

Procurement & Outsourcing Policy

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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 covered by the Government Procurement Rules that is applicable to the Guardians, NZ Super Fund or Elevate Fund is performed in accordance with those rules, along with any associated reporting.
- 1.6 Finally, we ensure that processes are clear for the disclosure and management of any conflicts of interest.

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 In the context of this Policy, 'procurement' is defined as the acquisition of goods and services.
- 4.2 Outsourcing means the transfer of core day-to-day business operations, that we might otherwise reasonably undertake ourselves, to an external service provider.
- 4.3 This policy specifically covers:
 - Procurement, including the use of third party suppliers and the appointment of advisers for specialist services such as (but not limited to) tax, finance, investment operations, operational due diligence, investment, human resources, information technology or legal.
 - Outsourcing, including the appointment of the Master Custodian and external management of our IT infrastructure.

- The application of the Government Procurement Rules, where applicable.
- 4.4 This policy does not cover:
- Appointments of Investment Managers or Manager Selection Advisers, which are covered by the Direct and 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 and Engagement Policy.
- 4.5 This policy should be read in conjunction with the Employee Code of Conduct and Travel and Sensitive Expenditure 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 Guardians' reputation and standing could be damaged by the acts of people working within our suppliers and outsource partners (together referred to as third parties). We are committed to promoting compliance with effective anti-fraud, anti-bribery and corruption policies by all third parties that are engaged by the Guardians. 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 is required to 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 Guardians 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 are required to be subject to clear contractual terms. Where appropriate this includes 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 the Legal team.

- 6.4 Staff must not engage any third party that is known or reasonably suspected of engaging in, bribery, corruption or fraudulent activity. Refer to paragraph 6.2 above and the Procurement Process for further discussion of the due diligence required before engaging suppliers.

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 Procurement Rules.

Further guidance is contained in the 'Procurement Guidance for Public Entities' published by the Office of the Auditor-General.

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

- Where applicable, our compliance with the Government Procurement Rules;
- 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 Government Procurement Rules, must be maintained in Schedule 2. This schedule also includes guidance for the ongoing monitoring and management of all 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 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; and
- Relationship management.

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

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

9. Reporting

9.1 We must report to the Board on the following matter, where applicable:

- Business cases for all major contract procurement and outsourcing (refer to the Procurement Process for the required content of a business case) .

9.2 An outline of the current reporting framework, including any reporting to management committees, must be maintained in Schedule 6.

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

- Schedule 6: 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 5: Third Party Monitoring
- Schedule 7: Legislative Compliance

9.5 For applicable procurement, we must provide reporting to the Ministry of Business, Innovation and Employment (MBIE), in relation to procurement covered by the Government Procurement Rules and applicable to the Guardians.

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 7.

11. Conflicts

11.1 The Code of Conduct governs the obligations of employees to disclose conflicts of interests and perceived conflicts of interest. Any employee involved in a procurement process must consider their potential conflicts of interests and disclose any such conflict to the General Counsel or the CEO or email conflicts@nzsuperfund.co.nz in accordance with section 7 of the Code of Conduct. The CEO will decide how best to manage that conflict or potential conflict of interest.

11.2 All potential suppliers and outsource partners must also be asked to consider and disclose any potential conflicts of interests and perceived conflicts of interests during the RFP process.

12. Control Section

Approved this 26 day of September 2019, updated 24 June 2021 and 24 November 2021

GM Strategy and
Shared Services

Chief Executive Officer

Board Chair

Schedule 1: Responsibilities

| | |
|--|--|
| GM Strategy and Shared Services 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 Procurement Rules to MBIE 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 formally review and monitor third parties following the Third Party Monitoring Process review their major contracts / outsource relationships at conclusion for lessons |
| General Counsel will: | <ul style="list-style-type: none"> ensure schedule 7 (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 Risk will: | <ul style="list-style-type: none"> report material policy breaches notified through the Learning Opportunities process immediately to the Risk Committee and Board report all policy breaches notified through the Learning Opportunities process to the subsequent Audit & Risk Committee meeting |
| Office Manager will: | <ul style="list-style-type: none"> assist with co-ordination of, and monitor completion of, third party monitoring |

Responsibilities approved by Chief Executive on 03 May 2016, 13 March 2020, 24 June 2021, 24 November 2021, and 3 August 2022

Schedule 2: Procurement Framework

Different types of contract require different approaches to procurement and ongoing monitoring, depending on whether or not they fall under broader Government oversight, and depending on their value or level of risk. The diagram on page 13 sets out the decision path for contracts.

