

GERMAIN HÔTELS

RESPONSIBLE SOURCING POLICY

2024 Update

INTRODUCTION

As a company that operates properties across Canada, it is essential for Germain Hotels to standardize its practices and ensure responsible sourcing choices. The purpose of this document is to outline the different stages of the purchasing process in our organization, facilitate operations and decision-making for our teams, and encourage eco-design and innovation among our suppliers.

The responsible sourcing policy is based on the following guiding principles:

- Prioritizing quality in purchasing decisions,
- Prioritizing local sourcing (regional, provincial, national),
- Prioritizing eco-friendly products over their entire life cycle and the suppliers who share our vision of sustainable hospitality,
- Fostering the development of long-term relationships with suppliers,
- Maintaining flexibility in local purchasing,
- Ensuring that goods purchased are from suppliers that respect their employees' workplace rights.

Management

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1. OBJECTIVES

The purpose of this policy is to describe the specific procedures to be followed in the purchasing process for all Germain Hotels properties:

- Identification and operation of purchasing categories and the roles of the people involved
- Supplier selection
- Administrative procedures: purchase order process, advance payments (deposits), obtaining quotes.
- Operational procedures: receipt of the goods, delivery note processing, invoice processing and approval, and payment.

2. SCOPE OF APPLICATION

This policy covers all types of purchases:

- Supplies attributable to room costs (e.g. laundry, bedding, etc.)
- F&B food and drinks
- Sales & marketing expenses
- Administrative expenses
- IT and communications purchases
- Maintenance expenses (servicing and repairs)
- Other fixed expenses (property taxes, insurance, rent)
- Professional fees
- Furniture and equipment purchases
- Development and construction expenses

3. ROLES AND RESPONSIBILITIES OF THOSE INVOLVED

The people involved in various purchasing processes are:

- Purchasing managers [currently Stephanie Mazéas – rooms (furniture and other equipment) and Jacky Bruchez – (catering and banquets)]
- Category owner (person responsible for a category of goods/services for the entire group)
- Hotel managers
- Germain Hotels team members
- The marketing team

a. Purchasing managers

Responsibilities include, but are not limited to:

- Overseeing the administrative and contractual management of suppliers
- Coordinating needs between the Group's properties
- Searching for new suppliers and assessing their offer
- Negotiating and implementing national supply agreements and contracts
- Implementing centralized ordering systems and participating in inventory evaluations
- Scheduling annual supplier meetings (to review price lists, among other things)
- Supporting category owners in their sourcing-related tasks
- Acting as the central point for all sourcing-related communications

They may also support any staff involved in sourcing with their administrative tasks. They also ensure compliance with Germain Hotels' sourcing guidelines, policies, and procedures.

b. Category owners

Responsibilities include, but are not limited to:

- Selecting products and services for the Group within the category they are responsible for.
- Setting quality standards for products to be used in the category.
- Participating with relevant purchasing managers in supplier selection, the development of required quantities (inventories), and the management and evaluation of supplier performance for the category.

The category owner is the reference for the category they are responsible for. They are responsible for making product and supplier choices in collaboration with the purchasing managers and/or Germain Hotels management.

A "LIST OF CATEGORY OWNERS" DOCUMENT IS AVAILABLE IN THE APPENDIX.

c. Hotel managers

- Identification of needs to be met
- Reading this policy and the purchasing catalogue
- Selection of products or services previously identified by the relevant category owner
- Preparation of a purchase order with an authorized supplier as outlined in this Responsible Sourcing Policy
- Receipt of goods and services and processing of delivery notes
- Approval of future cost estimates and delivery notes
- Transmission of all documents (purchase order, delivery note, invoice) to accounts payable in accordance with this policy
- Orders for items without logos
- **Prioritizing suppliers in their city or province**
- Keeping relevant purchase managers informed

In summary, the employees involved remain responsible for placing orders with suppliers while ensuring compliance with the Group's guidelines and the approval limits in place.

d. Germain Hotels team members who wish to make purchases

- Reading this policy and the purchasing catalogue
- Choosing from a list of suppliers or suggesting suppliers to the purchasing manager
- Placing orders for items without logos
- **Prioritizing suppliers in their city or province**

e. Marketing team

- Oversee logo positioning
- Gives all information to the purchasing person to add to the guides

4. THE MAIN PURCHASING CATEGORIES

a) Banner goods and services

** Managed by purchasing managers and the marketing team*

- Goods and services that have a strong impact on the customer experience and for which it is essential to establish a uniform image for our brands and banners. (e.g.: soaps and bathroom products, bedding, uniforms, etc.)
- In terms of food service, this includes items like tableware, kitchen equipment, distribution contracts, and other national contracts.

b) Local goods and services

** Managed by the manager of each property.*

- Goods and services to be purchased from local suppliers or for which a local flavour is desired.
- In terms of food service, this includes products on the menu, in the minibar, in Altcetera, etc.

