



Fraud And Corruption Prevention Policy

Policy statement

This policy outlines the Company's position in respect of fraud and corruption. It also outlines the measures in place for the detection and prevention of such occurrences, and for fair dealing in matters pertaining to fraud and corruption.

Policy objectives

- To ensure that management is aware of its responsibilities for identifying exposures to fraudulent and corrupt activities and for establishing controls and procedures for preventing such activity and/or detecting such activity when it occurs;
- To provide guidance to employees on action to be taken where they suspect any fraudulent or corrupt activity;
- To provide a clear statement to employees forbidding any illegal activity, including fraudulent or corrupt activity for the benefit of the Company;
- To provide assurance that all suspected fraudulent and corrupt activity will be fully investigated;
- To provide guidance as to responsibilities for conducting investigations into such activities;
- To provide a suitable environment for employees to report matters that they suspect may involve fraudulent or corrupt activity, or serious improper conduct; and
- To provide adequate protection to employees in circumstances where they are victimised as a consequence of reporting, investigating or being a witness to, these activities.

Definition

Fraud and corruption involves monetary and material benefits as well as intangibles such as status and information. For the purpose of this policy, the definitions of fraud and corruption are taken from AS8001 "Fraud and Corruption Control" and are as follows:

Fraud

Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and whether or not deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or the improper use of information or position.

Corruption

Dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his / her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity.

Implementation of this policy

The Managing Director is responsible for the prevention, detection and investigation of fraud and corrupt activities and is also responsible for ensuring that appropriate and effective internal control systems are in place.

It is the responsibility of all managers to ensure that there are mechanisms in place within their area of control to:

- Assess the risk of fraudulent and corrupt activities;
- Promote employee awareness of ethical principles subscribed to by the Company; and
- Educate employees about fraud and corruption prevention and detection.

In addition, all managers share responsibility for the prevention and detection of fraud and corruption, and for the implementation of this policy.

Similarly, all employees are required to abide by the terms of this policy and as such are responsible for reporting suspected fraudulent and corrupt activities to the Managing Director or Company Secretary. If this may compromise the employee, the matter is to be reported to the Internal Auditor or Chairman of the Audit Committee.

Any employee who reports fraudulent or corrupt activities will be accorded appropriate confidentiality, recognising that in certain circumstances, the law may require some form of disclosure (refer to the Company's Whistleblowing Policy).

The Internal Audit function assists the Managing Director and the Board in ensuring appropriate and effective internal control systems are operating.

Environment and culture

The Managing Director must create an environment and culture in which employees have confidence that dishonest acts will be detected and investigated. To this end, he will:

- Ensure employees understand that internal controls are designed and intended to prevent and detect fraudulent and corrupt activities;
- Encourage employees to report suspected fraud directly to those responsible for investigation without fear of disclosure or retribution; and
- Require vendors and contractors to abide by the Company's policies and procedures, and thereby avoid any conflict of interest.

Honesty & integrity

All Envestra employees must act with honesty and integrity in all aspects of their work.

- Employees must not engage in fraudulent or corrupt behaviour or assist others in such behaviour.
- Examples of such behaviour include obtaining an illegal payment or benefit, the unauthorised release of confidential information, the unauthorised use of office equipment, or other corporate assets for private purposes, false claims for expenses, travel or overtime and the dishonest or improper use of an employee's position in Envestra.

Conflicts of interest

A conflict of interest may arise when personal, financial, and business or other interests might affect, or be seen to affect, the way an employee performs their duties.

- Employees should avoid participating in any business activity outside of Envestra that may conflict with their duties within the Company.
- Employees should not accept gifts which could be seen as a past, present or future conflict of interest in carrying out their duties.
- If an employee is faced with a possible conflict of interest, the conflict should be declared, the circumstances discussed with their immediate manager or other senior executive, and action taken to avoid any real or perceived conflict of interest.

Corporate hospitality and gifts

Employees may only accept gifts or forms of entertainment if it is of nominal value, and will not influence or impair their decision-making in the conduct of Envestra's business.

- Any offer of corporate hospitality or a gift valued at \$250 or greater must be entered in the Gifts Register maintained by the Company Secretary. The Register is to be referred to the Audit Committee at six-monthly intervals.
- Written approval from the employee's manager is required prior to acceptance of a gift or any other offer of corporate hospitality valued at \$250 or greater.
- The cost of interstate travel and accommodation associated with corporate hospitality may be met by the Company, or the employee where deemed appropriate by the Managing Director. If the cost is to be met by the Company this must be approved in advance by the Managing Director.
- Employees must not request any gifts, favours or any form of hospitality or entertainment in return for, or in exchange for, business services or information.
- Under no circumstances may employees accept money or other forms of payment for services or information.
- Employees involved in any stage of a tendering process must not accept any gifts, favours or any form of hospitality or entertainment from any organisation involved in a bid or tender with Envestra. This does not include "working lunches or dinners" provided by advisors/consultants acting for the Company.

Maintaining a close working relationship with external business associates is not regarded as being in contravention of the terms of this policy. However, it is the responsibility of each employee to make an assessment of the appropriateness of accepting a gift or benefit from such parties. If there is any doubt the employee should consult the Managing Director or Company Secretary.

A handwritten signature in black ink, appearing to read "John Allpass". The signature is written in a cursive style with a large initial 'J'.

John Allpass
Chairman
December 2006