

# Procurement and Outsourcing Business Standard

Executive summary

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The objective of this standard is to ensure that minimum control objectives and controls for Supplier related activities are followed by all Aviva businesses, to ensure that supply risk is managed in relation to potential customer outcomes, financial, operational, contractual, and brand damage caused by inadequate management. Any failure to establish adequate controls leaves the group and approved persons exposed to regulatory action.

The standard applies to all staff involved in Supplier related activities. The standard provides direction to staff on their roles and responsibilities in effectively managing Supplier activity.

All staff have a responsibility to comply with this standard if they are involved with Supplier related activity.

Aviva's Board Risk Committee approves the control objectives and controls in the standard.

## **Supply Governance**

Supply Governance groups within each of the businesses oversee operational performance for sourcing and supply management activities. Compliance and quality controls must exist to provide insight to supply governance groups.

Local Board or Board Committees regularly review reports on the performance of our most critical or important suppliers

## **Sourcing**

Staff must engage procurement before spend is committed.

Businesses must establish an outsourcing strategy based on its scale & complexity to describe its appetite for outsourcing.

Outsourcing must not negatively impact governance, increase risk, impede regulators in the performance of their duties or negatively impact customer outcomes.

Risk assessments determine the sourcing rigour based on the scale, complexity and risks a particular supply poses.

- Business requirements are documented, including specific Corporate Responsibility considerations;
- Business stakeholders are identified & engaged;
- The selection process is agreed and documented;
- Competitive tendering (including e-auction) is applied where it is deemed likely to deliver better value;
- Appropriate due diligence is carried out;
- Selection outcomes are agreed.

## **Supplier contracting and approvals**

Businesses must engage local or group legal to ensure:

- Appropriate standard or negotiated contract terms and conditions are applied; and

- Contracts are financially and commercially approved (following delegated authority guidance) before supplier activity commences. Local Board or Board Committees must approve the contract terms of any critical or important supply.

### **Supply Management and Business Continuity**

Businesses remain accountable for those products or services outsourced.

Risk assessments determine if a contract needs to be actively managed.

Actively managed contracts must apply minimum levels of rigour, adopting a risk based approach, to identify and/or minimise potential:

- Supplier financial failure;
- Commercial over exposure;
- Aviva franchise damage (includes Corporate Responsibility activity);
- Business continuity or disaster recovery failure;
- Supplier and sub-supplier non-performance;
- Customer impact;
- Value leakage or benefit non delivery; and
- Disruption of service or supply on exit.

Critical or important outsourcing will attract the highest level of rigour, including regulatory notification, performance and relationship reviews, regulatory compliance review, risk and control assessments etc.

### **Law & Regulation**

Businesses must ensure they remain compliant with applicable law & regulation.