5. BEFORE MAKING A PURCHASE

The first step is to assess **need and use**:

Step 1: Questions for the department	Step 2: Contact the person responsible for purchasing
<ul style="list-style-type: none"> ○ Is it a necessary purchase? ○ Can we think of a different item to purchase? E.g.: choose a reusable option? ○ Is the estimated quantity accurate to avoid waste? 	<ul style="list-style-type: none"> ○ Does the Group already have a supplier? ○ Is it possible to make joint purchases?

6. SUPPLIER SELECTION

a) Selecting a known supplier

Purchases should generally be made from suppliers approved by the relevant category owner. If it is impossible to use the products or a specific supplier, the purchaser must notify the relevant category owner.

A “LIST OF SUPPLIERS” DOCUMENT IS AVAILABLE IN THE APPENDIX.

b) Selecting a new supplier*

*For new suppliers: confirm with the purchasing manager.

Each category owner is responsible for selecting a new supplier with care and diligence. Before placing an order with a new supplier, the category owner must ensure the following:

Local aspect	Responsible aspect	Ethical aspect
Prioritize companies from the same city and province, and possibly the same country.	Supplier’s commitment to sustainable and innovative environmental, social, and economic management practices.	Supplier’s ability to supply products that meet specified requirements
Consider the distance between the place of production and the place of sale	Socio-economic impact: number of employees and local investment (e.g., do they pay taxes in Canada?)	Ability to deliver on time and distribute across Canada
Bilingualism	Does the supplier have a certification (B Corp, Carbon Neutral, etc.)?	Supplier’s reputation and financial strength

7. PRODUCT SELECTION

Objective: goods and services purchased should have as little impact as possible on the environment and human health. We also need to consider the product’s entire life cycle.

Origin	Lifecycle	End of life
Consider the product design (is it local?), the origin of the raw materials, the location of their processing, and where the product is packaged.	The product: <ul style="list-style-type: none"> ▪ Must be sustainable and require as little water and energy as possible. ▪ Is not overpackaged 	A reusable product should be a priority.
Are the components of the product made from recycled materials? From natural materials?	Is the product certified (Fair Trade, organic)?	Is the product reusable or recyclable? Make sure the property can dispose of the product properly.

The objective is to work together to improve our environmental, social, and economic performance, in line with Germain Hotels’ values and objectives for corporate sustainability.

A “CHECKLIST” FILE IS AVAILABLE IN THE APPENDIX.

8. OBTAINING QUOTES

For **local goods and services**, it is mandatory to obtain a minimum of **two quotes** for the purchase of the following goods or services:

- Recurring purchases or service agreements for which the annual volume can be estimated at over **\$25,000**. For example, fees for a service agreement for snow removal, building maintenance or exterior grounds.
- One-time purchases over **\$10,000**. For example, rental of furniture and audio-visual equipment for meeting rooms.

It is possible to request a quote from a single supplier in the following cases:

- There is only one supplier capable of fulfilling the mandate according to the technical requirements.
- The supplier owns or distributes a unique technology or expertise that we need to acquire.
- The turnaround time is very short, and the schedule is too tight.
- The supplier has a firm agreement with Germain Hotels; its prices and conditions have been negotiated in advance by purchasing managers and/or category owners.

When requesting a quote, it is necessary to establish a fair basis of comparison between suppliers by ensuring that you obtain the full cost for each quote (quantity, unit cost, transport, customs, etc.). In addition to the full cost, the selection criteria mentioned in section 6B must always be considered when analyzing quotes.

9. PURCHASE ORDER PROCESS

When a purchase order for goods and services is required, it must be created in Sensaas. <https://portail.sensaas.ca/GciGermain/DefaultRouting.aspx?Site=PO>. Refer to the Sensaas User Guide on the Intranet in the Procurement section.

a) Regular purchases of \$5000 or more

For any purchase of goods or services valued at **\$5,000** or more, a purchase order or other documents must be provided to the accounting department:

- A **Sensaas purchase order** must be completed if you have a quote and/or if the supplier requires it.

*Please note that in some cases, suppliers may require a purchase order for values **less than \$5,000**. In those cases, we ask that you respect the supplier's requirements and complete the purchase order.

- A **service agreement** or **work order** can also replace a purchase order.

The people authorized to place and/or approve an order can be found in the list of approval levels, available on the Intranet in the Procurement section. Note that it is possible to place an annual order when the value of the products or services to be received is determined at the time of signing an annual agreement confirmed in advance by purchasing managers and/or category owners.

b) Construction project purchases with an ACCEO purchase order

A purchase order using ACCEO software must be completed for all purchases related to a construction project regardless of the amount of the purchase.

c) Routine purchases without a purchase order

For purchases **less than \$5,000** without a Sensaas purchase order, unless requested by the supplier, the purchasing manager must still obtain a quote from the supplier in advance, including the cost of the products to be ordered or services to be received. A copy of this quote must be kept on file. The quote can take the form of a computer file (email, PDF, Excel), an order via the supplier's website, or a work order.

