



MACMAHON

Procurement Policy G-510

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Notes: (1) For information on past reviews refer to the 'Details & History' of the document on the MDL. (2) The Document Owner/Reviewer is responsible for identifying when a review of a procedure is a Critical Change and requires employees to acknowledge the change; refer to the [G-389 Document Management Procedure](#) for the definition of Critical Change.

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1 PURPOSE

The purpose of this policy is to outline Macmahon's approach to the procurement of goods and services. It provides direction for relevant procedures and guidelines that will contain specific criteria for contracting, competitive tendering and other methods of procuring goods and services.

The objective of this policy is to inform and familiarise all stakeholders with the standardisation of:

- The Procurement Policy, and its underlying principles, which govern all activities; and
- The parameters within which procurement will operate within the Macmahon organisation and the adopted strategies governing the procurement related processes.

2 SCOPE

The application of a standard policy and principles across all procurement activities will achieve best value for money for acquisition of goods and services to support the business operations. In assessing value for money Macmahon considers all relevant benefits and costs over the whole procurement cycle and ensures the selected option meets the stated procurement needs. The standardisation of equipment used across the business is supported where possible, to increase procurement efficiencies through greater leverage and economies of scale.

There are no exclusions to this Policy and these Directives.

The [G-620 Supply Chain Overview Work Instruction](#) describes how this Policy interrelates with the [G-514 Authorisation of Expenditure Procedure](#) and the [G-512 Obligating the Company Procedure](#).

3 RESPONSIBILITIES

Supply Manager

The Supply Manager is responsible for:

- authorising acceptable deviations from standard documentation or conditions of contract; acting within his or her delegated level of authority and
- delegating authority to purchasing personnel to execute Purchase Orders, Contracts and related documentation, in accordance with this policy.

Purchasing Supervisor

The Purchasing Supervisor is responsible for:

- monitoring and upholding compliance with procurement policy;
- notify the Supply Manager if deviations from standard conditions of contract are proposed;
- executing external contractual commitments for the supply of goods and services for the operation, acting within his or her delegated level of authority. and
- delegating Purchasing Officer's to execute Purchase Orders and related documentation within his or her delegated level of authority, in accordance with this policy.

Sourcing Officer

The Sourcing Officer is responsible for:

- upholding the Macmahon policies, procedures and standards in all dealings with vendors and contractors;
- notifying the Supply Manager if deviations from standard conditions of contract are proposed;
- Initiate and lead Supply RFP/Tender submissions and conduct commercial negotiations on behalf of Macmahon, ensuring commercially sensitive/market information is maintained and provided on a consistent basis.
- Facilitate, Conduct and report on quarterly supplier meetings.
- Negotiate and obtain preferred supplier pricelists and provide to procurement team and catalogue team for loading into relevant systems.

Purchasing Officer

The Purchasing Officer is responsible for:

- upholding the Macmahon policies, procedures and standards in all dealings with vendors and contractors;
- understanding and upholding Macmahon's various commercial Terms and Conditions
- notify the Supply Manager if deviations from standard conditions of contract are proposed;
- execute external contractual commitments for the supply of goods and services for the operation, acting within their respective delegated level[s] of authority; and
- assist Sourcing Officers as necessary in post-award sourcing/contracts administration.

4 DEFINITIONS AND ABBREVIATIONS

The following definitions and abbreviations are used in this policy:

Contract or deed	A binding agreement used to engage a successful tenderer for the supply of goods or to perform a service.
Emergency Orders	Emergency includes: <ul style="list-style-type: none"> ▪ a natural disaster; ▪ a situation where the work health and safety of workers including contractors and subcontractors and members of the public is threatened. ▪ after hours breakdown of machinery or equipment where failure to immediately rectify the problem would result in substantial loss of income or reputation to Macmahon.
Open Tender	Refers to undertaking a formal tender process on the open market, for the supply of specified goods or to perform a service as set out in the relevant tender documentation.
Outline/Umbrella Agreement	A documented, legally binding agreement between the Company and a Vendor or Contractor for the provision of Goods and/or Services 'as required' by Macmahon over a specified period of time, usually at agreed rates and under prescribed terms and conditions.

