



PURCHASING POLICY

Author: Sue-Ellen Jaimeson, Purchasing Manager

Table of contents

Application of this policy.....	3
General policy aim	3
Environmental policy aim	3
Accountability and auditability	4
Risk management.....	4
General principles – quotations.....	5
General principles – tenders and other offers	5
Evaluation and selection of suppliers	6
Company profile	6
Financial standing (when relevant)	6
Capacity	6
Additional information	6
Evaluation of quotations.....	7
Value for money	7
Costs	7
Purchasing thresholds	9
Policy review.....	9

Application of this policy

This policy applies to contracting and purchasing activities undertaken by the organisation and is binding upon all managers, permanent and temporary employees, contractors and consultants while engaged by the Kingfisher Garden Centre.

General policy aim

Kingfisher Garden Centre is committed, so far as practicable, to obtain the best value for the materials, goods and services that it purchases. We strive to maintain the highest ethical standards in dealing with our suppliers. Value includes price, quality and service.

The policy commits the organisation, and every individual involved in purchasing and supply management processes within the organisation, to use their best endeavours to ensure that our purchasing and contracting activities are:

- legal
- accountable and auditable
- ethically, environmentally and socially responsible
- economically effective
- conducive to maintaining the organisation's ability to exploit appropriate technological, commercial and organisational developments as they arise
- capable of identifying, minimising and managing risks that may threaten the supply chain or the wider organisation
- open to continuous improvement and development, in particular by the training, development and support of staff.

Environmental policy aim

Kingfisher Garden Centre is committed, so far as practicable, to ensuring that products and services purchased or contracted for conform with the goals of our company's environmental policy. We will strive, where feasible, to purchase environmentally preferable products and services to meet the company's operational needs.

To achieve this, Kingfisher Garden Centre's purchasing decisions, wherever possible, shall favour the following.

- Products that reduce greenhouse gas emissions or are made with renewable energy.
- Products that reduce the use of toxins hazardous to the environment and employee and public health.
- Products that contain the highest possible percentage of post-consumer recycled content.
- Products that reduce air and water pollution.
- Products that reduce waste.

- Suppliers who strive to improve their environmental performance and provide environmentally preferable products, and who can document the supply-chain impacts of their efforts.
- Reusable products.
- Products that serve several functions (e.g., copier/printers, multipurpose cleaners) and reduce the overall number of products purchased.

Accountability and auditability

The organisation will maintain systems, whether manual or electronic, that will, for all purchases, contracts and external commitments above the level of 'petty cash' and minor allowable personal expenses, record, identify and, as appropriate, provide justification for the following.

- The originator of the requirement.
- The purpose for which the requisition was made.
- The route by which the requisition was approved.
- The methods adopted in accordance with the purchasing procedures, to procure the requirement, with all relevant documentation (for example requests for quotation, tender documents and so on) and the reasons for decisions made.
- The source of supply.
- The compliance or otherwise of the goods or service, and of the supplier or contractor, with the requirement as specified in the contract or other agreement.
- All actions taken to remedy any defect as recorded above, and the results.
- The route by which payment was authorised, and when, to whom and in what sum any payment(s) are made.

Note: The above is the minimum requirement – there may be purchases for which much more detailed accountability is required.

Risk management

A significant function for the purchasing structure of this organisation is to identify, if possible minimise, and otherwise manage the likely impact of risks to the organisation itself and to other stakeholders.

Formal risk assessments will be made for any significant expenditure, long-term commitment, or identifiable 'pinch-point' (that is where even a small supply problem could have larger ramifications for the wellbeing of the organisation). They should, where appropriate, address the following issues.

- Supply risk – risks resulting from the non-performance or poor performance of a supplier or contractor.
- Demand risks – arising from ordering too much, too little, or the wrong goods or services, relative to the actual need.

- Process risks – the risk that the way goods are used or services supplied may not be optimal for the circumstances, even if they comply with the formal requirements of the tender or contract.
- Control risks – risks arising from deficiencies in internal processes and procedures including, but not confined to, procedures mandated in this document.
- Social – risks arising from issues related to corporate social responsibility such as human rights and so on.

General principles – quotations

These general principles apply to all quotations obtained for purchases at threshold level 3 and above (see 'Purchasing thresholds' below).

An appropriately detailed specification should communicate requirement(s) in a clear, concise and logical fashion. The request for written quotation should include as a minimum:

- Written specification
- Selection criteria to be applied
- Price schedule
- Conditions of responding
- Validity period of offer

Invitations to quote should be issued simultaneously to ensure that all parties receive an equal opportunity to respond. Any new information that is likely to change the requirements should be offered to all prospective suppliers at the same time.

Responses should be assessed for compliance against the selection criteria and value for money. All evaluations must be documented. Respondents should be advised in writing as soon as possible after the final determination is made and approved.

Where it is not practical to obtain the requisite numbers of quotations under threshold requirements, a store manager has the authority to approve a lesser number of quotations subject to documentation of the reasons for their decision.

General principles – tenders and other offers

The Procurement by Tender policy and procedures should be consulted for details and guidance on tendering processes and procedures.

Evaluation and selection of suppliers

The information required for a robust supplier evaluation will mostly be supplied by the potential supplier company, with every opportunity taken to cross-check the details supplied. The required information falls under the following broad headings. The level of detail provided should be in direct relationship to the size, diversity of product or service provided, and value of the purchase or ongoing account with the supplier.

