

Policy for Responsible Purchasing



Version	Date	Document owner	Decision	Status
1.0	16 September 2022	Group Support	Group Management	Approved

Contents

1	BACKGROUND.....	3
2	PURPOSE.....	3
3	TARGET GROUP.....	4
4	ORGANISATION AND RESPONSIBILITY.....	4
5	FRAMEWORK CONDITIONS.....	5
5.1	Legislation and guidelines.....	5
5.2	Governing documents.....	6
5.3	Commitments.....	6
6	GUIDELINES.....	7
6.1	General.....	7
6.2	Social conditions (Employee and human rights – Norwegian Transparency Act).....	8
6.3	Corporate governance.....	9
6.4	Climate and the natural environment.....	9
7	FOLLOW-UP, REPORTING AND INFORMATION.....	10
8	UPDATING.....	10

1 BACKGROUND

Sparebanken Sør's mission is to "create sustainable growth and development for our region".

Sparebanken Sør is a regional savings bank, whose business model is an integrated value chain that encompasses the development, production and supply of financial products and services. Distribution of products through owner companies and partners is an important part of our business model. Sparebanken Sør serves customers through a combination of sales offices and digital solutions. The largest business areas are Lending (to the retail and corporate markets) as well as Financing and Investment. We conduct our business activities within the framework of the company's strategy, corporate governance and ethical guidelines, and in accordance with regulatory framework conditions.

Our work on sustainability (ESG – Environmental, Social and Governance), which encompasses the climate and natural environment, social conditions and corporate governance, is a natural continuation of the role the bank has played for almost 200 years. For Sparebanken Sør, sustainable development means that the bank should contribute to positive development within ESG, while safeguarding the bank's social responsibility in areas where the bank operates. Our work on sustainability is intended to strengthen our competitiveness and reduce the bank's ESG risk. As an employer, investor, lender and supplier of financial products and services, the bank will contribute to sustainable growth by strengthening the positive and reducing the adverse impacts on people, the climate and natural environment, and society in general.

Purchases from suppliers, links with business associates and communication with the public are an important part of Sparebanken Sør's sustainability efforts.

Compliance with the Norwegian Transparency Act, which encompasses employee and human rights, i.e. social conditions, is a key element of this policy. 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 PURPOSE

The purpose of this policy is to safeguard fundamental human rights and decent working conditions, corporate governance and the climate and natural environment at suppliers and business associates.

In particular, this involves:

- helping increase awareness and visibility of our work, responsibilities and obligations relating to employee and human rights, corporate governance and the climate and natural environment more visible
- helping increase awareness and visibility of our expectations and requirements relating to employee and human rights, corporate governance and the climate and natural environment more visible
- ensuring that our work and practices relating to employee and human rights, corporate governance and the climate and natural environment are satisfactory, comply with applicable regulations and are carried out in a sound and ethical manner
- explaining our procedures, systems and methodology etc. for work on employee and human rights, corporate governance and the climate and natural environment
- ensuring that the public has access to information about how we handle adverse impacts on employee and human rights in accordance with the Norwegian Transparency Act

3 TARGET GROUP

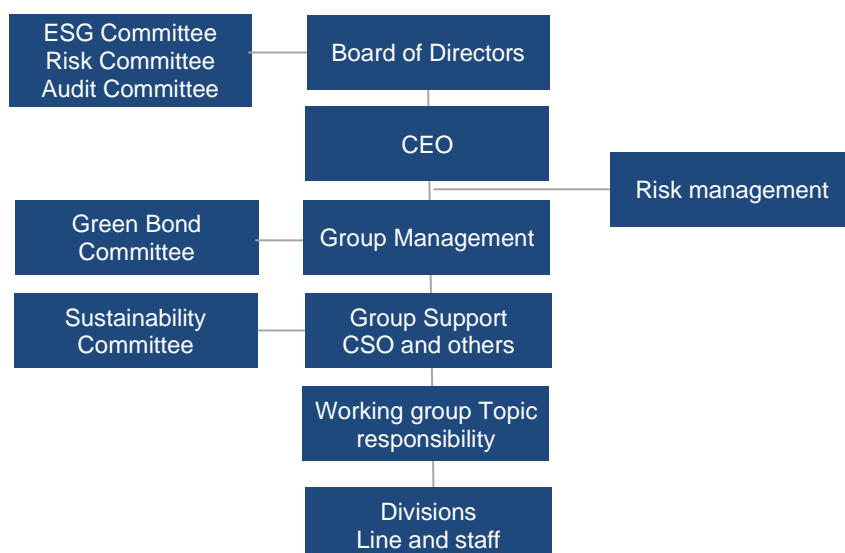
This policy applies to the Sparebanken Sør Group and all suppliers and business associates.