Preferred Supplier Agreement	An agreement that has been executed with a supplier, following a selection process, which offers the company best value for money in a particular category of goods or services, in a number of individual purchase transactions, over a period of time. These agreements are not a commitment for expenditure.
Probity	is used in a general sense to mean 'good processes. A tendering process which conforms to the expected standards of probity is one in which clear procedures, consistent with company policies, principles and legislation and the legitimate interests of tenderers, are established, understood and observed from the outset. All potential tenderers are to be treated equitably in accordance with these procedures. Decisions are to be made in an open and transparent manner that allows them to be understood and defended.
Quotation	An offer, either written or verbal, made in response to a selective invitation to supply specified goods or to perform a service.
Select Tender	An invitation to a limited number of pre-qualified tenderers to supply specified goods or to perform a service as set out in the relevant tender documentation. Prequalification may be established either by an Expression of Interest, Request for Proposal, or a Pre-Registered List of tenderers process.
Sustainable Procurement	The process of purchasing goods and services that takes into account the social, economic and environmental impact that such purchasing has on people and communities. It is about considering what products are made of, where they have come from, who has made them, how they are transported and how they are eventually disposed of.
Tender	An offer made in writing in response to an invitation to supply specified goods or to perform a service as set out in the relevant tender documentation.
Total cost of Ownership	Refers to the total cost of acquiring, installing, using, maintaining, changing, and disposing of goods, products or services across an extended period of time (most or all of its useful life).
Whole of life cost	Refers to the total net cost incurred when using goods or products made up of all initial procurement costs, operating and maintenance costs and less the residual value.

5 POLICY

The key non-negotiable Principles stated below govern all procurement activities.

5.1 Total Cost of Ownership

"Total cost of Ownership" (TCO) is the core principle that underpins the procurement process so as to ensure the best available procurement outcome is achieved. TCO is determined by evaluating all proposals for a particular procurement activity against the applicable evaluation criteria and assessing all relevant risks, consultation obligations, costs and benefits on a whole of life basis.

This implies that the lowest quotation is not necessarily selected as a decision on price alone may not necessarily represent best value for money. TCO is the optimum combination of whole of life cost and quality (or fitness for purpose) to meet the user's requirement.

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.

5.2 HSEQ Risk

Macmahon is committed to continuously improving the management and standards of Work Health and Safety. The purpose of this principle is to ensure that suitable consideration (identification, assessment and control) is given to work health and safety hazards related to plant, equipment or substances prior to purchase, and on receipt of the item they are checked for conformance with any specification set out at the time of purchase.

For hazardous chemicals, the current safety data sheet will be obtained from the manufacturer, importer or supplier of the hazardous chemical and reviewed prior to the hazardous chemical being supplied at the workplace.

All service providers shall be managed in accordance with [G-927 Subcontractor, Service Provider and Supplier Management Procedure](#).

Accordingly, to give effect to this principle:

- the capacity of suppliers to comply with relevant WHS requirements must be assessed for the goods and/or services required;
- the WHS hazards and risks associated with the use, transport and storage of the goods and/or services must be identified by the requisitioning Business Unit prior to the raising of a Requisition and/or issuing Tender;
- the risk control strategies that are in place or need to be in place for the use, storage or transport of the goods and services must be documented in the Macmahon Risk register, if applicable and must be reviewed periodically and revised if the control measure is no longer effective, or before a new change at the workplace that is likely to give rise to a new or different risk to Work Health and Safety; and
- compliance to the relevant legislation, standards or codes of practice applicable to the goods and services must be maintained and audited.

5.3 Sustainable Procurement

Macmahon is committed to integrating safety, environmental and social considerations into our procurement policy and practices and encouraging suppliers to adopt practices that minimise safety, environmental and social impacts.

