



SDP Procurement Policy



Sydney Desalination Plant Pty Limited

ACN 125 935 177
Suite 19, Level 17
Australia Square
264 George Street
Sydney NSW 2000

Phone: +61 2 8599 8534
Website: www.sydneydesal.com.au

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4.0	March 2022	SPM	Updated Modern Slavery requirements to reflect commitments in our Modern Slavery Statement and included a section on Changes to O&M Agreement
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1. Purpose

The purpose of the Sydney Desalination **Plant** Pty Limited (SDP) Procurement Policy is to outline the actions and responsibilities for carrying out procurement on behalf of SDP.

This document should be read in conjunction with the SDP Delegation of Authority Policy, SDP Risk Management Policy and SDP Code of Conduct.

2. Scope

This policy applies to the procurement of all third party supplied goods and services for the following entities:

- Sydney Desalination Plant Pty Limited;
- SDP Pipeline Trust;
- SDP Pipeline Hold Trust;
- SDP Assets Hold Trust;
- SDP Assets Trust;
- SDP Finco Pty Ltd; and
- SDP Holdco Pty Ltd.

SDP operates on a predominantly outsourced basis, with the majority of SDP's procurement activity relating to professional services and general office supplies. SDP has several high value, longer term contracts including its O&M Agreement, energy (including the procurement of electricity and renewable energy certificates) and financing arrangements that are procured less regularly. Procurement of these items is subject to the provisions of this Policy, however each requires the specific approval of their procurement strategies by the SDP Board.

This policy covers all procurement activities conducted by authorised employees (full time, part time, temporary or casual and contractors) whose delegated authority confers certain approvals to purchase, order, provide, manage and dispose of goods and services for and on behalf of SDP.



3. Key Terms and Definitions

- **Contract:** a legally enforceable agreement between SDP and a supplier of goods and/or services which may take the form of a formal written agreement, verbal agreement or contract by performance whereby SDP's actions provide evidence that a contract should be inferred. The form of the contract may vary based on whether SDP elect to establish a period supply contract, panel arrangement, or such other such contractual mechanism.
- **Contract Management:** the structured process of securing planned commercial, quality, service, roll-out program and risk mitigation benefits from the executed supply contract by effective administration of contract terms and conditions including variations, extension and termination.
- **Delegation of Authority:** the maximum amount to which an individual employee may commit funds in any one transaction as outlined in the SDP Delegation of Authority Policy.
- **Minimum Policy Requirements:** the processes and requirements applying to procurements of certain expenditure values or risk profiles.
- **O&M Agreement:** Agreement with an outsourced third party operator to undertake the primary operations and maintenance activities for the SDP facilities.
- **Order Value:** the value of each item or service being procured through a designated SDP procurement method. Where multiple orders may be generated for a single contract, the value to be tested for the appropriate delegation of authority limit is the total forecast value over the contract term (may be over multiple years).
- **Preferred Supplier:** a Supplier that allows SDP staff to periodically purchase specific goods or services from the contracted supplier for SDP business activities. This includes any suppliers that SDP shareholders have agreed that also provide SDP with preferential supplier arrangements. A list of the Preferred Suppliers is set out in the SDP Contract Register. A Preferred Supplier is one that meets at least one of the criteria set out in the Exemptions section of the Policy. The basis for an employee determining a Supplier as a Preferred Supplier is required to be documented by an employee authorised under the SDP Delegation of Authority Policy for the level of expenditure required.
- **Procurement:** the acquisition of goods or services at the best possible total cost required to fulfil SDP business activity requirements.
- **SDP Purchaser:** anyone who procures goods or services on behalf of SDP. They include, but are not limited to:
 - Staff, including casuals that are expressly authorised in writing by SDP to procure goods and services on behalf of SDP;
 - SDP Board members and members of the SDP executive team; and
 - Consultants or contractors that are expressly authorised in writing by SDP to procure goods and services on behalf of SDP.
- **Statement of Work (SOW):** a formal document that captures and defines the work activities, deliverables and timeline a vendor will execute against in performance of specified work for a customer. Detailed requirements and pricing are usually included in the Statement of Work, along with required terms and conditions, including a confidentiality deed.
- **Supplier:** a third party organisation that has been selected based on best value, service and mitigated risk strategies via a procurement process to supply goods or services to SDP.



