



# 2019 AEMEE Indigenous Procurement Masterclass

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17 June 2019



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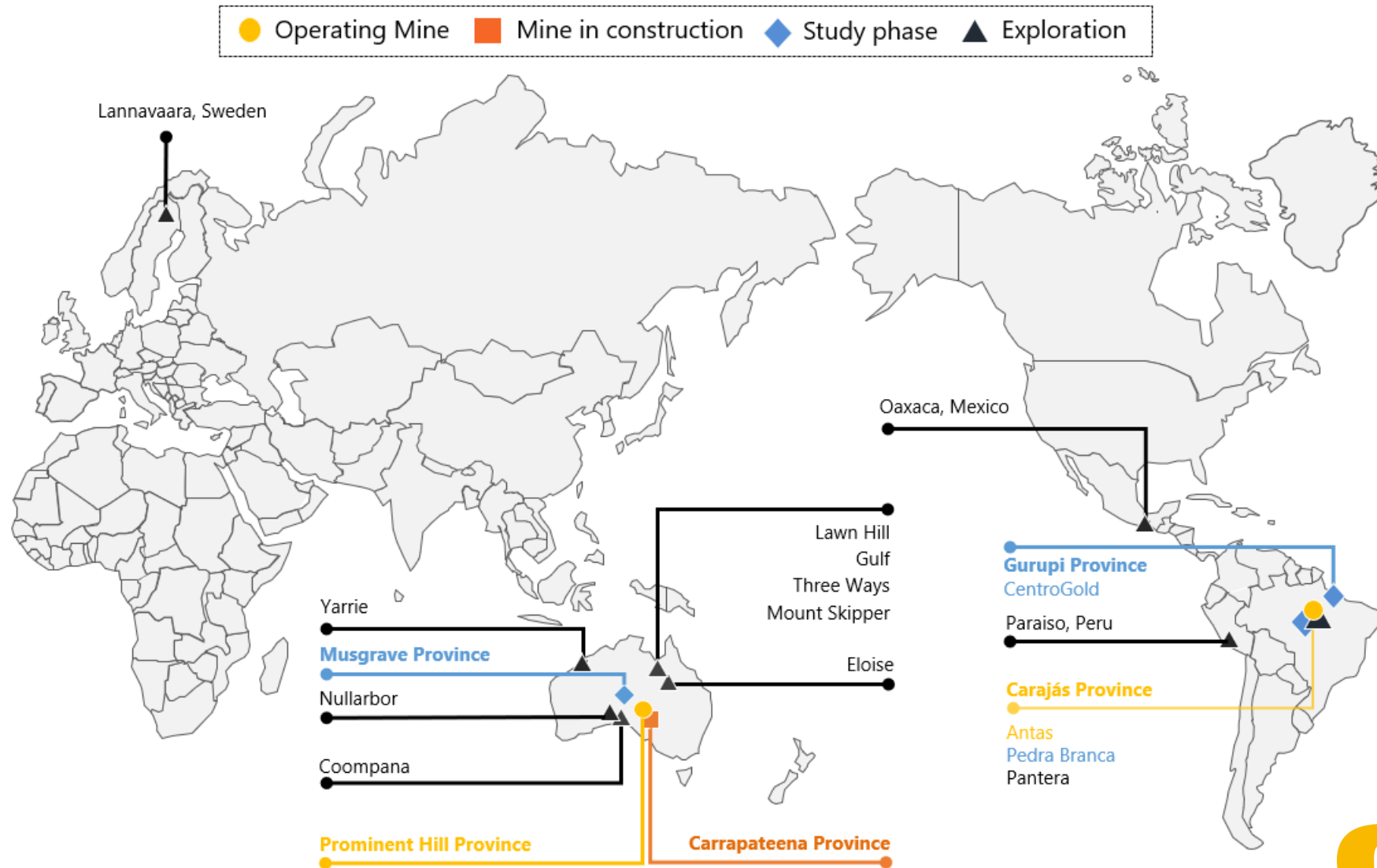
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# Company overview



# Procurement Methods and Key Terms

'Needs, ingredients and recipe' – making choices based on need of project and context