1. Government Rules of Sourcing

The New Zealand Government has established the Government Procurement Rules (GPR), providing a framework for procurement by the public sector and requiring specific reporting on certain procurement activities ([Government Procurement Rules](#)).

Our procurement activities are split between the Guardians, the NZ Super Fund and the Elevate Fund, each maintaining a separate set of books and records.

1.1 Application of the GPR to the Guardians

Procurement reflected in the books and records of the Guardians relates to 'enterprise' or administrative activities in relation to the management of its mandates (e.g. staff costs, property lease etc.).

The GPR apply to the procurement of goods or services by the Guardians where the maximum estimated total value of the procurement meets or exceeds NZD 100,000 (measured over the whole life of that contract). Certain 'non-procurement activities' are excluded from the GPR, such as the employment of staff.

If the GPR apply, the procurement must be openly advertised for tender on the Government Electronic Tenders Service (GETS) website (<https://www.gets.govt.nz/>), unless an exemption from open advertising applies. The rationale for exempting the procurement from open advertising must be documented and a contract award notice must be published on GETS.

A valid exemption from the requirement to openly advertise exists when purchasing under a 'collaborative contract'. Under the GPR, the New Zealand Government has established a number of collaborative contracts (All-of-Government (AoG) contracts syndicated contracts and common capability contracts) with approved suppliers with a view to generating cost-savings, improving productivity and improving competition. Before approaching the market the Guardians should check if there is an existing collaborative contract that meets its needs. Where an AoG contract or mandatory common capability contract exists, the Guardians must utilise it for any relevant procurement, unless approval to opt-out is sought from MBIE or the relevant functional leader. A list of the current collaborative contracts can be found here: [collaborative contracts](#). The Guardians must also check whether the contract has been designated to achieve a specific 'Priority Outcome' (see below). Where contracts have been designated to achieve a specific Priority Outcome, the Guardians must include requirements relating to that outcome in its procurement.

Priority Outcomes (Rules 17-20) include: increasing New Zealand businesses' access to government procurement; improving conditions for workers; and supporting the transition to a net zero emissions economy. The purchase of information and communications technology (ICT) services or software is a designated contract area for increasing access for New Zealand businesses. This means when Guardians purchases ICT services or software it must consider how it can create opportunities for New Zealand businesses to be involved.

If the GPR do not apply to a procurement activity by the Guardians, good procurement practices (as outlined in the GPR and the framework in section 2 below) should still be considered.

1.2 Application of the GPR to the NZ Super Fund and Elevate Fund

Procurement reflected in the financial records of the NZ Super Fund and Elevate Fund relates to investment and investment-related activities (e.g. investment manager fees, investment advisors, market data etc.).

“Investments” are specifically identified as a “non-procurement activity”, and are excluded from the GPR.

Other investment-related activities (e.g. the procurement of market data) are not specifically identified in the GPR. Any investment-related procurement over the NZD 100,000 threshold by the NZ Super Fund or Elevate Fund should therefore be considered on a case-by-case basis for application of the GPR and the decision documented. This decision inherently requires judgement based on the nature of the procurement and how integral it is to an investment - the more integral a service or item is to a specific investment, the more likely that it would be considered a part of that investment and therefore be excluded from the GPR. For instance, professional advisors in relation to specific NZ Super Fund or Elevate Fund investments.

Where the GPR do not apply, good procurement practices (as outlined in the GPR and the framework in section 2 below) should still be considered.

2. Approach to All Other Procurement (where the GPR are not applied)

2.1 Framework

This framework applies to all procurement where the GPR do not apply.