Company profile

Name, trading styles, registration numbers, addresses and contact details (both operational and 'registered' address), company status (for example plc, privately owned), details of any group or holding company of which it is a part, whether the business is manufacturer, retailer/distributor, agent/licensee and so on.

Financial standing (when relevant)

- Annual accounts, where relevant, share price performance and key ratios such as profit: earnings, debt: capital financial backers.
- Where discoverable, any significant charges, outstanding legal disputes, payment record (from credit reference agencies), judgements and so on.

Capacity

- Employees and the make-up of the employee structure, size and capacity of factories or other facilities that would be deployed to service any purchasing agreement.
- Machinery/capital investment deployed, product range, typical output per annum and so on.
- Quality and compliance procedures (for example, ISO accreditation), accident record, any environment/legal issues, any relevant accreditation with other bodies.

Additional information

- Evidence of appropriate insurance policies (such as employer liability, third party, professional indemnity) when applicable.
- Evidence that the supplier is prepared and able to comply with Kingfisher's policies and is prepared and able to apply these on our behalf to any relevant subcontractors

Evaluation of quotations

Quotations should be evaluated in accordance with previously agreed specifications and/or purchasing criteria. Criteria should include a determination of whether 'best price' means lowest purchase cost, or lowest total cost over the life of the contract or of the goods, as appropriate (whole-life costing).

For simple purchases, for example of standard products, evaluation may consist simply of verifying that the proposals meet the technical specification and then determining which proposal offers the best price.

Value for money

Value for money is an overarching principle governing purchasing that allows the best possible outcome to be achieved for the organisation.

It is important to note that compliance with the specification is more important than obtaining the lowest price, particularly taking into account user requirements, quality standards, sustainability, life cycle costing, and service benchmarks.

An assessment of the best value for money outcome for any purchasing should consider the following.

- All relevant whole-of-life costs and benefits, whole of life cycle costs for goods and whole of contract life costs for services (see 'Costs' below).
- The technical merits of the goods or services being offered in terms of compliance with specifications, contractual terms and conditions and any relevant methods of assuring quality.
- Financial viability and capacity to supply without risk of default, such as competency of the prospective suppliers in terms of managerial and technical capabilities and compliance history (see 'Evaluation and selection of suppliers' below).

Where a higher priced conforming offer is recommended, there should be clear and demonstrable benefits over and above the lowest total priced, conforming offer.

Costs

Costs should be ascertainable from the bids or quotations will typically include the following.

General costs

- Acquisition costs such as purchase price delivery charges
- Insurance, taxes, tariffs
- Installation/commissioning/associated works
- Training and support
- Internal costs of changing from current supplier (this should have been a consideration at the procurement planning stage)

Other operating costs

- Labour
- Materials
- Consumables
- Energy
- Contract/supplier management
- Environmental costs
- Other costs of change

Other maintenance costs

- Specialist labour, tooling
- Cost of spares
- Costs of planned maintenance/downtime
- Expected reliability profile (with age)
- Cost of service/maintenance contracts
- Extent of warranties and so on against the above
- Other downtime costs

End of life costs

- Decommissioning
- Disposal
- Reinstatement of land/buildings and so on
- Likely residual value, if any

In all cases, allowance may be made for intangible benefits (social, environmental and so on) in line with the policy.

Purchasing thresholds

Thresholds apply to where the value of the purchase or contract over the full contract period (including options to extend) is, or is expected to be, within the following values.

Level 1 – purchases less than \$1,000

Direct purchase from the supplier by purchasing department staff based on approved departmental requisitions or purchase order forms.

Level 2 – purchases \$1,000 to \$2,499

Written approval must be obtained from the relevant department manager. The manager must provide name, signature, position and date of approval in the appropriate section of a completed purchase order form. The relevant written quotation must be attached to the purchase order form.

Level 3 – purchases \$2,500 to \$39,999.99

Require a minimum of two (2) price quotations in writing or facsimile from responsible vendors. Quotations can be obtained by department managers or the Purchasing Department. Purchases based on quotations obtained must be approved by both department and store managers.

Level 4 – purchases \$40,000 to \$100,000 for a 12-month fiscal year

Require a minimum of three (3) price quotations in writing or facsimile from responsible vendors. Accumulative value purchases based on quotations for the provision of products and/or services over a fiscal year must be approved by both store and finance managers. Lump sum purchases from \$40,000 to \$60,000 must be approved by both store and finance managers. Lump sum purchases from \$60,000 to \$100,000 must also be approved by the state manager in addition to store and finance managers.

Quotations for all products or services for threshold levels one to four shall be obtained by the relevant store, state or national purchasing departments unless approval is given by a higher level purchasing manager. Purchases over \$100,000 must be approved by higher level management, for example, store level must be approved by the state purchasing manager, state level must be approved at national level. Consideration should be given to requesting tenders for purchases of \$100,000 and above.

Policy review

This policy will be regularly reviewed to ensure consistency with organisational, legislative and regulatory changes. Kingfisher seeks the cooperation of all employees in realising their purchasing and environmental objectives.

All employees will be provided with access to a copy of this policy via the company intranet and notification of updates will be via email and in staff meetings.