



Sustainable Procurement Policy

Approved December 2023

Sustainable procurement principles

Kohtala Holdings' vision is Sustainable Stewardship – for Communities, Enterprise and Nature. We have five critical success factors that, if delivered, will achieve that vision: governance, reputation, people, sustainability and viability. The company's suppliers are instrumental in supporting us in achieving that vision, so we have set the following five principles we will follow in our purchasing decisions and ongoing supplier relationships:

1. Governance: observance of laws and ethics is the minimum standard we expect, and we prefer to work with suppliers who can demonstrate they go beyond those minimum standards
2. Reputation: we aim to work with suppliers who share our vision and have their own strong organisational values
3. People: we provide decent work to our staff and value inclusivity in our teams and local communities, and we want our suppliers to do the same
4. Sustainability: the climate and nature crises require us all to transform how we work to create a safer future, we want to work with suppliers who share our urgency
5. Viability: in assessing proposals will always look to achieve best value for money from suppliers, considering quality, social and environmental impact as well as cost

We want all our suppliers to be able to work towards adherence to a minimum level of compliance with each of these five principles. We also have higher aspirations, especially for our larger suppliers, and we will work with suppliers to achieve these. Where we have a choice of suppliers and all other things are equal, we will naturally favour those who can demonstrate they meet those higher aspirations.

Where a supplier is not able to demonstrate current compliance with this policy, we will engage with them to establish a plan for compliance within a mutually agreed reasonable period (the purchasing manager's line manager will need to sign off on these plans for future compliance before contracts are agreed).

<i>Contract value*</i>	<i>Minimum level</i>	<i>Higher level</i>
Contract value less than \$25k, or total expenditure value of less than \$25k within any one 12- month period	Desirable, not required	Desirable, not required
Contract value \$25k or higher, but less than \$100k	Required by start of contract, or within mutually agreed reasonable period	Desirable, not required
Contract value \$100k or higher	Required by start of contract, or within mutually agreed reasonable period	Performance will be assessed as part of procurement process, with a weighting of 20% of total score

*Value is linked to tendering policy requirements for two or three tenders

Our goal is for 80% of expenditure with suppliers (by value) to be compliant with this policy by March 2025, and 100% by March 2028.

The following sections set out our expectations from our suppliers across these five principles.

1. Governance

Minimum level

Area	Indicator of compliance
Apply all appropriate laws in all countries operated in	Zero successful prosecutions for breaches of laws in the past 2 years
Anti-money laundering	Can demonstrate how it meets appropriate regulatory requirements (e.g. by having a policy in place)
Anti-bribery and corruption	Can demonstrate how it meets appropriate regulatory requirements (e.g. by having a policy in place)
Data security / GDPR	Policy in place with evidence of a process to check compliance in the business
Insurance	The business has suitable insurance policies in place

Higher aspirations

Area	Indicator of compliance
Membership of industry standards bodies	For example, membership of industry leading body with relevant accreditation
Compliance with relevant ISO standards	For example, ISO 9001 accreditation for quality management systems
Health and Safety	Zero workplace incidents business

2. Reputation

Minimum level

Area	Indicator of compliance
Vision and values	The business can describe how their vision and values align with the company's
Supply chain	The business can describe how it engages with their supply chain to encourage them to have robust practices in line with their vision and values
Customer engagement	The business has mechanisms in place for customer feedback and can demonstrate how action has been taken in response

Higher aspirations

Area	Indicator of compliance
Prompt Payment Code	Signatory to the Prompt Payment Code
Customer engagement	The business promotes its vision and values among other customers

3. People

Minimum level

Area	Indicator of compliance
Whistleblowing	Policy in place and evidence of a process to check compliance in the business
Anti-modern slavery	Can demonstrate how it meets appropriate regulatory requirements (e.g. by having a policy in place)
Diversity, equality, and inclusion	Policy in place and evidence of a process to check compliance in the business

Higher aspirations

Area	Indicator of compliance
Disability Confident employer	Disability Confident employer scheme
Real Living Wage employer	Become accredited by the Living Wage Foundation
Pay gap reporting	Publish data on gender, ethnicity, and executive pay gaps
Employee diversity	Monitors employee diversity and puts plans in place to ensure workforce at all levels of management is representative of regional populations
Social impact	Monitors positive and negative impacts from the business on local communities they operate in and establish programmes to act on findings

4. Sustainability

Minimum level

Area	Indicator of compliance
Environmental policy	Policy/ies in place that cover relevant environmental issues including, but not limited to, greenhouse gas emissions, waste production and water use, and evidence of a process to check compliance in the business
Greenhouse gas emission reporting	Able to provide greenhouse gas emission data for the entire business operations (Scopes 1 and 2). For smaller companies (less than 25 FTE staff) support can be provided in calculating this.
Illegal deforestation and timber	Able to demonstrate that the business does not source materials linked to illegal deforestation, as defined by the EU Environment Bill, and able to demonstrate sustainable sourcing for all timber products in line with government guidance ⁵
Circular economy	The business has processes to minimise hazardous waste generation, minimise general waste to landfill and energy generation, designs goods to be repaired, reused and easily recycled locally and maximises the use of recycled materials

Higher aspirations

Area	Indicator of compliance
Greenhouse gas emissions	The business has set a net zero goal and plan, and/or has a verified 1.5-degree Science Based Target, achieving net zero ahead of 2050 for Scopes 1, 2 and 3
Greenhouse gas emissions	Able to provide greenhouse gas emission data specific to the product or service supplied, plus benchmarks against industry performance
Biodiversity impact	Able to articulate the impacts of their company on biodiversity, and their plans to mitigate those impacts
Water	The business has processes to reduce use of water and ensure no water pollution incidents
Environmental Management System	ISO 14001 or another similar accreditation

5. Viability

Minimum level

Area	Indicator of compliance
Quality control	The business has quality control mechanisms in place to ensure goods or services provided meet required specification to minimise waste and reworking
After sales service	The business can demonstrate how they will ensure long-term reliability of goods sold

Higher aspirations

Area	Indicator of compliance
Accreditations or certifications	The business, or its goods and services, have accreditations or certifications that demonstrate their high technical, environmental and/or social impact standards
Social and environmental value	The business can demonstrate how, through the delivery of goods and services, is creating social and environmental value

Procurement and ongoing contract management

Supplier compliance with the minimum levels will be assessed as part of procurement processes. For larger contracts (\$100k or higher), a performance score will be generated across the higher aspiration criteria and given a weighting of 20% of total score. Information on compliance with this policy will be collected through a code of conduct questionnaire, to be completed alongside other tender documentation.

Where contract terms (or sequential contracts with the same supplier) are in excess of two years in duration, suppliers will be asked to resubmit an updated code of conduct questionnaire every two years.

Where a supplier does not initially comply with all the minimum levels, an action plan is requested to demonstrate how the supplier will meet all the minimum levels during the lifespan of the contract (or sequential contracts with the same supplier). Where the action plan is not followed or the supplier does not subsequently comply with all the minimum levels, then the issue should be escalated through the standard dispute resolution process described in the supplier contract, and may ultimately be deemed to be a cause for terminating the contract.