



LEM Communication on Progress

Year: 2009

STATEMENT OF CONTINUED SUPPORT

LEM joined the UN Global Compact in 2006 and committed to the 10 principles in the areas of human rights, labor, the environment and anti-corruption. We also expressed our intention to support and enact the Global Compact's principles within the sphere of our influence and inside the company and properly inform the public and our stakeholders of our commitments and progress.

This is our second Continuation of Progress Report. Being a good corporate citizen is an ambition enthusiastically embraced at all levels within our company. As a member of the Global Compact, we believe that our business policies incorporate the ten principles. Our management fully supports our actions in working towards sustainability goals – in particular those contained in the UN Global Compact – and endorses the future priorities and specific targets we set out in our report. Through our support of the United Nations Global Compact, we also aim to move the agenda forward on performance related to human rights, labor rights, the environment and the fight against bribery and corruption. Here we summarized the progress we have made against these principles and we will continue to follow them up in future.

Paul Van Iseghem

CEO & President LEM

August 19, 2009

Suzanne Hochheimer

Corporate Communications Manager

Contact: Suzanne Hochheimer

Email: suh@lem.com

Phone: +41 22 706 1257 **Fax:** +41 22 706 1445

Brief description of nature of business

LEM is a market leader in providing innovative and high quality solutions for measuring electrical parameters. Its core products – current and voltage transducers - are used in a broad range of applications in industrial, traction, energy and automotive markets. LEM's strategy is to exploit the intrinsic strengths of its core business, and develop opportunities in new markets with new applications. Together with production plants in Geneva (Switzerland), Copenhagen (Denmark), Machida (Japan), Beijing (China) and our regional sales offices, LEM offers a seamless worldwide service. LEM has been listed on the SIX Swiss Exchange since 1986. The company's ticker symbol is LEHN.

LEM is a mid size company with a global feel. We have 900 employees worldwide and reported revenues of CHF 196 MCHF in 2008/09.

PRINCIPLE 1	BUSINESS SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS
Commitment and Systems	<p>Actions taken</p> <p>Commitment to protecting human rights:</p> <p>In the past year 2008/09 we have reworked our company Values and Principles to incorporate our commitments to the UN Global Compact. As LEM has become a global company (with factories in Geneva, Switzerland, Beijing, China, Tokyo, Japan, Tver, Russia, Copenhagen, Denmark and Milwaukee, USA but also sales offices in all major markets including Europe and India) we found that the existing Values and Principles needed to be reviewed. We have benchmarked best practices and come up with a new set of 6 core company Values and the Principles – business and ethics code. The Principles cover the area of work environment, business practices, relationship with partners and public authorities, enforcement of the principles. These can be viewed at:</p> <p>http://www.lem.com/hq/en/content/view/380/800/ http://www.lem.com/hq/en/content/view/381/801/</p>
	<p>Measurement of (expected) outcomes and value added for our company</p> <p>The LEM Principles and Ethics Code is binding upon all LEM employees. Each employee has been asked to return a signed copy to HR. We have filed all signed copies in the HR department.</p> <ul style="list-style-type: none"> • The world-wide roll out of the values and principles has taken place. Presentations were done to all staff. A small size pocket guide containing the values and principles has been printed in all local languages and handed out to all employees. • A survey is currently taking place through our employee newsletter Inside LEM to measure the effectiveness of the roll out communications and see if the communication needs to be repeated. • The survey results are expected to be close to 100% effective. If not, we will repeat the roll-out program with world wide refresher presentations. <p>These principles are publicly accessible via the Internet http://www.lem.com/hq/en/content/view/380/800/ http://www.lem.com/hq/en/content/view/381/801/</p> <ul style="list-style-type: none"> • They are also published in the LEM offices world-wide by posters in all local languages. All employees are informed about the principles by the Human Resources department when joining the company. A pocket guide has been handed out to all employees

PRINCIPLE 2		BUSINESS SHOULD ENSURE THAT THEY ARE NOT COMPLICIT IN HUMAN RIGHTS ABUSES	
Commitment and Systems	Actions taken		
	Although LEM is a relatively small company that works in a limited market we make sure that we will not in any way be associated with a company that does not respect and protect human rights. This is incorporated in the LEM Corporate Values and Principles see links under Principle 1.		
Measurement	Measurement of (expected) outcomes and value added for our company		
	<p>This category is a bit difficult to measure. Here the following criteria has been set for the next year:</p> <p>Ensure non complicity in human rights abuses</p> <p>Measurement for this principle:</p> <ul style="list-style-type: none">A cross-functional Global Compact Team will be put into place by the end of the year. This team will audit the compliance of LEM world wide to this principle by questioning the HR departments and a sample of production workers world wide. A goal of zero non compliance has been set.Further the Global Compact Team will also audit our suppliers. They will each be sent a questionnaire to be filled out. Here we expect 100% return rate of our suppliers for this questionnaire and zero non compliance.		

