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Auckland Transport Sustainable Procurement Action Plan

For decision:

For noting:

Ngā tūtohunga / Recommendations

That the Auckland Transport Board (board):

- a) Notes the intended publication and execution of a Sustainable Procurement Action Plan 2021-2024.

Te whakarāpopototanga matua / Executive summary

1. The purpose of this paper is to advise the board of the intention to publish (internally and externally) and execute a Sustainable Procurement Action Plan 2021-2024 (the Action Plan).
2. A draft version of the Action Plan is included at Attachment 1. The Action Plan:
 - a) Formalises and communicates Auckland Transport's (AT) commitment to sustainable procurement.
 - b) Sets five priority sustainability outcomes that will be delivered through procurement activities.
 - c) Defines four strategic changes necessary over the next three years to embed sustainable outcomes in our procurement system.
3. The Action Plan ensures that AT meets its obligations against central and local Government strategic documents, continues to lead in sustainable procurement best practice in New Zealand and, delivers positive outcomes in terms of social and environmental impact for our communities beyond the goods and services we procure.
4. This Action Plan is one of the elements of AT's Sustainability Strategy. An overview of the strategy, including its many parts, will be presented to the board at its August 2021 meeting.
5. The expected three-year cost (capex and opex) of implementing the Action Plan is ~\$1.1 million and will be covered from existing budgets.
6. A launch strategy for the Action Plan will be developed with internal and external publication planned for August 2021 and an official launch at the planned September 2021 Partner (Supplier) Briefing.

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Ngā tuhinga ō mua / Previous deliberations

Date	Report Title	Key Outcomes
October 2019	AT Supplier Code of Conduct	The board endorsed AT's Supplier Code of Conduct which identifies minimum ethical, environmental, commercial and social requirements of suppliers doing business with AT.

Te horopaki me te tīaroaro rautaki / Context and strategic alignment

7. AT invests close to \$1.5 billion a year on Auckland's transport network. This role in the economy can create and shape markets and positively impact the lives of people and the environment, through reducing emissions and water consumption, creating employment opportunities and enabling diverse and impactful businesses access to our procurement spend. If done poorly, procurement may result in environmental decline and deepening inequalities. AT retains a critical role in the economy by injecting capital through infrastructure projects, maintaining and renewing assets and providing transport operations.
8. AT has a significant responsibility in economic stimulus by ensuring that tax and ratepayer revenue benefits customers and communities and positively contributes to the environment. Historically, economic stimulus packages have not benefited those who are most in need. It is important that AT's spend promotes shared prosperity and greater equality.
9. Sustainable Procurement practice is not new. The Sustainable Procurement movement was born out of the Civil Rights Movement in the USA. Closer to home, Australia has been leading on Sustainable Procurement through their Indigenous Procurement Policy and setting targets against outcomes.
10. New Zealand is largely behind in this practice, however, we are progressing quickly and learning valuable lessons from other jurisdictions. AT has taken a lead role in trialling sustainable procurement practice in New Zealand and we have frequently been recognised for the work we have undertaken to date. Our partners at Amotai noted in early 2021:

"Auckland Transport have been one of the early adopters of embedding supplier diversity into their procurement practices which not only creates a level playing field for Māori and Pasifika businesses, but creates significant social impact as we know the benefits will flow through from the businesses, to employees, their whānau and their communities. Amotai know the public sector are slow to adopt supplier diversity practices, however we see Auckland Transport as one of the flag bearers for this kaupapa, and we're excited to be working alongside the Auckland Transport team."

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11. In October 2016, the board endorsed the AT Sustainability Framework. One of the commitments made in the Framework was to embed sustainable outcomes into AT's Procurement Framework. To this end, AT has been piloting sustainable procurement in activities such as:

- Falé Kofi – a social enterprise coffee kiosk in Otāhuhu Train Station.
- Manukau Bus Interchange – employment for South Auckland Māori and Pasifika youth.
- All Heart NZ – a social enterprise repurposing our unused furniture in the community.
- Te Whangai Trust – developing a new native plant nursery to serve the project whilst employing those most marginalised from the workforce.
- Eastern Busway 1 – to date \$1 million has been invested with diverse businesses (Māori and Pasifika owned and local business).
- Makaurau Marae Carpark safety upgrade – awarded to and completed by a 100% Māori-owned business.

