate Platform • Business Continuity/DRP	

Education

Creating a risk aware culture in the Flow Group is a crucial part of implementing and sustaining a robust risk management and compliance programme. In addition to providing training and support for those with business line responsibilities in the areas of risk and compliance, opportunities will also be provided for all staff to engage in regular training opportunities about relevant risk and compliance issues. Further, tools and/or information that raise awareness about risk management and statutory compliance obligations will be made available.

Communication & Consultation

The Business Manager will regularly communicate with and consult experts and provide reports, which will be reviewed by the Executive Director. If, as a result, the Executive Director determines a material change needs to be made to the Risk Management and Compliance Framework, then the same will be referred to the Audit & Risk Committee which may, if it deems appropriate, approve the material change.

A risk culture will be embedded through an induction training programme and on-going risk awareness initiatives.

Appendix A: Types of Risk

Sources of Risk

When identifying risks, all sources of potential risk should be considered. Some sources of risk are generic to all organisations. These include:

'People' Risks, including:
- Human Resource Management practices
- Recruitment
- Induction
- Training & Development
- WH&S (occupational health and safety)
- WH&S Management Systems
- Hazard Management
- Industrial Action
- Manual Handling
- Health
- Rehabilitation
- EEO (equal employment opportunities)
- Fraud, Corruption & Crime

Environmental Risks, including:
- Natural Hazards
- Technological Hazards
- Security
- Hazardous and Toxic Materials (e.g. chemicals, asbestos, gas etc)
- Public health
- Emergency/ Disaster Management
- Environment
- Waste and Refuse
- Radiation

Organisational Management Risks, including:
- Finance
- Insurance
- Workers Compensation
- Public Liability
- Legal Relationships
- Projects

- International Economics
- Market Competition
- Commercial/ Business/ Contractual/ Consultancy Activities and Interruptions
- Property and Physical Assets
- Fleet
- Information Technology/ Computer Systems
- Business Continuity Resumption

Appendix 5.1.7(a) Retail Supply Management Plan (TOC)

Retail Supply Management Plan

December 2014

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systems

Document Issue Record

Issue Date	Revision	Issue	Issued To	Prepared By	Approved By
19/12/14	1.0		Felicity Clark	Kirsten Evans	Stephen McKewen

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5.1.7(b) Customer Complaints Code

Missed Payments

Purpose

The purpose of this document is to outline the code of conduct relating to Customers that have missed payment.

Applicable to

This policy applies to all Customers.

Code of Conduct

In the event a Customer is experiencing difficulty paying a bill or is concerned about meeting a payment on time, Flow shall try to reach an agreement on the amounts to pay spread over a reasonable period of time.
Payment options and methods may include:

- a short extension of time
- a payment plan to pay the account in regular instalments over an agreed time-frame
- a budget plan where regular manageable amounts are debited from the Customer's nominated account, or:
- access to a Payment Assistance Scheme that operates through local welfare agencies.

Collection

Reminder Notice:

If a Customer fails to make payment on the due date, Flow will contact the Customer immediately thereafter, including sending a reminder notice.

Warning Notice:

At least 7 days prior to taking action for non-payment, Flow Systems will send a payment warning notice that:

a. specifies any assistance that is available to the Customer, including information about EWON and Flow's payment assistance policy; and
b. advises the Customer that the payment is overdue and must be paid for the Customer to avoid legal action or supply restriction; and
c. cautions that, if legal or restriction action is taken, the Customer may incur additional costs in relation to those actions.

In the case of a tenant

Our legal and billing relationship is with the owner of the property. We do not bill tenants for our services. Any arrangement that a tenant has with the landlord is a private matter between them.
In the event a landlord has missed an account payment, Flow may allow a short extension of time so the tenant can contact the property owner or managing agent.
Flow will not commence any recovery action during this agreed period.

In the case of a business

For business Customers, Flow may offer a short extension of time to allow settlement of the account based on reasonable commercial considerations.
In considering these options overdue accounts attract interest charges.

Actions for Non Payment

Restriction and Legal Action

As a last resort, Flow may restrict the supply of Services to a property and/or take legal action if:
a. more than 14 days have elapsed since the issue of the reminder notice to the Customer
b. more than 7 days have elapsed since the issue of the warning notice to the Customer
c. Flow or its agent have attempted to make contact with the Customer by telephone, email or in person, about the non-payment
d. the Customer has been notified of the proposed restriction or legal action and the associated costs, including the cost of removing the restriction device; and

e. the Customer has
    i. been offered a flexible payment plan and the Customer has refused or failed to respond; or
    ii. agreed to a flexible payment plan and has failed to comply with the arrangement.

Limits on restriction and legal action Flow will not commence legal action or take steps to restrict a Customer's service due to non-payment if:

a.	the amount owed by the Customer is eligible for, and the Customer has lodged an application for, a government funded concession relating to amounts charged by Flow and the application remains outstanding; or

b.	the Customer is a landlord, and:

    i.	the amount is in dispute between the Customer and the tenant; or

    ii.	the amount in dispute is subject to an unresolved complaint procedure in accordance with Flow's Customer Complaints Code.

