

## MGMT-AC-01: Procurement Policy

Effective June 20, 2024

### 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 full-time and contract 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. If requested by a vendor, a 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 of Tarion's activities.
- Environmentally preferable products and services mean products and services that have a lesser or reduced effect on human health and the environment such as those that

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 to 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 for 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 based on 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 < \$25,000**

Purchasing goods and services from a single internal (such as Xactimate) or external source is permitted if the value of the good or service is less than \$25,000. 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 < \$25,000 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 \$25,000 - \$100,000:***

A competitive process for obtaining estimates or quotes from at least two 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 ongoing 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 pages 9-10 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).

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.

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.

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.

## ***Subdividing 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 consists 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: 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 reviewer'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 the 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, 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 Tarion 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, COO, CRO 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, COO, CRO 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. 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 which would be difficult and costly to replicate; and/or
- Material and costly Tarion infrastructure or operational disruption that would result from a vendor 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;
- 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 be done 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.

## Appendix A: Key Elements in Competitive Review and RFP Process

Both processes require formal documentation to support the selection process and the final decision on the winning bid.

| Key Elements              | Description/content   | Competitive Review Process (>\$25K and <\$100K)  | RFP Process (>\$100K)   |
|---------------------------|---|--|---|
| Objective                 | Purpose of conducting a competitive review or RFP   | Should be included in the quote request  | Should be included in the RFP document  |
| Scope of Proposal         | Terms and conditions that highlight the range of work involved and timing of the engagement   | Should be defined when issuing request for quote   | Should be defined in the RFP  |
| Indemnification Clause    | Terms and conditions that highlight the indemnifications if the vendor is in default in carrying out any of its obligations under the Contract, and the right under the Contract to charge the vendor for all losses and damages which Tarion may suffer by reason of the default | Should be defined when issuing request for quote   | Should be defined in the RFP document   |
| Vendor Selection Criteria | Qualitative and quantitative factors that are consistent with Tarion's procurement principles. Procurement managers should document the mandatory requirements in the bid proposal or equivalent and tailor any additional requirements to the needs of the proposal              | Selection criteria should be established ahead of time and documented once the winning bid is selected. May not need to be included in the quote request | Should be included in the RFP<br><i>Minimum Requirements:</i> <ul style="list-style-type: none"> <li>• Vendor experience</li> <li>• Vendor reputation</li> <li>• Specific business/technical requirements</li> <li>• consideration of established industry/ business technology or services</li> <li>• A risk assessment to identify potential challenges to mitigate uncertainties where applicable</li> <li>• Team size</li> <li>• Established relationships</li> <li>• Quality of references</li> <li>• Vendor's financial viability</li> <li>• Environmental</li> </ul> |

| Key Elements      | Description/content  | Competitive Review Process (>\$25K and <\$100K)   | RFP Process (>\$100K)  |
|-------------------|--|---|--|
|                   |  |   | consideration/options being offered by vendor <ul style="list-style-type: none"> <li>• A vendor’s past compliance to contract terms and conditions should be assessed</li> </ul> |
| Vendor Assessment | Evaluation criteria must remain consistent throughout the review of bids, to fairly and objectively evaluate all proposals<br>Procurement managers also need to ensure that the quotes obtained, and final approval adhere to the procurement policy | The final result of the assessment should be formally documented based on criteria identified | The final result of the assessment should be formally documented based on criteria identified  |
| Process Timeline  | A timeline for the RFP/Competitive review process should be included in the RFP/Quote indicating the key milestone such as posting of the bid, response time, notification of winning bid and notification to other candidates                       | Document should include key dates   | The key dates should be defined /outlined in the RFP document  |

## Appendix B – Environmentally Conscious Practices and Considerations

- 1) Evaluate each requested product and service to determine the extent to which the specifications could include an environmentally preferable option. This includes selecting products with attributes such as energy efficiency, recycled content, recyclability, durability, decreased maintenance, low toxicity and minimal packaging.
- 2) Incorporate environmental considerations in Request for Proposal issuance.
- 3) Request that contracts issued by suppliers and vendors include provisions on take back, reuse or recycling programs, wherever practicable, eliminating packaging or using the minimum amount necessary product protection.
- 4) In determining the standard at which products and services are considered environmentally preferable, preference would be given to products and services that have less adverse impact on human health and the environment. The criteria can include consideration of the vendor's environmental practices through enquiries in their life cycle of production, distribution, reuse, operation, maintenance and waste management.
- 5) Expand the awareness and use of environmentally preferable products to employees. Undertake initiatives to promote greater environmental responsibilities such as:
  - (a) Responsible waste management and disposal;
  - (b) Reduction of greenhouse gas and other emissions harmful to the environment.
- 6) The department should document the environmental aspects considered while procuring the product or services from the Supplier/Vendor.

Note that the procuring department/manager should retain evidence to support their environmental considerations such as the vendor's response and/or environmental options being offered.