The quote or work order should be attached to the invoice when it is approved in Sensaas.

d) Delivery and billing address

When making a purchase, you must ensure that the delivery address is the address for which the order is placed. For example, if an order is placed for Alt Hotel Montreal, the address should be as follows:

Alt Hotel Montreal

ATT: (purchasing manager)

120, rue Peel Montreal, QC, H3C 0L8

Invoices should preferably be sent by email to: payables@germainhotels.com. If the invoice is mailed to your property, the billing address should be that of the Quebec service centre:

500-1200 Des Sœurs-du-Bon-Pasteur Quebec, QC G1S 0B1

**** This method speeds up the processing of invoices received directly at the head office.***

10. ADVANCE PAYMENTS (DEPOSITS)

- Some suppliers require an advance payment (deposit) representing a percentage of the total order price before delivery. Advance payments (deposits) paid to suppliers should never exceed more than 30% of the total order price. Deposits should not be paid to new suppliers until they have been verified by purchasing managers and/or category owners.
- All advance payments (deposits) must be approved by an authorized person, according to the approval levels established for regular purchases.

11. RECEIPT OF GOODS

a) Purchases with or without purchase orders

- On receipt of the goods, the purchasing manager must check that the order is correct and that the quantities received correspond to those shown on the purchase order.
- If the order is correct, the purchasing manager signs the delivery note and staples the original to the corresponding purchase order. It is recommended that a photocopy of the delivery note be attached to the invoice in Sensaas. *Refer to the Sensaas User Guide available on the Intranet in the Procurement section.*
- If the order received is inadequate (e.g. discrepancies between the items and/or quantities on the purchase order and the goods received), the manager must follow up with the supplier regularly. The delivery note and purchase order are then kept with incomplete orders.
- Delivery notes and purchase orders should not be filed until the order is complete and correct.
- If the invoice is received immediately, it can replace a delivery note and must be attached to the quote and sent by email to: payables@germainhotels.com

12. INVOICE RECEIPT AND APPROVAL

a) For a purchase made with a purchase order

- All invoices must be sent separately by email in PDF format to: payables@germainhotels.com
- On receipt of the invoice, the accounts payable department validates that the quantities and items invoiced correspond to the purchase order.
- The approved purchase order number must be indicated on the invoice. It will then be automatically attached to the invoice in Sensaas.
- If the invoice is received at the hotel, the purchasing manager must send a copy of it by email to: payables@germainhotels.com

When receiving your orders, it is important to close your purchase order in Sensaas. *Please refer to the Sensaas User Guide available on the Intranet in the Procurement section.*

b) For a purchase made without a purchase order

- On receipt of the invoice, the accounts payable department validates that the quantities and items invoiced correspond to the quote and the previously approved delivery note.
- If the invoice is received at the hotel, the purchasing manager (department manager or hotel manager) validates that the quantities and items invoiced correspond to the quote and the delivery note:
 - o If there are no errors, the invoice is sent by email to: payables@germainhotels.com.
 - o If there are discrepancies or if the prices invoiced are incorrect, the purchasing manager must contact the supplier to follow up.

13. PAYMENT

Invoices are generally paid on the last day of the month following the date of receipt of the invoice, except for food and beverage purchases, where payment is made on the 15th of the month following the date of receipt. For prompt payment, the supplier must offer a discount. Payment must then be made within the specified period. In most cases, invoices are paid by electronic transfer (by cheque in very rare cases). In case of exceptions to the current payment policy, please contact your financial controller.

14. RESPECT FOR HUMAN RIGHTS

It is essential to respect the principles established by the International Labour Organization (ILO) and the Universal Declaration of Human Rights (UDHR). More specifically, it is fundamental to ensure respect for labour rights as described in:

- the ILO Declaration on Fundamental Principles and Rights at Work (1998)
- the Universal Declaration of Human Rights (1948).

According to the ILO Declaration “all Members (countries), even if they have not ratified the Conventions in question, have an obligation, arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:

- Freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced or compulsory labour;
- The effective abolition of child labour;
- The elimination of discrimination in respect of employment and occupation.”

Source : <https://www.ilo.org/>

The Universal Declaration of Human Rights of 1948 has inspired numerous international human rights treaties. It set out for the first time the basic principles of universality, interdependence and indivisibility, equality, and non-discrimination.

Germain Hotels is committed to respecting and upholding these principles.

15. ETHICS, TRANSPARENCY, AND INTEGRITY

All employees shall perform their duties honestly and in accordance with the company's values. Every person involved in the purchasing process must act in good faith and remain impartial at all times, avoiding any conflict of interest, or appearance of a conflict of interest.

A conflict of interest can include, but is not limited to, the following:

- Holding a personal, financial, or business interest in a major supplier,
- Having a close relationship (family member, spouse, close friend) with a manager or a person in a key position at a major supplier,
- When a supplier offers preferential treatment or any form of personal benefit to an employee in exchange for submission of a quote or to be awarded an order.

When an employee involved in a purchasing process believes they are in a conflict of interest or the appearance of a conflict of interest, they must inform their immediate supervisor, in the interest of transparency.

If an employee is uncertain about a favour offered by a supplier, they should consult their supervisor before accepting it.

All employees have a duty to report any conflict of interest, including the acceptance of bribes, or any dishonest or unethical behaviour of which they may become aware.