



Responsible Procurement Policy

2015



Bank Hapoalim

“At Bank Hapoalim, responsible procurement is not a task or an objective; it is a way of life and an everyday routine. Just as we are guided in our actions by the values of ethics, excellence, and service, we uphold the value of responsibility in procurement, which is interwoven with every step of corporate procurement operations.”

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1. Introduction

Today, with every organization concerned with cost management and efficiency, alongside growth and innovation, the supply chain in general and procurement in particular have a highly significant role.

Corporate procurement unit at Bank Hapoalim serves as a key arm of the bank in the area of operational excellence and savings.

Procurement is involved, from the planning and demand management stage, to delivery of the right product and service, at the right price, at the required time, with a high level of service. As such, corporate procurement unit maintains relationships with a very large number of suppliers who provide products and services to the bank. In managing supplier relationships, corporate procurement implements the philosophy of sustainability and social responsibility, maintaining long-term relationships with the bank's suppliers based on mutual trust, while promoting the values of social responsibility in their activity. Bank Hapoalim thereby expands its corporate responsibility philosophy to wider spheres of influence.

2. Corporate Procurement Unit Vision and Responsible Procurement Policy

Corporate procurement unit at Bank Hapoalim operates according to the following vision:

“Corporate procurement at Bank Hapoalim serves as a key arm of the bank for the achievement of operational excellence and improved efficiency in costs and investments, and provides significant support to the business units in attaining their objectives, through partnership and service connected with the business.”

This vision is realized, among other means, through the adoption of a responsible procurement policy, on three levels: social, economic, and environmental. The implementation of the policy is aimed at encouraging the bank's suppliers to absorb and promote the principles of sustainability and corporate responsibility in their own operations, and to apply the philosophy of responsibility over expanding circles in the business community.

The policy is put into practice in procurement activities through procedures and work processes, in routine communication with suppliers, in contractual requirements, and more.



The responsible procurement policy is based on the following principles:

- Integrity and transparency;
- Professionalism and excellence;
- Partnership, mutuality, and creation of shared value;
- Nurturing long-term relationships;
- Prevention of corruption and bribery;
- Fair employment – protection of worker rights and human rights;
- Equal opportunities and prevention of discrimination and harassment;
- Promotion of small businesses, social businesses, and businesses located in peripheral regions;
- Minimization and prevention of environmental risks and promotion of environmental positive values.

3. Responsibility and Supervision

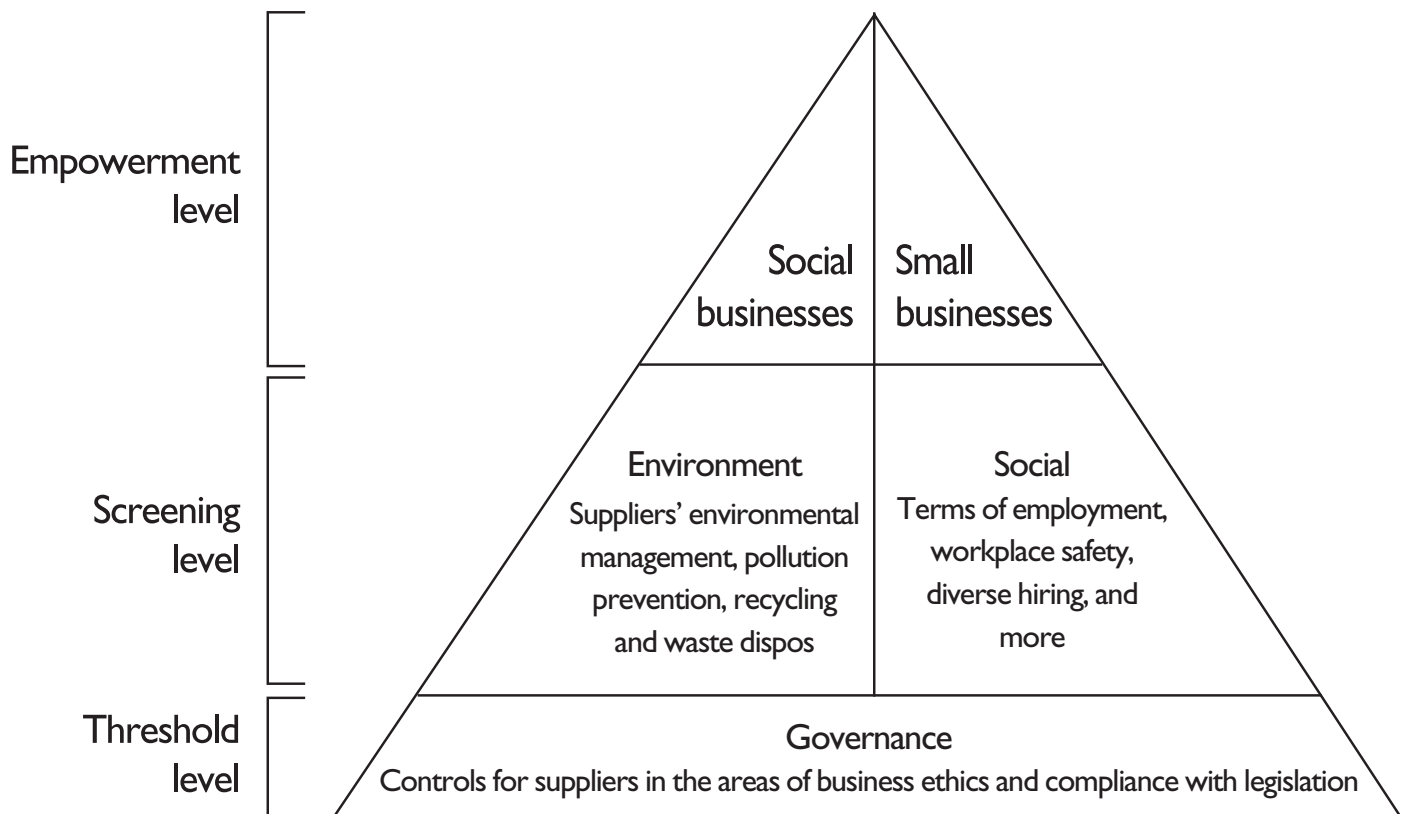
The Human Capital, Advising, and Resources Division, through corporate procurement unit, is responsible for the implementation of the responsible procurement policy. The board of management of the Bank has the overall responsibility for supervising the implementation of the policy.

