

MGMT-AC-01: Procurement Policy

Purpose

The purpose of this Policy is to set out procurement principles and methods for the general acquisition of good and services. This Policy does not apply to reimbursable Tarion business expenses incurred personally by employees during the course of their duties - see the Tarion Travel and General Expense Reimbursement Policy.

Applicable Parties

This policy applies to all Tarion employees.

A. Principles and Objectives

The overall objective of the Tarion Procurement Policy is to ensure that goods and services required to meet Tarion needs are acquired in the most economic, environmentally friendly and efficient manner through a procurement process that conforms to the following principles:

Vendor Access, Transparency, and Fairness

- Access for qualified vendors to compete for Tarion business must be open and the procurement process must be conducted in a fair and transparent manner, providing fair treatment to vendors. Supplier requesting debriefing of the proposal evaluation and decision should be conducted on a timely basis by the procuring department.
- Conflicts of interest (as described in the *Employees Code of Conduct*), both real and perceived, must be avoided during the procurement process and the ensuing contract.

Value for Money

- Goods and services must be procured only after consideration of Tarion business requirements, alternatives, timing, and cost.

Environmentally Friendly Purchasing Practices

- When procuring for goods and services, consider environmentally friendly options to minimize the negative environmental impacts by the Corporation's activities.
- Environmentally preferable products and services mean products and services that have lesser or reduced effect on human health and the environment such as reduce toxicity; conserve natural resources, materials, and energy; and maximize recyclability and recycled content.
- Note that this principle should be considered in conjunction with the business requirements as well as availability at a reasonable cost in a reasonable period of time.

Please refer to *Appendix B - Environmentally-Conscious Practices and Considerations* to see how a department can adopt and encourage the commitment of environmentally conscious purchasing practices.

Responsible Management

- The procurement of goods and services must be responsibly and effectively managed through appropriate organizational structures, systems, policies, processes and procedures.
- The procurement method used and associated costs to be incurred should be proportionate to the value, complexity and profile of the goods or services being procured.
- Functional or departmental procurement approvals can only be made by managers with the appropriate and relevant level of authority.
- Each contract should include in its terms a cancellation, termination or modification clause. For significant contracts, consultation with legal counsel is recommended.

These are principles and there will be exceptions in certain circumstances. Non-compliance or variations (inadvertent, unintentional or otherwise) with any aspect of this policy does not create any rights in third parties.

B. Procurement Process and Limits

Except for the Allowable Exceptions set out below, the following procurement methods will apply for acquisition of goods and services by Tarion. The value should be calculated on the

basis of the total related spend or financial commitment over a fiscal year(s), taking into account optional extensions.

(See section E: Centralized Procurement for requirements for certain Tarion departments and purchasing categories).

Goods and Services < \$10,000

Purchasing goods and services from a single supplier is permitted if the value of the good or service is less than \$10,000. Efficiency factors such as standardization, economies of scale and preferred vendor rates should be taken into consideration when making the purchase. Related purchases that are < \$10,000 should be combined, taking into account foreseeable and optional extensions to determine total procurement value. If the purchases are combined, this may trigger a higher procurement classification.

Goods and Services \$10,000 - \$25,000:

Estimates or quotes from at least two sources should be obtained to achieve the best price and value for Tarion relative to business requirements. One of the quotes/estimates may be internally prepared by qualified staff.

Goods and Services \$25,000 - \$100,000:

A competitive process of obtaining estimates or quotes from at least 2 suppliers is required, as well as any internal cost estimates prepared by qualified staff. The rigour of the process should reflect the value, complexity, and profile of the business opportunity. The key elements of a competitive review should include the objective, scope of proposal, vendor selection criteria, vendor assessment, and the process timeline. These elements must be formally documented. Refer to Appendix A for further guidance on Key Elements.

Alternatively, Tarion may use a preferred supplier arrangement for on-going acquisition of goods or services required for day-to-day operations or regular periodic requirements. For such transactions, each department should conduct a 'value for money' review of the preferred supplier periodically (refer to page 9 for more details on a value for money review). To help manage preferred suppliers, Tarion may consider using a preferred suppliers list. The department should review and keep the preferred suppliers list current to ensure suppliers listed continue to meet the selection criteria.

Goods and Services > \$100,000:

A detailed Request for Proposal (RFP) or Request for Tender (RFT) document must be issued to three or more alternative suppliers in an open or invitational competitive procurement. An RFP document is used to request suppliers to supply solutions for the delivery of products or services or to provide alternative options or solutions. The process uses predefined evaluation criteria (including price, among others).

