

About this Policy

The company's Procurement Policy outlines how we manage our purchasing activities to enable effective and efficient commercial arrangements that maximise value, minimise cost and support company strategies.

This Policy applies to all employees who have the delegated authority to procure goods, services and/or works on behalf of the company.

For the purpose of this Policy, the term supplier includes all suppliers, contractors and consultants engaged to provide goods, services and/or works to the company.

This Policy has three key objectives:

1. To maximise value – a comprehensive consideration of factors such as price, payment terms, fit for purpose, quality, service, reliability, availability and cost-related factors including life cycle cost and transaction costs.
2. To ensure probity and accountability for outcomes – probity means integrity and honesty and the company conducts its purchasing activities with the utmost probity. The company offers opportunities, where possible, so that local businesses are given fair and reasonable opportunity to bid for any goods and/or services tendered.
3. To provide guidance to the company to allow consistency across all procurement activities.

Procurement Practices

Health and Safety

The procurement of goods, services and/or works must be consistent with the Health and Safety Policy and Contractor Management Standard, where relevant to the purchase or procurement.

All health and safety procedures regarding the purchase of goods and/or services involving chemicals, hazardous materials and work methods are to be followed. The Hazardous Chemicals Procedure outlines requirements and should be read in conjunction with this Policy.

Environment, Sustainability and Quality

All procurement activities must take into consideration the environmental impact and value for money over the whole-of-life of the goods and/or services. In addition to the purchase price, consideration needs to be given to ongoing operational costs including the use of water and energy, greenhouse performance, disposal, recyclability and other relevant factors.

The company also maintains a high standard of compliance with regard to the environment and quality (refer Environment and Quality Policies).

If the procurement activity is associated with project development on Port land, the provision of new port assets, or has the potential to affect or impact other business units, the PRISM process should be utilised as a mechanism to inform, consult and seek input and feedback from stakeholders, in order to improve project outcomes and manage risks.

Roles and Responsibilities

The following people are responsible for relevant stages of the procurement process:

Responsible Officer	<ul style="list-style-type: none">Development of (or overseeing the development of) the tender and contract documentation.
Senior Procurement Advisor	<ul style="list-style-type: none">Procurement support and guidance across all Business Units.Assistance with the tendering, establishment and ongoing management of procurement contracts/arrangements.Monitoring supplier expenditure and contract usage to identify opportunities for improvement.
Authorised Officer	<ul style="list-style-type: none">Establishment of contract within delegation.Management of contract, once established.
Heads of Business Units	<ul style="list-style-type: none">Ensure that their people, to the extent of their involvement in procurement, are appropriately competent to undertake purchasing activities.Drive business initiatives that help manage risk, control optimal spend, vendor consolidation and year over year cost reduction.
General Manager Infrastructure and Environment	<ul style="list-style-type: none">Joint overall responsibility for the procurement function within the company, including compliance with this Policy.
Chief Financial Officer	
Executive	<ul style="list-style-type: none">Conduct routine reviews of the Policy in accordance with the Management Review Standard.

Procurement Delegations

The authority to approve the establishment of contracts/agreements and approve expenditure must be in accordance with the company's Delegation and Sub-Delegation of Authority.

Procurement Process

The company seeks to streamline its procurement activities and consolidate the number of suppliers with which it deals, in order to increase buying power and achieve economies of scale.

To achieve this:

- Before approaching the market, employees should first check if the goods and/or services can be provided through one of the company's current preferred or contracted suppliers, or a supplier that has already been set up to do business with the company. A list of all current contracts/arrangements is on Portal.
- For one-off or simple price-based purchases with a supplier, credit cards are a low cost and efficient means of purchasing, rather than setting up a new supplier in the finance system. Employees should confirm with the supplier that a credit card is an acceptable method of payment, prior to committing the company to the purchase.
- If it is necessary to set up a new supplier, the supplier must complete and return the New Supplier Business and EFT Details form. This form requires Manager approval.
- Payment terms should be sixty (60) days, unless otherwise approved by the Chief Financial Officer. This excludes payments that cannot be influenced, e.g. statutory fees, invoices governed by legislation

(e.g. *Building and Construction Industry Payments Act 2004*), and payments not associated with procurement activities (e.g. sponsorships and donations).

