

Procurement & Outsourcing Policy

Document Owner:

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Subject Matter Contributors:

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Document Handling:

The document is available on the New Zealand Superannuation Fund's internal and external websites

Document History:

Version	Date	Changes/Modifications	Approved By:	Status
1.0	1 July 2011		Board	Final
Note this version supersedes all earlier draft versions (#182026)				
1g	26 Oct 2011	Changes to Schedules 2 and 6 (RFC 2011-013 and RFC 2011-015)	Board	Final
1h	25 Jan 2012	Changes to Schedule 1 updating GM Finance responsibilities in relation to reporting requirements.	CEO	Final
2	9 April 2013	Annual review	Board	Final
2A	14 Feb 2014	Changes to Responsibilities Schedules	CEO	Final
3	18 Feb 2015	Annual Review	Board	Final
4	15 Sep 2015	Add Section 6 to make clear staff obligations in relation to bribery and corruption risks relating to appointment of suppliers and outsource partners.	Board	Final
5	14 April 2016	Annual Review	Board	Final
5A	8 Dec 2016	Update to Schedule 6 (Legislative Compliance) and update to reporting requirements	CEO	Final
6	30/03/2017	Update Schedule 5 (Reporting Framework)	Board	Final

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1. Background

- 1.1. One of our **investment** beliefs is that managing fees and costs and ensuring efficient implementation can prevent unnecessary cost. Having clear controls and frameworks governing operating expenditure is an important part of this.
- 1.2. Another important part is how we spend money within the controls and frameworks. Incurring cost is a necessary part of our business, but we need to always be mindful that we are a public sector institution. This means we spend prudently while seeking to improve efficiency.
- 1.3. In saying this, we are not seeking to necessarily have the lowest costs. We aim to ensure cost is well managed and that it generates the benefits we expect. This stems from our institutional focus on expected risk adjusted returns net of costs, rather than costs in isolation.
- 1.4. We also focus on ensuring that any outsourcing of business operations is the most effective and efficient way of assisting us to meet our objectives and that we understand that the risks of those outsourced business functions remain with us.
- 1.5. In addition, we ensure that any procurement captured by the Government Rules of Sourcing is performed in accordance with those rules, along with any associated reporting.

2. Objective

- 2.1. To implement effective controls and frameworks to ensure that procurement and outsourcing are managed effectively and in compliance with our governance and legislative requirements.

3. Definitions

- 3.1. To aid with interpretation of this policy we have a Glossary of Terms, which defines all investment and technical terms used in our policy documents. In this policy the first instance of any such defined term is highlighted in bold. References to other documents are italicised.

4. Scope

- 4.1. This policy covers:
 - Procurement including the appointment of advisers for specialist services such as tax, finance, **operational due diligence**, investment and legal.
 - Outsourcing including the appointment of the **Master Custodian** and external management of our IT infrastructure.
 - The application of the Government Rules of Sourcing, where applicable.
- 4.2. This policy does not cover:

- Appointments of **Investment Managers** or Manager Selection Advisers, which are covered by the *Externally Managed Investments Policy*.
 - Appointments of Counterparties, **Portfolio Completion Agents**, Clearers and **Non Master Custodians**, all of which are governed by the *Portfolio Completion and Internally Managed Securities Policy*.
 - Sponsorship, which is governed by the *Communications Policy*.
- 4.3. This policy should be read in conjunction with the *Employee Code of Conduct* and *Sensitive Expenditure and Travel Policy* as appropriate.

5. Delegations and Authorities

- 5.1. The *Delegations Policy* governs the delegations and authorities that apply in all policy documents. In the event of any discrepancy between this policy and the *Delegations Policy* the *Delegations Policy* will prevail.
- 5.2. The Board has reserved certain matters either to itself, a committee of the Board or the Chief Executive. Those matters are outlined in the Delegations Policy. All other matters are delegated to the Chief Executive who may sub-delegate them to Guardians' staff. All delegates and sub-delegates must exercise their authorities in compliance with the general conditions of delegation and sub-delegation set out in Schedule 2 of the *Delegations Policy*.
- 5.3. There are certain responsibilities inherent under this policy. Those responsibilities, and the person responsible for them, are outlined in Schedule 1.

