



Australia Pacific LNG

Local Content Policy

Q-LNG01-95-AS-0011

Rev	Date	Details	ORG	CHK	QA	APP
3	01/07/2011	Issued for use	TC	JM	AS Alex Smith QA/QC AP LNG	GT
2	18/02/2011	Issued for use	TC	JB	AS	GT
1	07/02/2011	Issued for use	TC	JB	AS	GT
O	16/12/2010	Issued for use	TC	NB	AS	GT
A	23/08/2010	Issued for review	TC			

Table of Contents

1. DEFINITIONS	3
2. STATEMENT OF COMMITMENT	4
3. APPLICATION	5
4. PURPOSE AND SCOPE	5
5. POLICY OBJECTIVES	5
6. POLICY ALIGNMENT	6
7. APPLICATION	6
7.1 Australia Pacific LNG (APLNG).....	6
7.2 Supplier Types	7
7.3 Supplier Local Content Plan Obligations.....	7
7.4 Supplier Workforce Development Plan Obligations	7
7.5 Supplier Reporting Obligations.....	7
8. KEY SUCCESS FACTORS	9
9. POLICY IMPLEMENTATION	9
10. APLNG SUPPLIER MANAGEMENT	9
11. ACCOUNTABILITIES	10
12. GRIEVANCE AND DISPUTE RESOLUTION	10
Annexure A - Local Content Report	11

1. Definitions

The terms and definitions used in this Policy document are tabled below.

Term	Definition
APLNG	Australia Pacific LNG Project
Australian Industry Participation Plan	<p>A plan for early identification of opportunities for Australian industry and the effective transfer of information on these opportunities to potential Australian Suppliers.</p> <p>The Plan will:</p> <ul style="list-style-type: none"> Identify the type of documentation or other form of proof that will be produced to demonstrate implementation of the actions and achievement of the intended outcomes. Outline a communication strategy for the effective transfer of information on opportunities to Australian industry along sub-contracting chains. Describe strategies to incorporate Australian industry through all tiers of the supply chain and in all stages of the Project i.e. through design, procurement, construction, operation and whole-of-life support. Describe opportunities for Australian industry to supply key components of functional units. Describe opportunities for longer-term participation by Australian industry on a commercial basis. Describe the procedures and resources to implement these strategies.
Australia Pacific LNG	Means the joint venture project between Origin Energy Limited (Origin), ConocoPhillips (CoP) and Sinopec to deliver a coal seam gas to liquefied natural gas (LNG) Project located in Queensland.
Contract	A written agreement between APLNG and another party under which such party performs work or provides services or facilities in return for payment.
Functional unit	<p>One or more pieces of machinery, equipment or their components that are integrally connected to perform a process.</p> <ul style="list-style-type: none"> A process is, for example, cutting, separating, etc. in a chain of operations, or a single transformation process. The machinery, equipment or components are collectively recognised for EPBS purposes as a distinct item of capital equipment according to current industry engineering and procurement practice.
Local Content	Local Content is generally taken to encompass employment, procurement, training and development and contracting of people, goods and services who are considered by APLNG to be nationals / national companies operating within Australia, including the immediate area where the Project is located. It implicitly includes any service or maintenance element that may form part of materials purchase.
Multiple supply	In this policy the term 'Multiple supply' means two or more separate Purchase Orders, Contracts or a combination thereof.

Australian Qualifications Framework	The Australian Qualifications Framework (AQF) is the national policy for regulated qualifications in Australian education and training. It incorporates the qualifications from each education and training sector into a single comprehensive national qualifications framework.
Ongoing	In this policy, Ongoing refers to a service contract or purchase order for supply of goods that takes place over a period of time. That is, it is not a single instance or single delivery.
Procurement	The process of sourcing engineered plant and equipment, bulk materials, manufactured items and equipment required to meet defined technical and performance requirement.
Purchase Order	A commercial document prepared by an employee to request a Supplier to provide goods to APLNG providing specifications of the goods, cost , quantity and other terms and conditions.
Reports	Local Content Reports in accordance with Annexure A of this policy
Single purchase or one-time supply	In this policy the term ‘Single purchase or one-time supply’ means a Single Purchase Order for the supply of equipment / goods or a single Contract for the supply of services. For clarity, <ul style="list-style-type: none"> • The provision of goods or services in stages or over a period of time does not change the categorisation of the Single Purchase Order or Contract • Where a company enters more than one agreement to supply then regardless of the value the supply those agreements are considered to be a Multiple supply.
Sub-supplier	A company or organisation that provides goods and / or services to a Supplier.
Supplier	Any company or organisation that supplies materials, equipment, parts, services or other items for Australia Pacific LNG under the terms and conditions specified in either a Contract or a Purchase Order.

