



Procurement Policy

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Aurora Energy

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1	24/05/2010	Section 9 – Supply Chain Manager replaced with Group Manager	David Watson - Procurement Manager
2	04/03/2011	Replaced link to the new Delegations Manual	Not required

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1 INTRODUCTION

Aurora Energy is committed to continuously improving the management and standards of the procurement of goods and services.

The 'Procurement' workgroup was established within the Supply Chain 'Shared Services' in September 2008. The primary objective of the workgroup is to ensure that the procurement framework effectively supports and enhances Aurora's strategy and operational objectives by improving purchasing efficiencies across the business and ensuring consistent practice and continuous improvement.

To achieve this, a number of procurement principles will be embraced and applied to all procurement decision-making, practices and strategies.

The objective is to provide procurement direction and a framework for Aurora Energy, led by Supply Chain 'Shared Service' functions, which will be integrated with the financial management processes and will conform to industry best practice.

2 PURPOSE AND VISION

The purpose of this policy is to set direction for the way Aurora Energy procures goods and services ensuring that the procurement framework effectively supports and enhances Aurora's strategy and operational initiatives.

The procurement principles integrate the objectives of value for money, environmental and social impacts, safety and quality systems into all procurement activities and responsibilities.

Procurement Vision:

We will conduct all procurement activities to achieve value for money in a safe and sustainable way to ensure that current and future generations are able to enjoy the benefits of a healthy and natural environment.

3 SCOPE

This policy applies to Aurora Energy's procurement activities across all Aurora functions, activities and projects including Aurora subsidiaries, unless deviations are endorsed by the subsidiary CEO and Group CFO.

This policy outlines a procurement direction with focus on good practice and continuous improvement, ensuring that any person undertaking procurement activities for and on behalf of Aurora Energy will have regard for sustainability, safety, quality and value for money over the 'whole of life' procurement cycle, resulting in positive commercial outcomes for the business.

Core benefits of purchasing within this policy include: security of supply, lower costs, reduced risk, improved quality, greater added value, increased efficiency, innovation and enhanced environmental outcomes.

4 PROCUREMENT PRINCIPLES

All procurement within Aurora Energy will be driven by the following key principles:

Value for money is a core principle underpinning procurement within Aurora Energy.

In a procurement process, this principle requires comparative analysis of all relevant costs and benefits of each proposal throughout the whole life cycle.

Sustainable Procurement requirements will be incorporated into all purchasing and supplier management processes consistent with the Sustainable Procurement Principles.

Risk Management will be undertaken in accordance with Aurora's Risk Management Policy and Risk Management Framework.

Aurora Quality Systems and Standards will be used to provide assurance of quality and consistency with industry and professional standards.

Probity Fundamentals such as: obtaining best value for money, transparency of processes, addressing conflicts of interest, confidentiality and accountability will be incorporated into all procurement planning.

A safe, healthy and productive work environment is of outmost importance as is assurance that all procurement processes comply with relevant legislation and regulatory requirements.

5 DEFINITION OF PROCUREMENT

'Procurement' is a business management function, which ensures identification, sourcing and access to management of external resources, which a business needs or may need to fulfil its organisational objectives.

'Procurement' means: purchase, hire, lease, rental, exchange or any other commercial transaction involving the outlay of funds in return for the provision of goods, equipment, related services and service contracts for Aurora Energy.

6 FINANCIAL DELEGATIONS

All procurement transactions must be conducted in accordance with the Delegations Manual.

7 PROCUREMENT OVERVIEW

*This Policy is to be read in conjunction with the **Procurement Framework**, which provides a structured and consistent approach to the management of all procurement activities and includes procurement thresholds, guidelines and procedures.*

Selection of an appropriate procurement method for goods and services is an important phase of the procurement process to enable the requirement to be obtained at an acceptable level of risk, commensurate with the best overall value for money.

Selection of an appropriate procurement method is driven by the following:

1. The cost of the procurement process e.g. whole of life cost.
2. Whether the requirement is a 'one off' purchase or likely to continue. In the latter case, due consideration must be given to establishing a contract to fulfil current and future requirements.
3. The number of available and competitive suppliers in the marketplace.
4. The importance of the requirements to Aurora Energy and the associated risks in terms of time, functionality and performance.
5. Whether the Terms and Conditions applicable to a particular method adequately protect Aurora Energy against commercial risks associated with such purchases.
6. Whether valid and approved reasons exist for an exemption from standard procurement methods as described in Section 10 of this Policy.

In order to ensure achievement of appropriate procurement outcomes and selection of correct procurement method, it is imperative for individuals procuring high risk and / or high volume goods and services to consult Supply Chain Services in the planning stages of each procurement activity.

8 PROCUREMENT METHODS

All goods and services purchased for and on behalf of Aurora Energy must comply with this policy and the following:

1. Purchasing Thresholds [CO#10032119](#)
2. Delegations Manual [CO-#10191803](#)
3. Procurement Principles [CO-#10032127](#)

Aurora Energy has 3 approved methods of purchasing:

1. Under Contract
2. Purchase Order
3. Purchasing Card

Please refer to Procurement Framework for additional information.

8.4 Quotations

Depending on the risk and value of the purchase, obtaining quotations may be required prior to the purchase. Please refer to 'Purchasing Thresholds' for quotation requirements.

8.5 Contractors and Consultancy Services

1. Prior to engaging Contractors or Consultancy Services a Contract must be created.
2. An authorised Purchase Order must be issued prior to Contractors and Consultants commencing any work or service.

9 EMERGENCY PROCUREMENT METHODS

Where an emergency purchase is required to safeguard Aurora Energy's assets or due to natural disasters, system failures or events of unpredictable nature and there is insufficient time to use standard procurement methods, the purchases should comply with standard procurement methods to the maximum extent possible. Details of all emergency purchases should be logged with Group Manager on the first available business day following the purchase.

10 PROCUREMENT METHOD EXEMPTIONS

In instances, where special circumstances exist, the following exemptions from the standard procurement methods may be granted - subject to approval from the appropriate level of authority.

1. A single supplier exists for proposed procurement – Contract must be created under these circumstances.
2. Emergency procurement is required.
3. Consultancy services of a confidential or specialist nature are required – Contract must be created under these circumstances.
4. Strategic or urgent business decisions have been made and a Divisional GM approved the exemption to expedite the procurement process based on a risk assessment.
5. A decision was made to procure second-hand goods or equipment.
6. An item is included in a list of exemptions approved by the CFO / GM Commercial Services.

Please refer to Procurement Framework for additional details.

11 RESPONSIBILITIES

1. Overall responsibility for procurement activities ultimately resides with the Board and the CEO.
2. CFO / GM Commercial Services is responsible for the maintenance of this Policy and for monitoring performance and compliance with this Policy.
3. Any breach of this Policy and its principles and / or a breach of the Delegations Manual levels of authority may result in disciplinary action in accordance with Aurora Energy's Code of Discipline procedures and process for Managing People's Performance.

12 REFERENCE DOCUMENTS

*Procurement Framework – [CO10032137](#)

****Procurement Framework** is a central repository for all procurement related documentation including: Purchasing Thresholds, Guidelines and Procedures.*

Please click on the above link to access.

For other Aurora Energy policies, please refer to Aurora's policy section on The Volt, source documentation in DM (Document Management), or consult with relevant policy owners.