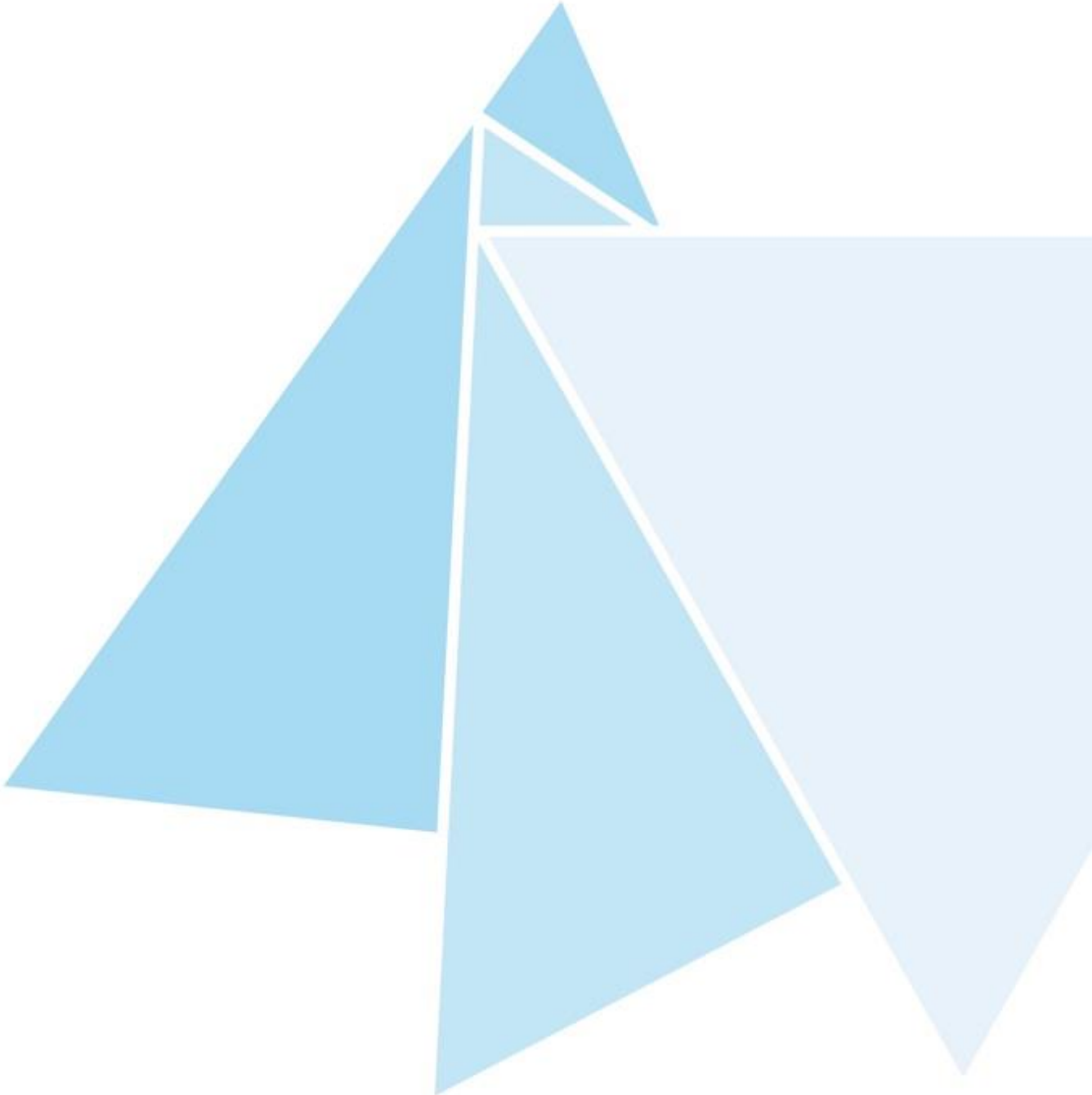


# VFMC Social Procurement Strategy

March 2020



Improving the future prosperity of Victoria

## Contents

1	Document Information	3
	1.1 Document Status	3
	1.2 Document History	3
2	Context	4
3	VFMC Business Strategy	5
4	VFMC Procurement Profile	5
	4.1 VFMC Spend Analysis	5
	4.2 Existing Social Procurement spend	7
5	VFMC Social Procurement Opportunity Analysis	9
	5.1 Opportunity for direct social procurement	9
	5.2 Opportunity for indirect social procurement	10
6	Priority social and sustainable objectives	12
	6.1 Summary of key strategic actions arising from the opportunity analysis	12
	6.1.1 Purchasing appropriate goods and services from certified social enterprises	12
	6.1.2 Purchasing from verified Aboriginal businesses	13
	6.1.3 Purchasing from a disability enterprise	13
	6.2 Social Procurement Activity Requirements	13
7	Roles and Responsibilities	15
8	Capability Development Plan	16
9	Supplier communication, education and development	19
10	Measurement and Reporting Action Plan	20
11	Definitions	22
12	Annexure – Social Procurement self-assessment	23
13	Appendix	26

# 1 Document Information

## 1.1 Document Status

The current status of this document is shown below.

Original issue date	27 March 2020
Current approval date	27 March 2020
Owner	Shiran Mahendran
Date of next review	30 April 2021
Board review required	No

## 1.2 Document History

The history of changes made to this document is shown below.

Version	Date	Summary of changes

## 2 Context

As part of the VFMC social procurement program, we seek to use our purchasing decisions to realise greater social and environmental benefits that help build a fair, inclusive and sustainable Victoria.

