



POLICY & PROCEDURE
STATEMENT

**SUSTAINABLE
PROCUREMENT
PRINCIPLES**

September 2008
Version 3
This contains 11 pages

Contents

Section 1:	Contents.....	3
Section 2:	Introduction	4
Section 3:	Objective	4
Section 4:	Scope.....	4
Section 5:	Benefits of Sustainable Procurement	4
Section 6:	Related policies, procedures and guidelines.....	5
Section 7:	Principles	5
Section 8:	Responsibilities	8
Section 9:	Further information.....	8
Annex One:	Glossary of Terms.....	9

These principles draw, with permission, on the work of the Australian Procurement and Construction Council "*Australia and New Zealand Government Framework for Sustainable Procurement*" Copyright 2007

Introduction

- 1 Aurora Energy (Aurora) has over 260,000 installed customers across Tasmania and sells over 10,000 million kWh of electricity per year. There are more than 1000 staff based in four major resource centres and 10 response centres across the State. Aurora has also recently completed a sale and purchase agreement for the Tamar Valley Power Station.
- 2 By 2010 Aurora Energy intends to be recognised as the company that contributes the most to Tasmania's economic value and improved standard of living.
- 3 Aurora Energy's purpose is:
To see the Tasmanian community prosper from our efforts
- 4 Aurora Energy has recently adopted a Sustainability Strategy that supports the company's environment policy:
We want current and future generations to enjoy the benefits of a clean and healthy environment and will operate our business with that objective in mind.

Objective

- 5 These Sustainable Procurement Principles are designed to help guide design and implementation of Aurora Energy's procurement policies and contract management to support our environmental policy objective. It is intended that staff with Aurora should have regard to the principles outlined in this document in evaluating supply arrangements. These principles will be reflected in relevant procurement documentation to support this process of evaluation.

Scope

- 6 Sustainable procurement has been best defined by the United Kingdom Government-commissioned Sustainable Procurement Taskforce as
"...a process whereby organisations meet their needs for goods, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."
(Procuring the Future, Sustainable Procurement Task Force, 2006)
- 7 Sustainable procurement considers products, services and suppliers. This includes issues such as: resource extraction and consumption; manufacturing and production; transport and logistics; product and asset design; construction; use and maintenance; recycling and disposal options.
- 8 Sustainable procurement means that when buying goods and services Aurora will consider:
 - strategies to avoid unnecessary consumption and manage demand;

- minimising environmental impacts of the goods and services over the whole of life of the goods and services;
- suppliers' socially responsible practices including compliance with legislative obligations to employees; and
- value for money over the whole-of-life of the goods and services, rather than just initial cost.

Benefits of Sustainable Procurement

9 Some of the benefits to Aurora Energy of sustainable procurement could include:

9.1 Reduced adverse environmental impacts arising from procurement activity:

- reduced waste to landfill, saves water, reduces greenhouse gas emissions, decreases air and water pollution, saves money through re-using materials and products, and reduces consumption of both natural and processed resources;
- assisting in the protection of Tasmania's environmental biodiversity; and
 - ensuring the health and safety of the community.

9.2 More efficient use of shareholder resources:

- reduced costs through greater energy efficiency, reduced waste disposal, and reduced risk management; and
- lower cost for products over their life cycle.

9.3 Stimulated local and global markets to innovate and produce more sustainable products and services for public and private organisational purchasers, and Tasmanian consumers:

- increased availability of environmentally preferred products and services at cost-effective prices; expands the market for environmental products and services with potential for local businesses; and
- improved information available to buyers about the content and performance of products, facilitating the choice to purchase environmentally preferred products.

9.4 Demonstrate that Aurora is committed to achieving sustainable and environmental objectives:

- provide leadership to the Tasmanian community in demonstrating social and environmental responsibility through the purchase of environmentally sound products and services.

- reduced potential negative publicity associated with the purchase and use of products, services and suppliers with poor environmental and social responsibility records.

Related policies and guidelines

10 These principles are related to:

Section 1.1: Aurora Procurement Policy

This policy provides guidance to Procurement at Aurora Energy.

