

Broadleaf provides supplier liability estimates that are:

- Risk-based, in compliance with AS/NZS4360 and ISO31000:2009
- Adjusted to your agency's risk appetite
- Likely to shorten contract negotiations;
- Opportunities for lower contract pricings
- Opportunities for lower contractual insurances

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Supplier Liability

Risk-Based Limitation

With Government procurement and financial policy dictating a detailed assessment of risks prior to agreeing a liability limit, and industry demanding more realistic liability limits in their contracts, Broadleaf has the ideal solution to ensure both parties can achieve their objectives.

Broadleaf's supplier liability risk assessment process is an innovative, practical and effective means of estimating an appropriate limit of supplier liability in Government contracts.

Our process results in a number of critical benefits including reduced negotiation time-frames, no unnecessary insurance levels and overall reductions in contract value. The process takes into account the nature of the proposed contract, the risks involved, and the Government's exposure to financial loss or damages.

We have developed this process with many clients over the

past five years in response to specific Federal and State Government's needs. The result is a process that protects the Government's financial interests and accurately reflects the actual risks in delivering the required material and services.

Recent changes to the Commonwealth Procurement Guidelines and financial policy guidance have reinforced the need for Agencies to conduct effective risk assessments prior to negotiating a limit of supplier liability.

Based on the Australia/New Zealand Standard 4360:2004 – Risk Management, and the soon-to-be released Standard ISO31000:2009 Risk Management, the Broadleaf supplier liability risk assessment process provides a disciplined and defensible approach to estimating supplier liability limits.

The process is future proofed for ISO31000:2009 and has the additional benefits of improving



Commonwealth Government Guide to Limiting Supplier Liability in ICT Contracts with Australian Government Agencies.

the understanding of the risks and required risk treatments for public contracts.

Limiting a Contractor's Liability to the Commonwealth

Article 6.12

Agencies must undertake a risk assessment to inform any decision about whether limiting a contractor's liability through a liability cap or indemnity would be appropriate, and if so, what limits may be suitable.

*This approach is consistent with the broader financial management framework that provides for agencies to consider all contingent liability matters in the context of **sound risk and contract management practices.***



Traditional Problems with Limiting Supplier Liability

Australian Government organisations have traditionally sought to apply unlimited liability to their contractors and many Government contract templates include such provisions. Indeed, the Commonwealth Procurement Guidelines have previously mandated unlimited liability unless there compelling reason to do otherwise.

This has lead to a range of problems in Government procurement, including:

- Inability of many small-to-medium enterprises to

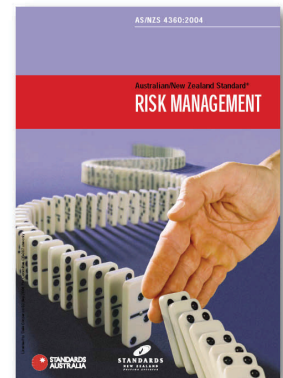
obtain insurance coverage for unlimited liability, resulting in their inability to tender for Government work;

- Unwillingness of small-to-medium enterprises to take on unlimited liabilities;
- Protracted and sometimes frustrated negotiations over the level of supplier liability;
- Where unlimited liability is agreed, the high costs of insurance are generally passed through to the Government as part of the

contract price; and

- Negotiated limits of supplier liability are often not consistent with the actual risks associated with the contract in question.

Recent changes to the Commonwealth Procurement Guidelines and Government financial policy now allow for the limitation of supplier liability as long as the estimate is supported by a risk assessment and a risk management plan. This is a significant change to how supplier liability is estimated and applied.



Australian and New Zealand Standard for Risk Management, AS/NZS4360:2004

A Success Story

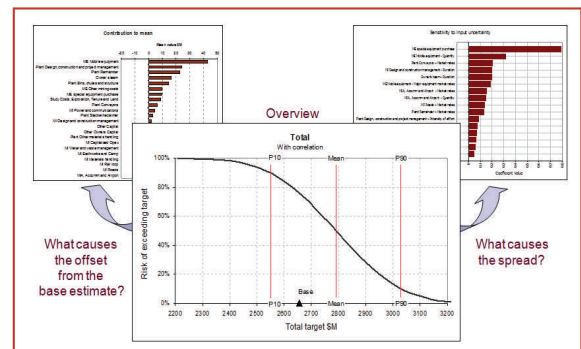
With the advent of the new procurement and financial policies, and a strong desire by Government and industry to set supplier liability limits at more appropriate levels, the requirement arose for a process and methodology that meets practical and policy objectives.