The objectives of the Social Procurement Framework are:

1. Opportunities for Victorian Aboriginal people
2. Opportunities for Victorians with disability
3. Women's equality and safety
4. Opportunities for disadvantaged Victorians
5. Supporting safe and fair workplaces
6. Sustainable Victorian social enterprise and Aboriginal business sectors
7. Sustainable Victoria regions
8. Environmentally sustainable outputs
9. Environmentally sustainable business practices
10. Implementation of the Climate Change Policy Objectives.

VFMC's Social Procurement Strategy has been developed in response to the Victorian Government's Social Procurement Framework (SPF) released in April 2018. The SPF demonstrates an increased priority for delivering benefits to Victorian communities through procurement.

Based on the opportunity analysis in section 5 below, the priority objectives of the 2019-20 VFMC Social Procurement Strategy are to promote opportunities for businesses that support:

- Sustainable Victorian social enterprises and Aboriginal business sectors;
- Women's equality and safety;
- Implementation of the Climate Change Policy Objectives;
- Support safe and fair workplaces;
- Environmentally sustainable outputs, and
- Environmentally sustainable business practices.

Social procurement occurs:

*When organisations use their buying power to generate social value above and beyond the value of the goods, services or construction being procured.*

The strategy sets out the VFMC approach to embedding sustainable procurement in our processes and throughout the supply chain by challenging us to think about where we buy our goods and services. It provides an action plan outlining specific tasks that can be taken to drive social value from procurement activities. The strategy is designed to be implemented and phased in over a number of years, as our Social Procurement process matures.

Other Victorian Government Departments and Agencies have been consulted to ensure there is alignment in application of the Social Procurement Policy, and the opportunity to share opportunities amongst different agencies.

## 3 VFMC Business Strategy

The Victorian Funds Management Corporation (VFMC) is Victoria's investment specialist. Our aspiration is to be a diverse team who are united by a single purpose: Improving the future prosperity of Victoria. We aspire to be an extraordinary team delivering market leading, long-term returns.

Clients rely on VFMC to manage investment risk, optimise portfolios and advise on developing assets allocation strategies. Our investment and related services include:

- Developing strategic asset allocations for our clients.
- Operational execution of investment strategies client portfolios.
- Offering investment guidance and consulting.
- Internal funds management.
- Selecting external fund managers and monitoring their performance.
- Proxy voting services.
- Monitoring of risk and compliance.

VFMCs 2020 Strategic Plan is based upon 3 core pillars:-

1. Embedding strategic focus,
2. Building resilience in investment performance, and
3. Developing enabling capabilities

Our People Strategy is a key enabler of the 2020 Strategic Plan focusing on leadership, diversity and inclusion, talent management and capability, organisational health, and performance and reward. We aspire to be an extraordinary team delivering market leading, long-term returns within an environment that is inclusive, values diversity and innovative problem solving. We strive to be a team that is known and respected as a leading asset manager, not just in Australia but beyond, with the intellectual curiosity to learn new and different ways of achieving individual and organisational goals.

The VFMC Social Procurement Strategy builds on our commitments to all our stakeholders to be long term responsible investors, further realising the potential of our enterprise's procurement spend to deliver greater value beyond the goods or services being procured.

