Procurement Policy

Group - Corporate
WAT-SODA-POL-103 Rev 2.0

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Contents

Document Custodian

The custodian of this policy is the Chief Financial Officer (CFO). The custodian is responsible for maintaining and controlling changes. For further information and/ or clarification of this policy, please contact the CFO or the Group Financial Controller.

Version Control and Change History

Revision No.	Date	Author	Details and Comments
1.0	24/10/2016	N Richards	Final to publish
2.0	07/06/2019	A Gott	Revision to align to Schedule of Delegated Authority update

Approval

Mark Baker		7/06/2019
Policy Owner – Chief Financial Officer	**Approval Signature**	**Date**

1. Purpose

The purpose of this policy is to provide guidelines for the procurement of all goods and/ or services on behalf of the Watpac Group, to ensure the best available procurement outcome is achieved. This policy aims to ensure:

- Procurement activities are well planned, provide 'value for money' and comply with legal and regulatory requirements
- Open and effective competition is used to achieve efficiency, innovation, choice, and to provide transparency and probity to Watpac's procurement process
- Consideration of economic, social and environmental impacts when acquiring goods and/ or services with a view to sustainability
- The procurement of goods and/or services complies with Watpac's standards of integrity, probity, professional conduct, and ethical behaviour
- Risks associated with procurement activities are managed in accordance with Watpac's Enterprise Risk Management Framework and Guidelines
- Responsible financial management is applied to all procurement activities.

2. Scope

This policy and associated procedures apply to all staff of the Watpac Group involved in procurement activities, which include procurement planning, sourcing, and management.

The types of goods and/or services, procurement methods, procure to pay methods, and buying options covered by this policy are tabled below.

Procurement Types	Procurement Methods	Procure to Pay
• Consultancy services • Consumable items • Subcontractors • Suppliers • Labour hire • General and minor maintenance • Plant hire not deemed as capital expenditure.	• Open tender • Request for Quotes • Restricted tendering • Request for Proposal • Single sourcing.	• Purchase Requisitions • Purchase Orders • Sub-Contractor Payment Vouchers • Receipting.

2.1 Excludes

This policy does not cover the following activities:

- Travel and employee expenses. Refer to Watpac's Travel Policy
- Credit card purchases. Refer to Watpac's Credit Card Policy
- The procurement of assets. Refer to Watpac's Capital Expenditure Approval Policy
- Major maintenance of plant and equipment. Refer to Watpac's Capital Expenditure Approval Policy
- Inventory management, warehousing and logistics
- Accounts payable
- Non-cancellable operating leases with a term exceeding 12 months. Refer to Watpac's Capital Expenditure Approval Policy

- Preferred National Supplier Agreements. Refer to Watpac's Standard Contracts & Agreements Policy.

3. Policy Statement

Watpac is committed to conducting procurement activities in a fair, competitive, and transparent manner that delivers the best value for money outcomes whilst protecting Watpac's reputation. Consideration is given to the required specifications, quality, services, reliability, environmental and social issues, as well as the total cost of ownership.

Primary Principles	Detail
Value for money	Value for money is determined by evaluating all proposals for a procurement activity against the applicable evaluation criteria and assessing all relevant risks, costs and benefits on a whole of life basis. A decision on price alone does not always represent best value for money. This principle shall be a major underlying factor in the choice of a supplier, subject to the goods or services being of satisfactory quality and fit for the purpose for which they are required.
Open and Effective Competition	A selection method and process shall be chosen that suits the procurement, its level of risk and timeframe, avoids creating unnecessary costs for potential suppliers and delivers the best value for money for Watpac. All potential suppliers must be provided with the same specification information, including evaluation criteria. Specifications must not be prepared to favour a supplier or group of suppliers unless the procurement outcome cannot be reasonably met without such specifications. For example, the goods and/or services to be procured are provided exclusively by that supplier or group of suppliers.
Sustainability	Strategies should be adopted to avoid unnecessary consumption. Sustainably procured goods and/or services must: • Meet the users' functional needs and be 'fit for purpose' • Maximise economic benefits and represent 'value for money' through the consideration of whole-of-life costs and quality • Minimise impacts on the environment and people's health.
Probity and Ethical Behaviour	• To deal fairly, impartially and consistently with all suppliers • To keep confidential all sensitive information obtained as part of the procurement process • To declare any potential conflict of interest prior to the commencement of a procurement activity and abstain from any procurement activity where it has been deemed that a perceived or actual conflict of interest exists • To ensure that the entire procurement process is documented in such a way as to demonstrate that decisions were made in accordance with these procurement principles.
Risk Management	Business units are responsible for determining the risks associated with purchases. Assessments for some low value purchase may only be notional. Refer to Watpac's Enterprise Risk Framework and Guidelines.
Responsible Financial Management	Watpac funds must be used efficiently and effectively to procure goods and/or services and reasonable attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles.
Continuous Improvement	Procurement processes should strive to provide the necessary feedback for suppliers. Feedback should act as an enabler for clarity, motivation and continuous improvement.

