

# Guidelines for Responsible Purchasing



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## 1 INTRODUCTION

Sparebanken Sør's "Policy for Responsible Purchasing" addresses how the bank safeguards social conditions (including in accordance with the Norwegian Transparency Act), corporate governance, and the climate and natural environment in dealings with suppliers and business associates.

These guidelines describe how the policy is to be operationalised and followed up at Sparebanken Sør.

Compliance with the Norwegian Transparency Act, which encompasses employee and human rights, i.e. social conditions, is a key element of these guidelines. It is important that Sparebanken Sør's work with suppliers and business associates also encompasses corporate governance and the climate and natural environment, including complying with Section 3-3 c of the Norwegian Accounting Act.

## 2 TARGET GROUP

The guidelines apply to the Sparebanken Sør Group and all suppliers and business associates, and the general public.

Suppliers means the entire supply chain, i.e. suppliers and subcontractors. Business associates are understood as "voluntary" business associates, who should be treated in the same way as suppliers with regard to risks relating to employee and human rights, and/or corporate governance and the climate and natural environment. Suppliers and business associates are described later in this document as suppliers.

## 3 SOCIAL CONDITIONS (EMPLOYEE AND HUMAN RIGHTS – NORWEGIAN TRANSPARENCY ACT)

### 3.1 The Norwegian Transparency Act

Key provisions of the Norwegian Transparency Act are reproduced below.

#### **Duty to carry out due diligence (Section 4, Norwegian Transparency Act)**

The enterprises shall carry out due diligence with respect to suppliers in accordance with the Act and the OECD Guidelines for Multinational Enterprises.

Due diligence means to:

1. embed responsible business conduct into the enterprise's policies
2. track the implementation and results of measures pursuant to Section 3
3. implement suitable measures to cease, prevent or mitigate adverse impacts based on the enterprise's prioritisations and assessments pursuant to Section 2
4. identify and assess actual and potential adverse impacts on fundamental human rights and decent working conditions that the enterprise has either caused or contributed toward, or that are directly linked with the enterprise's operations, products or services via the supply chain or business partners
5. communicate with affected stakeholders and rights-holders regarding how adverse impacts are addressed pursuant to Sections 3 and 4

6. provide for or cooperate in remediation and compensation where this is required

Due diligence shall be carried out regularly and in proportion to the size of the enterprise, the nature of the enterprise, the context of its operations, and the severity and probability of adverse impacts on fundamental human rights and decent working conditions.

#### **Duty to account for due diligence (Section 5, Norwegian Transparency Act)**

The enterprises shall publish an account of due diligence including:

1. a general description of the enterprise's structure, area of operations, guidelines and procedures for handling actual and potential adverse impacts on fundamental human rights and decent working conditions
2. information regarding actual adverse impacts and significant risks of adverse impacts that the enterprise has identified through its due diligence
3. information regarding measures the enterprise has implemented or plans to implement to cease actual adverse impacts or mitigate significant risks of adverse impacts, and the results or expected results of these measures

The account shall be made readily available on the enterprise's website and key information will be included in the sustainability report.

The account shall be updated and published no later than 30 June of each year and otherwise in case of significant changes to the enterprise's risk assessments.

#### **Right to Information (Sections 6 and 7, Norwegian Transparency Act)**

Upon written request, any person has the right to information from an enterprise regarding how the enterprise addresses actual and potential adverse impacts regarding implementation of the Norwegian Transparency Act. This includes both general information and information relating to a specific product or service offered by the enterprise.

Information pursuant shall be provided in writing and shall be adequate and comprehensible. The enterprise shall provide information within a reasonable time and no later than three weeks after the request for information is received. If the amount of information requested makes it disproportionately burdensome to respond to the request for information within three weeks, the information shall be provided within two months of the request being received.

## **3.2 Risk areas**

The risk analysis will be based on:

- The Norwegian Transparency Act including:
  - OECD Guidelines for Multinational Enterprises
  - UN International Covenant on Economic, Social and Cultural Rights
  - UN International Covenant on Civil and Political Rights
  - ILO core conventions

The risk analysis, together with national conditions and the bank's assessments, will form the basis for establishing those areas of employee and human rights that pose the greatest risk of non-compliance and that must be prioritised in terms of due diligence and follow-up of suppliers.

