



COMMON MANAGEMENT SYSTEM STANDARD 9 CONTRACTOR MANAGEMENT AND PROCUREMENT

DATE: 23 MAY 2019

DATE	NAME	CHANGE	APPROVED	REVISION
12/07/2016	Keith Ashby	Issued for Use	Executive Leadership Team (ELT)	0
12/2/2017	Keith Ashby	Re-issued for Use	ELT	1
12/2/2018	Keith Ashby	Re-issued for use	ELT	2
09/05/2019	Keith Ashby, Scott Steinkrug and Robert Rickie	Re-issued for Use, refer to management of change communications issued 09.05.2019.	ELT	3
23/05/19	Keith Ashby and Julia Lee	Reformatted on new IGO Template	ELT	4



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1. OVERVIEW

This document sets out IGOs minimum requirements for the procurement of goods and services, and the management of the associated contracts. It is intended that these requirements maintain probity and accountability in procurement activities whilst obtaining value for money through competitive testing.

2. APPLICATION

This standard applies to all IGO employees and all contracts entered into by IGO. Exemptions or exceptions are only permitted subject to the Chief Executive Officer (CEO), Chief Financial Officer (CFO) or IGO Legal Counsel approval.

3. SUMMARY OF PROCUREMENT DOCUMENTS

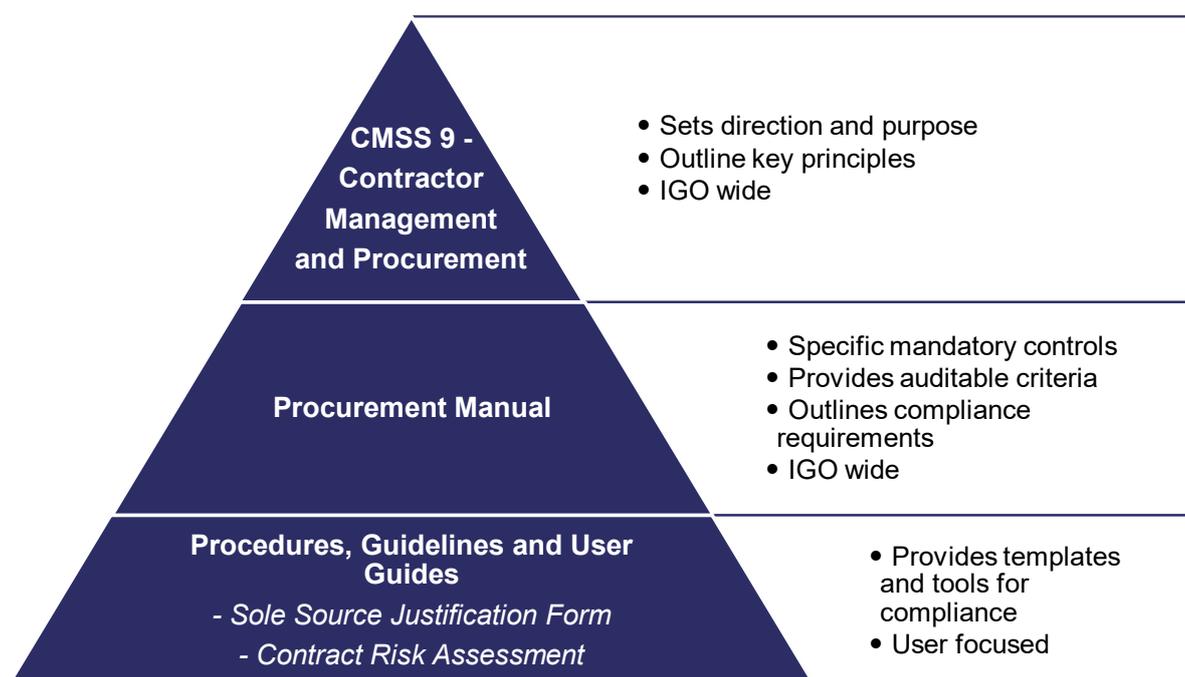


Figure 1 – Summary of Procurement Documents

4. KEY PRINCIPLES

Contractors shall be selected based upon their ability to provide goods and services at a competitive price, within an acceptable level of risk, while also meeting the required technical specifications and conforming to IGOs standards. To this end, IGO will develop and maintain procedures that specify the process for the procurement of goods and services, and the management of the associated contracts. The procedures will give effect to the following key principles:

1. With specified exceptions including emergencies, the selection of a Contractor to supply goods or services must be subject to competitive price testing
2. With specified exceptions including emergencies, the purchase of all goods and services must be subject to:
 - a risk assessment
 - an evaluation process for selecting the provider of the goods or service
 - a contract (which includes Purchase Orders).

