

## Sustainable Procurement Guideline

LESER is aware of its responsibility for corporate decisions and actions towards its own company, interested parties such as customers, shareholders, and employees as well as suppliers, the environment, and society.

In order to serve LESER's long-term interests, LESER is committed to respect human rights and protect the environment and contributes to sustainable development with all its business practices. For this purpose, LESER takes responsibility for the effects of its decisions and actions in economic, ecological, and social terms. These principles have been embedded into the **LESER Code of Conduct** (LGS X0016) to ensure guidance and commitment.

Guiding LESER's sustainable development are aspects within

- **Integrity and Compliance**, such as compliance with law, free and fair competition, rejection of corruption and bribery, combating fraud and information protection,
- **Health, Safety and Working Conditions**, such as occupational health, wages, working hours, training and professional education,
- Respect for **Human Rights**, such as prohibition of child labor and forced labor, freedom of organization and the right to collective bargaining, mutual appreciation, non-discrimination, and equal opportunities,
- **Environmental and Climate Protection**, such as resource conservation as well as the reduction of CO2 emissions, in order to recognize and contribute to the goals of the 2015 UN Paris Agreement.

### LESER's approach for sustainability in procurement

LESER applies the same principles to its supply base and attaches great importance to the fact that its suppliers act in an environmentally conscious manner and constantly work to operate more sustainable. Therefore, suppliers are expected to develop, implement and maintain appropriate written guidelines, procedures and controls, and maintain complete and accurate records, and perform periodic evaluations of their operations to ensure compliance with this guideline and applicable laws.

To assess the suppliers' adherence to said desire, LESER follows a risk-based and integrated approach based on the '**three lines of defense**' model. An annual **Supplier Risk Assessment** aims to identify of high-risk suppliers and raise awareness about supply risk. This defines the scope that needs to be investigated in more detail, thus providing a reliable foundation for early improvement activities. On top, LESER builds with frequent **Performance Evaluations** throughout the entire business relationship with main suppliers. Any trends and irregularities especially in timely supply, item quality and sustainability aspects that might disrupt LESER's supply chain will be considered. Event-based disruptions outside of the suppliers' scope of responsibility are then covered by systematic **Risk Monitoring** of the main suppliers on a global basis to ensure independent and swift notification for LESER to decide if any action is required.

Beyond this dedicated risk management approach, ESG criteria (Environmental, Social and Governance) is integrated into procurement contracts, supplier selection and development

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processes. This includes especially equal rights, non-discrimination, and equal opportunities. Any decisions must not be made because of ethnic origin, age, religious affiliation, ideology, sexual identity and orientation or other personal characteristics.

LESER's procurement decisions are expanded to promote positive outcomes on LESER's sustainable procurement principles. Opposing findings result, depending on severity, in supplier development activities, temporary hold of new business or termination of the business relationship.

### **LESER's sustainable procurement practices and requirements**

To ensure the suppliers' adherence to LESER's principles, LESER defined a **Supplier Code of Conduct** (LGS X0027), which has become a part of LESER's standard procurement contracts. Existing and new suppliers will be approached and requested to sign and act upon this code of conduct. Equally, LESER will accept any supplier's own code of conduct if the content proves comprehensive and along with LESER's principles.

LESER's **Supplier Sustainability Questionnaire** (LGF 5103) feeds into above mentioned risk management approach. This self-assessment covers matters within integrity and compliance, occupational health and safety, human rights and environmental management.

To encourage the suppliers to continuously improve their own standards, procedures and controls, compliance is assessed in frequent supplier evaluations and therefore any supplier performance review. Aspects of the self-assessment may also be validated during such reviews or any in person meeting with the supplier.

LESER welcomes third party certification or evaluation covering sustainability aspects such as

- ISO 14001 - Environmental Management,
- ISO 45001 - Occupational Health and Safety Management,
- ISO 50001 - Energy Management.

Any further commitment by the suppliers with regards to sustainability for example through natural resource conservation, voluntary participation in sustainability initiatives and programs or added commitment towards the society is also appreciated.

### **LESER's goals for sustainable procurement**

Sustainable procurement targets contribute to profitable and sustainable growth and to LESER's long-term goal of being carbon neutral in scope 1 and 2 emissions by 2035 and in scope 3 emissions by 2050. As scope 3 emissions contribute significantly to the entirety of LESER's corporate carbon footprint, sustainable procurement will start to improve and consider scope 3 emissions in any sourcing decision.

For LESER, the most significant share of supply base consists of suppliers contributing at least 80 percent of the LESER third party purchasing spend or/and identified single and sole source or/and high risk suppliers based on above mentioned Supplier Risk Assessment. The adoption rate of LESER's principles for this focus group should surpass 90% of LESER's global supply base by the end of 2028.

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Near-term, for LESER’s fiscal year 2024/2025 the efforts in sustainable procurement include covering at least 80% of the global third party spend that is managed by the procurement function within Global Materials Management with an annual Supplier Risk Assessment.

To expand coverage of contractual agreement to LESER’s principles, LESER targets at least 9% of the global supplier base to sign a dedicated Supplier Code of Conduct or comprehensive accepted code from the supplier and thereby covering at least 70% of the global spend with an agreement. In addition, these suppliers should engage in a self-assessment on the topic of sustainable business by submitting LESER’s Supplier Sustainability Questionnaire.

**LESER’s view on revision of this guideline**

The significance of sustainability in business for LESER is likely to grow beyond current standards. To account for the topic’s progression, upcoming regulations, guidelines and laws and LESER’s very own progress and requirements for sustainability in procurement, this sustainable procurement guideline will be revised upon demand but no later than two years after coming into effect.

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