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5 February 2018

The Honourable Justice Rachel Pepper and Panel
Hydraulic Fracturing Taskforce
GPO Box 4396
Darwin
NT 0801
Australia

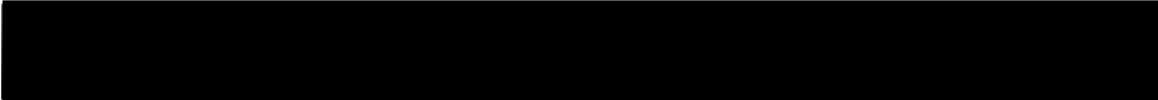
Dear Madam and Panel

"Without Prejudice"

My Name is Braedon Earley, born in Darwin, raised on the Roper River. My wife was born in Darwin as was my four children. I am the President of the 1 Territory Party and have been involved in Territory politics for the past 17 years.

1 Territory was founded on the back of Banning Fracking.

My conflicts of interest are:

- I am political and if elected, will ban Fracking in the Northern Territory.
- I have worked in every major project in the Territory over the last 20 years.
- I have contracted to INPEX in regulatory controls, government approvals and compliance.
- 
- If elected I will have an Independent Commission Against Corruption (ICAC) into both of the activities of the NT Labor Party, The Country Liberal Party, corruption within NT government departments (starting with Mines Department) and this Panel into Hydraulic Fracturing, of course with the appropriate whistle blower protection legislation.

In 1987 I met a man at a cocktail party in London; it was at a castle, the party was being hosted by the Duchess of Kent. I was a bit out of sorts, not long left my home and in the company of strangers, I was standing by myself, looking at an upright configuration of Knights Armour. When a voice from behind me asked "what do you see" and without turning I answered "a man who was scared of getting hurt". That's when I met David Attenborough. He asked where I was from – I told him. He then proceeded to tell me all about my home, the science, the green river, the Latin names of the different species of animals that made up its ecosystem, the heated water through the limestone aquifers and the fragility of Gods own country – The Roper River.

Now in 2018, I am before a Panel of people I have never seen or heard of before that have written a Draft Final Report on how to Frack the Northern Territory and how to avoid the risks.

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There is no David Attenborough on this Panel, nothing like him and for good reason I imagine. I will show you why there is no David Attenborough's on this panel.

Item 1 - Origin Group Internal Audit

Copy attached.

Proof that even the biggest and the best Gas companies can not meet their own regulatory controls or compliance with external approvals granted by Governments. Coincidentally, this one of three companies consulted and relied upon for "industry information" in the ACIL Allen Consulting – The Economic impacts of a potential shale gas development in the Northern Territory – a report you "the Panel" changed the terms of reference to obtain and you "the Panel" appointed.

The Companies that have operated in the Northern Territory in the past are no different, their legacies include; Rum Jungle Mine, Mt Todd, Sherwin Iron, Redbank, the Montaro Oil Platform. Questions should be asked of existing operations, their regulatory controls and government approvals, including and not limited to MacArthur River Mine and INPEX.

Item 2 – Extract Falcon Oil and Gas

If the moratorium is lifted it is likely that it would be accompanied by a recommendation for additional regulation that would need to be legislated. While this would delay the re-start of appraisal drilling while this regulation is enacted, we understand that it is likely there would be transitional arrangements put in place to allow a resumption of fracking on a limited scale during this process.

Proof that the Territory Government is signalling to all and sundry in the financial markets that Fracking is going to proceed in the Territory. It's a UK based company in a joint venture with Origin, Beetaloo Basin.

Item 3 – Brochure

Copy attached, this brochure can be found at this link:

https://core.nt.gov.au/data/assets/pdf_file/0010/378415/Beach-Energy.pdf

Proof beyond reasonable doubt that the Territory Government is promoting Fracking well before the findings of the Fracking inquiry has been released. This brochure highlights the potential of the industry and a potential investment opportunity.

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Item 4 - Compromised Draft Final Report

No conflicts of interest have declared by consultants or industry sources or NT Government sources. ACIL Allen Consulting produced "The Economic Impacts of a potential shale gas development in the Northern Territory" and most of those companies and people interviewed by this company are either pro- Fracking or in the industry.

Most of the industry information used is pro- Fracking — this report cannot be relied on without any bias towards the industry.

I cannot find anywhere, listed, any of the Panel members conflicts of Interest, nor can I find anywhere any of the consultants you have used and their conflicts of interest.

It's fair to say that the Territory Labor Party would not have been elected in the last election if it wasn't for 1 Territory preferencing them or NT Labor following our lead and announcing that they would put a moratorium in place on Fracking if elected. But federally Labor Australia wide is pro- Fracking, prior to the Territory Election.

NT Labor got elected on the back of stopping Fracking; they got elected, and now they need third party verification to lift the moratorium in order for Fracking to proceed. Enter the Scientific Inquiry into Hydraulic Fracturing of Unconventional Reservoirs in the Northern Territory.

This Panel is that affirmation required by the Labor Party to Frack. Your report is what will be used by a Labor Government, that has tricked the voters, to allow Fracking to proceed. If the panel can not declare its conflicts of interest, if the consultants the panel has used can not declare their conflicts of interest (that's financial – commercial – political – social conflicts of interest) - then this submission into Hydraulic Fracking should not be submitted or taken seriously when determining Fracking in the Northern Territory.

Hence, we believe this Inquiry is compromised and its findings should not be taken seriously. There is no David Attenborough on this Panel because he would not compromise the safety of the environment of the Northern Territory for jobs, financial gain or regulatory controls. But, you, the Panel have.

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Conclusion

I do not wear a suit of armour; I am no David Attenborough either but I am not afraid of getting hurt to protect the pristine waters of the Northern Territory from Fracking and I think you would be surprised just how many Territorians feel the same way.

Your Draft Final Report does not reflect the views of the majority of Territorians. This Report does not justify the onshore Hydraulic Fracking of the Northern Territory.

There is no social license to Frack the NT.

When elected, 1 Territory will ban Fracking and conduct an ICAC Inquiry into this process in the Northern Territory.

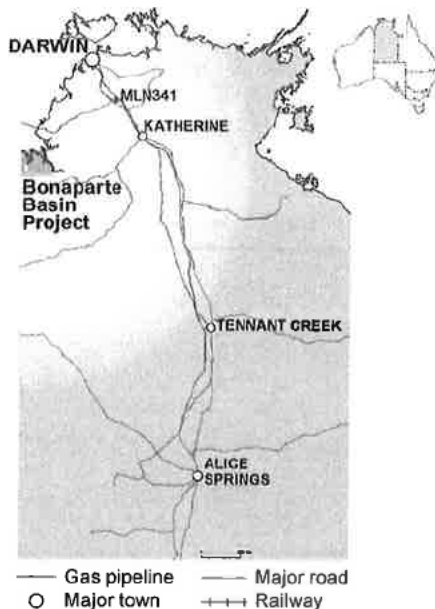


Braedon Earley B.APP.Sc.Prop.Econ.

President 1 Territory

5/2/2018

Bonaparte Basin Project



Company overview

Beach Energy is a publicly listed Australian company with producing assets in Australia's Cooper Basin and exploration projects in Australia, New Zealand and Africa.

ASX: BPT

Market capitalisation:

A\$1.092 bn at 21 June 2017

Number of shares:

1,873,812,484 at 21 June 2017

Website:

www.beachenergy.com.au

Resource: Conventional and shale petroleum

Contact details

Beach Energy

Mr Chris Whiteman

Senior Commercial Advisor

T: +61 8 8338 2833

E: farmout.bonaparte@beachenergy.com.au

**Australia's Northern Territory
Government
Department of Primary Industry and
Resources
Investment Attraction Division**

Ms Fiona Park

Director Investment Attraction

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For more information on this project or others available in the Northern Territory, visit www.core.nt.gov.au

Project overview

Beach Energy owns 100% of onshore petroleum exploration permit EP126, covering over 6,700 square kilometres (1.6 million acres) in the onshore portion of the highly prospective Bonaparte Basin, in the northwest of the Northern Territory.

In 2013 the company conducted a high resolution airborne gravity gradiometer and magnetic survey over the area, and in 2014 it successfully drilled the Cullen-1 well to more than 3,300 m which proved the presence of a working hydrocarbon system.

Wells drilled by others in the region have shown oil staining and live oil in cores drilled for other minerals, and oil seeps at surface. Beach Energy's acreage surrounds, but does not include, the Weaber Gas Field, discovered in 1985 and yet to be developed.

Beach Energy is seeking a party interested in farming in to EP126 to test and evaluate Cullen-1, and thus gain early entry into the Northern Territory's tightly-held onshore petroleum ground.

Geology and exploration activity to date

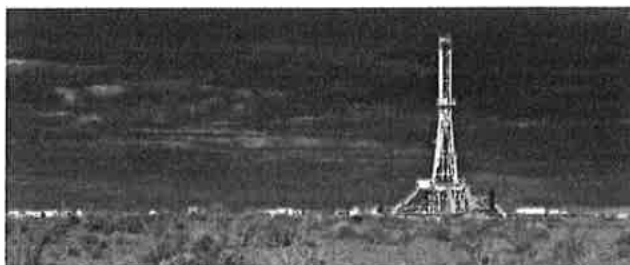
The Cambrian to recent Bonaparte Basin is a large hydrocarbon-bearing basin in the northwestern offshore and onshore Australia. Most of the basin is located offshore, covering 250,000 km², compared to just over 20,000 km² onshore. The basin is an established oil and gas province with proven resources and a number of currently producing fields in offshore areas.

Beach Energy considers EP126 to be prospective for both conventional oil and gas within the Milligans Formation, the Ningbing Group as well as other structures and formations, and shale gas and liquids in the Milligans Formation. The Milligans Formation comprises organically rich and thermally mature shales and other lithologies representing a rich source facies which is likely to be prospective for liquids in the onshore part of the basin.

Beach Energy's exploration to date in EP126 has resulted in the acquisition, processing and interpretation of 15,732 line-kilometres (~6,500 km²) high resolution airborne gravity and magnetic survey, as well as the successful drilling of Cullen-1. Cullen-1 was drilled to 3,325 m and intersected 1,600 m of dark grey to black marine shale.

Interpretation of the airborne geophysical survey and the results of Cullen-1 has identified three plays of interest:

- Gas charged, highly fractured and/or dolomitised carbonates of the Late Devonian Ningbing Group
- Shale gas in thick marine shale sequence within the Milligans Formation and Langfield Group
- Shallow oil potential.





Infrastructure

EP126 is located onshore in the Northern Territory, on the southwestern edge of the Bonaparte Basin, on the northern coast of the Northern Territory. It is bounded on two sides by the Western Australian border and the Timor Sea. The existing Black Tip gas pipeline, which supplies gas from the offshore Black Tip field to the Port of Darwin for LNG processing is only 120 km from the project area. The sealed Victoria Highway passes close by EP126.

Business overview

- Beach Energy aims to be Australia's premier multi-basin upstream oil and gas company. Beach Energy is already Australia's largest onshore oil producer. Its primary focus is the resource-rich Cooper Basin with gross acreage of over 56,000 km².
- Beach Energy holds interests in more than 500 exploration and production tenements in Australia, Tanzania and New Zealand.
- Across all of its tenements, Beach Energy's proved and probable recoverable reserves as at 30 June 2016 were 70 million barrels of oil equivalent (MMboe) and contingent resources were 205 MMboe.
- The company is pursuing compatible growth opportunities in Australia, including the further exploration of EP126.
- Possible short term marketing options for future production from EP126 include gas swaps with local mines and micro LNG for road transport and remote power generation.
- Recent exploration and investment in nearby areas by Pangaea Resources and the Texas-based Energy & Minerals Group indicate a strong interest in the region by major players.

