

Internal Use Only

APA Group

Procurement Standard

Document type	Standard
Purpose	To ensure rigor in APA's procurement practices and to mitigate risks connected with the procurement of goods and services by APA.
Scope and application	<p>This Standard applies to all APA Group directors, employees, consultants, contractors, and all other people representing, acting for or on behalf of APA Group and its wholly owned subsidiaries engaged in the procurement of goods and services by APA.</p> <p>APA's procurement procedures and the respective responsibilities of APA Procurement and the APA business unit are set out in the Procurement Procedure.</p>
Effective from	15 November 2021
Key contact	General Manager Business Services and Finance Transformation
Document owner	General Manager Business Services and Finance Transformation
Approved by	Chief Financial Officer
Next review date	1 September 2023
Review cycles	2-yearly review cycles.
Legend	<p>Hyperlink to either a location in this document or to an intranet site or website</p> <p><i>Reference to an APA document</i></p> <p><i>Glossary terms</i> (in the Glossary in this document)</p>

REQUIREMENTS

1 Procurement overview

Procurement exists to responsibly provide strategic and tactical purchasing and procurement solutions supporting cost effective service delivery and growth for APA. Effective procurement provides value for APA's stakeholders and recognises that useful and efficient procurement practices are essential to facilitate optimal sustainable outcomes for APA.

APA's supplier base comprises:

- Suppliers and Contractors engaged via standalone Purchase Orders.
- Suppliers and Contractors engaged under a Procurement Agreement and Purchase Order.
- One off or low value suppliers engaged via credit card transactions.
- Labour Hire Suppliers and Independent Contractors – engaged through our people processes.

As the needs of APA's stakeholders both internal and external continue to evolve APA's procurement capability is transitioning to operating as a strategic business partner providing end to end accountability for procurement activities supporting the business at both a transaction level as well as a strategic level including advice and guidance as well as governing APA's supplier data ensuring it is fit for purpose.

Aligned to Our Code of Conduct we have no tolerance for suppliers or contractors who are not compliant with current regulations, including modern slavery and we will:

- Consider the human rights implications of all our activities, including in areas or activities that are of cultural significance to indigenous people.
- Not purchase products or services from suppliers or contractors we know violate human rights standards.
- Speak up if we think our company, or a company we engage with, is not complying with our standards.

Key principles applied as part of procurement procedures include:

- Economic – providing for value for money.
- Efficiency – efficient procedures.
- Fairness and transparency – highest standards of fairness, openness, probity and transparency including an approach where any actual or perceived conflicts of interest are managed
- Accountability in decision making – ownership of decisions.
- Environment and social sustainability – consideration of environment and social requirements and regulations.
- Responsiveness – to business demands and changing needs for procurement.

Performance requirements:

APA **MUST** act in an ethical, transparent, and independent manner at all times when involved in a procurement process. The procurement process probity requirements and guidelines for dealing with suppliers are set out in the *Procurement Procedures*.

APA's procurement practices **MUST** ensure:

- A risk based approach is in place recognising various risks including commercial, legal, operational, regulatory, environmental, health & safety to ensure these are identified and managed.
- Goods and/or services meet specification and are delivered on-time at competitive prices from financially stable, ethical, and responsible suppliers.
- Provide best value for money is realised, [REDACTED]
- Provide for rigorous ongoing contract management and supplier relationship management are applied consistently.
- Recognise modern regulatory requirements embedded within procurement processes covering such areas as modern slavery, recognition of communities and APA's social impact, WHS and security of critical infrastructure.
- Strong management and governance over APA's supplier and procurement data and information to provide insight and advice to internal stakeholders.

2 Procuring goods and services ethically and responsibly

APA **MUST** take steps to ensure that the goods and services we source are procured ethically and responsibly, without harm or exploitation to people the environment or the communities we operate in, and expect our suppliers and contractors to do likewise. Procurement involves steps to ensure our suppliers and contractors are compliant with APA's policies and does not engage in any practise that contravene this position.

