

<b>Title</b>	<b>Procurement Policy</b>
<b>Department</b>	Finance
<b>Approved by</b>	Board of Directors
<b>Approved date</b>	February 2023

---

*This policy covers all goods and services supplied to EA Networks.*

## 1. Purpose of the policy

This policy outlines the approach EA Networks takes to planning, sourcing and managing its procurement. Any departure from this policy must first be approved by CEO.

This policy does not apply to employment contracts.

## 2. What is Procurement?

Procurement covers all business processes associated with purchasing goods/services/works that are used to run and meet the objectives of EA Networks. It starts with identifying needs, then planning the best way to meet them; continues through sourcing the goods/services/works then managing the contract; and ends with expiry of either the contract or the asset's useful life.

## 3. Governing Procurement Principles that EA Networks operate under

The objectives of the procurement process are to:

- Plan and manage for the best results.
- Be fair to all suppliers.
- Get the right supplier.
- Get the best deal for everyone.
- Play by the rules.

## 4. Responsibilities of staff

- Procurement activity must be conducted in a manner ensuring EA Networks maintains a reputation of being fair, transparent and unbiased towards suppliers and evidenced through sound and robust record keeping.
- Representatives of EA Networks involved in procurement must be mindful of the fact that EA Networks is subject to and should comply with legislation.
- Representatives of EA Networks involved in procurement must declare any perceived or actual conflicts of interest to the CFO as soon as practicable.
- Representatives of EA Networks involved in procurement must respect the confidentiality of information they are exposed to during their work and must not disclose this information to third-parties. Furthermore, this information must not be used for personal gain.
- Representatives of EA Networks involved in procurement should not accept gifts or hospitality from suppliers, other than items of a minor value (under \$100). It should be noted that where staff are involved in a tender process, it is not acceptable to accept any gifts or hospitality from a tenderer, regardless of its value, until the tender process is completed.

- Any personal benefits that might be gained from accepting a tender are to be well documented and signed off by the CEO prior to the tender being accepted.
- The house rules identify the required behavioral standards for employees in all areas of their work.

## 5. Sustainability in Procurement

Sustainability is about meeting the needs of today without compromising the ability of future generations to meet their requirements. Social, environmental and economic context all impact on sustainability. Sustainable procurement means that when buying goods/services EA Networks will consider:

- Strategies to avoid unnecessary consumption and manage demand.
- Minimising environmental impacts of the goods/services over the whole-of-life.
- Suppliers' socially responsible practices including compliance with legislative obligations to employees.
- Value for money over the whole-of-life, rather than just the initial cost.

## 6. Health and Safety in Procurement

The Health and Safety in Employment Act has a statutory requirement to complete a hazard assessment for any new or modified equipment, material, service or new work process. This obligation also extends to ensuring public safety.

Managers and staff who are required to undertake procurement need to ensure public and employee health and safety is included in procurement decisions.

## 7. Whole of life approach

Procurement decisions are to be based on a whole of life approach, which incorporates all aspects of ownership use and decommission of the item in question

## 8. Procurement risks

EA Networks must identify potential and actual risks relating to each procurement process prior to its commencement. Steps to mitigate risks should be taken wherever possible. Risks could include but not be limited to:

- A business risk to EA Networks.
- A legal risk to EA Networks.
- A public and employee health and safety risk.

EA Networks risk framework should be used, where necessary. This framework assesses the likelihood and impact and enables the development of appropriate mitigations plans. Depending on the nature of the procurement, this risk may also need to be identified on the risk register.

## 9. Full and Fair Opportunity

EA Networks promotes open and effective competition in the market place, and provide full and fair opportunity to New Zealand suppliers. To this end:

- Potential suppliers must not be unreasonably denied the opportunity to bid for EA Networks business.
- All bids received must be evaluated and selected in a fair and unbiased manner.

Due to EA Networks co-operative status and local ownership. Preference will always go to local business if they are competitive in price, quality, service and other attributes that any tender is being evaluated on.

## 10. New suppliers

- The Finance Manager or CFO is to authorise all new suppliers and associated terms of trade before purchase occurs from any supplier. If terms of trade change, the CFO must be notified and again

must re-authorise the supplier. EA Networks may only procure services/materials/labour from authorised suppliers.

- Unless authorised by the CFO, all payment terms will be the 20th of the month following the date on the invoice.

## 11. Purchasing Framework

Specific requirements relating to the construction and maintenance of electricity and fibre distribution assets

### Preferred supplier

For the construction and maintenance of electricity and fibre distribution assets, Field Services are the preferred supplier. When Field services is unable to carry out the work the task in question will be tendered out as follow:

### Minor works contract

For construction and maintenance work, under \$200k, associated with electricity and fibre distribution assets a minor tender rate card will be used. One or more contractors may appear on the minor tender rate card, which will be re-tendered every 18 months. Awarding of the minor works contractors will be determined on price, ability to meet forecasted requirements, and work history of the contactor.