METHOD/JARGON	DESCRIPTION
Engineering, Procurement and Construction Management (EPCM) Contract	<ul style="list-style-type: none"> <li>The EPCM contractor provides engineering, procurement and construction management services, but the employer directly employs construction contractors. The EPCM contractor usually manages the construction contractors for OZL</li> </ul>
Engineering, Procurement and Construction (EPC) Contract	<ul style="list-style-type: none"> <li>The EPC contractor is responsible for all the activities from design, procurement, construction, commissioning (possibly) and handover to OZL</li> </ul>
Cost plus / Time and materials contract	<ul style="list-style-type: none"> <li>Cost-plus pricing is a pricing strategy in which the selling price is determined by adding a specific amount mark-up to the actual cost incurred</li> </ul>
Master Services Agreement /Standing Offer /Outline Agreement / Price List	<ul style="list-style-type: none"> <li>Contractual Agreement between OZL and Supplier detailing Terms &amp; Conditions; Term of Agreement; Scope of Works/Goods; Pricing</li> <li>Established to facilitate multiple transactions over a period of time</li> </ul>
Purchase Order	<ul style="list-style-type: none"> <li>A commercial document issued by OZL to a Supplier indicating types, quantities, and agreed prices for products or services.</li> <li>The issue of a purchase order does not itself form a contract. If no prior contract exists, then it is the acceptance of the order by the Supplier that forms a contract.</li> </ul>
Sole Source	<ul style="list-style-type: none"> <li>Direct contract with stakeholder or supplier by OZL</li> </ul>
Restricted Tender	<ul style="list-style-type: none"> <li>A tender is issued to a list of prospective suppliers who have been selected by OZL</li> </ul>
Open Tender	<ul style="list-style-type: none"> <li>A tender is issued to the open market/advertised publicly</li> </ul>
ECI (Early Contractor Involvement)	<ul style="list-style-type: none"> <li>Early contractor involvement (or 'ECI') is a method of construction contracting that allows a builder to become involved, and potentially start work, before the design has been completed.</li> </ul>
Joint Venture (JV)	<ul style="list-style-type: none"> <li>A JV is a cooperative enterprise entered into by two or more business entities for the purpose of a specific project, contract or other business activity.</li> </ul>
Company provided services/goods	<ul style="list-style-type: none"> <li>OZL contracts directly with a supplier/stakeholder and provides the services/goods to a lead Contractor as part of a bigger scope of work</li> </ul>

# Local Content - Key Levers

## Tools to inform decision making and performance

ELEMENT	DESCRIPTION and INDICATORS
Context assessment and due diligence	<ul style="list-style-type: none"> <li>• Baseline assessment of context to inform risk assessment, strategy and decision making</li> <li>• Supplier registration and prequalification requirements</li> </ul>
Risk assessment – Opportunity and Threat	<ul style="list-style-type: none"> <li>• Risk assessment with SMEs and key staff to map out risks to inform strategy and process for procurement based on context and needs of OZL and Stakeholders</li> </ul>
RACI Model	<ul style="list-style-type: none"> <li>• Responsibility, Accountability, Consult, Inform – table to ensure teams ‘did what they said they would do’</li> </ul>
Australian Industry Participation (AIP) Plans	<ul style="list-style-type: none"> <li>• Australian Industry Participation (AIP) requirements ensure full, fair and reasonable opportunity for Australian industry to compete for work.</li> <li>• Compulsory for Projects over \$500million or receive more than \$20m in government funding</li> <li>• <a href="https://www.industry.gov.au/regulation-and-standards/australian-industry-participation">https://www.industry.gov.au/regulation-and-standards/australian-industry-participation</a></li> </ul>
Local Level Agreements (LLAs) (e.g. Native Title Agreements / Pastoral Agreements)	<ul style="list-style-type: none"> <li>• LLAs are legally binding arrangements between OZL and institutions representing a community group.</li> <li>• They can ratify a simple transactional exchange or expand through a range of options into comprehensive agreements that address everything and anything that the parties want definition and certainty on.</li> </ul>
Local content flow down provisions	<ul style="list-style-type: none"> <li>• A flow down clause is a contract provision by which the parties incorporate the terms of the general contract between the owner and the general contractor into the lower tier agreement. They may also be referred to as a pass-through or conduit clause. They are most common in construction contracts.</li> </ul>
Strategic Partnering and local support / facilitation	<ul style="list-style-type: none"> <li>• A strategic partnership (strategic alliance) is a relationship between two commercial enterprises, usually formalized by one or more business contracts.</li> <li>• A strategic partnership will usually fall short of a legal partnership entity, agency, or corporate affiliate relationship.</li> </ul>
Contracts	<ul style="list-style-type: none"> <li>• Prequalification requirements</li> <li>• Payment terms</li> <li>• Reporting</li> </ul>
Reporting, measurement and review	<ul style="list-style-type: none"> <li>• Lean charts, monthly and quarterly reporting. AIP reporting and Sustainability reporting</li> </ul>



