

**We continually develop our internal capabilities and sustainability initiatives, and we report transparently on our progress.**

**Responsibility**



# Responsibility

We believe that sustainable and ethical practices create long-term value for all key stakeholders in society, assure longevity of businesses, lead to smart solutions, and inspire us and others to do better. Our success stems from operating and evolving within a clear value system, following best practice principles and standards, together with the close monitoring of Environmental, Social and Governance (ESG) Key Performance Indicators (KPIs).

### LEM Code of Conduct

The LEM Code of Conduct (CoC) is the cornerstone of our company’s responsibility to society. It reflects the United Nations Global Compact (UNGC) principles, global environmental standards, and our core corporate values. It is a binding document for employees and business partners, such as suppliers. Every LEM employee receives and signs it.

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### United Nations Global Compact

Since 2006 we adhere to the Ten Principles of the UNGC, which are driving global action to achieve the 17 Sustainable Development Goals (SDGs) by 2030. These principles, which relate to human rights, labor, environment, and anticorruption, are embedded in every aspect of LEM, from our strategy to our actions. As we do every year, we provided an update to the United Nations through our Communication on Progress (CoP), available on the LEM and UNGC websites.

In 2023, LEM is pleased to take part in the “SDG Innovation Accelerator for Young Professionals”, an initiative helping participating UNGC companies learn how to use the 17 SDGs in designing more sustainable business models and products. As part of this nine-month program, four LEM employees are working as a team, on a voluntary basis, to come up with creative solutions for several sustainable development challenges that our company is facing.

Out of the 17 Sustainable Development Goals (SDGs) from the 2030 Agenda for Sustainable Development, we have identified four SDGs on which we are focusing through concrete initiatives and projects: Affordable and Clean Energy (Goal 7); Industry, Innovation and Infrastructure (Goal 9); Responsible Consumption and Production (Goal 12); and Climate Action (Goal 13).

### Environmental standards

The trends to sustainable energy sources and electromobility are two of LEM’s key growth drivers. Our accurate sensing solutions give our customers a competitive edge in energy management solutions. For example, LEM sensors’ high accuracy directly impacts the battery pack size of a battery electric or plug-in hybrid vehicle, reducing car weight and energy consumption. Our products are also found in other green energy applications such as solar panels and wind turbines.

All our main production sites are ISO 14001:2015 certified, an environmental certification which we renew regularly. Our production activities are compliant with the European Regulation for Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the Restriction of Hazardous Substances (RoHS). We regularly publish updates to its standards and reporting on our website. All LEM manufacturing sites apply waste sorting and treatment solutions. For each new product, we develop an environmental profile before launch, which includes recyclability rate and material saving compared to previous or equivalent models.

### Assessments by third-party organizations

We attach great importance to external assessments of our Corporate Social Responsibility (CSR) performance. For the second year in a row, we chose to be assessed by EcoVadis, which provides us guidelines to grow and evolve by highlighting our strengths but also targeting specific areas for improvement.

### EcoVadis

EcoVadis assesses how well a company has integrated the principles of sustainability and CSR into its business and management system. EcoVadis attributed us an overall score on our sustainability achievements based on an extensive questionnaire that was completed by our teams in the fields of Quality & Environment, Corporate Risk, Legal, Purchasing, Supply Chain, and Human Resources. Our employees had to provide factual evidence when answering the EcoVadis questionnaire, which was then reviewed to attribute an objective assessment of our sustainability performance. For 2022/23, our efforts in the field of environment have been particularly underlined and our score regarding sustainable procurement improved. Our scores in the fields of labor & human rights and ethics went slightly down partly due to a lack of detail in our labor, human rights, and ethics policies, which we are currently updating.

### ESG metrics

We recognize the importance of keeping score of our ESG performance. Our ambition is to continually develop our internal capabilities and sustainability initiatives, and to report transparently on our progress. Last year, we took the decision to align our ESG reporting to the globally recognized and standardized NASDAQ ESG Reporting Guide 2.0. to report on selected and meaningful ESG KPIs. In line with new regulations on non-financial reporting in force in Switzerland since 1 January 2022, we will produce a separate sustainability report starting next year. Moreover, to reinforce LEM’s commitment towards the three dimensions of ESG, our Executive Committee has decided to directly oversee climate-related risks from 1 April 2023 onwards.

### Environmental

We measure our environmental footprint with several KPIs: the emissions of greenhouse gas (GhG), in CO<sub>2</sub> equivalents, across all three Scopes (1, 2, and 3), the total GhG emissions per output scaling factor<sup>1</sup>, the total direct energy usage per output scaling factor<sup>2</sup>, continuous compliance with ISO 14001, and the direct involvement of our senior management team in climate-related matters.