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

4 ORGANISATION AND RESPONSIBILITY

The Board has a particular responsibility for ensuring that the policy and guidelines for suppliers are complied with in day-to-day operations.

The organisation of work relating to follow-up of suppliers regarding employee and human rights, corporate governance and the climate and natural environment is presented in the diagram and description below:



The Board of Directors:

The Board of Directors has overall responsibility, including particular responsibility for ensuring that the policy and guidelines for suppliers are complied with in day-to-day operations. This includes ensuring that due diligence is continuously carried out and monitored.

The board must approve overarching governing documents.

Chief Executive Officer (CEO):

The CEO is responsible for ensuring that the bank’s strategy, policies, guidelines and work on suppliers and business associates are implemented.

Sustainability/Group Support:

Sustainability/Group Support is responsible for coordinating this work. This encompasses the general framework, including governing documents, guidelines, systems and methodology, as well as coordination of reporting and information regarding the Norwegian Transparency Act.

This responsibility further encompasses gathering information, preparing reports, ongoing updating of relevant and significant information, and coordinating responses to requests for information relating to the Norwegian Transparency Act.

Divisions, line and staff

Divisions, line and staff that have ownership of agreements with suppliers have operational responsibility for the implementation and follow-up of due diligence, other measures and dialogue with suppliers. This work encompasses contractual relationships, risk analyses, contact and follow-up with suppliers, implementation of due diligence and any risk-reducing measures and other tasks required to carry out due diligence. This responsibility further encompasses obtaining and organising data and information for reporting and requests for information.

General

All employees and managers at Sparebanken Sør are responsible for ensuring that Sparebanken Sør complies with the bank's obligations under the Norwegian Transparency Act, as well as governing documents relating to employee and human rights, corporate governance and the climate and natural environment in connection with suppliers.

Sparebanken Sør expects employees and suppliers to speak openly and raise concerns regarding these matters, including potential violations of our policies and guidelines, with their managers and superiors or via other available reporting channels. Sparebanken Sør takes concerns seriously and addresses them in a timely manner.

Sparebanken Sør has zero tolerance for reprisals against anyone who speaks openly about behaviour they believe is unethical, illegal or incompatible with our guidelines, regardless of whether censurable conditions are discovered – provided that reports are made in good faith.

The guidelines support Sparebanken Sør's values and reflect areas the bank considers important.

Sparebanken Sør takes violations of our guidelines seriously. Depending on the severity of the violation, there may be consequences for employees (ranging from a warning to dismissal etc.), and changes in contractual relationships with suppliers.

Programmes for building the bank's employees' competence on employee and human rights, corporate governance and the climate and natural environment, adapted to employees' individual job functions, are an important area of efforts to comply with regulatory requirements and our internal policies and guidelines.