4. Fundamental Principles

Vision

“Maximising value for money and mitigating risk while satisfying business requirements”

Core Objectives

The key objectives of procurement within SDP are to:

- Achieve value for money
- Encourage sustainable competition
- Demonstrate probity, ethical behaviour, and accountability
- Make efficient and effective use of resources
- Mitigate risk
- Manage environmental and Work, Health and Safety(WHS) considerations
- Comply with, and promote the purposes of, the *Modern Slavery Act 2018* (Cth) and other similar legislation

Achieve value for money

The delivery of value for money commercial outcomes is a prime aim for all procurement actions. Value for money means achievement of the lowest whole of life costs consistent with the SDP procurement vision, core objectives and desired business outcomes. Value for money will be determined by taking into account factors such as:

- Future requirements profile
- Price
- Quality (fitness for purpose)
- Reliability
- Timeliness
- Delivery

Encourage sustainable competition

SDP will encourage and support the best and most capable companies to compete for SDP business. This will be achieved by, amongst other things, advance supply planning, supply market analysis, clear and transparent market test processes, appropriate allocation of business resources, industry communications, probity and professional procurement action. The objective is to ensure there is competition amongst capable suppliers for SDP business, thereby promoting SDP’s economic interests.



Demonstrate probity, ethical behaviour, and accountability

SDP's employees and Suppliers are required to maintain high standards of integrity, probity, behaviour and ethical conduct in all procurement actions. Adherence to such standards must at all times be readily and objectively demonstrable. Evidenced through actions including but not limited to:

- Adopting an appropriately competitive process with clear selection criteria
- Fair, impartial and consistent dealings with all Suppliers
- Consistency and transparency of process
- Identification and management of conflicts of interest
- Maintaining confidentiality of information
- Ensuring full compliance with all relevant legislation
- Acceptance of personal accountability
- Strictly applying the delegation of authorities
- Creating, maintaining and securely retaining appropriate records
- Adopting a strong complaint and resolution management process
- Complying with SDP Policies

Use resources in an efficient and effective manner

Achievement of effective and efficient business outcomes will require:

- Selection of a procurement process that is consistent with the aims of the Procurement Policy, while being most appropriate for the specific circumstances and desired supply objectives
- Monitoring and implementing continuous improvements in these processes over time to minimise any unnecessary transactional, administrative or other costs associated with the procurement of goods and services.

Mitigate risk

Procurement decisions are to be fact based, taking account of current and forecast market conditions, potential risks including financial, contractual, regulatory, relationship, supply, and quality risks. Key considerations in all procurement actions are:

- a) mitigating risks arising from all areas of the business, and across the lifecycle of procurement; and
- b) optimising the balance between risk and reward in accordance with the SDP risk profile.

Address environmental and WHS considerations

Delivery of good practice environmental and work health and safety outcomes is integral to all SDP procurement actions.



SDP is focussed on reducing its Greenhouse Gas (GHG) emissions. When considering any future material (cost, size and/or impact on GHG emissions) procurement of a good or service, SDP will ask suppliers whether they are measuring, reporting and taking steps to reduce emissions. This will allow us to better understand GHG emissions in our supply chains and where emissions reduction potential could be high.

Using this information SDP will develop for implementation in 2023, structured questions regarding GHG emissions as part of supplier programs that take into account in the selection process any material differences in GHG emissions between alternate suppliers, or alternate products.

In most cases SDP (and its Operator) are constrained by the choice of products (e.g. specific chemicals) and specialised services (e.g. pump overhaul specialists). SDP manages its most emissions intensive processes through the structure of our contracts with our Operator which incentivise efficiencies in the consumption of chemicals and disposal of treatment residuals (>90% of Scope 3 emissions) and the consumption of energy.