General Principles	Detail
General	Delegations pertaining to procurement, preferred national suppliers and purchase orders are detailed in the Schedule of Delegated Authority (SoDA). Refer to the Delegation of Authority Policy.
	Delegations can only be applied within the business unit, role and responsibility of the delegate, and defined financial limits.
	Users must comply with this policy and any additional requirements or restrictions prescribed in Business Unit procedures.
	The giving or receiving of gifts and hospitality in connection with procurement activity must be conducted in accordance with Watpac's Gifts and Hospitality Policy.
	Procurement requires accountability for the spending of Watpac funds and therefore must be justified, planned and transparent. Business units and projects are responsible for establishing procurement strategies, procurement programs, and supplier management plans.
	Only personnel with procurement or purchasing delegations may undertake purchasing activities
	Where conflict presents between the primary procurement principles, value for money will be the determining factor.
	The CFO is responsible for ensuring procedures are developed to effectively manage and monitor procurement activities and are reflective of best practice to facilitate a high standard of procurement performance amongst staff.
	The Chief Information Officer (CIO) must ensure all IS procurement plans and the supplier recommendation documentation align with Watpac's IS strategy and architecture.
	All Information and Communications Technology (ICT) must be sourced from the IS Catalogue. Items not identified within the IS Catalogue require approval to procure from the CIO.
	All purchases must be approved prior to the supply of goods and/or services to Watpac apart from purchases which comply with Watpac's Credit Card Policy, petty cash procedures, or extenuating circumstances require an exception to the rule where verbal approval is obtained from an authorised delegate prior to purchase, and subsequently validated in accordance with this policy.
	Purchase orders are used in accordance with Business Unit processes for purchases where there is no Supply, Subcontract, Consultant or Plant Hire Agreement
	To ensure alignment with the primary principle of 'value for money', where business units have a high level of spend, supply arrangements should be established and utilised in the first instance or wherever possible prior to exploring mass market options.
	Purchasing thresholds are established to ensure adequate competition is sought in accordance with these guidelines. Refer to Appendix A: Purchasing Thresholds**.**
	Exemptions to purchasing thresholds may be granted subject to adequate documentary evidence and credible advice to support the justification for the exception. Refer to the SoDA for authorised delegates.
	If only a single source or specific/unique supplier exists, the procurement activity may proceed subject to adequate documentary evidence and credible advice to support the justification for the exception. Refer to the SoDA for authorised delegates.

