

PROCUREMENT POLICY

1. Purpose

- 1.1 This Policy outlines the approach to buying goods, services and/or works that must be followed by all employees and all suppliers working on behalf of Pāmu. This Policy seeks to ensure that procurement at Pāmu is undertaken in accordance with best practice, protects Pāmu and its staff from commercial risk, and broadly follows the New Zealand Government expectations of public sector sourcing and purchasing.
- 1.2 It defines how Pāmu will undertake procurement decisions for both farm and office; and sets out the process of deciding who we should procure from. The Policy provides clear information to suppliers, contractors and the community on what Pāmu will consider through its procurement process.

2. Scope

- 2.1 This Policy applies to all procurement activity; that is the sourcing, purchasing and exchange of goods, services and/or works, and the management of suppliers and contracts that result. See the definition of “Procurement” in this Policy for specific exclusions to the scope.
- 2.2 The standards set out in this Policy and the related procedures are applicable to all staff, irrespective of position or seniority. Any commitment to a contract or to expenditure must be in accordance with the Delegations Policy - Section 13 of the [Landcorp Group Financial Policies](#).

3. Principles

- 3.1 The control of expenses and ensuring value for money are important parts of Pāmu’s business. All employees can make a positive contribution to Pāmu by ensuring that maximum value for money is obtained through compliance with this policy.
- 3.2 Pāmu will buy goods, services and/or works broadly in accordance with the five principles of government procurement. These are:



4. Objectives

- 4.1 Landcorp Farming Limited (Pāmu) is a State Owned Enterprise with obligations under the Public Finance Act 1989 and the State Owned Enterprises Act 1986.
- 4.2 The intent of this Policy is to:
 - (a) Get the best results from our spending, including sustainable value-for-money over the lifetime of the goods, services and/or works we buy;
 - (b) ensure maximum leverage of Pāmu’s total purchasing power through adoption of an organisation-wide perspective where appropriate, balanced with local sourcing where more suitable;

- (c) establish sound commercial contracts that focus on service delivery, performance management, risk mitigation, cost reduction and value-for-money outcomes.

5. How we work

5.1 **Planning.** When planning procurement projects we will:

- (a) use processes that are proportionate to the size, complexity and risks involved in the contract to get the best outcomes, with cross-functional business representation as required
- (b) make sure we have up to date market knowledge
- (c) involve suppliers early in the process where applicable to explain our needs, learn about them and explore opportunities for new solutions before going to market
- (d) ensure we have financial approval aligned with Pāmu's delegations policy (at least in principle) before going to market.

5.2 **Sourcing.** When we buy goods, services and/or works, we will:

- (a) purchase against Pāmu's existing supply contracts, All of Government, or government collaborative contracts if they can meet our requirements
- (b) give suppliers a fair opportunity to compete – we will not discriminate on the basis of where suppliers come from or whether they have prior experience of working with us
- (c) choose suppliers that have demonstrated their ability to meet our requirements and offer the best value-for-money over the lifetime of the goods, services and/or works, taking into account:
 - all the costs of ownership over that lifetime
 - the suppliers' ability to deliver what we need at a fair price and on time
 - the suppliers' ability to provide additional value as applicable, eg account management, training, analysis
 - the suppliers' ability to demonstrate Pāmu's health, wellbeing and safety expectations
 - the social, environmental and economic effects of the deal
- (d) have an approved Purchase Order and contract if applicable in place before the supplier starts delivering goods, services and/or works – except when using a purchasing card.

5.3 **Contract management.** Where the value or risk of the relationship dictates, we will instil contract management practices led by procurement or the business, to ensure we get the best from our suppliers. As applicable, procurement or the business will:

- (a) set clear performance measures, then monitor and manage the contract against them
- (b) work with suppliers to make on-going savings and improvements for both entities.

5.4 **Meeting expectations.** To build effective relationships with suppliers we will:

- (a) treat them all fairly and with respect
- (b) be consistent, transparent, fair and accountable in the way we work
- (c) be clear about what we require and how we will assess them before going to market
- (d) give sufficient response time for our requests
- (e) protect their commercially sensitive information and intellectual property
- (f) offer a debrief to unsuccessful respondents
- (g) pay invoices promptly.

