

Procurement Policy

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0. CHANGE HISTORY

Version	Date	Description of the change
1.0	2017-05-17	<ul style="list-style-type: none"> • Policy creation
2.0	2022-01-28	<ul style="list-style-type: none"> • Major changes in the structure of the document • Scope of the policy extended to the whole of Cascades • Added a summary of the procurement process • Addition/Modification of Roles and Responsibilities • Addition/Amendment of Guiding Principles • Addition of appendices
2.2	2022-11-10	<ul style="list-style-type: none"> • Minor changes to section 5.1 • Translation to English
2.3	2022-04-24	<ul style="list-style-type: none"> • Important changes to section 5.1 et 5.15 • Minor corrections / additions in sections 3.1.2, 3.2.1, 4.5, 5.7.2, 5.15, 6.2 and to appendix 1, 2, 5 and 6. • Addition of section 5.1.1
2.4	2024-01-16	<ul style="list-style-type: none"> • Align with Cascades branding (document formatting) • Translation of appendices 3 and 4 • Corrected CoE-CA to CE-CA as the acronym for the Supply Chain Center of Expertise (French document)



1. INTRODUCTION

1.1. Policy Objectives

- Establish expectations regarding the procurement of goods and services for anyone purchasing on behalf of Cascades
- Establish clear and comprehensive guidelines for the governance, management, and execution of Procurement processes at Cascades:
 - Organization (roles and responsibilities)
 - Process (guiding principles)
 - Technology/Systems

1.2. Policy Scope

- This policy applies to all Cascades employees.
- All Cascades purchases are subject to this policy (operational expenses and/or capital expenditures).
- The Center of Expertise for the Supply Chain (SC-CoE) is responsible for modifying and keeping this policy up to date.

1.3. Supply Chain Center of Expertise (SC-CoE) Scope

The Center of Expertise for the Supply Chain (SC-COE) is responsible for the management and identification of sources of supply for all goods and services listed in [Annex 2 - Categories Managed by the Supply Chain Center of Expertise \(SC-CoE\)](#).

1.4. How to Use this Document

- This document describes the values, guiding principles, roles and responsibilities that govern the procurement process at Cascades.
- To learn how to execute processes and operate systems that allow for compliance with the policy statements, refer to the [Purchasing Guide](#) available on Agora, Cascades' common portal, under Procurement in the Procurement Center of Expertise (PCoE) and Shared Services Center (SSC), Tools and Forms section.
- For the definition of terms that may be ambiguous in your reading, please see [Appendix 1 - Glossary](#).

2. CORE VALUES

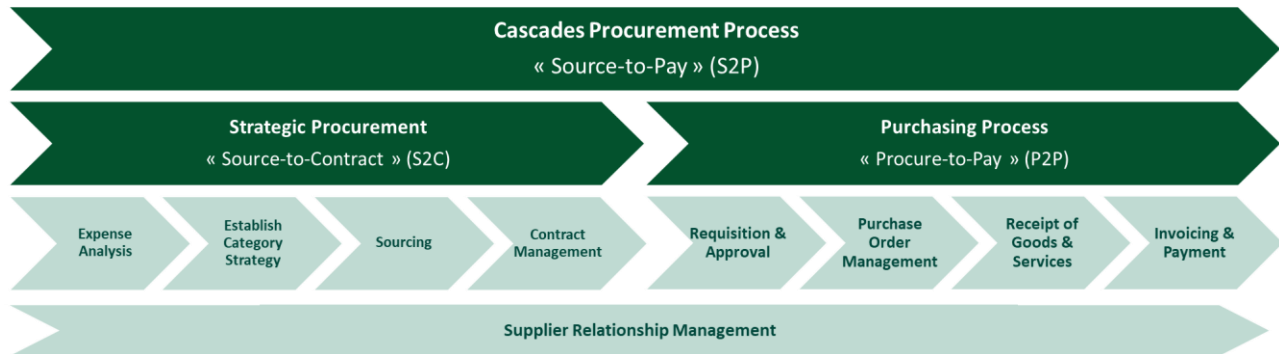
The core values that support Cascades' Procurement function are expressed in the company's [Code of Ethics and Business Conduct](#). Specifically, this document addresses the protection of confidential information, media relations, prevention of conflicts of interest, acceptance of gifts, hospitality and other benefits, the environment, health and safety, political activities and lobbying, social responsibility and relations with external stakeholders.

The current version of the Company's [Code of Ethics and Business Conduct](#) is available on Agora, Cascades' common portal, under Ethics and Compliance in the Human Resources section.



3. THE PROCUREMENT PROCESS

The scope of the company's business processes addressed by the procurement policy are the following:



3.1. Strategic Procurement

3.1.1. Expense Analysis

All company expenses are analyzed to:

- Identify opportunities to optimize the company's major purchasing categories
- Monitor the company's compliance with the rules established in this policy
- Compile dashboards that track key performance indicators for the procurement function

3.1.2. Establish Category Strategy

The Category Manager is responsible for establishing a strategy and procedures to:

- Optimize the terms and conditions obtained by Cascades for purchases within the scope of the category according to the company's priorities (e.g., price, volume discounts, payment terms, insurance, after-sales service, etc.)
- Identify and proactively manage risks associated with categories and critical suppliers. As such, the Category Manager is responsible for ensuring that contingency plans exist to ensure supply for their category and critical suppliers.

3.1.3. Sourcing

In general, the strategic sourcing of goods and services will be done in accordance with the 7-step strategic sourcing process defined in [Appendix 3 - 7-Step Procurement Process](#). The management of tenders relates to steps 2-4 of this process.

Any planned commitment that meets a threshold where a quote is required will need to proceed to a competitive bidding process. This process can vary from a simple bid (RFQ) to a complex bidding process depending on the parameters of the planned engagement.



3.1.4. Contract Management

In general, strategic sourcing of goods and services will be done in accordance with the 7-step strategic sourcing process defined in [Appendix 3](#). Contract management relates to steps 5-7 of this process.

Any planned engagement that meets a threshold where a formal contract is required will need to proceed through the contract writing process. This process is in place to formally manage procurement risks within a legal framework.