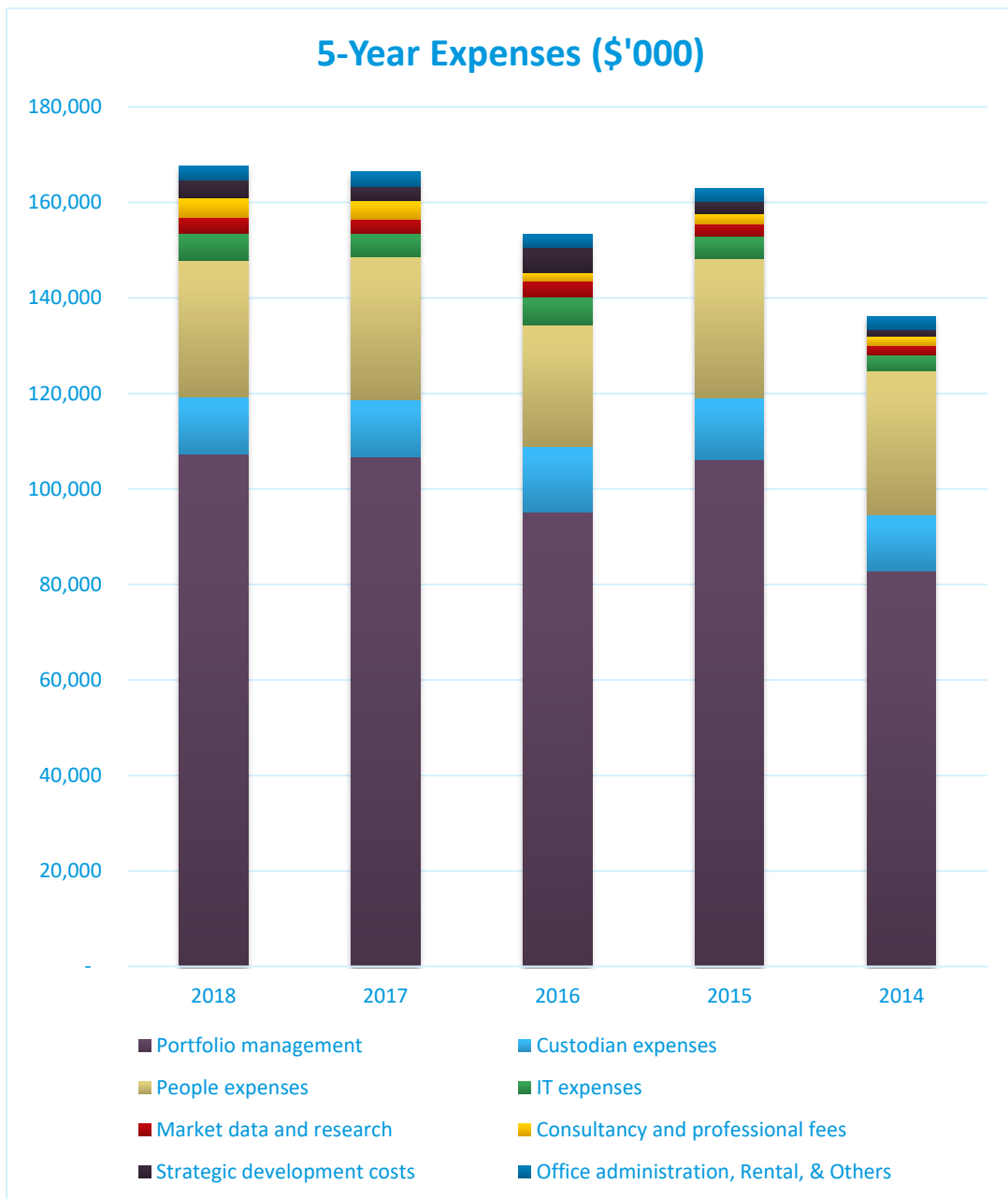
## 4 VFMC Procurement Profile

This section brings together key aspects of VFMC's procurement profile, which will assist in better understanding the opportunities in applying the social procurement policy.

### 4.1 VFMC Spend Analysis

The total controllable spend excluding people expenses for VFMC for the last five years (\$650 million) shows that most of our expenditure relates to seven categories; External Fund Management Fees, Custodian expenses, IT, Market Data, Professional Services, Strategic Development and Office Administration (see Table 1).

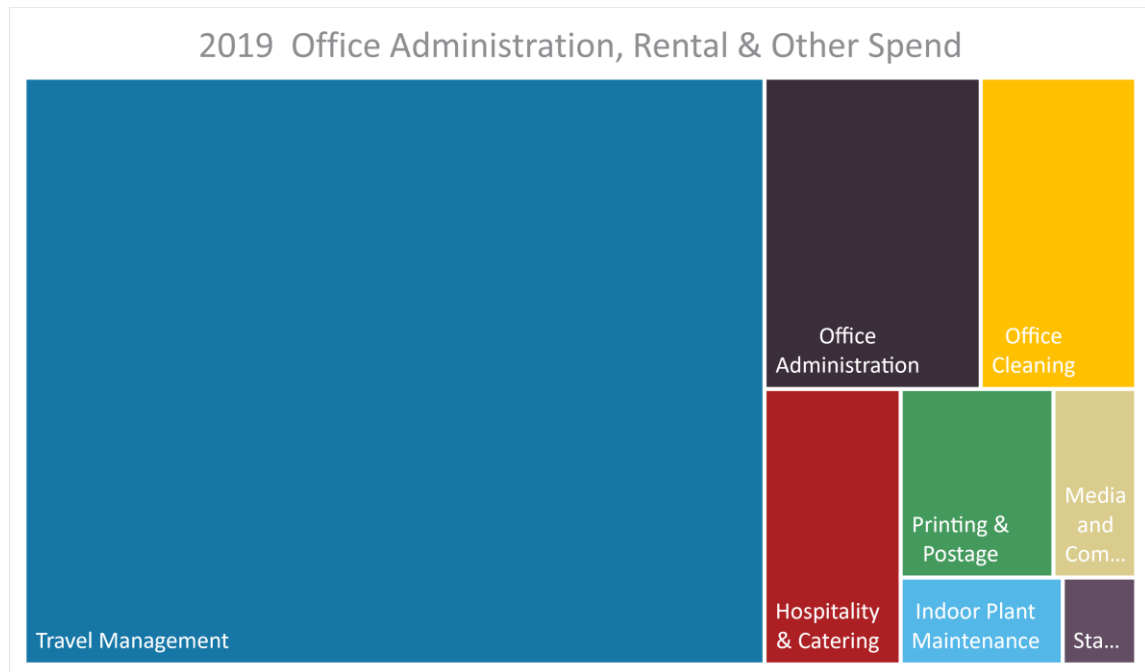
Table 1: Five year spend analysis



Excluding External Fund Management and Custodian Fees, much of what VFMC procures is knowledge services in areas such as professional services, legal services and technology services. Opportunities for direct procurement from social benefit suppliers are limited in these areas. However as existing contracts with suppliers expire and are renewed or new suppliers are contracted, indirect social procurement opportunities will be explored as part of the VFMC Social Procurement Strategy. (Refer section 5.2 for details).

From a “direct” social procurement perspective, our analysis of the 2019 Office administration category of expenditure (refer table 2, below) have identified potential areas for the use of social benefit, the details of which will be discussed in section 5.1.

Table 2: 2019 Office Administration expenditure profile



#### 4.2 Existing Social Procurement spend

VFMC currently does not formally apply social procurement objectives criteria to its direct procurement spend. However, as part of the VFMC 2020 Strategic Plan, the Environmental, Sustainability and Governance framework (ESG) used in the investments decision making process, has been enhanced.

The ESG framework includes and embraces a number of the Social Procurement Policy objectives, namely:-

1. Environmentally sustainable businesses
2. Sustainable businesses practises
3. Equal opportunity employment opportunities
4. Workplace health and safety

Effectively managing ESG risks and opportunities has long been integral to our investment processes and decision making. VFMC became a signatory to the UN-supported Principles for Responsible Investment (PRI) in 2007 and we are a member of the Investor Group on Climate Change (IGCC).

We embed ESG into our investment process through active ownership, integration, disclosure and continuous learning.