Performance requirements:


- APA **MUST** ask **suppliers** about their manufacturing processes and supply chain to [REDACTED]
- APA **MUST NOT** use **suppliers** that we know supply unsafe or environmentally irresponsible goods or services, or use exploitative or unlawful practices to produce their goods or services.
- APA **MUST** require in our **procurement agreements** that goods and services be ethically and responsibly manufactured and sourced.
- APA **MUST** notify the Procurement team when APA has purchased unsafe or environmentally irresponsible goods or services.
- APA **MUST** conduct due diligence on **suppliers** in accordance with the Anti-Bribery and Corruption Policy and Standard.
- APA **MUST** identify and manage any actual or perceived conflicts of interest as part of procurement activity.
- APA **MUST** ensure its **suppliers** have similar HSE standards and values to APA prior to the engagement.
- [REDACTED]
- [REDACTED]



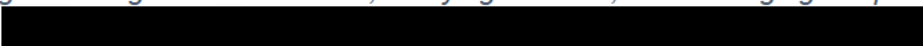
3 Modern Slavery

APA **MUST NOT** intentionally use suppliers and contractors that engage in modern slavery practices such as child labour, debt bondage, inhumane treatment of employees and forced or compulsory labour. APA is committed to the principles and obligations under the Commonwealth Modern Slavery Act 2018 (MSA).

Performance requirements:

- APA **MUST** identify the procurement approach and supply chain for APA Group.
- APA **MUST** adopt the approved modern slavery risk management approach to procurement activities and seek to identify modern slavery risks within the supply chain.
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- APA **MUST** embed appropriate processes and key performance indicators to ensure ongoing compliance with modern slavery obligations and be able monitor our approach's effectiveness.
- Where modern slavery risks are identified APA **MUST** engage with targeted *suppliers* to remediate issues.

4 APA Supplier Prequalification and Compliance

APA's suppliers and contractors play an important role in delivering and messaging our commitments and key values to our customers as outlined in the APA Code of Conduct. APA has implemented the **APA Supplier Prequalification (ASP)** program as an important first step in managing supply chain risk, through collecting all the right documentation, verifying the data, and managing the process for APA's key suppliers. 

Performance requirements:

- Critical *suppliers* **MUST** be prequalified by measuring and monitoring supplier compliance in accordance with predetermined requirements.
- Critical *suppliers* **MUST** provide information that will aid APA users from all parts of the business in ongoing sourcing initiatives, supply chain management and supplier management and development.
- Critical *suppliers* **MUST** develop, monitor and manage Corporate Social Responsibility (CSR) and Environment and Social Governance (ESG) credentials as well as key legislative requirements such as labour hire licensing, modern slavery, WHS harmonisation and chain of responsibility.

5 Procurement transaction management

APA business unit requirements and subject matter experts (e.g. HSE, Infrastructure Strategy & Engineering, Group IT, Regulatory, etc.) must be aligned to ensure goods and services are appropriately sourced.

Performance requirements:

- Detailed requirements (e.g. specification, quantity, location, timing, service levels, etc.) **MUST** be established prior to entering into an arrangement with a **supplier**, [REDACTED]
- Where a standalone Purchase Order (PO) or Work Order (WO) is fit for purpose **suppliers MUST** accept the APA terms and conditions at the initiation of discussions and prior to any commitment being made by APA.
- Where an APA Precedent Agreement fit for purpose, the terms and conditions of the agreement is to be used. [REDACTED]
- If any of the criteria listed in the *Use of Procurement Agreement Checklist* are present a PO or WO **MUST NOT** be issued without the prior approval of the relevant Procurement Manager (refer *Goods and Services Quick Reference Guide*).
- APA **MUST** conduct risk assessments commensurate with the likely risks for:
 - Health Safety and Environment (HSE), financial viability, quality, operational, technical, regulatory, legislative, delivery and other relevant risks.
 - Commercial risk [REDACTED]
 - Disaggregating requirements and splitting purchases either on credit card, POs, WOs or Procurement Agreements to avoid proper procurement processes **MUST NOT** occur.
- Where the procurement value is, or is likely to be, greater than the thresholds outlined in the below table, the following requirements **MUST** be met:

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

- [REDACTED]
- APA **MUST** maintain the relationship with the supplier in accordance with the *Procurement Agreement*.

6 Procurement agreement requirements

[REDACTED] APA has established *Precedent Procurement Agreements* to utilise when procuring goods and/or services. The precedent agreements are routinely updated to reflect APA's policies and Modern Slavery positions.