Where possible, SDP will procure its goods and services from local suppliers.

5. Modern Slavery

SDP is committed to reducing the risk of modern slavery occurring within its own business, infiltrating its supply chains or through other business relationships. In pursuing this goal, SDP will endeavour to only do business with organisations who fully comply with our modern slavery policy, or those who are taking demonstrated and verifiable steps towards achieving compliance with the Modern Slavery Act 2018 (Cth) (MSA).

This policy will be used to measure and inform any statement on modern slavery that SDP volunteers or is required to produce for the purposes of compliance with the MSA.

What Do We Mean by Modern Slavery?

Modern slavery refers to any conduct involving the use of slavery, servitude, forced labour, human trafficking or debt bondage. The meaning of these terms are as follows::

- *Slavery* - where ownership is exercised over an individual (including where such a condition results from a debt or contract made by the person);
- *Servitude or forced labour* - involving the provision of labour or services, not voluntarily performed or obtained from a person unable to cease providing those services, whether because of the use of coercion, threat or deception and/or a deprivation of personal freedom;
- *Human trafficking* - including the recruitment or transportation or facilitating the travel of another, through threat, coercion or deception with a view to exploiting them;
- *Debt bondage* – where a person is obliged or pledged to provide work or services to discharge a debt, which is manifestly excessive, the value of the work not applied to the debt or otherwise open-ended

This is not an exhaustive list, but generally, all forms of modern slavery involve the deprivation of a person's liberty by another in order to exploit them for commercial or personal gain and amount to a violation of an individual's fundamental human rights.



Tackling this issue requires everyone to play a part and remain alert to the risk of modern slavery in all aspects of our everyday business and business relationships.

How SDP seeks to embed modern slavery policies in practice

To underpin the commitments laid out in this policy, SDP aims to implement the following measures:

1. continue to obtain and follow advice regarding our obligations under the MSA;
2. continue to review and assess existing supplier terms and our contractual documentation to update and incorporate specific prohibitions against and undertakings in respect of modern slavery where necessary to address modern slavery risks, in line with this policy;
3. continue to engage with our existing suppliers through questionnaires or otherwise to improve our understanding of modern slavery risks;
4. When engaging new suppliers in assessed medium to high risk industries that we engage through contract or agreements, seek to strengthen our due diligence undertaking through requiring that new suppliers :
 - accept model clauses (see Addendum 2 - Modern Slavery Model Clause) addressing modern slavery and human rights issues in these contracts or agreements, and
 - complete SDP's modern slavery due diligence questionnaire (see Addendum 1 - Modern Slavery Due Diligence Questionnaire) to raise awareness of modern slavery issues and to allow us to better assess and address modern slavery risks.



6. Governance Structure

Structure

Governance of the procurement process will be applied using a hierarchical, rule-based structure through which management oversight is exercised to ensure adherence to SDP's fundamental procurement principles.

The key decision rights and roles of the governance structure are outlined below.

SDP Board

The SDP Board acts as the overarching governance body for procurement and is charged with the provision of strategic direction and governance to the process of procurement within SDP. This includes approval of the Procurement Policy, to ensure that all procurement activity is in line with these requirements and supports delivery of SDP's overall corporate strategy.

The role of the SDP Board shall include but not be limited to:

- Review and sign-off on the SDP Procurement Policy
- Sponsorship of strategic procurement improvements
- Approval of tailored procurement strategies for the O&M Agreement, energy and financing arrangements.

Chief Financial Officer

The Chief Financial Officer is responsible for the commercial outcomes from procurement actions and ensuring adherence to the Procurement Policy to support delivery of SDP's vision and core objectives for procurement.

