

## SUPPLY CHAIN POLICY

### **PURPOSE**

This Policy sets out the Canadian Nuclear Laboratories Ltd. (CNL) strategic objectives and standards for Supply Chain Management.

The Policy is in two parts:

- The first part provides the overall **Policy Statement** for CNL, setting out the primary objectives and guiding principles for CNL's Supply Chain Management activity; and
- The second part, **Policy Standards**, provides further information for both suppliers and internal customers on the methods and behaviours used in managing Supply Chain activities.

#### Responsibility

The establishment, maintenance and endorsement of the Policy and Policy Standards is the responsibility of the Vice President, Finance and the CFO, who shall ensure the CNL Board of Directors authorizes this policy prior to its implementation.

The implementation of the Policy and Policy Standards is the responsibility of all executives, managers, supervisors and employees of CNL who are involved in activities associated with Supply Chain Management.

### **POLICY**

This policy sets out the strategic objectives and standards across Supply Chain Management activities to support CNL's vision to become:

***“A world-class, right-sized and sustainable national nuclear laboratory delivering science and technology.”***

Effective procurement activity and a capable supply chain are critical for CNL's mission to:

- Manage radioactive waste and decommissioning responsibilities.
- Perform science and technology (S&T) activities to meet federal responsibilities.
- To support the Canadian nuclear industry through access to its S&T facilities and expertise on a commercial basis.

To achieve this CNL will:

- Ensure fair, accessible, open and competitive procurement is undertaken to the highest professional standards, ethics and conduct through its processes, people and behaviours.
- Establish and maintain a Supply Chain Strategy that provides agility, flexibility and best value to CNL and AECL by leveraging good industry practice.

- Apply a graded approach to its Supply Chain activities based on value, complexity, and risk.
- Undertake all Supply Chain Management activity in accordance with applicable laws and CNL's obligations under its agreements with AECL, and ensure all relevant CNL requirements (e.g., Safety and Health) are appropriately reflected and adhered to within the supply chain.
- Maintain skills and a right-sized, sustainable workforce by optimizing decisions to make (self-perform) or buy (utilize external sources).
- Develop, maintain, integrate and optimize a capable, qualified and healthy supply chain for CNL and the Canadian nuclear industry, with the requisite knowledge, skills, expertise, experience and security clearance.
- Ensure Supply Chain Management decisions balance relevant factors including optimal use of labour, financial and other resources, as well as analysis of longer term costs and benefits.
- Where capability exists, seek diversity of supply, including the use of small and medium-sized enterprises, local and aboriginal businesses.
- Identify, access, assign, mitigate and manage risks that may threaten delivery, supply chain or wider organizational activities.
- Work collaboratively with suppliers to advocate continuous improvement and commercial innovation by facilitating appropriate technological, commercial and organizational developments to deliver best value.
- Provide visibility and transparency of appropriate opportunities through CNL's Supply Chain Strategy and Procurement Plan to encourage improved planning, collaboration and market access.
- Ensure sound supply chain financial control within robust corporate governance.

Approved by: M. Lesinski, President and Chief Executive Officer

Authorized by: CNL Board of Directors as of 2016 November 10

## **POLICY STANDARDS**

CNL's Policy Standards set out further information of the methods and behaviours that will inform the Supply Chain Management activities.

### **1.1 Policy Documentation**

1. Supply Chain Management policies, systems and procedures ('processes') will be defined, documented, implemented (through appropriate communication, training and oversight) and maintained.
2. The Supply Chain organizational structure will support the implementation of processes that enable a capable integrated Supply Chain and the delivery of CNL's commitments and contractual obligations with AECL.
3. The processes shall be appropriate to the nature of supply chain activities and proportional to the value, complexity and risk.
4. CNL will seek continuous improvement to the processes through a structured approach of ongoing lessons learned, formal assessments and audit, informed by internal and external industry good practice.
5. In support of CNL's processes, a Supply Chain Management Handbook will provide clear guidance on applying strategic and tactical thinking to the design, development and implementation of effective and efficient procurements.

### **1.2 Supply Chain Financial Authority and Change Management**

1. The governance model for financial authorities shall apply to all transactions and/or changes that may occur over the life of the procurement activity.
2. Delegated financial authority for all Supply Chain activities shall cascade from CNL's corporate governance and be reflected in CNL's Supply Chain Management processes to appropriately empower staff.
3. Procurement authority will be integrated with CNL's arrangements for gating and sanctioning work and project activities.
4. The Supply Chain function has been delegated the authority for making purchase commitments for and on behalf of CNL in the supply chain, and, all those involved in Supply Chain Management shall be made aware of their delegated financial authority.
5. Work cannot commence between CNL and a supplier without a CNL Contract or Purchase Order (PO) purchase contract in place or prior written agreement from CNL.

### **1.3 Engaging the Supply Chain Function**

1. Anyone with procurement and/or supply chain needs shall engage the Supply Chain function as soon as potential requirements are anticipated, including anticipated renewals, extensions or variations with existing agreements. Similarly, the Supply Chain



function will proactively engage projects and the wider organization on an ongoing basis to determine business needs.