There is a requirement during the conduct of procurement activities to identify the potential environmental opportunities, risks and impacts of goods or services selected for utilisation in the company's business processes and to adopt measures to:

- realise those opportunities, manage those risks and enhance safety and protect the environment;
- encourage recycling and the re-use of materials and minimise waste;
- support effective use of scarce resources – including energy, water and materials; and

- consult, cooperate and coordinate activities with other work health and safety duty holders such as suppliers, importers, manufacturers, installers, commissioners, designers etc.

We seek to conduct business with providers who have a demonstrated commitment to, and acceptable performance with, a systematic approach to environmental management.

5.4 Competition

The principle of open and effective competition will be used to achieve efficiency, innovation and choice and to provide transparency and probity to Macmahon procurement process.

Macmahon encourages and supports all potential local providers of goods and services to participate where possible in the quotation and tender process.

Accordingly, to give effect to this principle:

- a tender method and process shall be chosen that suits the particular procurement, its level of risk and timeframe, avoids creating unnecessary costs for potential suppliers and delivers the best value for money;
- workers involved in procurement must ensure their knowledge of the market is sound and up-to-date and that potential suppliers have a reasonable opportunity to compete;
- all potential suppliers must be provided with the same specification information, including evaluation criteria;
- specifications must not be prepared to favour a particular supplier or group of suppliers, unless the procurement outcome cannot be reasonably met without such specifications; and
- Macmahon preference is for the support of local suppliers of goods and services where such Local Suppliers are no less cost effective and/or their use does not adversely impact upon other Macmahon procurement strategies and systems.

5.5 Ethics and Integrity

The principle of probity and ethical behaviour governs the conduct of all procurement activities. All processes are to be transparent, subject to the highest levels of probity and are subject to internal and external audit. In accordance with the Macmahon policies, procedures and standards all Macmahon delegates who have the authority to procure goods and services must comply with the standards of integrity, probity, professional conduct, and ethical behaviour as stated below:

- 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; and
- Macmahon shall pay suppliers within the agreed and/or contracted timeframe on the presentation of a valid invoice or similar demand for payment, whichever is the later. Payment will only be made where such invoice or demand for payment is in line with contract or Purchase Order specifications.

5.6 Human Rights

Macmahon is committed to eliminating all forms of modern slavery in its operations and in its supply chain. Macmahon rejects the use of all forms of slavery, forced labour, including prison, indentured, bonded or military labour, child labour, forced marriage, any form of human trafficking and deceptive recruiting for labour or services.

Macmahon respects internationally recognised human rights principles. Our employees, contractors and suppliers are entitled to work in an environment and under conditions that respect their rights and dignity.

To further our commitment we:

- we work to optimise the benefits and reduce the negative impacts of our activities, both for local communities and the countries where we operate.
- undertake due diligence activities to identify, address, mitigate and prevent human rights impacts from our operations and supply chain through our procurement practices and contractual arrangements.

Our policies on Employment and Diversity, Health and Safety, Environment, Indigenous Peoples and our Code of Conduct also contain human rights commitments.

5.7 Risk Management

The risks associated with procurement activity are to be managed in accordance with Macmahon standards. A risk assessment is to be undertaken and risk mitigation strategies developed and implemented where appropriate.

The cost and complexity of risk management processes will be commensurate with the extent of the exposure associated with the risks being managed.

Users should seek guidance from the Company's Risk Manager for specific advice regarding advanced risk assessments and facilitated risk assessment workshops.

5.8 Responsible Financial Management

The Principle of responsible financial management must be applied to all procurement activities. Accordingly, to give effect to this principle:

- the availability of existing funds within an approved budget, or source of funds, must be confirmed prior to the commencement of procurement action for the supply of goods or performance of services;
- officers of the company must not authorise the expenditure of funds in excess of their delegation; and
- company funds must be used efficiently and effectively to procure goods and services and every attempt must be made to contain the costs of the procurement process without compromising any of the procurement principles.