### Non-minor works contracts

For electricity and fibre contracting and maintenance work, over \$200k, the work will be tendered out. Evaluation of tenders will be based on the attributes set out in the tender documents and taking into consideration the Health and Safety track record of tenders and ability of the contractor to perform the required work within the stipulated timeframe.

### Evaluation of tenders

A suitably qualified tender panel will be used. The make-up of the panel will be determined by the work being tendered.

### Inventory items

Items held in stock will reflect the needs of the electricity, fibre and field services divisions of EA Networks. Before any new stock items is purchased it will be evaluated for fitness of purpose by the department(s) which will be using the items. The results of the evaluation will be reviewed by the Health and Safety team to ensure compliance with legislation.

While the store is primarily owned by the electricity division and managed by the store manager, all Department Managers can request items to be held as inventory. The store manager will not unreasonable decline Department Managers request.

**General Purchasing Method** The following table sets out the minimum requirements for the procurement method that must be used for the procurement of goods and services when not purchasing from an existing contract.

Purchase Value	Purchasing Method	Purchasing Option
<\$5,000	<ul style="list-style-type: none"> <li>○ Credit Card</li> <li>○ Approved supplier invoice</li> </ul>	<ul style="list-style-type: none"> <li>○ Preferred Supplier</li> <li>○ Simple Market analysis</li> </ul>
<\$25,000	<ul style="list-style-type: none"> <li>○ Approved supplier invoice</li> <li>○ Purchase Order</li> </ul>	<ul style="list-style-type: none"> <li>○ Preferred Supplier</li> <li>○ Simple Market analysis</li> </ul>
\$25,000 to \$100,000	<ul style="list-style-type: none"> <li>○ Approved supplier invoice</li> <li>○ Purchase Order</li> </ul>	<ul style="list-style-type: none"> <li>○ Two Quotes minimum</li> </ul>

Purchase Value	Purchasing Method	Purchasing Option
\$100,000 to \$200,000	<ul style="list-style-type: none"> <li>○ Contract</li> <li>○ Non-Standard Contract and/or vendor contract to be reviewed by SLT member</li> </ul>	<ul style="list-style-type: none"> <li>○ Three Quotes / Tender</li> </ul>
>\$200,000	<ul style="list-style-type: none"> <li>○ A Procurement Plan agreed with the GM Finance.</li> </ul>	<ul style="list-style-type: none"> <li>○ Procurement Plan and subsequent evidence</li> </ul>

A transaction will not be split for the purpose of reducing the minimum requirements above. Similarly, continued regular procurement of the same goods or services will be considered in the aggregate rather than piecemeal for the purpose of meeting the competitive requirements contained in these procedures.

Exceptional circumstances may exist where the minimum requirements outlined in the table above are not appropriate. These exceptional circumstances may include, but are not limited to, the following:

- There is a genuine sole source of supply;
- An existing preferred supplier arrangement;
- Goods and services from a specific supplier are required to integrate within an existing contractual arrangement, existing equipment, project or ICT standard operating environment; or
- There is an emergency situation, preventing the calling of quotes/tenders in the time available. A lack of available time due to poor planning does not constitute an emergency situation.

Under such exceptional circumstances, exemption from the competitive requirement will be requested in writing from the GM Finance. Approval must be received prior to proceeding or negotiating contractual terms with the proposed supplier. In the case where the highest threshold may be exceeded a Procurement Plan should be completed prior to any formal market approach or request.

Prior to approving an exemption to the competitive requirements, approver will ensure:

- the business reasons for not complying are appropriate;
- there is evidence that the requester has sufficiently researched and understood the market.

## 12. Emergency Procurement

In a genuine emergency, Management may be permitted to forego routine procurement procedures for goods or services that are urgently required to provide emergency assistance or relief.

Emergency procurement is to be used in genuinely unforeseen circumstances only and not in the case of poor planning or avoiding EA Networks policies or guidelines.

In the context of this policy an emergency is defined as an event which puts:

- Life, property or equipment at immediate risk; or
- Standards of public health, welfare or safety having to be re-established without delay, such as in the case of disaster relief; or
- EA Networks ability to meet service delivery targets at significantly risk.

Emergency procurement should be limited to what is required to cope with the emergency and should be carried out with the same due diligence and robustness as standard procurement activity.

## 13. EDB Procurement from related parties

The section of the policy is written for compliance with section 2.3.10 of the Commerce Commission information disclosure requirements. Which require the EDB to provide a summary of it's current policy in respect of procurement from any related party.

### **Fibre Services**

EA Fibre is the EDB preferred supplier of fibre services to network assets. The fibre business unit will charge the EDB a commercial rate of return.

### **Field Services**

The EDB will engage EA Field Services as its principal contractor for work it is equipped to undertake. Work carried out by the Field Services for the EDB will be at cost. When Field services is unable to perform the EDB required work, the required work will be contracted out to a third party, in accordance with procurement policy.

### **Other related parties**

All related parties, excluding EA fibre and EA Field services, will be required to tender for work as if they are independent contractor