Project status and development timeline

- Subject to selecting a suitable farm-in partner, Beach Energy envisages that the next stage of development of the Bonaparte Basin project will be an extended production test of the conventional fractured carbonate play discovered in Cullen-1. Beyond that, it envisages future testing of the shale gas interval in Cullen-1.

Investment sought

Beach Energy is seeking a party interested in acquiring a material equity position in EP126 via a staged approach. Beach Energy is seeking a farminee to carry the cost of an extended production test of the conventional fractured carbon play discovered in Cullen-1, with further equity potentially available through carry of future testing of the shale gas interval in Cullen-1. However Beach Energy is prepared to consider a range of commercial proposals.

Resource estimates

- Further testing will be required before a resource estimate can be announced for EP126.

Disclaimer:

This document includes information provided by third parties. The information is general in nature and is for information purposes only. The Northern Territory Government makes no representation about the veracity or accuracy of information provided by third parties. You must rely on your own due diligence before proceeding. You should consider seeking independent professional advice.

Group Internal Audit

Internal Audit Report

Origin Energy Limited

Division **Upstream**

Internal Audit Description **Regulatory Compliance**

Status **FINAL**

Rating **Unsatisfactory**

| | |
|---------------------------------|---------------|
| Internal Audit Completion Date: | December 2013 |
| Internal Audit Report Issued: | February 2014 |

Outcome

The control environment has been assessed as **"Unsatisfactory"**¹, with control exposures noted across the scope areas as follows:

| Audit | Overall Rating | Scope Area | Scope Area Rating | Issues Raised | | | |
|-----------------------|----------------|---|-------------------|---------------|-----------|----------|-----|
| | | | | Sev. | High | Med. | Low |
| Regulatory compliance | Unsatisfactory | Governance, Policy & Direction, Management Accountability, Responsibility & Awareness | | - | 1 | - | - |
| | | Management System, Processes, Reporting & Programs Organisation, Resourcing, Training | | - | 8 | - | - |
| | | Monitoring & Improvement Program | | - | 1 | 2 | - |
| Total | | | | - | 10 | 2 | - |

¹ - Rating Definitions - please refer s4.4

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1. Executive Summary

1.1 Context

The organisational restructure and subsequent management of change to validate compliance with both the Regulatory Compliance Directive (Directive) and AS 3806 - (Compliance programs) was not managed under a formal change process and the responsibility to implement and change to existing systems, processes and resource models was informally delegated to the various portfolio owners, namely NZ, VIC/SA and WA/QLD assets. Consequently the compliance management program (CMP) for Upstream operates on a decentralised model with both accountability and responsibility for regulatory compliance seated at the asset level.

Coinciding with the submission of the Lang-Lang Safety case, management is evaluating the standardisation of technical compliance programs enabled through the Safety Case that if designed to an appropriate standard could "harmonise" the compliance enablers across all assets to provide an effective and efficient compliance program for senior management and board members.

The key components of an effective and integrated approach to governance and management of technical compliance (e.g., safety cases) are:

- Leadership, defined accountability, management responsibility and culture;
- Major hazards identification, risk assessments and control measures;
- Arrangements for assurance, reporting, auditing and improvement;
- Management systems to ensure compliance with statutory requirements; and
- Obligations Registers.

Good industry practice combines the management of operational risk, safety, health, quality, technical regulation, environment and training into one grouping, where the common link is accountability for a management system in accordance with a relevant standard, to support and advise the owner/operator in delivering against obligations arising from legislation and regulations.

Compliance Improvement Plan (CIP)

The establishment of functional teams within the Upstream Division (Production, Engineering, etc) has highlighted a range of disparate systems and processes (formal and informal) at the asset level to support compliance management. Management declared as part of its annual Management Declaration that a project will be launched to centralise regulatory obligations into a central register and has expanded this remit to a broader compliance improvement plan.

It is the intention to incorporate the agreed internal audit findings into the Compliance Improvement Plan. The CIP will focus on the following 5 key areas:

- Define Compliance Roles and Responsibilities- RACI
- Define Compliance Reporting Standards
- Develop Compliance Processes & Procedures
- Define Interim Compliance Systems Strategy
- Finalise Compliance Improvement Plan

Structure of this report

The report structure consists of an integration of the standard internal audit report template, maturity model and reference table that links the report findings to the Upstream Continuous Improvement Plan (CIP). A common thread/baseline throughout the report linking the scope, audit findings, CIP and maturity model all reference back to the following summarised principles (12 standards) derived from AS3806, namely:

- Management Accountability & Responsibility & Awareness
- Organisation, Resourcing, Training
- Governance, Policy & Direction
- Management System, Processes, Reporting & Programs
- Monitoring & Improvement Program

1.2 Purpose & Objectives

The purpose of this audit is to understand and clarify the issues related to management of all compliance obligations across all activities for all assets within the Upstream Division excluding exploration assets and major projects. The objectives of the audit are:

- Evaluate the design and operating effectiveness of controls that are mandated by the regulatory approval and compliance governance framework,
- Evaluate the adequacy of organisational structures to support the framework;
- Evaluate the operational effectiveness of controls that ensure obligations are identified and compliance to it is being assessed and non-compliance reported.

1.3 Scope

Accountability and Responsibility

- Accountability for compliance management is understood and fully implemented.
- Responsibility for compliant outcomes is clearly articulated and assigned.

Governance, Policy and Direction

- Alignment of the compliance policy and management system to the Upstream Division's strategy and business objectives.
- Endorsement of the objectives and strategy of the compliance program and sponsorship by a governing body and top management.
- Communication and direction through a Regulatory Compliance directive and framework.

Compliance Management Systems, Processes and Controls

- Compliance obligations are known, recorded and under management.
- Processes exist to identify, record and track regulatory and legislative obligations ("compliance obligations") emanating from regulatory approvals and existing operational activities, Completeness and accuracy of compliance reporting.
- Risk management process that supports the classification of compliance requirements and prioritisation of management recovery plan to implement/mature compliance framework.
- Non-compliance governance processes including the identification and management of regulatory and legislative breaches and their impact.
- Demonstration of the health of the compliance program through both documentation and practice.

Resources, Training and Awareness

- Organisational structure and/or external capability to support the regulatory compliance directive and framework.
- Appropriateness of resources allocated to develop, maintain and improve the compliance program.
- Competence and training needs are identified and addressed to enable employees to fulfil their compliance obligations.
- Communication and engagement with regulators including how change is managed.
- Awareness and management of the impact of regulatory change.

Monitoring and Improvement

- Performance of the compliance program is monitored, measured and reported.
- The compliance program is regularly reviewed and continuously improved.

1.4 Approach to Audit

Group Internal Audit (GIA) utilised the following approach:

- Evaluated compliance to the Regulatory Compliance Directive (ORG-COMP-DVE-001) and AS3806 - Compliance Programs (12 principles), with consideration of Upstream management's Compliance Improvement Plan to manage known existing internal control deficiencies.

- Evaluated whether deliverables included in Compliance Improvement Plan have been risk assessed, prioritised and approved by senior management.
- Evaluated the existing compliance management system components to determine if they are fit for purpose.
- Determined whether aggregated reporting requirements are effective and efficient.
- Determined whether the system for identifying compliance obligations relating to Upstream business activities is effective, with obligations being assessed for risks to the business and demonstrably under control.
- Evaluated the translation of obligations to management plans, policies, procedures, performance standards or compliance controls, including verification under an on-going compliance/maintenance program.

1.5 Definitions

Compliance Management Program (CMP)

A CMP consists of approaches endorsed and implemented by management to ensure that compliance obligations are understood, owned, monitored, reported and actioned. A Compliance Management Program embraces standards, plans, data and internal controls that are capable of detecting and preventing non-compliance, including identification of obligations, risk assessment of obligations, assignment of responsibilities, internal and external monitoring and benchmarking, due diligence and audit of the existing controls to understand issues, reporting to management and corrective actions to rectify deviations or to improve performance. The Compliance Management Program is also about educating and raising awareness, ensuring processes facilitate compliance, ensuring accountability for compliance and providing a mechanism for reporting and handling breaches and incidents. A Compliance Management Program integrates with the organisations Risk Management Program. Refer to AS3806 for more information.

Compliance Management Systems

Systems refer to compliance policies, procedures, IT systems and resourcing models that enable the compliance management program.

1.6 Rating

Overall control environment and individual scope areas have been assessed as follows:

| | |
|------------------------------------|-------------------------|
| Overall Control Environment | "Unsatisfactory" |
|------------------------------------|-------------------------|

The rating is determined through the evaluation of the management level control and overall integrated operating effectiveness of the compliance management program (CMP). It is recognised that the CMP operates on a decentralised model with both accountability and responsibility of the CMP devolved to an asset level. Furthermore, the overall rating should be assessed against the recent enterprise wide commitment to compliance as communicated by senior leaders in the business. The CMP at an asset level does not collectively mitigate the risks associated with regulatory compliance breaches that extend from the potential legal exposure to Directors/Safety Officer, loss of reputation and license to operate. Consequently the rating embodies the risk to the division failing to achieve its regulatory compliance objectives instead of the focal risk on license to operate.

1.7 General Manager Comment

This corporate audit has been conducted in the middle of a major change process in Upstream and many of the findings reflect this transitional moment in changing Regulatory Compliance from decentralised to centrally co-ordinated and the associated change in responsibilities. The imperative of operating in accordance with the law and our contractual obligations is recognised along with the recent and rapid shift by Regulator & Community to low tolerance of non compliance.

Over the last 12 months there have been 15 audits conducted by external Regulators of our producing assets;

| Regulator Audits in last 12 months | Total Audits conducted | Risk rating of audit outcome | | |
|---|------------------------|------------------------------|-------------|----------|
| | | High Risk | Medium risk | Low risk |
| Southern Australia (Bassgas & Otway) | 7 | 1 | - | 6 |
| Western Australia (Beharra Springs & Jingemlia) | 3 | 2 | 1 | 0 |
| New Zealand (Kupe) | 5 | - | - | 5 |

This is an indicator of an unsatisfactory system of regulatory compliance although not at a High risk business exposure.

The Upstream organisational change, finalised in April 2013, was conducted under a formal change management process. Through that process, Regulation & Compliance was specifically identified as an area of heightened need. A new team was created (reporting direct to the General Manager Production) responsible for the development of an Upstream wide approach to regulatory compliance.

The limitations of the historical approach within Upstream to regulatory compliance, wherein each operating asset managed regulatory compliance separately, has been confirmed by this audit along with providing an endorsement of the Upstream Regulatory Compliance Improvement Plan which is in place. Activation of that plan is now underway and will necessarily require some flexibility to evolve as Origin establishes an enterprise compliance framework, procedures and ultimately the Project Purple [SAP] platform to support obligations management in an efficient manner.

The path to greater compliance against AS3806 is one of many years. The Upstream action plan for regulatory compliance improvement is identified as a priority item within Upstream that will take us a significant step towards systematic management of obligations to be compliant.

Name: John Rodda

Title: General Manager Production

Date: 31 October 2013

1.8 Executive Manager Comments

I am committed to making the resources available, giving it due priority and additional leadership focus to address the weaknesses identified by the audit. These weaknesses have been well recognised, and it will take some time to mature our disparate and reactive systems to provide adequate 1st and 2nd line assurance that we are properly compliant.

Name: Paul Zealand

Title: Chief Executive Officer Upstream

Date: 9 December 2013

1.9 Issues by Scope Area

The table below summarises the key issues by scope area.

