



# Responsible Procurement Statement

The Leumi Group recognizes the importance of managing a fair, ethical and professional chain of supply, and has accordingly drafted in 2013 a supplier charter based on “Leumi Way”. The charter outlines the Group’s conduct towards its suppliers in a transparent manner with attention to conflicts of interest and environmental protection. The Leumi Group makes every effort to avoid discrimination among suppliers, along with maintaining the best interests of the Group, ensuring confidentiality of the information provided by the suppliers and making objective and impartial decisions

Approximately half of total procurement at Leumi is divided into technology procurement (hardware, software, product maintenance, consultants and communications) and approximately half of the general procurement (office equipment, security and safety, printing and mail, marketing & advertising, transportation, construction, cleaning and maintenance).<sup>1</sup>

Leumi’s Procurement Subdivision is responsible for identifying suitable suppliers, conducting negotiations, entering into contracts and managing the ongoing relations with them.

## Promoting Responsible Conduct with Suppliers

**Supplier selection:** in substantial transactions, the Bank enables the submission of questions and provision of answers to all suppliers participating in the procurement process quickly and uniformly. In addition, the phase of selecting the winning supplier is conducted while maintaining separation between aspects of quality and cost, with emphasis on fairness.

**Coordinating expectations:** Before bidding for construction projects, the Procurement Subdivision initiates a preliminary tour for subcontractors, with the aim of enabling potential suppliers to coordinate expectations, understand the nature of the project and in order to maintain transparency and equality.

**Regular conduct:** the Procurement Subdivision maintains a regular dialogue with most suppliers through a secure portal enabling the transfer of contractual documents and payable invoices quickly and transparently. The Bank’s payment policy to suppliers is “end of the month + 30” unless other terms of payment were specified in the order.<sup>2</sup> In addition, in order to make it easier for its suppliers to conduct their business, subject to a special request and according to the authorities table, payment may be made earlier by the Leumi Group in case a supplier is experiencing cash flow issues.

**Dialogue with suppliers:** Procurement Subdivision personnel meet with representatives of the main

---

1. The vast majority of the procurement in Leumi is performed by the Procurement Subdivision at the Finance Division, which is responsible for the procurement procedures and execution of large transactions (hereinafter – general procurement). In addition, direct purchases are made by the headquarters units and branches. The information in this chapter refers to the general procurement only, unless noted otherwise.

2. The data refer to payments made by the central payment unit. There may be differences in payments made by other units.

suppliers in order to establish a regular dialogue with the suppliers regarding the Leumi Group's satisfaction with their joint work. Every three years, the Procurement Subdivision conducts a supplier survey to assess suppliers' perceptions of their interfaces with the Procurement Subdivision, with emphasis on applying the values of the Supplier Charter and for continuous improvement purposes.

## Promoting a responsible supply chain

The growing awareness of the responsibility involved in managing a responsible supply chain with positive impacts on the environment and the community in which the Leumi Group operates is reflected in the effective process of selection of suppliers and products. Suppliers are required to declare that they are not involved in taking and/or accepting bribes, and, depending on the nature of their business - that they are committed to human rights and uphold environmental and climate change standards (air pollution, water pollution, soil contamination, noise, odor, ionized and non-ionized radiation, waste, hazardous substances, business permits, causing nuisances, harm to public health and the environment), tort liability, as well as work safety and hygiene liability. In addition, as of 2017, suppliers participating in procurement procedures with quality criteria are asked to answer a corporate responsibility questionnaire.

## Suppliers conduct evaluation

Supplier CSR evaluation includes three main topics:

- **Suppliers employment conduct:** The Leumi Group requires its suppliers, while signing their engagement contracts, to declare that they uphold the provisions of the labor laws applicable to the employment of their employees. Companies providing security, cleaning, and catering services are also required to comply with the provisions of the Law for the Enhanced Enforcement of Labor Laws, in addition to the provisions of the general laws. With respect to these companies, The Leumi Group performs periodic sample inspections by qualified auditors in order to verify that they comply with labor laws applicable to these areas, according to law. The results of said inspections are reviewed by the Bank's relevant professional units verifying the correction of any deficiencies which detected. If the deficiencies are not corrected to their satisfaction, the termination of the engagement with said companies is considered. In addition, said companies are required to issue to the Bank collateral to secure their compliance with the terms and conditions of their contract. These collateral are saved and used, inter alia, to guarantee payment to employees according to law and the protection of their rights.

In addition, according to law, if a complaint is received by the Bank from a contractor's employee in the area of catering, security or cleaning regarding violation of employment conditions, the Bank's Ombudsman follows up on the manner in which the complaint is handled by the contractor. In addition, Leumi updates, from time to time, its contracts with the companies in these areas and ascertains that the terms and conditions of these contracts are in compliance with the changing requirements of the law.

- **The supplier's conduct on environmental issues:** Depending on the nature of the supplier's activity, the Group examines, inter alia, aspects relating to air pollution, waste in production processes and use of environmental-friendly materials. The Real Estate Subdivision carries out inspections and audits on construction, cleaning and maintenance companies whose activities may have adverse impact on the environment. Among other things, materials used by the suppliers are tested and, if

necessary, the suppliers are asked to present relevant certificates, such as: Material Safety Data Sheets (MSDSs), landfill permits, standard certification, etc.

- **Proper business and ethical conduct by suppliers:** when collecting information about suppliers and according to the nature of their activity, red flags are checked, including suppliers' prior convictions, if any. As part of their contract terms and conditions with the Bank, suppliers undertake that they are not involved, and shall not be involved, in giving or receiving bribes either in Israel or abroad, and that no criminal proceedings were or are pending against them due to violation of laws related to giving and/or receiving bribes. Suppliers are required to report to the Bank, immediately, of any change in the above.

## Promoting diverse procurement

As part of Bank Leumi's business-social approach, Leumi encourages the activity of Israeli start-ups, and promotes technological purchases from these companies. Furthermore, Leumi promotes social and environmental agendas, and carries out procurement from a diversified pool of suppliers, such as: social businesses, small and medium suppliers, businesses which employ people from underemployed populations, businesses with superior environmental performance, etc.

In this framework, Leumi initiates actions aimed at expanding the Group's positive impact through procurement:

- **Establishing criteria for environmental-friendly procurement:** to reduce negative environmental impact as a result of the Bank's activity, recommended environmental criteria are applied to procurement procedures of construction, maintenance, and electronic products such as lighting and refrigerators. The list mentions cleaning detergents, product packaging, biodegradation rate of the materials, use of recycled or easily recyclable materials, modularity and convenience of reuse, use of hazardous materials, energy and water resource conservation, and more. In addition, as part of the Bank's specifications for workstation procurement, the Bank requests from the manufacturer information about the product's power consumption of the product. This figure is taken into account in the product evaluation process. Moreover, as part of the procurement processes in respect of its leased vehicles the Bank acts to expand the use of hybrid vehicles.
- **Cooperation with Maala:** Leumi asks suppliers to fill out Maala's questionnaire for medium-sized businesses, in order to check their compliance with corporate responsibility norms and to promote this issue among the suppliers.
- **Diverse supplier pool:** The Bank supports initiatives to promote diverse and social suppliers, to enable multiple organizations to increase the scope of procurement from social businesses, NGOs, and businesses which employ people from underemployed populations, as well as small businesses.

Information on the actions performed by Leumi in this context can be found in the Report and on the Corporate Social Responsibility website at:

[https://www.leumi.co.il/Lobby/corporate\\_responsibility/35988/](https://www.leumi.co.il/Lobby/corporate_responsibility/35988/).