

Corporate Sustainable Purchasing Guideline

Background:

The Co-operators is committed to being a catalyst for a sustainable society and to conducting its business in accordance with its Sustainability Policy. In order to align its purchasing with these commitments, The Co-operators is implementing a Sustainable Purchasing Program, the components of which include a Sustainable Purchasing Policy, the Guideline which defines our general approach to sustainable purchasing, and a Supplier Code of Conduct (SCC) which defines our minimum standards of social and environmental conduct for suppliers.

This Guideline applies to all new and existing suppliers. It is a requirement that all companies in The Co-operators Group adhere to this Guideline.

1. Guideline Purpose

In order to reduce our corporate footprint and become a catalyst for sustainability, The Co-operators seeks to do business with organizations that share our values and are similarly committed to reducing greenhouse gas emissions. The Co-operators recognizes we have an impact and influence upstream and downstream of our operations. To that end, we have adopted this Guideline to influence our buying decisions and signal our priorities to the marketplace.

In our Sustainability Policy, we committed ourselves to a continual assessment of all we do and to the ongoing pursuit of alignment with these four sustainability principles:

In a sustainable society, nature is not subject to systematically increasing...

-  ...concentrations of substances extracted from the Earth's crust,
-  ...concentrations of substances produced by society,
-  ...degradation by physical means,

and, in that society...

-  ...people are not subject to conditions that systematically undermine their capacity to meet their needs.

We see our Corporate Sustainable Purchasing Guideline as an important part of advancing our commitment to these sustainability principles and will be guided by them during the implementation of the Guideline. The Guideline provides a framework for decision-making on procurement that reflects our commitment to sustainability. It sets our minimum performance standards for suppliers and seeks to reward excellence in the marketplace.

By including sustainability considerations in our purchasing decisions, along with our traditional concerns with price, performance and availability, we will remain fiscally responsible while promoting practices that improve public health and safety, reduce pollution, conserve natural resources, and reward manufacturers and vendors that reduce the adverse and enhance the positive social and environmental impacts of their production and distribution systems.

2. Scope of Guideline

This policy applies to all purchasing of The Co-operators including equipment, materials and supplies, professional services, capital projects, etc. Further, it applies across all The Co-operators' operations, including its subsidiaries.

3. Definition of Sustainable Purchasing

Buying the most sustainably preferable alternative means The Co-operators will seek products and services that have a reduced effect on human health and the environment, support the co-operative and fair trade sector, and enhance social and environmental conditions when compared with competing products and services serving the same purpose. Further, The Co-operators will seek to source from firms who are responsibly managing their social and environmental performance.

This comparison will consider all phases of a product or service lifecycle, including raw materials acquisition, production, manufacturing, storage, packaging, distribution/transportation, operation, maintenance and disposal, including the potential for reuse and the ability to be recycled and the option of not making the purchase at all, but considering leasing or other options.

When determining whether a product or service is sustainably preferable, the following attributes should be considered:

Alignment with Sustainability Principle #1: Prevent accumulation of substances taken from the Earth's crust

- Highly energy efficient in production and use
- Reduced greenhouse gas emissions
- Locally manufactured
- Mercury-free
- Lead-free
- Recycled content – made of recycled materials, maximizing post consumer content

Alignment with Sustainability Principle #2: Prevent accumulation of substances produced by society

- Bio-based
- Biodegradable
- Chlorofluorocarbon (CFC)-free
- Compostable
- Durable, as opposed to single use or disposable items
- Persistent bio-accumulative toxics (PBT)-free
- Low-toxicity or non-toxic, preferably biodegradable
- Reduced packaging, with packaging made of recycled and/or recyclable materials

Alignment with Sustainability Principle #3: Prevent physical degradation of nature

- Made from rapidly renewable materials
- Water efficient
- Made from raw materials obtained in an environmentally sound manner
- Manufactured in an environmentally sound manner by companies with good environmental track records
- Causing minimal or no environmental impacts during normal use or maintenance
- Resource efficient
- Upgradeable

Alignment with Sustainability Principle #4: Remove barriers to meeting human needs

- Carcinogen-free, e.g.:
 - no hormone-disrupting chemicals
 - no endocrine disrupting chemicals
 - fragrance free office space
- Produced or provided by a co-operative
- Fairly traded
- Less hazardous
- Low volatile organic compound (VOC) content
- Supports disadvantaged groups through job creation and revenue generation for non-profit organizations
- Refurbished
- Made from raw materials obtained in a socially sound manner
- Manufactured in a socially sound manner by companies with good social track records
- Causing minimal or no social impacts during normal use or maintenance
- Recyclable, but if not recyclable, can be disposed of safely, or donated to a community group

When determining how the firm manages its social and environmental performance, The Co-operators will follow generally accepted standards for sustainability management and will evaluate initiatives for their potential to serve as flexible, economically-sound stepping stones in the direction of the four sustainability principles.