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 GPR:

- *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. This does not prevent Guardians from awarding a contract to a New Zealand supplier if they present the best public value. Any Broader Outcomes (as defined by the GPR) sought as part of the procurement process should also be considered.
- *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 avoid application of the GPR or circumvent this framework.
- *Broader Outcomes:* We will consider, and incorporate where appropriate, Broader Outcomes. Broader Outcomes are the secondary benefits that are generated by the way a good, service or works is produced or delivered. These outcomes can be social, environmental, cultural or economic benefits and will deliver long term public value for New Zealand. This means we will consider not only the whole of life costs of procurement, but also the costs and benefits to society, the environment and the economy.
- *Government Procurement Charter:* We will ensure that our procurement practices reflect the expectations set out in the Government Procurement Charter and seek to meet as many of these expectations as practical.
(<https://www.procurement.govt.nz/principles-charter-and-rules/government-procurement-charter/>).

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

2.2 Major vs Minor Contracts

Where the GPR do not apply, we categorise contracts as either “major contracts”, that are high risk; or “minor contracts” that are low value *and* low risk. The approach to procurement and ongoing monitoring should be commensurate with the value and level of risk of the contract.

The relationship owner for each contract should assess the riskiness of the contract in line with the Risk Assessment Framework (Schedule 3 of the Risk Management Policy).

A major contract is where the following factors are considered to be potentially significant to our organisation:

- The impact of a supplier’s disruption on our operations including the time to recovery of core capabilities;
- The impact the supplier could have on our reputation;
- Whether the supplier has access to restricted and confidential information or poses a significant information security risk;
- Whether the supplier’s IT infrastructure pose a significant information security risk;
- The level of difficulty and time required to find an alternative supplier.

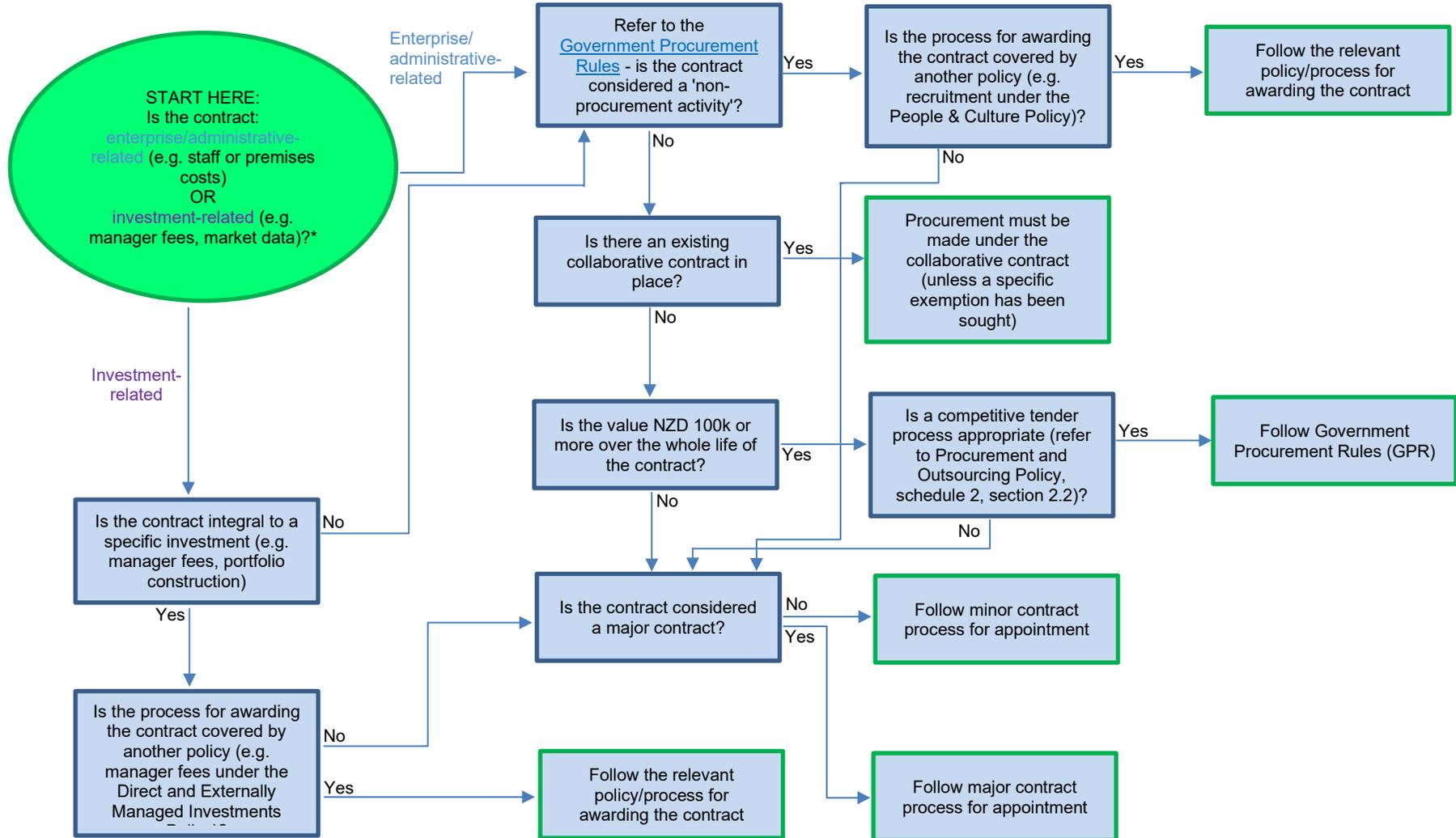
It is usually not a single factor but a combination of the above factors which would lead to a determination that a contract is a major contract. However, this may not always be the case and will depend on the individual circumstances. If in doubt the relationship manager should discuss with the GM Strategy & Shared Services.