Active ownership – we engage with investee companies, fund managers and policy makers on material ESG issues, and we exercise our voting rights at company meetings.

Integration – we consider ESG risks and opportunities across all asset classes in the selection, management and monitoring of investments.

Disclosure – we encourage the development and use of ESG-related standards, and disclose VFMC's ESG activities to clients and other stakeholders.

Continuous learning – we strive to expand our knowledge of material ESG issues and emerging ESG-related trends.

The ESG framework and policy is an important element in monitoring the performance of external fund managers employed to invest VFMC's funds under management.

The total expenditure for the procurement of external fund management services in 2018 was \$106 million or 63% of total VFMC expenditure. Due to the alignment and shared objectives of VFMC's ESG policy and the Social procurement strategy, an element of the application and compliance to Social Procurement for VFMC will be via the application of the ESG policy to external fund manager's fees, which will be articulated via the development of the Social Procurement Strategy. Refer to section 5.2 for details.

As Victoria's investment specialist, VFMC's team works hard at ensuring that we are across key and emerging risks that may impact upon our clients. Climate change is one of these risks.

VFMC recognises the need to keep global temperature rises this century to well below 2 degrees Celsius above pre-industrial levels to limit the negative impacts on society, the environment, and the economy.

Climate change is a systemic issue, presenting a material financial risk to underlying assets and companies within our investment portfolio. To help determine which climate risks are material we have undertaken a carbon footprint assessment, analysis at an individual security level, and climate change scenario analysis to better understand the possible future impact of climate change on our investment portfolio. We have clarified our legal obligations with regard to climate-related financial risk, as well as reputation factors.

Refer to VFMC's ESG Governance Framework for more details.

In addition to the ESG framework, VFMC's current work practices include:

- Use of recycled paper for printing;
- Recycle stations for paper, coffee cups and organic waste; and
- Green star rated office floor

This strategy builds upon VFMC's commitment towards Social Procurement objectives.



## 5 VFMC Social Procurement Opportunity Analysis

Social procurement can be grouped into two broad approaches:

**Direct** – Purchasing of goods and services from:

- Victorian social enterprises
- Victorian Aboriginal businesses
- other social benefit suppliers, including Victorian Australian Disability Enterprises

**Indirect** – Using the invitation to supply process and clauses in contracts with the private sector to seek social and sustainable outcomes for Victorians.

### 5.1 Opportunity for direct social procurement

This opportunity analysis identifies areas of expenditure with greatest opportunity for direct social impact based on current information. Identified opportunities focus on both objectives of the VFMC and the broader Social Procurement Framework (SPF).

The table below sets out specific opportunities where social benefit suppliers can provide goods and services in categories of expenditure matching VFMC’s procurement profile.

VFMC aims to prioritise the following SPF objective for each of the categories identified in the table below.

- Sustainable Victorian social enterprises and Aboriginal business sectors

VFMC will explore opportunities to source goods and services from social benefit suppliers. More specifically VFMC will request information from indigenous travel suppliers to assess suitability and aim to procure 20% of our catering from a suitable social benefit supplier.

Table 3: Opportunities for direct procurement and targets

Category	Aggregate Spend	Strategic Actions	Completion Target	Accountability	Outcomes sought	Sourcing tactics	Target
Catering	< \$1 million	Create a list of social enterprise caterers with the expectation that some of the spend (see appendix 13.1 for a breakdown) will be procured from social enterprises unless the requirements cannot be met by these suppliers.	Q1 2021	Social Procurement champion and Business Administration Team	Sustainable Victorian social enterprise and Aboriginal business sectors	Targeted sourcing	5% – 10%
Category	Aggregate Spend	Strategic Actions	Completion Target	Accountability	Outcomes sought	Sourcing tactics	Target

Print Services (excl. managed print services, ie photocopier maintenance)	< \$1 million	Explore opportunities to procure 20% of \$10k (see appendix 13.2 for a breakdown) from social enterprises.	Q1 2021	Social Procurement champion and Business Administration Team	Sustainable Victorian social enterprise and Aboriginal business sectors	Targeted sourcing	10% – 20%
Stationery	< \$1 million	Explore opportunities for social enterprises to supply stationery (see appendix 13.3 for example).	Q1 2021	Social Procurement champion and Business Administration Team	Sustainable Victorian social enterprise and Aboriginal business sectors	Targeted sourcing	10% – 20%
Travel Management	> \$1 million	Explore opportunities for Aboriginal business to respond to RFP (see appendix 13.4 for example).	Q1 2021	Social Procurement champion and Business Administration Team	Opportunities for Victorian Aboriginal people  Sustainable Victorian social enterprise and Aboriginal business sectors	Targeted sourcing	Explore Opportunities

## 5.2 Opportunity for indirect social procurement

The table below sets out identified opportunities where mainstream suppliers can be influenced to behave in ways that support the SPF’s social and sustainable objectives,

- Environmentally sustainable outputs
- Environmentally sustainable business practices
- Support safe and fair workplaces
- Implementation of the Climate Change Policy Objectives, and
- Women’s equality and safety

During the planning stages of a procurement activity, procurers will consider the relevant social objective(s) to focus on and include corresponding outputs or outcomes in the tender documents which are meaningful and measurable.

