



## SUPPLIER MANAGEMENT POLICY

### Summary:

This policy governs the management of suppliers of material to Ok Tedi, particularly their addition to our catalogue and the management of their performance.

Supplier management is essential in ensuring that goods and services are provided by reputable suppliers who operate safely, who consistently comply with our terms and conditions and who meet the requirements of our supply chain. It also aligns with our Code of Conduct in minimising our exposure to fraud and inappropriate employee/supplier interactions.

The Supply Department has an important role in managing Ok Tedi's suppliers, and the way the business engages with them. Compliance with this policy ensures the continuity of supply of essential materials, and guides procurement activities that align to our values and demonstrate financial rigour.

### Purchase Orders:

1. Purchases are to be made under a Purchase Order (PO). This is the legally binding agreement that Ok Tedi commits to buy, and to make payment for, a material (or a service).  
The use of Purchase Orders ensure that financial delegations are exercised correctly. Purchase Requisitions are approved by the relevant Department Manager (or Delegate) and Purchase Orders are released by the Manager Supply (for materials) or the Manager Contracts and Legal (for services).
2. Where employees commit Ok Tedi to buy something without a PO (for example approving something by email or phone call), they may be personally liable for the cost of that purchase. They may also put the company at risk of breach where a contract for supply exists with an existing vendor for that material.
3. There are two approved exceptions:
  - Purchasing made on company Credit Card by authorised persons.
  - Payments made under Disbursement Request Form (only when approved in advance by a General Manager).
4. For a PO to be processed, a valid Vendor Number must exist in SAP for the supplier. That means that the supplier must already be one we use or must be added before the Purchase Order is processed.

### Pre-Payments:

1. OTML's standard terms and conditions are for payment 30 days after receipt (Brisbane or Port Moresby, or Tabubil for local suppliers). Variations to these terms

may only be approved by the Manager Supply, in writing, and must be reflected on the Purchase Order.

2. No other person may negotiate terms and conditions of Supply. Promises of pre-payment in part or full before delivery or immediately on receipt have, in the past, exposed OTML to unacceptable financial risk.

#### **Vendor Selection:**

1. Wherever possible, an existing vendor is to be used. This is so that vendors supplying to Ok Tedi are reputable; they are known to be able to supply safely, to the required quality, have demonstrated value for money over time and have shown compliance with our terms and conditions.
2. Limiting the number of vendors also reduces our exposure to fraud or misdealing by employees who may have a connection to a newly proposed vendor.
3. The list of pre-existing vendors can be supplied by the inventory team or found through SAP Transaction XK03.

#### **Supplier Creation:**

1. A new vendor will be added only when one or more of the below occur:
  - a. No vendor exists for the material being bought;
  - b. A new material is added to the catalogue for which no current vendor exists;
  - c. There is reasonable justification that an existing vendor cannot provide the material to the required quality or time. If this matter is identified by an end-user, this must be approved by the Manager Supply;
  - d. The requesting department has a business case as to why the use of a new vendor can provide a better operational outcome than a current vendor (for instance a change to maintenance strategy). This case can be presented as simply as in an email to the Manager Supply; or
  - e. There is a demonstrable benefit to a Local and Regional Supplier or our Communities through the engagement of the new vendor (see *Local and Regional Suppliers* below).
2. The following are not acceptable reasons for adding a vendor:
  - a. An end-user simply prefers the supplier, despite a comparable vendor already existing. For instance, where someone wants to use the same vendor as they did at their last employer; or
  - b. A vendor has been found by the end-user who purports to be able to supply more quickly or cheaply than an existing vendor. In the past, such solicitations have exposed Ok Tedi to higher costs and/ or lower quality materials when all factors are considered. They may also imply that Commercial-in-Confidence pricing has been shared; or
  - c. An end-user seeks to support a supplier on the grounds that they are a Local and Regional Supplier, but this has not been approved by the Manager Economic Programs; or
  - d. There is a personal connection between the vendor and an OTML employee.

3. Where a new vendor is to be created, a Supplier Request is created in SAP Ariba (this replaces the Supplier Information Form - SIF). The request must be authorised by the Line Department Manager, the SUPT Inventory and the Manager Supply (or their delegate).
4. In their application, potential vendors are to include their company profile detailing Board composition, most recent financials statement, IPA Certificate, and other documents relevant to their jurisdiction (e.g. ABN, COC, TIN). Any relationship with an Ok Tedi employee must be declared.
5. Management of Change (MOC) is to be documented and included in the Supplier Request for any vendor change relating to processing assets, critical or insurance spares, Mill Liners, or Vital Materials.
6. In cases where the new vendor replaces an existing one, that vendor is to be reviewed for deletion by the Supply Inventory Control team.
7. Pharmaceutical or medical suppliers must obtain a separate approval through Hospital management.

**Local and Regional Suppliers:**

1. Where a new vendor purports to be local or support local employment, approval from General Manager Community and Operations Support, Manager Community Relations or Manager Economic Programs (or their delegate) must accompany the request. This also can be in the form of an email. It is the responsibility of the Supply department to ensure that this is obtained prior to the vendor being registered.
2. Neither the end-users nor the Supply Department has the authority to approve a request on the grounds of it being a Local and Regional Supplier.

**Supplier Data**

1. The catalogue of vendors is maintained by the Supply Department, Inventory Control section. At intervals of not less than six monthly, the catalogue is to be reviewed and cleared of vendors who have been replaced or will not be used again.

**Performance Management:**

1. The Manager Supply must ensure that suppliers to Ok Tedi comply with all relevant policies and meet their obligations (i.e., to provide goods safely, to the required quality, delivered as agreed and to our payment terms). All issues with a supplier performance or product quality identified by end-users are to be reported to the Manager Supply for action.
2. Ok Tedi's response to suppliers will be guided by the severity of any non-conformance. In most instances, an email from the Manager Supply that identifies the issue and corrective actions will suffice. If performance were not to improve, or if the breach was sufficiently serious (e.g., likely to put people at risk of harm, impact production or in contravention of Ok Tedi's values or Code of Conduct) the supplier may be terminated by the General Manager Commercial, in writing.
3. The Supply Department will proactively engage with suppliers and review their performance on an ongoing basis. For suppliers of vital materials, these will be

formal, minuted reviews conducted quarterly. For smaller suppliers, these will be ad hoc reviews by members of the Inventory section.

**C. McGregor**  
Manager Supply