

# Purchasing Policy



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## 1 BACKGROUND

Sparebanken Sør wishes to create long-term value and contribute to sustainable development of society. For Sparebanken Sør, sustainable development means contributing to the positive future development of the environment and climate, social conditions and corporate governance, as well as exercising corporate social responsibility in the areas where the Bank operates. Our work on sustainability helps to strengthen the Bank's competitiveness and reduce risk for ourselves, our customers and our partners.

Purchasing represents a key element in Sparebanken Sør's sustainability work, and our goal is to reduce the risk of negative impacts on people, the climate and the environment along the supply chain. We aim to purchase climate- and environmentally friendly products and services and positively impact sustainable development at our suppliers. Sparebanken Sør will collaborate with suppliers who share these values.

The UN's sustainable development goals represent a joint programme to eradicate poverty, combat inequality and stop climate change.

## 2 PURPOSE

This Policy is intended to ensure that Sparebanken Sør's purchases of products and services are sustainable and climate- and environmentally friendly, and that human and employee rights are not violated.

The Policy describes how the Bank should handle purchasing in dealing with our suppliers and in relation to our commitments. The Policy is intended to ensure that we have clear principles and guidelines that highlight the requirements and expectations we make of our suppliers and subcontractors.

The objective is to facilitate more sustainable development of our own, our suppliers' and our subcontractors' operations.

## 3 TARGET GROUP

This Policy covers all purchases of goods and services at Sparebanken Sør, and applies to all employees.

## 4 PRINCIPLES AND COMMITMENTS

### 4.1 Strategic guidelines

Sparebanken Sør has the following strategic guidelines for purchasing and suppliers:

- We shall make requirements of how we expect our suppliers to comply with laws, rules and principles relating to the climate and environment, social conditions and corporate governance.
- We shall make requirements of how we expect our suppliers' subcontractors to comply with internationally recognised laws and regulations.
- We shall make requirements of our suppliers with regard to environmental certification.
- We shall perform due diligence on our purchasing by setting clear requirements for, entering into dialogue with and following up suppliers.

## 4.2 Commitments

Sparebanken Sør pledges to comply with all legislation that is relevant to our activities, and to strive to ensure that our suppliers and subcontractors comply with legislation that is relevant to their activities in the market areas in which they operate.

### UN Global Compact

Sparebanken Sør has signed up to the ten principles of the UN Global Compact, where the following principles are of key importance for purchasing:

- Principle 2: We shall ensure that we are not complicit in human rights abuses.
- Principle 6: We shall uphold the elimination of discrimination in respect of employment and occupation.
- Principle 7: We shall support a precautionary approach to environmental challenges.
- Principle 8: We shall undertake initiatives to promote greater environmental responsibility.
- Principle 9: We shall encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: We shall work against corruption in all its forms, including extortion and bribery.

### UNEP Principles for Responsible Banking

Sparebanken Sør has also signed up to the UN's environmental programme, the UNEP Principles for Responsible Banking, where the following principles are of key importance for purchasing:

- Principle 2: We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risk to, people and the environment resulting from our activities, products and services.
- Principle 3: We will work responsibly with our clients and customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

The UN Environmental Programme aims to enable the banking industry to take a leadership role in achieving the sustainable development goals and fulfilling the Paris Agreement.

### The UN's Sustainable Development Goals

The UN's sustainable development goals, which were adopted in 2015, represent a global plan to eradicate poverty, combat inequality and stop climate change. The plan consists of 17 goals, which are referred to as the world's common roadmap for sustainable development. Sparebanken Sør supports all 17 of the sustainable development goals.

The following sustainable development goals are of key importance for purchasing:

- SDG 12: Responsible Consumption and Production.
- SDG 13: Climate Action.
- SDG 14: Life below Water.
- SDG 15: Life on Land.

### Finance Norway's "Roadmap for Green Competitiveness in the Financial Sector"

Sparebanken Sør will, together with the rest of the industry, work on following up the recommendations in Finance Norway's "Roadmap for Green Competitiveness in the Financial Sector", which was published in June 2018.

