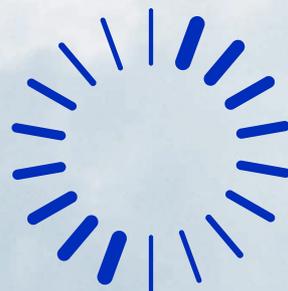


The logo consists of the letters 'L', 'E', and 'M' in a bold, blue, sans-serif font. The letter 'E' is stylized with three horizontal bars of varying lengths, creating a sense of motion or energy.

Life Energy Motion

UN Global Compact

Communication
on Progress
2022



life

For the past year, LEM has proven to be especially vital. The pandemic and disrupted supply chains impacted us all, but our teams adapted valiantly with creativity and new digital forms of collaboration. The record annual results reflect this exceptional commitment from everybody, and we are proud to celebrate our 50th year as a company. At special events throughout 2022, we have taken time out to connect across cultures, locations, and disciplines, and to celebrate LEM moments together, using this opportunity to learn from our history and go forward with renewed conviction.

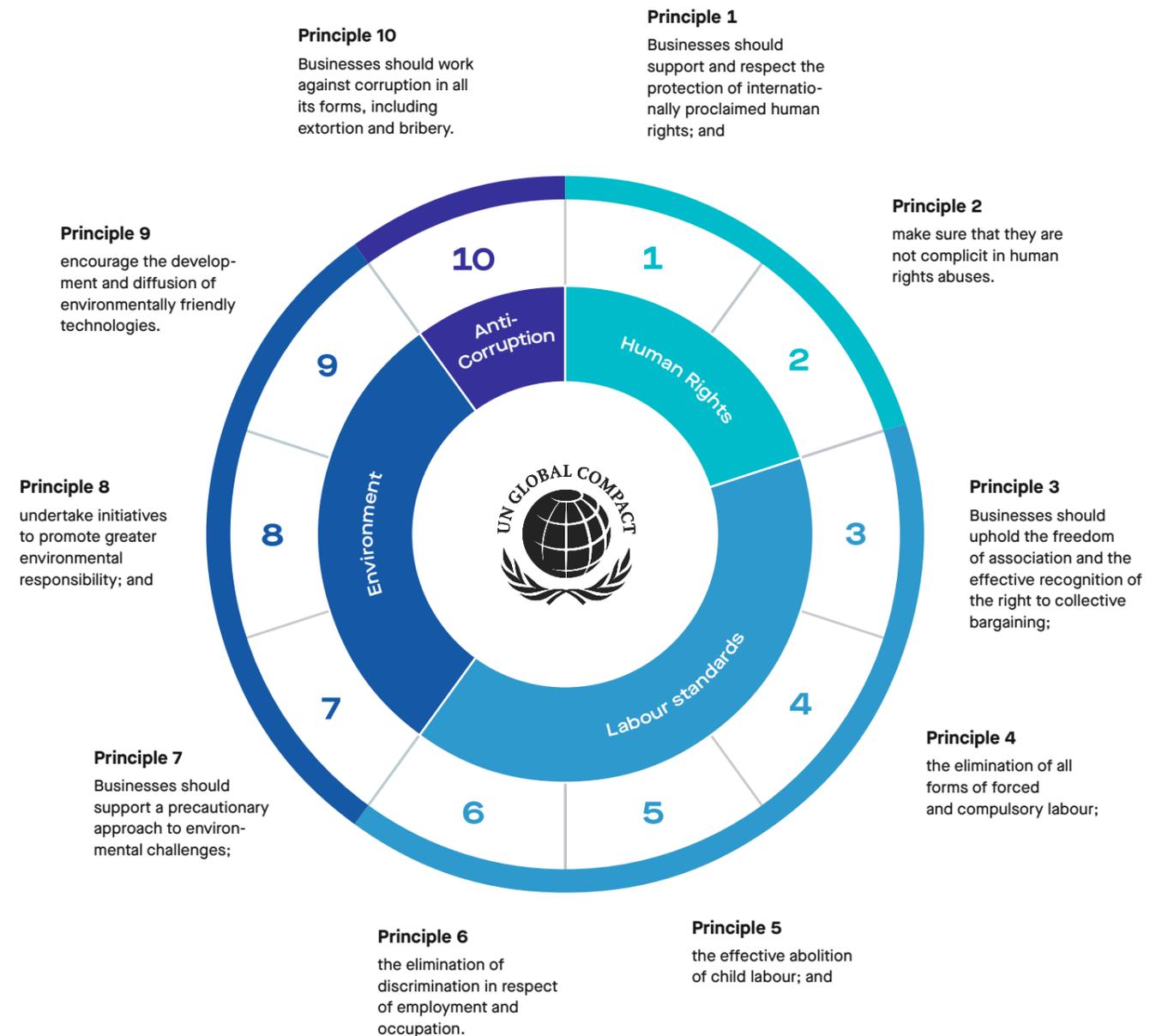
energy

Energy abounds in a company that is 50 years young. This dynamism enables LEM to continually recognize trends and opportunities and to design new and leading products to meet market demands. Our anniversary is the perfect occasion to celebrate LEM's ingenuity – our particularly clever way of thinking and engineering the best solutions for our customers' systems.

