



Procurement Standard

www.metrotrains.com.au/doing-business-with-metro

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PROCUREMENT STANDARD

L1-CPO-STD-002

Version: 3

Effective from: 26th October 2015

Approval

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1. Introduction

Metro views its suppliers as partners and cares about the way they do business. This document, the Metro Procurement Standard, details our business conduct requirements by describing how we work with suppliers and what we expect in return. It describes our minimum standards in the areas of health and safety, environment and sustainability, and business integrity.

All suppliers are expected to meet these standards in all of their dealings with or on behalf of Metro.

1.1 About Metro

Metro Trains Melbourne Pty Ltd (Metro) is the operator of the Melbourne metropolitan rail network under a franchise agreement with Public Transport Victoria. The franchise agreement came into operation on 30 November 2009 for an initial period of eight years, with extension options subject to performance. A copy of the franchise agreement is available at <http://ptv.vic.gov.au/about-ptv/victoria-s-pt-network/public-transport-partnership-agreements>

2. Procurement Standard

The Metro Procurement Standard is our statement of business conduct as it relates to the Procurement function. This document outlines:

- the role of the Procurement function within Metro and the way we operate;
- the expectations and commitments between Procurement and its Customers;
- the expectations between Procurement and suppliers; and
- Metro's expectations of Metro employees and contractors.

The Metro Procurement Standard is owned by the Procurement function of Metro.

The Purpose of the Procurement Standard is to ensure that all procurement related activity is conducted with transparency and is understood by all key stakeholders in accordance with this document and the Procurement Policy.

2.1 Application of Metro Procurement Standard

This document applies to all employees of Metro as well as suppliers and contractors.

Any individual, group or company who engages in procurement related business with, or on behalf of, Metro is expected to comply with the Metro Procurement Standard in all aspects of their engagement. This includes employees who are not engaged in the Procurement function but who are required to carry out procurement activities.

Our expectations of compliance with the Metro Procurement Standard is universal. We expect every effort to be made to ensure that the standards outlined in this document are respected in all business engagements, including dealings with alliances, in which Metro participates.



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Breaches of the Metro Procurement Standard may result in disciplinary action, and in the case of a consultant, agent, contractor or supplier, may see their contract terminated or not renewed.

3. Metro Procurement responsibilities

Procurement is an internal function within Metro and our focus is to increase value for money by exercising our procurement expertise and leveraging economies of scale.

We:

- must ensure the supply chain aligns with Metro's safety values, policies and procedures;
- provide procurement services that deliver value for money to Metro through strategic sourcing and buying of goods and services for Metro operations;
- ensure the implementation of the Procurement Policy;
- manage the sourcing process;
- provide contract management for strategic and high value suppliers and where otherwise required;
- we measure and report compliance to this Metro Procurement Standard;
- collaborate with Customers and other functions within Metro to align strategies, operational plans and continuous improvement initiatives;
- aim to deliver value for money solutions for our Customers;
- proactively manage and develop a capable and commercially secure supply base;
- obtain local and international sources of supply;
- obtain quotations covering price and availability from suppliers where required;
- place purchase orders;
- enter contracts for goods or services;
- own the purchasing process, which is managed through MINCOM Ellipse;
- operate the procurement process using specifications provided by our Customers. A joint evaluation panel, which includes the Customer and Procurement, makes the award recommendation through consideration of jointly developed evaluation criteria. The authorisation for the expenditure is authorised through Metro's delegated financial authority;
- are engaged in the development of procurement strategies for high value and strategic goods and services.

All commitments of Metro funds must be authorised, performed and recorded in a manner consistent with appropriate commercial practice and all Metro policies, including delegated financial authority requirements.