<table>
<tr><th>General Principles</th><th>Detail</th></tr>
<tr><td rowspan="6"></td><td>Procurement of goods and/or services must be from counterparties with a valid Australian Business Number (ABN) and GST registration. Approval to depart from this requirement will be provided as a last resort and only in accordance with SoDA requirements.</td></tr>
<tr><td>Segregation of duties must exist between the raising, approval, and receipting of goods and/or services.</td></tr>
<tr><td>Purchases considered personal or private in nature are prohibited.</td></tr>
<tr><td>Purchasing of stationery must be conducted in accordance with Watpac's office supplies procedures.</td></tr>
<tr><td>Where there is a business requirement or contractual arrangement to use genuine parts then Original Equipment Manufacturer (OEM) parts can be procured by business unit plant procurement processes.</td></tr>
<tr><td>Parts should be sourced from current internal stock on hand using business unit processes before considering alternate procurement methods.</td></tr>
<tr><td rowspan="6">Requisitions, Purchase Orders and Goods Receipting</td><td>Business units are responsible for purchase requisitions, gaining approval for purchase requisitions and raising purchase orders in accordance with the SoDA and Watpac's purchasing processes before goods and/or services are ordered. All supporting documentation should be recorded and filed in accordance with Watpac's purchasing procedures. Purchase requisitions do not constitute a purchase order and must not be presented to a supplier as a purchase order.</td></tr>
<tr><td>Purchases for the supply of goods and/or services to Watpac must be covered by an approved Watpac purchase order unless arranged by:
Cash in accordance with the petty cash procedures
A Watpac corporate credit card is used in accordance with the Credit Card Policy
A subcontract, consultant, supply or plant hire agreement that documents the price / rate and the quantity of goods / services being purchased
A direct invoicing facility established in accordance with an approved Watpac Standard Agreement.
Purchases made via credit card or cash for goods and/or services must adhere to the procurement principles defined in the Credit Card Policy or relevant petty cash procedure.</td></tr>
<tr><td>Requisitions and purchase orders must not be split to avoid a delegate's authority threshold or bundled to have the purchase recognised as capital expenditure; refer to Watpac's Capital Expenditure Policy.</td></tr>
<tr><td>Should a variation be required to a purchase requisition prior to a purchase order being issued to a vendor, the approval process will start over.</td></tr>
<tr><td>Pre-payment is an extreme exception. Payments in advance, for non-receipted goods and /or services expose Watpac to risk of loss and non-conforming products. Approval of departures from standard payment terms including pre-payments must be authorised in accordance with the SoDA and require supporting documentation outlining the justification including evidence of the vendors demands.</td></tr>
<tr><td>Any variance between invoice and purchase order greater than the lesser of $150 or 5% of the invoice amount must be confirmed prior to payment in accordance with the SoDA delegations.</td></tr>
<tr><td>Standard Contracts</td><td>Refer to the Standard Contracts and Agreements Policy for details of the Watpac Group legally binding agreements with contractors (Consulting and professional service providers/subcontractors) and suppliers.</td></tr>
</table>

General Principles	Detail
Goods Receipting	Only a person with the appropriate knowledge or skills is to verify that the goods claiming to be delivered are received by Watpac. Supporting evidence such as a Goods Received Note (GRN) or delivery docket must be attained and attached to the purchase order in Watpac's purchasing system.

4. Responsibilities

The responsibilities listed below are general requirements which supplement both the principles above and the more specific actions which are listed in the SoDA.

Band	Responsibilities
Band 0	
All Positions	Responsibilities detailed within SoDA
Band 1	
All Positions	Responsibilities detailed within SoDA
Band 2	
All Positions	Responsibilities detailed within SoDA
Band 3	
All Positions	Responsibilities detailed within SoDA
Band 4	
All Positions	Responsibilities detailed within SoDA
Band 5	
All Positions	Responsibilities detailed within SoDA
Band 6	
All Positions	Responsibilities detailed within SoDA
Band 7	
All Positions	Responsibilities detailed within SoDA
Requester	
	• Verifies that there is a requirement within the business and raises a purchase requisition for the supply of goods and/or services • Seeks approval of a purchase requisition in accordance with the SoDA prior to raising a purchase order • Approval for procurement must be in accordance with this policy, SoDA requirements, Appendix A Purchasing Thresholds and further restrictions defined in relevant business unit procedures prior to purchasing goods and/or services.