Additional limits on restriction

Flow will not take steps to restrict a Customer's service due to non-payment if:

a.	it is a Friday, public holiday, weekend, day before a public holiday, or after 3pm; or

b.	the Customer is registered as medically dependant

If the supply to a Customer's property is restricted; Flow will continue to provide flow for basic health and hygiene purposes and endeavour to notify the occupants either by email or a phone call at the time.

Removal of restrictions

Flow will restore a restricted service within 24hours of becoming aware that the reason for the restriction has been resolved.

Before the service is restored, the Customer will be required to pay the overdue amount or make an agreed payment arrangement. Flow may impose a reasonable charge to cover Flow's costs for the removal of the restriction.

Flow will always prefer to help Customers (and Customer's tenants) in relation to any financial difficulties, so that Flow does not need to restrict any Service.

If you have a problem with a missed payment please get in touch with us asap at contact@flowsystems.com.au or 1300 803 803.

Appendix 5.1.7(c) Missed Payments and Debt Recovery Code

Customer Complaints

Purpose

Flow Systems Pty Ltd ("Flow") delivers services to Customers pursuant to its retail supplier's licence no. 13_001R.

The purpose of the Code of Practice is to describe the process that Flow will use to respond to complaints by Customers.

Applicable to

This Code applies to all complaints from Flow's existing and potential Customers (including enquiries and complaints initiated by tenants who are not technically Customers *per se*). This Code applies to complaints regarding any Flow activity.

For the purposes of this Code, references to "Customer" shall be deemed to be a reference to a tenant of a Customer where any complaint has been lodged by a tenant

Code of Practice

Flow recognises that Customers may need to contact us to make a complaint if a service, product, decision or action fails to meet their expectations or our standards. This Code covers:
- Complaints Handling
- Complaints Resolution
- Escalation
- Compliance and Continuous Improvement

Complaints Handling

Flow is committed to treating complaints promptly, fairly, equitably, confidentially and professionally at no cost to the Customer. Flow's aim is to manage complaints such that they can support the constant improvement of our Customer services.

If a Customer has a complaint regarding any aspect of our Services, the Customer should contact us and we will aim to resolve the issue as quickly as we can. Flow welcomes Customer (including tenant) and community feedback as it helps us to identify problems and improve our operations. You can contact us in the following ways:

- Telephone: Customer/Community Line 1300 803 803
- E-mail: contact@flowsystems.com.au

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All complaints will be recorded, classified and tracked in Flow's Customer Relationship Management System (CRM). Customers will be provided a unique "ticket" number for each complaint which the Customer can retain and/or recall for future enquiries.. This will also enable Flow to track all complaints.

In addition, any documentation received will be retained in the CRM under the corresponding "ticket" number.

Customer complaints will be investigated by a Flow Customer Service Officer (CSO). After investigation, Customers will be advised of the resolution with all comments, actions and resolutions recorded in the Flow's CRM against the Customer's corresponding "ticket" number.

Complaints Resolution

Flow will receive, acknowledge, investigate, and respond to complaints promptly. Where a response and/or remedy can be provided immediately, we will provide the information to, or take the necessary action for, the complainant and close the complaint.

Our aim is to resolve a Customer's problem as quickly as we can. If it cannot be resolved immediately, we will respond to, or provide a status update within 2 working days.

More complex problems may need to be looked into further and Flow will attempt to resolve complaints within 20 days of initial contact. During this time we may contact the Customer for further information or the Customer can contact us for an update.

Where a complaint is of a serious or urgent nature, complaints will be resolved as soon as practical. Flow will ensure protection of confidential and personal information in receiving and resolving complaints through compliance with its Privacy Policy which is available on the Flow website.

Resources, Training & Continual Improvement

Flow will ensure that complaints are handled by appropriately trained Customer Services staff and that the complaints handling process is adequately resourced in order to meet its complaints response goals described above.

Flow has access to detailed reports on complaints and how they are resolved and Flow's senior management will use these reports to review and continually improve the complaints handling process, where necessary.

Escalation

If a complaint cannot be resolved by Flow's Customer Services team to the Customer's satisfaction, then the Customer can ask to refer the matter to a higher level of senior management within Flow.

If the Customer is still dissatisfied with the outcome, the Customer may choose to contact the Energy and Water Ombudsman NSW (EWON). Flow is a registered member of EWON. EWON provides an independent way of resolving complaints. The Ombudsman is able to make decisions without any interference, based on what is fair and reasonable in the circumstances of each case. This service is free to Customers.

EWON contact details are:
- Freecall: 1800 246 545
- Freefax: 1800 812 291
- Freepost: Reply paid K1343, Haymarket NSW 1239
- Email: omb@ewon.com.au
- Website: http://www.ewon.com.au/index.cfm/contact-us/