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3.1 Governance

- We procure all goods and services in accordance with this Metro Procurement Standard, the Metro Procurement Policy and all other Metro policies, procedures and standards.
- All current and potential suppliers to Metro must engage with Metro through Metro's approved supplier process.
- A supplier must only commence work after receiving a valid purchase order.
- We report procurement performance to all districts on a regular basis. We take action to correct and improve performance where required.
- We competitively tender to ensure that Metro obtains the best value for money available considering all relevant factors including safety, quality, sustainability, delivery, specification, price and environmental impact.
- We work with relevant Metro business districts to develop and deploy appropriate strategies to manage risk with respect to, but not limited to price, quality, quantity, security of supply and contractual terms.

3.2 Sourcing

The Metro Procurement Policy establishes the minimum requirements for sourcing of goods and services.

Procurement's responsibilities are to:

- consult with Customers to understand their needs and desired outcomes, to develop sourcing strategies appropriate to the goods or services being procured;
- engage with suppliers after consulting with Customers to develop an appropriate sourcing strategy which we take to market;
- based on supplier responses, initiate and negotiate supply contracts on behalf of Metro business districts and / or functions;
- provide standard terms of contract where applicable;
- manage commercial relationships with suppliers including contract management and administration activity where appropriate;
- as part of the contract management and administration function, where applicable:
 - initiate supplier meetings and price reviews;
 - monitor and update pricing indices relevant to the contract;
 - review supplier performance at contract review intervals;
 - collect and maintain insurance certificates;
 - manage the contract expiry; and
 - maintain a database of contracts.



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3.3 Inventory items

Metro will have most inventory items under contract or in Forward Purchasing Agreements. The replenishment of these orders will be automatically generated (where appropriate) by MINCOM Ellipse. Where no automatic generation applies, Metro stores personnel are required to raise a recommended order in MINCOM Ellipse for these items to be replenished.

3.4 Services and non-inventory items

Services and non-inventory items require the Customer to initiate a purchase requisition. Metro Procurement then generates a purchase order and, where applicable, sources the item.

3.5 Our Customers' responsibilities

In this document, "**Customer**" means any Metro employee or business district committing external expenditures on behalf of Metro.

To assist with the sourcing process, Metro business districts must provide us the following information:

- a defined needs analysis;
- complete and comprehensive specifications and scopes of work;
- a documented risk assessment associated with the development of any new contract;
- a list of suppliers for inclusion (Procurement will invite additional prospective suppliers to participate where appropriate);
- a completed and approved "Sole Source Exception Request" in situations where market testing is not performed;
- any Customer-specific terms including health, safety, environmental standards or site requirements for suppliers; and
- support in the development of contract award criteria for inclusion in the tender evaluation criteria.

The Customer must also:

- provide sufficient lead times that allow for an orderly procurement process;
- make themselves available to participate in the tender evaluation process; and
- provide forecasts of goods and services requirements; and
- provide prior notice of material changes to consumption requirements.

The Customer is accountable **for overseeing the execution of services and delivery of goods and is required to inform Procurement** of supplier performance on a regular basis.

The Customer is required to keep confidential all proprietary information provided by Metro and suppliers and must abide by Metro's probity procedure and framework at all times.



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4. Relationship with suppliers

Metro values suppliers who match our commitment to safety, integrity and value for money.

In the interests of a fair and competitive marketplace we apply the same evaluation and selection process to all prospective suppliers.

Metro expects that all suppliers:

- align with our business objectives including:
 - aiming to achieve zero injuries and zero fatalities in the workplace;
 - enhancing value for money;
 - increasing operating efficiency;
 - reducing and/or eliminating waste; and
 - reducing total cost of ownership;
- are financially secure;
- are the direct manufacturer of goods, or an authorised agent/distributor;
- have competent personnel to support the goods and/or services supplied registered with Metro's competency management system;
- maintain appropriate health, safety, environmental and quality assurance systems and processes;
- agree to supply on the basis of Metro's terms and conditions; and
- maintain policies that support fair competition and integrity, require adherence to applicable laws, standards and regulations and prohibit giving or receiving bribes, with a process for ensuring compliance.