5.9 Operating within the Legal Framework

Macmahon is responsible for ensuring it complies appropriately with legal obligations. The legal framework for procurement includes:

- specific legislation, for example, on corrupt gifts or unfair contract terms;

- general corporate, contract and commercial law in general;

5.10 Authorisation of Expenditure

No officer has authority to commit Macmahon to expenditure unless specifically authorised to do so through [G-266 Authority Matrix](#). Officers should be aware that financial commitments may arise from any promise or commitment to take action and no such commitment should be given at any time without appropriate authority to do so.

All purchases of goods or services, other than those required for emergency situations, or outside of normal business hours, are only to be purchased after the approval of an appropriate purchase requisition and the issuance of a valid purchase order.

All commitments for contracts must have appropriate authority.

Any requisitions that carry an estimated price less than the actual price of the item must be returned to the authoriser for re-authorisation before processing into a purchase order.

For repaired items where the value of the estimated price is lower than the actual cost, the requisition needs to be returned to the authoriser for re-authorisation or an extra requisition raised and authorised for a variation to the original requisition and added to the purchase order detailing the extra work.

The Supply Chain function and Officers appropriately delegated under the [G-266 Authority Matrix](#) will be involved in the development of contracts and will approve the issue of any contract.

Commitments made outside of Macmahon Supply Chain policy and procedures or without Supply Chain endorsement will be considered as a breach of policy and reported to Executive Management.

5.11 Emergency Orders

Emergency order provisions can only be used when the goods or services are required outside normal business hours or circumstances do not allow for documented procurement requirements to be undertaken.

Note: Lack of planning does not constitute an emergency. These provisions are designed for purchasing in a situation that requires immediate action.

In the event of emergency purchases, relevant documentation, including justification for the emergency purchase, must be completed and forwarded to Supply Chain for processing, within 24 hours of the purchase being made.

All purchases, regardless of their nature, require the issuance of a requisition and Purchase Order through the Purchasing systems Mainpac and or Dynamics.

Inappropriate use of this process may impact on the payment of the supplier's invoice.

The use of this facility will be monitored and any inappropriate use will be reported to the Supply Manager or delegated for action.

5.12 Business Travel

All business travel, including the raising of requisitions and orders shall be handled in accordance with [G-179 Travel Policy](#) and [G-551 Travel Procedure](#).

5.13 Enforcement of the Policy and Directives

The Supply Manager has overall accountability for the procurement of goods and services required to support the general operations. This includes responsibility for enforcing the procurement policy and relevant directives. Authority to undertake the functions required to procure goods and services on behalf of Macmahon is delegated to certain officers throughout the company, through [G-266 Authority Matrix](#).

The Supply Manager will provide an annual report on procurement, covering the previous twelve months. It will assess the appropriateness of all exceptions to the normally prescribed procurement process, including the number of “single source” procurement situations. It may also contain any recommendations concerning amendments to this document, and will be made available to Internal Audit.

5.14 Breaches of the Policy and Directives

The Chief Financial Officer or nominee is responsible for authorising corrective action to rectify all breaches of the procurement policy and relevant directives, for example suspected breaches that may involve corrupt conduct, deficient administration or serious and substantial waste.

All suspected breaches of this policy and relevant directives should, in the first instance, be reported to the relevant Supervisor/Manager, who shall advise the Chief Financial Officer of the outcome of each reported breach. Suspected breaches of a serious nature should be reported directly to the Chief Financial Officer and Internal Audit. All reports received will be treated with appropriate concern for the law, privacy and confidentiality.

Breaches of this policy and relevant directives will be dealt with in accordance with the relevant Enterprise Agreement, the policy of the company relating to staff discipline and the Code of Conduct.

5.15 Complaints Handling

All complaints regarding the company’s procurement practices should be submitted in writing to the Supply Manager in the first instance. All complaints will be investigated and the necessary corrective or disciplinary action will be invoked.

5.16 Expenditure Approval Levels

5.16.1 Authorisation of Expenditure (approval of Requisitions)

Refer to [G-266 Authority Matrix](#), which details each individual’s delegated level of authority. Only financially delegated officers are permitted to authorise the Commitment of Expenditure.