Section 1.2: Aurora Sustainable Vehicle Procurement Policy

This policy provides guidance for the procurement of the Aurora Energy vehicle fleet.

Section 1.3: Aurora Green Policy

We want current and future generations to enjoy the benefits of a clean and healthy environment and will operate our business with that objective in mind.

Section 1.4: EM-G08 Procurement of goods and services, and control of contractors

This procedure applies to purchased goods, equipment and services with environmental considerations. It applies to those activities or inputs to our work that are provided external to Aurora.

Principles

Section 1.5: Principle One - Adopt strategies to avoid unnecessary consumption and manage demand.

11 Implementation activities include:

- Assess the need for a given purchase and, whenever possible, reduce consumption through demand management initiatives.
- Where possible, recycled or alternative products will be purchased
- Consider alternatives to acquisition, such as introducing service options to meet a need.
- Consider the on-going service requirements of any product to be purchased.
- Investigate the possibility of aggregating demand amongst multiple users across Aurora, to achieve better usage of assets.
- Consider the establishment of management systems to monitor and report consumption levels.

- Adopt flexible work practices and service arrangements that take into account energy and resource efficiencies that balance out peak environmental demand situations.
- Collaborate with service providers to reduce consumption and implement demand management strategies.

Section 1.6: Principle Two - In the context of whole-of-life value for money, select products and services which have lower environmental impacts across their life cycle compared with competing products and services.

12 Implementation activities include:

- Adopt a life-cycle (or total cost of ownership or whole-of-life) costing approach to quantify the 'total cost' of procuring products including operational performance, as opposed to only taking into account the initial cost.
- Ensure that decisions on sustainable values of products and services are evidence based.
- With all factors being equal in the purchase of a product, choose a product with the least environmental impact.
- Use of Australian Standards or International Standards Organisation (ISO) standards (where appropriate) to verify the sustainability credentials of a supplier and a product.
- Consider the environmental management practices of the supplier/manufacturer. Refer to benchmarking environmental management programs where practicable, such ISO 14001.
- Refer to eco-labelling programs and government labelling programs to assist in assessing the environmental performance of products (Energy Star, Energy Rating Label, Water Efficiency Labelling Scheme, Green Vehicle Guide).
- Give preference to products that are reusable, recyclable and/or contain recycled content where such products fit the purpose, provide environmental benefits and are of comparable cost and quality to alternative products.

Section 1.7: Principle Three - Foster a viable market for sustainable products and services by supporting businesses and industry groups that demonstrate innovation in sustainability.

13 Implementation activities include:

Section 1.7.1: Environmental Stewardship

- Adopt approaches to product design, production and manufacturing that include a whole-of-life assessment.

- Adopt a whole-of-life approach to building design, construction and building operation that reduce environmental impacts, and where relevant apply environment and ecologically sustainable design principles.

Section 1.7.2: Encourage suppliers to:

- Adopt design, manufacturing, production, distribution and service processes that reduce the use of resources (energy, water) reduce greenhouse gas emissions; minimise the release of toxic substances; and minimise waste disposal to landfill.
- Be responsible for end-of-life product impact through extended producer responsibility programs and take part in available government approved product stewardship schemes.
- Become signatories to, and participants in, national commitments and government programs to improve environmental sustainability; for example, the Australian National Packaging Covenant and the Australian Greenhouse Challenge.
- Work together with their supply chain partners to adopt environmental management systems to track progress towards environmental stewardship by reporting on the sustainability of their operation.

Section 1.7.3: Market Development

- Establish specifications and procurement processes that do not restrict innovation or disadvantage local suppliers of sustainable solutions and encourage the commercialisation of environmental initiatives created under contract.
- Support and stimulate long-term relationships with suppliers that adopt sustainable practices.
- Encourage a philosophy and practice of continuous improvement and innovation in sustainability by suppliers.
- Collaborate with all spheres of government, industry and business to stimulate a market for sustainable products and services.
- Support initiatives that promulgate the awareness and procurement of sustainable products and services.

Section 1.8: Principle Four - Support suppliers to Aurora Energy who are socially responsible and adopt ethical practices.