Key industry-specific principles and recommendations within the banking sector:

- Contribute to innovation and change in other sectors.
- Use digitalisation skills to scale the market for climate-smart solutions.
- Increase climate competence and capacity in the financial sector.

## Eco-Lighthouse

Sparebanken Sør uses the Eco-Lighthouse environmental certification scheme to certify our internal work on the climate and environment.

The Eco-Lighthouse scheme introduced new criteria for the banking and financial sector in June 2019. The criteria are intended to ensure that the enterprise takes account of climate and environmental factors relating to the following key activities:

- Lending.
- Funding.
- Bonds.
- Savings products/investment of customers' deposits.
- Management of the enterprises' own funds.

Climate and environmental aspects shall be an integral part of corporate governance, and embedded in policies, objectives, guidelines, indicators etc.

## 4.3 Requirements and expectations of suppliers

In their corporate governance, suppliers are also expected to attach importance to meeting the obligations and principles that apply to Sparebanken Sør's own activities with regard to the climate and the environment, social conditions and corporate governance.

### Climate and the environment

Sparebanken Sør expects suppliers to:

- be conscious of climate emissions from their own activities and from companies they collaborate with, and to systematically work to reduce their direct and indirect impacts on the climate.
- be conscious of environmental risk and work to preserve natural resources, biodiversity, ecosystems and cultural heritage and to avoid other environmental harm, and systematically work to reduce their direct and indirect impacts on the environment.
- take account of climate and environmental challenges in their corporate governance and investment planning.
- consider climate and environmental challenges in their risk management.
- be transparent about, and report challenges and risks relating to, the climate and the environment.

### Social conditions

Sparebanken Sør expects suppliers to:

- respect, comply with and not violate recognised employee and human rights and international law.
- strive to ensure that no discrimination takes place based on factors such as ethnic background, religion, sexual orientation, disability, age or gender.

### Corporate governance

Sparebanken Sør expects suppliers to:

- comply with applicable laws, regulations and relevant international conventions and guidelines in countries where the enterprise operates.
- have zero tolerance for financial crime in its own activities and at trading partners.
- maintain high ethical standards and exercise sound corporate governance.
- maintain open, honest and clear communication with all stakeholders.

## 5 GUIDELINES

The table below shows objectives, activities and actions for the prioritised areas, which are also spheres where we can have the most positive impact on climate and environmental challenges.

Area	Objective	Activity/action
Purchasing	Continuously work to establish more sustainable purchases of goods and services	<ol style="list-style-type: none"> <li>1. Policy for purchasing goods and services with clear requirements and expectations of suppliers and subcontractors</li> <li>2. ESG review of all our suppliers</li> <li>3. Supplier follow-up regarding ESG</li> </ol>
	All suppliers to be certified as Eco-Lighthouses or equivalent	<ol style="list-style-type: none"> <li>1. Integrate requirements in purchasing processes</li> <li>2. Follow-up and establish deadlines for existing suppliers who are not certified</li> </ol>
	Help increase expertise on sustainability	<ol style="list-style-type: none"> <li>1. Integrate sustainability in supplier dialogue and purchasing processes</li> </ol>
	Continuously work to establish more sustainable products and services	Ongoing focus on sustainability in choice of products and services
Reporting	Measure KPIs and actions	<ol style="list-style-type: none"> <li>1. Annual purchasing report</li> </ol>

The following guidelines have been prepared and must be used in connection with all purchases.

Guidelines	Document owner	Approval
Guidelines for sustainable purchasing	Group Support/ Business Development	Group Management
Supplier declaration on sustainable purchasing	Group Support/Business Development	Group Management

## 6 RESPONSIBILITY, MANAGEMENT, FOLLOW-UP AND REPORTING

You can read more about responsibility, management, organisation and reporting in the governing document Sustainability Strategy.

A purchasing report must be prepared each year.

Type of report	Revision frequency	Responsible party
Annual purchasing report. Scope of purchases by type and value (NOK). Information on the percentage of suppliers who are, and are not, certified as Eco-Lighthouses or equivalent, in terms of quantity and value (NOK). Work on sustainable purchasing during the year. Proposed new actions etc.	Annual	Group Support