3.2. Purchasing Process

3.2.1. Requisition and Approval

When a purchasing need arises, the requisitioner must create a purchase requisition that captures the purchasing need. Depending on the approval process in place for the purchase in question, this requisition is reviewed, adjusted as necessary, and finally approved. Approval is used to validate the following parameters:

- Accuracy of purchasing information (supplier selected, items or services ordered, quantities requested, shipping addresses, etc.)
- Accuracy of the accounting classification of the purchase (e.g., general ledger account, cost center, internal order, etc.)
- Confirmation of disbursement and acceptance of effects on treasury

In all cases, it is important that business units seek to purchase from corporate suppliers. This allows units to benefit from the best possible terms and conditions according to the established category strategy (e.g., price, volume discounts, payment terms, insurance, after-sales service, etc.)

Where possible, the SC-CoE will make available electronic catalogs of goods and services from corporate suppliers to facilitate the requisition process.

3.2.2. Purchase Order Management

Upon approval, requisitions are converted to purchase orders and submitted to the vendor for fulfillment.

Where viable, we seek confirmation from the supplier that the order has been received. This also confirms their ability to fulfil the order within the requested parameters (e.g., price, desired delivery date, other conditions, etc.)

3.2.3. Receipt of Goods and Services

Upon physical delivery of goods or services, it is necessary to capture the receipt details in our systems. This allows us to validate that the goods and services invoiced correspond to what was received and ordered during the billing and payment process.

Where viable, we seek to obtain Advance Shipping Notices (“ASN”) from the supplier prior to delivery. This allows us to optimize the receiving process, especially for large orders.



Certain types of orders do not require receiving, but these are the exceptions.

3.2.4. Invoicing & Payment

After receipt of goods and services, the supplier submits its invoice to Cascades. The invoice is reconciled by validating the associated purchase order and receipt to ensure that Cascades is paying the correct amounts for the goods and services obtained. Any significant variance requires the review of internal stakeholders via workflows specific to the different types of invoices.

Certain direct invoices (without PO) are also accepted but these are the exception. For this type of invoices, approval and coding of the expense is required upon receipt of the invoice as this will not have been done previously (e.g., on a requisition).

3.3. Supplier Relationship and Performance Management

In support of the procurement activities described above, the supplier relationship and life cycle management process (onboarding, operation and offboarding) is triggered at the time of initial contact with a supplier and throughout the duration of their business relationship with Cascades. This ensures that suppliers working with Cascades are evaluated and qualified prior to the delivery of goods and services.

For Cascades' strategic suppliers, there is also an active performance management process that ensures that suppliers meet the key performance indicators in their contracts. Corrective action plans are put in place and monitored as needed.

4. ROLES AND RESPONSIBILITIES

Each employee involved in procurement activities must behave honestly, fairly and objectively in all dealings with suppliers. Procurement activities should be conducted in accordance with the applicable laws and regulations in each country where Cascades does business.

In addition, here are the different responsibilities of key stakeholders in the procurement process:

4.1. Supply Chain Center of Expertise (SC-CoE)

- Manage relationships between suppliers and business partners
- Update and manage the annual sourcing schedule
- Follow the 7-step procurement process defined in [Appendix 3 - 7-Step Procurement Process](#)
- Identify sources of supply of goods and services using appropriate techniques
- Respect the social responsibility objectives defined in Cascades' Sustainable Development Plan
- Provide Business Partners with the most competitive total cost of ownership
- Guarantee the continuity of supply of essential goods and services, and ensure that they are reliable, of high quality and purchased at fair market value
- Conduct regular performance evaluations of critical and strategic suppliers



- Manage contracts with suppliers according to the instructions documented in the policy
- Maintain master data for all suppliers, as well as those related to item and price lists for goods and services that fall under the Procurement CoE
- Act as process owner for procurement processes:
 - Establish appropriate purchasing systems, channels and methods of convenience
 - Monitor and enforce process execution compliance
- Act as product owner for systems and applications that support the procurement process
- Calculate charges for volume discounts and share this information with the shared services center

4.2. Business Partners

- Actively participate in the 7-step procurement process defined in [Appendix 3 - 7-Step Procurement Process](#)
- Support the identification of sources of supply when the process is managed by the SC-CoE by providing knowledge and expertise on goods and services
- Respect the guidelines of the procurement policy when sourcing is done by the business unit (code of ethics, payment terms, social responsibility and environment, etc.)
- Ensure that business units give preference to the use of corporate suppliers
- Provide feedback to the SC-CoE regarding vendor performance and compliance
- Inform the SC-CoE of any problems with suppliers
- Approve the financial instruments recommended by treasury for the purchase of assets at volatile prices
- Approve the selection of suppliers recommended by the SC-CoE during sourcing projects

4.3. Selection Committee

- Actively participate in the 7-step procurement process defined in [Appendix 3 - 7-Step Procurement Process](#)
- Develop/Approve the evaluation criteria grid for sourcing projects
- Evaluate the performance of potential suppliers for subjective evaluation criteria
- Make recommendations to business partners regarding the supplier(s) to be selected in a given sourcing project

Note: The selection committee is different for each sourcing project

4.4. Executive Management Committee

- The Executive Management Committee is responsible for approving the final decision made by the SC-CoE and the Business Partners, prior to awarding the contract to the recommended supplier, when required by the characteristics of the project.