Findings Specific to Upstream:

| Scope Area Rating | Drivers for the Rating |
|---|---|
| <p>Governance, Policy & Direction Management Accountability, Responsibility & Awareness</p> | <p>The Upstream Division is not in full compliance with the Regulatory Compliance Management Directive and AS3806.</p> <ul style="list-style-type: none"> • There is no documented evidence whereby Upstream affects alignment with the Directive and how compliance to it is enabled through a compliance management program. • Also there is no evidence of how the objectives of the compliance management program are supported by a Divisional strategy to achieve compliance. • From interviews across the portfolio owners and subordinate teams knowledge of the Directive appears to be weak across the Upstream division. • Management questionnaire statement from 2013 confirms that Regulatory Compliance Directive is not fully complied with that aligns with internal audit observations derived from this internal audit. <p>The accountability for compliance management within Upstream is not commonly understood by management, is not documented and has not been fully implemented. Implementation of compliance management at an operational level is inconsistent and ineffective, placing Management at increased risk of a compliance breach due to hidden (underlying) organisational factors preventing compliance.</p> <ul style="list-style-type: none"> • Accountability for compliance management within Upstream is not formally assigned and mandated to any specific role or person. This means that no one person owns the compliance management program. • The delegation of responsibilities between the Technical Authority, Compliance team, HSE team and Operational teams are not clearly defined. <p>There is no formal governance applied to the management of compliance within the Upstream Division. Management may not be able to confirm that the overarching principles and commitment to action for the organisation with respect to achieving compliance have been adequately implemented. Additionally, Management may be unable to audit the health of controls, therefore unable to confirm the risks of non-compliance and the potential threats of regulatory intervention.</p> <ul style="list-style-type: none"> • There is no committee or body established within the Upstream Division that oversees the implementation and effectiveness of the compliance management program. Oversight of the compliance program articulated in the Compliance Directive appears to be a management function, rather than sponsorship by a governing body. • Management of regular change is not centralised in Upstream and though there were evidence of MOC processes in NZ and VIC/SA (no evidence in WA/QLD) assets, the impact and prosecution of new obligations are done in isolation of the portfolios. This asset based approach appears to be both inefficient and ineffective and could result in different interpretation, assessment and implementation. For example, the impact of the recent changes to Work Health and Safety (WHS) legislation on Australian assets were not prosecuted in any of the portfolios. • There is no standard and common performance management regime applied to the management of compliance across the Upstream Division. There does not appear to be any metric basis to affect consequence |

| Scope Area Rating | Drivers for the Rating |
|---|---|
| | management for non-compliances. |
| <p>Management System, Processes, Reporting & Programs</p> <p>Organisation, Resourcing, Training</p> | <p>There is no single or central regulatory compliance obligations repository for Upstream supported by appropriately experienced resources to enable disciplined identification, consistent interpretation and assessment of obligations. Management does not have full and comprehensive visibility of the relevant risks and obligations attributable to licenses to operate and may ultimately be less informed about the current state of compliance to safety case obligations than required.</p> <ul style="list-style-type: none"> • There are disparate IT systems used for compliance management that vary in degree of effectiveness and efficiency, extending to unsupported systems such as the Tenure system in QLD. The inadequacies of the existing systems and processes adversely impact the operating effectiveness of compliance management activities and complicate the capture, processing and reporting of the compliance status. • There is no standard for reporting the status of compliance obligations. Also reporting on the status of compliance obligations is incomplete. • Inadequate links between obligations registers, plans and actions. • No evidence of obligations risk assessments. • No regulator engagement plan and procedure. • No centralised management oversight over licenses, permits, tenures, pipeline rentals and government commitments that may result in the risk of loss of asset(s) for tenures that are not renewed, fines, suspended licenses and imposing of stricter conditions. • Potential loss in reputation with both regulators and external community. • OCIS is incomplete and classification of incidents lodged is not centrally assessed for accuracy, validity and allocation to appropriate action owners. • There is no formal, active division wide regulatory compliance training program resulting in employees not being provided with a common understanding of the obligations arising from the license to operate. No evidence could be obtained to evidence the capture of a training needs analysis or competency matrix for the compliance management function. |
| <p>Monitoring & Improvement</p> | <p>The compliance management program is not regularly monitored to achieve compliance through a plan. Monitoring processes, schedules, resources and the data to be collected are not defined at a divisional level, which is essential for assessing progress status against strategic objectives. Consequently there is no ability within Upstream to confirm that all obligations requiring a response or execution (work, tasks, reports) are compliant. Recurring failure may lead to non-conformances at successive audits or a regulatory notification (PIN) requiring immediate correction.</p> <ul style="list-style-type: none"> • There is no internal control to ensure that all regulatory compliance breach notices, fines, warnings and actions arising from regulatory audits have been captured in OCIS. • Key insights derived from OCIS actions are not formally integrated into the continuous improvement of the compliance management program. • Management level control is discharged at an asset level and the basis of design through which it is enabled is different between NZ and VIC/SA assets. There is no evidence that QLD/WA assets have formal, robust management level control systems in place. The status of management level control is not escalated to senior management. Consequently, senior management may not be adequately informed on all relevant compliance |

| Scope Area Rating | Drivers for the Rating |
|-------------------|---|
| | <p>failures.</p> <ul style="list-style-type: none"> • In the absence of a formal, approved compliance management program, there is no evidence to demonstrate promotion of the principle that the organisation encourages and supports a culture of compliance. • Escalation processes exist but are not documented, consistently applied and communicated to ensure all compliance failures are raised and reported to management as required. • Compliance program reviews are not conducted on a regular basis. |

The assessments made below are with reference to the corresponding elements defined in AS3806 and standards described in the Regulatory Compliance Directive. The detail is not included due to the expansive content. The summary is also included to support the assessment highlighted in the maturity model.

Summary of general compliance status against AS3806 (12 Principles)

| P | AS3806 | Compliant | Reference |
|----|--|-----------|-------------------|
| 1 | Commitment by the governing body and top management that enable effective compliance which permeates the whole organisation | No | Finding 1 |
| 2 | The compliance policy is aligned to the organisation's strategy and Business objectives, and is endorsed by the governing body | No | Finding 1 |
| 3 | Appropriate resources are allocated to develop, maintain and improve the compliance program | No | Finding 9 |
| 4 | The objectives and strategy of the compliance program are endorsed by the governing body and top management | Partial | Finding 1 |
| 5 | Compliance Obligations are identified and assessed | Partial | Finding 2 & 3 |
| 6 | Responsibility for compliant outcomes is clearly articulated and assigned | Partial | Finding 1 |
| 7 | Competence and training needs are identified and addressed to enable employees to fulfil their compliance obligations | No | Finding 10 |
| 8 | Behaviours that create and support compliance are encouraged and behaviours that compromise compliance are not tolerated | Partial | Findings 9 & 10 |
| 9 | Controls are in place to manage the identified compliance obligations and achieve the desired behaviours | Partial | Findings 2,4,7, 8 |
| 10 | Performance of the compliance program is monitored, measured and reported | No | Finding 2 |
| 11 | The organisation is able to demonstrate its compliance program through both documentation and practice | Partial | Findings 1-10 |
| 12 | The compliance program is regularly reviewed and continuously improved | No | Finding 12 |

Summary of general compliance status against Regulatory Compliance Directive

| Par | Directive standards | Compliant | Reference |
|-----|-----------------------------|-----------|-------------------------------|
| 3 | Management responsibilities | No | Management Questionnaire 2013 |

| Par | Directive standards | Compliant | Reference |
|-----|--------------------------------------|-----------|------------|
| | | | Finding 1 |
| 4.1 | Training # | No | Finding 10 |
| 5.1 | Identification & Maintenance | Partial | Finding 2 |
| 5.2 | Recordkeeping | Partial | Findings 2 |
| 5.3 | Risk assessment | No | Finding 3 |
| 5.4 | Incident capture & management | No | Finding 10 |
| 5.5 | Resourcing and capability management | No | Finding 9 |
| 5.6 | Reporting | No | Finding 2 |
| 6 | Compliance & assurance | No | Finding 12 |

Directive requirements paragraphs 4.2-4.4 relate to Group Risk obligations that are not in scope for this internal audit.

Management Questionnaire declaration

The Management Questionnaire for Upstream June 2013 pertaining to regulatory compliance declared non-compliance to the Regulatory compliance directive as stated below, which could be perceived to contradict the positive confirmation of compliance with declaration 6.2.4 that affirmed full compliance with all regulatory and licensing requirements.

The extract below highlights management's perspective on areas of deviation from the Directive and should be considered against the corresponding internal audit assessment in both the pre-ceding summary tables and detailed internal audit findings.

"Applicable sections of directive detailed below (these are currently being actioned and will continue to implementation and completion in FY14):

6.2.1.1 Identification and Maintenance - The proposed Compliance Obligations Project (UCOP) was not comprehensively rolled out across upstream resulting in an ad hoc to identifying regulatory obligations. Under the restructure a dedicated Team has been created to facilitate and manage for Upstream the creation of a central repository for all Upstream Regulatory Obligations utilising external providers such as Comply watch. This has commenced and is being undertaken through a 3 phased approach.

6.2.1.2 Record Keeping - Recording and tracking compliance requirements are still not complete and this is being incorporated into the review currently underway. Similar approach to NZ assets will be adopted.

6.2.1.3 Risk Assessment - NZ assets have now undertaken a risk assessment of obligations as per Corporate guidance. AUs assets will undergo a similar exercise once all obligations have been identified, reconciled against risk exposures and process in place to monitor.

6.2.1.4 Incident Management - Yes, non compliances are formally reported in OCIS and included within the Corporate Quarterly Report.

6.2.1.5 Resourcing and Capability Management - Small dedicated team to identify and implement a robust Regulatory Compliance system & reporting are currently being recruited. Relying on assistance from Corporate Team. Change Management Process currently being established for Upstream to ensure all SMEs are aware of their role and obligations. Training will have to be provided.

6.2.1.6 Reporting - Yes, reporting requirements are being met by NZ and to a lesser level by AUS. End goal is to produce one consistent Upstream Report once processes are in place. Corporate currently reviewing reporting requirements."