The role of the Chief Financial Officer is to:

- Provide leadership, direction and guidance to employees on procurement matters
- Lead the development and implementation of procurement policies and procedures
- Lead strategic procurement actions to facilitate the establishment of contracts for the business to use
- Management of the procurement governance framework, including a monitoring process and recommending remedial interventions for non-compliance
- Support employees as required to directly undertake procurement actions for routine spend categories, manage purchase transactions, make payments and monitor operational contract performance
- Improve SDP's overall procurement capability and performance

The CFO may delegate specific actions arising from the responsibilities above to other SDP staff.



SDP Procurement Committee

The SDP Procurement Committee will be established as required to provide support to employees involved in Medium Value and High Value Procurement. Procurement Committee composition is summarised in Table 6.1:

Table 6.1 – Procurement Committee composition

Committee Members	Medium Value Procurement	High Value Procurement
Total expenditure level OR risk profile	\$50k - \$500k (excl. GST)	>\$500k (excl. GST)
	Medium	High
CEO	No	Yes
CFO	Yes	Yes
SDP Purchaser	Yes	Yes
One Other Employee	Yes	No

The Board is the relevant Procurement Committee for contracts exceeding the CEO's delegation as specified in the SDP Delegation of Authority Policy.

The role of the SDP Procurement Committee is to

- Provide technical and business input to support procurement actions undertaken by the SDP Purchaser;
- Review contract terms relating to Medium Value and High Value procurements; and
- Approve Medium Value and High Value procurements.

Employees

Employees are responsible for directly managing transactional and operational purchasing activities and also providing technical and business input to assessment of the Procurement Committee.

All employees are responsible for adhering to relevant policy and procedures for procurement activities undertaken in accordance with their delegations of authority.



7. Procurement Process

O&M Agreements

The majority of SDP's capital works is undertaken by the Operator under the O&M Agreements. The Operator engages the suppliers and service providers directly and SDP reimburse these costs through a Change Order issued under the existing contract. The SDP Capital Works Procedure outlines the actions and responsibilities for this type of engagement.

The Operator's procurement process is consistent with the SDP Procurement Policy.

Source to Contract

Source to Contract is the sequence of procurement activities that will lead to the selection of a preferred supplier and establishment of an appropriate method of commitment e.g. a signed contract. It involves securing approval of the planned procurement based on the expenditure/risk profile, documenting the technical specification, engaging the supply market and signing a robust supply contract or other instrument.

Financial delegations

Only those persons delegated by specific written authority are authorised to commit SDP to expenditure on materials, equipment, supplies or services, or to requisition inventory. No other individuals are authorised to commit on behalf of SDP for these purposes.

Authorised expenditure and responsibility levels delegated to employees are set out in the SDP Delegation of Authority Policy.

Minimum Policy Requirements

Procurement activity is defined within SDP's procurement framework as being:

- Low value procurement: between \$1,000 and \$50,000 in value and low risk;
- Medium value procurement: between \$50,000 and \$500,000 inclusive in value and medium risk; and
- High value procurement: greater than \$500,000 in value or high risk.

Table 7.1 below outlines the Minimum Policy Requirements applying to procurements of different expenditure and risk levels within SDP.

Table 7.1 - Minimum Policy Requirements

Policy requirement	Low Value Procurement	Medium Value Procurement	High Value Procurement
Total expenditure level OR risk profile	\$1k - \$50k (excl. GST) Low	\$50k - \$500k (excl. GST) Medium	>\$500k (excl. GST) High
Are SDP Purchasers required to involve SDP Procurement Committee?	No, unless: <ul style="list-style-type: none"> The risk is high; The outcomes to be achieved are complex; or The SDP Purchaser is unfamiliar with the expense, supplier base or market. 	Yes	Yes
Leadership of procurement process	SDP Purchaser subject to the <u>SDP Delegation of Authority Policy</u>	SDP Purchaser subject to the <u>SDP Delegation of Authority Policy</u>	SDP Procurement Committee or the Board subject to the <u>SDP Delegation of Authority Policy</u>
Quotation requirements	Obtain a quote from the current and an alternative supplier at least every two years	If a Preferred Supplier exists for the procurement: obtain 1 quote from that supplier If no Preferred Supplier exists for the procurement: obtain 2 quotes	Requires market test process as part of a structured procurement tender process or alternative sourcing approach which needs to be documented

Risk Assessment

All procurements require a risk assessment to be undertaken and appropriate mitigations to be adopted. Procurement of an O&M Agreement, energy, and financing arrangements are to be classified as high risk, and fall into the 'High Value Procurement' category.

