1. **Policy Statement**

Energex will fund reasonable expenditure associated with entertaining employees, corporate customers, key stakeholders, industry representatives and/or contacts and interest groups for Energex business purposes. The standard of entertainment proposed or undertaken is to be appropriate to the circumstances, reasonable and able to withstand public scrutiny.

Expenditure on corporate hospitality and entertainment is subject to a high standard of accountability which the Government and the public expect from all Government agencies, including Government Owned Corporations. Accordingly, the Energex Board has implemented this policy to establish reasonable criteria for the accountability of expenditure that is consistent with the Government’s *GOC Corporate Entertainment and Hospitality Guidelines*.

It is expected that all Energex employees will take all necessary steps to ensure a safe environment and act in accordance with the Code of Conduct and Values when attending any corporate activity.

2. **Rationale**

Energex recognises the need to:

a) Formally acknowledge the efforts and achievements of employees,

b) Make contact with clients, industry representatives and/or contacts and other associates in relation to the business operations of Energex.

This may involve an appropriate level of authorised expenditure on entertainment and functions.

3. **Scope**

This policy applies to any corporate hospitality and entertainment provided by Energex or its subsidiaries to:

- the Board, senior executives and employees;
- clients and prospective clients;
- industry representatives and/or contacts;
- suppliers;
- stakeholders;
- shareholders and their representatives (including departmental officials); and
- community groups.

When considering functions and entertainment in relation to sponsorship activities, the obligations within the Energex Corporate Sponsorship Policy must also be complied with.

For the policy requirements when receiving gifts or entertainment from external parties, please refer to the Conflict of Interest Policy RED 00192 and the Reportable Gifts Policy RED 00377.
4. Version changes

This version of the policy contains the following amendments:

- Rename policy to better align with Government Guideline on Corporate Entertainment and Hospitality.
- Remove references to functions due to confusion with day to day business workshops which do not constitute entertainment. Clarifications are to be included in a new policy to cover expenditure associated with business meetings, workshops and staff engagement activities.
- Minor administrative amendments due to the RED system.

5. Enquiries and Further Information

This policy is administered within the responsibility of the Director Corporate Governance.

General enquiries in relation to this policy are to be directed to the Corporate Governance Manager.

Enquiries in relation to the application of this policy for purposes that include sponsorship should be directed to the Group Manager Corporate Communication.

6. Approval by Energex Limited Board

This Policy was approved by the Energex Limited Board on 30 May 2011. The policy was last reviewed on 16 June 2014.

7. Acknowledgment

Input into this Policy has been derived from the Government publication GOC Corporate Entertainment and Hospitality Guidelines issued in September 2008.

8. General Principles

8.1. Acceptable Use of Funds

In general terms, expenditure for entertainment and hospitality should only be undertaken where it is for official purposes and likely to:

- Maximise Energex’s commercial opportunities by strengthening links with existing and potential key customers and stakeholders;
- Support and increase Energex’s standing as a responsible corporate citizen in the wider general community; or
- Recognise employees’ contributions to the achievement of corporate goals and improve employee relations.

All Energex functions are to be:

- Approved by an appropriate financial delegate prior to incurring the expense. Sufficient grounds should be provided to the approving officer to substantiate that the expense incurred is reasonable, necessary, relevant to the business of the Corporation and beneficial to Energex and the State. (Refer Section 8.5 of this policy and, where relevant, the Delegation of Authority Policy RED 00256);
- Within reasonable expenditure limits; and
8.2. Participants
The following criteria apply to participants and guests at official Energex events. Consideration should be given to the appropriate proportion of Energex representatives to external guests so that the benefits to Energex are maximised in the circumstances.

8.2.1. Clients and Stakeholders
Customers, potential customers, suppliers, representatives of business partners and industry participants may be entertained at the expense of Energex where there is an involvement with Energex business objectives, initiatives or projects or in reciprocation of hospitality in similar circumstances.

Energex may extend hospitality to influential individuals who represent existing or potential key stakeholders. A thorough process is to be used to determine which parties are suitable for hospitality, based on their potential to generate additional value for Energex. The process will involve an assessment of the external party, their role, organisation and relevance to Energex and the advantages expected to flow from the hospitality (including but not limited to goodwill, customer relations, business opportunity or the promotion of Energex). This is in line with accepted commercial practice.

The number of Energex staff in attendance is to be determined in accordance with the desirable cost efficient level to maximise the benefits from the expected interaction.