PRINCIPLE 3		BUSINESS SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING	
Commitment and Systems	Actions taken		
	LEM is committed to adhering to all the various local legal requirements in order to provide fair and appropriately remunerated employment to all our staff. Over the last years LEM has introduced a number of policies and initiatives to ensure that all staff receives adequate pay and benefits that are fully in line with the industry standards.		
Measurement	Measurement of (expected) outcomes and value added for our company		
	<p>LEM has conducted benchmark studies in the most important countries covering 95% of total employees (Switzerland, China, Japan and Russia) to ensure that we are fully in line with the remuneration packages and comply with the industry standards.</p> <ul style="list-style-type: none">• We have measured that we are fully in line with the local average salaries for each job category when comparing similar industries.• In addition we have shared the results of these benchmark studies with our employees world wide. <p>We will repeat this audit for the next year and expect to obtain a similar outcome</p>		

PRINCIPLE 4		BUSINESS SHOULD SUPPORT THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR	
Commitment and Systems	Actions taken		
	LEM strongly supports the elimination of all forms of forced and compulsory labor and furthermore will not collaborate with any suppliers or customers that do not adhere to this.		
Measurement	Measurement of (expected) outcomes and value added for our company		
	<ul style="list-style-type: none">• A cross-functional Global Compact Team will be put into place by the end of the year. This team will audit the compliance of LEM world wide to this principle by questioning the HR departments and a sample of production workers world wide. A goal of 100% compliance will be set. Exceptions will not be tolerated.• Further the Global Compact Team will also audit our suppliers. They will each be sent a questionnaire to be filled out. Here we expect 100% return rate of our suppliers for this questionnaire and 100% compliance.		

PRINCIPLE 5		BUSINESS SHOULD SUPPORT THE EFFECTIVE ABOLITION OF CHILD LABOUR	
Commitment and Systems	Actions taken		
	<p>LEM fully supports the abolition of child labor and does not collaborate in any form with any supplier or customer that does not fully support this.</p> <p>We audit our supplies on a regular basis to ensure this.</p>		
Measurement	Measurement of (expected) outcomes and value added for our company		
	<ul style="list-style-type: none">A cross-functional Global Compact Team will be put into place by the end of the year. This team will audit the compliance of LEM world wide to this principle by questioning the HR departments and a sample of production workers world wide. A goal of 100% compliance has been set.Further the Global Compact Team will also audit our suppliers. They will each be sent a questionnaire to be filled out. Here we expect 100% return rate of our suppliers for this questionnaire and 100% compliance.		

PRINCIPLE 6	BUSINESS SHOULD SUPPORT THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION
Commitment and Systems	<p data-bbox="180 416 395 450">Actions taken</p> <p data-bbox="180 521 1501 779">LEM employs people from all over the world and is committed to being an equal opportunities employer. This is stated in our Employee Handbook and distributed to all LEM employees world wide. LEM Management strongly condemns any form of harassment – and likewise any form of discrimination – and supports all preventative measures. Harassment is illegal and therefore employees who show repeated hostility with regard to other company employees will be prosecuted for such behavior. Also see the LEM Values and Principles with the links under Principle 1</p>
	<p data-bbox="180 1189 1286 1223">Measurement of (expected) outcomes and value added for our company</p> <p data-bbox="180 1294 1453 1402">The LEM Principles and Ethics Code is binding upon all LEM employees. Each employee has been asked to return a signed copy to HR. We have filed all signed copies in the HR department.</p> <ul data-bbox="233 1429 1477 1783" style="list-style-type: none"> • The world-wide roll out of the values and principles has taken place. Presentations were done to all staff. A small size pocket guide containing the values and principles has been printed in all local languages and handed out to all employees. • A survey is currently taking place through our employee newsletter Inside LEM to measure the effectiveness of the roll out communications and see if the communication needs to be repeated. • The survey results are expected to be close to 100% effective. If not, we will repeat the roll-out program with world wide refresher presentations.

