

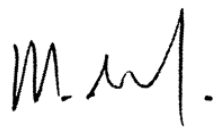
September 2016

roma to brisbane pipeline access arrangement submission.

attachment 4-5 – procurement policy



Procurement Policy

Owner	General Manager Infrastructure Procurement		
Policy Approved by Managing Director			Date 5/8/15
Direct questions on Policy to	General Manager Infrastructure Procurement		
Policy to be reviewed no later than	August 2018		
Version control	Date	Version	Nature of Change
	30 June 09	Policy	Approved by MD
	August 2015	1.0	Major redraft of 'Use of Purchase Orders Policy' and 'Procurement Policy' (was 'General Procurement Policy').

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1 Purpose

To ensure rigour in APA's procurement practices and to mitigate risks connected with the procurement of goods and services by APA.

2 Coverage / scope

This policy applies to all employees and contractors acting for or on behalf of APA Group and its wholly owned subsidiaries.

APA's procurement procedures and the respective responsibilities of APA Procurement and the APA business unit are set out in the *Procurement Guide*.

In this policy:

- "Supplier" means a supplier, contractor, vendor or consultant that may provide or provides goods and/or services to APA;
- "PO" means APA Oracle Purchase Order and "WO" means APA Maximo Work Order; and
- "Procurement Agreement" means 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.

Please refer any queries to the General Manager Infrastructure Procurement who is the owner of this policy and the *Procurement Guide*.

3 Values & commitments

APA is committed to providing value to its unit holders and recognises that effective and efficient procurement practices are essential to facilitate optimal sustainable outcomes for APA.

APA employees 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 Guide*.

APA's procurement practices are designed to ensure:

- financial, commercial, legal, operational, reputational, regulatory, environmental and occupational health and safety risks are determined, monitored, managed and reduced;
- goods and/or services meet specification and are delivered on-time at competitive prices from financially stable Suppliers;
- best value for money is realised, as evaluated on a total cost of ownership basis; and
- effective procurement processes and procedures, including rigorous ongoing contract management and Supplier relationship management are applied consistently.

4 Policy

4.1 Making a financial commitment to a Supplier

APA employees in the relevant business area with the appropriate category and delegation of authority as set out in the *Table of Delegated Limits of Authority* are the only APA representatives authorised to approve a commitment to a Supplier.

When determining the authority level required against the delegated limits of authority, the total cumulative procurement value of the commitment is applicable. Dividing a commitment to a Supplier into two or more parts to evade a delegated limit of authority is a violation of the *Delegations of Authority* and is not permitted.

Only in certain circumstances as set out in the *Delegations of Authority*, may authority be delegated to Suppliers acting on behalf of APA.

4.2 Paying a Supplier

APA's policy is to pay its Suppliers on-time in accordance with the contractual commitments agreed with a Supplier.

As set out in the *Establishment of Supplier Credit Accounts & Standard Payment Terms Policy* APA's standard payment terms for procurement of goods and/or services are thirty (30) calendar days from the end of the month in which a tax invoice is received or dated, whichever is later.

4.3 Method of purchase

To mitigate risks inherent in purchasing transactions, APA mandates the use of a formal contract approved under the relevant delegation of authority as set out in the *Table of Delegated Limits of Authority*. This requirement does not apply to purchases which fall within the scope of the exemptions contained in the *Corporate Credit Card Policy*.

This policy sets out the circumstances where the formal contract may take the form of a PO or WO and where a Procurement Agreement must be used (in conjunction with a PO or WO).

4.4 Using a corporate credit card

Corporate credit cards are to be used and acquitted in accordance with the *Corporate Credit Card Policy*.

Corporate credit cards should only be used for business expenditure by authorised APA employees for low value, low risk goods and services (particularly travel, entertainment, professional development and education related expenses). Otherwise, purchases of goods and/or services for APA operations are to be by issuance of a PO or WO wherever possible. In the case of an urgent operational requirement a corporate credit card may be used for a once-off or incidental purchase where the transaction value is less than AUD\$500 and where a preferred Supplier does not service that location.

4.5 Using a PO or WO

A PO or WO is to be used in accordance with the *Use of Purchase Orders Policy*.