4.1 Supplier qualification

Qualification of Metro's suppliers is critical to ensuring the health and safety of people, minimal impact to the environment, and the quality of goods and services delivered to our Customers.

Supplier qualification involves registration and achieving a Green-flag status in The Rail Industry Contractor and Supplier Qualification Program (RICSQP). Metro has engaged PICS Auditing Pty Ltd (PICS) to manage our contractor and suppliers and ensure that they meet and maintain all requirements and conditions of our business relationship including, but not limited to, general business, safety, quality, technical, environmental, insurance, financial, sustainability, operational and rail specific.

In addition, prior to commencing work all suppliers entering a Metro site will need to be appropriately qualified and registered with Metro's competency management system detailed at <http://metrotrains.com.au/academy>. Suppliers must be inducted in accordance with each relevant site's requirements and comply with Metro's Safety and Environmental Requirements for Contractors Working on Metro Premises, a copy of which is available at <http://www.metrotrains.com.au/doing-business-with-metro>



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4.2 Responding to tenders

Metro's Procurement team strategically decides, in consultation with our Customers, whether to hold a selective or open tender.

When prospective suppliers are invited to respond to a tender, they are required to register on Metro's online procurement system at www.tenderlink.com/metrotrains. This registration process enables access to:

- the form of contract or other terms and conditions on which their bids will be based;
- the applicable business requirements and specifications and standards for the relevant goods or services; and
- instructions on the tendering process.

We are committed to protecting the confidentiality of supplier information and ensuring that a fair and consistent process is applied to all suppliers.

4.3 Vendor Panel

Vendor Panel is an online gateway at <https://www.vendorpanel.com.au/> for obtaining competitive quotations from a panel of pre-selected suppliers. Occasionally suppliers will be invited to join Vendor Panel for certain categories of work and will be required to sign a contract with Metro. Metro personnel are required to use this system to obtain quotations for a range of categories.

4.4 Awarding of contracts

Metro's Procurement team, in consultation with the relevant Customer, will consider a variety of factors in deciding which bid, if any, will be accepted, or whether all bids will be rejected.

Awards will only be made to suppliers who are able to:

- meet Metro's health, safety, environment and quality requirements;
- comply with all bidding requirements;
- meet the Customer's stated needs and required standards; and
- make the best bid in reference to the relevant selection criteria.

4.5 Purchase orders

Goods or services must only be supplied when a valid purchase order number has been issued by Metro to the supplier, unless exempt in accordance with the Procurement Policy.

Metro will refuse payment to suppliers unless a valid and complete invoice is provided that includes reference to the applicable purchase order.



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4.6 Service expectations

Suppliers are expected to ensure that goods and services are supplied in full and on time according to specifications. All material order lines are expected to be delivered complete by the due date.

Without limiting their contractual obligations, suppliers must advise Procurement as soon as is practical if there will be any variance to committed delivery times, quantities, or locations.

4.7 Contract reviews

During the life of a contract suppliers may be requested to meet on a periodic basis with representatives from the relevant Metro business districts and Metro Procurement. The purposes of such meetings may include reviewing the performance of the contract and key performance indicators, examining future improvement opportunities and/or following up on any outstanding contract issues.

The supplier is expected to have an appropriate level of representation attend these meetings.

4.8 Variations

Metro prefers fixed price contracts.

Any variation to a contract or a purchase order will be strictly reviewed and only approved in accordance with the terms of the contract or purchase order.

4.9 Use of our name, logo and trademarks by suppliers

Except as required by any applicable law, or otherwise permitted by a contract, suppliers or potential suppliers are not permitted to use the name, logo or trademarks of Metro. Similarly, suppliers or potential suppliers are not permitted to make any public announcements or disclosures in relation to the subject matter of their contract, or their dealings with any member of Metro without Metro's prior written consent.

5. Working on Metro premises

5.1 Safety

Metro is committed to an incident and injury free workplace. Our goal is zero harm.