For the past five years, Broadleaf has lead the way in this field.

Commencing with a select number of large Government contracts that had special needs for estimating supplier liability limits, Broadleaf adapted its qualitative risk assessment process to give a quantitative framework that

is tailor-made for contract liability assessment.

This new quantitative approach combines the best of the AS/NZS4360:2004 processes with an in-depth understanding of contract liability risks and scenarios, tailored to individual contract requirements and specificities.



Broadleaf’s Supplier Liability Risk Assessment Process

The Broadleaf supplier liability risk assessment process has been developed and refined through experience with a range of Government departments and agencies. It delivers faster and more successful negotiations, reduced insurance levels and lower contract values.

On each assignment we have worked closely with procurement and legal staff to deliver a product that is tailored to meet their needs.

In brief, our process offers the following:

- Based on AS/NZ4360 and the new ISO31000:2009;
- Tailored to specific contracts;
- Leverages off qualitative risk assessments;
- Allows the Government agency flexibility in terms of level of confidence;
- Takes advantage of Agency domain knowledge and subject matter experts;
- Applies a database of well

established and common supplier liability scenarios as a starting point for the risk assessment;

- Provides consistent and defensible results;
- Meets or exceeds requirements of the CPGs, finance policy and Reg 10;
- Leads to a cost effective limit of supplier liability that reflects actual risks in the contract; and
- Reduces contract negotiation significantly.

“Broadleaf evolved its qualitative risk assessment processes into a quantitative framework that combines the best of AS/NZS:4360 with in-depth understanding of contract liability risks and scenarios”

About Broadleaf

Broadleaf is acknowledged as a global leader in risk management consulting, having played a decisive role the development of Australian and international risk management standards over the past 15 years and worked at the leading edge of the risk management discipline in theory and concepts, benchmarking, practical implementation, training and mentoring.

Included in the Broadleaf ranks are past and present members of the Standards Australia risk management committee and sub-committees, and the current nominated Australian expert on the international working group that has developed the soon to be released ISO31000:2009 risk management standard.

The Broadleaf Supplier Liability Risk Assessment process is a highly capable risk assessment framework that has been developed and refined by working with many Government departments over the past year to meet a wide range of exacting procurement and contracting requirements. Broadleaf has worked closely with Agency procurement, legal and business staff to deliver a process that accurately meets their needs.

Broadleaf

Broadleaf's Senior Canberra Staff

Phil Walker

Phil has extensive experience and practical expertise in the development and use of risk management processes to support large and complex Government projects and contracts. He has worked closely with many Government agencies in developing risk assessment processes associated with estimating supplier liability

Phil is an experienced project manager with relevant tertiary qualifications in this field, who worked in the Public Service for 22 years where he successfully managed a number of billion dollar projects in the Department of Defence. He has 10 years experience as a risk management consultant and co-authored 'Project Risk Management Guidelines: Managing Risk in Large Projects and Complex Procurements,' published by John Wiley & Sons in 2005.

Dennis Goodwin

Dennis has a Master of Business Administration, majoring in Project Management, and a Diploma in Risk Management. He has more than 30 years' experience in the Australian Public Service, a large number which were in senior management positions.

Sine 1994, Dennis has been an active member of the Standards Australia Committee that developed the Australia/New Zealand Standard for Risk Management AS/NZS4360:2004. He is also an editor of the 'Guidelines for Managing Risk in the Australian and New Zealand Public Sector', and lead editor of the 'Guidelines for Managing Risk in Outsourcing' and 'Guidelines for Managing Risk in Sport and Recreation'.

Dennis is a member of the Australasian Institute of Risk Management, and has been a consultant in risk management since 2000.

Dr Sam Beckett

Sam has more than 15 years' experience in risk management, and has worked in senior management roles with the Australian and United States' Departments of Agriculture. He drafted Australia's Guidelines for Import Risk Analysis and provided the risk management methodology support for the Commonwealth's successful landmark court case on the importation of pig meat.

Sam has a PhD in risk management and nationally recognized expertise in quantitative and spatial risk modelling. As a risk management consultant he continues to work closely with a range of commonwealth, state and local Government agencies. Sam is an experienced facilitator, and a part-time lecturer in risk management at the University of Sydney. He was for 5 years the Head Examiner in epidemiology for Australian College of Veterinary Scientists.

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