6. Fraud, Bribery and Corruption

- 6.1 The Fund's reputation and standing could be damaged by the acts of people working within our suppliers and outsource partners (together referred to as third parties). As such we are committed to promoting compliance with effective anti-fraud, anti-bribery and corruption policies by all third parties with whom the Fund is engaged. This includes advising third parties of our processes for reporting any potential concerns.
- 6.2 Appropriate due diligence in relation to fraud, bribery and corruption risks should be undertaken before any third parties are engaged. The appropriate level of due diligence will vary depending on the circumstances and staff should use their judgement on a case by case basis. The approach should be proportionate to the risk and the size of the organisation. 'Adequate' will be a higher benchmark if the organisation is large, or the Fund is operating in overseas markets where bribery is known to be commonplace. Some high risk transactions, industries, legal jurisdictions or countries will require further due diligence which may require a greater level of investigation and care be taken.
- 6.3 All arrangements with third parties should be subject to clear contractual terms. Where appropriate this should include specific provisions requiring them to comply with minimum standards and procedures in relation to preventing fraud, bribery and corruption. Appropriate wording to be included in contracts can be obtained from our Legal team.
- 6.4 Staff must not engage any third party is known or reasonably suspected of engaging in, bribery, corruption or fraudulent activity.

7. Procurement

As a Crown entity, we need to:

- act, and be seen to act, in a fair, open, and unbiased manner; and
- observe ethical standards, principles, and behaviour throughout the procurement and outsourcing process.

When procuring goods and services we need to satisfy ourselves that a supplier or service provider can and does deliver the goods and services in a manner consistent with our requirements and standards.

Further to this, where applicable, we need to comply with the Government Rules of Sourcing.

Further guidance is contained in the 'Procurement Guidance for Public Entities' published by the Office of the Auditor-General and on the Ministry of Business, Innovation and Employment's website (www.business.govt.nz/procurement).

7.1. We will maintain and adhere to a procurement framework that ensures:

- Where applicable, our compliance with the GRS;
- Our procurement process is open, fair and practical;
- We undertake appropriate due diligence of our suppliers;
- Our supplier meets minimum standards;
- We appropriately monitor suppliers to ensure ongoing adherence to contract terms and that we are receiving value for money; and
- We make appropriate distinctions in our procurement and monitoring processes allowing for the size and risk of the procurement contract.

7.2. An outline of our procurement framework, including the application of the GRS, must be maintained in Schedule 2. This schedule also includes guidance for the ongoing monitoring and management of **major contracts**.

8. Outsourcing

Outsourcing means the transfer of core day to day business operations, that we might otherwise reasonably undertake, to an external service provider. All outsourcing decisions involve procurement so are also governed by the same rules and guidelines that apply to procurement.

Examples of outsourcing are transaction processing, Fund accounting and custodianship by the Master Custodian and the management of our IT infrastructure by an external provider.

We recognise that we retain ownership of the risks although the activity is transferred.

8.1. As with procurement, the GRS applies to outsourcing activities reflected in the books and records of the Guardians, but excludes investment activity undertaken by the Fund.

8.2. We will maintain and adhere to an outsourcing framework that focuses on:

- The factors that drive a decision to outsource activities;
- Additional due diligence factors that must be considered as part of the procurement process when outsourcing services;
- Relationship management.

8.3. An outline of that framework must be maintained in Schedule 3.

8.4. A table of outsourced activities must be maintained in Schedule 4.

9. Reporting

9.1. We must report to the Board on the following matters:

- Business cases for procurement and outsourcing where applicable;
- Major Contract Summary.

9.2. An outline of the current reporting framework, including any reporting to management committees, must be maintained in Schedule 5.

9.3. We will report proposed material changes to the following schedules to the Board for their approval:

- Schedule 5: Reporting Framework

9.4. We must report to the Board, for their information, material changes to the following schedules of this policy.

- Schedule 1: Responsibilities
- Schedule 2: Procurement framework
- Schedule 3: Outsourcing framework
- Schedule 4: Outsourced activities
- Schedule 6: Legislative Compliance

9.5. For applicable procurement, we must provide the following reports to the Ministry of Business, Innovation and Employment (MBIE), in relation to procurement that is captured by the Government Rules of Sourcing:

- An Annual Procurement Plan, listing planned contract opportunities for the subsequent 12 months (due annually on 1st March);
- An Extended Procurement Forecast listing planned contract opportunities for the subsequent 4 years (due annually on 1st October) with an estimated whole-of-life value of over NZ\$5m; and/or may expose the government to significant risks; and/or have the potential for cross-government collaboration; and
- Significant Procurement Plans for all contracts with: an estimated whole-of-life value of over NZ\$5m; and/or may expose the government to significant risks; and/or have the potential for cross-government collaboration.