5.5 **Playing by the rules.** Our decisions and practices must be able to withstand public scrutiny and maintain a high level of probity at all times. Throughout our procurement activities we will:

- (a) clearly record our planning, processes and decisions so they can easily be audited or disclosed under regulation. For example, Official Information Act requests.
- (b) document and manage conflicts of interest
- (c) identify risks and get the right person to manage them
- (d) act lawfully, ethically and responsibly.

6. Procurement methods

6.1 Where there is no existing Pāmu supply contract, All of Government, or government collaborative contracts which meets a specific needs, Pāmu may (depending on the value and circumstances of the procurement) choose to use one of the following procurement methods. The recommended method will be explained and endorsed via a Procurement Plan, prior to commencing the procurement method. Procurement Plans will be utilised for spend over \$100,000, drafted by procurement and approved by the relevant Leadership Team member.

- 6.2 **Open Tender:** This is the preferred method of tender which gives all potential suppliers the opportunity to tender, promotes competition, and is expected to maximise the outcome for Pāmu. Generally, an Open Tender will be used for procurement of an item with a value greater than \$100,000 and the following steps would usually be undertaken:
1. Tender documentation should be issued via the Government Electronic Tender Service (GETS).
 2. Once the tender period closes and responses are received, complete evaluation and negotiate (on a “subject to approval” basis) with the preferred supplier (or a number of preferred suppliers if a panel of preferred suppliers is to be established).
 3. Complete a Recommendation Report, and obtain Delegated Financial Authority approval for the preferred supplier(s).
 4. Enter into a contract with the successful supplier(s).
- 6.3 **Closed Tender:** This method is used as an alternative to an Open process where for example only a limited number of suppliers are considered to have the capability to supply, or if there are significant confidentiality considerations involved in the purchase programme.
1. A Closed Tender starts from emailing the documents directly to selected suppliers, then following steps 2 to 4 above under ‘Open Tender’.
- 6.4 **Selective Procurement:** This method of procurement may be used in limited circumstances where, for example:
- (a) the costs of a tender will outweigh the benefits associated with the tender; or
 - (b) where the goods, services or product is only available from one viable source; or
 - (c) standardisation or compatibility with existing services or equipment is essential; or
 - (d) in an emergency situation, i.e. natural disaster; or
 - (e) due to legal reasons.
1. This method dictates obtaining a quote, then following steps 2-4 above under ‘Open Tender’ - with necessary modification as applicable.

7. Thresholds

- 7.1 Our standard procurement methods are detailed under section 6 above. The approach will also be based on monetary thresholds, and Pāmu contracted or preferred suppliers – where these exist.
- 7.2 **Goods, services, and refurbishment or new construction works**
- Under \$50,000 – buy directly from a suitable supplier.
 - \$50,001 to \$100,000 – minimum two (preferably three) quotes or closed tender.
 - Over \$100,000 – open tendering, using the Government Electronic Tender Service (GETS).
- 7.3 Splitting of a procurement project or Purchase Order to circumvent the above thresholds is not permitted. Aggregating similar spend to leverage best commercial outcomes is expected.

8. Supplier Policy

- 8.1 Procurement will work with Accounts Payable to onboard new suppliers. If a new supplier is requested for a good, service or works where a contract exists, where possible Procurement will communicate with the requestor to advise of this and avoid the new supplier being actioned.
- 8.2 Procurement will work with Accounts Payable to review and deactivate unused or otherwise surplus suppliers on a periodic basis, at least annually.

9. Capital Expenditure

- 9.1 Capital Expenditure (Capex) is to follow the Pāmu Delegations Policy, specific Capex Policies - for example, the [Pāmu Maintenance Capex Policy](#), as well as this Pāmu Procurement Policy.
- 9.2 House renovations and new house-builds may be open, closed or selective procurements. The procurement team are to be approached as soon as budget is approved to determine the most appropriate sourcing method.

10. Asset Disposals

- 10.1 Disposal of Pāmu assets must achieve the best value for money and be conducted in an efficient, effective, transparent and adequately documented manner.
- 10.2 Assets sold or otherwise disposed of must be correctly written off the Fixed Assets Register, and accounted for, by way of advice to Finance.

10.3 Fixed assets that are declared surplus must be disposed of by public tender, auction, or by other such means as to ensure a transparent and competitive process is undertaken.