Based on our experience and knowledge of suppliers, the industry and the geographical areas in which we operate, as well as specific risk considerations, the bank has identified the following risk and focus areas as the most significant:

Human rights:

- gender equality, including equal pay for equal work of equal value
- no discrimination on any grounds
- the right to social security
- no child labour
- no forced labour

Employee rights:

- the right to freedom of association and to unionise
- good opportunities for career and personal development
- good and safe working conditions, health, safety and the environment in the workplace
- reasonable restrictions on working hours
- the right to a fair wage, including the minimum wage

Relevant conventions and laws relating to the various rights are used as a basis for the assessments.

Prioritised employee and human rights will be subject to ongoing evaluation and revision in the event of changes in the risk picture.

### 3.3 Initial risk analysis

Due to the large number of suppliers, the bank initially carries out a preliminary risk analysis of each individual supplier based on the bank's system for risk analysis.

A risk analysis must be performed to identify the most significant risks for selected risk focus areas.

Risk is identified based on quantitative and qualitative assessments.

Factors to be emphasised in relation to significant risk include:

- the scope of the deliverables and how much influence Sparebanken Sør can exert with individual suppliers
- the scope of annual purchases
- the geographical affiliation of suppliers
- subcontractors and geographic location
- products (the Norwegian Agency for Public and Financial Management's high-risk list in connection with products with regard to risk of violations of employee and human rights)
- owners
- industry

The risk analysis and due diligence will be carried out based on risk-based prioritisation. This means that the scope of mapping and follow-up is adapted to the assessed risk for each supplier, as well as the bank's ability to exert an influence.

Suppliers are split into the following categories for the preliminary risk analysis:

1. Suppliers with annual deliverables > NOK 1,000,000.  
Suppliers must be surveyed for significant risks and risk-classified. The survey must assess and identify any actual and potential adverse impacts on risks or violations of fundamental employee and human rights that the company has caused or been complicit in.
2. Suppliers with annual deliverables between NOK 100,000 and NOK 1,000,000.  
Qualitative mapping of high-risk customers. Other suppliers are classified in the low-risk group.
3. Suppliers with annual deliverables < NOK 100,000.  
Classified in the low-risk group, unless circumstances indicate that individual customers should be assessed in more detail using the bank's form for mapping significant risks and risk classification.

4. Sparebanken Sør must also use the form for mapping significant risks and risk classification to assess whether the bank has an adverse impact on employee and human rights at suppliers.

Significant risk in this procedure means high risk.

Based on the risk analysis, suppliers with significant risk in terms of employee and human rights must be identified for further follow-up.

Suppliers defined as posing a significant risk must be followed up individually through a detailed risk analysis and documentation. Suppliers defined as not posing a significant risk must be followed up through monitoring and annual risk analyses.

### 3.4 Detailed risk analysis

Suppliers defined as posing a significant risk must be followed up individually through a detailed risk analysis and documentation.

The selection of suppliers to be checked will be based, among other things, on the risk analysis, degree of severity, contract value, degree of influence etc. Based on the preliminary assessment and a selection of high-risk suppliers and/or based on a representative and relevant sample, a more detailed assessment and risk analysis are carried out. As part of this assessment, existing documentation is assessed, and an explanation and further relevant documentation are requested from the supplier and subcontractors demonstrating compliance with the current requirements for prioritised employee and human rights. This follow-up will take place through a face-to-face meeting between the supplier and the responsible officer at the bank. The bank continuously assesses whether it needs to select random samples of other suppliers and business associates.

Suppliers considered to pose a significant risk of causing potential adverse impacts on or violations of employee and human rights must be closely monitored, and appropriate measures must be taken if necessary.

Suppliers considered not to pose a significant risk of causing potential adverse impacts on or violations of employee and human rights must be followed up through monitoring and annual risk analyses.

### 3.5 Measures – preventing or mitigating adverse impacts

Suppliers considered to pose a significant risk of causing potential adverse impacts on or violations of employee and human rights must be closely monitored with a view to redressing, mitigating or eliminating risks.

Sparebanken Sør must, when such conditions are identified at a supplier:

- implement suitable measures to stop, prevent or mitigate adverse impacts
- assist in executing and following up measures
- communicate with affected stakeholders and rights-holders regarding how adverse impacts are addressed
- provide for or cooperate in remediation and compensation where this is required

### 3.6 Subcontractors

Suppliers are obliged to ensure that subcontractors also safeguard relevant employee and human rights and comply with local legislation. The supplier is obliged to document to Sparebanken Sør that due diligence has been carried out in a satisfactory manner. The same applies to outsourcing.