2. Engagement with the Supply Chain function shall take place before any engagement with the market or suppliers.

#### **1.4 Legal Engagement and Support**

1. CNL Legal provides holistic and independent support to Supply Chain Management activities.
2. Supply Chain Management processes shall set out when CNL Legal shall be engaged.
3. When required, Supply Chain staff shall proactively engage with Legal as soon as the potential procurement need is anticipated to ascertain the appropriate level of Legal support.

#### **1.5 Separation of Duties**

1. The Supply Chain function within CNL has overall responsibility for managing the procurement process with relevant input from project, technical, quality, commercial and financial teams.
2. There shall be separation of procurement duties such that different qualified and experienced persons shall be utilized to:
  - a. Authorize the requirement.
  - b. Make the commitment.
  - c. Make the payment.

Variation from this rule may be permitted in certain documented circumstances contained within Supply Chain Management.

#### **1.6 Make or Buy Planning**

1. Supply Chain Management is subject to consideration and (where applicable) implementation of CNL's Make or Buy process including the ongoing analysis of core competencies in line with maintaining the skills and workforce requirements for CNL.
2. The process ensures appropriate stakeholder engagement with all parties involved in or associated with Make or Buy decisions.
3. Make or Buy decisions shall be fully documented and approved by CNL Executive as defined in CNL's *Make or Buy* procedure.

#### **1.7 Managing Supply Chain Risk**

1. Supply Chain risk management is integrated within CNL's overall arrangements and shall ensure a structured process exists to:
  - a. Identify risks



- b. Assess risks
  - c. Plan/assign the management of risks
  - d. Implement risk management plans and track.
2. CNL seeks to ensure that risks are owned by those (including Supply Chain) who are most capable of managing/mitigating such risks.
  3. A fundamental part of CNL's approach to managing risk is developing appropriate procurement strategies as early as possible in the procurement lifecycle. CNL may also engage its supply chain and key stakeholders in the development of such strategies.
  4. Procurement strategies may operate as standalone documents or may be an integral part of project proposals for gating and sanctioning.

### **1.8 Economic Best Value through the Supply Chain**

1. All Supply Chain Management decisions shall demonstrably provide sustainable best value to CNL and ultimately AECL, recognizing that best value is not measured by price alone, and shall take into account the costs and benefits of goods, services or works on a lifetime basis, including quality, delivery, maintenance, spares, commercial obligations and risk.
2. Competition is a fundamental tool in the demonstration of best value and innovation from the supply chain.
3. Arrangements shall be in place to monitor and review procurement savings.
4. CNL generally seeks to optimize the use of contractual agreements that provide economies of scope or scale, and enable CNL to only procure once for the same type of materials, services or works.
5. To optimize mutually beneficial outcomes with the supply chain, CNL shall utilize incentive and performance measures where appropriate, along with suitable arrangements to monitor overall supplier performance.

### **1.9 Sole Source and Single Source Procurement**

1. CNL's Supply Chain Management processes set out the requirements for sole source and single source decisions, recognizing its agreements with AECL in respect of any required consents.
2. Sole source and single source decisions shall be justified and recorded as part of the process.

### **1.10 Health, Safety, Security, Environment and Quality (HSSE&Q)**

1. All Supply Chain Management activities are carried out in accordance with CNL's primary goal of a *Target Zero Safety Culture*, and all HSSE&Q activities fall under CNL's Policy for Safety and Health, reference: 900-510400-POL-001.



2. CNL's suppliers are required to follow CNL's HSSE&Q requirements and ensure these cascade within their own supply chain.

### **1.11 Supplier Qualification**

1. CNL qualifies its suppliers to evaluate their capabilities, financial standing and HSSE&Q arrangements for undertaking particular activities as a supplier to CNL. Qualification is usually undertaken as part of a procurement process and includes assessment of technical capabilities, quality assurance programs, previous experience, staff qualifications, manufacturing capacity/capability, financial strength, environmental track record, and health and safety programs.
2. From a HSSE&Q perspective, CNL's requires that all suppliers wishing to do business with CNL are pre-qualified based on demonstration of their ability to manage the health and safety, environmental and quality aspects of contracted work and adhere to their respective provincial occupational health and safety act requirements.
3. Suppliers are assessed on their ability to manage the identified risks and hazards associated with the work. Suppliers are categorized into three risk-based categories that require commensurate levels of scrutiny, control and oversight, which will be advised by CNL as part of the procurement life cycle. HSSE&Q qualification may involve validation by either CNL or external accreditation to meet the required standards.
4. CNL aims to minimize repeat submissions of standard qualification information (e.g., financial, quality and safety).
  - a. Suppliers will be required to inform CNL of any changes; and
  - b. Suppliers will be subject to periodic reviews concerning such information.