motion

LEM sells literally millions of electrical sensors. What will the next half century bring? Progress set into motion by megatrends, such as efficient renewable energy, mobility, and automation. Success driven by our mindset of continuous learning and improvement. A future inspired by a common purpose of helping our customers and society accelerate the transition to a more sustainable and affordable future.

The Ten Principles of the UN Global Compact



Letter from the CEO

For 2023, we are pleased to reconfirm that LEM fully supports the Ten Principles of the United Nations Global Compact.

Sustainable development and environmental responsibility – as covered by UN Global Compact principles 7, 8, and 9 – are at the heart of our activity. At LEM, we strive to develop products that are key to reducing both energy consumption and CO₂ emissions. With our 1,600 employees across 15 countries, we work at the forefront of megatrends such as renewable energy, mobility, automation, and digitalization. We foster sustainable energy sources and responsible consumption. Together, we develop innovative solutions to help our customers and society accelerate the transition towards a more sustainable and affordable future.

In 2022, we have initiated a wide-ranging review of how LEM may reduce its own carbon footprint, identifying a range of measures to become CO₂ neutral in scope 1 and scope 2 emissions by 2025 and to be CO₂ neutral in all 3 scopes by 2040. This key sustainability initiative is of strategic importance for our customers, employees, investors and other stakeholders. More details can be found on pages 12 – 13 of this report.

Alongside this important project, we continue to integrate sustainability in all our business segments.

As an example, our electric sensors are used in solar applications, wind turbines, trains, electric and hybrid vehicles. Our other applications help to control and reduce the amount of electric energy used. Moreover, we do our best to source locally and responsibly the various materials that are required in the production of our sensors while further avoiding unnecessary emissions by moving LEM's factories closer to our final markets. In June 2022, we formally launched the construction of a new production site in Malaysia, which will be operational in Q1 2024. This facility will focus on manufacturing and testing our new current sensors and help satisfy growing customer demand in Southeast Asia. A strong emphasis will be put on local sourcing of all the materials utilized in this new plant.

We are also pleased to report that our broader environmental, social and governance (ESG) reporting efforts have been enhanced in 2022, as shown by the new set of Key Performance Indicators (KPIs) compliant with the globally recognized and standardized NASDAQ ESG Reporting Guide 2.0. Our new ESG KPIs table, which can be found on page 11 of this report, was published for the first time in our Annual Review in May 2022.

With regards to principles 1 to 5 and 10, LEM confirms that it adheres to best practice in all these areas, as enshrined in our Code of Conduct. LEM makes the elimination of all forms of forced and compulsory labor (principle 4) as well as the effective abolition of child labor (principle 5) its utmost priority. As an example, we conducted an extensive HR internal audit with a Big Four consulting firm for LEM China in 2022. Our operations in China account for more than half of our employees worldwide. The good results of this thorough audit underlined that we are in full compliance with both these principles.

Concerning principle 6 of the UN Global Compact, we are committed to fostering a culture that encourages personal development, creativity, teamwork, and innovation. Diversity, inclusion, integrity, and equality are essential and shared values which are at the core of our business and come naturally to our people. This culture is incorporated into a set of behaviors (LEM Blue Behaviors) which have been formalized and are now being embedded into our global human resource processes. We are committed to hiring people sharing the same values.

At LEM, we support each of our talents in their professional development and we are also committed to increasing diversity amongst our ranks. We are proud to have several women and various nationalities represented amongst our managers and Executive Committee. Additionally, the total enterprise headcount shows that there are more women than men working for LEM globally.

Some other examples to highlight from our global operations include our strong emphasis on improving the working conditions of our employees by investing in new facilities. For instance, in 2022, we officially moved into our new global HQ in Meyrin, Canton of Geneva, which provides state-of-the-art and sustainable facilities for more than 250 employees with a rich variety of expertise. This new building has reduced our energy bills by more than 50% compared to the previous one. We are also currently working on the move to a new building in Bulgaria for the R&D team.

Consistent with our strong commitment towards a more sustainable and affordable future, we look forward to further reinforcing our adherence to the Ten Principles of the United Nations Global Compact in 2023.