10. Legislative Compliance

We have a legislative compliance framework to ensure that we comply with our legislative obligations. In each of our policies we list specific legislation that might impact on the activities covered by that policy.

10.1. We will ensure that all our activities under this policy comply with our legislative obligations and give effect to our legislative compliance framework.

10.2. A list of legislation that potentially impacts on the activities under this policy must be maintained in Schedule 6.

11. Control Section

Approved this 14 day of April 2016

GM Finance and Risk _____

Chief Executive Officer _____

Board Chairman _____

Schedule 1: Responsibilities

GM Finance and Risk will:	<ul style="list-style-type: none"> ensure this policy is kept current and relevant to the activities being undertaken (including schedules 1-5) ensure this policy is reviewed every five years provide all reporting required under the Government Rules of Sourcing to MBIE
General Manager Operations will:	<ul style="list-style-type: none"> manage the advertising/tender process for new contracts which are captured by the Government Rules of Sourcing via the Government Electronic Tenders Service (GETS) and ensure the rules are adhered to
General Managers will:	<ul style="list-style-type: none"> determine the appropriate level of due diligence for new minor contracts in their business unit report business cases for new major contracts in their business unit to the subsequent Leadership Team and Board meetings ensure compliance with this policy for procurements and outsourcing in their business unit ensure all minor contracts in their business unit are monitored at least annually report to the Leadership Team as new major contracts are awarded or terminated
Designated relationship owners will:	<ul style="list-style-type: none"> have overall responsibility for the major contract/outsource relationships in their business units once established continually monitor their major contracts / outsource relationships formally review their major contracts / outsource relationships at least every 2 years review their major contracts / outsource relationships at conclusion for lessons
General Counsel will:	<ul style="list-style-type: none"> ensure schedule 6 (legislative compliance) is kept current report material changes to the schedules of this policy as part of the annual SIPSP review to the Risk Committee and Board meetings as well as under the no surprises protocol.
Head of Internal Audit will:	<ul style="list-style-type: none"> report material policy breaches notified through the Learnings and Opportunity process immediately to the Risk Committee (RC) and Board report all policy breaches notified through the Learnings and Opportunity process to the subsequent RC, AC and Board meetings

Responsibilities approved by Chief Executive on 03 May 2016

Schedule 2: Procurement Framework

Government Rules of Sourcing

The New Zealand Government has established the Government Rules of Sourcing (GRS), providing a framework for procurement by the public sector and requiring specific reporting on procurement activities (www.business.govt.nz/procurement).

Procurement activities are split between the Fund and the Guardians, each maintaining a separate set of books and records. Procurement reflected in the books and records of the Fund relates to investment and directly-related activities (e.g. investment manager fees, investment advisors etc.). Procurement reflected in the books and records of the Guardians relates to the administration of the Fund (e.g. staff costs, property lease etc.).

Investment is specifically identified as a “non-procurement activity”, hence is excluded from the GRS. As a result, only procurement by the Guardians (as described above) is captured. Despite this, good procurement practices (as outlined in the GRS) are still adhered to as far as possible by the Fund.

Under the GRS, the New Zealand Government has established a number of “All-of-Government” (AoG) contracts between the Crown and approved suppliers with a view to generating cost-savings, improving productivity and improving competition. Where such a contract exists, the Guardians must utilise it for any relevant procurement, unless approval to “opt-out” is sought from MBIE. A list of the current AoG contracts can be found here: [AoG contracts](#).

For any other Guardians procurement, any contracts with a value of NZ\$100k or greater (measured over the whole life of that contract) are subject to the rules (unless specific exemptions are available). This work must be advertised for tender on the Government Electronic Tenders Service (GETS) website (www.gets.govt.nz) and the relevant reporting must be provided to MBIE.

Framework Applying to All Other Procurement

This framework applies to all procurement of non-trivial goods and services (greater than NZ\$10,000 per annum) which is not captured under the GRS (i.e. is either Fund procurement; or Guardians procurement of less than NZ\$100k and not covered by an existing AoG contract).

The following practical considerations inform this framework:

- We will focus on what we are trying to achieve and the process will not dominate at the expense of the outcome.
- The process and requirements will be as simple and practical as possible, considering the amounts involved, the complexity and the level of risk.
- We will take into account the context of the relationship including any more general relationship we have with the third party.
- We will identify and manage risks around the relationship and consciously get the right balance between risk and expected benefit.
- We will consider the nature of the external party and how its needs and standards may differ from ours.
- If we engage an external person to advise on procurement, the employee responsible for managing the procurement must ensure that the external person is aware of and complies with this section of the Procurement & Outsourcing Policy.