Performance requirements:

- [REDACTED]
- APA **MUST** enter into a *Procurement Agreement* if any of the criteria listed in the *Use of Procurement Agreement Checklist* are present.
- An APA Precedent Procurement Agreement **MUST** be sourced directly from the [Legal Document Library](#) as past versions may not reflect current legislation and/or current APA policy.
- [REDACTED]

7 Reporting on material service providers

APA outsources certain functions to suppliers. Risks in respect of the selection/appointment of the supplier, ongoing operational performance, including compliance performance, and continued supplier financial stability could impact performance outcomes for APA. Under our **AFSL** APA is responsible for managing material risks of the relevant third party providers and ultimately accountable for the duties of the relevant third party. These include:

- *external service providers providing services with respect to AFSL licence obligations eg share registry and outsourced internal audit services.*
- *material third parties who represent suppliers engaged to provide services or activities which APA elects not to provide internally.*

Performance requirements:

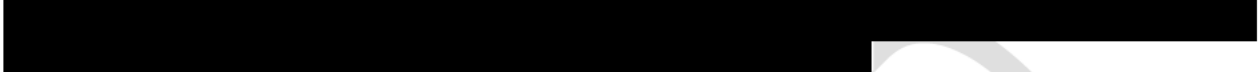
- APA **MUST** identify and report on financial and some non-financial outcomes for *Material Third Parties* on an annual basis.

8 Providing supplier references

APA's preference is to provide verbal references only. A reference should be only be provided with the supplier's knowledge, for current or recent goods and/or services provided to APA and in relation to the supplier's personnel at locations the reference provider is or has been personally involved with.

Performance requirements:

- The reference provider **MUST NOT** make statements that are derogatory or libellous or reveal any details of APA's commercial relationship with the *supplier*.

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9 Links / interaction with other policies/documents

- APA Policy – Health Safety and Wellbeing
- APA Policy – Conflicts of Interest
- APA Policy – Anti-Bribery & Corruption Policy and Standard
- APA Policy – Environment and Heritage
- APA Policy – Risk Management
- APA Policy – Code of Conduct
- APA Group Standard – Corporate Credit Cards and Expenses
- APA Group Executive Delegation Policy (DLA)
- Table of Delegated Limits of Authority
- Standard Payment Terms and Supplier Credit Policy
- New Supplier Credit Account Procedure
- APA Group Contracts & Commitments Standard – including the Document Authorisation Checklist (DEF Checklist) and the Document Execution Form
- Use of Procurement Agreement Checklist
- Goods and Services Quick Reference Guide
- APA Group Procedure – Australian Financial Services Licence (AFSL Handbook)
- APA Group Procurement Procedures
- HSE ELE 01 Safeguard Management System Overview Elements
- Use of Purchase Orders Policy

APPENDICES

Appendix A - Authorities

Responsible – owner of the activity

Accountable - owner of the outcome/approver

Supported – must assist the owner of the activity

Consulted – expertise must be sought prior to decision

Informed – must be notified once the decision is made

Activity	Responsible	Accountable	Supporting	Consulted	Informed
Sourcing and financial commitment to a supplier for goods or services					
Procurement	✓ ¹		✓	✓	
Business Unit Employee	✓				
Approver ²		✓			
Sourcing and financial commitment to a supplier for goods or services					
Procurement	✓ ¹		✓	✓	
Business Unit Employee	✓				
Approver ²		✓			
Sourcing and financial commitment to a supplier for goods or services					
Procurement	✓				
Business Unit Employee			✓	✓	✓
Approver ²		✓			
Managing suppliers					
Procurement	✓ ³	✓ ³	✓	✓	✓
Contract Owner (Business Unit)	✓	✓			

1. For centralised Purchasing functions.
2. As described in the APA Group Executive Delegation Policy (DLA).
3. In situations where Procurement is the Contract Owner.

GLOSSARY

Term	Definition
Agreements or Documents	For document execution under the document execution process this term applies to all contracts (including variations) and other binding documents including binding offers, terms sheets and leases.
Supplier(s)	A supplier, contractor, vendor, or consultant that may provide or provides goods and/or services to APA.
Material Third Parties	Suppliers engaged under a contract to provide services or activities which APA elects not to provide internally, under the following types: a) Which could cause significant or material business issues impacting APA enterprise wide if the services were to fail or being low quality (eg. data centre services, significant “software as a service” providers). b) Relating to O&M agreements for a single supplier providing services to maintain multiple energy infrastructure assets. c) Is capital funded with one or more contract valued at AUD \$20m or more within the financial year, including any third party works performed (eg. AGN or EII related) or a business IT system project.
Procurement Agreement	Any agreement, contract, deed, lease, or other document (eg. a letter) other than a PO or WO that is used to procure goods and/or services and a variation, assignment or novation of any such document.

Acronyms & Abbreviations

Term	Definition
PO	APA Oracle or Maximo Purchase Order.
WO	APA Maximo Work Order.
AFSL	Australian Financial Services Licence.
ASP	APA supplier prequalification program.
DEF	Document execution form and/or checklist.
MSA	Modern Slavery Act 2018.