- If requested by Procurement staff, a New Supplier Verification form is to be completed by the requestor to validate the need for a new supplier. This is an on-line form available under Procurement on Portal.
- The aggregate spend over the year should be considered through the process. If the procurement is for repeated volumes, a fixed term contract should be negotiated to secure favourable price, service and conditions over an extended term.
- Corporate records that are created or received during the procurement process should be maintained in line with the company's current document and records management practices and systems.

Sourcing Strategies

Sound judgement and discretion should be exercised in determining the most appropriate sourcing strategies. The effort directed to this should be commensurate with the scale, scope and risk of the procurement, as well as the potential benefits available.

Bidding Process

The bidding process should give consideration to:

- the level of risk and complexity the procurement poses
- the value of the proposed procurement
- the likelihood of achieving better quality and/or value for money by approaching the market.

The following table provides a guideline based on dollar value:

Guidelines for Bidding Process					
Value	<\$2,000	\$2,000 - <\$5,000	\$5,000 - <\$75,000	\$75,000 - \$500,000	>\$500,000
Method	Direct purchasing	Written Quote	More than one written quote	3 or more written quotes or Open or Closed tender process	Open or Closed tender process
<p>Notes:</p> <ul style="list-style-type: none"> ▪ The responsible officer may go direct to a single supplier when it is in the company's best interest to do so. The reason should be substantiated and documented in a transparent manner and endorsed at the respective level of delegated authority. ▪ Open tender: Can be requested from the market without restriction on the number of suppliers. This method can be used to test the marketplace if necessary. ▪ Closed tender: Limited to a selection of preferred suppliers - usually a minimum of three. ▪ Where purchases are proprietary spare parts, and there are no alternative substitute parts in the market, one written quote is sufficient. ▪ Where a current contract/arrangement is available (e.g. schedule of rates/standing offer/fixed term agreement), purchases within the scope of the agreement can be made (in accordance with the approved Financial Delegation) without the need for further quoting or tender processes. However, close monitoring should take place to ensure that the costs are competitive and service standards are acceptable. 					

Contractual Arrangements

All terms and conditions of engagement must be settled in advance of any commitment being made with a supplier. Reference should be made to the company's overall approach to risk management, via the policies, standards, procedures and tools available on Portal.

Confidentiality

In the supply of services, consider the nature of the services and whether they are of a sensitive or commercial nature. If so, consider the need to include confidentiality provisions in the terms or even a separate confidentiality deed to protect the company's interests.

Intellectual Property Rights

Consideration should also be given to Intellectual Property Rights (IPR). By default, all IPR that is created, discovered or comes into existence as a result of the performance of any contracted work or services should be vested in and owned by the procuring entity.

To protect its interests, the company has in place a number of standardised procurement contracts available for use by all business units. These should be used in preference to a supplier's terms and conditions when it is favourable to do so. Contracts to be undertaken without using the company's standard form contract must be submitted to the Manager Accounting and Finance for review and acceptance.

The following table provides a guideline for selecting the most appropriate terms of engagement for procurement activities that can be influenced:

Guidelines for Terms of Engagement					
Procurement Category		Supply of goods	Project Works – Construction, Repairs and Maintenance (R&M)	Operational Services (e.g. cleaning, electrical, mechanical, R&M)	Professional Services
Risk Profile	Low Risk and Low Value (under \$5,000) ^	Credit card or Pay on Invoice	Credit card or Pay on Invoice	Credit card or Pay on Invoice	Credit card or Pay on Invoice
	Low Risk ¹	Purchase order/ Work order	Purchase order/ Work order	Purchase order/ Work order	Short Form Consultancy
	Moderate Risk ²	Supply Contract	Minor works contract	Service Level Agreement	Long Form Consultancy
	High Risk ³		Major works (Construct) or Major works (Design and construct)		
<p>¹ Criteria for Low Risk Procurement:</p> <ul style="list-style-type: none"> ▪ Routine goods and services – typically “off the shelf”; easily replaced or substituted ▪ Low likelihood of health, safety, environmental, financial, legal, quality or reputational impacts, e.g: <ul style="list-style-type: none"> ▪ Minor inconvenience (<1hr) to business operations for limited number of stakeholders ▪ Small financial loss, able to be absorbed ▪ Injury or illness requiring no more than first aid ▪ Localised, readily contained incidents with insignificant impacts ▪ Limited litigation exposure. 					