4. Scope and Content

As part of the process of formulating a responsible procurement policy, a implementation model has been developed at the bank for the implementation of sustainability and corporate responsibility in the supply chain. This model is based on analysis of prevalent international methodologies, learning from accumulated experience in this field worldwide, and a benchmark review. The findings were adapted to current conditions in Israel, to the nature of the bank's activity, and to the strategic focus of its business and community activity.



The implementation model for the implementation of responsible procurement, sustainability management, and corporate responsibility in the bank's supply chain is applied on three levels, as described in the diagram:



1. Threshold level

This level is mandatory and is applied to all suppliers of the bank. The level refers to bank's expectations and requirements for suppliers' conduct, in accordance with basic rules, including rules regarding interaction with the bank's procurement unit, adherence to the values of integrity and transparency, continuous compliance with legislation and regulation, strictly maintained appropriate business conduct, prevention of corruption and bribery, preservation of confidentiality and information security, fair employment and equal opportunities, prevention of discrimination and harassment, and social and environmental responsibility (an example of a document of Suppliers' code of conduct of Bank Hapoalim is attached to this policy).

2. Screening level

This level is mandatory and is applied to relevant suppliers, according to the category of the acquired product/service. Examples include requirements and expectations of the bank aimed at ensuring appropriate terms of employment, benefits, and fair wages; avoidance of harmful employee turnover; and ensuring safety and hygiene with manpower contractors who provide cafeteria, cleaning, and security services. Environmental criteria, such as prevention of pollution and reduction of environmental risks, green procurement and green construction, recycling, waste treatment, and more, apply to suppliers in the areas of construction, maintenance, office supplies, furniture, and others.



3. Empowerment level

This level is designed to enrich the range of suppliers who independently apply corporate responsibility, small businesses, businesses located in peripheral regions, social businesses, etc. This done through expanding the pool of these suppliers and encouraging agreements (according to limits) with small suppliers, suppliers located in National Priority areas (geographical and social peripheries), and relevant social businesses. In addition, in significant contractual engagements, the bank adds advanced corporate responsibility considerations to quality and cost considerations when choosing a bidder.

5. Policy Implementation

The responsible procurement policy is embedded in the bank's procurement process. This is reflected throughout the routine operations involved in procuring – establishing demand and specifications, issuing requests for proposals and/or using an existing pool of suppliers, screening and evaluating bids, and integrating responsible procurement requirements into contracts.

The policy is implemented with reference to objectives in this area, and execution is monitored periodically. Practical implementation is performed in cooperation with relevant professional functions, including legal advising and the head of CSR at the bank.