- We will identify and address the implications of the proposed procurement on all relevant aspects of our business.

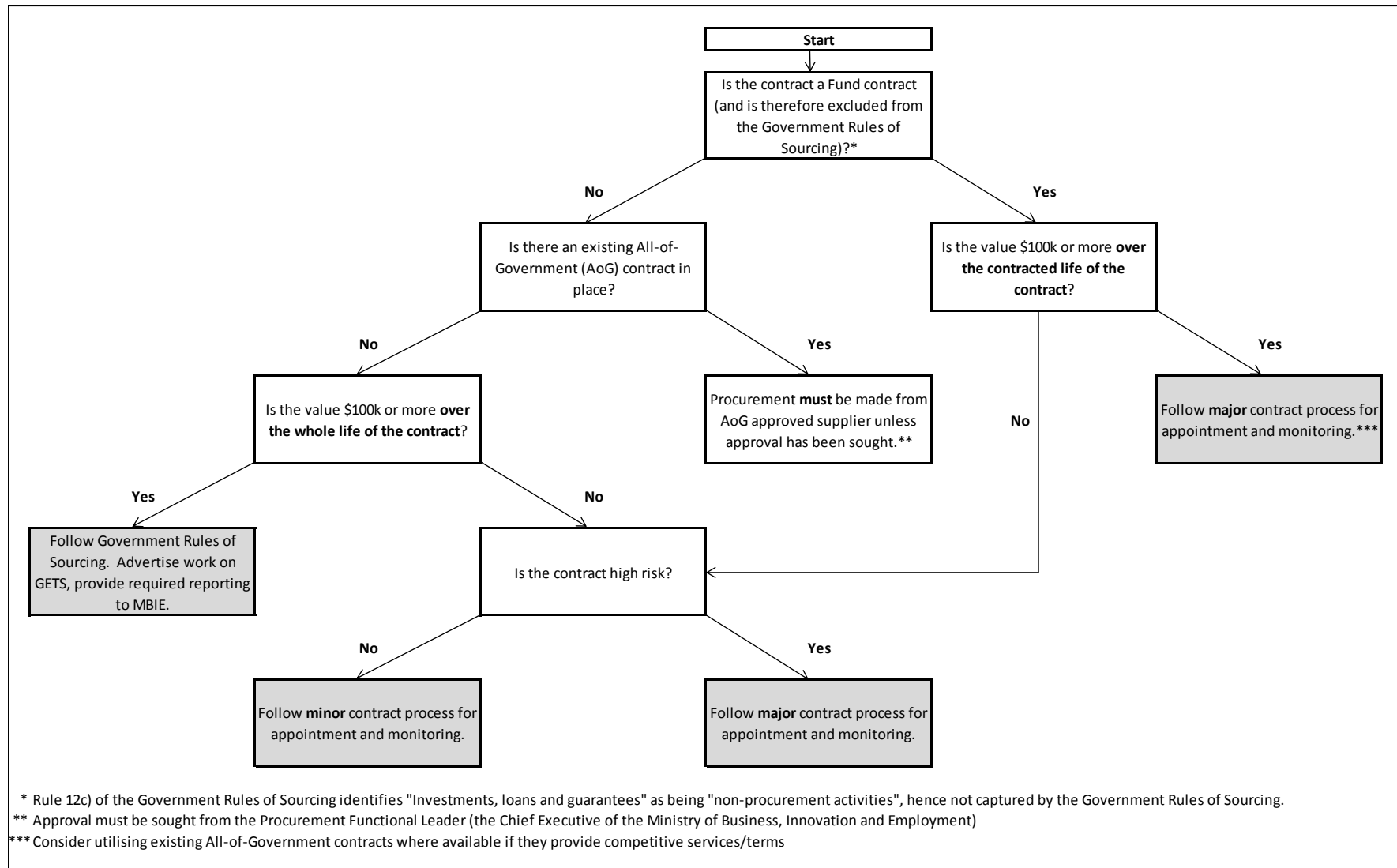
The framework is made up of the following guidelines which align with best practice and the GRS:

- *Integrity in procurement process:* We will maintain processes and procedures to manage any potential conflict of interest on the part of those engaged in or having influence over a particular procurement.
- *Non-disclosure of confidential information:* We do not, except to the extent required by law (including the Official Information Act and disclosure to Parliament/Select Committee etc.), disclose confidential information that would prejudice legitimate commercial interests of a particular supplier, or which might prejudice fair competition between suppliers, without written authorisation from the supplier that provided the information.
- *Non-discrimination:* We accord all potential suppliers an equal opportunity and equitable treatment on the basis of their financial, technical and commercial capacity. Potential suppliers, if requested, that cannot submit proof, which may include an independent verification of their compliance with minimum standards established in our qualification documents or a solvency declaration, will be rejected.
- *Origin of suppliers not relevant:* We do not make procurement decisions on the basis of place of origin or the degree of foreign ownership or affiliation of the supplier.
- *Offsets not allowed:* We do not allow any offsets (e.g. conditions or undertakings relating to domestic content, licensing of technology, investment or counter-trade) at any stage of procurement.
- *Non-avoidance of procurement rules:* The procurement process must not be prepared, designed or otherwise structured or divided at any stage in order to circumvent the rules.

In addition, and not specified in the GRS:

- *Probity assurance adviser:* We may appoint at our discretion a probity assurance adviser for any procurement process.

Selection of Procurement Method



Classifying Riskiness of Contracts

The relationship owner should assess the riskiness of the contract in line with the definitions provided in the Risk Assessment Framework (Schedule 4 of the Risk Management Policy).

These are examples of the contracts and their categories:

- *Low risk* – office supplies, publications, travel, telecommunications, recruitment.
- *High Risk* – Any outsourcing arrangement; core NZ tax and legal service providers; investment advisors; arrangements with particularly high profile or sensitive suppliers (e.g. a supplier under criminal investigation); or arrangements with other suppliers providing unusually sensitive services (e.g. non-legal advisers providing services around particularly sensitive issues).

Minor Contract Process

Minor contracts are contracts which have a value of less than NZ\$100k (measured over the contracted life of the contract) and are considered low risk.

For minor contracts, we ensure that the planning process is documented to an extent commensurate with the cost and risk of the procurement.

Minor contract management qualifies and selects suppliers on a reasoned basis and, to the extent that it is practical and appropriate, abide by the principles established for procurement of Major Contracts.

Regardless of value, demonstrate that the proposed terms are in line with normal market practice and are as favourable as we could have obtained. We aim to obtain three quotes (where possible), and these are documented, along with the reason for selecting the preferred provider or supplier.

It is the responsibility of the relevant General Manager to determine the appropriate level of due diligence.

Ensure that any supplier agreement or contract for service, whether an AoG contract or otherwise, is reviewed by the Legal Team prior to execution.

Minor contracts must be monitored at least annually.

Where an existing minor contract is likely to exceed NZ\$100k, the responsible GM should consider whether it now falls under the major contract category and needs to be reassessed.

Major Contract Process

Major contracts are contracts which have a value of greater than NZ\$100k (measured over the contracted life of the contract) or are considered high risk.

If the contract is captured by the GRS (i.e. Guardians procurement either under an AoG contract or with a whole-of-life contract value of greater than \$100k), the process set out under those rules will be adhered to.

If the contract is not captured by GRS (i.e. Fund procurement or Guardians procurement not covered by an AoG contract, with a whole-of-life value of less than \$100k, but still considered high risk), then the following process will be adhered to.

Procurement or Outsourcing Plan

For major contracts, a business case is presented to the relevant management Committee, or the Board as applicable and a formal documented plan prepared. This includes the following as appropriate:

- Objectives of the procurement or outsourcing;
- Which suppliers will be contacted, and how will they be evaluated;
- Whether there is a need to consult with users of the proposed goods or services or anyone else affected internally;
- What method of assessment will be used (e.g. request for proposal, open tender);
- What process will be followed;
- What is the tender evaluation criteria;
- Who will be responsible for authorising;
- What form the written contract will take and any key conditions;
- A timetable for the contract deliverables, including key dates and milestones; and
- Whether the process will be reviewed by an independent person.
- Consider the social and environmental effects of the proposal

Requests for Proposals or Quotes

Sufficient and appropriate due diligence is performed on potential suppliers or outsource partners. This includes as appropriate:

- Financial strength;
- Experience and competence;
- Systems and internal controls, including any data security, anti-bribery and corruption frameworks or controls;
- Capacity to deliver the required goods or services;
- Industry reputation;
- Environmental track record;
- Location(s); and
- Culture.