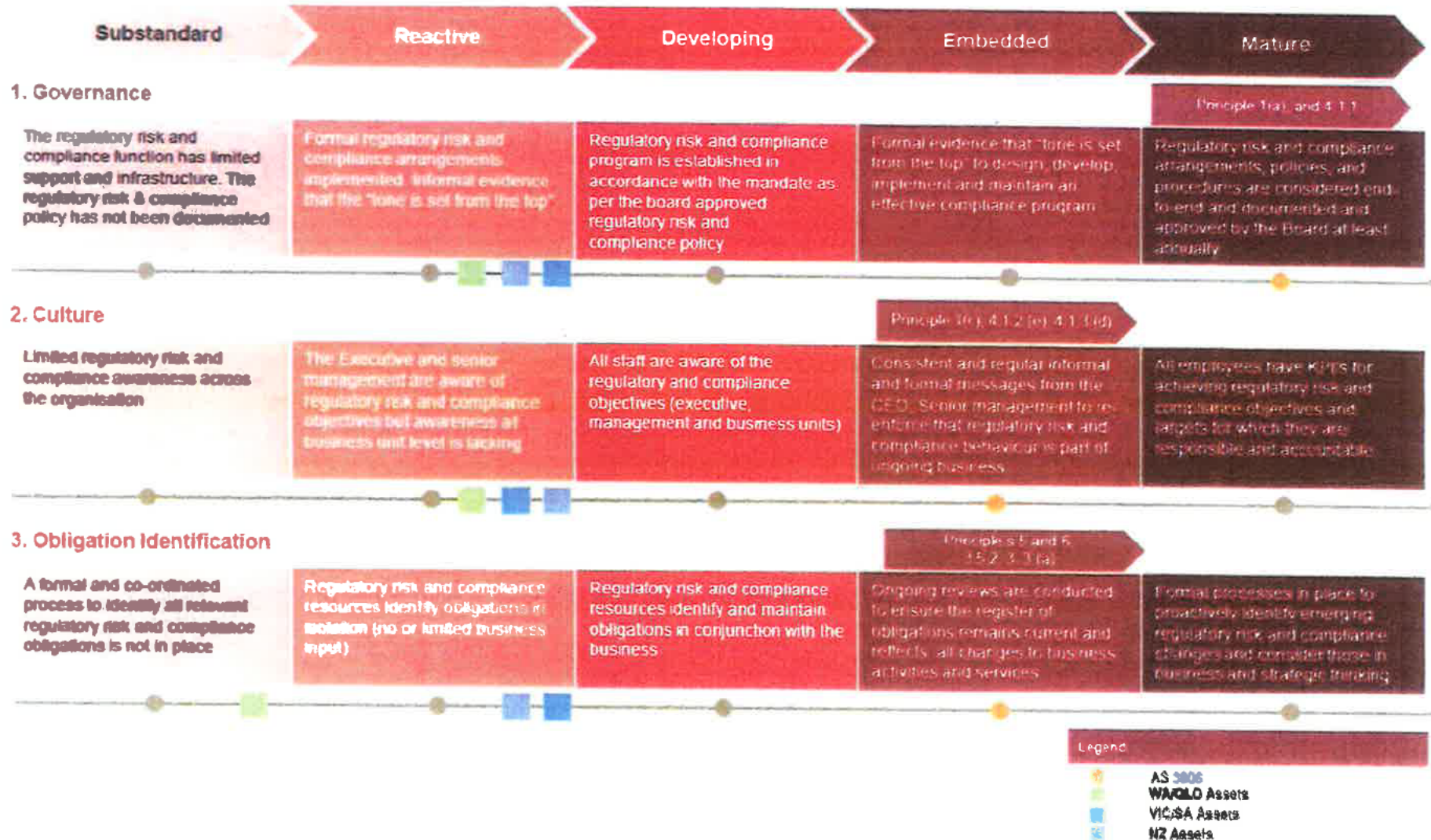
1.10 Maturity Model

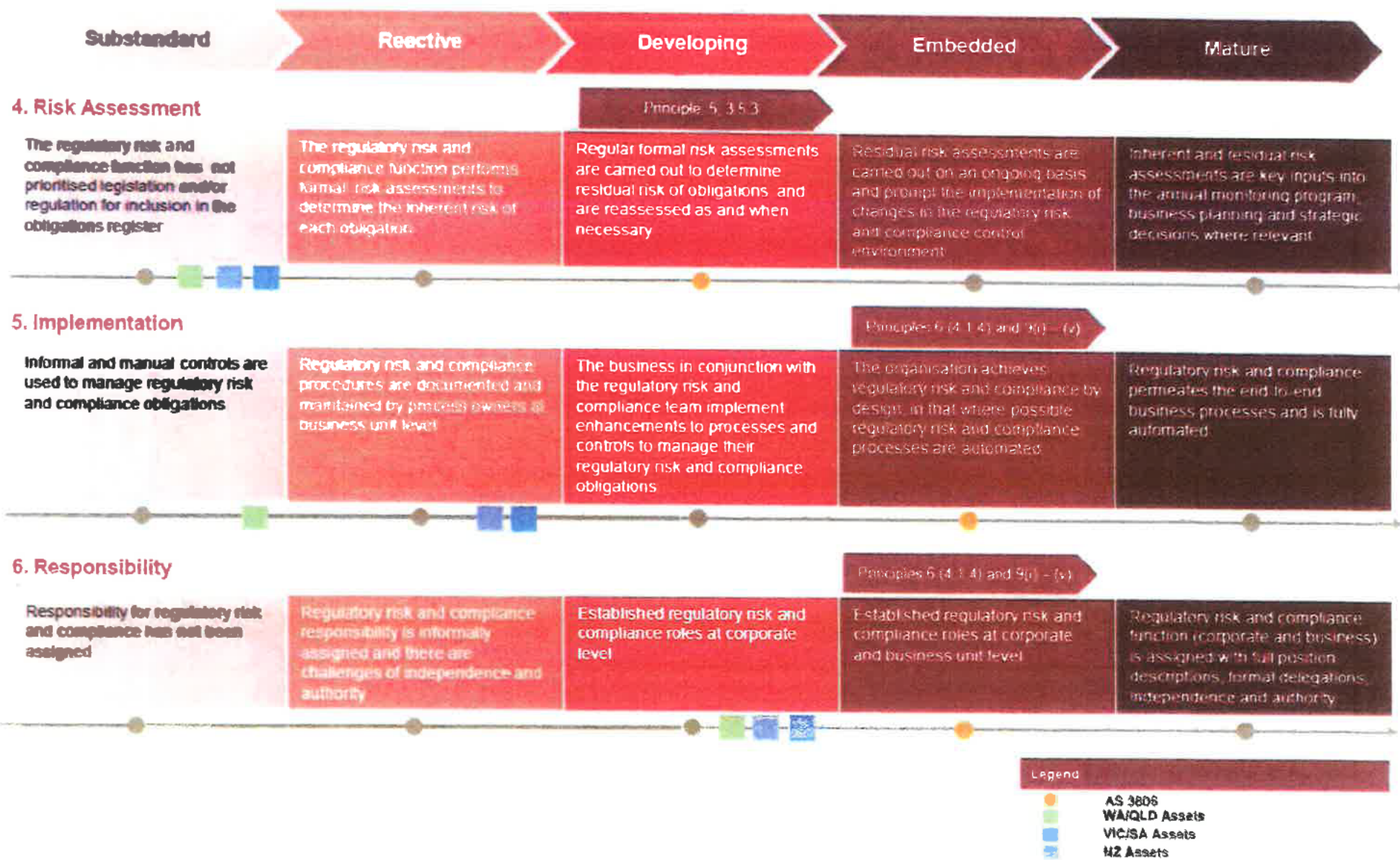
The maturity model is based on AS3806 - Compliance Program guiding principles and the maturity assessment reflects a comparison between the three portfolios. The maturity model does not include exploration assets and major projects.

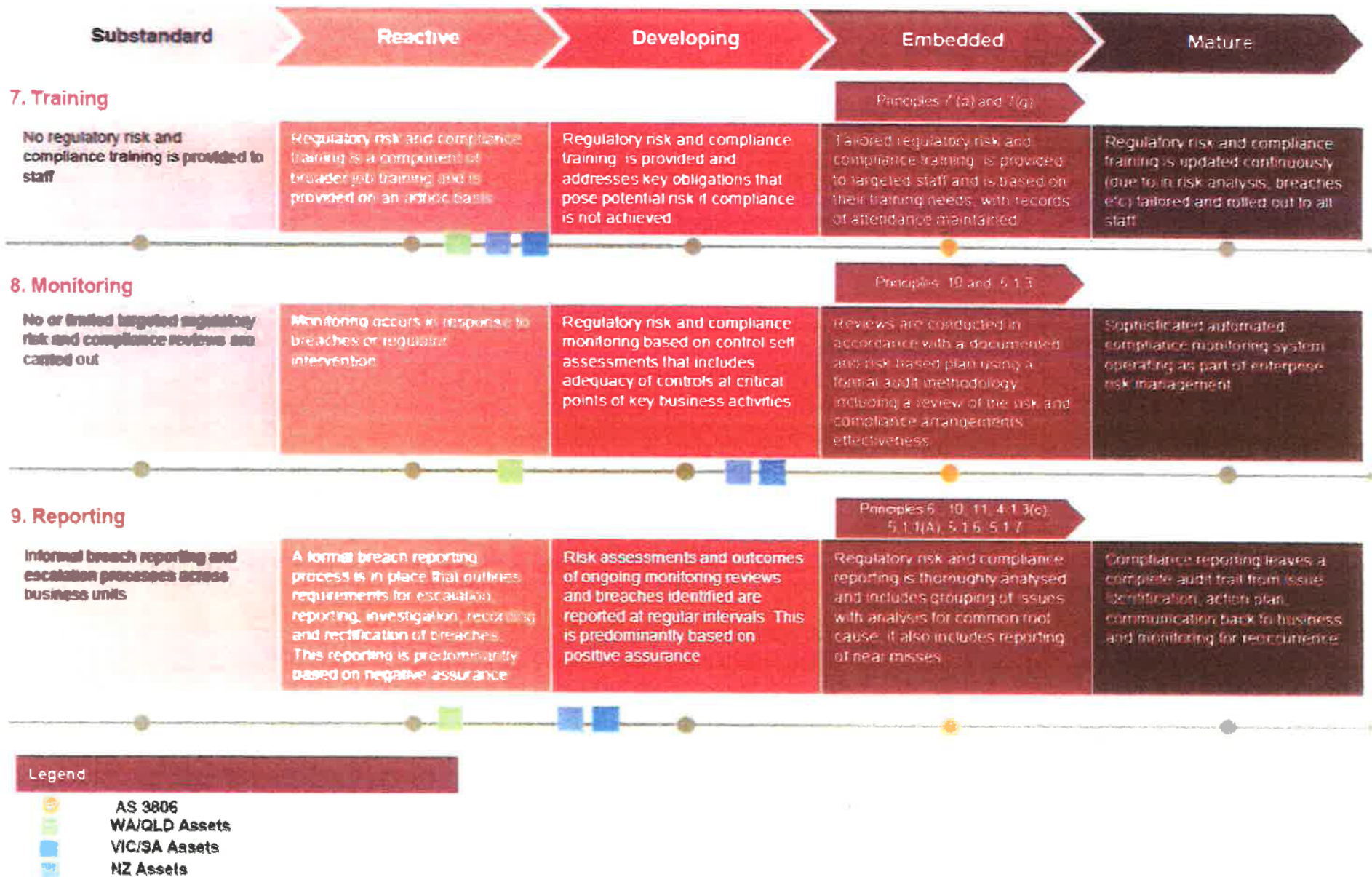
The maturity assessment is from an asset portfolio perspective with consideration of existing compliance management systems and processes contained within each portfolio. The profile derived from this assessment highlights that the WA/QLD portfolio appear to have been most adversely impacted by the organisational restructure and it is understood that the CIP plan will prioritise improvement initiatives in this area, for example reviewing tenures, permits, Safety cases, developing RACI's and close scrutiny of incident management activities.

The maturity model also highlights that in general terms all aspects of the compliance management program needs to be improved leveraging off the technical compliance systems currently in place.