Sparebanken Sør must ensure that due diligence of subcontractors has been carried out in a satisfactory manner.

### 3.7 Contracts and agreements

Contracts with suppliers must require suppliers to undertake to safeguard relevant employee and human rights, and stipulate that any violation of this obligation may lead to sanctions or termination of the contracts subject to specific provisions. Sparebanken Sør may request documentation of relevant information, goals and results relating to work on employee and human rights and other ESG topics. Sparebanken Sør may request access to contracts with subcontractors.

Suppliers must stipulate corresponding requirements in their contracts with subcontractors and when outsourcing.

## 4 CORPORATE GOVERNANCE

### 4.1 General

The procedure encompasses follow-up and reporting of significant risks relating to prioritised risk and focus areas within corporate governance at suppliers.

### 4.2 Mapping of risk areas

Based on our experience and knowledge of the industry and the geographical areas in which we operate, as well as specific risk considerations, the bank has identified the following risk and focus areas as the most significant:

- risk of non-compliance with principles for good corporate governance
- risk of non-compliance with principles for good business ethics
- risk of being complicit in economic crime and corruption
- risk of being complicit in money laundering and the financing of terrorism

### 4.3 Initial risk analysis

Due to the large number of suppliers, the bank initially carries out a preliminary risk analysis of each individual supplier based on the bank's system for risk analysis.

A risk analysis must be performed to identify the most significant risks.

Risk is identified based on quantitative and qualitative assessments.

Factors to be emphasised in relation to significant risk include:

- the scope of the deliverables and how much influence Sparebanken Sør can exert with individual suppliers
- the scope of annual purchases
- the geographical affiliation of suppliers
- subcontractors and geographic location
- products
- owners
- industry

The risk analysis will be carried out based on risk-based prioritisation. This means that the scope of mapping and follow-up is adapted to the assessed risk for each supplier, as well as the bank's ability to exert an influence.

Suppliers are split into the following categories for the preliminary risk analysis:

1. Suppliers with annual deliverables > NOK 1,000,000.

Suppliers must be surveyed for significant risks and risk-classified using the bank's form. The mapping must assess and identify actual and potential adverse impacts on risks relating to or violations of selected risk areas within corporate governance.

2. Suppliers with annual deliverables < NOK 1,000,000.

Qualitative mapping of high-risk customers. Other suppliers are classified in the low-risk group.

Significant risk in this procedure means high risk.

Suppliers defined as posing a significant risk must be individually followed up through a detailed risk analysis. Suppliers defined as not posing a significant risk must be followed up through monitoring and annual risk analyses.

#### 4.4 Detailed risk analysis

The selection of suppliers to be checked will be based, among other things, on the risk analysis, degree of severity, contract value, degree of influence etc. Based on the preliminary assessment and a selection of high-risk suppliers or a representative and relevant sample, a more detailed assessment and risk analysis are carried out. In this assessment, existing documentation is evaluated, and an explanation and further relevant documentation are requested from the supplier and subcontractors demonstrating compliance with fundamental requirements for corporate governance. This follow-up will take place through a face-to-face meeting between the supplier and the responsible officer at the bank. The bank continuously assesses whether it needs to select random samples of other suppliers and business associates.

Suppliers considered to pose a significant risk of causing adverse impacts on or violations of selected risk areas for corporate governance must be closely monitored, and appropriate measures must be taken if necessary.

Suppliers not considered to pose a significant risk of causing potential adverse impacts on or violations of prioritised risk areas for the climate and natural environment must be followed up through monitoring and annual risk analyses.

#### 4.5 Measures – preventing or mitigating adverse impacts

Suppliers considered to pose a significant risk of causing potential adverse impacts on or violations of selected risk focus areas for corporate governance must be closely monitored with a view to redressing, mitigating or eliminating risks.

Sparebanken Sør must, when such conditions are identified at a supplier:

- implement suitable measures to stop, prevent or mitigate adverse impacts
- assist in executing and following up measures
- communicate with affected stakeholders and rights-holders regarding how adverse impacts are addressed
- provide for or cooperate in remediation and compensation where this is required

#### 4.6 Subcontractors

Suppliers must undertake to ensure that subcontractors also comply with laws and guidelines in the countries in which they operate and to document this for Sparebanken Sør in a satisfactory manner.

## 5 CLIMATE AND NATURAL ENVIRONMENT

### 5.1 General

The procedure encompasses follow-up and reporting of significant risks linked to prioritised risk and focus areas for the climate and natural environment at suppliers.

