

# Procurement management approach



We strive to improve our supply chain's social and ethical footprint and work with suppliers that share our values.

Our supply chain includes the supply of goods and services, wholesale commodities and the distribution of energy. It encompasses nearly 3,800 direct suppliers, with which we spent around \$12.1 billion in FY2023.<sup>1</sup> Most of our direct suppliers are in Australia, with 9 per cent based internationally.

Procurement of goods and services is managed by our centralised procurement function and represents approximately 24 per cent of our overall supply chain spend and accounts for approximately 90 per cent of our direct suppliers.

## Managing risk in our procurement of goods and services

A key objective of Origin Energy's centralised procurement function and its control framework is to manage supplier risk. This includes ensuring our suppliers work in ways that are consistent with our [Supplier Code](#), which outlines the minimum attributes that we expect of all our suppliers. Our procurement process also sets out the minimum mandatory standards for engagement with suppliers throughout the procurement and contract management lifecycle.

Our initial engagement with suppliers includes a mandatory supplier and activity risk-profiling process. This includes mechanisms to mitigate commercial, technical, health, safety, environmental, social and governance risks. We have developed key controls to manage these risks, including segregation of duties for procurement activities, conflict-of-interest declarations, data analytics to monitor transaction integrity, and training and support materials regarding relevant obligations.

Following the risk-profiling process, we design and implement an appropriate assurance regime with the successful supplier, that is commensurate with the risk profile of the contract.

Our Health, Safety and Environment (HSE) Systems Directive sets the minimum HSE requirements for product stewardship, procurement and contractor management. This promotes a strong commitment to HSE between Origin and our suppliers and contractors. See our [Health and safety management approach](#) for more information.

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## Sharing our values with our suppliers through our Supplier Code

We expect our suppliers to comply with applicable laws and to demonstrate that they have the attributes set out in our [Supplier Code](#).

The Supplier Code is incorporated into our standard procurement contracts and outlines our expectations in relation to:

- labour and human rights, including child labour, forced or compulsory labour and non-discrimination;
- health and safety;
- the environment, including consideration of climate change;
- communities; and
- ethics and business integrity.

Suppliers must also demonstrate that their own suppliers meet the expectations of the code. The code requires suppliers and other stakeholders to raise concerns at the earliest opportunity, and specifically references human rights-related concerns. To support this, it includes details of the Origin ConcernLine, an externally managed service that provides options for reporting concerns or suspicions of misconduct in confidence or anonymously.

<sup>1</sup> Supply chain spend is approximate annualised third party spend excluding taxes, government charges, joint venture, intercompany transfers and landowner compensation payments. It includes 100 per cent of our spend as upstream operator for Australia Pacific LNG.

See our [Whistleblower policy](#) for more information on how we manage and investigate a disclosure.

Our [Social Audit Protocol](#) outlines our expectations when assessing the working conditions and human and labour rights protections at supplier sites. It assists us in determining if our suppliers are complying with our Supplier Code. An accredited social auditor assesses the working conditions at supplier sites. Our preferred standard is a Sedex Members Ethical Trade Audit (SMETA) 4-pillar audit that reviews labour, health and safety, environmental and business ethics assessments.

### Creating a diverse and transparent supply chain

We can have a positive impact on communities by making considered choices about how and from where we source the goods and services we need to operate our. Our responsible procurement plan focuses on four key areas:

- identifying, assessing, and addressing modern slavery risks;
- supporting regional communities;
- increasing Indigenous participation; and
- supporting small businesses.

### Identifying, assessing, and addressing modern slavery risks

Origin aims to work with suppliers and stakeholders who are committed to preventing, identifying and addressing risks to people that may exist within their supply chains.

We recognise the UN Guiding Principles on Business and Human Rights' continuum of involvement<sup>2</sup>. We understand that our operations and supply chain could cause, contribute to or be directly linked to adverse impacts to people, such as modern slavery practices. We apply a four-step methodology to assess and address modern slavery risks and are working to progressively understand the multiple tiers of suppliers that form our extended supply chain. See our [2023 Modern Slavery Statement](#) for more information.

Management of our human rights risks, including modern slavery, is underpinned by our Human Rights Policy and risk management framework, with oversight from the Origin Board's Risk, and Safety and Sustainability Committees.

For further information on our risk management framework, refer to the Operating and Financial Review within our [FY2023 Annual Report](#).

### Supporting regional communities

Sourcing goods and services from local and regional suppliers helps us to share economic benefits with the communities in which we operate. We procure local goods and services wherever practical and encourage our suppliers to do the same.

We monitor our progress by tracking our direct procurement spend (paid by Origin) and indirect spend (paid by sub-contractors to Origin) and report this in our annual [Sustainability Report](#).

### Increasing Indigenous participation in our supply chain

We are committed to increasing the participation of Aboriginal and Torres Strait Islander businesses in our supply chain.

Origin's Stretch Reconciliation Action Plan (Stretch RAP) outlines measurable targets to increase the diversity and quantity of goods and services procured from Aboriginal and Torres Strait Islander-owned businesses.

We measure progress towards achieving our Stretch RAP objectives by monitoring direct and indirect procurement expenditure. Through Indigenous Participation Commitments (IPCs) in contracts, we can formally include commitments by our key contractors to pursue Aboriginal and Torres Strait Islander sub-contracting, employment, and training opportunities. Information on the number of IPCs we have agreed, as well as our spend, can be found in our annual [Sustainability Report](#).

### Supporting Australian small businesses

In 2017, we became a signatory to the Business Council of Australia's Australian supplier payment code. This voluntary initiative emphasises the importance of implementing best practice in paying all suppliers on-time and small business suppliers within 30 days (of receiving the correct goods and/or services and a compliant tax invoice).

We publish our payment times for small business suppliers through the Australian Government's Payment Times Reporting Scheme in March and September each year.

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Further information about Origin's performance can be found on our website [originenergy.com.au](https://originenergy.com.au)

<sup>2</sup> Cause, contribute or directly linked in this statement are as defined in the UN Guiding Principles for Business and Human Rights