Regulatory Risk and Compliance Maturity Model







2. Summary of Issues, Risks and Ratings

2.1 Summary of Issues - Risk Matrix

| | | LIKELIHOOD RATING | | | | | |
|--------------------|----------------|-------------------|-------------------|------------|------------|----------|------------------|
| | | 1 REMOTE | 2 HIGHLY UNLIKELY | 3 UNLIKELY | 4 POSSIBLE | 5 LIKELY | 6 ALMOST CERTAIN |
| CONSEQUENCE RATING | CATASTROPHIC 6 | H | H | S | S | H | H |
| | CRITICAL 5 | M | M | H | S | S | H |
| | MAJOR 4 | M | M | M | 1, 3 | S | S |
| | SERIOUS 3 | L | M | M | M | 2, 4-10 | S |
| | MODERATE 2 | L | L | M | M | 11, 12 | H |
| | MINOR 1 | L | L | L | M | M | M |

2.2 Rated findings

| Scope | Issue # | Observation | Risk | Issue Rating ² | Agreed Actions |
|---|---------|--|---|---------------------------|----------------|
| Governance, Policy & Direction Management Accountability, Responsibility & Awareness | 1 | Inadequate governance and management of change applied to compliance obligations. Inconsistent understanding of accountability and responsibility for management of technical compliance. | Board and management may ultimately be less informed about the current state of compliance to safety case obligations than required. Non conformance with AS3806 standard and Regulatory Compliance Directive Implementation of compliance management at an operational level is inconsistent and ineffective, placing the owner/operator at risk of breach due to hidden (underlying) organisational factors preventing compliance. | High | 8 |

²(S) Severe / (H) High / (M) Medium / (L) Low
Please refer s4.4 for definitions

| Scope | Issue # | Observation | Risk | Issue Rating ² | Agreed Actions |
|---|---------|--|--|---------------------------|----------------|
| Management System, Processes, Reporting & Programs Organisation, Resourcing, Training | 2 | Reporting of compliance obligations is incomplete. | Management does not have full and comprehensive visibility of the risks and obligations. Non conformance with AS3806 and Regulatory Compliance Directive | High | 2 |
| | 3 | No risk assessment of obligations. | Could result in ineffective and inefficient allocation of compliance resources. Obligations that require priority action are potentially overlooked that could trigger risk event. Non conformance with AS3806 and Regulatory Compliance Directive | High | 1 |
| | 4 | Inadequate links between obligations registers, plans and actions. | No ability to confirm that all obligations requiring a response or action (work, tasks, reports) are compliant. Recurring failure may lead to non-conformances at successive audits or a regulatory notification (PIN) requiring immediate correction. | High | 2 |
| | 5 | There are no documented verification procedures for regulatory compliance obligations that arise outside the Safety Critical environment | Increased risk of hidden non-compliances or breaches due to compliance obligations not being verified. Non conformance with AS3806 and Regulatory Compliance Directive | High | See Issue4 |
| | 6 | Disparate use of IT systems as compliance enabler | Ineffective and inefficient compliance management program Increased risk that resource model to support and maintain IT systems are not optimised i.t.o. cost and achieving compliance objectives. Increased risk that monitoring & reporting processes are incomplete, invalid and inaccurate. Increased risk that compliance program lacks transparency and real time access by management to compliance exceptions. | High | 1 |

| Scope | Issue # | Observation | Risk | Issue Rating ² | Agreed Actions |
|----------------------------------|---------|--|--|---------------------------|----------------|
| | 7 | No regulator engagement plan and procedure | Increased risk of unauthorised and uncontrolled regulator interaction Increased risk of overlap and multiple points of contact which may result in misaligned communications i.e. conflicting messaging | High | 1 |
| | 8 | No centralised control over licenses, permits, tenures, pipeline rentals and government commitments. | Increased risk of loss of asset(s) for tenures that are not renewed Increased risk for fines, suspended licenses, imposing of stricter conditions Potential loss in reputation with both regulators and external community. | High | See Issue1 |
| | 9 | Inadequate resourcing and redundancy in the management of compliance obligations. | Increased risk of poor decisions and judgements about safety case health. Increased risk of breaches and Non-Conformances with AS3806 and Regulatory Compliance Directive. | High | See Issue1 |
| Monitoring & Improvement Program | 10 | There is no internal control to ensure that all regulatory compliance breach notices, fines, warnings and actions arising from regulatory audits have been captured in OCIS. | Increased risk for fines, suspended licenses, imposing of stricter conditions Potential loss in reputation with both regulators and external community. | High | See Issue1 |
| | 11 | Technical Authority mandate and how it seamlessly integrates into compliance management program is unclear | In the absence of a clear accountability model supported by performance measures the seamless functioning of the compliance program could be adversely impacted. This could lead to confusion on the allocation of responsibility for actioning compliance tasks and operational support. | Medium | See Issue1 |

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| Scope | Issue # | Observation | Risk | Issue Rating ² | Agreed Actions |
|--------------|---------|---|---|---------------------------|----------------|
| | 12 | No L2 Regulatory compliancy assurance plan in place | <p>If the operational audits are not being performed, there is unlikely to be satisfactory reporting to management of the status of compliance of all relevant obligations.</p> <p>Non conformance with AS3806 standard and Regulatory Compliance Directive.</p> <p>Non conformance with Assurance Directive.</p> | Medium | 1 |
| Total | | | | | 16 |

3. Detailed Findings and Agreed Management Actions

| Issue Rating - High | | Consequence - Major |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 1 | <p>Inconsistent understanding of accountability and responsibility for management of compliance. Inadequate governance and management of change applied to compliance obligations.</p> <p>Origin recently changed the Upstream organisational structure, emphasising functional teams such as Engineering, Production and HSE across Australia and New Zealand locations.</p> <p>There are two aspects of this accountability that are important:</p> <ul style="list-style-type: none"> • Accountability for the compliance management system; • Accountability for ensuring compliance to the obligations as a condition of the license to operate. <p>The management of change process post the restructure has not clarified the RACI model for compliance and from our interviews with functional managers the differentiation between organisational accountability and legal responsibility is unclear. The accountability for compliance is not formally mandated to a specific role or person. This means that no one person owns the compliance management system, the reporting, and the performance against targets. Furthermore the RACI between Technical Authority, Compliance team, HSE team and Operational teams are not clearly defined.</p> <p>Also the responsibility for compliance management is devolved from corporate to each respective division and the internal audit has confirmed that the responsibility has been further devolved to an asset level. Consequently the internal control that is derived from the centralisation of certain compliance activities has not been realised resulting in a number of internal control deficiencies highlighted in this report.</p> <p>WA/QLD & NZ Assets</p> <p>Responsibilities for compliance management appear to have been devolved down to levels where the understanding and effectiveness is diluted. For example, the NZ Operations Manager relies upon his employees to actively stay abreast of the obligations relevant to</p> | <p>Historically compliance management responsibility has been devolved to the asset level within Upstream. As part of the 2013 Upstream reorganisation change process, which moved from an asset structure to an activity based model, Regulation and Compliance management was identified as requiring change and support. A new Regulatory Compliance team was created to coordinate a change in approach and ownership to Divisional centralisation of Upstream regulatory compliance framework and supporting systems. Implementation of this has taken longer than expected and further recruitment has been required. Responsibilities of the Technical Authority, HSE and Operations teams are documented and communicated, however continued reinforcement of these is required as part of the organisational change process. Further work is required to;</p> <ol style="list-style-type: none"> Communicate the responsibilities of the new Upstream Compliance team; and Confirm and communicate formal delegations of authority for Regulator activities; and Develop and communicate an Upstream Compliance Framework. |

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| Issue Rating - High | | Consequence - Major |
|---------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>NZ assets, with some coordination of effort by the contracted service provider, but no one person or team is responsible for this function. The identification and interpretation of Regulations, Codes and other sources of compliance obligations is described as a Level 1 responsibility - meaning that the operational staff in the NZ portfolio are responsible as the first line of defence. Maintaining an understanding of the relevant obligations for each asset is a challenging day to day task, and the competency of all staff is not assessed against the competency matrix which is in place. There is no identifiable technical compliance function within NZ. The functions appear to be taken up by operational staff on an as required basis. There does not appear to be any coordinated channel of communication to all operational staff about compliance management to support the implementation of the devolved responsibility model.</p> <p>VIC/SA Assets</p> <p>A matrix is in place to allocate responsibility for the 14 performance standards that underpin the safety case. It does not include environment obligations which are captured in RCMS and as a consequence is managed outside of the plant maintenance system. The current status shows that PS-06.4 Rescue Facilities has a status of "deferred", PS-10.1 Asset Integrity Management is "under development" and PS-14 Well Operations is not allocated. Furthermore the competency of Assessors is not prescribed under Australian legislation which provides an improvement opportunity for Upstream to develop minimum competency standards for all assessors in the division.</p> <p>Upstream centralised training</p> <p>There is no training in technical compliance or safety case management. Employees are not provided with a common understanding of the licenses to operate and the obligations arising from the licenses. There do not appear to be any agreed or commonly understood competencies for employees in compliance management. We could not find any evidence of a training needs analysis or competency matrix for the compliance management functions.</p> <p>Management of change process</p> <p>The recent changes to the organisation structure have resulted in significant volumes of</p> | <p>Action Plan</p> <p>1.1 Put in place a role with responsibility and authority for "ownership" of compliance framework & processes to be applied across all of Upstream. <i>Due Date: Complete</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.2 Approval for recruitment of dedicated resources for implementation of the Upstream Compliance Improvement Plan (framework, processes, administration, reporting) <i>Due Date: Complete</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.3 Approval of responsibilities and delegations of authority to be in place specific to the regulatory activities, tenures and obligations management. <i>Due Date: 31 March 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.4 Finalise tactical elements of the Compliance Improvement Plan to define</p> |

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| Issue Rating -High | | Consequence - Major |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>changes to the assigned responsibilities for obligations, but the lingering confusion about organisational responsibilities has stalled the process of confirming the new assignments. AS3806 requires that the compliance policy establishes the overarching principles and commitment to action for an organisation with respect to achieving compliance.</p> <p>Industry practise</p> <p>Leading industry practice for change management promotes similar governance and change management principles employed for Health and Safety and Asset Integrity, whereby a board or committee with executive level authority is convened to oversee the change management process, endorse or approve changes to compliance management arrangements, and to sponsor the reporting of statistics relating to the compliance management process.</p> <p>Leading industry practice for compliance management promotes the implementation of an integrated system of compliance management, where obligations are captured, interpreted, reviewed for applicability, risk assessed in terms of the potential for breaches or non-conformances and actioned by roles assigned with responsibility within the asset owner/operator business. Good practice would also include a documented framework or guideline to establish a shared and common understanding of the minimum requirements to be applied across the business. This supports a functional organisational structure, in which assets operated across jurisdictions and territories can be managed by centralised functions, with full knowledge of the business wide minimum requirements and tailored according to the particular requirements of the asset/regulatory framework combination. An example of what a compliance management system might look like is illustrated below.</p> | <p>work tasks, work streams, resources, and completion milestones</p> <p>Define and communicate compliance roles and responsibilities in Upstream, to be documented in a Compliance Framework procedure for Upstream</p> <p><i>Due Date: 28 February 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.5 Develop and implement a communications plan to Upstream staff on Management's commitment to compliance, Upstream compliance procedures, compliance roles and responsibilities and objectives and performance metrics</p> <p><i>Due Date: 30 June 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.6 Develop and communicate sub RACIs for tenures: safety cases & environ plans; and</p> |

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| Issue Rating -High | | Consequence - Major |
|---------------------|--|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <pre> graph TD subgraph Level2 [Level 2 - Management] Legislation[Legislation] end subgraph Level1 [Level 1 - Operations staff] Regs[Regulations, Codes, Standards, Guidelines, Handbooks, etc] Interpret[Interpret obligations for plans, projects, work programs] Assign1[Assign responsibility] Assign2[Assign responsibility] end Obligations[Obligations databases] Identify[Identify applicable obligations] Assess[Assess risks of non-compliance] List[List of applicable obligations] Dev[Develop responses (actions) as Controls] Review[Review compliance status] Report[Report compliance status] Change((Change Control)) Legislation --> Obligations Regs --> Identify Obligations --> Identify Identify --> Assess Identify --> Interpret Assess --> List List --> Dev List --> Assign1 Dev --> Assign2 Change --> Identify Change --> List List --> Review Review --> Report Report --> Change </pre> | <p>regulatory communications <i>Due Date: 30 June 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.7 Develop and implement incident reporting, investigation and management for compliance <i>Due Date: 30 June 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> <p>1.8 Establish a process to review and update key compliance obligations for Upstream to: a) ensure key obligations are identified and prioritized; b) obtain recommended solutions to address priority compliance gaps; c) monitor and report on implementation of solutions; d) agree accountabilities and responsibilities for obligations owners; e) implement management of change (Phase 2) <i>Due Date: 30 June 2014</i> <i>Action Owner: Sally McDow (Senior Compliance Manager)</i> <i>Action Approver: John Rodda</i></p> |
| | <p>Implication / Consequence</p> <p>The Board and senior management do not have an organised, reliable function or defined accountabilities for managing the liability for process and people safety attributable to licenses to operate.</p> <p>Lack of clarity about who within the organisation is ultimately accountable for technical compliance will contribute to inadequate reporting, change control and deteriorating</p> | |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Major |
|---------------------|--|------------------------------------|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>relationships with regulators.</p> <p>Without responsibility and consequences for non-conformance, the business is unable to consolidate a compliance based culture in the operation of high risk assets.</p> <p>The board and management may ultimately be less informed about the current state of compliance to safety case obligations than required, contributing to an over-confidence in the compliance baseline.</p> <p>Resource model is not aligned with RACI and technical skill requirements to effectively and efficiently enable the compliance management program.</p> <p>Non conformance with AS3806 standard and Regulatory Compliance Directive</p> | |
| | <p>Causes</p> <p>No clearly defined role or accountability for managing the liabilities derived from licenses to operate.</p> <p>No function established to guide, support and advise the organisation on the management of asset integrity (process safety) related matters attributable to compliance obligations.</p> | |

| Issue Rating -High | | Consequence - Major |
|---------------------|---|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 2 | <p>Reporting of compliance obligations is incomplete.</p> <p>New Zealand assets</p> <p>There is not one consolidated list of all obligations relevant to NZ that can be presented and cited by management.</p> <p>The existing process for reporting obligations appears to be focused mainly on current, new and changed legislation only. Legislative obligations are advised to NZ by a contracted service provider who uses a government based subscriber service to identify</p> | <p>Group Compliance have not been able to identify a platform within Origin (between a number of alternatives in use across all Divisions - e.g. Borealis, PACT, ART, RCMS, Primevera, SharePoint, spreadsheets) that facilitates a valuable step forward in obligations management. Upstream will</p> |

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| Issue Rating - High | | Consequence - Major |
|---------------------|--|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>relevant Acts, Sections and Clauses. The provider then scrutinises the source data to determine what is relevant to NZ, and populates a Primavera based listing of obligations for NZ. The same listing is used to assign responsibility, report status and to update management of changes.</p> <p>The Primavera listing only includes obligations derived from Acts and some regulations and codes, as determined by the service provider. The listing does not appear to include all obligations relevant to NZ, nor is management required to scrutinise the listing to confirm the relevance of obligations. Further, the approach adopted by the service provider is to only list those obligations that require some form of response by NZ, such as the execution of a task, a report or a work program.</p> <p>Other sources of data on regulations, codes, standards, guidelines, notices, etc are meant to be identified, interpreted and reviewed by NZ staff (Level 1 operational staff as the first line of defence). The approach undertaken by operational level staff (mainly engineering, production and operations) appears to be an ad hoc survey to identify and interpret what obligations are relevant to the assets owned and operated by NZ. Consequently the process leans to an ineffective approach to identify and interpret obligations when time permits, as an additional activity, without reference to any procedure, and without concern for the risks and timing around these obligations. It is recognised that NZ management may understand the context of obligation assessment but an ad hoc approach may result in information not being escalated through procedure but relies on judgement exclusively.</p> <p>VIC/SA Assets</p> <p>Legislative obligations, codes and standards that are peripheral to Safety case obligations are not assessed. However, legislative obligations derived from the Safety Case are enshrined in 14 Performance standards with Environmental licensing requirements managed via RCMS. RCMS is currently being updated. Compliance reporting on the status of work order performance supported by relevant KPI's is in place.</p> <p>WA/QLD Assets</p> <p>Some legislative obligations are captured in RCMS. However there is no visibility on back</p> | <p>consider a reduction or consolidation in the current number of platforms used across the group for obligations registers; however this can only be considered interim pending Project Purple decisions.</p> <p>As a priority the Upstream Compliance improvement plan focus is on compliance against existing licenses and permits. Screening of industry legislation will be of secondary order, albeit important in any new license or renewal application. Further work is required to;</p> <ol style="list-style-type: none"> a) Close gaps in the identification, risk rating, clarification of accountabilities and assessment of controls for licenses and permits and legislative obligations; and b) To develop effective compliance reporting for the Upstream Leadership Team, and to link into Group Compliance reporting requirements when established. |

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| Issue Rating -High | | Consequence - Major |
|---------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>order inspection activity, corrective actions, analysis and improvement tasks, annual recurring cycle of integrity strategy and escalation. Furthermore no person is tasked with maintaining existing obligations for WA/QLD assets and assessing new obligations.</p> <p>Implication / Consequence Reporting of obligations is not verified as accurate and complete. Management confidence in the comprehensiveness of reporting of obligations is low. Management does not have full and comprehensive visibility of the risks and obligations attributable to licenses to operate. Non conformance with AS3806 standard and Regulatory Compliance Directive.</p> <p>Causes No direction or guidance by management on what is required from the compliance management system. No standardisation across the business of the minimum requirements for compliance obligations data and reporting for comparative performance reports. No consequences within the business for not knowing or actioning. No training has been provided to key staff to ensure that they are aware of their obligations under the various regulations</p> | <p>Action Plan</p> <p>2.1 Compliance reporting standards to be set in conjunction with Origin enterprise requirements <i>Due Date: 31 March 2014</i> <i>Action Owner: Terry Mulvaney (Head of Compliance & Interim Chief Privacy Officer)</i> <i>Action Approver: Terry Mulvaney</i></p> <p>2.2 Define and implement compliance reporting standards for Upstream monthly scorecard aligned with enterprise requirements <i>Due Date: 31 March 2014</i> <i>Action Owner: Upstream Compliance Program Manager</i> <i>Action Approver: John Rodda</i></p> |

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| Issue Rating -High | | Consequence - Serious |
|---|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 3 | <p>No risk assessment of obligations. The risk management framework is not being used to rank and prioritise obligations or to determine the most effective mitigations. AS3806 requires that:</p> <ul style="list-style-type: none"> • The organisation should systematically identify its compliance obligations and the way in which they impact on its activities, products and services. • Compliance obligations (e.g. Legislation, directives, licences, etc.) should be documented in a register, list or database. • Organisations should have processes in place to receive timely advice to changes in obligations to ensure ongoing compliance. • The organisation should identify compliance risks and rank the likelihood and consequences of potential compliance failures and allocate resources for their treatment accordingly. | <p>Upstream Guidance as to use of the Origin Risk Management system for prioritising Regulation & Obligation compliance management will be managed through the Upstream Compliance Improvement Plan.</p> <p>Action Plan</p> <p>3.1 Put in place a methodology for risk rating compliance obligations (first priority Safety Cases & permit authorizations prioritized - To be captured in consolidated obligations register</p> <p><i>Due Date: 31 January 2014</i> <i>Action Owner: Upstream Compliance Program Manager</i> <i>Action Approver: John Rodda</i></p> |
| <p>Implication / Consequence Could result in ineffective and inefficient allocation of compliance resources. Obligations that require priority action are potentially overlooked that could trigger risk event. Non conformance with AS3806 standard and Regulatory Compliance Directive (par 5.3).</p> | | |
| <p>Causes SA - Obligations are unclear, not consolidated and therefore don't support risk assessment. NZ - No Upstream wide system or process to manage obligations, which can then be linked to risk management framework</p> | | |

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| Issue Rating - High | | Consequence - Serious |
|---------------------|---|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 4 | <p>Inadequate links between obligations registers, plans and actions.</p> <p>The links between the compliance obligations registers, the various plans that are developed as responses to the obligations, and the activities scheduled to action the obligations are not clearly linked or related.</p> <p>Verification of Critical Function Controls and Pressure Safety Valve testing results in the Process Safety Report that underpin the bulk of compliance obligations as derived from Safety Cases are reported outside of the compliance reporting processes. For example, Asset Integrity Plans are developed partly in response to the conditions of operating licenses. The plans may generally make reference to the compliance obligations driving the need for the plan, but the actions arising from the plans (maintenance tasks, inspections, replacement tasks, etc) generally do not reference the plan or the obligation.</p> <p>There does not appear to be a strong emphasis on the traceability of obligations through to actions.</p> <p>The NZ internal reporting of compliance status for the period May to August 2013 shows that 114 obligations remained outstanding (not actioned) for five months and are waiting on verification. Consequently the compliance status is pending.</p> <p>Industry practice would be an ability to demonstrate that the obligations that drive an action by the asset owner/operator are linked to a plan, where the plan describes how the owner/operator intends to respond to and manage the obligation, further linked to an action, where the owner/operator is able to monitor and report progress towards completion of the plan. An example of what this arrangement might look like is illustrated below.</p> | <p>Tracking, verification and reporting of Critical Function Controls and Pressure Safety Valve testing is in place and routine. Consideration will be given to;</p> <ul style="list-style-type: none"> a) Creating a direct link between this activity which is undertaken as part of an Origin Upstream standard operating procedure and the Safety Case obligations; and b) Aligning those activities with Project Purple design and build of the compliance systems to be managed through the Upstream Compliance Improvement Plan. <p>Action Plan</p> <p>4.1 Work with Project Purple process streams (Production & GRC) to determine whether linkages between obligations registers, procedures & standards and work orders & tasks can be included as part of project scope</p> <p><i>Due Date: 30 September 2014</i> <i>Action Owner: Upstream interface persons with Project Purple - (Mark Sanford -</i></p> |

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| Issue Rating - High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <pre> graph TD A[Obligations databases] --> B[Interpret obligations for plans, projects, work programs] B --> C[Develop responses (actions) as Controls] C --> D[Assurance that the asset is safe to operate, with a management system that is fit for purpose, operated in an environment of known and controlled risk.] </pre> <p>Compliance obligations 'universe' – listing of all known, relevant and risk assessed obligations for management of people and process safety.</p> <p>Asset Integrity Plans Integrity Management Plans Pipeline Management Plans Maintenance Policy & Plans</p> <p>Design assessments - determine if the risks attributable to a design are acceptable. Maintenance & Inspection programs, tasks, schedules, services. Integrity verification tasks - confirm that integrity is being maintained.</p> <p>Assurance that the asset is safe to operate, with a management system that is fit for purpose, operated in an environment of known and controlled risk.</p> | <p><i>Production; Terry Mulvaney - GRC)</i> <i>Action Approver: John Rodda</i></p> <p>4.2 Shorter term solution to create adequate linkage between obligations registers, procedures and actions to be managed within the business to create an evidentiary documentation of obligations compliance.</p> <p><i>Due Date: 31 March 2014</i> <i>Action Owner: Upstream Compliance Program Manager</i> <i>Action Approver: John Rodda</i></p> |
| | <p>Implication / Consequence</p> <p>No ability to confirm that all obligations requiring a response or action (work, tasks, reports) are compliant. Recurring failure may lead to non-conformances at successive audits or a regulatory notification (PIN) requiring immediate correction.</p> <p>Non conformance with AS3806 standard and Regulatory Compliance Directive.</p> | |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Serious |
|---------------------|---|------------------------------------|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>Causes SA -Inadequate organisation, systems and consequent awareness of obligations negates the ability to integrate into plans NZ - Importance of obligations as not seen has high priority in business & are seen has additional to "day job"</p> | |

