

Sustainable Procurement Policy

At L&R we are committed to developing responsible procurement practices in line with our **New Horizon 2030+** strategy where we declared sustainability as a key priority. To ensure we are a fair global buyer who drives the healthcare industry development in a sustainable way, while still meeting the requirements of our stakeholders, we rely on firm commitment and contributions of our key partners along the supply chain. Hence we are focused on a continuous dialogue and collaboration with our suppliers to improve on environmental, social and governance (ESG) as well as healthcare related issues.

Scope:

This policy applies to all direct suppliers, contractors, and service provider that supply goods or services to the company.

Principles:

This policy seeks to provide a framework, in adherence to applicable laws and regulations, showcasing the key L&R values and targets in terms of positive ESG procurement practices as well as practical guidance how to implement those to measure and secure both, supplier social and environmental performance:

1. Supplier Social Performance:

L&R is committed to ensuring that all suppliers uphold responsible business practices. Suppliers are expected to respect human rights, provide fair and safe working conditions, prohibit child and forced labor, ensure non-discrimination, uphold freedom of association, and comply with all applicable labor laws and international standards (e.g. ILO conventions).

2. Supplier Environmental Performance:

L&R is committed to minimizing environmental impacts across its supply chain. Suppliers are expected to operate in an environmentally responsible manner by complying with applicable environmental laws, preventing pollution, using resources efficiently, and continuously improving their environmental performance. Suppliers are encouraged to adopt environmental management systems and climate-related practices.

Responsibility:

1. The Executive Board is responsible for allocating necessary resources, providing strategic oversight and governance for supplier social and environmental performance.
2. The Director of Purchasing is responsible for ensuring that supplier selection, onboarding and on-going management requirement incorporation of this policy.
3. The worldwide Strategic Procurement (SP) teams are responsible for applying supplier management throughout the procurement lifecycle, covering the initial supplier evaluation, release, periodic re-evaluation, monitoring and development.

Strategic Actions:

As a large corporate group we purchase a wide range of raw materials, finished goods and services from multiple international sources.

In order to avoid hidden risks related to human rights and environmental due diligence obligations throughout our widely spread supply chain, a risk management system supported by the ESG software tool **osapiens** has been established with a defined set of country and industry risk criteria to assess in a combined supplier risk score. For identified high risk suppliers corrective actions must be taken to minimize the risk score as set forth in detail in our Policy Statement concerning the Human Rights Strategy of L&R as well as in our internal working instruction regarding Corporate Due Diligence Obligations in the Supply Chain. SP teams work constantly on reducing the number of high risk suppliers within L&R supplier pool and track their progress in relation to the total (growing) L&R spend.

To ensure our suppliers and their respective suppliers (our sub-suppliers) are aware of and committed to the same principles of ethical, safe and responsible business practices as we are, L&R has recently updated expectations and requirements in a newly published **Code of Conduct for Suppliers (CoC)**. SP teams strive to agree and sign this binding contract with all direct material suppliers of L&R. Suppliers are expected to firmly follow the CoC and communicate as well as apply these requirements to their own suppliers during the whole period of collaboration with L&R.

L&R is committed to enable our direct suppliers to enroll into globally trusted **sustainability assessment programs** (e.g. **Ecovadis**) in order to better understand current ESG performance and to improve as well as track their progress over time.

In addition, L&R SP teams must carefully track and encourage key suppliers ("A" suppliers) to undergo certification by neutral programs that evaluate them in terms of environmental and employee protection, e.g. **ISO standards 14001 and 50001**. L&R SP teams set supplier targets to reduce supply chain-related emissions and encourage "A" suppliers to implement **emission reduction programs**, e.g. Science Based Targets initiative (SBTi).

As part of our sustainable supplier development, we require suppliers to uphold **ISO 27001** standards to protect the integrity and long-term security of our shared data.

To further gain supply chain visibility and be able to address ESG risks by an internationally recognized auditing standard **SMETA** (Sedex Member Ethical Trade Audit), L&R has recently joined **Sedex**, which enabled our SP teams to order new as well as view and track existing SMETA audits and its findings through the platform. SP teams must encourage our "A" suppliers to join Sedex as well as make sure that open audit findings are closed in a proper and timely manner.

The above mentioned criteria and its further revisions will be translated into appropriate key performance indicators (KPIs) and continuously monitored by SP teams as per **Annex 1**.

ESG KPIs will be first reported mainly on "A" suppliers who represent approximately 80% of L&R total direct material annual spend. "B" and "C" suppliers will be reported on in the next phase after achieving major transparency and ESG targets as per Annex 1 with the key "A" suppliers. Nevertheless same purchasing practices and principals will apply for all L&R suppliers during supplier management by SP teams and will have a major impact on our sourcing strategy as well as on our particular sourcing decisions.

Our Sustainable Procurement Policy is reviewed and enhanced on a regular basis by the established Sustainable Procurement Committee to align with new regulatory requirements, best-practice procurement standards, and innovations in sustainable sourcing. At L&R, we are committed to integrating sustainability considerations into every stage of our procurement process, ensuring that our suppliers uphold responsible environmental, social, and ethical practices.

Yours sincerely,

The Executive Board

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