# Carrapateena – Process For Aboriginal and Local employment

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# Engaging Early

- OZ Minerals has been active in the community, holding a number of events to connect with local suppliers
- Presentations at key regional conferences
- Simplified pre-qualification process into one standard form for the whole project
- Ran an early engagement approach with Contractors, so local capacity and capability could be understood
- Facilitated lead contractor tours of the region, providing contractors with clear understand of region capability
- Appointed local people to liaise with local businesses and community – Global Maintenance Upper Spencer Gulf (GMUSG)



OZ Minerals representatives at the business supplier forum held in Port Augusta, May 2017

# Carrapateena Project Procurement Methodology

Lean and simple, committed to engaging local content

ELEMENT	DESCRIPTION	RATIONALE
Lean and simple processes	One pre-qualification standard and process for the project	One pre-qualification standard and process across 3 ECI Lead Contractors with flow down provisions for all subcontractors
Single portal for expressions of interest and notification	ICN (Industry Capability Network)	Government, transparent and measurable Notification and updates for unsuccessful tenderers
Local content facilitation	Community based role created to support contract partners (Facilitation role) Partnering with GMUSG	Local level Facilitation Assist in ground truthing and making connections at the local level Regional buyers tours and information sessions
Local knowledge to 'health check'	Local Content Advisor Partnering with GMUSG	Leverage local knowledge and relationships to facilitate process
OZ Behaviours / code of conduct	OZ Minerals behaviours integrated across all contractors and staff	We 'do what we say we'll do'
Central Management	One point for review and sign off prior to release	Accountability and standardisation of contracts and flow down provisions
Measurement and monitoring	Standard integrated reporting	One process, centrally managed, right data, transparent



# 2017-2018 Processes and activities

Lean and fit for purpose

Methodology	Elements	Description and Summary of Outcomes To Date
Quality Contact	<ul style="list-style-type: none"> <li>Engaging Early</li> <li>Supplier forums</li> <li>Supplier tours</li> <li>Management presentations</li> <li>1 on 1 visits (OZ Minerals reps + GMUSG Reps)</li> <li>GMUSG Conferences</li> <li>Half yearly community surveys</li> </ul>	<ul style="list-style-type: none"> <li>200 suppliers and regional stakeholders attend the initial Supplier Forum at Port Augusta, May 2017</li> <li>Management presentations including: 2017 GMUSG AGM and annual conference; Southern Flinders Industry Leaders Group; Port Augusta City Council; RDA Far North; Outback Communities Authority; Whyalla City Council; RDA Whyalla &amp; Eyre Peninsula; Port Pirie Regional Council; Far North Industry Leaders Group; Far North Jobs &amp; Skills Regional Network.</li> <li>3 Upper Spence Gulf supplier tours 2017-18</li> </ul>
Procedural fairness	<ul style="list-style-type: none"> <li>ICN</li> <li>Local Supplier Index</li> </ul>	<ul style="list-style-type: none"> <li>147 suppliers included in Local Supplier Index at Sep 2018</li> </ul>
Distributional fairness	<ul style="list-style-type: none"> <li>Newsletters</li> <li>OZ Minerals Fact Sheets</li> <li>GMUSG Conferences (2017,2018)</li> <li>Local Supplier index</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly GMUSG Newsletter with Carrapateena/OZ Updates</li> <li>Fact Sheet continues to be displayed on ICN and distributed via GMUSG</li> <li>OZ Minerals exhibitor and speaker at GMUSG conferences</li> <li>Local Supplier Index continues to be updated with further suppliers</li> </ul>
Reporting/ Management	<ul style="list-style-type: none"> <li>Quarterly reports (OZ Minerals)</li> <li>Steering committee</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly reports for Contractors and interactions</li> <li>Community Survey 23-24 October, 2018 (40 suppliers)</li> </ul>