Although each RFP or RFT is unique, the procurement activity needs to be done in a manner that aligns with Tarion's procurement objectives. The key elements of an RFP should include the objective, scope of proposal, vendor selection criteria, vendor assessment, and the process timeline. These elements must be formally documented. Refer to Appendix A for further guidance on Key Elements of the RFP Process

An RFT document is used to request supplier responses to supply goods or services based on stated delivery requirements, performance specifications, terms and conditions. An RFT

usually focuses on evaluating price and delivery requirements. If Tarion describes exactly what needs to be purchased and the evaluation is made solely on price, a Request for Quotation (RFQ) may be issued instead of an RFT.

Depending on the complexity and uniqueness of the procurement, legal review of the RFP or RFT obligations, fairness, and terms and conditions is recommended.

For all procurement activity, unless expressly stated otherwise in the terms and conditions specific to the procurement, Tarion reserves the unrestricted right to accept or reject proposals, to select suppliers, to initiate or end negotiations and to do so in all cases according to each procurement's requirements.

Sub-dividing of the Procurement Value of Goods & Services

Dividing the requirements into multiple procurements to reduce the estimated value of a single procurement and avoid the conditions of higher value thresholds is not allowed. The award of multiple consecutive contracts to the same vendor may be made only where each assignment is unique or where follow-on agreements have been approved according to this Policy or in connection with professional services provided under an approved retainer agreement.

C. Procurement Approval and Contract Execution Levels:

Procurement Approval

Approval levels are based on transaction type, dollar value, frequency relative to the required expertise, and managerial or governance accountabilities of the approver. Approval thresholds may not be consistent for management levels across functions because of the type of transaction being approved and the associated expertise required. (For instance, a Director with a claims mandate may have a higher or lower approval threshold than a Director with a finance mandate. The difference would be a function of the specialized knowledge required to address the unique transaction values, volumes, and parameters in question).

Procurement approvals are to be made prudently and should be within departmental budget capacity for the capital or expense line item and overall department.

Contract Review and Signing

The contract review and sign-off process consist of three steps: department review, law notification (where applicable), and contract signing.

- Department review: for all contracts, irrespective of the contract value, the reviewer must consider the reputational and operational risks of the contract and, if a risk is identified, escalate the contract to senior members of appropriate departments to consider the risk and mitigating measures. If the contract is complicated, unclear or gives rise to questions, the reviewer should consult with their Vice President (VP), Risk Compliance and/or the Law department.
- Law notification: the Law's role in the contract review process is to assist in identifying legal issues, risks and other things to consider. Law will not consider the purpose, scope or cost of the contract and will assume that the reviewer who notified Law will approve the contract but for any issues identified by Law. For some approval levels, law notification is required; for others, it is at each approver's discretion.
- Contract signing: it is the responsibility of the designated signatories to ensure before signing that the contract review and sign-off requirements have been met.

Please refer to BRD-AC-05: General Authority Limits Register for procurement approval levels and the requirements for contract review and sign-off process based on the procurement/contract value.

***When reviewing this policy reference should also be made to Board Policy BRD-GC-02: Delegation of Authority.*

D. Key Projects/Initiatives

The key initiative/project budget is approved as part of the annual budgeting process. Please refer to BRD-AC-05: General Authority Limits Register for approval levels on key projects or initiatives.

If the initial approved budget for the key project/initiative is no longer valid/complete or an unbudgeted due to new conditions or an unbudgeted spend is required, the VP sponsoring the project can approve budget overage up to \$250,000, and the CEO can approve a budget overage up to \$500,000; any budget overage greater than \$500,000 to a key project/initiative will require approval by the Chair of the Board of Directors.

The regular procurement process, limits, and approval levels continue to apply when the procurement activities are conducted after the key project/initiative has been approved.

E. Centralized Procurement

The following departments must establish oversight policies for procuring the required goods and services on behalf of Tarion:

- Warranty Services (including the Common Elements group) – for all engineering, contracting, repairs expenditures re: warranted claims;
- Corporate Services – for office supplies, postage, couriers, corporate clothing, furniture, storage, repairs to Tarion facilities;
- Human Resources – for recruiting, agency, benefits consulting services;
- Information Services – for all hardware and software acquisitions and consulting;
- Law– for all legal and paralegal services and related expert services;
- Strategic Communications – for all media, advertising related purchases;
- Finance – for investment, external audit, taxes, insurance and related consulting services.

These departments are responsible for tailoring their own procurement policies and procedures in accordance with internal business needs, which may supplement this general Policy. These policies must follow Tarion’s procurement principles and key elements. Centralized oversight for these functional specialty areas should result in cost savings for the Tarion organization as a whole.

The CEO and Board of Directors’ approval levels will continue to apply to the departmental policies and procedures.