Guidelines for policy implementation:

- Before selection, suppliers shall be evaluated in terms of the business and regulatory aspects of their functioning. This evaluation shall address the characteristics of the product/service supplied to the bank. Beyond the price proposal, it shall also be based on criteria such as professional expertise, quality, financial robustness, credibility, and assimilation of corporate responsibility and sustainability values.
- Supplier selection shall be fair, honest, and unbiased, and in alignment with the procurement procedures, as updated from time to time.
- Long-term contractual engagements with suppliers shall be founded on a mutual understanding of needs, and on a process of building capabilities and empowerment, in accordance with the vision of the bank and of corporate procurement unit.
- The management of procurement and of supplier interactions shall be aided by measurable, validated, verified information, in order to base the relationship with the supplier on a professional, objective point of view.
- Supplier interactions shall be managed based on an approach of dialogue aimed at discovering and understanding mutual needs, coordinating expectations, and creating shared value for the bank and its suppliers.



6. Bank Hapoalim Suppliers' code of Conduct

Bank Hapoalim accords great importance to the development of long-term relationships with its suppliers, for the creation of shared values for both parties. Towards that end, several basic rules and ethical principles have been established to guide suppliers' interactions with the bank. **Suppliers are asked to follow these rules; along with quality, service, and business considerations, the rules are a threshold condition for agreements with the bank:**

- **Contractual engagement** – Corporate procurement unit is the sole party within the bank authorized to manage supplier relationships, including negotiations, agreements on the terms of the engagement, issuance of work orders, etc. Suppliers shall fulfill an order only after receiving a proper, official work order from the logistical or technological procurement centers of the bank. Transfer of the execution of the work/service to a third party requires appropriate approval.
- **Integrity/transparency** – Suppliers must uphold these values. Suppliers shall provide full, clear information to the bank, with due disclosure and maximum transparency with regard to all matters relevant to their activity with the bank. Coordination of prices and terms with competing suppliers during the request for proposal stage is prohibited.
- **Professionalism and excellence** – Suppliers must ensure that they have all of the permits, authorizations, certifications, and licenses necessary according to law in order to provide the service. Suppliers are required to demonstrate proficiency and mastery of the matters within the scope of your responsibility, for optimal performance of the tasks at a high level of quality, with the appropriate professional caution, and with full responsibility for the required product/service.
- **Compliance with regulation** – Suppliers must be thoroughly familiar and compliant with all regulatory requirements relevant to their activity, and act immediately to eliminate any gaps in this area. Furthermore, Suppliers must report any legal proceedings underway against them in connection with failure to comply with regulation.
- **Combating corruption and bribery** – Suppliers must declare that they reject corruption, including all aspects thereof, and that they forbid their employees and/or anyone acting on their behalf to give or receive bribes or illegal gratuities. Suppliers are prohibited from offering gifts and gratuities, directly or indirectly, to employees of the bank who have working relationships with them. Furthermore, Suppliers may not offer anything that might influence or impair the judgment of a bank employee, or place the employee under an obligation.
- **Information security and confidentiality** – Suppliers must avoid the use of information to which they are exposed within the contractual engagement for any purpose unrelated to the delivery of the service or product to the bank. In any event, suppliers must adhere to the rules regarding information security, privacy, and confidentiality of the data to which they are exposed during their work with the bank.



- **Fair employment** – Suppliers are required to respect all of the rights of their employees and to conduct themselves respectfully and responsibly towards them, as reflected, among other matters, in fair wages, including the full direct and indirect payments to which the workers are entitled; refraining from depriving workers of rest periods; ensuring safe work conditions; and more.
- **Equal opportunities and prevention of discrimination and harassment** – Suppliers must grant equal opportunities to all of their employees, based on substantive considerations, without discrimination based on religion, race, sex, age, etc., while promoting a work environment free of any kind of harassment.
- **Social and environmental responsibility** – Suppliers must minimize the negative impact of their activity on the environment and promote environment-friendly solutions, including conservation and efficient consumption of resources, prevention of pollution, recycling, and proper treatment of waste generated by their operations. Further, suppliers should respect the community within which they operate, and refrain from harming it in their activity.

For explanation or clarification of the foregoing content, please contact corporate procurement unit at the bank. We welcome all of Bank's suppliers to share any issue they feel is significant in our relationship. This document is not intended to replace any condition in a contract with the supplier; in any case of discrepancy and/or differences in versions between this document and the contract with the supplier, the contract with the supplier shall prevail.