POs and WOs are used to make purchasing transactions at APA more efficient and accountable however they do not effectively mitigate the risks inherent in all purchasing transactions. The circumstances where a Procurement Agreement is required are set out in section 4.6.

4.6 Using a Procurement Agreement

A Procurement Agreement is required if certain criteria are present in the procurement of goods and/or services. 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*).

A Procurement Agreement must be executed in conjunction with issuing a PO(s) or WO(s) that references the overarching Procurement Agreement. The terms and conditions of the PO or WO are overridden by the terms and conditions of the relevant overarching Procurement Agreement.

4.7 Types of Procurement Agreements

A Procurement Agreement may be the applicable:

- APA Precedent Procurement Agreement;
- bespoke APA Procurement Agreement; or
- Supplier's own form of Procurement Agreement.

APA's preferred position is to use the relevant APA Precedent Procurement Agreement and it must be considered prior to considering an alternate form of agreement. A suite of APA Precedent Procurement Agreements is housed in the *Legal Document Library* and maintained and kept current by APA Legal. 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.

4.8 Using the correct APA Group legal entity

APA's default contracting entity for a Procurement Agreement is APT Management Services Pty Limited (ABN 58 091 668 110). However, in some instances the relevant APA contracting entity is the entity that owns the asset or the entity that provides the goods and/or service to which the Procurement Agreement directly relates. Refer to APA Legal for clarification.

For tax purposes each operating unit contains a contracting entity that represents the group of APA entities to which it belongs. The APA Finance System determines the correct default tax contracting entity based on the relevant operating unit, eg APA, EII, GGT, etc.

4.9 Sourcing goods and/or services

The Procurement Manager or their delegate will work with the APA business unit to ensure alignment of the documentation of the business unit's requirements with the Procurement Agreement. The APA business unit that requires goods and/or services must provide the detailed requirements including specification, quantity, location, timing, service levels, etc. This includes obtaining relevant inputs from subject matter expert business units (eg, HSE, Infrastructure Strategy & Engineering, Group IT, Regulatory, etc).

The following requirements must be met when sourcing goods and/or services:

- seek acceptance of APA's terms and conditions (PO or WO and Procurement Agreement) by the Supplier at the initiation of the discussions and prior to any commitment being made by APA;
- conduct risk assessments commensurate with the likely risks for:
 - Health Safety and Environment (HSE), quality, operational, technical, regulatory, delivery and other relevant risks; and
 - commercial risk incorporating an objective evaluation of Supplier's documented offers and presentations including the relevant Procurement Agreement and any proposed variations; and
- if the procurement value is or is likely to be greater than:
 - AUD\$100,000 obtain competitive written quotes or proposals from a minimum of 3 relevant Suppliers; and
 - AUD\$200,000 conduct a formal Request for Quote, Request for Proposal or Request for Tender as set out in the *Procurement Guide*.

An exception to any part of this requirement, including a requirement to dual or sole source goods and/or services, regardless of whether a Supplier is a member of an APA preferred Supplier panel, must be approved in writing by a *Delegation of Authority* of Level 3 or above and the relevant Procurement Manager (refer *Goods and Services Quick Reference Guide*).

Disaggregating requirements and splitting purchases either on credit card, POs, WOs or Procurement Agreements to avoid proper procurement processes is not permitted. A series of reasonably related purchases may be considered as a single transaction for the purpose of determining compliance with this policy.

4.10 HSE and sourcing goods and/or services

APA requires its Suppliers to have similar HSE standards and values to APA (refer *Health Safety and Environment (HSE) Policy*). Suppliers that provide goods and/or services to APA must have a system that complies with the relevant work, health, safety and environmental legislation and local site rules or with the APA Group HSE policies and procedures.

Prior to engagement by APA, Suppliers must be assessed based on their capabilities and competencies to perform work for and on behalf of APA, and to ensure their HSE performance is aligned with the standards set out in *Safeguard Management System Overview Elements*. Refer in particular to 'Element 10 - Contractors and Suppliers'.

4.11 Managing Suppliers

The requirement to properly manage and interact with Suppliers exists regardless of whether it is part of a procurement or contract management process and must be performed at all times in a manner consistent with the overall business objectives of APA.