The use of standard weighted criteria in the selection process that align with VFMC’s priority objectives will drive the achievement of outcomes through contractual arrangements. Procurers

can seek to create social value through the inclusion of social clauses in tender documents (for example, requiring tenderers to identify business practices that are designed to promote social objectives) or by influencing the supply chain (for example, requiring mainstream suppliers to create opportunities to include or support social benefit suppliers within the supply chain). Table 4: Indirect procurement

Category	Aggregate Spend	Strategic Actions	Completion Target	Accountability	Outcome sought
External Fund Managers	>\$100 million p.a.	High value category of expenditure represent key opportunities to influence fund managers to deliver social and sustainable outcomes via the VFMC ESG policy and framework, and in future Modern slavey requirements.	On-going	ESG Team	1. Environmentally sustainable business practices
State Street Custodian	~ \$13 million p.pa.	Explore opportunities to promote local (Victorian) opportunities for <ul style="list-style-type: none"> <li>• Environmentally sustainable business practices</li> <li>• Women's equality and safety</li> <li>Supporting safe and fair workplaces</li> <li>• Supporting safe and fair workplace</li> </ul>	On-going	Head of IS	1. Women's equality and safety  2. Supporting safe and fair workplaces  3. Environmentally sustainable business practices
Information, Communication and Technology (ICT)	\$4 – 5 million p.a.	Promote the identification and use of social benefit suppliers for ICT. Explore incorporating requirements for social benefits into ICT contracts as 1) existing contracts expire and are renewed, and 2) as new services are procured (RFPs).	On-going	Head of IT	1. Women's equality and safety  2. Supporting safe and fair workplaces  3. Environmentally sustainable business practices  4. Sustainable Victorian social enterprise and Aboriginal business sectors

Category	Aggregate Spend	Strategic Actions	Completion Target	Accountability	Outcome sought
Professional advisory services	\$1 – 2 million p.a.	Explore opportunities to promote local (Victorian) opportunities for <ul style="list-style-type: none"> <li>• Aboriginal enterprises</li> <li>• Environmentally sustainable business practices</li> <li>• Women's equality and safety</li> <li>• Supporting safe and fair workplaces</li> </ul>	On-going	Various, individual business owners	1. Women's equality and safety 2. Supporting safe and fair workplaces 3. Environmentally sustainable business practices

## 6 Priority social and sustainable objectives

The ten objectives in the SPF (refer to Appendix 13.1) are important to VFMC's social procurement strategy and future procurement profile. However, the SPF buyer guidance notes that each department should prioritise a minimum of three social and/or sustainable procurement objectives for initial focus.

VFMC will prioritise six objectives to explore in 2019-2020 with the aim of creating an activity plan that will deliver significant outcomes in the coming years. The objectives of the 2019-20 Social Procurement Strategy are to explore opportunities for businesses that create;

- a) Direct social procurement objectives;
  - Sustainable Victorian social enterprises and Aboriginal business sectors.
- b) Indirect social procurement objectives
  - Environmentally sustainable outputs;
  - Environmentally sustainable business practices;
  - Support safe and fair workplaces;
  - Implementation of the Climate Change Policy Objectives, and
  - Women's equality and safety.

### 6.1 Summary of key strategic actions arising from the opportunity analysis

#### 6.1.1 Purchasing appropriate goods and services from certified social enterprises

VFMC is currently not a member of Social Traders and does not have access to certified social enterprises. Under this strategic action VFMC will become a member of Social Traders and will explore direct opportunities to purchase from certified social enterprises.

Social Enterprise certification is provided by Social Traders. To ensure that social enterprises are genuine, VFMC will require social enterprises to be certified by Social Traders. Social Traders is a key partner for government in the implementation of the SPF.

### 6.1.2 Purchasing from verified Aboriginal businesses

VFMC will explore direct opportunities to purchase from Aboriginal businesses verified by Supply Nation or Kinaway.

Supply Nation offers services to support a prosperous, vibrant and sustainable Indigenous enterprise sector including a rigorous registration and certification process to ensure its members can be confident of Indigenous ownership.

Kinaway is the Victorian Aboriginal Chamber of Commerce and its purpose is to provide business support and advice to Victorian Aboriginal business people and help improve the visibility and networks of Aboriginal businesses to strengthen relationships and create opportunity.

VFMC Business Administration Team will have access to a database of Supply Nation and Kinaway verified Aboriginal businesses.

This strategic action may assist VFMC to meet its objective of:

- Sustainable Victorian social enterprises and Aboriginal business sectors

### 6.1.3 Purchasing from a disability enterprise

Purchasing from disability enterprises is a strategic action to support Australian Disability Enterprises. Australian Disability Enterprises are businesses that employ people with disabilities in a supported work place. Buyability maintains a public website that lists Australian Disability Enterprises.

VFMC do not see an immediate opportunity to engage with Australian Disability Enterprises. It will however aspire to review requirements in the next financial year (2020 – 2021) and aim to engage with Disability Enterprises should the opportunity arise.

The strategic action enables VFMC to meet one or more of the following priority objectives:

- Opportunities for Victorians with disability;
- Supporting safe and fair workplaces;

## 6.2 Social Procurement Activity Requirements

Table 6 below outlines buyer requirements and the recommended approach set by DTF, for the inclusion of social and sustainable objectives into procurement planning processes within each expenditure threshold. VFMC will adhere to the threshold requirements outlined in this table.

Based upon VFMC expenditure profile excluding External Fund Manager and Custodian Expenses, the 'Lower Band' social procurement activity requirements are applicable. With the inclusion of External Fund Manager and Custodian Expenses, the 'Upper Band' is applicable. Refer Table 6.

While the priority objectives and outcomes outlined in this section provide a guide to buyers in VFMC, buyers are encouraged to decide which objectives are to be pursued and prioritised in each individual procurement activity.