8.2.2. Staff
Entertainment of Energex staff is acceptable in certain circumstances as a reward for special performance or success. Staff entertainment requires approval by the relevant Group Manager, Executive General Manager or the CEO. Please refer to the Staff Recognition Scheme RED 00188. Additionally, Energex’s contribution to the recognition of a person’s service to the industry in excess of 25 years is to be in accordance with Developing and Recognising Employees Policy RED 00207.

Attendance of external parties at such functions at Energex’s expense is generally limited to parties who have been involved in the event that the function is recognising.

For general employee entitlements such as expenses incurred when travelling for work related purposes, please refer to the relevant HR policy or the Travel Policy RED 00196. Accounting classifications for all meals are referred to in section 10 of this policy.

8.2.3. Spouse or Accompanying Person
Entertainment and hospitality extended to the spouse, partner or child of a person officially attending a function must be restricted to situations where the presence of the accompanying person enhances the conduct of the function because of protocol. Examples include the annual Energex Excellence Awards event, the Apprentice of the Year Dinner and other special reward and recognition events. Approvals for the attendance of accompanying persons are to be referred to the CEO or Executive General Manager in accordance with the delegated authorities listed in Section 8.5.
In such circumstances, Fringe Benefits Tax (FBT) will apply and reference should be made to section 8.4 to ensure obligations for FBT are met.

8.2.4. Energex Limited Directors

BOARD REPRESENTATION AT FUNCTIONS

Invitations should generally be extended to the Directors of Energex Limited to attend formal Energex functions where the following dignitaries will be, or are expected to be, in attendance:

- Governor;
- Premier;
- Shareholding Ministers; or
- Other State or Federal Government Ministers.

ATTENDANCE BY THE ENERGEX LIMITED BOARD MEMBERS

Examples of Energex events and functions that Directors may wish to attend include:

- Major infrastructure project openings and events. These may be events that the Premier or a shareholding Minister express an interest in attending and are usually co-ordinated by Group Manager Corporate Communication and the Promotions Manager.
- Other events where the shareholding Ministers or the Premier may be attending.
- Events held by, or for the benefit of, organisations sponsored by Energex, including where dignitaries may be attending at the invitation of the sponsored organisation.
- Other events identified in Section 8.3.1 where the attendance of Directors would be appropriate.

8.3. Examples of Appropriate and Inappropriate Expenditure

8.3.1. Examples of appropriate expenditure on entertainment and hospitality

The following are examples of acceptable expenditures, provided they are approved in accordance with the delegated authorities under Section 8.5:

- Official Energex functions for staff reward and recognition (eg. Annual Energex Excellence Awards event; Apprentice of the Year Dinner).
- Team Meetings where a special business related event or milestone is being celebrated.
- Staff dinners associated with offsite workshops/conferences.
- Tea, coffee, morning or afternoon tea, lunches or dinners for official visitors.
- Attendance at, or provision of, industry lunches.
- In-house functions such as award presentations or corporate launches.
- Corporate tables at industry or other appropriate functions.
- An employee’s farewell function in accordance with the Developing and Recognising Employees Policy RED 00207.
- End of year team social function, where Energex will contribute up to $10 per employee attending, with any further expenditure provided through employee and/or social club contributions.
8.3.2. Examples of expenditure not considered appropriate

Expenditures considered unacceptable include:

- Any expenditure which may be perceived as being extravagant or excessive if subjected to scrutiny by internal/external audit or external stakeholders, such as:
  - Excessive expenditure on alcohol and/or ‘activities’ at staff-only events.
  - Alcohol only events, i.e. where food is not provided.
- Any expenditure where there is little or no business benefit or work related purpose, such as:
  - In-house Melbourne Cup function for staff.
  - Celebration of personal events such as promotions, weddings, births etc.

8.4. Appropriate Supporting Documentation for Entertainment and Hospitality Events

The provision of entertainment and hospitality should be transparent and staff should provide documentation as to the nature of the entertainment and/or hospitality, the purpose, expected benefits for Energex and the State, and, if required, for internal or external audit, corporate accounting and taxation purposes.

Sufficient documentation (including tax invoices for GST purposes, internal approval memoranda containing clear statements of the business purpose and benefits to be achieved, expenditure approval forms, number of internal and external guests and their Departments or organisations) should be retained (and attached to invoices where possible) to provide a clear audit trail to allow judgements to be made about the appropriateness of the entertainment and hospitality provided and to support the approval process for the expenditure incurred. The minimum documentation required for any event is:

- For “in-house” functions (functions held on Energex property): the number of Energex and non-Energex attendees, the purpose of the event and the justification;
- For external entertainment and hospitality hosted by Energex, the names and number of Energex and non-Energex attendees funded by Energex, the purpose of the event and the justification. If the entertainment is more than a meal, eg a sporting event, the names of staff and their accompanying persons attending the function must also be recorded. However, attendee’s details for “open invitation” community events hosted or sponsored by Energex are not required.