Major contracts include (but are not limited to): any outsourcing arrangement; arrangements where the Guardians’ business would be highly dependent on the provision of services; arrangements with particularly high profile or sensitive suppliers (e.g. a supplier receiving significant media attention); or arrangements with other suppliers providing unusually sensitive services (e.g. non-legal advisers providing services around particularly sensitive issues).

Minor contracts are deemed to apply to more administrative procurement such as: office supplies; publications; travel; utilities; or recruitment.

The process for entering into a major or minor contract is set out in the Procurement Process document ([Procurement Process](#)).

Selection of Procurement Approach



3. Monitoring and Management of Contracts

The ongoing monitoring of *all* contracts must follow the Third Party Monitoring Framework and Process as referenced in Schedule 5.

Approved by Chief Executive on 11 June 2019 and 24 November 2021

Schedule 3: Outsourcing Framework

1. 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 GPR, all outsourcing contracts are considered to be “major contracts”) with the additional requirement that reviews of the relationship are presented to the Board.

2. 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.

3. 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.

4. Outsourcing agreement

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

5. Monitoring and Management of Outsourcing agreements

The ongoing monitoring of outsourcing agreements should follow the Third Party Monitoring Framework and Process as referenced in Schedule 5.

Approved by Chief Executive on 18 February 2015 and 24 November 2021

Schedule 4: Outsourced Activities

| Supplier | Outsourced Activity | Owner | Captured by GPR? | Covered by an existing collaborative contract? |
|---------------------------|---|---------------------------------|------------------|--|
| Datacom Employer Services | Payroll | GM Human Resources | | |
| Datacom Systems | Services supplied to IT | GM Technology | ✓ | ✓ |
| Goal Group | Class Action recoveries monitoring and filing | GM Strategy and Shared Services | | |
| Labaton Sucharow LLP | Opt-in Class Action recoveries specialist | GM Corporate Affairs | | |
| JP Morgan | Collateral Management | GM Strategy and Shared Services | | |
| 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 Strategy and Shared Services | | |
| MSCI (Riskmetrics) | Responsible Investment <ul style="list-style-type: none"> • Monitoring and screening • Proxy voting | Chief Investment Officer | | |