4. Sustainable Purchasing Objectives

The following are the objectives of the Sustainable Purchasing Program:

1. To align The Co-operators purchasing activities to our sustainability policy.
2. To leverage The Co-operators purchasing practices to advance sustainability within the marketplace.
3. To support the growth of a strong and resilient co-operative sector and the growth of minority owned businesses and the sustainable enterprise sector.
4. To support economic opportunities for socially and economically disadvantaged groups.
5. To use our purchasing power to influence suppliers to manage and reduce their environmental impacts, with a focus on managing their GHG emissions.
6. To be a model for sustainable purchasing within the co-operative sector.

5. Balancing Sustainability Considerations with Performance, Availability and Financial Cost

The Co-operators is committed to buying more sustainable goods and services as long as they meet our performance needs and are available within a reasonable period of time at a reasonable cost. Nothing in this Guideline shall be construed as requiring a purchaser or contractor to procure products that do not perform adequately for their intended use, exclude adequate competition, or are not available at a reasonable price or in a reasonable period of time.

When comparing cost, The Co-operators will not focus exclusively on the initial price. Instead, we will calculate and compare total costs over the life of the item, which includes the initial cost along with maintenance, operating, insurance, disposal, replacement and potential liability costs. Examining life cycle costs will save money by ensuring we are quantifying the total cost of ownership before making purchasing decisions.

The Co-operators recognizes that competition exists not only in prices, but also in technical competence of suppliers, in their ability to make timely deliveries, and in the quality and performance, include sustainability performance, of their products and services. Balancing these sometimes competing factors means that initial cost is never the only consideration. It also means we will sometimes pay more for higher performing goods and services, including those with superior sustainability performance or which were manufactured and provided consistent with sustainability principles.

6. Guiding Principles

The Co-operators will:

1. Ensure that its Corporate Sustainable Purchasing Program is regularly reviewed and updated in support of continuous improvement.
2. Share information with current and future suppliers so they are aware of The Co-operators expectations in terms of price, quality, availability, functionality, life-cycle environmental, social, co-operative and ethical aspects.
3. Work with suppliers who do not fully comply with the policy to assist them to improve their sustainability practices.
4. Where opportunities exist (or are emerging) work collaboratively with other organizations on monitoring and verification processes (e.g. member-owners and other co-operatives).
5. Adhere to all applicable legal requirements and trade agreements.
6. Ensure product price comparisons include life cycle cost considerations whenever applicable.

7. Key Success Factors

The Co-operators also recognizes that to be successful and achieve its vision of being a catalyst for a sustainable society, The Co-operators Corporate Sustainable Purchasing Guideline is predicated on:

1. **Fiscal Responsibility:** Ensuring that the dictates of The Co-operators Corporate Sustainable Purchasing Guideline are aligned with approved resource allocations.
2. **Collaboration and Education:** Working with suppliers and other key stakeholders (e.g. member-owners and other co-operatives) to continuously improve purchasing activities.
3. **Fairness and Transparency:** The decision making process must be open, transparent and respect the rights of stakeholders.

8. Minimum Sustainability Performance Standards

1. The Co-operators will have minimal sustainability performance standards for suppliers as set out in the Code of Conduct.
2. The Co-operators will terminate business relationships if performance remains below our minimal sustainability performance standards and if suppliers are unable or unwilling to work towards our performance expectations.

9. Implementation, Compliance and Monitoring

1. The Co-operators will incorporate criteria in the overall evaluation process of suppliers related to sustainability in the award of contracts, and will not knowingly award contracts to any supplier who is not in substantial compliance with the performance standards contained in The Co-operators Corporate Sustainable Purchasing Guideline and as set out in the Code of Conduct.
2. The Co-operators Corporate Sustainable Purchasing Guideline will be one of the criteria in the overall evaluation process.
3. The Co-operators expects all its suppliers to respect The Co-operators Corporate Sustainable Purchasing Guideline and to do their utmost to achieve The Co-operators standards. The Co-operators believes in cooperation and is willing to work with its suppliers to improve performance where necessary.
4. The Co-operators expects that new or potential suppliers commit to respect The Co-operators Corporate Sustainable Purchasing Guideline within a reasonable period of time. In choosing new or potential suppliers, The Co-operators may give preference to suppliers who are already in compliance with The Guideline over those who are not.
5. The Co-operators will require that suppliers reflect their commitment to The Co-operators Corporate Sustainable Purchasing Guideline through specific language in supplier contracts, including agreement to independent facility inspections if so desired by The Co-operators.
6. The Co-operators may require that suppliers provide details on factory and production facility locations of suppliers and subcontractors and may make this information publicly available (e.g. annual reports, web site postings, etc).

7. Compliance with The Co-operators Corporate Sustainable Purchasing Guideline will become part of The Co-operators supplier evaluation process (along with other factors including price, service and performance).
8. The Co-operators will ensure that wherever possible specifications are amended to provide for the expanded use of sustainable products and services. The Co-operators will review current contracts and tender specifications for goods and services to ensure that wherever possible and economically feasible, specifications are amended to provide for consideration of sustainability characteristics.

10. Communication, Reporting and Program Review

1. The Co-operators will determine Key Performance Indicators to regularly review progress against its Sustainable Purchasing Objectives.
2. The Co-operators will conduct an annual review of its sustainable purchasing program, including a consultation with suppliers, community stakeholders, member-owners and other co-operatives, end users and buying partners to determine their views on the program's success. The Sustainability and Corporate Citizenship Department will be responsible for the annual review of the program, including assessing new items that may warrant inclusion under the umbrella of this Guideline. Findings will be communicated to the Sustainability Steering Committee, The Co-operators Management Group and the Board of Directors Sustainability Committee. The Sustainability and Corporate Citizenship Department will work in collaboration with Facilities Management to identify and recommend revisions to the Corporate Sustainability Purchasing Guideline. The Corporate Sustainable Purchasing Committee will make recommendations to improve the program where warranted.
3. The Co-operators will report annually on implementation of this Guideline, via its website and annual Sustainability Report.
4. Within five years from the adoption of this Guideline, The Co-operators will undertake a comprehensive review of the Guideline, goals and action plans.
5. The Co-operators commits to educating managers, purchasing departments, product specifiers, end-users, vendors and the co-operative sector on its approach and progress. It is the goal of this Guideline to ensure that staff understand the importance of their leadership roles and sustainability responsibilities and are aware of opportunities to use sustainable practices in daily decisions. This includes:
 - preparing educational and outreach materials to promote understanding of The Co-operators sustainable purchasing principles for all of the organization's departments, contractors, vendors and staff
 - training the purchasing and contracting staff and all senior managers to familiarize them with their responsibilities under this Guideline
 - training all of The Co-operators staff to ensure everyone is aware of our desire to buy more sustainable goods and services from businesses sharing our sustainability commitment, especially those individuals with permission to use The Co-operators credit cards
 - recommending ways to integrate adherence to the requirement of the Guideline into relevant employee performance reviews.

11. Incremental Implementation and Continuous Improvement

The Co-operators will implement this Guideline incrementally over time as it works towards full implementation. The Co-operators is committed to a process of continuous improvement and ongoing upgrading of this Guideline.

12. Governance and Accountability

The Manager, Sustainability and Corporate Citizenship will be responsible for overseeing the implementation and reviews of the Guideline and supporting the Corporate Sustainable Purchasing Committee in its deliberations. This individual is also responsible for liaising with Claims to foster alignment.

The Corporate Sustainable Purchasing Committee is responsible for the development and implementation of the Corporate Sustainable Purchasing Guideline, including policy development, implementation plans, consultation, communication and training plans, target setting and annual reviews. The Committee recommends policies and targets to the Sustainability Steering Committee for approval by The Co-operators Management Group, and the Board of Directors, as required.

Department staff, including buyers and staff with discretionary spending authority, will be expected to adhere to and abide by this Guideline.