3. All purchasing must be effected by means of IGOs Purchase Requisition Approval System (PRAS) driven by the enterprise resource planning software 'Pronto'.
4. Purchases must be justified and approved in accordance with the limits specified in the **IGO Group Governance Standard 1 – Corporate Control Standard** and relevant Delegated Expenditure Authorities (DEA).
5. Employees must ensure that there is probity in the purchase of goods and services in accordance with the **IGO Code of Conduct**.

5. RISK ASSESSMENT

Risk management lies at the heart of IGOs business management system. The key principles are outlined in the **IGO Common Management System Standard 3 - Risk Management**.

For the purposes of contractor management and procurement, the person approving the contract or purchase must evaluate the risk posed to IGO and others as a result of a) the Contractor's failure to deliver on scope, specification or cost, and/or b) the Contractor causing harm or other negative consequences as a result of their action or inaction.

IGO will develop and maintain a procedure that specifies the process for **IGO Contract Risk Assessments**.

6. PROCUREMENT MANUAL

Notwithstanding the above general requirement, the **IGO Procurement Manual** must define processes for:

- competitive price testing (i.e. if and when quotations must be sought, and if and when a tender process must be completed)
- completion of a documented evaluation process to select goods and service providers (i.e. contractors) where the contract value exceeds or is likely to exceed a specified value, and/or the related risk is assessed as greater than a specified value. These values must be defined in the manual
- determining the type of contract required for individual procurement actions (i.e. Purchase Order or bespoke contract). This evaluation process must be based on both the risks associated with the purchase and the estimated value for each action
- defining the IGO employee responsible for leading the evaluation process
- defining the IGO personnel who participated in the evaluation process. For high value and/or high-risk contracts, the evaluation team must consult with relevant discipline experts and HSEC personnel
- the completion of standardised HSEC self-assessment by the tenderer, that provides IGO with information on the hazards associated with the works or services to be provided
- evaluating the previous contract performance, as applicable, as well as the Contractor's HSEC, technical and commercial performance. For high value and/or high-risk contracts, where relevant, the evaluation process should include visits to sites where the contractor is currently working, and reference checks
- creating opportunities for local supply (goods and services) and specifically opportunities for traditional landowners. In so far as is economically prudent, all materials and services shall be sourced from providers who are located as near

as possible to the IGO site(s) or project so as to maximize the local socio-economic benefits of IGOs activities

- providing feedback on the tenderer's submissions; successful or otherwise
- capturing the documented results of any contractor selection process for future reference.

7. CONTRACTS

The creation and execution of contracts with contractors is essential for IGO to manage costs, and legal and operational risk, and to provide for continuity of supply of key operating requirements and capital items. A fully executed contract is required, with specified exceptions, for all purchases.

All contracts must:

- be of a format and include standard terms and conditions as approved IGOs legal department. At IGO, the simplest form of contract is an IGO issued Purchase Order
- include a scope of works and or a material specification appropriate to the value of the purchase and the inherent risk posed to IGO. The person approving the purchase is responsible for the adequacy of the scope works and or goods specification contained in the Contract. Those approving contracts have a duty to ensure that suitably competent and experienced persons have been involved in both the development and review of the scope of work
- have a defined and documented IGO Contract Owner – the person who is responsible for the effective management and execution of the contract (including performance reviews where service contracts have a duration of one (1) year)
- be approved by a suitably authorised person (see section 9).

IGOs simplest form of contract is a Purchase Order. However, a longer form of contract is required where the value, risk or duration of the contract exceed thresholds defined in the IGO procurement manual.

During the course of a Contract's life, there may be a requirement to allow for variations, extensions and renewals. Any changes to, or renewal of, the Contract must take the form of a formal Contract Variation.

When contractors are working on an IGO controlled site, they must be managed by an IGO contract representative – a person who is responsible for the day-to-day management of the Contract and liaison with the Contractor. The IGO Contract Owner must consider the required skills of the Representative and the resources required to manage the contractors in line with the risk, value and complexity of the Contract.

Where there is sufficient value to the business, the IGO corporate procurement team may implement Group Contracts for goods or services. Where a Group Contract is established, employees are to purchase the goods and services from the Contractor nominated in the Group Contract.

IGO will develop and maintain a procedure/s that give effect to the above requirements for Contract Management.



7.1 Procurement of Plant, Equipment and Materials

The specification and evaluation process must address the quality, lifecycle costs, risk and HSEC considerations.

Site procedures must be established for the acceptance, delivery, handling, storing, and transportation of plant, equipment and materials. This must include copies of all request documentation for registered plant.

A Business Continuity and Safety Critical Spares Register must be established and monitored for each mine site. This must be monitored by a delegate nominated by each site's Registered Manager.