Approved by Chief Executive on 14 April 2016, 27 February 2019, 24 June 2021, 24 November 2021 and, 3 August 2022

Schedule 5: Third-Party Monitoring Framework

1. Application

- 1.1. The relevant frameworks and processes relating to procurement and outsourcing contemplate engagement with third parties on a contract-by-contract basis. The ongoing monitoring of these contracts should however be performed at the level of the third party suppliers themselves – there may be multiple contracts with a single supplier and review of these on a consolidated basis is not only efficient, but mirrors how many suppliers would themselves interact with their customers.
- 1.2. *All* third-parties governed under this policy, whether engaged via a major, minor, or outsourced contract, need to be monitored and managed through this framework and the associated process ([Third Party Monitoring Process](#)).
- 1.3. For all third party supplier relationships, one member of the team is designated by the Cost Centre manager as a relationship owner. This person has overall responsibility of the supplier relationship, overseen by their General Manager.
- 1.4. At a minimum, the relationship owner is required to informally monitor the delivery of goods and services from a third party throughout the period in which they are engaged, at a level commensurate with the value and risk of the contracts. This informal monitoring will consider the quality of the goods or services being provided; the perceived 'value for money' received; and the existence of any risks factors associated with the engagement.
- 1.5. More structured reviews will be undertaken periodically, in line with the monitoring checklist and guidelines set out in the [Third Party Monitoring Process](#).
- 1.6. Where a third party is used on an adhoc basis e.g. less than once a year, it may not be effective or efficient to undertake the more structured reviews on an regular or ongoing basis. In these situations where the third party exposes the organisations to risks factors which are of concern, the relationship owners can elect to assess and manage the risks each time the third party is engaged.
- 1.7. For a third party that only provides a software application or related services which are reviewed under the organisation's IT Certification and Accreditation Framework and there are no other risk factors that are relevant (for example, no business reliance on the output of the software or services), then no additional monitoring is required by the relationship owner.
- 1.8. Appropriate action is taken if a third party is not carrying out the functions to the expected standards, in line with the agreed terms, or otherwise in compliance with applicable laws and regulatory requirements.
- 1.9. 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 specifically for major contracts.

- 1.10. At the conclusion of a major contract, the performance under the contract will be reviewed and evaluated to ensure that it represented value for money and whether improvements could be made. The outcome of this review should be reported to the Leadership Team and then feed into future policy advice and budget processes.

2. Material Third Party

- 2.1. The factors that determine whether a third party relationship is material or not, align with those that determine whether a contract is a “major contract” or a “minor contract” as set out in the Procurement Framework in Schedule 2.
- 2.2. A supplier of a major contract is, however, not automatically classified as material third party and, equally, a supplier of a minor contract is not automatically classified as non-material. Assessment of third parties should be on a case-by-case basis, considering all of the contracts under which they are engaged.
- 2.3. A third party is considered material based on assessing the significance of the following factors in the relationship:
 - The impact of a third party’s disruption on our operations including the time to recovery of core capabilities;
 - The impact on our reputation;
 - Whether the third party has access to restricted and confidential information or poses a significant information security risk;
 - Whether the third party’s IT infrastructure pose a significant information security risk;
 - The level of difficulty and time required to find an alternative third party.
- 2.4. Establishing the materiality of a third party requires judgement. It is usually not a single factor but a combination of the above factors which would make a third party material. However, this may not always be the case and will depend on the individual circumstances. If in doubt the relationship manager should discuss with the GM Strategy & Shared Services.