### 5.2 Risk areas

Based on our experience and knowledge of the industry and the geographical areas in which we operate, as well as specific risk considerations, the bank has identified the following risk and focus areas as the most significant:

- risk of significant greenhouse gas emissions
- risk of significant reduction in biodiversity
- risk of significant encroachment on the natural environment and vulnerable areas
- risk of significant consumption of vulnerable natural resources

### 5.3 Initial risk analysis

Due to the large number of suppliers, the bank initially carries out a preliminary risk analysis of each individual supplier based on the bank's system for risk analysis.

A risk analysis must be performed to identify the most significant risks.

Risk is identified based on quantitative and qualitative assessments.

Factors to be emphasised in relation to significant risk include:

- the scope of the deliverables and how much influence Sparebanken Sør can exert with individual suppliers
- the scope of annual purchases
- the geographical affiliation of suppliers
- subcontractors and geographic location
- products
- commodities situation and input factors
- owners
- industry

The risk analysis will be carried out based on risk-based prioritisation. This means that the scope of mapping and follow-up is adapted to the assessed risk for each supplier, as well as the bank's ability to exert an influence.

Suppliers are split into the following categories for the preliminary risk analysis:

1. Suppliers with annual deliverables > NOK 1,000,000.  
Suppliers must be surveyed for significant risks and risk-classified using the bank's form. The survey must assess and identify any actual and potential adverse impacts on risks or violation of prioritised risk areas for the climate and natural environment.
2. Suppliers with annual deliverables < NOK 1,000,000.  
Qualitative mapping of high-risk customers. Other suppliers are classified in the low-risk group.

Significant risk in this procedure means high risk.

Suppliers defined as posing a significant risk must be individually followed up through a detailed risk analysis. Suppliers defined as not posing a significant risk must be followed up through monitoring and annual risk analyses.

## 5.4 Detailed risk analysis

The selection of suppliers to be checked will be based, among other things, on the risk analysis, degree of severity, contract value, degree of influence etc. Based on the preliminary assessment and a selection of high-risk suppliers or a representative and relevant sample, a more detailed assessment and risk analysis are carried out. As part of this assessment, existing documentation is evaluated, and an explanation and further relevant documentation are requested from the supplier and subcontractors demonstrating compliance with fundamental requirements for the climate and natural environment. This follow-up will take place through a face-to-face meeting between the supplier and the responsible officer at the bank. The bank continuously assesses whether it needs to select random samples of other suppliers and business associates.

Suppliers considered to pose a significant risk of causing adverse impacts on or violations of significant selected risk areas for the climate and natural environment must be closely monitored, and appropriate measures must be taken if necessary.

Suppliers not considered to pose a significant risk of causing potential adverse impacts on or violations of prioritised risk areas for the climate and natural environment must be followed up through monitoring and annual risk analyses.

## 5.5 Measures – preventing or mitigating adverse impacts

Suppliers considered to pose a significant risk of causing potential adverse impacts on or violations of selected risk focus areas must be closely monitored with a view to redressing, mitigating or eliminating risks.

Sparebanken Sør must, when such conditions are identified at a supplier:

- implement suitable measures to stop, prevent or mitigate adverse impacts
- assist in executing and following up measures
- communicate with affected stakeholders and rights-holders regarding how adverse impacts are addressed
- provide for or cooperate in remediation and compensation where this is required

## 5.6 Subcontractors

Suppliers must undertake to ensure that subcontractors also comply with laws and guidelines in the countries in which they operate and to document this for Sparebanken Sør in a satisfactory manner.

# 6 REPORTING

The bank prepares an annual “Account of Due Diligence” to meet the requirements of Section 5 of the Norwegian Transparency Act, and reports on other ESG topics.

Based on the preliminary and detailed risk analyses, the officer responsible for the work will make an assessment and issue suitable recommendations. These recommendations may be that further quality assurance be carried out or that the company must consider implementing adequate measures.

Alternatively, the conditions may be deemed to be satisfactory and no further measures are required.

Relevant measures are specifically assessed in each individual case. Suitable measures may range from talks with the supplier or business associate requesting further information, providing guidance or training, demanding correction, renegotiating relevant contract clauses, exercising remedies for breach of contract

or terminating the contractual relationship. In extremely serious cases, the bank must also consider whether to inform the relevant public authorities.

The report is reviewed and actioned by group management, and sent to the board for information.