References are also obtained, site visit undertaken, conflict of interest checking undertaken, and, where appropriate, the service provider/supplier are credit checked.

In the majority of procurements, a formal Request for Proposal (RFP) or Request for Quote (RFQ) by open tender is used. Closed tendering is only considered in situations where:

- The amount of potential suppliers is small and known;
- The procurement is confidential; or
- The cost of conducting an open tender would outweigh the benefits.

When conducting a tender we aim to:

- Promote open and fair competition among tenderers;
- Follow the rules, criteria and procedures set out in the tender documents;
- Ensure there is one point of contact at the Guardians for all communications with tenderers;
- Ensure all communications with tenderers is in writing;

- Ensure any information given to one tenderer is made available to the other tenderers; and,
- Inform all tenderers if any changes are to be made regarding rules, criteria, procedures or timeframes during the tender process.

For procurement, we advertise the tender through an appropriate medium. Where an open tender is used, the tender is advertised on GETS. This is done even where the matter relates to overseas procurement/outsourcing.

Pre-tender briefings are considered when the procurement objective is complex and where tenders would gain greater clarity through this exercise. All tenderers are invited to attend separately and we aim to hold the meeting within a day or two of each other to not unfairly disadvantage/advantage any tenderer. Records of the meetings are kept.

Extension of the stipulated tender period is only normally considered if we have to recall the tender for amendment. Where a tenderer requests a time extension, this is only granted in exceptional circumstances and all tenderers are notified of the time extension. The reasons for the extension are clearly documented.

The RFP/RFQ clearly states whether late tender documents will be accepted. Late tenders are not accepted unless exceptional circumstances exist and the acceptance does not prejudice the other tenderers.

Tenders are not opened until after the closing-off time.

A tender evaluation team is normally comprised of staff who have the necessary purchasing, contract management, technical and financial skills to comprehensively assess the tenders. Members of the evaluation team must declare any conflicts of interest. The conflicts register are filed with the procurement documentation. Conflict of interest resolution rests with the Chief Executive Officer.

The types of criteria that are considered for evaluating tenders may include:

- Technical merits of the goods or services offered;
- Availability of spare parts and technical support;
- Capability;
- Compatibility with our existing systems;
- Skills, experience and competence of its key personnel;
- Design and development capability;
- Financial status;
- Ability to meet the specific timetable;
- Risk;
- Cost, including the contracted cost; and
- Whether the price is sustainable over the life of the contract.

The tender evaluation team normally scores non-cost criteria independently, and then meets to compare scores and agree on a single score for each criterion. If possible, the team is not informed of the relative weightings prior to scoring.

If tender presentations are used, all tenderers are given the same amount of time to present. The evaluation team then reassesses the scores for each criterion and any significant differences in pre and post presentation scores are addressed.

Once the successful tender is decided, they are notified in writing. Unsuccessful tenderers are normally given feedback on why their tender was not selected. Where the tender has been advertised on the GETS website the award of the contract is notified on the website.

Exceptions to Presumption of a Competitive Process for Major Contracts

There is a presumption of a competitive process for procurement. However, a competitive process may not be appropriate where:

- We have agreed to use procurement pursuant to an All-of-Government contract
- The goods or services are available from one source or where the goods or services require specialised skills or are very complex and there is a limited number of qualified suppliers.
- Only one supplier has the capacity to deliver the goods or services at the time required. Standardisation or compatibility with existing goods or services is necessary and can be achieved through only one supplier.
- For procurements made under exceptionally advantageous conditions that arise in the very short term e.g. because of liquidation, bankruptcy or receivership.
- For goods or services made procured at a public auction or tender.
- For goods and services where no reasonable alternative/substitute exists e.g. in foreign jurisdictions or during a due diligence process.
- In order to comply with specific legislative or regulatory requirements.
- Where for reasons of urgency brought about by unforeseen events or to preserve safety or security the goods or services could not be obtained in time by means of a tender process.

The General Manager responsible for procurement must certify in the Document Execution Form the reason a competitive process was not used for the procurement.

Monitoring and Management of Major Contracts

For Major Contracts, one member of the team is designated as a relationship owner. This person has overall responsibility of the supplier relationship, overseen by their General Manager. Any new major contracts to be reported to the Leadership Team.

Major contracts are continually monitored on an informal basis to ensure that the delivery of goods or services is in accordance with the conditions as detailed in the signed contracts and the services rendered are value for money. Additionally, any operational factors should be monitored e.g. staffing capacity at supplier, compliance with relevant anti-bribery and corruption frameworks, standards and systems dealing with data security etc.

