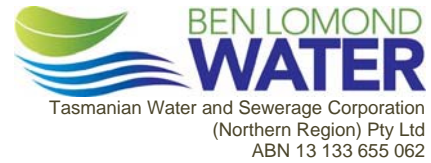


LEGAL COMPLIANCE POLICY



AIM

To meet the expectations of our owners and the community, and to facilitate and promote good corporate governance through proactive and accountable management of the Corporation's Legal Compliance Framework as an integral part of its Risk Management Strategy.

RELEVANT LEGISLATION

Water and Sewerage Corporations Act 2008 (Tas)
Corporations Act 2001 (Cth)

DEFINITIONS

Legal Counsel means Onstream's Legal Counsel administering the Legal Compliance Framework on behalf of the four Tasmanian Water and Sewerage Corporations.

Legal Compliance Officer or **Compliance Officer** means the officer responsible for the high level administration of the Legal compliance Framework within their Corporation (Legal Compliance Officer) on behalf of their Chief Executive Officer, and to be his or her routine and review 'links' with Legal Counsel.

Compliance means the process of adhering to the law and the obligations and requirements arising from the law.

Compliance Culture means the sum of values, ethics and beliefs that exist throughout the Corporation and which interact with its structures and control systems to produce behavioural norms that are conducive to compliance outcomes.

Compliance Failure means an act or a failure to act to meet the organisation's compliance obligations, processes or behavioural obligations.

Compliance Program means a series of activities designed to achieve compliance.

POLICY

The Corporation will exercise and encourage accountable management by maintaining and continuously improving its Legal Compliance Framework and processes. Legal Compliance will be managed through a shared responsibility by the Chief Executive Officer, Onstream's Legal Counsel, Legal Compliance Officers, Executive Managers and all other employees. In achieving the aim of this Policy the Board and all employees will be guided by:

- a commitment to a Compliance Culture that expects business to be conducted lawfully;
- an acceptance that, whilst Compliance Failure may occur from time to time, the risk of failure may be reduced to a level where the cause and effect of non compliance are not material to good corporate governance and the proper discharge of the duties of directors and officers.

RESPONSIBILITIES

The Audit and Risk Committee, through the Board, will:

- (a) be responsible to the Board for overseeing the Corporation's compliance with applicable legislative and regulatory requirements;
- (b) recognise that while the Corporation must comply with a diverse range of state and commonwealth legislation; statutory and regulatory requirements, and reporting obligations it may only do so with appropriate expertise, resourcing and training, as part of a Compliance Program and process of continuous improvement; and
- (c) ensure appropriate resources are allocated to the development, implementation and continuous improvement of the Corporation's Compliance Program.

The Chief Executive Officer will:

- (a) ensure the Corporation adopts a risk-based approach to the implementation of its Legal Compliance Framework. Compliance obligations that represent the greatest degree of risk to the Corporation will be given priority within the Legal Compliance Framework;
- (b) appoint an internal Compliance Officer to facilitate communications between the Legal Counsel and the Corporation;
- (c) allocate appropriate resources to the development, implementation and continuous improvement of its Legal Compliance Program;
- (d) ensure Compliance responsibilities are allocated within their Corporation generally, and in particular, through the Register of Compliance Obligations issued by the Legal Counsel; and
- (e) as appropriate, advise Legal Counsel on omissions, amendments and improvements that should be made to the Register of Compliance Obligations.

Management is accountable (within their respective areas of responsibility) for:

- (a) the recognition and management of Compliance risks;
- (b) reporting on Compliance, Compliance Failures and corrective actions, and investigating behaviours that compromise Compliance;
- (c) ensuring their staff and employees are aware of Compliance responsibilities that apply to their area of work or activities, and that their actions on behalf of the Corporation comply with relevant laws, regulatory requirements and policies; and
- (d) the promotion of a Compliance Culture generally and specifically.

The Legal Counsel is responsible for:

- (a) maintaining, administering and coordinating the Legal Compliance Framework approved by the Board from time to time and, in particular, the master Register of Compliance Obligations;
- (b) identifying new legal compliance requirements as they arise from time to time, disseminating them to Legal Compliance Officers, and facilitating their alignment with the Corporation's strategic and operational objectives;
- (c) providing advice, support and training to the Board, management and employees where appropriate in the management of legal risk;
- (d) monitoring and reporting on to the Audit and Risk Committee on Compliance Failures and corrective actions; and
- (e) assisting with the conduct of internal and external legal compliance audits.

The Legal Compliance Officer(s) within a Corporation is responsible to his or her Chief Executive Officer for the implementation of the Legal Compliance Framework and this Policy within their Corporation.

REFERENCES

Shareholders' Letter of Expectations
Risk Management Policy

Approved by the Board on 6 May 2011

Signed:



Chief Executive Officer