As part of the CO<sub>2</sub> strategy in place at LEM since last year, we recalculated our CO<sub>2</sub> emissions in 2022. In 2022, we emitted 39 tons of CO<sub>2</sub> in Scope 1, 4’066 tons in Scope 2 and 100’454 tons in Scope 3. This means that, compared to last year, we reduced our CO<sub>2</sub> footprint by 37 tons in Scope 1 and 2 and increased it by 6’496 tons in Scope 3. The total net increase is 6’459 tons of CO<sub>2</sub> compared to 2021.<sup>3</sup>

1 The total direct energy usage per output scaling factor (E4.1) is calculated by dividing the annual energy consumption by the number of FTEs

2 The total GhG emissions per output scaling factor (E2.1) is calculated by dividing the annual emissions by the revenue

3 Inaccurate figures were communicated with regards to our CO<sub>2</sub> footprint last year. Figures put forward were 245 tons in Scope 1, 4’042 tons in Scope 2 and 163’610 tons in Scope 3. After careful analysis, we can affirm that the effective footprint of LEM in 2021 was 43 tons in Scope 1, 4’099 tons in Scope 2 and 93’958 tons in Scope 3

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The decrease in Scope 1 can be explained by the renewal of our car fleet in China from conventional to battery electric vehicles, while the decrease in Scope 2 can be explained by our site in Bulgaria switching to the purchase of green energy. These reductions are in line with our ambition to be CO<sub>2</sub> neutral (net zero) in Scope 1 and 2 by 2025. To make this a reality, we have a clear plan in which transitioning to fully green energy for our own electricity consumption plays a crucial part. The increase compared to last year for Scope 3 can partly be explained by a sharp rise of CO<sub>2</sub> emissions due to the ongoing conflict in Ukraine and its geopolitical consequences. Avoiding Ukrainian and Russian airspace, air-freight flight routes between China and Europe are longer. On top of that, Scope 3 emissions increased due to a rise in purchased components to meet the growing demand from our customers. Scope 3 still represents by far the biggest source of our emissions, with around 96 % of the total. We are confident that by closely cooperating with all partners along our supply chains, as well as making use of train and sea freight for outbound transportation, we can become net zero by 2040.

In 2022, the total of GhG emissions per output scaling factor went slightly down from 262.7 to 259.8 gCO<sub>2</sub>/CHF. This can be explained by a turnover increase that was greater than the CO<sub>2</sub> emissions increase. Regarding total direct energy usage per output scaling factor, we have seen a significant improvement since last year, declining from 5'599 kWh/FTE in 2021 to 4'471 kWh/FTE in 2022, which underlines efficiency gains by energy savings at our new sustainable headquarters in Meyrin, Geneva, and replacement of energy-intensive machines at our site in Sofia, Bulgaria.

Our four main production sites adhere to the ISO 14001 standard, and we ensure that all new suppliers of direct materials also have a valid certification.

Social

It is our duty to make sure that all our activities respect human rights. Additionally, we strive to foster a culture that encourages professional development, equal and fair treatment, and that nourishes and empowers every individual. We want to be a company where our employees can feel safe to be creative, innovative, and thrive with their personal talents.

We make sure that our employees are not subject to discrimination based on characteristics other than inherent factors required for the job. The total enterprise headcount shows that there are more women than men working for LEM globally, and that this trend slightly increased between 2021 and 2022. Our CoC – which also covers suppliers and vendors – stipulates strict policies protecting human rights, condemning sexual harassment, discrimination, and child and forced labor.

Governance

We place ethics at the heart of our corporate practices. As such, we want our employees to act based on our CoC to make sure that our values are well understood across all sites, cultures, and positions. Employees sign the CoC upon arrival, and we require them to take an online training. In 2022, 99.8 % of our employees worldwide have signed the CoC.

ESG Key Performance Indicators \*

Environmental (E)			2018	2019	2020	2021	2022
E1.1	GhG emissions	Total amount (in tons) in CO <sub>2</sub> equivalents for Scope 1	N/A	N/A	N/A	43	39
E1.2	GhG emissions	Total amount (in tons) in CO <sub>2</sub> equivalents for Scope 2	N/A	N/A	N/A	4'099	4'066
E1.3	GhG emissions	Total amount (in tons) in CO <sub>2</sub> equivalents for Scope 3	N/A	N/A	N/A	93'958	100'454
E2.1	Emissions intensity	Total GhG emissions per output scaling factor (gCO <sub>2</sub> /CHF) **	N/A	N/A	N/A	262.7	259.8
E4.1	Energy intensity	Total direct energy usage per output scaling factor (kWh/FTE) **	N/A	N/A	N/A	5'599	4'471
E7.1	Environmental operations	Does your company follow a formal environmental policy? Yes, No	Yes	Yes	Yes	Yes	Yes
E9.1	Climate oversight/management	Does your senior management team oversee and/or manage climate-related risks? Yes/No	N/A	N/A	N/A	Yes	Yes
Social (S)			2018	2019	2020	2021	2022
S4.1	Gender diversity	Percentage: Total enterprise headcount held by women	N/A	N/A	N/A	52.6%	54.0%
S6.1	Nondiscrimination	Does your company follow a sexual harassment and/or nondiscrimination policy? Yes/No	Yes	Yes	Yes	Yes	Yes
S9.1	Child and forced labor	Does your company follow a child and/or forced labor policy? Yes/No	Yes	Yes	Yes	Yes	Yes
S9.2	Child and forced labor	Does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	Yes	Yes	Yes	Yes	Yes
S10.1	Human rights	Does your company follow a human rights policy? Yes/No	Yes	Yes	Yes	Yes	Yes
S10.2	Human rights	Does your human rights policy also cover suppliers and vendors? Yes/No	Yes	Yes	Yes	Yes	Yes
Corporate governance (G)			2018	2019	2020	2021	2022
G6.1	Ethics and anticorruption	Does your company follow an ethics and/or anticorruption policy? Yes/No	Yes	Yes	Yes	Yes	Yes
G6.2	Ethics and anticorruption	If yes, what percentage of your workforce has formally certified its compliance with the policy?	96%	97%	97%	98%	99.8%

\* Aligned with NASDAQ ESG Reporting Guide 2.0  
\*\* Adjusted scaling factor