8.5. Delegated Approval Levels

When planning and approving entertainment and hospitality, managers should have due regard to the cost per head for those attending, the quantum of the expenditure and the frequency of the entertainment and hospitality.

The acceptable expenditure on a cost per head basis will be influenced by the nature and purpose of the entertainment and hospitality being provided. The following limits apply:

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<th>Function type</th>
<th>Expenditure limit</th>
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### Function type | Expenditure limit | Delegate
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Entertainment and hospitality involving Board members | Aggregate: $150* Per person: Chairman (all other criteria for appropriate functions must be met.) Other delegates may approve these events up to their delegated limit.
Entertainment and hospitality for clients and other stakeholders | Aggregate: $500 Per person:
- Over $150* Chief Executive Officer
- $150 Executive General Manager
- $100 Group Manager
- $100 Other Managers with Credit Card Expenditure approval
Appropriate staff event | Aggregate: Over $150* Per person:
- Chief Executive Officer
- $100 Executive General Manager
- $60 Group Manager and Department Manager

* Expenditure in excess of $150 per head may be approved in limited circumstances by the Chief Executive Officer (or the Chairman, for events involving Board members) where it is considered appropriate.

Aggregate and per person costs are all up costs including venue hire, catering and entertainment.

Managers authorising events must include the documentation referred to in section 8.4 with the record of authorisation.

Prior to specific managers being listed in the intranet schedule of delegated authorities, with an authority for approving functions for clients and other stakeholders, that manager will be required to demonstrate knowledge of the requirements under this policy.

The Promotions Manager is to be consulted in relation to satisfying the appropriate requirements for functions with an aggregate cost of over $5,000.

#### 8.6. Tipping
Tips or gratuities should only be paid where it is customary to do so when travelling overseas or where approved by an Executive General Manager or the Chief Executive Officer.

Staff may use their discretion to personally fund a tip/gratuity in recognition of good service but there is no obligation on them to do so and Energex will not reimburse such payments.

#### 8.7. Venues
It is not normal Energex practice to hold functions in public areas such as the public bars of hotels or clubs. It is preferable for functions to be held on Energex premises or in a private venue such as a hotel function room.

#### 8.8. Alcohol
The consumption of alcohol during work hours or at events is to be managed in accordance with the Management of Alcohol and Other Drugs Standard RED 00974).
For entertainment and hospitality, expenditure on alcohol should be limited and as a general rule the cost of beverages should be less than the cost of accompanying food (the exception being where only light refreshments, finger foods and/or snacks are provided). Quantity should be within limits that would not impair the abilities of staff or other attendees to achieve intended Energex outcomes and should take into account that drivers need to comply with legal driving limits including zero alcohol limits in some circumstances. Non-alcoholic and low-alcoholic drinks should always be provided at functions.

Staff should be aware that entertainment expenses are subject to audit scrutiny and as such, the purchase of expensive wine or excessive volumes of alcohol (e.g. whilst dining) may be viewed as extravagant and in those circumstances the staff member may be asked to reimburse Energex for some or all of this expenditure.

If alcohol is required at a function it should be purchased through Energex’s preferred suppliers unless a more cost effective source is identified (i.e. using a quotation approach). Managers approving alcohol purchases should refer to Management of Alcohol and Other Drugs Standard RED 00974 and should be mindful of possible consequences to the Energex public image.

9. Monitoring and Reporting

Executive General Managers have an obligation to monitor and report on compliance with this policy to the Chief Executive Officer on a quarterly basis to provide assurance that official entertainment and hospitality aligns with this Board approved policy and consistency with Government guidelines.

Annual budgeted expenditure for corporate entertainment and hospitality will be reported in the SCI. This includes total expenditure and individual commitments over $5,000.

Energex has an obligation to provide details of any significant changes to its corporate entertainment and hospitality commitments as specified in the SCI, and details of actual expenditure incurred within quarterly reports to the shareholding Ministers. Quarterly reports to the shareholding Ministers will also outline individual events which cost over $5,000 and the benefits accruing from them.

10. Accounting Classification

Account Elements to be used in relation to functions, entertainment and meals can be found in the Entertainment Expense Element Decision Guide. For correct accounting compliance it is important to ensure that appropriate expenditure is split between the correct account elements for expenditures on internal and external staff in the relevant ratios.

11. Policy Review

This policy will be reviewed at least every three years to ensure it adequately reflects the operating environment of the organisation and to ensure that reasonable community standards of hospitality and entertainment are implemented and maintained within Energex.