<p>² Criteria for Moderate Risk Procurement:</p> <ul style="list-style-type: none"> ▪ Goods/services or works with specific requirements - relatively complex to source, manufacture or deliver ▪ Some level of reliance on supplier knowledge, skills and expertise ▪ Potential for <u>moderate</u> health, safety, environment, finance, legal, quality or reputational consequences as a result of failed or unsatisfactory deliverables e.g.: <ul style="list-style-type: none"> ▪ Disruption to the company's core services, or external customers inconvenienced, for more than one hour ▪ Financial loss triggering reallocation of funds, budget review and/or further internal approval to resolve ▪ Small scale injury or illness ▪ Localised, readily contained incident with minor impacts that can be rectified in a short period of time ▪ Moderate exposure to litigation, may result in claim up to \$500,000
<p>³ Criteria for High Risk Procurement:</p> <ul style="list-style-type: none"> ▪ Goods, services or works are complex to source, manufacture or deliver ▪ Scope and outcomes may not be fully known (e.g. design & construct) ▪ Reliance on supplier's knowledge, skills and expertise ▪ Potential for serious health, safety, environment, finance, legal, quality or reputational consequences as a result of failed or unsatisfactory deliverables e.g.: <ul style="list-style-type: none"> ▪ Disruption to the company's core services, or external customers inconvenienced, for an extended period ▪ Financial loss triggering special allocation of funds, consultation and internal approval to resolve ▪ Extensive injury or illness ▪ Significant environmental impacts (long term or permanent) and/or damage to company reputation ▪ Exposure to claims greater than \$500,000
<p>Notes:</p> <ul style="list-style-type: none"> ▪ Reference must also be made to the Contractor Management Standard when contracted labour is procured for work. ▪ For moderate or high risk procurement activities contact the Senior Procurement Advisor to access Contractor/Consultant Selection and Management Checklists for additional contract guidelines. ▪ ^ Credit card and pay on invoice arrangements may be appropriate for low risk procurement activities, even though expenditure is above \$5,000 (e.g. legal services, other professional services, utilities, IT consumables, fees). Assessment should be made on a case by case basis and be undertaken in accordance with the approved Financial Delegation.

Assessment of Quotes/Proposals

For moderate to high risk procurement, selection criteria will be used to assess the suitability of a potential respondent. The selection criteria should be developed before prices are sought and should be included in the request document.

The Senior Procurement Advisor can provide examples of commonly used criteria and a format for rating the responses in accordance with the pre-determined selection criteria.

The evaluation process should confirm that the preferred respondent has an accurate understanding of the scope and terms of the procurement.

Any unsuccessful vendors may request a de-briefing session. This session should provide the supplier with enough information to assist them to improve proposals and/or performance in the future.

Managing and Monitoring Supplier Arrangements, KPIs and Performance

We and/or our agents actively manage supplier relationships and monitor performance before, during and after establishing arrangements and contracts. The level of monitoring will be appropriate to the relative risk the company is exposed to.

To allow for early intervention and, if necessary, optimise the performance arrangement, regular monitoring of supplier performance will be carried out to assess whether it meets critical requirements such as timeliness and conforming to specifications/agreed requirements.

Segregation of Duties

To ensure adequate internal control, it is important that more than one person is involved in and responsible for a transaction end to end. The following segregation of duties shall be maintained through the procurement process:

- employees with access to create purchase orders in Finance One (*a Purchasing Officer) must not have access to add or change supplier account records
- a Purchasing Officer (APO) must not approve the receipt of goods and/or services against a purchase order that they were responsible for generating in Finance One
- employees who enter accounts payable invoices must not approve payment of those invoices - an employee independent of the invoice entry process must approve invoice payments.

Any deviation to the above will be documented and endorsed at Manager Level (or higher level if involves duties of the manager)

* A list of approved Purchasing Officers is available on Portal.