14 Implementation activities include requiring suppliers to:

- Demonstrate a commitment to ethical behaviour and sound governance structures and processes.

- Meet their employment obligations as required by relevant legislation and other related instruments.
- Comply with applicable regulatory and legislative requirements of occupation health and safety and environment.

Responsibilities

- 15 These principles are owned by Group Manager, Corporate Affairs and Sustainability
- 16 Amendments to the policy must be developed in consultation with Supply Chain Manager.
- 17 Aurora Executive Management Team is responsible for formal adoption of the principles.

Further information

- 18 Further information regarding the Sustainable Procurement Principles can be obtained from:

Group Manager Corporate Affairs and Sustainability
Strategy and Corporate Affairs
Aurora Energy

Annex One: Glossary of Terms

Eco-Label

An eco-label is a label which provides information about the environmental preference of a product to consumers. In contrast to 'green' symbols or claims developed by manufacturers and service providers, an eco-label is awarded by an impartial third-party in relation to certain products or services that are independently determined to meet environmental criteria. (The Global Ecolabelling Network).

Eco-labels are designed to assist consumers to purchase those products that are less harmful to the environment without spending too much time and effort in determining which products are actually the least harmful.

Energy Rating Label

A joint Australian and State/Territory government program which is recognised as a key initiative to reduce greenhouse gas emissions. The mandatory labelling program allows consumers to make comparisons between appliances of their energy performance and therefore purchase more energy efficient appliances. It also provides an incentive for manufacturers to improve the energy performance of appliances.

<http://www.energyrating.gov.au/con3.html>

Energy Star

ENERGY STAR is an international standard for energy efficient electronic equipment. It was created by the US Environmental Protection Agency in 1992, and has now been adopted by several countries around the world, including Australia.

Energy Star Australia

The Australian Federal, State and Territory Governments are cooperating through the national ENERGY STAR program to encourage the use of energy efficient equipment at home and in business.

<http://www.energystar.gov.au/about/index.html>

Water Efficiency Labelling Scheme (WELS)

WELS is an Australian water efficiency labelling scheme that requires certain products to be registered and labelled with their water efficiency. The scheme operates in accordance with the standard set under the Australian national Water Efficiency Labelling and Standards Act.

<http://www.waterrating.gov.au/about/index.html>

National Packaging Covenant

The National Packaging Covenant has been the leading instrument for managing the environmental impacts of consumer packaging in Australia since 1999. It is the voluntary component of a co-regulatory arrangement based on the principles of shared responsibility through product stewardship, between key stakeholders in the packaging supply chain and all levels of Australian governments.

<http://www.deh.gov.au/settlements/waste/covenant/index.html>

Greenhouse Challenge

The Greenhouse Challenge is an Australian Federal Government environment program introduced in the mid-nineties, seeking to reduce greenhouse gas emissions through the voluntary action of companies and organisations.

<http://www.greenhouse.gov.au/challenge/index.html>

Extended Producer Responsibility (EPR)

Extended Producer Responsibility (EPR) is a means to encourage producers to examine the lifecycle of their products and to identify initiatives that will reduce resource use, reduce wastes at

- all points in a product's whole lifecycle, reduce the environmental impacts of products and
- enhance post-consumer resource recovery. Hence, EPR places the responsibility primarily
- (but not exclusively) on the producers of the products of concern.

http://www.zerowastewa.com.au/documents/epr_ps.pdf

Design for the Environment

Design for the Environment approach examines a product's entire lifecycle and proposes changes to how the product is designed to minimise its environmental impact during its lifetime.

<http://www.deh.gov.au/settlements/industry/corporate/dfe.html>

ISO 14001

ISO14001 requires an Environmental Policy to be in existence within the organisation, fully supported by senior management, and outlining the policies of the company, not only to the staff but to the public. The policy needs to clarify compliance with environmental legislation that may affect the organisation and stress a commitment to continuous improvement. A planned comprehensive periodic audit of the Environmental

Management System is required to ensure that it is effective in operation, is meeting specified goals, and the system continues to perform in accordance with relevant regulations and standards.