Victoria's Social Procurement Framework: Individual procurement activity requirements				
	Below threshold Regional under \$1 million Metro or State-wide under \$3 million	Lower band Regional \$1 to \$20 million Metro or State-wide \$3 to \$20 million	Middle band \$20 to \$50 million	Upper band Over \$50 million
<i>Planning requirement for government buyers</i>	Incorporate social objectives into regular procurement planning		Complete a Social Procurement Plan during procurement planning	
<i>Described approach</i>	<b>Encouraged</b> Seek opportunities where available to directly or indirectly procure from social enterprises, ADEs or Aboriginal businesses	<b>Proportionate</b> Use evaluation criteria (5 to 10 per cent weighting) to favour businesses whose practices support social and sustainable objectives	<b>Targeted</b> Include performance standards and contract requirements that pursue social and sustainable objectives	<b>Strategic</b> Include targets and contract requirements that pursue social and sustainable objectives
<b>Recommended actions for government buyers</b>				
<i>Social Enterprises, ADEs and Aboriginal businesses</i>	Seek opportunities to directly or indirectly procure from social enterprises, ADEs or Aboriginal businesses	Consider whether part of the procurement can be unbundled for delivery from social enterprises, ADEs or Aboriginal businesses	Set targets for supplier expenditure with social enterprises, ADEs or Aboriginal businesses and ask suppliers to demonstrate how they will meet targets	
<i>Disadvantaged communities</i>			Set supplier targets for employment and training for disadvantaged Victorians	
<i>Gender</i>		Ask suppliers to demonstrate gender equitable employment practices in weighted framework criteria	Include performance standards on labour hours performed by women	Include industry-appropriate targets for labour hours to be performed by women
<i>Disability</i>		Ask suppliers to demonstrate inclusive employment practices for people with disability in weighted framework criteria	Include performance standards on labour hours performed by people with disability	Include targets for labour hours to be performed by people with disability
<i>Family Violence Leave</i>		Ask suppliers whether they offer family violence leave in weighted framework criteria		
<i>Fair and safe workplaces</i>		Ask suppliers to demonstrate compliance with industrial relations laws		
<i>Environmental sustainability</i>		Ask suppliers to demonstrate environmentally sustainable business practices in weighted framework criteria	Include requirements as relevant on recycled content, waste management and energy consumption.	
<i>Climate change</i>			Where procurement includes a design component, include requirements on greenhouse gas emissions and climate change resilience	

## 7 Roles and Responsibilities

VFMC has clear sets of responsibilities attached to each element of the procurement function. These roles and responsibilities are outlined below.

Table 7: Roles & Responsibilities

Role	General Responsibilities in the procurement process	Social Procurement Strategy Responsibilities
CEO (Accountable Officer) and ELT	The Accountable Officer (AO) and ELT will ensure the governance framework identifies the roles and responsibilities, processes and performance standards to ensure compliance with the VFMC Procurement Policy and Victorian Government Purchasing Board (VGPB) supply policies.	To communicate the importance of the Social Procurement Framework to the Corporation and reinforce its implementation as a priority.
COO and Head of Finance	Provide operational oversight to procurement activities and ensure compliance to all relevant Procurement policies.	To lead and champion the awareness raising activities so that VFMC procurers understand the strategy and procure in accordance with the Social Procurement Framework as outlined in this strategy.
Finance	Facilitate procurement processes via:- <ol style="list-style-type: none"> <li>Approval of expenditure</li> <li>Authorisation of document execution orders (purchase orders)</li> <li>Payment of approved invoices to suppliers</li> </ol>	<ul style="list-style-type: none"> <li>To prepare and maintain lists of social benefit suppliers for use in the department and assist individual business procurers to use available tools that will identify social benefit supply options;</li> <li>Amend internal procurement templates and corporate processes to embed SPF considerations into all procurement processes</li> <li>Collect procurement data to enable reporting on VFMC's social procurement achievements in the Annual Report as well as for the whole of government SPF Reporting function being established in Strategic Sourcing</li> </ul>
Business Teams	Engagement with suppliers to procure goods and services.	<ul style="list-style-type: none"> <li>To get an understanding of the social procurement actions identified in VFMC's strategy.</li> <li>To plan and source the goods, services being procured.</li> </ul>

## 8 Capability Development Plan

Capability development in social procurement within VFMC support success in delivering the Social Procurement Strategy. The Capability Development Plan covers four areas, all of which will increase the organisational capability in social procurement. The plan identifies what is in place, what gaps exist and priority actions to address gaps. This plan steps out the priority actions needed to meet the requirements of the SPF and provide buyers the confidence and capability to socially procure.

The timing of activities is categorised by those needed in the short term (less than twelve months), and long term (greater than 12 months).

The Head of Finance will provide a six monthly report to the ELT outlining VFMC’s progress in implementing the commitments set out in Table 8. The ELT will assess VFMC’s social procurement capability over time and make adjustments necessary to promote continuous improvement.

Table 8: Capability Development Plan

Capability	What’s in place	Gaps	Priority Actions	Timing	Responsibility
<b>Governance:</b> Oversighting implementation of the Social Procurement Strategy	The Finance function provides oversight of procurement activities within VFMC	Past Finance oversight has not included social procurement	Add the SPF requirements to the VFMC Procurement Policy to include Social Procurement requirements	Short term	Finance Team
			Update regular governance and oversight activities to include arrangements for indirect and direct social procurement activities.		
			Report to ORMC on a quarterly basis, progress on Social Procurement	Short term	Finance Team