PRINCIPLE 7	BUSINESS SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES
Commitment and Systems	<p>Actions taken</p> <p>In accordance with its global quality strategy and commitment, LEM engages in an environmental policy to contribute to preserve the environment, to protect human health and to utilize natural resources in a rational way. LEM is committed to the pursuit of environmentally sound business activities. We continuously improve the performance in both production- and product-related environmental protection</p> <p>LEM has implemented the ISO 14001 standard. Since December 2003 the LEM Geneva site is ISO 14001 certified and it is qualified every year by the Swiss Association for Quality and Management Systems recognized by the international certification network IQ Net. The LEM China site has been certified in 2006 and our Japanese site in 2007.</p> <p>In addition LEMs products can provide a better regulation of electric motors and thus a reduction of energy used in our customer's applications.</p> <p>Furthermore our products are used to reduce and measure energy consumption. We are promoting the Wi-LEM wireless local energy meter. This is a product that is installed to measure the entire energy consumption of electricity, gas, temperature and humidity. This enables companies to get a very detailed knowledge of their consumption and be able to reduce it.</p>
Measurements	<p>Measurement of (expected) outcomes and value added for our company</p> <p>In addition to this we have set some own goals: Reduce our energy consumption by at least 20% for this next year</p> <p>For the measurement of this principle we have installed our own Wi-LEM (Wireless Local Energy Meter) in house. We have installed 4 meters per floor that will be able to measure the energy consumption 24/7. This will help us determine the exact amount of energy consumed at any given place and time and enable us to put a project into place to reduce our consumption.</p> <p>A local Wi-LEM team has been put into place and will analyze the results for the Geneva office and production. This will then be rolled out to all other offices.</p>

PRINCIPLE 8		BUSINESS SHOULD UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY	
Commitment and Systems	Actions taken		
	LEM fully agrees that businesses should undertake all possible initiatives to promote greater environmental responsibility. LEM sets a good example, being ISO 14001 certified for Environmental Management Systems, and also demands that our suppliers take all measures possible to seek to be a company that takes environmental responsibility serious.		
Measurement	Measurement of (expected) outcomes and value added for our company		
	LEM will commit to doing a better job of promoting greater environmental responsibility. The following action plan has been put into place for the next year: <ul style="list-style-type: none">Place at least 4 technical articles promoting environmental responsible solutions onto websiteAttend at least 2 conferences to promote responsible productionUpdate Corporate presentation to include environmentally responsible behavior of LEM and promote to other companies The results of the action plan will be measured at the end of the year. We expect to achieve 100% compliance.		

PRINCIPLE 9	BUSINESS SHOULD ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES
Commitment and Systems	<p>Actions taken</p> <p>LEM fully supports the encouragement and development of environmentally friendly technologies. We ourselves are dedicated to develop and manufacture components that can help reduce energy consumption e.g. in all types of electric motors, hybrid electric vehicles and environmentally friendly means of transport such as the train. Our products are also used in applications to generate renewable energy e.g. from wind and the sun. LEM strives to innovate so that our customers can continue to develop and advance these technologies. We are also working with universities and sponsor numerous projects in Europe, USA and Asia to advance the research and development in this field.</p>
	<p>Measurement of (expected) outcomes and value added for our company</p> <p>LEM will continue to develop and manufacture innovative products that will help our customers to delivery environmentally friendly applications. Furthermore LEM will continue to enforce environmentally friendly technologies. We are also working with universities and sponsor numerous projects in Europe, USA and Asia to advance the research and development in this field.</p> <ul style="list-style-type: none"> • LEM will commit to sponsoring at least 2 university programs that are developing environmentally friendly technologies • LEM will write at least 2 feature articles on this topic and ensure the publication in relevant magazines <p>The measurement will be the successful implementation of the above action plan at the end of the one year period. We expect 100% compliance.</p>

PRINCIPLE 10		BUSINESS SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY	
Commitment and Systems	Actions taken		
	LEM firmly believes that all businesses should work against all forms of corruption. We have strong internal policies that are part of our company Values and Principles – the Ethics code. These are communicated to all our staff world wide in our Employee Handbooks, the company Values and Principles. This handbook has been revised and updated to reflect the nature of our global business and contains expectations for professional and ethical behavior. All employees were asked to return a signed copy of the LEM Values and Principles to HR to ensure that they understand and comply.		
Measurement	Measurement of (expected) outcomes and value added for our company		
	Measurement for this principle: <ul style="list-style-type: none">• A cross-functional Global Compact Team will be put into place by the end of the year. This team will audit the compliance of LEM world wide to this principle by questioning the purchasing, sales and HR departments and a sample of employees world wide. A goal of 100% compliance has been set.• Further the Global Compact Team will also audit our suppliers. They will each be sent a questionnaire to be filled out. Here we expect 100% return rate of our suppliers for this questionnaire and 100% compliance.		

How do you intend to make this COP available to your stakeholders?	
<p>This COP report will be posted on our Corporate Website and we will write about it in our annual report.</p>	