4.5. Cascades Shared Services (CSS)

- Process purchase orders and supplier invoices according to governance rules in place
- Process payments according to payment terms
- Process all business partner and external vendor requests/questions
- Share process and master data key performance indicators (KPI) with business units
- Support business units in their understanding and improvement of key performance indicators (KPI)
- Train users with roles and responsibilities in the purchasing process (Procure-to-Pay)
- Share advice and feedback to the SC-CoE regarding vendor performance and compliance

4.6. Energy Center of Expertise

- Responsible for energy procurement for Cascades
- Responsible for applying the provisions of the procurement policy in the energy procurement processes

4.7. Cascades Recovery+ (CR+)

- Responsible for virgin and recycled fiber procurement for Cascades
- Responsible for applying the provisions of the procurement policy in the fiber procurement processes

4.8. Cascades Services+ (CS+)

- Responsible for collecting business requirements and management of engineering projects, when mandated by the business units
- Responsible for applying the provisions of the procurement policy in the procurement processes related to engineering projects

4.9. Capitalizable Project Manager (CAPEX)

- In the context of procurement, a CAPEX Project Manager is a member of the groups or CS+ who is responsible for completing a Cascades facility/equipment upgrade project while complying with the provisions of this policy

4.10. Treasury

- Provide and propose the currency rate for business usage
- Review the recommended financial instruments for the purchase of assets with volatile pricing
- Recommend the currency to be used for the purchase of goods and services, if applicable



4.11. Legal Department

- Draft contracts based on business terms and conditions that meet the requirements of the Business Partners and the terms negotiated by the Category Managers, and communicate with suppliers to conclude contract negotiations
- Review, revise and approve the final version of the contract before it is signed
- Write the terms and conditions to be added to the request for proposal or quotation
- Provide the SC-CoE with all Cascades framework contracts and standard clauses to be used during negotiations with suppliers

4.12. International Trade Service

- Ensure compliance of international activities with import/export laws
- Provide the Procurement Center of Expertise with international transportation costs, when applicable



5. GUIDING PRINCIPLES

5.1. Procurement Process Requirements by Threshold

Any monetary commitment¹ made on behalf of Cascades must meet the following requirements:

	Commitment Threshold	Purchasing Channel	Quotation Requirements ²	Involvement of Procurement CoE
Transactional Threshold	\$2 500 and less	PCard or Purchase order (PO) if contract/catalog already in place ³	N/A	None
	\$15 000 and less	Purchase Order (PO) ¹	Minimum 1 quotation	None
	\$15,001 to \$50,000	Purchase Order (PO) ¹	Minimum 2 quotations	The unit must involve a tactical buyer who helps determine and execute the optimal procurement strategy Business units must ensure the purchase order is aligned with Cascades' <u>standard payment terms</u> .
Transactional OR Annual Threshold	\$50,001 and more	Purchase Order (PO) ¹	Minimum 3 quotations	<p><u>Categories managed by the Procurement CoE:</u></p> <ul style="list-style-type: none"> The unit must involve the Category Manager who helps determine and execute the optimal procurement strategy Business units must ensure the purchase order is aligned with Cascades' <u>standard payment terms</u>. <p>Exceptions:</p> <ul style="list-style-type: none"> For the Warehouse, Temporary Labor and MRO-Services contractor categories, the threshold for CoE involvement is \$100,000 For the energy category, the unit must refer to the energy CoE For the fiber category (recycled and virgin), the unit must refer to Cascades Recovery+
	500 000\$+	Legal Agreement and Purchase Order (PO) ¹	Minimum 3 quotations	Above this purchase threshold, the involvement of the legal identity is also necessary for the establishment and review of the contractual clauses is mandatory.

For additional provisions related to capitalizable projects CAPEX, consult [section 5.15](#).

¹ In absolute dollars

² No quotation is required if a purchase is done with reference to a corporate contract ("corporate supplier")

³ The creation of a purchase order requires a vendor master record in our procurement systems for purchase/payment



5.1.1. Exceptions

- “Spot” purchase categories listed in Appendix 2 do not require quotations
- Industrial equipment purchased for resale purposes are not subject to the above quotation requirements

5.1.2. Derogation Process

In case where it is not possible to comply with the requirements set out above, the rationale must be documented and safe guarded to justify non-compliance with the policy during business practice audits. The form provided in [Appendix 8 - Derogation Form](#) may be used for this purpose. This form will be privileged by the SC-CoE when involved in the project.

Examples of situations that might generate a need for a derogation:

- Emergency cases
- Existence of a single product or supplier
- Impossibility of the procurement CoE to support the process as defined

5.2. Evaluation of a New Supplier

Before Cascades commits funds to a new external supplier, the SC-CoE is responsible⁶ for ensuring the selected supplier is evaluated to meet Cascades’ criteria and category strategy before becoming a qualified supplier, as defined in [Appendix 7 - Supplier Classification Criteria](#).

5.3. Socially Responsible Procurement Practices

Cascades is committed to being a socially responsible company. The negative impact of our company’s and suppliers’ activities on the environment must be minimized. Cascades must therefore do business with socially responsible suppliers. At minimum, suppliers must:

- Comply with applicable national and local laws and regulations
- Have the ability to mitigate the environmental problems they are likely to cause

Corporate, fiber, semi-finished goods and energy suppliers must also:

- Comply with Cascades safety and environmental requirements as set forth in applicable contractual, regulatory and compliance agreements
- Commit to participating in our responsible business practices assessment program supported by the EcoVadis standard. Targeted suppliers must maintain a score equal to or greater than 37 and have been assessed in the last 3 years, otherwise an action plan must be documented, and the supplier assessed again the following year.⁴

For more information on our sustainability and social responsibility commitments, see our [Sustainable Procurement Practice](#), our [Commitment to Sustainable Development](#), our [Ethics and Business Conduct Policy](#) and our [Commitment to Human Rights](#).

⁴ Les fournisseurs de fibre recyclée sont évalués selon une norme interne



5.3.1. Small or local supplier in the supplier selection process

In accordance with Cascades' social responsibility initiative, the SC-CoE will ensure that any sourcing project will include at least one small or local supplier, whenever feasible.

5.4. Protection of Cascades and Supplier Information

Any information that Cascades considers confidential, either on its own right or in the context of a supplier agreement, must be protected as detailed in the [Information Security and Protection Policy](#) available on Agora, the Cascades common portal, under *Information Security and Protection at Cascades* in the *Technology* section

The following guidelines must be followed when handling vendor or supply information:

- No data on Cascades expenditures or contract information, including supplier names and prices, should be disclosed except in aggregate for the purpose of negotiating with suppliers if necessary or required by law.
- Under no circumstances may a Cascades employee disclose a supplier's prices to another supplier or third party without the prior approval of the supplier.
- No information or comments should be disclosed regarding any aspect of the business or strategic planning of Cascades' relationship with its suppliers.