For all other items, the procurement is to be given an Overall Risk Rating based on the likelihood of an occurrence and the estimated consequence level of the risk consistent with the SDP Risk Management Framework.

If the Overall Risk Rating from the SDP Risk Management framework is High or Extreme, the key risks and appropriate strategies to manage or mitigate those risks in relation to the proposed procurement process need to be documented in the Corporate Risk Register.

Ethics and Probity

SDP's employees and suppliers are required to maintain high standards of integrity, probity and ethical conduct in all procurement activities. Adherence to such standards must at all times be readily and objectively demonstrable. When doing business with suppliers, SDP employees are required to:

- Protect the good name of SDP and deal fairly, honestly and ethically with all individuals and organisations that supply goods or services to the organisation, in particular:
- Avoid any obligations arising in connection with attendance at events such as conference, seminars and corporate entertainment events; and
- Be sure of the facts before making any verbal or written representations to avoid misleading suppliers;
- Ensure consistency and transparency within all procurement processes in order to maintain an equity of opportunity for all suppliers;
- Avoid any conflicts of interest where an employee could either be influenced, or could be perceived to be influenced, by a personal interest or financial gain in carrying out their procurement obligations in accordance with the SDP Code of Conduct;
- Refuse improper rewards or gifts that are intended to, or are likely to create the perception of fraud or other forms of corrupt conduct;
- Abide by all relevant legislative requirements;
- Ensure all procurement activities and decisions are undertaken with care and diligence, clearly documented, utilise organisational resources in a proper manner and are in the best interests of SDP;
- Ensure tenders will not be invited from suppliers unless SDP has a firm intention to proceed to award of contract; and
- Handle information of a confidential or commercially sensitive or personal nature with due care, appropriate security and proper consideration of privacy requirements.

Purchase to Pay

Purchase to Pay is the transactional process after the preferred supplier has been selected, that involves:

- Receiving goods and services;
- Processing payments in line with agreed terms; and
- Reporting on spend, suppliers and transactions.

Any payments to suppliers must be reviewed in line with SDP's Delegation of Authority Policy.

Payments made on SDP issued corporate credits cards are subject to the SDP Corporate Credit Card Policy.

Contract Management

A Contract Management regime is required to minimise risk and maximise operational and financial performance from all supply contracts. The Contract Management framework summarises the key activities, requirements, and responsibilities of the key stakeholders over the contract lifecycle from execution to termination. Contract Management involves:

- Monitoring and analysing supplier performance against contract terms and conditions (including pricing, delivery performance, service levels and dispute mechanisms); and
- Ensuring compliance, agreeing and documenting any variations.

For all high risk and/or major contracts, a Contract Management Plan will be developed and aligned with the Better Practice Contract Management Framework issued by the Audit Office of NSW. The Contract Management Plan is to developed, implemented and staff trained to use it following execution of high risk and/ or major contracts.



In the case of any disputes with suppliers regarding contract terms or performance, the SDP Purchaser will have initial responsibility for dispute resolution. Should that person be unable to resolve the dispute, the SDP Purchaser should escalate the issue to the SDP CFO or CEO for resolution.

Exemptions

Exemptions require justification that is sound and defensible, and based on one or more of the following grounds:

- That the market is insufficient for a competitive quotation or tender process;
- That the work is highly confidential and should not be tendered;
- That an operational emergency does not allow normal procedures (note that lack of planning does not constitute an emergency);
- That our Operator can demonstrate that its procurement is prudent and efficient under the circumstances when proposing projects through the SDP Capital Works Procedure, or
- A particular adviser has unique experience that cannot be replicated in the market (for example prior experience on an issue, or where this is a follow on piece of work).