10.4 Surplus assets will not be sold to Pāmu employees, unless via public auction.

11. Purchasing Card Policy

11.1 Purchasing Cards (also referred to as P-Cards or corporate credit cards) are a method of payment for the purchase of low value goods/services, typically travel related. Refer to the Purchasing Card Policy, contained as Appendix 6 of the [Landcorp Group Financial Policies](#). Use of P-Cards is not intended to circumvent Farm Store or this Procurement Policy.

12. Environment

12.1 Pāmu has undertaken to lead the way in protecting and enhancing our environment for future generations - including reducing emissions as best we can, year on year. All procurement should take into consideration the company's direction around efficiency and sustainability in the use of energy and resources, where relevant.

13. Ethics

13.1 Staff must comply with the Pāmu [Code of Conduct](#) and the State Services Commission advice on managing [conflicts of interest](#). Specific matters relating to the procurement process are documented below.

13.2 Pāmu is expected to commit to expenditure effectively and efficiently, be committed to dealing with suppliers and individuals in a fair, honest and equitable way and avoid any conflicts of interest (whether real or perceived).

13.3 The following principles are to be followed by all Pāmu staff and contractors, consultants, and agents acting on behalf of Pāmu, in respect of the management of, involvement in, and advice on procurement processes:

- All tenderers will be treated with impartiality and fairness and be allowed equal access to information and opportunities to submit tender responses.
- No engaging in deceptive or misleading conduct (as defined under the Fair Trading Act 1986).
- Price fixing and collusive behaviour are to be avoided (reference Commerce Act 1986 and Auditor-General Guidelines).

14. Gifts and Hospitality

14.1 Under our gift policy (section 13.4.5 (h) of the [Landcorp Group Financial Policies](#)) accepting gifts from suppliers is permissible. Staff must ensure that receiving a gift does not alter or be perceived to alter decision making, as this could be perceived as acting without impartiality or integrity.

14.2 The gift must not be extravagant: a value of less than \$50 and/or consumable gifts (e.g. chocolates, wine, a celebratory meal or ticket to a sports event) are acceptable. Gifts above \$50 and non-consumable must be entered into our Gift Register. This is a legal requirement and sits with the General Counsel.

15. Legislation

15.1 Pāmu staff must comply with all applicable legislation throughout the procurement process. The legislation includes, but is not limited to, the:

- Official Information Act 1982;
- Fair Trading Act 1986; Commerce Act 1986;
- Public Finance Act 1989;
- Electronic Transactions Act 2002;
- Public Records Act 2005;
- Crown Entities Act 2004.

16. POLICY ADMINISTRATION

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| Approved: | 1 June 2019 |
| Policy Owner: | Chief Financial Officer |
| Review Date: | 1 June 2021 |

17. Definition of terms

| Term | Definition |
|--------------------------|--|
| Contract | The principal purpose of a Contract is to acquire (by purchase, lease or barter) goods, services and/or works for the benefit of the purchasing organisation. This definition refers the Scope as defined in Section 2 and under Procurement below. |
| Procurement | <p>The end to end process for buying goods, services and/or works. This includes identification, selection, engagement, purchasing, management and review of suppliers and may be for one-off, short-term or long-term requirements. All supplier relationships are included, regardless of dollar-value and including instances where no costs are payable.</p> <p>Some specific activity and expenditure is not classified as procurement and therefore not in scope of this policy including:</p> <ul style="list-style-type: none"> • Salaries for permanent or fixed term staff • Property transactions, i.e. sale or purchase of farms or associated land. |
| Sourcing | The process, by which suppliers are identified, evaluated and contracted. |
| Purchasing | The process by which goods, services and/or works are ordered and supplied from a supplier. |
| Commitment | This can be any verbal or written communication with a supplier(s) that the supplier perceives is an order for a good or service the outcome of which is the delivery of a good, service and/or works that will result in a financial charge to Pāmu. |
| Procurement Value | This is calculated from the contract term (including optional contract extensions) and lifetime cost basis taking into account costs related to specification, purchase, usage, maintenance, replacement parts etc., and disposal. |
| Value-for-money | Pāmu will maintain a value-for-money approach when procuring goods, services and/or works. “Value-for-money” means the best possible outcome for the total whole-of-life cost of ownership. “Value-for-money” does not necessarily mean selecting the lowest price; rather, the right combination of quality, quantity and whole-of-life price at the right place and time. |