Cascades invests significant resources towards its branding in the marketplace and it is critical that these efforts not be undermined. Failure to comply with these guidelines can seriously damage supplier relationships and may result in legal issues.

5.4.1. Confidentiality Agreements

A confidentiality agreement must be put in place before any exchange of confidential information as detailed in the [Information Security and Protection Policy](#).

The Cascades [Confidentiality Agreement](#) template is available on Agora, Cascades' common portal, under *Security and protection of information at Cascades* in the *Information Technology* section.

If a vendor agreement template will be used, it must be reviewed and approved by the Legal Department prior to signing.

5.5. Composition of a Selection Committee (Sourcing)

The Category Manager is responsible for assembling selection committees for sourcing projects under his/her direction. The composition of a selection committee aims to be the smallest possible group representing of the major stakeholders who will benefit from and/or must manage the goods and/or services in the scope of the project. The Category Manager will therefore aim to keep the number of the representatives involved to a minimum to keep the evaluation process efficient while remaining effective.



5.5.1. Conflict of Interest Statement

Before joining a selection committee, all members must:

- Commit to evaluate the bids submitted by potential suppliers without bias, favor or consideration, according to ethics
- Declare that they will take all appropriate precautions as described in the Cascades Ethics and Business Conduct Policy to avoid placing themselves in a conflict-of-interest situation
- Declare that they have no direct or indirect interest in the sourcing project for which they have been appointed as a member of the selection committee
- If unable to declare the above, commit to declaring the nature of their interest to the Category Manager responsible for the sourcing project as soon as it arises.

The template for this declaration can be found in [Appendix 9 - Selection Committee Member Declaration Template](#). Participants responses must be listed in the documentation area of the sourcing project.

If, during a review of the sourcing project, the Corporate Director of Procurement deems that a conflict-of-interest situation could be detrimental to the integrity of the process and/or bring unreasonable risk to Cascades, he may require the replacement of the member concerned by a colleague with justification.

5.6. Approval of the Presidents

The SC-CoE shall submit an executive summary of the outcome of a sourcing project to the Group Presidents for approval prior to finalizing the agreement with the selected vendor when:

- The sourcing project concerns a commodity deemed critical to the proper functioning of the company or of a specific group (production supplies, chemicals, etc.)
- The sourcing project is for a large monetary commitment (contract over \$5M)

5.7. Agreements and Contracts

All Cascades employees must comply with the contract creation, review approval and execution processes as set forth in the Contract Authoring Process described in [Appendix 4 - Contract Authoring Process](#). Our contract documents must originate from a template approved by the Legal Department unless using the vendor's template.

5.7.1. Legal Review Requirements for Contracts and Agreements

As detailed in the Procurement Process Requirements by Threshold, all contracts with a value of \$500,000 or more must be reviewed and approved by the Legal Department. If the agreement in question contains any of the provisions described in *Section 3 of the Corporate Policy on Contract Approval and Signature*, it must be reviewed by the Legal Department even if the amount is below the thresholds.



5.7.2. Responsibility of the Contract Manager

The Contract Manager is the person who manages the contract on behalf of Cascades and is responsible for the application of the commitments set out in the contract. The Category Managers are therefore also the contract managers.

The key responsibilities of the contract manager include:

- Drive the contract through the 7-steps of the procurement process.
- Document and follow up on the contract expiration dates.
- Document and track key contract clauses (e.g., Service Level Agreement).
- Validate commercial term operationalisation possibilities in our current systems before signature
- Ensure that the required approvals for the contract are obtained.
- Amend the contract as needed, with the approval of the legal department.
- Monitor contracts that could lead to a purchase obligation.
- Refer all inquiries and disputes to the legal department.

5.7.3. Approval and Signature of the Corporate Contract

The category manager must follow the approval process outlined in the *Corporate Policy on Contract Approval and Signature*.

With respect of the signing of contracts, the following signatories are required to sign agreements at the following levels (total contract value, excluding renewal opportunities):

- < \$5M - Corporate Director of Procurement
- \$5M – \$25M – Chief Supply Chain and Information Officer
- > \$25M – Cascades CEO

5.7.4. Safety and Regulatory Compliance

All goods purchased must comply with Cascades' relevant safety, emission and environmental requirements as they apply to the country. Agreements for services provided on Cascades' premises must include specific requirements for compliance with all federal, state or provincial and local health and safety and insurance requirements.

In addition, contracts in the hardware and software or IT consulting categories must be reviewed by the information security team to ensure compliance.

For agreements below the mandatory contract thresholds, the requisitioner must request a review by the information security team if it believes that the agreement exposes Cascades to a significant risk (e.g., sharing of confidential information).



5.7.5. Verbal Agreements

Verbal agreements present many control problems and should be avoided. If a verbal agreement is necessary, the agreement should be documented as soon as possible and followed by an appropriate agreement (purchase order or contract) in a timely manner. The agreement should be reviewed and approved by the legal department according to the Procurement Process Requirements by Threshold, and the documentation should include a justification for the use of a verbal agreement.

5.7.6. Expired Contracts

It is the responsibility of the contract manager to enact appropriate measures prior to the expiration of a contract to allow sufficient time to find a qualified replacement supplier, if necessary. If the contract continues to its term but is not renewed, the contract manager must ensure that all leased goods are returned, confidential information is destroyed, and the contract is closed on the closing date.

If the term of the contract is to be extended without the ability to use a mechanism provided for in the original agreement, the contract must request an amendment from the Legal Department, amend the terms and conditions and update all tracking records accordingly. All contract extensions must be approved by the Corporate Director of Procurement and the Legal Department.

5.7.7. The Currency of the Contract Differs from the Local Currency

That SC-CoE, in collaboration with Treasury, will determine the currency to be used and the fixed or floating exchange rate.

The SC-CoE, in conjunction with Treasury, will decide whether to sign the contract in foreign currency and, once the currency is established, the contract must clearly specify the currency to be used. Guidance on hedging strategies for foreign currencies, including exchange rates, forecasts and inflation issues, must be approved by Treasury prior to signing contracts in a currency other than the local currency.

5.7.8. Advertising the Contract

Excluding what is provisioned by law, suppliers or potential suppliers are not permitted to use Cascades' name, logo, or trademark or to make any public announcement or disclosure regarding the subject matter or of their contract or negotiations with the Procurement function until they have obtained written approval from the Legal Department.

5.7.9. Accounting Treatment

Prior to signing a contract, an evaluation should be made to determine if further accounting treatment by treasury is required. Each contract should be evaluated against the criteria listed below to determine if further review or accounting treatment is required:

- Lease commitment
- Coverage
- Financial instruments



It is the responsibility of all Category Managers to notify Treasury if any of the above criteria may apply to a new or updated contract.

5.7.10. Archiving of Agreements

Records in the Cascades centralized contract database (see [Annexe 6 – Procurement Information Systems](#)) must include an uneditable electronic copy of the entire agreement, including a fully completed signature page, all in one document. The Legal Department must have access to all contract records in the database, whether or not they were involved in the drafting.

5.8. Obligation to Receive Goods and Services

Any order sent to a supplier for goods or services requires a goods receipt be recorded in Cascades' information systems (different systems depending on commodity).

The only exceptions to this rule are blanket orders and PCard purchases.

5.9. Invoices Without a Purchase Order

Any purchase from an external supplier requires a purchase order, otherwise the supplier is at risk of not being paid for the goods and services provided.

The only commodities/categories excluded from this rule are:

- Purchase made by PCard
- Reimbursement of travel expenses
- Government rebates and taxes
- Utilities (Hydro, etc.)
- Insurance
- Donation and Sponsorships
- Postage

5.10. Supplier Risk Management

Cascades' SC-CoE is responsible for evaluating the financial, legal, reputational and security risks involved in establishing a business relationship with a supplier. The periodic monitoring of the evolution of these risks must be an integral part of the supplier performance management process. The SC-CoE must therefore put in place exit strategies and contingency plans for all "Class 1" corporate suppliers.

5.11. Vendor Performance Management

Cascades' SC-CoE is responsible for evaluating the performance of suppliers on a regular basis. Performance evaluations must be well documented and communicated to suppliers and Business Partners to foster continuous improvement and competitiveness. Suppliers must be advised of the impact of their performance on the awarding of new contracts.



Indicators and scorecards should be reviewed at regular intervals to identify areas for improvement and to establish an improvement plan with suppliers. Corporate “class 1” suppliers must, at a minimum, be assessed once a year. They must maintain their EcoVadis rating of 37 or higher indefinitely.

5.12. Payment Terms

Cascades has implemented a payment terms policy which is available on Agora, under « [Policies and Payment Terms](#) » (the «Payment Policy») in the *Procurement* section.

Every reasonable effort shall be made during any negotiation with suppliers to comply with and/or improve the payment terms set forth in this policy, whether or not the SC-CoE is leading the negotiation.

Only payment terms that are consistent with the Payment Policy may be used. Any terms below the terms of the policy must be reviewed and approved by the Corporate Director of Procurement prior to execution of the agreement (contract/purchase order) with the supplier.

To evaluate whether a supplier’s payment offer is good for Cascades, the Category Manager will need to consult the excel file « *Termes de paiement Outil_de_comparaison_Tool_comparison_T&C.xlsx* » approved by Treasury.

5.13. Payment Advances

Cascades shall not advance funds to a supplier until it has received the goods of services from that supplier. In cases where advance payment to the supplier cannot be avoided, the terms of payment shall be determined in collaboration with the SC-CoE, the Business Partners and the Legal Department.

5.14. Import / Export

5.14.1. Customs and Import Considerations

The International Trade Department is responsible for managing the operational aspects of imports and exports. The department is responsible for ensuring that customs declarations are timely and accurate, that instructions on business-to-business and supplier shipping procedures are up to date and that record keeping follows regulations. It is the responsibility of all Cascades’ employees involved in the operations to comply with import and export regulations.

5.14.2. Supplier Compliance with Import Requirements

Compliance with import laws is a condition of doing business with Cascades. If it is determined that a supplier is not in compliance, the International Trade Specialist will work with the appropriate Category Manager to ensure that the supplier is in full compliance. The corrective action to be taken by the supplier and the effective date of such action shall be documented by the International Trade Service Specialist and a written response from the supplier shall be maintained. It is the responsibility of the Director of International Trade Services to ensure supplier compliance with legal requirements and to validate the implementation of corrective actions.



5.15. Procurement of Capital Expenditures (CAPEX)

The provisions of the policy also apply to the procurement of capital expenditures with the following clarifications:

- **CAPEX Project Budgets.** For CAPEX projects over \$250,000, a recent budget estimate (12 months or less) must be prepared with RFI or other quote solicitation method for, at a minimum, 60% of the total budget envelope to be valid. The CAPEX Project Manager (e.g., CS+, external firm or another Group Project Manager) is responsible for ensuring that this threshold is met. However, he/she may request and rely on the support of the SC-CoE Category Manager to coordinate the RFI, if needed.

However, Category Managers will only be able to engage in subsequent RFP and/or RFQ work once the business unit has secured the necessary budget for its project.

- **CAPEX Project Purchases.** For CAPEX projects with approved budgets managed by a project manager, the Project Manager is responsible for meeting the [Procurement Process Requirements by Threshold](#) for the various project components in lieu of the SC-CoE.

The Project Manager may request and rely on the support of the SC-CoE Category Manager to coordinate RFPs/RFQs as needed.

- **Non-Project CAPEX Purchases.** All capital purchases of goods and services are subject to the same Procurement rules as operational purchases. The only difference is the accounting treatment of the purchase in Cascades' financial statements.
- **Down Payments before Delivery.** If a down payment is required by a supplier before delivery, it should not exceed 30% of the total commitment amount, except in exceptional circumstances.

6. PROCUREMENT SYSTEMS

Cascades Procurement CoE is looking to do business with suppliers who have the capability to conduct business transactions electronically. Fully transparent and integrated procurement systems will provide pricing, cost, quality and procurement information that will be useful both internally and externally. Cascades' procurement systems will be developed in collaboration with the Corporate Director of Procurement, and it is the responsibility of the SC-CoE and internal users to ensure the quality and accuracy of the data.

Refer to [Annexe 6 – Procurement Information Systems](#) for a complete list of the procurement systems used at Cascades and their main functions.

6.1. Information Systems

Information, procurement data and IT assets are critical to the success of the procurement function and Cascades has the whole, and must therefore be protected from loss, modification or destruction. Cascades' existing IT standards will apply to all Cascades employees and subsidiaries, as well as contractors, supplier personnel and others who have management authorization to use Cascades' procurement systems.



6.2. Access Authorization

It is the responsibility of the Corporate Director of Procurement to ensure that the following actions are taken:

- **User Access:** establish controls to ensure that only authorized the individuals can use applications and have access to areas of the system that are necessary to perform their tasks.
- **Document control:** store critical data, templates and documents in a location that only authorized individuals will have access to and have appropriate retrieval methods.



7. APPENDICES

7.1. Appendix 1 – Glossary

- **Annual Commitment.** The total amount of a monetary commitment divided by the number of years over which the agreement runs: e.g., annual commitment for a three-year \$150,000 agreement is \$50,000.
- **Annual procurement schedule.** Overall plan for bidding and contracting projects to be executed by the Supply Chain Center of Expertise (SC-CoE) in the current year.
- **Business Partners.** Managers of Cascades' business units that are affected, or may be affected, by sourcing activities for a particular good or service.
- **Executive Management Committee.** The Executive Management Committee is comprised of the President of each group, the Chief Executive Officer, the Chief Legal Officer, the Chief Financial Officer, the Chief Human Resources Officer, the Chief Information Officer and the Vice President of Corporate Services.
- **Capital Project ("CAPEX").** Improvement project executed by a Cascades business unit and led by a designated project manager in due form. Project that will be recorded as an asset of Cascades' financial statements.
- **Category Manager.** The term Category Manager refers to a member of the SC-CoE team who is responsible for negotiating, managing and delivering specific goods or services.
- **Contract.** A duly signed legal framework agreement between Cascades and a supplier that governs the terms of conditions of the business relationship between the two parties prior to placing orders.
- **Corporate Contract.** A contract between the SC-CoE and a supplier for the categories listed in [Appendix 2 - Categories Managed by the Supply Chain Center of Expertise \(SC-CoE\)](#)
- **Corporate Suppliers.** Suppliers that have been designated by SC-CoE as preferred for Cascades' purchases. Generally, a supplier is identified as such because the terms and conditions in place in the business relationship are advantageous to Cascades (e.g., price, volume discounts, delivery terms, insurance, after-sales services, etc. The [Corporate Supplier List](#) is available on Agora, Cascades' common portal, under *Procurement* in the *Procurement Center of Expertise (CoE)* and *Shared Services Center (SSC)*, *Tools and Forms* section.
- **Legal Affairs Department.** This team provides in-house legal services for Cascades.
- **Monetary Commitment.** Agreement between Cascades and an external supplier concerning possible disbursements for the acquisition of goods and services.
- **Open Purchase Order with Limit.** A type of purchase order that allows the supplier to invoice directly without receipt from Cascades. Synonyms: Blanket PO, Open PO, Framework PO.
- **Procurement Function.** This function is composed of the Supply Chain-CoE and the Shared Services Center (SSC).



- **Request for Information (RFI).** A quotation request sent to a potential vendor to assist in the study of a particular market. An RFI may or may not result in the RFP/RFQ, depending on the results of the market research.
- **Request for Proposal (RFP).** A quotation request sent to a potential supplier with whom a relationship or partnership is being considered. Generally, the precise structure and format of the RFP response is left, and whole or in part, to the discretion of the vendors.
- **Request for Quotation (RFQ).** A quotation request sent to potential suppliers containing an extremely detailed list or description of all relevant parameters of the intended purchase. The price per item or per unit of service is the expected result.
- **Shared Services Center.** This team is responsible for all transactional aspects of procurement such as the purchase order process, shipping of goods, warranty claims, and return material authorization.
- **Small Supplier.** According to Industry Canada, it is generally the number of employees that determines whether a company is small. Goods-producing firms are considered “small” if they have fewer than 100 employees, while for service-producing firms the threshold is 50 employees.
- **Supply Chain Center of Expertise (SC-CoE).** The term SC-CoE refers to the Cascades Supply Chain Center of Expertise.
- **Total Cost of Ownership (TCO).** The term TCO refers to an analysis that calculates the value of a purchase over its entire life cycle by looking at certain key criteria for the end user. This value covers all faces of ownership: acquisition, operation and some, which are intangible, which can be given a monetary value.
- **7-step procurement process.** See appendix 3.



7.2. Appendix 2 - Categories Managed by the Supply Chain Center of Expertise (SC-CoE)

- Externally purchased paper, excluding recycled and virgin fibers (**spot purchases**)
- Commodity chemicals
- Specialty chemicals
- Plastic resins (**spot purchases**)
- Polyfilms, stretch and shrink films
- Pallets
- Absorbent pads
- Rags
- Cladding for paper machines
- Packaging materials purchased externally
- Spare parts (MRO)
- Vending machines for the Tissue group
- Any other industrial and production supplies
- Clothes, uniforms and glasses
- Forklift trucks
- Transport
- Storage
- Handling and storage services (3PL)
- Capital expenditures (CAPEX) for production equipment, corporate services or buildings.
- Building services (Facilities)
- Equipement rental
- Cleaning goods and services
- Hazardous waste management
- Waste collection services excluding recycled fiber recovery
- Contractors (« MRO-Services »)
- Subcontracting services that provide goods and services that fall within the scope of the Procurement Function (e.g., Northrich mandrel manufacturing). Other large subcontractors are not included.
- Office supplies and furniture
- Computer hardware and software
- IT consulting services



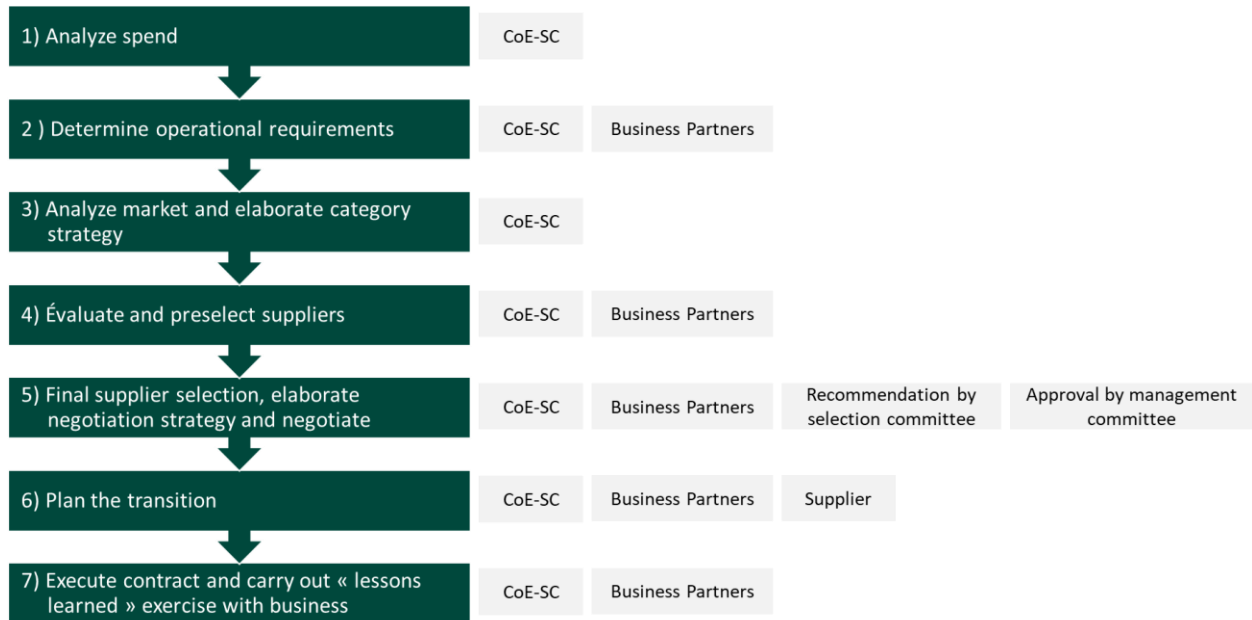
- Marketing and agencies
- Contingent and temporary labor
- HR services
- Travel, airlines, rental cars, conferences, external training
- Car fleet

Outside the scope of the SC-CoE

- Small application chemicals (used by a small minority of plants)
- Energy
- Recycled / virgin fiber (**spot purchases**)
- Cardboard Jumbo rolls



7.3. Appendix 3 – 7-Step Procurement Process

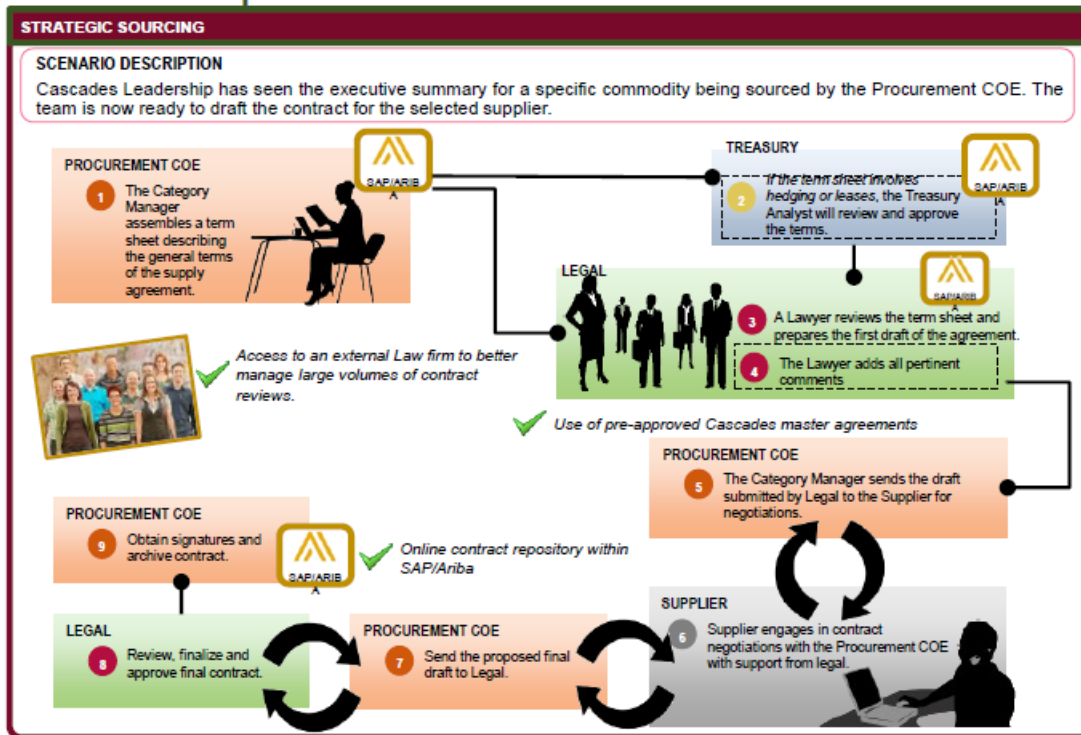


The first step of the process is not necessary when purchasing new commodities.



7.4. Appendix 4 - Contract Authoring Process

Contract flow process



7.5. Appendix 5 - Checklist for Agreements Negotiated by Business Units (0-\$15K)

As described in the [Procurement Process Requirements by Threshold](#), the Supply Chain Center of Expertise (SC-CoE) does not have to be involved in purchases of \$15 K and under.