We undertake a formal review of each major contract on a frequency to be determined by the relationship owner.

Where a supplier is managing the Fund's or Guardians' data, an annual attestation will be completed ([Third Party Data Management Attestation](#)).

Appropriate action is taken if it appears that a service provider or outsourcing partner may not be carrying out the functions effectively and in compliance with applicable laws and regulatory requirements.

We need to be able to terminate the arrangement where necessary without detriment to the business operations. To minimise the risk we have clearly defined exit strategies in the event of termination for Major Contracts.

At the conclusion of the contracts, the performance under these contracts should be reviewed and evaluated to ensure that they represented value for money and whether improvements could be made. The answers to these outcomes should be reported to the Leadership Team and then feed into future policy advice and budget processes.

Agreements

We establish written agreements with successful third parties. The contents of the agreement include as appropriate:

- a) A statement of work or requirements which describes:
 - Goods or services to be provided (including scope, quantity and quality);
 - Individual(s) responsible for delivering the goods or services;
 - Objectives to be attained; and
 - Time frame for completion or delivery.
- b) Any ongoing service levels agreements (SLA) which describe:
 - Specific deliverables arising from the agreement;
 - Key performance indicators for each deliverable, including deadlines;
 - Responsibility of each party to the agreement relating to each deliverable;
 - Procedures for monitoring and reporting compliance with the SLA, including incident procedures in case of non-compliance, and escalation procedures; and
 - Procedures for the regular review of the SLA and the process for amending it.
- c) Commercial terms agreed to;
- d) Frequency of contract reviews and renegotiation if appropriate;
- e) Arrangements to terminate the agreement;
- f) Confidentiality of information requirements;
- g) Arrangements for any sub-contracting or outsourcing by the external provider, including specific rules or limitations to such arrangements;
- h) Formal dispute resolution mechanisms; and
- i) Where appropriate, details of our operational policies.

The contract template to be used as the basis of the arrangement is reviewed early in the process with a member of the legal team. This is particularly important for conditions relating to termination, default, insurance, indemnities, limitation of liability, performance guarantees, intellectual property and dispute resolution.

Agreements are signed in accordance with the *Delegations Policy*.

Approved by Chief Executive on XX XXXX 2016

Schedule 3: Outsourcing Framework

Application

Outsourcing means the transfer of core day-to-day business operations, that we might otherwise reasonably undertake, to an external service provider. An outsourcing relationship is similar to a partnership. Regular arms-length transactions with vendors or contractors for day-to-day purchases of goods or services are not considered outsourcing relationships and are not covered by this framework.

Whether a relationship is an outsourcing relationship is a matter of judgement. Consideration to the following matters will inform the decision to outsource:

- Capability of an external party to perform the outsourced process
- Cost benefit analysis
- Risks around outsourcing the process
- Efficiency of outsourcing the process
- Is outsourcing the process consistent with best practice?

Any outsourcing decision that involves expenditure on the outsourced service of an amount greater than the threshold for a major contract (as set out in Schedule 2) must be approved by the Board.

Otherwise, all outsourcing relationships must simply follow the requirements of the procurement framework in Schedule 2 (for contracts not captured by the GRS, all outsourcing contracts are considered to be “major contracts”) with the additional requirement that reviews of the relationship are presented to the Board.

Selection

Selection of an outsourced supplier must follow the procurement framework set out in this policy. In addition to the selection criteria set out in that framework, the selection process for an outsourced supplier should also consider the suppliers’ abilities in the following areas:

- specialisation;
- reputation;
- support of the industry;
- internal controls;
- information delivery;
- environmental track record;
- location (offshore or domestic); and
- culture

When selecting an outsourced provider, consideration should be given to any risk arising from concentrating services with one supplier.

For large contracts, a panel of Guardians team members should be assembled to select the outsourced provider.

Risk and relationship management

We retain ownership of any risk even if a business process has been outsourced. Consideration should be given to any risk arising from the concentration of services with one supplier.

Appropriate due diligence must be carried out on the outsourced provider including a site visit and reference checking.

The monitoring of the outsourcing relationship should follow the same process as for monitoring of a major contract under the procurement framework.

Monitoring and Management of Outsourcing agreements

The monitoring of outsourcing agreements should follow the same process as for the agreement of a major contract under the procurement framework.

Outsourcing agreement

The outsourcing agreement should follow the same process as for the agreement of a major contract under the procurement framework.