Full and consistent implementation of Metro's safety standards, systems, and procedures is required wherever we operate. Everyone's behaviour contributes to an incident and injury free workplace.

We expect an equal commitment to health and safety from the businesses we work with. As a minimum, we require our suppliers to comply with all Metro safety requirements.

We value suppliers who:

- manage and communicate product health and safety risks;

- maintain an organisational commitment to health and safety management and the elimination of workplace injuries and illnesses; and
- have a process for assuring compliance with safety policies, both internally and externally, including regular audits, reviews, and safety reports.

5.2 Drugs and alcohol impairment

Metro requires all persons entering and carrying out work at Metro premises to have a zero blood alcohol level and be free from the influence of drugs.

No one must possess or consume illegal drugs, or be impaired by alcohol or other drugs while working on Metro business or premises.

Suppliers will be required to comply with Metro's Alcohol and Other Drugs Procedure while working on Metro business or premises.

Random alcohol and drug testing is conducted at Metro sites. No prior notice will be given of random testing.

5.3 Health

We are committed to the health and wellbeing of our employees and the people who work with us.

We require suppliers to maintain compliance with all Metro health and safety requirements. We also expect suppliers to demonstrate commitment to responsible health management programmes.

5.4 Employment

We respect the rights and dignity of employees throughout our own operations and those we do business with.

We require safe and effective working relationships at all levels throughout Metro.

Employees or contractors who have evidence of wrongdoing should report this to their line manager or, if that is not practicable, to email fraud@metrotrains.com.au taking care not to send sensitive information via emails or attachments to emails. If you have information that requires secure transmission, please leave your contact details. Metro will call you to make appropriate arrangements. Alternatively if you do not want to make a report via the post addressed to the Risk & Internal Audit Manager, Metro Trains Melbourne Pty Ltd, GPO Box 1880, Melbourne VIC 3001, Australia.

We require our suppliers to adhere to all applicable laws, standards and regulations. We value suppliers who adopt policies similar to Metro's, and who are free of material violation.

6. Environmental and sustainability

6.1 Environment

We are committed to minimising environmental harm and we manage environmental risks through policies, procedures, standards, strategies, targets and systems.

We expect our suppliers to comply with all Metro environmental requirements. We value suppliers who commit to:

- responsible environmental management;
- elimination of environmental incidents;
- waste minimisation;
- responsible resource utilisation;
- managing and protecting biodiversity; and
- sustainable water management.

6.2 Sustainable development

We are committed to a sustainable supply chain and we expect our employees and suppliers to make informed choices in sourcing, buying and logistics.

6.3 Local suppliers

We recognise that benefits can be achieved through sourcing products and services locally. We are committed to evaluating local supply options as part of our sourcing strategy and the Victoria Industry Participation Policy where required, details of which can be found at <http://dsdbi.vic.gov.au/our-department/strategies-and-initiatives/victorian-industry-participation-policy>

7. Business integrity

We are committed to the principles of business integrity.

Employees who breach Metro's Code of Conduct or any of its policies may face disciplinary action. Serious or persistent breaches could result in termination of employment. Where circumstances warrant, Metro may seek civil or criminal prosecution of the employee(s) involved. Contractors who breach Metro's Code of Conduct may have their contract with Metro immediately terminated.

7.1 Trade practices compliance and anti-fraud

We are committed to the principles of free and fair competition.

Employees and contractors are expected to speak to a Metro lawyer if they are in doubt about the appropriate action to take or to email fraud@metrotrains.com.au.

We require our suppliers and their personnel to comply with all applicable laws, regulations, rules, and orders relating to anti-fraud and unfair competition and trade practices.

We require all suppliers and tenderers not to engage in any collusion with other potential suppliers or tenderers and to report any collusion or potential collusion via email to fraud@metrotrains.com.au. Alternatively if you do not want to make a report via email, you may send your report to the Head of Internal Audit & Risk, Metro Trains Melbourne Pty Ltd, GPO Box 1880, Melbourne VIC 3001, Australia.