3. Third Party Risk Factors

- 3.1. Whether the spend on a third party is large or small, they all have the potential to expose the organisation to adverse risks. The focus of this process is to establish monitoring over risks we are concerned about which potentially arise through the third party relationship.
- 3.2. Outlined below are the risk factors that are most significant to the organisation. Reputational risk has not been identified as a separate risk as it generally eventuates from the occurrence of another risk event. Any of the below risk factors could give rise to reputational risk:

| Risk Factor: | What might we need comfort over? |
|--|--|
| Cyber /IT Security | <p>IT Security Practices: We should understand the maturity of the third party's policies, standards and procedures for IT security including whether they have any IT security assurance programme, and whether independent assurance is obtained over security controls.</p> <p>Other relevant factors to consider include Incident Management, Vulnerability Management, and User/Remote Access Management.</p> <p>[Subject Matter Experts (SME) – relationship owners should refer to the SME if guidance is needed on the requirements – IT Security]</p> |
| Data– Access/ Storing/ Confidentiality | <p>Data Protection: Evaluate the adequacy of the various technical controls applied to protect our data third party's on systems.</p> <p>Privacy: Examine the conformance of the third party's privacy practices with good practice privacy principles.</p> <p>[SME - IT Security and Privacy Officer]</p> |
| Business/operational Disruption | <p>Business Continuity: Enquire on the various processes by which the third parties ensure they can recover from an interruption or disaster event, including backups, geographical separation of data storage, and recovery plans.</p> <p>[SME – Head of IT]</p> <p>Financial Strength: Assess the financial strength of the third party and determine whether there are any risks to the financial viability of the third party which may impact on their ability to fulfil their contracted services and service levels.</p> <p>[SME – Finance]</p> |
| People | <p>Staff/contractor Vetting: Assess the third party's procedures for the vetting of staff and contractors (such as criminal history checks), and evaluate whether staff and contractors receive adequate training on information security.</p> <p>[SME – People and Culture Team and Legal]</p> |
| Up/down stream supplier disruption | <p>Supply chain: Determine how the third party's ensure that their own outsourced providers and contractors are meeting security and service continuity expectations.</p> <p>[SME – Finance]</p> |
| Legal | <p>Where we need to meet legal or regulatory obligations, determine whether the third party operates in a manner which enables us to meet our obligations.</p> |

| | |
|---|---|
| | <p>Examples include:</p> <ul style="list-style-type: none"> • Privacy • Bribery & Corruption • Anti-money laundering • Health and Safety • Public records <p>[SME – Legal]</p> |
| Environmental Social & Governance (ESG) | <p>Determine whether the third party operates in a manner consistent with our expectations in regard to ESG e.g. Bribery & corruption, climate change, modern slavery.</p> <p>[SME – Sustainable Investment Team]</p> |

- 3.3. For a material third party, consideration should be given to issues that could indicate there may be a mismatch in strategic alignment. Factors that may suggest a lack of alignment include: costs, access to technology, innovation.
- 3.4. Where a risk factor is currently not relevant, the relationship owner must monitor and assess any change in the third party relationship which would require inclusion of the risk factor in the monitoring process.

Approved by Chief Executive on 24 November 2021 and amended 3 August 2022

Schedule 6: Reporting Framework

| Report | Reporting frequency required and to whom | Minimum information required |
|--|--|---|
| Business cases for major contract 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 as soon as practicable | <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 as soon as practicable | <ul style="list-style-type: none"> Reason for termination; Impact of termination |
| Summary of results of third party monitoring | Annually to the Board | <ul style="list-style-type: none"> Objectives Scope of review Key findings/exceptions |
| 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. |
| Required reporting to MBIE | Where requested, to MBIE | <ul style="list-style-type: none"> As required by MBIE |

Approved by Board on 26 November 2019 and 24 November 2021

Schedule 7: 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.

Guardians and New Zealand Superannuation Fund governing legislation

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

Elevate Fund governing legislation

- Crown Entities Act 2004
- Venture Capital Fund Act 2019

Other Legislation

- Commerce Act 1986
- Copyright Act 1994
- Crimes Act 1961 (Bribery laws)
- Contract and Commercial Law Act 2017
- Trade (Anti-dumping and Countervailing Duties) Act 1988
- 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 2020

Other

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

Policies etc. we must be aware of

- Government Procurement Rules (Ministry of Business, Innovation and Employment document 2019)
- Procurement principles, guidance and contracts (<https://www.procurement.govt.nz/>)
- Government supplier marketplace (<https://marketplace.govt.nz/>)
- Digital Government Programmes, including the Government Cloud Programme (www.digital.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 and 24 November 2021