Approved by Chief Executive on 18 February 2015

Schedule 4: Outsourced Activities

Supplier	Outsourced Activity	Owner	Captured by GRS?	Covered by an existing AoG contract?
Bloomberg AIM	Order management system	GM Operations		
Datacom Employer Services	Payroll	GM Finance and Risk		
Datacom Systems	Services supplied to IT	GM Operations	✓	✓
Institutional Protection Services	Class Action Litigation	GM Corporate Affairs		
JP Morgan	Collateral Management	GM Operations		
Northern Trust	Global Custody Services <ul style="list-style-type: none"> Core custody services Value added services (as detailed under the Master Custody Agreement and add-on documents) 	GM Operations		
MSCI (Riskmetrics)	Responsible Investment <ul style="list-style-type: none"> Monitoring and screening Proxy voting 	Chief Investment Officer		
Ortec Finance	Suppliers of software for Performance Reporting	GM Operations		

Approved by Chief Executive on 14 April 2016

Schedule 5: Reporting Framework

Report	Reporting frequency required and to whom	Minimum information required
Business cases for procurement or outsourcing	Reported to the Leadership Team and subsequent Board (as applicable)	<ul style="list-style-type: none"> Objectives; Suppliers contacted; Assessment criteria; Timetable.
New Major Contract	Reported to the Leadership Team	<ul style="list-style-type: none"> Name of Supplier; Services provided; Value and term of contract; Rationale for their appointment
Termination of Major Contract or Outsource Provider	Reported to the Leadership Team	<ul style="list-style-type: none"> Reason for termination; Impact of termination
Breach of this policy	If material : immediately to RC and AC Otherwise: to subsequent RC and AC meetings	<ul style="list-style-type: none"> Relevant details; Remedial actions taken.
Material changes to Schedules of this policy	Reported as part of the annual SIPSP review to the Risk Committee and Board meetings as well as under the no surprises protocol.	<ul style="list-style-type: none"> Details of change and reasons for change.
Annual Procurement Plan	Annually to MBIE	<ul style="list-style-type: none"> A brief description of the Guardians' purpose and the types of goods, services or works it mainly buys A list of all known or anticipated contract opportunities that the Rules apply to.
Extended Procurement Forecast	Annually to MBIE	<ul style="list-style-type: none"> A list of forecast contract opportunities over the next 4 years with an estimated whole-of-life value of over NZ\$5m; and/or may expose the government to significant risks; and/or have the potential for cross-government collaboration.
Significant Procurement Plan	As required to MBIE	<ul style="list-style-type: none"> Details for each contract opportunity listed in the Extended Procurement Forecast of what the Guardians intends to procure, how it intends to approach the market and why, how it will evaluate bids and how it intends to contract.

Approved by Board on 18 February 2015

Schedule 6: Legislative Compliance

The list of New Zealand legislation set out below does not purport to be comprehensive or to provide legal advice. If you require any advice on these matters please contact the legal team.

When contemplating a procurement process entry legal advice should be sought early in the process.

Our governing legislation

- Crown Entities Act 2004
- New Zealand Superannuation and Retirement Income Act 2001

Other Legislation

- Commerce Act 1986
- Copyright Act 1994
- Crimes Act 1961 (Bribery laws)
- Dumping and Countervailing Duties Act 1988
- Electronic Transactions Act 2002
- Fair Trading Act 1986
- Human Rights Act 1993
- Limitation Act 2010
- Public Audit Act 2001
- Public Finance Act 1989
- Ombudsman Act 1975
- Secret Commissions Act 1910
- Privacy Act 1993

Other

- Official Information Act 1982. Our obligations in respect of this Act are covered in the Communications Policy.
- Public Records Act 2005. Our obligations in respect of this Act are covered in the Communications Policy.
- Public Law considerations (Judicial Review)
- Confidentiality obligations, Contractual requirements and intellectual property risks

Policies etc. we must be aware of

- Government Rules of Sourcing (Ministry of Business, Innovation and Employment document 2014)
- Procurement guidance for public entities (OAG document, June 2008)
- Guidelines for Managing and Monitoring Major IT Projects (State Services Commission and Treasury document 2001).
- www.procurement.govt.nz/All-of-Government-contracts
- Government Requirements for Cloud Computing (www.ict.govt.nz)

Further information

Further information about the relevant sections of the legislation listed above can be obtained from the General Counsel.

Approved by Chief Executive on 8 December 2016