## 7 INFORMATION

### 7.1 Information

Information relating to the Transparency Act must be displayed on the bank's website and include:

- general information about the Transparency Act and the bank's work in this regard
- organisation
- business areas
- list of governing documents
- relevant general information on the account of due diligence in accordance with Section 5
- information channel
- annual reports

The information on the website must be updated at least annually and on an ongoing basis in the event of significant changes in the risk profile.

### 7.2 Right to information

Upon written request, anyone has the right to receive information from an enterprise about how the enterprise handles actual and potential adverse impacts pursuant to [Section 4](#). This includes both general information and information relating to a specific product or service offered by the enterprise.

A request for information may be refused if:

- the request does not provide an adequate basis for identifying what the request applies to
- the request is evidently unreasonable
- the requested information relates to someone's personal circumstances
- the requested information relates to technical equipment and procedures or operational or commercial matters concerning which it is desirable to maintain secrecy for competitive reasons

The right to information about actual adverse impacts on fundamental human rights that the enterprise is aware of applies regardless of the restrictions in the second paragraph.

The right to information does not encompass information that is classified according to the Norwegian Security Act or protected under the Norwegian Copyright Act.

The bank undertakes to provide the Norwegian Consumer Authority and the Norwegian Market Council with the information these authorities require to carry out their duties under the law. You can find more information on this in Sections 10 and 11 of the Norwegian Transparency Act.

### 7.3 Processing of information requests

Information pursuant to Section 6 must be provided in writing and be adequate and comprehensible. Information must be provided within a reasonable time and no later than three weeks after the request for information is received. If the amount or type of information requested makes it disproportionately burdensome to respond to the request for information within three weeks, the information must be provided within two months of the request being received. The bank must then, no later than three weeks after the request for information has been received, inform the person requesting information in writing

about the extension of the deadline, the reasons for the extension, and when the person requesting the information can expect to receive the information.

If the bank refuses a request for information, it must provide information about the legal basis for refusal and the right to request and the deadline for requesting further explanation of the refusal and about the Norwegian Consumer Protection Authority as a supervisory body.

Anyone who is refused a request for information may, within three weeks of the refusal being received, demand a more detailed explanation for the refusal. The explanation must be provided in writing as soon as possible and no later than three weeks after the request for further explanation is received.

## **8 FOLLOW-UP OF THE GUIDELINES**

### **8.1 Annual review**

The procedures in these guidelines must be implemented at least once a year, and otherwise in the event of significant changes in the risk picture.

### **8.2 New suppliers and partners**

New suppliers must be surveyed, assessed and any actual and potential adverse impacts regarding the risk or violation of fundamental social conditions, the climate and natural environment and corporate governance must be identified as part of the tender/purchasing process using the same systems as discussed in this procedure. New suppliers must be subject to the same follow-up as existing suppliers in accordance with this procedure.

## **9 COMPLAINTS**

Complaints regarding employee and human rights must be made in accordance with Sparebanken Sør's normal complaints procedure: <https://www.sor.no/globalassets/organisasjon/barekraft/rutine-kundeklager-sparebanken-sor.pdf>

## **10 WHISTLEBLOWING**

### **10.1 External whistleblowing (Norwegian Transparency Act)**

External notifications regarding employee and human rights must be made in accordance with Sparebanken Sør's ordinary whistleblowing procedure:

<https://www.sor.no/globalassets/organisasjon/barekraft/varslingsrutine-ekstern-sparebanken-sor.pdf>

### **10.2 Internal whistleblowing**

Internal notifications regarding employee and human rights must be made in accordance with Sparebanken Sør's ordinary whistleblowing procedure:

<https://www.sor.no/globalassets/organisasjon/barekraft/varslingsrutine-intern-sparebanken-sor.pdf>

## **11 INCIDENT DATABASE**

All incidents relating to violations of laws and guidelines regarding employee and human rights, corporate governance and the climate and natural environment must be registered in the bank's incident database. All complaints regarding such matters must also be registered in the incident database.

## **12 ARCHIVING**

A shared archive must be established where all information and documentation of initial and detailed risk analyses, supplier ledgers, documentation from suppliers and subcontractors and all other relevant information and documentation is stored. A comprehensive overview of all suppliers' risk classification in terms of employee and human rights, corporate governance and climate and the natural environment must be established and continuously updated.

## **13 SYSTEM FOR RISK ANALYSIS, MEASURES AND FOLLOW-UP**

The system for risk analyses, measures and follow-up is shown in the appendix.

### **Appendix:**

System for risk analysis, measures and follow-up