7.2 Anti corruption

Metro prohibits bribery and corruption in all forms, including 'facilitation payments' whether directly or indirectly, in order to obtain, retain or direct business or secure any other improper advantage in the conduct of business.

7.3 Acceptance and declaration of gifts or hospitality

Gifts, entertainment, travel and per diem reimbursements must not be given or received as a reward or encouragement for preferential treatment.

Metro employees and contractors must:

- decline all offers of gifts (other than gifts that are in the nature of corporate merchandising of a nominal value);
- complete and forward hospitality declaration forms to management for authorisation (as required in accordance with in the procedure);
- not request gifts or benefits during the course of their Metro duties;
- deal with all offers of gifts or hospitality in a timely, ethical, accountable and transparent manner;
- identify and escalate potential or real bribes to management immediately;
- not accept a gift or hospitality where their acceptance of the gift or hospitality may cause them to act in a partial or biased manner during the course of their Metro duties (or be perceived to have so acted);

The Metro Procurement function must comply with the Chartered Institute of Purchasing and Supply - Ethical Procurement and Supply Standard, which takes precedence over the above requirements if a conflict arises.



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7.4 Confidentiality

We protect Metro's confidential information as well as the confidential information entrusted to us by others, including Customers and suppliers.

All supplier information, including pricing, drawings and know how, is treated in the strictest confidence and only used for the purpose for which it was provided.

All Metro suppliers must respect and protect the intellectual property rights of Metro in the course of conducting business. Any Metro intellectual property that is provided to a supplier directly or indirectly in the course of conducting business may be used only for the purpose for which it is provided.

In addition, suppliers must ensure they store and maintain any Metro intellectual property securely, safely and confidentially and that they do not make it available to any third parties, including subcontractors, without Metro's express written authorisation.

Where a supplier intends to disclose information to Metro that is confidential information of that supplier, the supplier is expected to inform Metro prior to disclosure.

7.5 Conflicts of interest

We all must ensure that our personal activities and interests do not conflict with our responsibilities to Metro. Even the appearance of a conflict of interest should be avoided. Conflicts of interest may involve, among other things:

- an outside business relationship with, or interest in, a supplier, Customer or competitor;
- a business relationship on behalf of Metro with any person who is a relative or a personal friend, or with any company controlled by such a person;
- a position where you have influence or control over the job evaluation or compensation of any person who is a relative or romantic partner; and
- an actual or potential supplier, directly or indirectly, providing personal benefits other than corporate merchandising of a nominal value or hospitality less than \$150 (unless declared), to a Metro employee or consultant.


We expect our suppliers not to pursue business opportunities where there is a conflict of interest with their responsibilities to Metro.

In order to ensure fair and competitive tendering and procurement processes, Metro has procedures in place to manage actual or potential conflicts of interest and probity issues involving its related parties.

7.6 Compliance

Suppliers are expected to comply with all applicable laws, requirements, regulations, standards, specifications, rules and controls in the supply of goods to Metro.

This Metro Procurement Standard is subject to audit and non-compliance by Metro personnel may result in disciplinary action. In addition, any consultant, agent, contractor or supplier who does not meet the requirements of this Metro Procurement Standard may see their contract terminated or not renewed.

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8. Interpretation

All Metro personnel are governed by the terms and conditions of employment as agreed with Metro. Nothing in this document detracts from those terms and conditions.

The Metro Procurement Standard is a guide and is not legally binding on Metro. It does not create any contractual obligations or rights. Metro reserves the right to interpret and vary its policies and procedures (including the Metro Procurement Standard) when it determines appropriate. Metro may at its sole discretion change, make exceptions to, or discontinue any of the principles in this document at any time, and without advance notice.

Metro actively supports suppliers in the establishment of better practices in order to meet and exceed the standards outlined in this Procurement Standard and how it is operating in practice. The latest version of the Procurement Standard is available on our website at <http://www.metrotrains.com.au/doing-business-with-metro>