2. Statement of Commitment

Australia Pacific LNG (APLNG) is committed to maximize Local Content for Australian Suppliers where feasible and economically viable.

Under this policy APLNG and its Suppliers will use reasonable endeavours to optimise use of Australian contractors, Suppliers, goods and services. In support of this policy, APLNG is committed to providing ‘full’, ‘fair’ and ‘reasonable’ opportunity for capable Australian industry to participate in the procurement of goods, equipment and services to the Project.

For the purposes of this policy document, the term ‘the Project’ herein refers to the APLNG Project.

3. Application

This policy applies to all APLNG procurement activities and its Suppliers engaged directly or indirectly. It also applies to the Sub-suppliers supplying goods or services, on behalf of a Supplier, to the Project.

4. Purpose and Scope

The way in which APLNG procure goods and services can be a powerful contribution to sustainable development to benefit both Australian industry and the Project based on the following:

- a. How we promote sourcing goods and services
- b. How we actively engage local resources
- c. How we flow our Local Content policy along our supply chain.

The Local Content Policy seeks to exert a positive influence on Australian industry development as follows:

- a. Where practical and taking into consideration quality, Health, Safety and Environment (HSE), technical capability and competitiveness, APLNG will engage local Suppliers and skilled contractors.
- b. All tenders, where practical, will include Australian Suppliers at local, regional and national level, to maintain Local Content and the commercial well being of the region.
- c. Final selection and award to a Supplier is dependent on the Supplier satisfying APLNG's prequalification and tender assessment process.

This policy applies to procurement activity undertaken by or on behalf of APLNG. All procurement strategies, plans and procedures will align with this policy, subject to the relevant legal and regulatory requirements.

5. Policy Objectives

The Local Content objectives and obligations established in any APLNG Contract or Purchase Order must align with this policy document.

An effective Local Content Policy will:

- a. Provide a reliable indicator of wealth retained and capacity developed in Australia as a consequence of the Project.
- b. Identify appropriate strategies to contribute to the general well being of the business community and broader society who authorise our entitlement to operate.
- c. Address government and local expectations leading to a more stable and cohesive operating environment.

As the majority of jobs are created indirectly, with significant amounts of equipment and services supplied by Sub-suppliers, control measures over Suppliers are necessary to achieve Local Content policy objectives.

6. Policy Alignment

The Local Content approach outlined in this policy is consistent with the Project's:

- a. Long-term sustainability objectives.
- b. Code of Conduct.
- c. Contracts and Procurement Procedures.
- d. Environmental Impact Statement (EIS) commitments.
- e. Australian Industry Participation Plan (AIPP) commitments.

7. Application

7.1 Australia Pacific LNG (APLNG)

APLNG will establish procurement procedures to support 'full', 'fair' and 'reasonable' opportunity to Australian Suppliers by way of the following pre-qualification methodologies:

Full– Australian industry will have the same opportunity afforded to other global companies to participate in the Project. The Supplier registration process is open to all potential Australian Suppliers for the procurement of permanent plant, equipment and services. Although not limited to the following, potential Australian Suppliers can be identified through:

- a. Origin's Supplier List
- b. Downstream APLNG Approved Vendor List
- c. Downstream APLNG Sub-contractors List
- d. APLNG Project website, Origin Energy website and Origin together website
- e. The resources of the Industry Capability Network (ICN)
- f. Research and word of mouth.

Fair – Australian industry is provided the same opportunity as global Suppliers to compete on an equal and transparent basis. APLNG will make every effort to provide briefings as early as possible to maximise the potential for local sourcing.

Australian Suppliers are given reasonable time in which to tender. Bid packages are sent to all bidders at the same time, and all Suppliers will have the same bid due dates.

An equitable Supplier evaluation and assessment is performed by APLNG or its Suppliers. This process is based on defined criteria, which will demonstrate potential Suppliers can satisfy the HSE, technical, financial, and quality system requirements of a material or service requirement while mitigating risk to the Project.

The following criteria are considered when selecting Suppliers for the bid list:

- a. Capability – evaluate through a Supplier questionnaire.
- b. Technical assessments – assess as-sold performance capability, value, quality, safety, whole-of-life support, environmental sustainability factors.
- c. Past performance – review of proven past track record in Contract performance to assess competence, management procedures and capability.
- d. Financial condition – prior three (3) years and recent financial data is analysed to determine the stability and adequacy of a Supplier's financial resources.

- e. Restricted Parties Screening List (RPL) Screenings – all prospective and potential bidders are screened and cleared based on the US import/export compliance procedures and requirements.

