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# ***A.P. MOLLER – MAERSK E-AUCTION GUIDELINE***



For input on guideline please contact:  
[cphmproeso@maersk.com](mailto:cphmproeso@maersk.com)



**MAERSK**

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# A.P. Moller – Maersk Guideline for E-Auctions

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## 1. Purpose of this guideline

To inform third parties about how A. P. Moller – Maersk (APMM) executes E-Auctions for procurement of goods and services with regards to process, awarding principles, confidentiality, the binding nature of placed bids, etc.

All Third parties as well as APMM employees are to comply with the guideline to ensure E-Auctions are executed in a fair, efficient and transparent way for all parties.

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## 2. Scope of E-Auctions

All categories are in scope for negotiation via E-Auction. E-Auctions can be applied to negotiate commodity-type goods as well as more complex goods and services with highly engineered specifications and with direct impact on business operations.

E-Auctions have proved to be a successful enabler in the negotiation of direct and indirect goods and services within APMM. It is therefore the aim of APMM to assess the feasibility of E-Auctions as a support mechanism for all final commercial negotiations and to conduct E-Auctions whenever feasible.

In complex spend categories where more parameters than price influences the final decision (e.g. quality, terms, service level, etc), APMM will always include these parameters in the auction as a part of a total value model to ensure apples-to apples comparison of bids from all participants. The use of E-Auctions as negotiation method is one step in a comprehensive tender process in which is executed in close dialogue with our suppliers to identify their total value proposition.

It is not the intent to reduce the level of communication or interaction with Third parties as a result of use of E-Auctions. E-Auctions will provide one additional channel for facilitating interaction with our Third parties and will not replace traditional means of communication and interaction.

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### 3. Our Principles

APMM aims to maintain the highest level of professionalism and ethics in the use of E-Auctions. To ensure this, all E-Auctions done by APMM will comply to our five principles for conducting E-Auctions:

- I. **E-Auctions are only applied when true competition exists**  
APMM will only make use of E-Auctions in truly competitive market situations
  
- II. **Awarding principles are developed prior to the E-Auction and shared with suppliers**  
So all know the scope of the E-Auction beforehand
  
- III. **APMM will honour the outcome of the E-Auction in accordance with awarding principle outlined from the beginning**  
Unless a problem has occurred preventing a fair process for all participants
  
- IV. **Only pre-qualified bidders are invited to the E-Auction**  
All suppliers invited and accepting terms of the E-Auctions has been pre-approved technically and has a chance of winning the business
  
- V. **Whenever possible a value model including non-price factors will be included in the E-Auction**  
To ensure a fair competition with apple-to-apple comparison between different supplier bids. APMM recognizes that a difference exist in both quality and service level and a total value approach will ensure that superior quality and service level are rewarded with a positive handicap in the E-Auction.

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## 4. Roles and responsibilities

### **APMM Spend owner:**

The spend owner is responsible for the acquisition of goods and services and the process applied for this including ensuring compliance to this guideline when E-Auctions are used.

### **Global E-Sourcing Team:**

APMM has a dedicated team responsible for execution and support of E-Auctions. The team provides support and guidance for both third parties as well as internal APMM stakeholders to ensure an efficient process that are executed in fairness and in accordance with the guideline outlined and APMM values. The E-Sourcing team will ensure that all third parties are offered a training session prior to participation in an E-Auction to ensure clarity on how the technology is working.

The E-Sourcing team will monitor all E-Auctions and address any unexpected issues taking place preventing the e-auction process from concluding in accordance with this guideline.

### **E-Auction Process Owner:**

The Global E-Sourcing team in APMM is responsible for the E-Auction process and guideline including compliance to same. The Global E-Sourcing Manager is first level of escalation regarding compliance to the E-Auction guideline.

### **Third party (supplier):**

Any third party participating in an E-Auction conducted by APMM is responsible for familiarizing themselves with this guideline and the technology applied in the E-Auction. Any questions on the E-Auction should be raised prior to the E-Auction taking place and any unclarity during or after the E-Auction should immediately be brought to the attention of the E-Sourcing team and/or APMM Spend owner.

### **E-Auction platform provider:**

APMM uses third party technology to execute E-Auctions. This third party keeps an audit trail of actions done during live E-Auctions. Any third party participating in an E-Auction can request an audit by the technology provider of an E-Auction it has participated in to ensure a fair and transparent process.

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## 5. Fairness in the process

An event invitation outlining the process of the E-Auction will be sent to the invited participants with adequate time to understand and address any questions or concerns. The same information will be issued to all bidding Third Parties.