Band	Responsibilities
Procurement Staff	
	• Using requisitions as source approval, raise or modify purchase orders into Watpac's purchasing system • Explore and establish business partnerships and alliances with suppliers and services providers • Staff involved in procurement activities should ensure their knowledge of the market is sound and up-to-date and that potential vendors have a reasonable opportunity to compete • All staff, when purchasing goods and/or services, must ensure that they act in a fair and ethical manner and purchase complies with this policy, associated procedures and the SoDA • All requests for urgent supplier payments of a purchase order must comply with the relevant business unit's procurement procedures prior to referring to the Group Financial Reporting Manager and Group Financial Controller to approve departures from standard payment terms prior to approval from the delegate.
Receipting Officer	
	• A person with appropriate knowledge and skills will conduct a visual inspection of the delivered items against the purchase order to verify condition and quantities at the point of transfer of custody • Discrepancies identified at the transfer of custody should be handled in accordance with the relevant business unit practices for materials management, and actioning of unsatisfactory and non-conforming goods and/or services • A delivery docket, timesheet or goods receipt notice is used as the source document to enable receipt of the purchase order into Watpac's purchasing system.
All Delegates	
	Delegates must observe the following when exercising any authority under SoDA: • Only authorise commitment of funds in line with their delegation • Ensure expenditure is in accordance with approved budgets, procurement strategies and plans, purchasing thresholds, and authorised in accordance with the SoDA • Ensure that fair and ethical procurement practices were undertaken on behalf of Watpac • Ensure Watpac policies and procedures have been complied with when executing delegated authority • Remain responsible for decision making.

5. Records Management

All records relevant to this document are to be maintained, archived and disposed in accordance with Watpac records management processes and Watpac's Archiving Policy.

6. Breaches

A breach of this policy, Delegation of Authority Policy or the SoDA may be regarded as misconduct and may be subject to disciplinary action which may include termination of your employment. Watpac may be obligated to report serious matters to external agencies for further action.

7. Definitions and Abbreviations

Term	Definition
Band	A generic term to describe a group of positions given the same delegated authority. Refer to the SoDA to check which band of delegated authority is pertinent for a position.
Breach	An action that is in violation or infraction of this policy and any of its associated policies.
Business Unit	A generic term to describe Watpac's operational and corporate business areas.
Buying Options	**Buy:** The transfer of ownership of an item in exchange for payment. **Hire:** Temporary use of an item for an agreed fee. **Hire Purchase:** A method where payment for an item is via regular instalments whilst having the use of the item. In the case of Hire arrangements, approval thresholds are to be applied to the entire commitment value in determining the required authority. Transacting of hire and/or leasing arrangements is to be conducted in accordance with Watpac's Leasing Policy, where appropriate.
Delegate	Any position of Watpac, acting, or temporary occupant authorised to carry out delegations under this Policy, and as outlined in SoDA.
Delegation / Delegated Authority	The transference of power and authority to a position to act on behalf of the Board or Chief Executive Officer which binds Watpac to a legally enforceable obligation.
Dual Signatories	A term to describe the act of obtaining approval for a transaction from two separate positions who each have the responsibility, as well as authority within the SoDA to approve the transaction. The delegates may both be in the same band unless the SoDA or Policy define otherwise.
General and Minor Maintenance	Costs associated with the repairs and upkeep of assets to enable them to continue to deliver future benefits. This includes all costs not characterised as being of capital or major maintenance in nature.
Information Systems (IS)	any form of information system including: • Electronic data • Software or information and communication technology systems, and networks on which the information is stored, processed or communicated.
Invitation to Tender	An invitation for quotation for the provision of works in accordance with a detailed Scope document.
Non-Capital Items (Consumables)	Items that are expected to be consumed within twelve months are considered consumables or items of inventory and should be accounted for in the year of acquisition under the approved budgets relative for the business unit, or project. Examples include fuel, stationery, services associated with general and minor maintenance.
Preferred National Supplier	Vendors that have a continuing arrangement to provide goods and/or services to Watpac.