The principles and responsibilities for contract management and relationship management with Suppliers are outlined in the *Procurement Guide*.

4.12 Material Service Providers

Australian Pipeline Limited is a licensee of an Australian Finance Services Licence under the Corporations Act 2001. As a licensee APA's obligations are set out in *Managing Material Service Providers* policy and may be summarised as follows.

APA must manage appropriately the selection, engagement, management, renewal and/or termination of a 'Material Service Provider'.

A 'Material Service Provider' is a Supplier that could severely impact APA security holder value, through the failure to provide the services contracted, including but not limited to:

- a service provider under an operating expense agreement (Opex or Capex) with a total value equal or greater than AUD\$20,000,000 per annum; or
- a service provider of share registry services, legal services, statutory or company audit services.

4.13 Providing Supplier references

APA's preference is to provide verbal references only. A reference should be only be provided with the Supplier's knowledge and in relation to 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. The reference provider must not make statements that are derogatory or libellous or reveal any details of APA's commercial relationship with the Supplier.

An exception to any part of this requirement must be approved in writing by a Delegation of Authority Level 3 or above and the relevant Procurement Manager.

5 Breach of Policy

Breaches of this policy will be regarded as misconduct and may result in disciplinary action, which may include the termination of employment or contract as applicable. Any incident or breach will be properly investigated and the affected employee/s or contractor/s given an opportunity to respond.

6 Links / interaction with other policies/ procedures

Refer to APA intranet 'HUB':

Corporate Credit Card Policy
Delegations of Authority

Establishment of Supplier Credit Accounts and Standard Payment Terms Policy
Goods and Services Quick Reference Guide
Health Safety and Environment (HSE) Policy
Legal Document Library
Managing Material Service Providers
Procurement Guide
Risk Management Policy
Safeguard Management System Overview Elements
Table of Delegated Limits of Authority
Use of Purchase Orders Policy

7 Attachments

Use of Procurement Agreement Checklist

Use of Procurement Agreement Checklist

If any of the following criteria are present in the procurement of goods and/or services a Procurement Agreement is required and a PO or WO must not be issued without the prior approval of the relevant Procurement Manager (refer *Goods and Services Quick Reference Guide*).

Criteria	
ASSESSED RISK	A risk assessment conducted in accordance with the <i>Risk Management Policy</i> has identified a risk in relation to the procurement that is either moderate, high or extreme
CONFIDENTIALITY	The procurement requires the provision of APA confidential information
CURRENCY	The procurement is in a currency (in whole or in part) other than AUD\$
CUSTOM MADE GOODS	Goods are not "off the shelf"
DELIVERY	Late delivery or provision of defective goods and/or services will expose APA to loss greater than the procurement value
PERSONAL PROPERTY SECURITIES ACT	The procurement involves APA-owned plant, property or equipment being in another party's custody or control or being located on a site not owned or leased by APA or for which APA does not have an easement, for longer than 9 months
INSURANCE	The procurement involves APA-owned plant, property or equipment of value greater than AUD\$250,000 being in another party's custody or control or being located on a site not owned or leased by APA or for which APA does not have an easement
INTELLECTUAL PROPERTY	The procurement involves the use of APA or Supplier intellectual property (other than 'shrink wrap' software but including advice or patents, copyright, know how, trade secrets, rights in circuit layouts, registered designs, trademarks, service marks, trade names, design rights, database rights, business names)
LEASE or LICENCE	The procurement involves a lease or a licence (other than 'shrink wrap' software)
NON-STANDARD DOCUMENT	The procurement involves a PO, WO or Procurement Agreement that is not an APA Precedent Procurement Agreement or that is an amended APA Precedent Procurement Agreement (other than 'shrink wrap' software)
OVERSEAS SUPPLIER	The procurement is from a non-Australian resident Supplier (other than 'shrink wrap' software)
PREPAYMENT	The procurement involves payment prior to APA acceptance of goods and/or services
PRICE	The procurement value is greater than AUD\$200,000
IF IN DOUBT ASK THE PROCUREMENT MANAGER	

This requirement does not apply where a PO or WO is raised under a current Procurement Agreement and where the PO or WO specifically references the overarching Procurement Agreement.