5 FRAMEWORK CONDITIONS

5.1 Legislation and guidelines

The following laws and guidelines apply:

Social conditions:

- The Norwegian Working Environment Act and the Working Environment Regulations
- The Norwegian General Application Act and generally applied collective bargaining agreements
- The duty to act and the duty to report
- 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

Corporate governance:

- Section 3-3 c of the Norwegian Accounting Act
- The Norwegian Act relating to Measures to Combat Money Laundering and Terrorist Financing (Anti-Money Laundering Act)

- The Norwegian Regulations relating to Measures to Combat Money Laundering and Terrorist Financing (Anti-Money Laundering Regulation)
- The Penal Code's provisions on economic crime and corruption
- The Norwegian Personal Data Act including the General Data Protection Regulation (GDPR)

Climate and the natural environment:

- Section 3-3 c of the Norwegian Accounting Act
- UN Framework Convention on Climate Change
- UN Convention on Biological Diversity
- Financial Supervisory Authority of Norway's modules on risk-based supervision

The legislation in the countries in which suppliers operate must be complied with.

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

5.2 Governing documents

Sparebanken Sør has the following governing documents that are relevant for this policy:

Overarching and general governing documents:

- Corporate Governance
- Code of Conduct
- Sustainability Strategy
- Procedure for External and Internal Whistleblowing
- Complaints Procedure

Social conditions (The Norwegian Transparency Act)

- Policy for Responsible Purchasing (this policy)
- Guidelines for Responsible Purchasing (guidelines for the operationalisation of "Policy for Responsible Purchasing")

Corporate governance:

- Anti-money laundering document
- Processing of personal data
- Anti-Money Laundering and Anti-Terrorism Financing Policy
- Anti-Corruption and Anti-Bribery Policy

Climate and natural environment

- Policy for the Climate and Natural Environment

5.3 Commitments

UN Global Compact

Sparebanken Sør has signed up to the UN Global Compact. The Global Compact is the world's largest initiative for work on sustainable development goals, and contains ten principles for responsible business drawn up by the UN. These principles are designed to ensure continuous improvements in human and employee rights and corporate governance, and to stop climate change and reduce loss of biodiversity.

By signing up to the UN Global Compact, the bank has committed itself to supporting these principles.

UNEP Principles for Responsible Banking

Sparebanken Sør has also endorsed the UN Environmental Programme (UNEP) Principles for Responsible Banking (PRB). The UN Environmental Programme aims to enable the banking industry to play a leading role in achieving the sustainable development goals and fulfilling the Paris Agreement and supporting these principles.

The UN Sustainable Development Goals

The UN Sustainable Development Goals, which were adopted in 2015, represent a global plan to eradicate poverty, combat inequality and stop climate change. Sparebanken Sør supports all 17 of the sustainable development goals.

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 and principles in Finance Norway's "Roadmap for Green Competitiveness in the Financial Sector", which was published in June 2018.

6 GUIDELINES

6.1 General

Sparebanken Sør has guidelines and systems for identifying and monitoring risks associated with employee and human rights, corporate governance and the climate and natural environment.

The bank works continuously and systematically to integrate assessments and risks relating to these areas into our core processes, such as in purchasing, selection of suppliers, contract follow-up, mergers and acquisitions, recruitment, stakeholder dialogue etc.

We expect all managers in the bank to act with integrity and promote an ethical culture that respects all people. The bank implements training programmes to build employees' knowledge of and promote awareness, skills and leadership around fundamental human rights and decent working conditions, corporate governance and the climate and natural environment.

We continuously carry out due diligence and risk assessments relating to employee and human rights, corporate governance and the climate and natural environment in order to identify, prevent and reduce risks and impacts in all areas of our operations. We regularly review the most prominent risks and report on them publicly.

We carry out assessments to identify actual and potential risks to as well as adverse impacts on employee and human rights, corporate governance and the climate and natural environment that we may have caused or been complicit in.

Assessments of suppliers are made on an individual basis, based on actual circumstances, considering factors such as industry, products, geography or any other known specific risk factors. The bank adopts a risk-based approach.

The bank carries out continuous assessments of the various aspects encompassed by employee and human rights, corporate governance and the climate and the natural environment. If the bank finds that a supplier's business is not run in accordance with these guidelines, appropriate measures must be considered and, if necessary, implemented. Relevant measures must be specifically assessed in each individual case, and may include remediation or compensatory measures (for example, obtaining more information, training or disciplinary measures). In extremely serious cases, the bank must also consider whether to inform the relevant public authorities.