All Exemptions are required to be documented by an employee authorised under the SDP Delegation of Authority Policy for the level of expenditure required.



8. Addendums

Addendum 1 - Modern Slavery Due Diligence Questionnaire

This is the suggested initial correspondence to be sent to SDP suppliers when appropriate in line with this policy in order to better assess modern slavery risks. It includes a link to an online questionnaire.

[link=<https://forms.office.com/r/PNz5XhN40q>].

Note: As part of SDP Modern Slavery response, follow up questionnaires may be created and utilised from time to time to provide more information on specific risk areas.

Dear [#name of contact#]

Sydney Desalination Plant (SDP) is writing in relation to Modern Slavery, SDP's obligations under the Modern Slavery Act 2018 (Cth) (the Act), and SDP's expectations of its suppliers in relation to assisting SDP to discharge its obligations.

SDP is a reporting entity under the Act and, as such, is required to publish a Modern Slavery Statement each year addressing a number of key criteria in relation to assessing its supply chains and operations, identifying modern slavery risk in its supply chains and operations, taking action to assess and address such risks, and assessing the effectiveness of those actions. A key part of this is engagement with existing and new suppliers. SDP's current Modern Slavery Statement for the financial year ending 30 June 2021 is published here: Published statement #2021-3891

[#Insert name of supplier#] is a new supplier to Sydney Desalination Plant.

In accordance with SDPs Modern Slavery Statement, SDP expects its suppliers to:

- complete and return the Modern Slavery Supplier Questionnaire at the link provided;*
- provide reasonable assistance to SDP to assess and verify sources of products and services supplied to SDP on request;*
- operate its business in a manner that strives to engage in ethical, sustainable and lawfully compliant business practices at all times;*
- proactively notify SDP of any matter relating to, or in connection with, Modern Slavery as it relates to the supplier's supply chains and operations including, without limitation, any complaint relating to Modern Slavery, and any instances of Modern Slavery that it becomes aware of in its supply chains or operations, or those of its related entities.*

Please complete the questionnaire at the following

[link=<https://forms.office.com/r/PNz5XhN40q>] to the best of your ability by [#Insert date#].

It should take approximately 10-15 minutes but may need some preparation. If another area of your business is best placed to complete the survey please forward to the relevant person/department and ensure they reply by the requested date. Some questions may not be of relevance to some suppliers, if this is the case please note as such.

Regards

[#Insert SDP Purchaser#]



Addendum 2 - Modern Slavery Model Clause

Clause to be inserted into supplier contracts when appropriate in line with this policy.

Modern Slavery

- a) *In this clause, the following definitions apply:*
 - i) *Modern Slavery has the meaning given to that term under the Modern Slavery Law.*
 - ii) *Modern Slavery Law means the Modern Slavery Act 2018 (Cth) and any other equivalent laws of any State or Territory.*
- b) *The Consultant must:*
 - i) *not itself directly engage in Modern Slavery, or do anything that would be an offence under the Modern Slavery Law; and*
 - ii) *comply with any applicable Modern Slavery Law and any of the Principal's policies provided to the Consultant concerning the Modern Slavery Law.*
- c) *The Consultant must:*
 - i) *keep sufficient records to enable the Principal to verify the source of supply of any the Services;*
 - ii) *upon request by the Principal, provide the Principal with reasonable access to its records and premises for the purposes of the Modern Slavery Law; and*
 - iii) *report to the Principal any actual or suspected instances of Modern Slavery in the supply chain of any of its Services.*
- d) *The Consultant shall cooperate with the Principal (to the extent reasonably required by the Principal) to facilitate training of its employees, suppliers and subcontractors on the Modern Slavery Law.*