	<p>&gt;\$100,000 is reviewed.</p> <p>There are robust delegated authorities in place to ensure that all contracts are reviewed.</p>		<p>benefit suppliers and communicate to buyers</p> <p>Explore relevant opportunities to drive social procurement outcomes through RFX documents and contracts</p>	<p>long term</p>	<p>Finance Team</p> <p>Business procurers/owners</p>
<p><b>Leadership and Communication</b></p> <p>Culture change required to successfully execute Social Procurement Strategy</p> <p>The Social Procurement Strategy requires a significant change in thinking from buyers.</p> <p>Cultural change requires significant communication to support the changes being implemented</p>	<p>Organisational commitment to social procurement</p> <p>Robust internal procurement processes governed via Procurement Policy</p>	<p>Lack of awareness of social procurement across the organisation</p> <p>No social procurement examples within the organisation to feed into learnings and communications</p>	<p>Profile Social Procurement Strategy at the VFMC Team forums</p> <p>Share success stories with VFMC team</p> <p>Educate all team members about the social benefit supplier directory to which they will have access</p>	<p>Short term</p> <p>Short term</p> <p>Short term</p>	<p>CEO &amp; ELT</p> <p>Finance team and Business admin Teams</p> <p>Finance team and Business admin Teams</p>

## 9 Supplier communication, education and development

Effective communication, education and development of suppliers is essential to building their capability to fulfil the social procurement needs of VFMC. By implementing effective supplier engagement practices, VFMC will ensure that all suppliers receive accurate information and allow them time to respond to the increased demand for social procurement in the Victorian market.

The plan identifies what is in place, what gaps exist and priority actions to address gaps. This plan steps out the priority actions needed to meet the requirements of the SPF and provide buyers with the confidence and capability to socially procure.

The timing of activities is categorised by those needed in the short term (less than twelve months), and longer term (greater than 12 months).

Table 9: Supplier communication, education and development action plan

	<b>Gaps</b>	<b>Priority Actions</b>	<b>Timing</b>	<b>Responsibility</b>
Notice of tenders requirements	Requirements for social procurement have not been highlighted in open and closed procurement request documents	New tenders (RFPs/RFIs) should highlight the need to respond to weighted selection criteria relating to social procurement. Criteria to be set up to 5% dependent upon type of services being procured (excludes External Funds Management and Custody Services).	short term, all new tenders going forward	Business owner, supported by Finance
Supplier briefings	Currently there is no requirement to disclose social procurement objectives or selection criteria	Update the support materials and general awareness of business procurers to include reference to social procurement objectives and selection criteria for significant procurements	short term, all new tenders going forward	Business owner, supported by Finance

Supplier feedback	Feedback does not currently include information about meeting social procurement requirements	Advice to unsuccessful suppliers will contain information relating to the meeting of social procurement requirements	short term, all new tenders going forward	Business owner, supported by Finance
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## 10 Measurement and Reporting Action Plan

Monitoring and reporting of social procurement activities will be required to ensure success execution of the strategy.

This section outlines the method and tools for monitoring progress against the objectives and action items of the Social Procurement Strategy as well as how data demonstrating the impact of the Social Procurement Strategy will be captured.

VFMC will comply with the requirements of a whole of government measurement and reporting framework to support the SPF, once instructed by DTF.

VFMC will report on its social procurement achievements and progress against this Social Procurement Strategy in its departmental Annual Report, in accordance with the requirements of the SPF.

VFMC will review the reporting framework on an ongoing basis and continue to evolve and improve the reporting of social procurement activities.

Type	Gaps		Short Term	Long Term	Accountable
<b>Direct</b>	Build social procurement data capture into the current procurement database/ ERP System/ Finance system	There is currently no social procurement data capture	Develop data capture requirements by 'tag' social procurement suppliers in ERP system as part of the accounts payable process.	Configure the ERP to record and report on social procurements	Corporate Finance Team
<b>Indirect</b>	Ensure suppliers monitor and report performance on social benefit commitments	There are currently no requirements to monitor or report social procurement benefits		As contracts expire/ roll-over, embed agreed expectations from suppliers into contract and	Individual business owners

				<p>letter of engagement</p> <p>Promote contract management best practice guidance to improve monitoring of social procurement benefits.</p>	
	<p>Developing social impact targets for indirect social procurement</p>	<p>There is currently no mechanism for measuring the impact delivered through social procurement</p>		<p>VFMC will explore the implement a social impact benchmark survey with the top 20 suppliers once developed by DTF.</p>	<p>Corporate Finance Team</p>
	<p>Develop a mechanism for assessing the relative social impact of individual supply contracts, based on the selection criteria that applied in the RFX documents and selection process</p>	<p>There is currently no requirement to assess social procurement impact</p>	<p>Develop scoring guidelines for the impact achieved by social weighting in procurement request documents</p> <p>Update Procurement policy to include scoring guidelines and general Social Procurement requirements.</p>	<p>Review scoring guidelines Incorporate scoring guidelines into procurement training</p> <p>Assess each contract with social impact weightings in terms of delivery against those criteria</p>	<p>Corporate Finance Team</p>

## 11 Definitions

Term	Definition
Social enterprise	<p>Social enterprises are commercially viable businesses that trade to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment. They derive most of their income from trade (not donations or grants) and use the majority of their profits (at least 50 per cent) to contribute to their social mission.</p> <p>Among other benefits, social enterprises play an important role in providing transitional employment for disadvantaged job seekers, including people with disability, as a pathway to employment in mainstream businesses. Social enterprises can also provide ongoing employment options for disadvantaged job seekers who may not be well placed to sustain mainstream employment over the longer term.</p>
Aboriginal business	<p>The Victorian Government defines an Aboriginal business as:</p> <ul style="list-style-type: none"> <li>• At least 50 per cent Aboriginal and/or Torres Strait Islander-owned;</li> <li>• Undertaking commercial activity; and</li> <li>• Main business location is in Victoria.</li> </ul>
Australian Disability Enterprises	<p>Australian Disability Enterprises (ADEs) are Commonwealth-funded and generally not-for-profit organisations operating in a commercial context, specifically to provide supportive employment opportunities to people with moderate to severe disability. Some ADEs also operate as social enterprises (SPF 2018)</p>