5.16.2 Obligating the Company

Only financially delegated officers are permitted to obligate the company by the raising and issuing of Purchase Orders or Contracts for goods and services and thus committing the company to this expenditure. The limit to which a person can issue/sign a contract or purchase order is that specified in the following section 5.14.3 Delegation Levels. Financially delegated officers have a responsibility to ensure compliance with these purchasing policies and procedures.

5.16.3 Delegation Levels

Positions outlined in Table 1 are generic, and refer to the function of the officer, not necessarily the position title they hold in the organizational structure. The Supply Chain function is undertaken by

the centralised group, together with delegated officers within Business Units and on site (including Project Managers). All functions are undertaken through the authority levels delegated in the approved Authority Matrix.

These delegation levels are also required for officers to be granted access to and physically undertake the relevant procurement steps within the Mainpac procurement system.

Table 1 – Delegation Levels of Positions

Position or delegated equivalent	Purchase Order release levels	Contracts/Outline Agreements
Purchasing Officer Inventory Controller	\$ 200,000	Nil
Senior Purchasing Officer Inventory Manager	\$ 500,000	Nil
Purchasing Manager / Supervisor	\$ 5,000,000	Nil
Supply Manager	\$ 10,000,000	Nil
General Manager Plant	\$ 20,000,000	As per G-266 Authority Matrix

It is the responsibility of the officer with delegated authority to select an appropriate procurement method that suits the procurement activity and its level of risk, is timely, avoids creating unnecessary costs for suppliers, and delivers the best value for money for the company.

5.16.4 Required Methods of Procurement

The **Table 2** details the required quotation levels according to the value of the intended procurement.

Table 2 – Quotation Requirements

Value of procurement Activity / item	Procurement Action	Communication Method	Exceptions
Less than \$5,000	Minimum of one verbal quote is required.	Verbal Quote	No Quote required if Contract pricing exists under a Preferred Supplier Agreement, Outline agreement or formal rate card, published on the Supply Portal.

Value of procurement Activity / item	Procurement Action	Communication Method	Exceptions
> \$5,001 < \$50,000	Minimum of two written quotations.	Email acceptable	No Quote required if Contract pricing exists under a Preferred Supplier Agreement, Outline agreement or formal rate card, published on the Supply Portal. If only a single source or specific or unique supplier exists, the procurement activity may proceed at the discretion of the Purchasing Supervisor.
>\$50,001 < \$250,000	A minimum of three written quotations on Vendor letterhead is required.	Email PDF document acceptable	No Quote required if Contract pricing exists under a Preferred Supplier Agreement, Outline agreement or formal rate card, published on the Supply Portal. If < 3 quotes received the procurement activity may proceed at the discretion of the Purchasing Supervisor.
>\$250,001	Tender: either a single stage open tender or selective tender.	Formal Written Documentation	The Supply Manager may authorise a selective tender. If only a single source, specific or unique supplier exists, the procurement activity may proceed if authorised by the relevant COO/BU GM and Supply Manager

Where there are believed to be circumstances which justify or necessitate an exception to the procurement method prescribed in the authority matrix above, the person responsible for the procurement activity must ensure that there is adequate documentary evidence and credible advice to support the basis for the exception.

The support of the relevant BU GM/COO and Supply Manager is required to approve the exception. In the case of a “single source” situation this must include relevant, credible information in support of the reasonableness and value for money of the cost to the company of the subject of the procurement.

6 SAFETY AND ENVIRONMENT

Safety and environment considerations are discussed in Sections 5.3 and 5.4 of this Policy.

7 ATTACHMENTS, REFERENCES AND RELATED DOCUMENTS

7.1 Attachments

Not Relevant

7.2 References and Related Documents

[G-927 Subcontractor, Service Provider and Supplier Management Procedure](#)

[G-514 Authorisation of Expenditure Procedure](#)

[G-512 Obligating the Company Procedure](#)

[G-266 Authority Matrix](#)

[G-179 Travel Policy](#)

[G-551 Travel Procedure](#)

[G-620 Supply Chain Overview Work Instruction](#)