### **1.12 Supply Chain Relationships and Supplier Management**

1. CNL aims to develop robust collaborative relationships with its supply chain.
2. A supply chain relationship manager(s) provides a conduit for:
  - a. Suppliers to engage with CNL about its plans, doing business with CNL or, where necessary, to communicate any issues or grievances.
  - b. Suppliers to seek support from CNL to facilitate introductions between companies who may wish to collaborate.
  - c. Assisting internal customers to engage externally with the market.
3. To best position Supply Chain Management's activities and relationships to support current and future business needs, CNL routinely reviews its supply base to identify, position and profile its suppliers against the potential risk/value to delivering its mission.
4. CNL uses approved supplier lists, which are usually formulated as part of the supplier qualification process and holds supplier profiles and key information to provide insight into potential risks, performance and health of those suppliers working with CNL.



5. Processes and/or systems are used to monitor and review supplier performance, which may affect a supplier's qualification status with CNL.
6. For strategic and certain key suppliers, Relationship Management Plans (RMP) may be established with those suppliers to establish robust account management and alignment of vision, objectives, targets and expectations.
7. CNL encourages suppliers to innovate and constructively challenge methods of working and seeks ongoing feedback from its suppliers. An annual supply chain questionnaire is undertaken to ascertain its performance and how it can improve.

### **1.13 Visibility, Communication and Transparency of Opportunities**

1. Proactive communication within CNL and the supply chain is of key importance to successful Supply Chain Management. The following represents the overarching approach:
  - a. CNL publishes and maintains a '**Supply Chain Strategy**', which shall explain how it intends to undertake its approach to Supply Chain Management.
  - b. CNL publishes and maintains a '**Procurement Plan**' of its upcoming opportunities including the types of projects and general categories of procurements. The plan will aim to identify and encourage:
    - i. Opportunities for supplier diversity.
    - ii. Strategic and key suppliers to CNL to also communicate their high level requirements.
  - c. CNL publishes a list of contracts awarded.
2. The methods of communication are via CNL's website for general information and utilize electronic bid solicitation tools wherever possible, such as MERX.
3. Solicitation packages include a clear basis for evaluation and selection of preferred/winning proponents.
4. A multi-tier approach to briefing the market is utilized, including:
  - a. **An annual industry day**: to communicate the overall strategy and approach including any changes that may occur.
  - b. **Meet the buyer forums**: ad hoc briefings, provided to stimulate market interest or obtain feedback on an approach.
  - c. **Program and Project briefings**: specific briefings generally with larger or more complex projects or procurements to help explain the particular requirements, challenges and approach.
  - d. **Ad Hoc Web-Ex or telephone briefings**: may be used to keep suppliers up to date with changes in the overall approach or simply during the course of a procurement to clear up any matters that arise.

5. Where appropriate CNL may utilize 'lotting' strategies within larger procurements to appropriately divide the scope of work under the same procurement and encourage access to a wider supply chain where multiple suppliers could be capable and provide best value for these discrete elements of the scope.

#### **1.14 Transacting and Payment (Purchase to Pay (P2P))**

1. CNL operates a P2P process that covers all activities from requesting (requisitioning), purchasing, receiving, paying for and accounting for goods and services.
2. Purchases will only be processed in accordance with delegated financial authorities.
3. CNL utilizes standard PO Terms and Conditions including standard terms for payment to suppliers.
4. CNL monitors its own performance with regard to payment to terms and will establish targets for resolution of parked or blocked invoices, working with the supply chain to resolve any delays in payment.
5. The Supply Chain Management process ensures segregation of duties and tailored Enterprise Resource Planning (ERP) system (Oracle) access to prevent conflicts with regards to system functionality and approvals.

#### **1.15 Supply Chain Diversity**

1. CNL fully supports the Government of Canada's desire to further the development of small and medium-sized enterprises (as such term is defined by Industry Canada), and local and aboriginal businesses, where capabilities exist.
2. CNL's approach will always be to demonstrate fairness and transparency to ensure a non-discriminatory approach through the fundamental procurement principle of competition.
3. Supply Chain data will be collated to monitor and report on supply chain diversity.

#### **1.16 Flow-down Requirements**

1. CNL may, through its contract terms and conditions flow certain key requirements into the supply chain (flow down) including those requirements as may be required under its agreements with AECL.

#### **1.17 Regulatory and Compliance**

1. CNL Supply Chain Management processes are designed to ensure that CNL and its supply chain complies with all applicable laws.
2. CNL maintain a Supplier Code of Conduct that suppliers must follow to support CNL carrying out business in a fair, transparent, lawful and ethical manner, aligned to CNL's values.



### **1.18 Supply Chain Functional Structure**

1. CNL will engage the supply chain and internal customers through competent supply chain professionals with the highest professional ethics, standards and conduct.
2. The functional structure, strategy and processes are delivery and outcome focused, and provide a service-oriented approach to internal customers and stakeholders.
3. CNL will have procedural arrangements that establish clear responsibilities for those involved in Supply Chain Management activities