Reasonable – Tenders are free from non-market burdens that might rule out Australian industry. Analysis of Supplier qualifications is consistent amongst all interested Suppliers.

7.2 Supplier Types

This policy manages the supply of goods and services under the following categories:

- a. Single purchase or one-time supply;
- b. Multiple or ongoing supply.

7.3 Supplier Local Content Plan Obligations

Suppliers are required to:

- a. Adopt the 'full', 'fair' and 'reasonable' principles outlined in this policy and incorporate them into their own Local Content plan.
- b. Provide local industry with the opportunity to supply under the same terms, standards and conditions as existing supply chain partners
- c. Award Contracts and Purchase Orders on the basis of the best overall evaluated proposal, which includes 'due consideration' of direct and indirect cost factors such as reliability, maintainability, servicing, whole-of-life support, procurement administration costs, etc.
- d. Include performance measurement against local content plan, reporting and feedback mechanisms as part of Supplier and Sub-supplier arrangements.

7.4 Supplier Workforce Development Plan Obligations

The Workforce Development Plan will:

- a. Identify the skills required in the building, construction, equipment and services fabrication and supply, maintenance, operation and support to the Project.
- b. Arrange timely training and qualification arrangements to meet the needs of skills development to support all phases of the Project.
- c. Provide training and qualification systems to meet the requirements of the Australian Qualifications Framework.
- d. Maximise the inclusion of qualified local employment to support all phases of the Project.

Suppliers must submit Reports on employment, training and development detailing the types of skills developed, the number of courses delivered and the number of people trained.

7.5 Supplier Reporting Obligations

The Supplier and its Sub-suppliers are required to submit Reports on Local Content matters to APLNG. Reports must be in the APLNG format defined in Schedules 1-5 of this Policy or such other format as directed by APLNG eg an electronic reporting tool. All reports must be submitted within the APLNG specified timeframes.

The Supplier reporting obligations are in accordance with the following table.

Supplier Reporting Obligations								
Type of supply		Local Content Plan	Workforce Dvlpment Plan	Schedule				
				1	2	3	4	5
A	Single purchase or one-time supply less than AUD 5 million in value	No	No	x	x	x	x	x
B	Single purchase or one-time supply greater than AUD 5 million in value	No	No	x	✓	✓	x	✓
C	Multiple or ongoing supply less than AUD 5 million in value	No	No	x	x	x	x	x
D	Multiple or ongoing supply greater than AUD 5 million in value	Yes	Yes	✓	✓	✓	✓	✓
E	Supply of 100 % imported equipment (shipments greater than \$500,000 value for duty)	No	No	x	✓	x	x	x

All Report due dates are end of March, June, September and December for items lodged on the last day of the month. Reports must be submitted within ten (10) working days of the end of each relevant period.

Examples of reporting obligations

The following examples are provided as a guide to the application of the Supplier Reporting Obligations table.

Row A – Single purchase less than \$5 m

Example: A single ball valve valued at \$1.2 m is procured.

Row B – One time supply greater than \$5 m

Example: A one time supply of design services with a value more than \$5m.

Row C – Multiple supply less than \$5 m

Example: A number of separate Purchase Orders are struck to supply small fabricated metal components with a combined value of less than \$5 m.

Row C – Ongoing supply less than \$5 m

Example: Construction Services valued at \$3.9 m performed over a 16 month period.

Row D – Multiple supply greater than \$5 m

Example: Six separate Purchase Orders on the same company each for the supply of a single compressor valued at \$1 m. The combined value is greater than \$5 m.

Row D – Ongoing supply greater than \$5 m

Example: Construction Supervision Services performed over a period of 12 months.

Row E – 100 % imported supply greater than \$500 k

Example: The importation of a fabricated module with a customs value greater than \$500,000.

8. Key Success Factors

The key success factors are:

- a. Local Content policy is widely communicated and its value added benefits understood by appropriate project teams and Suppliers.
- b. Local Content terms and conditions are integrated into Project planning and design.
- c. Conformance with Local Content policy is given appropriate consideration in Contract and Purchase Order awards.
- d. Local Content policy is consistent with other Project objectives and aligned with broader sustainability objectives.
- e. APLNG will cooperate with government at all levels and communities to improve local industry participation, capability and competitiveness.

9. Policy Implementation

Achieving the policy implementation objective of maximising Local Content inherently means involving not only large companies but also small to medium enterprises (SMEs) within the scope of APLNG project procurement.