F. Allowable Exceptions

The following are allowable exceptions for acquiring goods and services without a competition, subject to appropriate approvals:

- a) Where an urgent situation exists and the goods, services or construction cannot be obtained by means of a competitive procurement process. This exception does not apply where management has failed to allow sufficient time to conduct a competitive process. Such exception needs to be approved by the Vice President of the department or a designate.
- b) Where goods or services regarding matters of a confidential or privileged nature are to be purchased and the disclosure of those matters through a competitive procurement process could reasonably be expected to compromise required

confidentiality, cause economic disruption or otherwise be contrary to the public interest. Such exception needs to be approved by the Vice President of the department or a designate.

- c) Where the expenditure for additional works is an extension of approved works authorized under an existing contract. Such approved extensions must be reported periodically to either the CFO or CEO.
- d) Where construction materials are to be purchased and it can be demonstrated that transportation costs or technical considerations impose geographic limits on the available supply base, specifically in the case of sand, stone, gravel, asphalt compound and pre-mixed concrete for use in the construction or repair of roads. Such exception needs to be approved by the Vice President of the department or a designate.
- e) Where a competitive procurement process could interfere with the ability to maintain security or order, or to protect human, animal or precious plant life or health. Such exception needs to be approved by the Vice President of the department or a designate.
- f) Where there is an absence of any bids in response to a competitive procurement process that has been conducted according to the general principles. Sign off on this exception should be obtained by the CFO, or CEO.
- g) Where only one supplier is able to meet the requirements of a procurement in the following circumstances. Such exception needs to be approved by the Vice President of the department.
 - i. To ensure compatibility with existing products, to recognize exclusive rights, such as exclusive licences, copyright and patent rights, or to maintain specialized products that must be maintained by the manufacturer or its representatives;
 - ii. For the procurement of goods and services the supply of which is controlled by a supplier(s) that is a statutory or *de facto* monopoly;
 - iii. For the purchase of goods on a commodity market;
 - iv. For work to be performed on or about a leased building, or portions of the building, that may be performed or contracted only by the lessor;

- v. For work to be performed on property by a contractor according to provisions of a warranty or guarantee in place for the property or original work;
 - vi. For a contract to be awarded to the winner of a design contest;
 - vii. For the procurement of a prototype or a first good/service to be developed in the course of research, experiment, study, or original development, but not for any subsequent purchases;
 - viii. For the purchase of goods under exceptionally advantageous circumstances such as bankruptcy or receivership, but not for routine purchases;
 - ix. For the procurement of subscriptions to newspapers, magazines or other periodicals; or
 - x. For the purchase or leasing of real property.
- h) Legal services and related expert services, provided that the procurement policies developed by the Law department are followed.

G. Value for Money Review for Long-term Supplier Arrangements with Continuous Reliance

For certain goods and services, it may be necessary for Tarion to maintain a long-term relationship with a particular vendor or supplier. The reasons for such an arrangement could be driven by the following factors:

- Limited marketplace choices;
- Unique technical capabilities of the supplier;
- Specialized knowledge of Tarion operations possessed by the vendor or supplier which would be difficult and costly to replicate; and/or
- Material and costly Tarion infrastructure or operational disruption that would result from a vendor or supplier change.

To maintain objectivity and cost effectiveness in such a long-term supplier arrangement, management must conduct and document periodic reviews of the quality and cost competitiveness of the goods or services provided ('value for money' reviews). Such review procedures could include the following:

- Periodic survey of price and service offerings from the marketplace, consultants or professional and business associations;
- Annual, formal service post-mortem feedback questionnaires/ surveys with the vendor or supplier;
- Periodic review of Tarion’s customer ranking with the vendor in question;
- For large value (>\$100,000 annually) goods or services acquired, periodic open or invitational RFP or RFT or Request for Expression of Interest (“RFEI”) to obtain up-to-date marketplace offerings and alternatives. An RFEI is a document used to gather information on supplier interest in an opportunity or to gather information on supplier capabilities/qualifications. This mechanism may be used when Tarion wishes to gain a better understanding of the capacity of the supplier community to provide the required services or solutions. A response to an RFEI must not pre-qualify a potential supplier and must not influence their chances of being the successful proponent on any subsequent opportunity;
- Assignment-by-assignment project management of deliverables and cost control;
- Annual review of the supplier’s past performance before the renewal of the contract;
- Other review procedures as identified.

Every five years, management is required to conduct a comparative review of alternative suppliers for procurement items in excess of \$25,000. It must do so in a manner that does not favour the current supplier. The value for money reviews will be subject to a Peer Compliance Review, where select vendors will be randomly audited. This means that the peer review process will not be concentrated on the same long-term contract year after year.

Policy Review

This Policy is reviewed annually.