

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 when procuring goods, services and/or works on behalf of the company, all procurement is to be reviewed and authorised in accordance with the approved Delegation of Authority and Sub-Delegation of Authority prior to engagement.

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 the following key objectives:

1. To maximise value – a comprehensive consideration of factors such as:
 - a. The purchase price, quality, reliability, availability, fit for purpose and the associated costs including delivery, installation, insurance, training and payment terms,
 - b. Operating costs including but not limited to energy, fuel and water efficiencies spares and maintenance
 - c. End of life costs such as decommissioning or disposal 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.
3. Full and fair opportunity – APH Group should avoid bias and prejudice in all procurement decision-making. All suppliers, including local suppliers and small and medium-sizes organisations (SMOs) should have a full and fair opportunity to compete.
4. Risk Management – to identify, prioritise and manage the internal and external risks (including opportunities) related to the procurement activities.
5. Supply Chain – assessment of suppliers is to be undertaken to determine if coercion, threats or deception is used to exploit a person and undermine or deprive any person of their freedoms (*Modern Slavery Act 2018* (Cth) and their capability to meet sustainable requirements such as monitoring and auditing.

Procurement Practices

Health and Safety

The procurement of goods, services and/or works must be consistent with the Health and Safety Policy and Supplier Engagement 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

to the 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.

Information and Technology

The procurement of goods, services and/or works must consider all IT policies, forms and procedures, such as the IT Security Policy.

Compliance and Governance

Legislation, regulation and Australian standards are to be considered in the procurement process, including the supply chain and evaluation and verification of all suppliers. Such considerations include but are not limited to:

- *Security of Critical Infrastructure Act 2018*
- *Modern Slavery Act 2018*
- *Privacy Act 1988*
- *Building and Construction Industry Payments Act 2004*
- Building Code of Australia.

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.
Commercial & Risk Accountant	<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 relating to consumable items / office services.▪ Monitoring supplier expenditure and contract usage for consumable items / office services to identify opportunities for improvement.
Senior Contracts Administrator	<ul style="list-style-type: none">▪ Assistance with the tendering, establishment and ongoing management of contracts/arrangements relating to all development projects and service level agreements which excludes the direct procurement of goods and services as outlined above.▪ Monitoring supplier expenditure and contract for project and service level agreements, usage to identify opportunities for improvement
Authorised Officer	<ul style="list-style-type: none">▪ Establishment of contract in accordance with the Delegation and Sub-Delegation of Authority.▪ Management of contract once established.
Heads of Business Units	<ul style="list-style-type: none">▪ Ensure that their teams, to the extent of their involvement in procurement, are appropriately competent to undertake procurement activities.▪ Drive business initiatives that help manage risk, control optimal spend, achieve vendor consolidation and cost efficiency.
Chief Financial Officer	<ul style="list-style-type: none">▪ Overall responsibility for the procurement function within the company, including compliance with this Policy.
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, thereby limited to the cost centres and/or activities within control of the position. Procurement activities should be delivered or overseen by the position or Business Unit with the appropriate expertise in that field.

The separation of a single purchase into multiple purchases for the purpose of circumventing the policy and the company's Delegation and Sub-Delegation of Authority is not permitted.

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 approved 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 approval by an Executive Member as per the Sub-Delegation of Authority.
- Payment terms should be sixty (60) days, unless otherwise approved by the Chief Executive Officer or 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). The aggregate spend over the year must 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 will 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 ability of a local business to provide the goods or services to an appropriate standard with at least equivalent value for money.

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

Notes:

- 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.
- Quotation or requisition / purchase orders are not required for goods or services from government agencies (land tax, land and water rates, FBT, GST etc.), novated leases, electricity and telecommunication supply, insurance, payroll related payments.
- Where a purchase order is amended re-approval will be required in line with the Delegation and Sub-Delegation of Authority.
- No undue favour or preference will be afforded to any one supplier
- 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.
- For moderate and high-risk procurement activities, a Consultant/Contractor Selection and Management Checklist should be signed off by the Head of Business Unit prior to prices being received. Contact the Commercial and Risk Accountant for guidance on this.

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.

To protect its interests, the company has in place several 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 Chief Financial Officer and General Counsel for review and acceptance.

Any material changes being proposed to the company's standard form contracts (e.g. clauses such as Definitions, Indemnity, Liability, Insurances, Risk, Safety and Environmental Requirements, etc.) are to be signed off by the company's Chief Financial Officer and General Counsel.

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)		

¹ Criteria for Low Risk Procurement:

- 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.:
 - 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.

² Criteria for Moderate Risk Procurement:

- 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 moderate health, safety, environment, finance, legal, quality or reputational consequences as a result of failed or unsatisfactory deliverables e.g.:
 - 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

³ Criteria for High Risk Procurement:

- 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.:
 - 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

Notes:

- Reference must also be made to the Supplier Engagement Management Standard when contracted labour is procured for work.
- Credit card and pay on invoice arrangements may be appropriate for low-risk procurement activities which are minor and infrequent, even though expenditure is above \$5,000. For all entertainment expenses refer to Entertainment and Gifts (Benefits) Policy. Assessment should be made on a case by case basis and be undertaken in accordance with the approved Financial Delegation.

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.

Conflict of Interest

Conflicts of interest exist when a person's ability to make an objective and impartial decision is potentially compromised as a result of a personal, family or associated commercial interest or relationship.

To maintain the trust and confidence of suppliers dealing with PBPL, we need to effectively manage any actual, potential or perceived conflicts of interest or unethical behaviour such as coercion, manipulation or intimidation. The Code of Conduct outlines an employee's obligations in relation to reporting such conflicts of interest.

Fair Operating Practices

Fair operating practices are concerned with the ethical conduct of an organisation and with other organisations such as suppliers, with which it has a relationship.

To maintain the trust and confidence of suppliers dealing with PBPL, we need to effectively manage any unethical behaviour such as suspected corruption, serious misconduct and fraud. The Code of Conduct outlines an employee's obligations in relation to reporting such behaviour.

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.

Assessment of Quotes/Proposals

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

The Senior Contracts Administrator or Commercial and Risk Accountant 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.