APLNG steps to assist this objective include:

- a. Packaging bid tenders in a manner that optimises local industry opportunities, without compromising Project risk or competitiveness.
- b. Preparing fair and reasonable Contract and equipment packages that are consistent with the capabilities of Australian industry.
- c. Use the services of ICN and government to establish joint ventures between capable SMEs.
- d. Give 'full', 'fair' and 'reasonable' consideration to local joint ventures who properly prepare and submit bids on tender packages.
- e. Provide feedback on the competitive performance of SMEs, directly to local participants in the supply chain.

10. APLNG Supplier Management

APLNG is committed to identifying and reporting on Local Content under its AIPP. Monitoring compliance to the AIPP Local Content plan is required of APLNG and its Suppliers.

For Suppliers, submission of quarterly project reports of progress is mandatory. The Supplier will establish a system to measure and Report the actual level of local industry participation in the Project.

The Supplier must furnish a Report in the form outlined in Annexure A in this document.

In instances where the Supplier engages other Sub-suppliers, the Supplier must impart all Local Content obligations, including reporting requirements to the Sub-supplier. Failure of

Sub-suppliers to provide required data in a timely manner shall not relieve Supplier of its obligations.

11. Accountabilities

APLNG accountabilities are as follows:

- a. The APLNG General Manager is responsible for the administration and interpretation of this policy.
- b. APLNG Project Management Team is accountable for the implementation of this policy. The APLNG Senior Local Content Advisor is responsible for Supplier Management.
- c. APLNG managers, supervisors and team leaders are responsible for the day-to-day management of this policy and all procedures arising from it, including specific Local Content activities.

12. Grievance and Dispute Resolution

Australia Pacific LNG has developed a Grievance and Disputes Resolution Policy which sets out the objectives and process for establishing an effective means by which all primary and secondary stakeholders have recourse to Australia Pacific LNG project for the resolution of a dispute, grievance or complaint. Such dispute, grievance or complaint may be associated with the product, facility and adjacent infrastructure, conduct of business with third party Suppliers, or with other stakeholder interests such as the provision of social infrastructure and community engagement mechanisms.

Australia Pacific LNG is committed to ensuring that any dispute, grievance or complaint is dealt with in a fair and objective manner. Australia Pacific LNG also aims to provide a range of contact avenues that will allow all stakeholder groups to have direct access to project personnel. The avenues currently available to contact the project in connection with a Local Content matter are:

Telephone hotline:	1800 526 369
Project website:	www.aplng.icn.org.au
Supplier Liaison Advisor	Tim McGrath ph 617 3028 5503
Training and development	Sue Horn ph 617 3867 0497

The detailed policy is available for stakeholders as requested and will be further refined through consultation with the Regional Community Consultative Committees once established.

Annexure A - Local Content Report

Q-LNG01-95-RP-0024

Company name:			
Purchase Order / Contract number:			
Day / Month:		Year:	

Local Content Obligations

In accordance with the Suppliers Reporting Obligations table¹, all Suppliers and their Sub-suppliers are required to submit an Australian Content Plan and a Workforce Development Plan for APLNG's review. For the purpose of the policy reporting framework, the Workforce Development Plan will form part of the Local Content Plan reporting responsibilities.

Regular reporting requirements on Local Content matters are incorporated into the APLNG reporting framework.

The primary Local Content obligations are:

- Suppliers must adopt the 'full', 'fair' and 'reasonable' principles outlined in APLNG's Local Content Policy and incorporate these principles into their own Local Content plan.
- Suppliers are required to provide local industry with the same opportunity as global Suppliers to compete on an equal and transparent basis.
- Contracts and Purchase Orders must give due consideration of direct and indirect cost factors such as reliability, maintainability, whole-of-life costing, servicing, procurement administration costs, etc.
- Sub-supplier arrangements must include performance measurement, reporting and feedback mechanisms.

¹ Refer section 7.5, page 8

Actions

- Suppliers to submit the following Reports:

Supplier Reporting Obligations								
Type of supply		Local Content Plan	Workforce Dvlpment Plan	Schedule				
				1	2	3	4	5
A	Single purchase or one-time supply less than AUD 5 million in value	No	No	x	x	x	x	x
B	Single purchase or one-time supply greater than AUD 5 million in value	No	No	x	✓	✓	x	✓
C	Multiple or ongoing supply less than AUD 5 million in value	No	No	x	x	x	x	x
D	Multiple or ongoing supply greater than AUD 5 million in value	Yes	Yes	✓	✓	✓	✓	✓
E	Supply of 100 % imported equipment (shipments greater than \$500,000 value for duty)	No	No	x	✓	x	x	x

- All Report due dates are end of March, June, September and December for items lodged on the last day of the month. Reports must be submitted within ten (10) working days of the end of each relevant period.