12. Since the 2016 AT Sustainability Framework there are now several other strategies and frameworks calling for sustainable procurement practice to be embedded across Government. The Sustainable Procurement Action Plan is AT's way to meet our strategic obligations against the:

- a) Auckland Council Group Sustainable Procurement Framework (2017).
- b) AT Māori Responsiveness Plan (2017).
- c) AT Diversity and Inclusion Strategy (2018).
- d) AT Procurement Strategy (2019).
- e) AT Supplier Code of Conduct (2019).
- f) New Zealand Government Procurement Rules (4th ed.) Broader Outcomes - "Government Procurement can and should be used to deliver wider social, economic, cultural and environmental outcomes that go beyond the immediate purchase of goods and services." (2019).
- g) Waka Kotahi New Zealand Transport Agency (Waka Kotahi) – New Zealand Government Procurement: Framework for delivering broader outcomes - this document includes a mandatory requirement that participating organisations (including AT) develop and implement a sustainable procurement strategy (note that this Action Plan meets the Waka Kotahi requirement – see Waka Kotahi letter of support included as Attachment 2). There is a potential risk to securing co-funding if we do not meet this requirement.
- h) AT Business Plan objectives.
- i) Other related strategies, including Auckland Council Waste Management and Minimisation Plan; the Auckland Climate Action Framework; the Watercare Water Reduction Plan and the Waka Kotahi Environment Action Plan.

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13. We are now able to take the learnings from these projects and establish a formal strategic change programme that will lead to sustainable procurement being embedded organisation-wide. The change approach is set out in the Action Plan and is one of several Action Plans that will help deliver on AT's organisational Sustainability Framework.
14. The Action Plan proposes a strategic change in how AT undertakes its procurement activities. This change reflects the idea that value for money does not just mean purchasing the lowest price. Instead value for money means procuring goods and services that achieve price, quality and sustainable/broader outcomes (social, environmental, cultural and economic) across the whole-of-life of the purchase.

Ngā matapakinga me ngā tātaritanga / Discussion and analysis

15. Five priority outcomes are proposed in the Action Plan 2021-2024:
 - a) Improve the livelihoods of people from targeted groups (employment, training and wage progression for targeted groups).
 - b) Increase wealth and entrepreneurship of people from targeted groups (Supplier Diversity).
 - c) Reduce Greenhouse Gas Emissions.
 - d) Reduce waste to landfill and embrace circular economy principles.
 - e) Reduce potable water consumption.
16. These five priority outcomes were selected as they align with the strategic documents identified in paragraph 14 and draw directly on AT's sustainable procurement experiences and learnings to date.
17. Specific outcome-based targets will be introduced in Year 1 as the Action Plan is implemented and as staff and suppliers are trained on planning and delivery of sustainability outcomes. Initiatives for how we measure and report will be introduced and, further guidance also issued, e.g., information on the Government's progressive procurement policy containing a requirement for 5% of public service contracts to be issued to Māori businesses.
18. Notwithstanding the above approach to targets, AT's direct contract spend with diverse suppliers (Māori, Pasifika, women and disability-owned businesses, plus social enterprises) over the last 12 months has been ~\$2 million. Through the implementation of this Action Plan, we project increasing our direct contract award spend with diverse suppliers to a minimum of \$30 million per annum by Year 3 (2023/24).
19. Oversight of the Action Plan will be via the Procurement Leadership Team and the Procurement Steering Committee. It is also planned for a sustainable procurement report to be delivered annually to the board.

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Ngā tūraru matua / Key risks and mitigations

20. The most significant risk is funding for implementation of the Action Plan. We have been able to achieve a good level of success within existing resourcing, however, to scale our impact, we need to grow the capability to deliver sustainable outcomes, increase use of technology for data capture, measurement and reporting and increase communication to deliver against the Action Plan.
21. Waka Kotahi and New Zealand Government Procurement recently launched their joint Framework for delivering broader outcomes including social procurement. This requires participating organisations to implement sustainable procurement practices. If we do not implement good sustainable procurement practices, this may have implications on our ability to secure co-funding via Waka Kotahi. There is indication from Central Government that mandatory contractual spend targets may be set in the future for social procurement outcomes. This is in line with the Australian approach which lead to significant success in improving sustainable outcomes through procurement. We recommend a forward-thinking approach to provide positive outcomes for our customers and communities beyond the goods and services we procure.

Ngā ritenga-ā-pūtea me ngā rauemi / Financial and resource impacts

22. We anticipate the total cost of implementing the Action Plan to be ~\$1.1 million over three years, with a net opex impact of approximately \$271,000 per annum by year three. This cost will be attributed to existing and planned budgets where possible.

Ā muri ake nei / Next steps



23. Next steps include:
 - Launch of Action Plan (internal and external) planned for August 2021 and September 2021 Partner Briefing.
 - First Sustainable Procurement progress report to the board in the third quarter of 2022.

Ngā whakapiringa / Attachments

Attachment number	Description
1	AT Sustainable Procurement Action Plan 2021-2024
2	Letter of endorsement for AT Sustainable Procurement Action Plan – Waka Kotahi Procurement

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Te pou whenua tuhinga / Document ownership

Submitted by	Annabel Burgess Procurement Specialist (Sustainable Sourcing)	
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Reviewed by	Andy Richards GM Procurement	
Recommended by	Mark Laing EGM Finance	
Approved for submission	Shane Ellison Chief Executive	