## 12 Annexure – Social Procurement self-assessment

### SOCIAL PROCUREMENT SELF ASSESSMENT

Organisation: Victorian Fund Management Corporation

Assessment date: 15 August 2019

Assessor(s): Maurice Petrilli, Head of Finance

PART A: Strongly disagree; Disagree; Neutral; Agree; strongly agree; Unknown

Item	Description	Assessment	Comment
1	Our Social Procurement Strategy covers all core components	Agree	The social procurement strategy has been developed in accordance with the guidance material, based upon a multi-staged approach.
2	Our governance framework / accountability mechanisms promote compliance with SPF requirements	Disagree	As VFMC is in the early stages of rolling out the SPF, existing framework and accountability mechanisms have not promoted compliance with the Framework.
3	<p>Procurement spend is actively monitored to ensure that value for money outcomes are achieved, taking into account:</p> <ul style="list-style-type: none"> <li>• The total benefits and costs over the life of the goods, services or construction being procured</li> <li>• Environmental, social and economic factors, and</li> <li>• Any risk related to the procurement</li> </ul> <p>Spend analysis is capable of accommodating social procurement commitments</p>	Agree	<p>Value for money is a key ongoing consideration. Risk is a key consideration in value for money assessment.</p> <p>Spend analysis is available via the finance ERP system</p>

4	Senior management view social procurement as a strategic priority and set the tone from the top	Agree	VFMC is in the early stages of adopting social procurement; however, VFMC has developed an ESG framework for its core investing activities. The ESG framework helps achieve some of the social procurement objectives.
5	Roles and responsibilities in respect of social procurement are clearly communicated and supervised by senior management	Disagree	As the SPF is in the process of being implemented within VFMC, it is not possible to have communicated roles and responsibilities in advance.
6	Individuals with social procurement related roles and responsibilities have sufficient knowledge, skills and experience to identify and pursue opportunities to deliver social and sustainable outcomes through procurement	Neutral	As the SPF is in the process of being implemented within VFMC, it is not possible to have communicated roles and responsibilities in advance
7	Recruitment, training and professional development activities in relation to procurement integrate social procurement knowledge, skills and experience	Disagree	As the Framework is yet to be implemented, recruitment, training and professional development has been limited to a small number of people.
8	Social procurement is embedded throughout the procurement process (e.g. in procurement-related systems, policies and processes for planning, sourcing and contract management)	Disagree	As VFMC is in the early stages of rolling out the SPF, it has not been possible to embed relevant principles and concepts into processes. Addressing this is an important part of the strategy.
9	Supplier and stakeholder relations are managed on an ongoing basis to promote compliance with contractual obligations. Management of supplier and stakeholder	Agree	As the SPF is in the process of being implemented within VFMC, supplier and stakeholder relations have not focused on the relevant principles,



	relations is capable of accommodating social procurement commitments		concepts and obligations. Addressing this is an important part of the strategy.
10	Performance of the procurement function is monitored and assessed on an ongoing basis to drive continuous improvement and accommodate any whole-of-government social procurement targets.	Neutral	As VFMC is in the early stages of rolling out the SPF, only preparation-level work has been done in relation to driving continuous improvement of the procurement function. Addressing this is an important part of the strategy.

## 13 Appendix

### Victorian Social Procurement Framework – 10 Objectives and outcomes Sought

Social procurement objectives	Outcomes sought
1. Opportunities for Victorian Aboriginal People	<ul style="list-style-type: none"> <li>Purchasing from Victorian Aboriginal businesses</li> <li>Employment of Victorian Aboriginal people by suppliers to the Victorian Government</li> </ul>
2. Opportunities for Victorians with disability	<ul style="list-style-type: none"> <li>Purchasing from Victorian social enterprises and Australian Disability Enterprises</li> <li>Employment of people with disability by suppliers to the Victorian Government</li> </ul>
3. Women's equality and safety	<ul style="list-style-type: none"> <li>Adoption of family violence leave by Victorian Government suppliers</li> <li>Gender equality within Victorian Government suppliers</li> </ul>
4. Opportunities for disadvantaged Victorians	<ul style="list-style-type: none"> <li>Purchasing from Victorian social enterprises</li> <li>Job readiness and employment for:               <ul style="list-style-type: none"> <li>- long-term unemployed people</li> <li>- disengaged youth</li> <li>- single parents</li> <li>- migrants and refugees</li> <li>- workers in transition</li> </ul> </li> </ul>
5. Supporting safe and fair workplaces	<ul style="list-style-type: none"> <li>Purchasing from suppliers that comply with industrial relations laws and promote secure employment</li> </ul>
6. Sustainable Victorian social enterprise and Aboriginal business sectors	<ul style="list-style-type: none"> <li>Purchasing from Victorian social enterprises and Aboriginal businesses</li> </ul>
7. Sustainable Victorian regions	<ul style="list-style-type: none"> <li>Job readiness and employment for people in regions with entrenched disadvantage</li> </ul>

Sustainable procurement objectives	Outcomes sought
8. Environmentally sustainable outputs	<ul style="list-style-type: none"> <li>• Project-specific requirements to use sustainable resources and to manage waste and pollution</li> <li>• Use of recycled content in construction works</li> </ul>
9. Environmentally sustainable business practices	<ul style="list-style-type: none"> <li>• Adoption of sustainable business practices by suppliers to the Victorian Government</li> </ul>
10. Implementation of the Climate Change Policy Objectives	<ul style="list-style-type: none"> <li>• Project-specific requirements to minimise greenhouse gas emissions</li> <li>• Procurement of outputs that are resilient against the impacts of climate change</li> </ul>