- Provide additional sheets if the space provided is insufficient.

- Deliver the Report to:

**Senior Local Content Advisor
Australia Pacific LNG
GPO Box 148
Brisbane, QLD 4001**

Schedule 1 Report: Local Content Plan Progress (Multiple supply)

Provide details of actions / activities completed or delivered during the period. (If insufficient space, please attach additional pages.)

1. Company **communication strategy** for the effective transfer of information on opportunities to Australian industry along sub-contracting chains

2. Strategies to **incorporate Australian industry** through all tiers of the supply chain and in all stages of the Project i.e. through design, procurement, construction, operation and whole-of-life support.

Please list the Sub-suppliers engaged, the value of the Purchase Order or Contract and the Supplier's postcode.

3. **Opportunities for Australian industry** to supply key components of functional units.

4. Opportunities for **longer-term participation** by Australian industry on a commercial basis.

All Report due dates are end of March, June, September and December for items lodged on the last day of the month. Reports must be submitted within ten (10) working days of the end of each relevant period.

NOTE: Verifiable documentation or other form of proof may be requested to support this Progress Report. Documentation or other form of proof may take the form of Contracts, reports, media coverage, government or commercial statistics and correspondence.

Schedule 2 Report: Project Equipment

Please provide a breakdown of the equipment supplied to the Project by your company during the period.

- Equipment includes goods, plant, machinery, components and parts for incorporation into the Project.
- The cost of material service / maintenance provided by Australian based companies should be included as Australian content.

This schedule seeks to identify and quantify Local Content and the imported content of equipment including the location in Australia where work was undertaken.

Description (in relation to package number)	APLNG package number	Imported content in AUD	Australian content in AUD	Australian location postcode
Documentation or other form of proof:				

Notes:

- Documentation or other form of proof should include Sub-suppliers name and postcode.
- Documentation or other form of proof in respect to imported equipment should include the Customs Authority to Deal reference number or a copy of that document along with the date of importation.
- Documentation or other form of proof in respect to locally supplied equipment includes Purchase Order / invoice numbers.
- A separate sheet may be provided for each type or piece of equipment as appropriate.
- Costs in AUD should be GST inclusive.
- Value of content is based on spend NOT commitment.

Schedule 3 Report: Services

Please provide a breakdown of the value of services supplied to the Project by your company.

Project Services does NOT include training and development provided to Project personnel, to your personnel or delivered on behalf of the Project. This aspect is covered in **Schedule 4** herein.

This schedule seeks to identify and quantify Local Content and the imported content of services including the location in Australia where work was undertaken. Please note the site location (column 3) is the place where the work is performed NOT the billing address.

Description	APLNG package number	Site Location postcode	Australian content in AUD	Imported content in AUD
Documentation or other form of proof:				

Notes:

- Documentation or other form of proof should include Sub-suppliers name and postcode.
- Documentation or other form of proof in respect to locally supplied services includes Purchase Order / invoice numbers.
- Costs in AUD should be GST inclusive.
- Value of content is based on spend NOT commitment.

Schedule 4 Report: Project Employment

Please provide a breakdown of the total employment generated in Australia due to your company's involvement with the Project. Employment includes full time, part time, temporary and contract positions created / necessary to fulfill a Project related Contract or Purchase Order. All employment must be Project related.

This schedule seeks to identify the employment generated, the value of that employment including its source or location in Australia.

(Please provide breakdown of all employees either Australian or non-Australian.)

Job categories eg electrician	Your APLNG package number	Total number of employees	Australian residents	Non-Australian	
				Non-resident	Number of 457s

Notes:

- The term non-resident refers to workers with appropriate skills and work visa who have arrived in Australia independently and are legally available to work.
- 457's refers to workers who have undergone the appropriate visa process for sponsored workers to come to Australia.

Please combine new employee and existing employee data

If information is available, please indicate the number of new employees who have self-identified as Aboriginal, Torres Strait or South Sea Islanders.

Summary

This Local Content Report deals with obligations and responsibilities conferred under the company's Contract or Purchase Order with Australia Pacific LNG, one of its Suppliers or Sub-suppliers.

Submission of this report confirms that:

- The company has done everything required to satisfy the Local Content requirements as approved by Australia Pacific LNG.
- The company has done everything required to satisfy the requirements of its approved Workforce Development Plan.
- There are no significant deviations from the Contract or Purchase Order signed with APLNG, its Supplier or Sub-supplier as the case may be in relation to Local Content issues, or significant operational changes that have not been notified to Australia Pacific LNG.

Queries about how to complete this Report or any other Local Content issues or concerns are to be directed to Tom Curtis on 617 3867 0035.