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 5 | <p>Verification procedures are not standardised NZ Kupe WHP Safety Critical Elements and Performance Standards (OEUP-NZK300-RPT-SAF-001) scheduled review date of 11/5 2012 was not met. Kupe Production Station Safety Critical Elements & Performance Standards (OEUP-NZK001-RPT-SAF-001) next review date has been scheduled for 24/08/2016 and is inconsistent with the annual review regime of Kupe WHP. VIC/SA Safety Critical Control Performance Verification procedure (V-1000-15-AP-0003) scheduled review date 28/10/2012 have not been met. QLD/WA There are no documented verification procedures. General observation The procedures and definition of non-compliance is asset specific and are not standardised. Consequently interpreting Upstream consolidated compliance reporting on a common definition is not enabled. There are no documented verification procedures for</p> | <p>A review of the Standard Operating Procedures at all Upstream operating sites is already underway as a separate project, including the verification confirmation of maintenance work packs. The Upstream Technical Authority group is reviewing the technical standards and any 'across Upstream commonality' in a risk based priority as part of the responsibility of this new groups role. Differences in jurisdictional legislation (e.g. onshore, offshore, Australia, New Zealand) and specific requirements in each license (e.g. approved Safety case for Bassgas is different to Otway) need to be considered as part of this review Action Plan</p> |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|------------------------------------|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>regulatory compliance obligations that arise outside the Safety Critical environment for example, environmental verification procedures, licences, permits and tenures. Consideration could be given to include all verification activities under the Safety Critical process that will aid in driving consistency to define verification activities, planning, scheduling, execution, monitoring, escalation and reporting.</p> <p>Implication / Consequence Increased risk of hidden non-compliances or breaches due to compliance obligations not being verified. Non conformance with AS3806 standard and Regulatory Compliance Directive.</p> <p>Causes SA - Verification regimes are self generated at asset team level and only prevalent in areas with mature Safety Case ownership and understanding. NZ - Lack of consistent methodology to verify performance standards are being met.</p> | Refer to Action 4.2. |

| Issue Rating -High | | Consequence - Serious |
|---------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 6 | <p>Disparate use of IT systems as compliance enabler The internal audit confirmed the use of disparate IT systems to enable the end to end regulatory compliance program for all assets. There is no fully integrated IT enabler that provides clear linkage between key compliance obligations and verification supported by RACI. The use of disparate IT enablers and non standardised verification processes has resulted in the implementation of asset specific solutions and standards. Furthermore there is no divisional standard to define minimum</p> | Group Compliance has not been able to identify a fully integrated IT enabler within Origin. Advice is to select from the suite of existing IT platforms currently used in Upstream until an appropriate enterprise platform becomes available through Project Purple. A Divisional standard will be created and adopted for use |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>standards for the capturing, execution and reporting of regulatory compliance obligations. The caveat to this statement is that there are minimum standards per asset for Safety Critical performance standards but it is not defined at a divisional level.</p> <p>Implication / Consequence Ineffective and inefficient compliance management program. Increased risk that resource model to support and maintain IT systems are not optimised i.t.o. cost and achieving compliance objectives. Increased risk that monitoring and reporting processes are incomplete, invalid and inaccurate. Increased risk that compliance program lacks transparency and real time access by management to appraise compliance exceptions.</p> <p>Causes SA - No investment or governance on IT systems for this purpose NZ - Consequence of old structure, no consolidated process available. Kupe JV requested a process be put in place & this was completed in isolation to the wider Upstream.</p> | <p>with the Upstream selected interim IT platform to be managed through the Upstream Compliance Improvement Plan.</p> <p>Action Plan 6.1 Decision as to the 'platform' on which Regulation and Obligations register, compliance status, tracking and reporting is to be undertaken for the various Upstream sites and activities to be formalised and communicated (until an Origin enterprise platform is available - Project Purple) <i>Due Date: 31 March 2014</i> <i>Action Owner: Upstream Compliance Program Manager</i> <i>Action Approver: John Rodda</i></p> |

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 7 | <p>No regulator engagement plan/procedure There is no regulator engagement procedure supported by a central register and RACI that defines accountability and responsibility for inbound and outbound interactions. Furthermore there is no central record keeping process to record regulator contacts and the capture/indexing/DOA access level of any related documentation. It is recognised that NZ has an active register administered in SharePoint.</p> <p>Implication / Consequence</p> | <p>A review of and improvement to the existing RACI will be managed through the Upstream Compliance Improvement Plan. This will include a procedural requirement relating to documentation of regulator contacts.</p> <p>Action Plan 7.1 Delegations of Authority and</p> |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>Increased risk of unauthorised and uncontrolled regulator interaction. Increased risk of overlap and multiple points of contact which may result in misaligned communications i.e. conflicting messaging.</p> <p>Causes No approved compliance management program that required standards to centralise or require decentralised control to govern and record regulator engagements.</p> | <p>responsibilities for Regulator communication/commitments to be documented</p> <p><i>Due Date: 31 March 2014</i> <i>Action Owner: Upstream Compliance Program Manager</i> <i>Action Approver: John Rodda</i></p> |

| Issue Rating -High | | Consequence - Serious |
|---------------------|---|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 8 | <p>No centralised control over licenses, permits, tenures, pipeline rentals and government commitments.</p> <p>All assets There is no centralised repository/control to manage the capture, monitor and report status for licences, permits, tenures, pipeline rentals and government commitments (land access)</p> <p>Licences and tenures are currently administered in RCMS and P6 at an asset level and permits/pipeline rentals were administered in a Legacy permit system that has subsequently been retired.</p> <p>QLD/WA Obligations relating to reporting requirements for tenures and pipeline rentals were administered in a legacy permit system prior to the restructure of Upstream and has post the organisational restructure been retired and is also no longer supported by IT. The obligations have not been maintained for the past 10 months.</p> | <p>Centralised control and/or repository has not been the intended model. Prior to the segregation of Upstream from the APLNG business a hybrid of centralised and de-centralised control over commitments existed. For example permits and tenures were controlled centrally and licence commitments were managed by each asset. Post the Origin reorganisation to separate Upstream from APLNG it became apparent that a new 'operating model' was necessary. A centralised Upstream compliance & tenures responsibility was created and will be managed through the Upstream Compliance Improvement Plan to enable consistent monitoring and reporting of</p> |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating - High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>Implication / Consequence Increased risk of loss of asset(s) for tenures that are not renewed. Increased risk for fines, suspended licenses, imposing of stricter conditions. Potential loss in reputation with both regulators and external community.</p> <p>Causes SA - Not seen as a key risk or priority. Unclear responsibilities have led to inaction. NZ - IP was held by individuals & not within a system.</p> | <p>licenses, permits and government commitments.</p> <p>Action Plan Refer to Action 1.1.</p> |

| Issue Rating - High | | Consequence - Serious |
|---------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 9 | <p>Inadequate resourcing and redundancy in the management of compliance obligations. The maintenance and upkeep of records and processes for compliance appears to be dependent on key people by name, rather than responsibilities assigned to roles or functions independent of the organisational structure. The existing dependencies on just a few people, by name rather than role, means that the maintenance of knowledge and status of compliance is at risk of failure unless the person continues to be available to the organisation.</p> <p>NZ Assets Organisational change has resulted in people changing roles or leaving NZ, causing a loss of knowledge about technical compliance obligations. The existing resourcing for management of technical compliance within NZ constitutes two contracted service providers. The service provider's main functions are to identify high level obligations derived from Acts and Regulations, compile and maintain an obligations register, and report the status of obligations to management. The contracted service provider for the</p> | <p>The requirement for additional resources is recognised and recruitment to replace departures and fill new roles is underway. Will be managed through the Upstream Compliance Improvement Plan.</p> <p>Action Plan Refer to Action 1.2.</p> |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating - High | | Consequence - Serious |
|---------------------|--|------------------------------------|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>Primavera listing of legislative obligations has been on extended sick leave without replacement. All other functions relating to management of compliance obligations are carried out on an as required basis by employees within the NZ business units. Existing employees that have assumed responsibility for managing an aspect of technical compliance are identifiable by name as relevant experts. The compliance management function does not appear to be a responsibility within the organisation identifiable by role.</p> <p>VIC/SA Assets</p> <p>The resource and role that was dedicated to sourcing/analysing and managing change on legislative compliance matters was downsized. This role is not currently being performed.</p> <p>WA/QLD Assets</p> <p>There is no one dedicated to identifying and analysing legislative compliance obligations since the organisational restructure.</p> <p>Standard requirements: AS3806 requires that:</p> <ul style="list-style-type: none"> • Appropriate resources should be provided and deployed to effectively design, develop, implement, maintain and improve the compliance program. • Resource allocation should include allowing employees sufficient time to perform their compliance responsibilities. <p>The standard translated means that a compliance management function, framework and system must be adequately resourced by competent, knowledgeable people that have access to management, the wider business and the data sources required to maintain an understanding of obligations. Furthermore, it is an imperative that the resource model supports the Compliance Management Program since the compliance operating model and enablers (IT and systems) will dictate the resourcing model.</p> | |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating - High | | Consequence - Serious |
|---------------------|--|------------------------------------|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>Implication / Consequence</p> <p>Increased risk of poor decisions/judgements about safety case health. Without dedicated resourcing for technical compliance, employees within the organisation are required to assume responsibility for the compliance management system, without sufficient training or procedure. Consequently, the maintenance of compliance obligations is incomplete, contributing to an increasing level of concern with management about the real status of regulatory compliance and asset integrity.</p> <p>Increased risk of poor decisions and judgements about safety case health.</p> <p>Increased risk of breaches and Non-Conformances with AS3806 standard and Regulatory Compliance Directive. As there is no budget or resourcing of the technical compliance function, corrective actions and improvement plans are not being undertaken and the compliance management system is unsustainable.</p> | |
| | <p>Causes</p> <p>No dedicated resourcing or budget for technical compliance management, corrective action and improvement.</p> | |

| Issue Rating -High | | Consequence - Serious |
|---------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 10 | <p>Regulatory compliance events are not completely captured in OCIS</p> <p>There is no internal control to ensure that all regulatory compliance notices, fines, warnings and actions arising from regulatory audits have been completely captured in OCIS. There is also no central mail point for regulatory correspondence that underpins the ability to centrally capture, risk assess the content and allocate responsibility for action. It also undermines the ability to capture legal privilege if the initial correspondence is not</p> | <p>The Upstream process is to require all incidents (including regulatory non-compliance) to be captured in OCIS. Awareness and quality of reporting requirements is an ongoing activity. Further work is required to;</p> <p>a) Create a position responsible for the</p> |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -High | | Consequence - Serious |
|---------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| | <p>limited.</p> <p>Incident management Prior to July 2013 no centralised control was in place to verify the accuracy, completeness and validity of incidents logged in OCIS. Neither was there any control to reconcile known incidents with what has been captured in OCIS. The Upstream HSE team has since July 2013 developed informal procedures to create a central review point of all OCIS incidents to ensure accurate classification, quality and valid allocation of responsibility.</p> <p>Training program Training and general awareness programs are yet to be formally rolled out. As an interim measure the HSE team are providing coaching as each OCIS incident is logged. The internal audit extracted all OCIS incidents flagged as regulatory non compliance for the period 2008 to May 2013 and the total number of incidents logged totalled 81 which appear incomplete for the period selected.</p> <p>Implication / Consequence Increased risk for fines, suspended licenses, imposing of stricter conditions. Potential loss in reputation with both regulators and external community.</p> <p>Causes Reporting of compliance incidents stipulated in the Incident management directive lack comprehensive performance requirements. Inadequate management oversight.</p> | <p>review of compliance incident reporting which will relieve the HSE team, who currently undertake this activity along with analysis and reporting conducted by the Technical Authority; and</p> <p>b) Provide awareness & training in support of responsibilities in the Compliance Directive Compliance Guidelines and Incident Management Directive.</p> <p>These actions will be managed through the Upstream Compliance Improvement Plan.</p> <p>Action Plan Refer to Action 1.7.</p> |

| Issue Rating - Medium | | Consequence - Moderate |
|-----------------------|--|--|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 11 | <p>Technical Authority mandate and how it seamlessly integrates into compliance management program is unclear</p> <p>The Technical Authority function communicated its role and mandate through a TA Authority Bulletin 29 May 2013. However there is no Upstream wide communication of how the TA mandate will integrate with the overall compliance management and business assurance programs and how the TA group KPI's align with the overall compliance management system objectives.</p> | <p>Awareness and acceptance of the Technical Authority role as part of the new Upstream business model is an ongoing part of the organisational change process.</p> <p>Action Plan Refer to Action 1.1 & 7.1.</p> |
| | <p>Implication / Consequence</p> <p>In the absence of a clear accountability model supported by performance measures the seamless functioning of the compliance program could be adversely impacted. This could lead to confusion on the allocation of responsibility for actioning compliance tasks and operational support.</p> | |
| | <p>Causes</p> <p>Technical Authority Group development is ongoing and has addressed priorities. This aspect is not a current priority for the limited TA resource group.</p> | |

Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -Medium | | Consequence - Moderate |
|----------------------|---|---|
| Target Rating - Low | | |
| # | Issue | Management Comment and Action Plan |
| 12 | <p>No L1/L2 Regulatory compliancy assurance plan in place</p> <p>There are no audit programs or activities reported at an operational level against the adequacy of the existing compliance management framework, implementation and execution of responses to obligations, or the reporting of compliance status to management.</p> <p>There was no active L2 assurance program in place. Upstream has launched an HSE focussed L2 assurance program during FY14. There is no comprehensive L2 compliance assurance program planned.</p> <p>There is no L1 assurance program in place. However management in NZ and VIC/SA utilises tailored exception reporting to manage to deviation.</p> <p>Implication / Consequence</p> <p>If the operational audits are not being performed, there is unlikely to be satisfactory reporting to management of the status of compliance of all relevant obligations.</p> <p>Non conformance with AS3806 standard and Regulatory Compliance Directive.</p> <p>Non conformance with Assurance Directive.</p> <p>Causes</p> <p>Lack of management priority.</p> | <p>Over the last 12 months there have been 15 audits conducted by external regulators (7 on BassGas/Otway, 4 on WA assets & 8 on New Zealand assets). See below- In all cases the non-compliance findings have been low risk in nature and relatively easily closed out.</p> <p>The Upstream audit program (L1/L2/L3) will continue to be reviewed as part of the ongoing business and the prioritisation of risk and controls assessment and verification. Further work to ensure effective compliance audit plans are in place for L1 and L2 levels will be considered as part of this overall audit program.</p> <p>Action Plan</p> <p>12.1 Include Regulatory Compliance in Upstream Audit Program Cycle</p> <p><i>Due Date: 30 June 2014</i></p> <p><i>Action Owner: Bryce McLaren (HSE Assurance & Project Delivery Manager)</i></p> <p><i>Action Approver: John Rodda</i></p> |

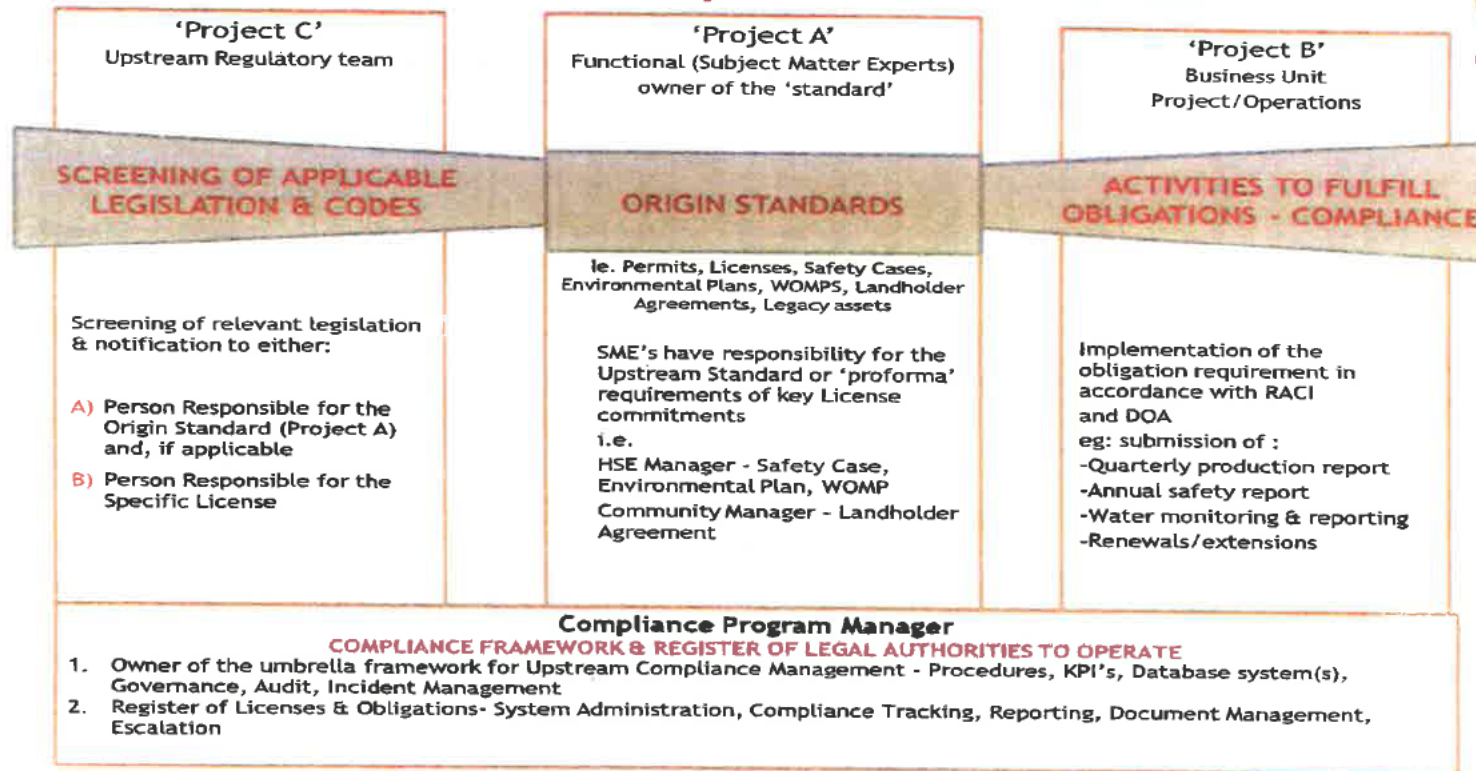
Internal Audit Report - Upstream - Regulatory Compliance Internal Audit

| Issue Rating -Medium | | | | Consequence - Moderate | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|------------------------------------|------------------------|---|--|--|-----------|-------------|----------|--------------------------------------|---|---|---|---|--|---|---|---|---|--------------------|---|---|---|---|--|--|--|--|
| Target Rating - Low | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| # | Issue | Management Comment and Action Plan | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Over the last 12 months there have been 15 audits conducted by external Regulators; | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th rowspan="2">Regulator Audits in last 12 months</th> <th rowspan="2">Total Audits conducted</th> <th colspan="3">Risk rating of audit outcome (non-compliance)</th> </tr> <tr> <th>High Risk</th> <th>Medium risk</th> <th>Low risk</th> </tr> </thead> <tbody> <tr> <td>Southern Australia (Bassgas & Otway)</td> <td>7</td> <td>1</td> <td>-</td> <td>6</td> </tr> <tr> <td>Western Australia (Beharra Springs & Jingemia)</td> <td>3</td> <td>2</td> <td>1</td> <td>0</td> </tr> <tr> <td>New Zealand (Kupe)</td> <td>5</td> <td>-</td> <td>-</td> <td>5</td> </tr> </tbody> </table> | Regulator Audits in last 12 months | Total Audits conducted | Risk rating of audit outcome (non-compliance) | | | High Risk | Medium risk | Low risk | Southern Australia (Bassgas & Otway) | 7 | 1 | - | 6 | Western Australia (Beharra Springs & Jingemia) | 3 | 2 | 1 | 0 | New Zealand (Kupe) | 5 | - | - | 5 | | | | |
| Regulator Audits in last 12 months | Total Audits conducted | | | Risk rating of audit outcome (non-compliance) | | | | | | | | | | | | | | | | | | | | | | | | |
| | | High Risk | Medium risk | Low risk | | | | | | | | | | | | | | | | | | | | | | | | |
| Southern Australia (Bassgas & Otway) | 7 | 1 | - | 6 | | | | | | | | | | | | | | | | | | | | | | | | |
| Western Australia (Beharra Springs & Jingemia) | 3 | 2 | 1 | 0 | | | | | | | | | | | | | | | | | | | | | | | | |
| New Zealand (Kupe) | 5 | - | - | 5 | | | | | | | | | | | | | | | | | | | | | | | | |
| | This is an indicator of an unsatisfactory system of regulatory compliance although not at a High risk business exposure. | | | | | | | | | | | | | | | | | | | | | | | | | | | |

4. Appendices

4.1 Upstream Compliance Improvement Plan Overview

Upstream Compliance Improvement Plan ...



... spanning four separate areas of responsibility and activity

4.2 Ratings Methodology

Rating the finding based on Consequence

Each issue raised represents a risk that is not being adequately controlled.

The potential consequence of each identified risk control breakdown is rated in accordance with the existing consequence ratings in the Origin Risk Matrix. The issue rating is assigned based on consequence and likelihood of residual risk (in the event the control exposure is not addressed) as follows;

| Origin Risk Matrix Consequence Rating | Issue Rating | Expected Timeframe for completion | Reported to Management | Reported to Relevant Board Committee |
|---|--------------|--|------------------------|--------------------------------------|
| Catastrophic Critical Major Serious Moderate Minor | Severe | Immediate mitigating action required. Longer term & sustainable mitigation plan to be developed. | ✓ | ✓ |
| | High | Within 3 months | ✓ | ✓ |
| | Medium | Within 6 months | ✓ | ✓ |
| | Low | Timeframe determined by management. | ✓ | - |

Rating the overall Audit Report

| Report Rating | Definition |
|-------------------|--|
| Critical | Serious control exposures identified - controls are not in place or operating effectively to manage extreme, severe or multiple high risks in this scope area. |
| Unsatisfactory | A number of significant control deficiencies identified. Controls are not in place or not operating effectively, to manage high risks in this scope area. |
| Needs Improvement | Controls are in place and operating effectively, to manage most risks in this scope area to a medium residual level. |
| Effective | Minor or no control exposures identified. Controls are designed and operating effectively to manage all risks in this scope area to a low residual level. |

4.3 Distribution List

| | |
|------------------------------------|--|
| To: | |
| [REDACTED] | CEO Upstream |
| | GM Production |
| | Production Manager |
| | Operations Manager |
| | Production Manager East & West Australia |
| | Environment Manager |
| | Operations Manager |
| | Contract Engineer |
| | Group Manager HSE |
| CC: | |
| [REDACTED] | Head of Compliance |
| | Senior Compliance Manager |
| | HSE Assurance & Project Delivery Manager |
| Internal Audit Team: | |
| [REDACTED] | Audit Manager QLD Operations |
| | Director PWC |
| Internal Audit Approved by: | |
| [REDACTED] | Group Head Business Assurance and Compliance |