

2011 Winner: Melbourne Water Best practice policy & implementation framework

Award for Excellence in Green Purchasing – Overall Champion

This Award recognises excellence in all five dimensions of sustainable procurement: People, Policy, Process, Engaging Suppliers and Measurement.

Melbourne Water also won two other Excellence in Green Purchasing Awards in the *Procurement Process*, and *Policy, Strategy and Communications* categories.

Since becoming an ECO-Buy member in 2006, Melbourne Water has emerged as a leading green procurement practitioner. Melbourne Water is the only organisation in Australia that has achieved a fully audited silver level on Part 1 of ECO-Buy Sustainable Procurement Assessment Tool, thus demonstrating best practice or near best practice in each of the five dimensions of sustainable procurement. Melbourne Water particularly excels in the areas of *Policy, Strategy and Communications; Procurement Process; and Measurement and Continuous Improvement*.

Owned by the Victorian Government, Melbourne Water is responsible for looking after Melbourne's water supply catchments, rivers, creeks and major drainage systems; treating and supplying drinking water; removing and treating most of Melbourne's sewage; and providing recycled water for non-drinking purposes. It has around 850 employees, manages \$8.4 billion in assets and its vision is 'working together to ensure a sustainable water future,' which makes sustainability a cornerstone.

Sustainable Procurement Policy

A key strength of Melbourne Water is its robust sustainable procurement policy framework, which has been externally reviewed and scored 24 out of 25 points on ECO-Buy Sustainable Procurement Assessment Tool. Melbourne Water's commitment to sustainability is formalised in its Strategic Framework.

The Sustainable Procurement Policy further commits Melbourne Water, and those who purchase on its behalf, to:

- make significant and continual improvement in the sustainability of their purchase decisions;

- engage and consult with suppliers and stakeholders to promote and improve sustainable purchases and practices;
- apply the policy with suppliers and partners; and
- monitor and report progress toward sustainable procurement.



The Policy identifies four priority procurement areas and is strongly integrated with other strategies and management systems, including the Strategic Framework, the Environment Policy, the Procurement and Purchasing Policy, and the Sustainable Procurement Register.



Sustainable Procurement Guidelines

The Sustainable Procurement Guidelines set responsibilities for sustainable procurement and provide Melbourne Water staff with comprehensive instructions and practical examples of how to put the policy into practice. A diagram lists and shows the relationship between all sustainable procurement documents and the various stakeholders who own and use these documents. Guidance is provided on how to apply a series of sustainable procurement principles that range from avoiding unnecessary purchases to engaging suppliers who demonstrate knowledge of and engagement with their supply chains. Supply chain mapping, eco-labels and monitoring are among the tools featured in the Guidelines.

As Ken Baxter, Melbourne Water's Energy Manager says, "Melbourne Water has a target to source 100% of its electricity from renewable sources and have net zero greenhouse gas

emissions by 2018. The Sustainable Procurement Policy provides the support for us to make procurement decisions in support of these goals, such as the 15 year renewable electricity contract that we signed with AGL in 2010."

Sustainable procurement processes

Melbourne Water is committed to translating its best practice Sustainable Procurement Policy and Strategy into tangible results. Key category officers receive sustainable procurement training, and an internal sustainable procurement working group with representatives from the Supply Team and Sustainability Improvement Team has been set up.

Sustainability considerations are embedded into Melbourne Water's supplier selection and contracts. Standard tender documents include a detailed environmental questionnaire.

Questionnaires have also been tailored to capture the unique impacts of industries such as designers and printers.

Glenn Duxson, Melbourne Water's Contracts Officer, says the completed Performance Management Questionnaire is used by the tender assessment panels to evaluate the tenderers' policies, systems and processes relating to environment and sustainability, among other key areas. The results are a mandatory part of the selection criteria for tenders.

Standard contract documents require suppliers to comply with Melbourne Water's Sustainable Procurement Policy. Contracts with Alliance partners include sustainability and environment Key Performance Indicators (KPIs) and 'Gamebreaking performance' KPIs, which must be reported against. Paid performance bonuses are associated with achieving or surpassing these defined KPIs.

"Two major initiatives have helped us stretch to gamebreaking performance for sustainability", says Phil Corluka, Melbourne Water's Program Manager for the Pipelines Capital Program. "Firstly we have been capturing and measuring resource data to calculate our water use and carbon footprint

EXAMPLE OF A MELBOURNE WATER 'GAMEBREAKING PERFORMANCE' KPI IN A MAJOR CAPITAL PROGRAM AGREEMENT FOR SEWERAGE AND DRAINAGE PIPELINES.

'Be acknowledged by industry for exceeding current standards relating to sustainability and environmental standards on construction sites'

(including fuel, waste materials sent to landfill or

recycled, and electricity). Secondly, we measure the environmental impacts of our works through pre-condition survey of the site, and with post-works surveys as well. These surveys allow us to monitor any environmental impacts we may have through our works on the condition of biodiversity, soil or waterways.”

Measurement of sustainable procurement performance

Melbourne Water tracks its sustainable procurement via a Sustainability Procurement Register, which records the sustainability category and environmental initiatives associated with goods and services purchased. Eight sustainability categories are used including energy efficiency, maintain habitat, minimise toxicity, packaging, supplier's sustainability principles, waste reduction and water efficiency. Melbourne Water compares its sustainable procurement performance with other

organisations’ and uses the results to inform management decisions. In particular, Melbourne Water benchmarks its business sustainability via the scorecard of the Dow Jones Sustainability Index (a collaboration of Sustainable Asset Management (SAM) and the Dow Jones Indices). The scorecard includes a section on environmental standards/requirements for suppliers in which Melbourne Water rates well above average.

Managers are encouraged to set sustainable procurement targets in the four priority areas identified in the Sustainable Procurement Policy (capital works projects, IT & computers, fleet and stationery), and are required to publish an annual report on the sustainable procurement section of the intranet. Key results, such as 45% of Melbourne Water’s total stationery expenditure is on sustainable products, will be published in the organisation’s annual sustainability reports.

ONE OF THE PRINCIPLES FEATURED IN MELBOURNE WATER’S SUSTAINABLE PROCUREMENT GUIDELINES:

