



Cascades Canada ULC
Center of Expertise - Procurement
9500 Illinois Avenue
Brossard (Qc) Canada J4Y 3B7



Strategic Sourcing Policy

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1. INTRODUCTION

1.1 Objective of the Policy

The purpose of this Policy is to establish and communicate Cascades' principles and expectations regarding the sourcing of goods and services that fall under the Procurement Function's Scope, while achieving the best overall value for Cascades through service, quality, and total cost. This Policy is complimented by clear and comprehensive guidelines related to the management and execution of the Procurement Function at Cascades. This Policy applies to all Cascades personnel excluding its European operations. Maintenance and modifications of the Policy is the responsibility of the Procurement Center of Expertise.

1.2 Procurement's Function Scope

The Procurement COE is responsible for the overall management and sourcing for all goods and services that are listed in Appendix 2.

1.3 Responsibilities

<p>1. Procurement Center of Expertise (COE) The role of the Procurement COE is to:</p> <ul style="list-style-type: none">• Manage relationships between suppliers and Business Partners• Update and manage the yearly sourcing schedule• Follow the "7 step procurement process" defined in Appendix 3• Source goods and services by using the appropriate sourcing techniques• Conform with the social responsibility objectives as defined in the Cascades' sustainable development plan• Provide Business Partners with the most competitive total cost of ownership (TCO)• Ensure the supply continuity of critical goods and services with reliable high-quality goods and services at reasonable costs• Conduct supplier performance evaluations on a regular basis for critical and strategic suppliers• Manage supplier's contracts as provided herein• Manage the Master Data for all suppliers and the Master Data related to the items and price lists for the goods and services that falls under the Procurement's Function scope.• Calculate volume rebate accruals and provide backup to the Shared Services Center (SSC)
<p>2. Business Partners The role of the Business Partners is to:</p> <ul style="list-style-type: none">• Participate actively thru the 7 step procurement process in the sourcing process by

- providing knowledge and expertise in relation to the goods and services
- Provide feedback to the COE on supplier performance and compliance
- Inform the COE of any issue with suppliers
- Approve the financial instrument recommended by Treasury for the supply of price-volatile goods
- Approve the supplier recommended by the COE

3. Business Partner Board

- The responsibility of the Business Partner Board is to approve the final decision made by the COE and the business partners, in accordance with the 7 step procurement process, before awarding the recommended supplier

4. Shared Services Center

The role of the Shared Services Center is to:

- Process the purchase orders
- Provide input and feedback on supplier performance and compliance to the COE

5. Treasury

The role of the Treasury is to:

- Provide and propose the cost of money rate to be used
- Review the recommended financial instrument for the supply of price-volatile goods
- Provide the recommended currency for the purchase of goods and services when needed

6. Legal

The role of Legal is to:

- Draft contracts based on non-binding commercial term sheets reflecting the requirements of the business partners and the negotiated terms and conditions provided by Category Managers and interact with suppliers to finalize contract negotiations
- Review, revise and approve final contract before signature
- Draft the general terms and conditions to add to the RFP/RFQ
- Provide all Cascades Master Agreement to be used by COE in its negotiation with suppliers

7. International Operations

The role of International Operations is to:

- Ensure compliance of the international operations with applicable rules governing import and export

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|---|
| <ul style="list-style-type: none">• Provide international transportation costs to the COE when needed |
|---|

2. CORE VALUES

The core values that support Cascades' Procurement Function are reflected in the Corporation's Code of Ethics and Business Conduct. In particular, protection of confidential information, media relations, avoidance of conflicts of interest, acceptance of gifts, invitations and other advantages, the environment, health and safety, political activities and lobbying, social responsibility and relationships with external stakeholders. The revised and authoritative version of the Corporation's Code of Ethics and Business Conduct is available on **Agora** Cascades' collaborative portal *Agora* under "Ethics and Compliance" in the Human Resources section.

3. PROCUREMENT BUSINESS CONDUCT

Every employee engaged in procurement related business must conduct themselves honestly, fairly, and objectively in all business relationships with suppliers. Procurement activity should also be conducted in accordance with all applicable laws and government regulations in each of the countries where Cascades conducts business.

4. PROTECTING CASCADES AND SUPPLIER INFORMATION

4.1 Confidential Information

Any information that Cascades holds as confidential, either on its own or by agreement with a supplier is to be safeguarded.

The following guidelines should be adhered to when handling supplier and procurement information:

- There should be no release of any Cascades spend data or contract-specific information including supplier names or supplier pricing, except as may be necessary at an aggregate commodity level for supplier negotiation purposes, or as required by law.
- Under no circumstances is a Cascades employee to release a supplier's pricing to another supplier or third party without a pre-approval from the supplier.
- There should be no release of information or comments on any commercial or strategy planning aspects of Cascades' relationship with any supplier.

Cascades invests significant resources in developing its image in the market place; therefore, it is critical that these efforts are not undermined. Failure to follow the above guidelines can severely impact supplier relationships and potentially create legal issues.

4.2 Confidentiality Agreements

If there is to be an exchange of confidential information, a Confidentiality Agreement must be in place prior to the exchange of confidential information and this agreement must be reviewed and approved by Legal.

5. THE PROCUREMENT PROCESS

As a general rule the procurement of goods and services will be carried out in compliance with the 7 step procurement process defined in Appendix 3. Exceptions may be made where warranted by special circumstances, however, in such cases no procurement shall be carried out without the involvement of procurement who shall ensure conformity with this Policy.

5.1 New Supplier Assessment

Before Cascades commits funds to a new external supplier, Procurement COE has the responsibility to ensure suppliers are assessed to verify that they meet Cascades' criteria before they become qualified suppliers.

5.2 Local or Small Supplier in supplier selection process

In compliance with Cascades' social responsibility initiative, Procurement COE will ensure that all RFPs/RFQs include at least one local or Small Supplier, where reasonably possible.

5.3 Supplier Performance Management

Cascades' Procurement COE has the responsibility to conduct supplier performance evaluations on a regular basis. Supplier performance evaluations should be well-documented and communicated to the suppliers and the Business Partners to ensure their continuous improvement/competition and should be advised of the effect that their performance will have on new business awards.

Metrics and scorecards should be reviewed at appropriate time intervals to identify areas of opportunity and to develop a continuous improvement plan with suppliers.

5.4 Payment Terms

Cascades' Procurement COE shall act as the final arbiter with regard to payment terms. Cascades has implemented a policy on payment terms which is available on **Agora** under "Policy" (the payment policy") in the Procurement section. All reasonable efforts should be made to improve payment terms during negotiations with suppliers, and as such, Procurement COE will agree on payment terms as part of negotiations and will document these terms in the supplier agreements.

Only payment terms that comply with the payment policy may be used.

To evaluate if a supplier prompt pay offer is good for Cascades, the Category Manager must refer to the excel file "*Termes de paiement Outil_de_comparaison_Tool_comparison_T&C.xlsx*",

approved by Treasury.

5.5 Advance Payments

Cascades should not advance funds to a supplier prior to receiving goods or services from the supplier. In instances where advancing payments to a supplier cannot be avoided, the conditions of payment shall be determined in collaboration with Procurement COE, Business Partners, and Legal.

6. AGREEMENTS / CONTRACTS

All Cascades Procurement Function's personnel are required to adhere to standard contract creation, revision, reviews, approval, and execution processes set out in the Contract Flow Process attached in Appendix 4. All contract documents must originate from a contract approved by Legal.

6.1 Requirements for Legal Review of Contracts/Agreements

Each contract with an overall value of 250,000\$ or more must be reviewed and approved by Legal except if the agreement contains any of the dispositions described with section 3 of the Contract Signature Corporate Policy guidelines.

6.2 Contract Owner Responsibility

The contract owner is the individual who manages the contract on behalf of Cascades and is responsible for enforcing commitments outlined in the contract. Therefore, the Category Managers are the contract owners.

The following are the major responsibilities of the contract owners:

- Pilot the contract thru the 7 step procurement process.
- Document and monitor the expiration of the contract.
- Document and monitor key components of the service level agreement (SLA) defined in the contract.
- Ensure that proper approvals are obtained for the contract.
- Amend the contract when necessary with the approval of Legal.
- Monitor contracts which could result in a purchasing obligation.
- Refer any claim or other form of litigation to Legal

6.3 Contract Approval and signature

The Category Managers must follow the approval process described in the Contract Signature Corporate Policy guidelines.

6.4 Safety and Regulatory Compliance

All goods purchased must meet the applicable Cascades and regulatory requirements with regard to safety, emissions, and environmental requirements for the country.

Agreements for services performed on Cascades' premises should include a specific requirement for compliance with all applicable Cascades, federal, state or provincial, and local health and safety, and insurance requirements.

6.5 Verbal Agreements

Verbal agreements present several control problems and should be avoided. If a verbal agreement is required, the agreement must be documented as soon as possible and followed-up with an appropriate Agreement within a reasonable time frame. The Agreement should be reviewed and approved by Legal and the documentation must include the justification for the use of a verbal agreement.

6.6 Expired Contracts

It is the responsibility of the contract owner to consider appropriate action before a contract expires which will provide for sufficient lead-time to identify a qualified alternate source, if needed. If the contract runs until the end of its term but will not be renewed, then the contract owner must ensure that all Cascades loaned or leased assets are returned; final disposition of all confidential information is finalized; and, that the contract is closed on the end-date.

If the term of the contract is to be extended, the contract owners must request amendment language from Legal, amend the terms, and update all tracking records, accordingly. All contract extensions must be approved by the Director of Procurement and Legal.

6.7 Contract Currency different than local currency

Procurement COE, in collaboration with Treasury, will establish the currency-of-record and the fixed or floating exchange rate.

Procurement COE in collaboration with Treasury, will decide if it will be contracting in foreign currencies, and once the currency is defined, the contract must clearly state which currency (ies) are to be used. Guidance on developing hedging strategies for foreign currencies, including exchange rates, forecasts, and inflationary issues, must be approved by Treasury prior to establishing contracts in a currency different than the local currency.

6.8 Contract Publicity

Except as required by law, suppliers or potential suppliers are not permitted to use the name, logo or trademarks of Cascades or to make any public announcements or disclosures in relation to the subject matter of their contract, or their dealings with personnel of the Procurement Function without the prior written approval of Legal.

6.9 Financial Treatment

Before signing a contract, an evaluation of the contract is required to determine if further financial treatment by Treasury is required. Each contract must be assessed against the criteria below to determine if additional financial review and treatment is required:

- Lease-hold Engagement
- Hedging
- Financial Instruments

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

6.10 Archival of Agreements

Contract records must include a non-editable soft-copy of the entire agreement with the fully-executed signature page, all as one document. The originals will be kept in the Procurement COE for a period of seven (7) years following the expiration of the agreement. One copy of any recorded contracts shall be sent to the member of Legal who prepared the contract.

7. SUPPLY MANAGEMENT

The relevant Category Manager has the responsibility to set strategy and procedures which identify and manage risk associated with supply availability. For all business-critical categories or suppliers, it is a requirement of the Procurement COE to identify the associated risks and to manage them proactively. As such the Category Manager must insure that a contingency plan exists for all critical categories or suppliers.

8. PROCUREMENT SYSTEMS

It is a Cascades' objective to conduct business with suppliers that have the capability to execute business transactions electronically. Fully transparent and integrated procurement systems will provide beneficial price, cost, quality, and supply intelligence data both internally and externally. Procurement Function's technology systems will be developed with the input of the Director of Procurement, and it will be the responsibility of the Procurement COE and internal users to ensure the quality and the accuracy of the data.

8.1 Information Systems

Information, procurement data, and computing assets are critical to the success of Procurement Function and Cascades overall and, as a result, must be protected from loss, modification, or destruction. Existing Cascades information technology standards will apply to all Cascades employees, subsidiaries of Cascades, contractors, supplier personnel, and others authorized by management to utilize Cascades' Procurement Function's systems.

8.2 Access Authorization

It is the responsibility of the Procurement's Director of Access to ensure that:

- User Access: controls will be established to ensure that only authorized individuals may use applications, with access provided to system areas required to perform their job functions.
- Document Control: Critical data, models, and documents shall be stored in a location which ensures access to only authorized individuals, combined with appropriate recovery methods.

9. IMPORT / EXPORT

9.1 Customs and Import Considerations

Cascades' International Operations department is responsible for managing the operational aspects of importation and exportation, ensuring timely and accurate customs declarations, current up-to-date inter-company and supplier Shipping Procedural Instructions (SPIs), and the retention of records in accordance with regulations. Import/Export compliance is the responsibility of every Cascades' employee involved in the transaction.

9.2 Supplier Compliance with Import Requirements

Compliance with lawful importing is a condition for transacting business with Cascades. If a supplier is found to be non-compliant, Cascades' International Operations Specialist will work with the relevant Category Manager to ensure that the supplier returns to full compliance. The corrective action(s) to be taken by the supplier, and the effective date of such action, should be documented by Cascades' International Operations Specialist and a written response from the supplier should be retained. Supplier compliance and validation of corrective action implementation are the responsibility of Cascades' International Operations Manager.

10. SOCIAL RESPONSIBILITY PROCUREMENT PRACTICE

Cascades is committed to being a socially responsible corporate citizen, and the negative impact of our businesses and our suppliers on the environment should be minimized. Therefore, Cascades will conduct business with socially responsible suppliers. At a minimum, this includes suppliers who are in compliance with applicable national and local laws and regulations, and who have the ability to mitigate any environmental problems which they may cause. In supplier selection, Cascades will consider the level of impact that potential suppliers have on the environment and their level of social responsibility.

All suppliers are required to comply with Cascades' safety and environmental requirements as listed in any applicable governing contractual, regulatory, and compliance agreements.

Further details of our commitment to sustainability and social responsibility may be found in our [Sustainable Procurement Practice](#) document, and [the Corporation's Code of Ethics and Business Conduct](#).

11. APPENDIX

Appendix 1: Glossary

7 step procurement process: Refer to the Appendix 3

Business Partners: The term Business partners refers to any Cascades' business unit manager that is, or might be impacted by the sourcing activities for a particular goods and/or services.

Business Partner Board: The Business Partner Board is formed by the President of each group, the CEO, CLO, CFO, CHRO, CIO and the Vice-President of Corporate Services.

Category Manager: The term Category Manager refers to: any team member of the Procurement COE that is responsible to negotiate, manage and source specific goods and/or services

Legal: This team refers to the Cascades in house Legal services.

Procurement Center of Expertise (COE): The term COE refers Cascades' Procurement Center of Expertise.

Procurement Function: The Procurement Function Is composed by the Procurement COE and the Shared Services Center.

Request for Proposal (RFP): RFP refers to a solicitation sent to potential suppliers with whom a *creative* relationship or *partnership* is being considered. Typically, the RFP leaves all or part of the precise structure and format of the response to the discretion of the suppliers.

Request for Quotation (RFQ): RFQ refers to a solicitation sent to potential suppliers containing in exacting detail a list or description of all relevant parameters of the intended purchase. Price per item or per unit of service is the bottom-line.

Shared Services Center: The Shared Services Center refers **to** the team responsible for all transactional aspects of procurement such as PO process, expediting goods, warranty claims, return material authorization, etc...

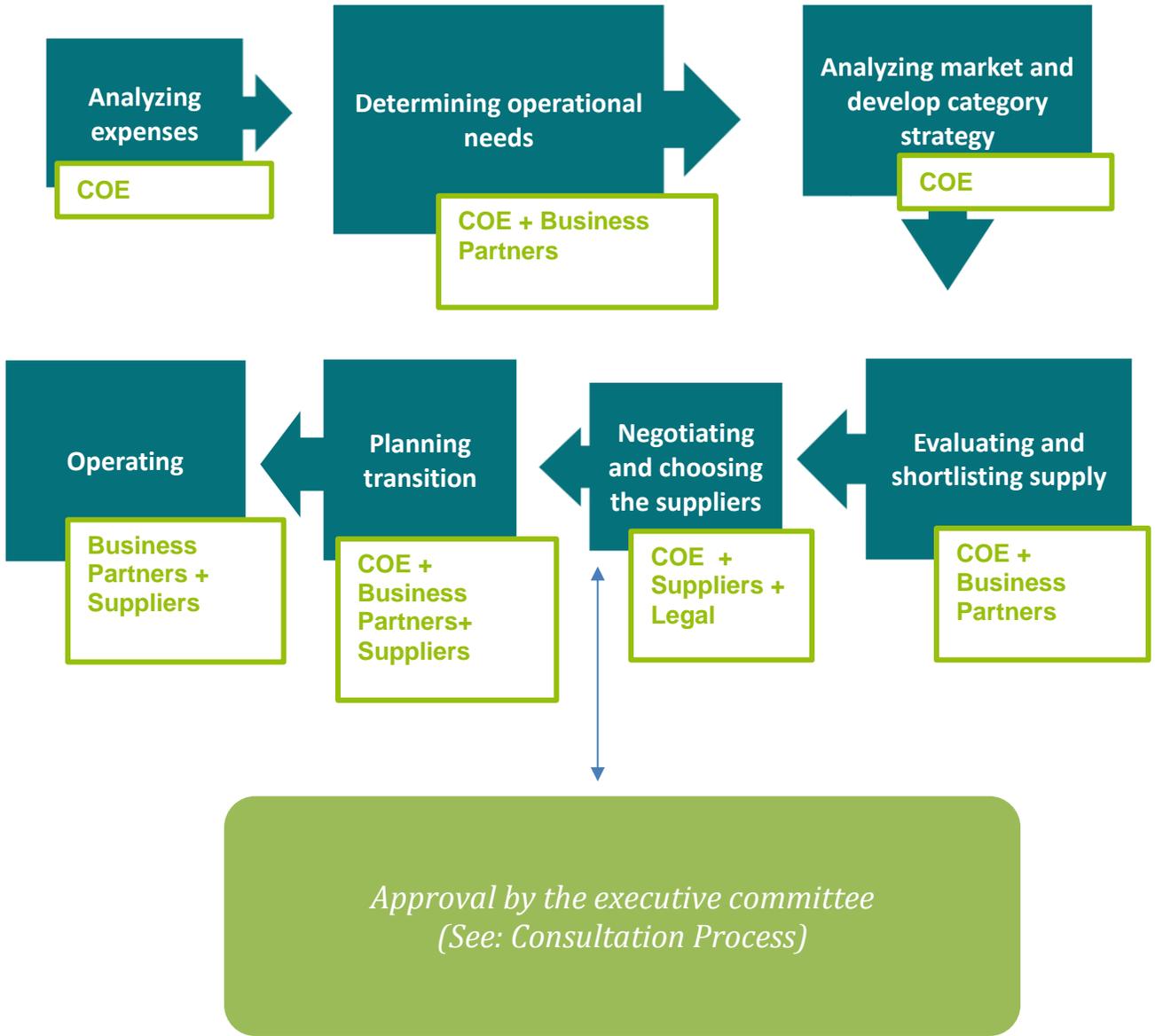
Small Supplier: According to Industry Canada, a small business is generally based on the number of employees. Goods-producing firms are considered "small" if they have fewer than 100 employees, whereas for service producing firms the cut-off point is 50 employees.

Total Cost of Ownership (TCO): The term TCO refers to any analysis that places a single value on the complete lifecycle of a purchase including some criteria that are essential to the end user. This value includes every phase of ownership: acquisition, operation plus some intangible phases that may be assigned a monetary value.

Appendix 2: Goods and Services in Procurement's Scope

- Commodity chemicals
- Specialty chemicals
- Paper purchased externally excluding waste paper
- All spare parts
- All production supplies
- Packaging material purchased externally
- Waste collection services excluding the recovery of waste paper
- Subcontracting services for goods and services within the scope
- HR services
- Facilities services
- Travel airlines, rental car
- Car fleet
- IT hardware and software
- Office supplies
- IT consulting services
- Complementary Workforce
- Garments
- Lift trucks
- Janitorial services
- Resin all types
- Polyfilm
- Stretch film
- Pallets
- Absorbent pads
- Wipes
- Paper machine clothing

Appendix 3: 7 Step Procurement Process



Appendix 4: Contract Flow Process

Contract flow process