However, this does not preclude you from applying best practices in terms of procurement to maximize the value obtained for your unit when purchasing:

- ✓ **Take the time to solicit multiple bids from different suppliers**
 - This allows you to see if there are any other terms and conditions that you might want to include with your preferred provider:
 - Advantageous payment terms (e.g., delivered product)
 - Volume discount
 - Insurance/guarantees
 - After sales service
- ✓ **Validate that the incoterms are valid and clear when issuing your purchase order**
 - This step ensures that the transfer of ownership and responsibility for purchased goods occurs at the right time. This can be important if there are customs fees or if the goods are damaged in transit, for example.
 - Here are the incoterms preferred by Cascades:
 - FCA – Transfer of ownership upon initial loading of merchandise at supplier’s premises
 - DAP – Transfer of ownership at import customs even if the supplier delivers the merchandise to end destination
 - DDP – Transfer of property upon arrival at the Cascades facility. The supplier is responsible for import customs
- ✓ **Validate that the correct payment terms are used in your purchase order**
 - By asking your supplier to adopt the preferred [standard Cascades payment terms](#) for your type of purchase, you help optimize Cascades’ liquidity and, consequently, its [purchasing power](#).

Thank you for buying responsibility!



7.6. Appendix 6 - Procurement Information Systems

7.6.1. Sievo

- Cascades global expense analysis system
- Used to derive key KPIs for the procurement function and develop procurement strategies and category plans

7.6.2. Ariba

- Centralized database of sourcing projects and their documentation
- Centralized database of contracts and their documentation
- Transactional system for applicable indirect purchases (e.g., per catalog)

7.6.3. SAP ERP

- Master transactional system for all purchases
- Direct purchase orders integrated with planning, maintenance, production (MRP) processes, etc.
- Indirect purchase orders
- Open purchase orders with limits (“blanket” or “framework”)
- Copies of Ariba purchase orders
- Approved invoices and payment

7.6.4. Serrala

- Supplier invoice processing system and management of invoice reconciliation exceptions with purchase order and receipt (e.g., wrong price)

7.6.5. Spare parts (MRO)

- Spare parts orders are interfaced with SDI Connect, our spare parts partner’s system

7.6.6. Transport

- The transportation planning, booking and coordination processes are managed within the system of our transportation management partner, Ryder.

7.6.7. PCard

- Applicable purchases can be made directly through PCard, without having to go through the transactional systems listed above.

7.6.8. Legacy Systems

- For business units who do not yet operate on our corporate solutions for all or a portion of their operations (e.g., Guide TI, AS400 Stores, etc.), some purchases are done in these legacy systems.



7.7. Appendix 7 - Supplier Classification Criteria

All Cascades suppliers are classified according to the following criteria. These classes dictate the periodic checks to be made to ensure a “healthy” supplier base:

Class 1 Supplier: Partner Suppliers	
Characteristics	Controls
<ul style="list-style-type: none"> Partnership developed High monetary value High replacement costs Few sources available Gives Cascades a competitive advantage through its innovation road map (invested in R&D) Great impact on Cascades’ performance and the finished product 	<ul style="list-style-type: none"> Ensure that master data is up to date (e.g., payment terms, etc.) Documented KPIs (« Scorecard ») Works on a documented continuous improvement plan Dynamic relationship with regular meetings Minimum one business review / year Supplier evaluation 1x / year
Class 2 Supplier: Strategic Suppliers	
Characteristics	Controls
<ul style="list-style-type: none"> Monetary value can be high Important critical to operations Can be suppliers with reciprocity (also Cascades customer) Very niche area 	<ul style="list-style-type: none"> Ensure that master data is up to date (e.g., payment terms etc.) Minimum 1 business review / year Possibility of evaluation 1x / year (at the discretion of the Category Manager)
Class 3 suppliers: Basic Suppliers	
Characteristics	Controls
<ul style="list-style-type: none"> Medium to low expenditure Multiple sources, easily replaceable (commodity) Low replacement cost 	<ul style="list-style-type: none"> Ensure that master data is up to date (e.g., payment terms etc.) Annual expenditure in classification table
Fournisseur de Classe 4 : Fournisseurs avec affaires limités	
Characteristics	Controls
<ul style="list-style-type: none"> Suppliers in our category (Agora) but without direct interaction by Category Manager 	<ul style="list-style-type: none"> Ensure that master data is up to date (e.g., payment terms etc.) Annual expenditure and classification table Understand the reason for use: switch to a corporate provider if possible Validate if it should be removed from SAP



7.8. Appendix 8 – Derogation Form

1. Applicant's information			
Name		Ext.	
Business unit			
Phone		Email	

2. Categorization of the purchase			
Short description of the purchase to be made			
Name of the desired supplier			
Total value of the commitment (before taxes)		Total duration of the commitment	
Is this a one-time purchase or a recurring purchase?	<input type="checkbox"/> Single <input type="checkbox"/> Periodic		

3. Context

4. Justification for not meeting procurement process requirements

5. Certification and approval of the SC-CoE			
Category Manager		Date	
Signature			
Corporate Director of Procurement		Date	
Signature			



Appendix 9 - Selection Committee Member Declaration Template

When forming a selection committee for a tender, the Category Manager must obtain a declaration of impartiality and absence of conflict of interest from each committee member before initiating their involvement.

The following template can be used to meet this requirement. This template can be emailed to the committee members to easily collect their responses. A copy of the email exchanges should be uploaded to the RFP document area for future reference.

----- Beginning template -----

As a member of the selection committee for the Cascades tender [*Insert tender description*] :

- I agree to judge the bids submitted by the bidders without bias, favor or consideration, according to the ethics;
- I declare that I will take all the appropriate precautions described in the Cascades code of Ethics to avoid placing myself in a potential conflict of interest situation and that I have no direct or indirect interest in the sourcing project for which I have been appointed member of the selection committee; failing this, I formally undertake the denounce my interest to the Category Manager responsible for the sourcing project.

----- End template -----

The committee member must respond in the affirmative or disclose potential conflicts of interest for consideration.



7.9. Appendix 10 - Procurement Policy Change Process

This policy is a living document that must be updated according to the evolution of the company's realities. The following stakeholders must be consulted in the order described below to endorse any changes to the *Cascades Procurement Policy*.

Main document	
Initial review - Procurement	Corporate Director of Procurement
Initial review - Legal	Assistant Corporate Secretary (legal)
Final review and approval	Chief Supply Chain and Information Officer
Appendices	
Review and approval	Corporate Director of Procurement