Participants will be offered introduction and training to the E-Auction platform to ensure all participants are familiar with how to operate the system as well as the rules of the specific E-Auction type and set-up. While recognizing that various suppliers have different levels of familiarity with technology it is the ambition of APMM that all suppliers become equally capable of understanding the E-Auction platform and that all suppliers feel comfortable using it.

During an E-Auction a supplier facing technical difficulties must contact APMM immediately and document the problem (e.g. via screen shots). Contact persons are provided before every e-auction event by APMM.

Any commercial unclarity that arises during the E-Auction should similarly be addressed immediately by contacting APMM.

After an E-Auction there will be a review period specified in the invitation to the e-auction event where suppliers can make APMM aware of any technical difficulty experienced during the last minutes of the E-Auction preventing the participant from placing a bid. Contact to APMM should happen immediately when a technical problem occurs and within the E-Auction review period.

No commercial negotiations with Third Parties will take place after the E-Auction event has been concluded or take place in parallel during an E-Auction on the scope of the E-Auction outlined in the awarding principles. In the situation where the E-Auction ends without a valid result (e.g. technical issues preventing suppliers from bidding or e-auction price not reaching Reserve price level) as outlined prior to the E-Auction, APMM reserves the right to re-run the E-Auction or conduct additional negotiations off-line.

In the event one or more participating suppliers make APMM aware of technical challenges during an E-Auction APMM reserves the right to re-run the E-Auction to ensure a fair process for all participants.

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## 6. Awarding principles

The process and criteria's for awarding the business will be set by APMM prior to any E-Auction. All criteria beyond price that plays a role in the overall decision-making will be determined beforehand by APMM to ensure an objective negotiation/E-Auction and the awarding principles in general must be set and clear for all participants prior to the E-Auction.

Awarding principles may vary between e-auctions and there is no guarantee that the winner of the E-Auction gets 100% of the business unless clearly stated in awarding principles shared with the suppliers upfront.

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## 7. Awarding of business

APMM will honour the result of the E-Auction as outlined in the awarding principles set prior to the E-Auction as long as the e-auction has been executed fairly and in accordance with this guideline.

When the E-Auction is done the winner(s) will be contacted directly regarding awarding of the business and/or next steps in the process outlined in the beginning of the E-Auction process.

All participating suppliers receive a notification after the E-Auction to confirm that the E-Auction process is done.

All bids placed in the E-Auction are considered binding for the supplier. If a supplier are not honoring a winning bid it will lead to disqualification from the E-Auction and APMM reserve the right to award business to second best offer or re-run the E-Auction. No supplier will be allowed to place a second bid outside the E-Auction in the event a winning bid are not honored by the supplier. It may lead to termination of the business relationship with APMM if a supplier is not honoring bids placed in the E-Auction.

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## 8. Confidentiality of information

APMM will maintain security and confidentiality in the handling of data. Anonymity will be assured with regard to the bidding information of Third Parties during any E-Auction.

Confidentiality of information is also expected from suppliers. No information related to the E-Auction provided by APMM before, under or after the e-auction shall be disclosed to any other party. Access to the web-based technology platform is limited to those suppliers invited to the event by APMM.

Attempts to share information with other participants in the E-Auction will lead to exclusion and may result in termination of the business relationship with APMM.

Any kind of publicity related to the E-Auction that APMM has conducted or any reference to the said process may not be issued without the previous consent of APMM.

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## 9. Expectations to suppliers

APMM expect suppliers to understand the E-Auction process and rules before entering any E-Auction. All uncertainties must be addressed by the supplier before participating in an E-Auction. The responsibility remains with supplier contact person to make sure that he/she is able to make full use of the E-Auction platform for the intended purpose.

It is expected that the bidder from the Third Party has the authority to submit a binding offer(s) on behalf of his/her company during any e-auction.

APMM recommend suppliers to set their bid-strategy for the E-Auction upfront to ensure all bids placed during the E-Auction are based on conscious choice and a sustainable business strategy.

We advise suppliers not to allow sound business judgment to be clouded by the emotion that can arise in such a competitive environment, thus compromising their ability to honor the offers made in a contract.

All suppliers are expected to make APMM aware of any inexpediency in the E-Auction set-up or process prior or during the E-Auction so the E-Auction is conducted in accordance with the intent of it.

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## 10. Compliance

All participating suppliers and APMM employees are required to comply with this E-Auction guideline.

Evident and persistent attempts of violating the E-Auction guideline and the intent of it - to apply E-Auctions as a fair and transparent negotiation method - may lead to a termination in the business relationship.

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