Term	Definition
Probity	Is the evidence of ethical behaviour, and can be defined as complete and confirmed integrity, and honesty in a particular process.
Procurement Methods	**Invitation to Tender (ITT):** The ITT document contains detailed specifications for the performance of the work as well as detailed qualifications and requirements for the Bidders to meet. Types of ITT include: • **Open Tender:** A public advertisement invites suppliers or service providers are to apply for tender documentation • **Restricted Tendering**: Tendering is limited to a select number of prequalified suppliers or service providers to provide a response to tender documentation **Request for Quotes (RFQ):** Suppliers or service providers are invited into a bidding process to bid (provide quotes) on specific goods and/or services. **Request for Proposal (RFP):** These are typically more openly written so as to push the definition of work down to the vendor. Solicitation is made by vendors (suppliers or service providers) through a bidding process to an organisation interested in procuring goods and/or services. **Single Sourcing:** Utilising a single supplier or service provider without a competitive bidding process for a justifiable reason.
Procurement Staff / Purchasing Officer	Persons responsible for facilitating purchasing activities for equipment, materials, supplies, goods and/or services on behalf of Watpac.
Purchase Order (PO)	Purchase orders document the purchase details and are issued to a vendor. Once accepted by the vendor the purchase order is a binding commitment for both parties.
Purchase Requisition	A purchase requisition form is used as the source document to request approval for the procurement o f goods and/or services on behalf of the organisation. Approved requisitions are then converted to a purchase order.
Purchasing Systems	Watpac's recognised purchasing systems: • COINS • Purchase Requisition Form
Request for Quote	The request for a written quotation for the supply of described goods and/or services
Transfer of Custody	The transfer of custody is the proof of delivery. Proof of delivery is evident by a receipt, goods receipt note (GRN) or delivery docket accepting the delivery. Transfer of custody includes a visual inspection of the goods conditions and acknowledgment of delivered items against the purchase order. A Receipt (or proof of delivery) is entered into COINS. Discrepancies with the delivery dockets should be handled in accordance with materials management procedures for over, under and non-conforming goods and/or services.
Records	Recorded information in any form (including data in a computer system) that is required to be kept by an organisation as evidence of the activities or operations of the organisation and includes part of a record and a copy of a record. Information created, received, and maintained as evidence and information by an organisation or person, in pursuance of legal obligations or in the transaction of business.
Receipting Officer	Persons responsible for receipting goods and/or services (refer to 'Transfer of Custody') on behalf of Watpac.
Requester	Person seeking to procure goods and/or services.

Term	Definition
Schedule of Delegated Authority (SoDA)	Outlines the authorities delegated by Watpac's Chief Executive Officer to particular bands along with relevant limits to those authorities.

8. Referenced Documents

Document Type	Document No. & Title
Group Policy	Archiving Policy
Group Policy	Capital Expenditure Approval Policy
Group Policy	Corporate Credit Card Policy
Group Policy	Delegations of Authority Policy
Group Policy	Enterprise Risk Management Framework and Guidelines
Group Policy	Leasing Policy
Group Policy	Standard Contract and Agreements Policy
Corporate Procedure	Archiving
Form	Purchase Requisition

9. Associated Legislation and Standards

Title
AS/NZS 4801 Safety Management Systems
Competition and Consumer Act (2010)
Corporations Act (2001)
Industrial Relations Act (1999)
ISO 14001 Environmental Management
ISO 31000 Risk Management
ISO 9001 Quality Management Systems

10. Appendix A: Purchasing Thresholds

Purchasing thresholds provide a standard approach for applying the primary procurement principles of 'value for money', open competition, probity, sustainability and accountability.

Purchase Threshold	Price Discovery (Business unit procedures may prescribe further restrictions)
< $2,000	Procurements under the $2,000 purchase threshold may be placed at the discretion of procurement officers without seeking competition. Business unit procedures may prescribe further restrictions.
$2,000 to < $5,000	Procurements between $2,000 to < $5,000 will be placed following either: • Solicitation of (2) written quotes wherever possible • A RFP • A RFQ
$5,000 to < $100,000	Procurements between $5,000 to < $100,000 purchase threshold will be placed following either: • Solicitation of (3) written quotes wherever possible • A RFP • A RFQ • An ITT with a min of 3 compliant tenderers responses.
≥ $100,000	Procurements ≥ $100,000 purchase threshold will be placed following either: • A RFP • A RFQ • An ITT with a min of 3 compliant tenderers responses.
Purchases must be conducted in accordance with SoDA delegations, associated policies, and business unit procedures.	