Suppliers must provide plant and equipment information as well as information relating to hazards associated with their plant, equipment and materials.

Material Safety Data Sheet and chemical risk assessments must be made available (where applicable) by the supplier.

Where appropriate, the process of hiring or leasing plant and equipment must include the review of maintenance and calibration records.

Statutory inspection reports and certificates are to be made available by the supplier/contractor upon request.

Contractors are responsible to ensure that all tools and equipment to be used meet relevant standards and are maintained and used in accordance with the manufacturers' and applicable statutory requirements. Records are to be maintained by the contractor. Where relevant, tools and equipment must be licensed, regularly calibrated and/or regularly tested.

7.2 Contractor HSEC Management Plans

Contractors are required to have a Contractor HSEC Management Plan. Where Contractor's HSEC risk is determined to be greater than major the Contractors HSEC Management Plan must:

- cross-reference or map to the IGO HSEC Management Plan and Functional Standards to aid confirmation of conformance
- include a detailed risk assessment of the activities to be performed and identify the controls required to be in place prior to the relevant work being performed;
- be submitted for review and acceptance by IGO
- be accepted, or conditionally accepted, by the IGO Contract Owner prior to the execution of the Contract.

8. IGO PURCHASE REQUISITION APPROVAL SYSTEM (PRAS)

IGO will develop and maintain a Purchase Requisition Approval System (PRAS).

9. APPROVALS

Purchases must be justified and approved in accordance with the limits specified in **IGO Group Governance Standard 1 – Corporate Control Standard** and relevant DEAs. In all instances, regardless of authority limit, the 'approver' must be in a more senior role the 'requester'.

A Procurement Manual must be developed and maintained. The Procurement Manual must define IGOs procurement processes. These processes should confirm to recognised good practice.



Note: Contractors, temporary and part-time employees are not authorised to commit IGO to any expenditure unless they have explicit written authority to do so.

No commitment to any Contractor for the supply of goods or services is to be made without reference to an IGO Purchase Order or contract, except for pre-approved Contractors (such as utilities, water, government, landlord) as approved by an Executive Leadership Team (ELT) member.

10. RECEIPT OF GOODS AND SERVICES

IGO will establish process to ensure the receipt of goods and services is effected through the application of IGOs enterprise resource planning software 'Pronto'.

11. MONITORING OF CONTRACTORS ON-SITE ACTIVITIES

IGO contract representatives will:

- conduct periodic assessments of 'on-site' contractors' field activities to assess the level of conformance with Scope of Work and the Contractor HSEC Management Plan
- confirm or otherwise that contractors are completing self-audits in accordance with the Scope of Work and the Contractor HSEC Management Plan
- oversee the completion of contract review meetings as scheduled with a standard agenda, to review safety and health, technical and commercial performance
- ensure contract review meetings are minuted, corrective actions are tracked, and that performance data is kept on the contract file.

IGO corporate procurement will communicate with the IGO contract representatives to provide oversight on contract management and ensure process integrity and compliance with the Contract.

12. CONTRACT REGISTER

IGO corporate procurement maintains a register of current contracts and includes key data such as contract owner, value, level of risk and key record dates.

Details of Contractor required insurances, and currency of these insurances, should also be maintained, for all contractors.

Systems must be implemented to ensure that prior to key requirements (such as insurances) lapsing, this is flagged to the IGO contract representative who is responsible for ensuring that key requirements have been renewed/maintained.

Key contract documentation is stored electronically in a centralised location and is accessible on the IGO Contract Management System by relevant personnel.

13. CONTRACT CLOSE-OUT

Contract 'close-out' is a process by which IGO confirms or otherwise that the scope of work was completed to specification and budget, and where this was not the case, the reasons for this variance. In multi-phase work scopes such as those commonly encountered in mining, the close-out phase may be applied at varying stages of the project. Responsibility for effecting the contract close-out process lies with the IGO contract owner, with assistance from the corporate procurement team.



IGO will develop and maintain a procedure that gives effect to the above requirements for contract management.

14. TRAINING

Training is available to all IGO contract owners, IGO contract representatives, and safety and health specialists, as appropriate to their role, in the processes of purchasing, strategic sourcing and contractor management.

IGO will train selected employees and contractors in the use of PRAS.

Contractors must undertake appropriate workplace inductions prior to commencing work on any IGO site. The nature and extent of the induction is dependent on the scale of the work and the associated risk.

15. RELATED DOCUMENTS

- IGO Group HSEC standards
- IGO Group Governance Standard 1 - Corporate Control
- IGO Contract Risk Assessment Form
- IGO Common Management System Standard 3 - Risk Management
- IGO Code of Conduct