Through continuous and systematic work, Sparebanken Sør will help address identified challenges through improvement, mitigating and preventive measures.

Sparebanken's Sør's guidelines and systems must ensure:

- documentation of assessments, relevant decisions and processing
- communication channels between relevant executive management and responsible departments to share and document information relating to risks and decisions

More detailed information on operational follow-up of suppliers can be found in “Procedure for Responsible Purchasing”.

6.2 Social conditions (Employee and human rights – Norwegian Transparency Act)

The bank’s guidelines for compliance with the Norwegian Transparency Act are designed to safeguard fundamental human rights and the right to decent working conditions and to ensure transparent communication with the public.

Sparebanken Sør undertakes to respect fundamental human rights and the right to decent working conditions and to communicate transparently with the public.

Sparebanken Sør aims to:

- avoid causing, or contributing to, adverse impacts on fundamental human and employee rights
- prevent or reduce adverse impacts on fundamental human and employee rights
- help improve fundamental human and employee rights for everyone, including vulnerable groups

In the event that Sparebanken Sør causes or contributes to adverse impacts on fundamental human and employee rights, we will offer or cooperate with processes to rectify the situation.

In these guidelines, fundamental human rights mean:

- the internationally recognised human rights established, inter alia, in the UN International Covenant on Economic, Social and Cultural Rights from 1966, the UN International Covenant on Civil and Political Rights from 1966 and the ILO core conventions on fundamental principles and rights at work

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:

- 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

In these guidelines, decent working conditions mean:

- work that safeguards fundamental human rights (as defined above), health, safety and the environment in the workplace, and that provides a living wage

Decent working conditions are closely linked with fundamental human rights. The bank has identified the following risk and focus areas as the most significant:

- 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

The above points have been identified based on a review of our largest suppliers, our sector, as well as geographical affiliation. The risk and focus areas identified above may change in accordance with developments and over time, and are therefore subject to continuous assessment.

6.3 Corporate governance

Sparebanken Sør undertakes to respect fundamental laws and rules for corporate governance.

Sparebanken Sør aims to:

- reduce or eliminate undesirable risks linked to corporate governance at suppliers
- influence suppliers to establish governing documents, systems and KPIs, and to openly report on corporate governance
- influence suppliers and business associates to implement good corporate governance
- emphasise positive and negative risks and conditions relating to corporate governance when selecting suppliers
- report annually on the overall risk picture for corporate governance at suppliers

Based on materiality analyses, 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:

- 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

6.4 Climate and the natural environment

Sparebanken Sør undertakes to respect fundamental laws and regulations for the climate and natural environment.

Sparebanken Sør aims to:

- influence suppliers to reduce or eliminate significant risks of adverse impacts on the climate and natural environment
- influence suppliers to establish environmental management systems, climate accounting, governing documents and systems and KPIs, and to openly report on the climate and natural environment
- influence suppliers to produce and/or use more climate- and eco-friendly raw materials, products and services
- emphasise positive and negative risks and conditions relating to the climate and natural environment when selecting suppliers
- report annually on the overall risk picture for the climate and natural environment at suppliers

Based on materiality analyses, 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

7 FOLLOW-UP, REPORTING AND INFORMATION

The bank prepares an annual report to meet the requirements of the Norwegian Transparency Act on social conditions (employee and human rights), the Norwegian Accounting Act and internal requirements relating to corporate governance and the climate and the natural environment relating to suppliers.

Key information relating to our work with suppliers on employee and human rights will be published on the bank's website.

Sparebanken Sør has clarified how *anyone* who would like information about the assessments Sparebanken Sør has made can contact the bank. Such enquiries are processed in accordance with the Norwegian Transparency Act.

Sparebanken Sør will publish its first annual account under the Norwegian Transparency Act by 30 June 2023.

More detailed information can be found in "Guidelines on Responsible Purchasing".

8 UPDATING

This policy will be updated annually, and in the event of changes in actual circumstances or the overall risk picture.