Sincerely yours,



Frank Rehfeld
Chief Executive Officer,
December 2022



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 and following best-practice principles and standards, together with the close monitoring of environmental, social, and governance (ESG) KPIs.

LEM Code of Conduct

The LEM Code of Conduct (CoC) is the cornerstone document for matters related to 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 and consultants, whose compliance we regularly audit. Every LEM employee receives e-learning training on the CoC, including instructions and case studies, 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 Sustainable Development Goals 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 on our progress to the United Nations, which is available on LEM's and the UNGC's website. In addition, we follow the best-practice policies of the Universal Declaration of Human Rights, UK Bribery Act, EU Conflict Minerals Regulation, and Responsible Minerals Initiative.

Environmental standards

The trends toward 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 an electric or hybrid-electric car and hence improves 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 the recyclability rate and material saving compared to previous or equivalent models.

Out of the 17 Sustainable Development Goals (SDGs) from the United Nations Environment program (UNEP) that promotes environmental sustainability as a key enabling factor in ensuring the health of our planet, we contribute more specifically to five SDGs that are pertinent to our activity: Water and Sanitation (Goal 6); Affordable and Clean Energy (Goal 7); Industry, Innovation and Infrastructure (Goal 9); Responsible Consumption and Production (Goal 12); and Climate Action (Goal 13).

Assessments by third-party organizations

We attach great importance to external assessments of our Corporate Social Responsibility (CSR) performance, which is why for the financial year 2021/22, we chose to be evaluated by EcoVadis and the NQC SupplierAssurance. These assessments allow us to grow and evolve, as they not only highlight strengths, but also 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 gave 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, Control & Audit, Legal, Purchasing, Supply Chain, and Human Resources. Our employees had to provide factual evidence when answering the EcoVadis questionnaire, which was afterwards reviewed by their teams to give an objective assessment of our sustainability performance. We have been awarded a silver medal for the year 2021–2022, underlining our efforts in the fields of environment, labor and human rights, and ethics.

NQC SupplierAssurance

In October 2021, we completed the SAQ 4.0 questionnaire from NQC SupplierAssurance, which covers themes such as company management, working conditions, human rights, health and safety, business ethics, environment, supplier management, and responsible sourcing of raw materials. We also provided evidence to support our responses, which were reviewed by the NQC SupplierAssurance team. We achieved a final score of 74%, which compares favorably to the industry average of 67% across 832 locations in the field of electronic components and supplies.

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. In 2021, alongside our new CO₂ strategy, we took the strategic decision to align our ESG reporting to the globally recognized and standardized NASDAQ ESG Reporting Guide 2.0, which offers us the possibility to report more systematically on various ESG KPIs.

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Environmental

We measure our environmental footprint with several KPIs: the emissions of greenhouse gas (GhG) in CO₂ equivalents across all three scopes (1, 2, and 3), the total GhG emissions per output scaling factor, the total direct energy usage per output scaling factor, continuous compliance with ISO 14001, and the direct involvement of our Senior Management Team in climate-related matters.

As part of our new CO₂ strategy, we conducted a company-wide assessment of our CO₂ emissions, which allowed us to accurately evaluate our company emissions profile. In 2021, we emitted 245 tons of CO₂ in scope 1, 4'042 tons in scope 2, and 163'610 tons in scope 3. A clear plan with measures such as transitioning to fully green energy for our own electricity consumption is already in place. This will allow us to be CO₂ neutral in scope 1 and 2 by 2025. Scope 3 represents by far the biggest source of our emissions, with around 97.5% of the total. We are confident that by closely cooperating with all partners along our supply chains, we can become net-zero by 2040.

In 2021, the total GhG emissions per output scaling factor in CO₂ equivalents reached 0.25%. With regards to the total direct energy usage per output scaling factor, we have seen a significant improvement since last year, going from 15% in 2020 to 11% in 2021, which underlines efficiency gains that can be explained by increased sales volumes and decreased energy consumption due to COVID-19.

Our four main production sites adhere to the ISO 14001 standard. Every year, we audit our suppliers to make sure that they fully comply with this standard, and we ensure that they are aware of our Suppliers General Requirements Manual. Moreover, as shown by our new CO₂ strategy, our Senior Management Team, and especially our Senior Vice President Europe/Americas, and our Chief Finance Officer, directly oversee climate-related risks and take an active stance in managing this key topic, alongside a newly created team in 2021, which is in charge of CSR-related topics.

Social

It is our goal 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. Our CoC – which also covers suppliers and vendors – stipulates strict policies protecting human rights as well as against 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. We ensure all employees sign the CoC upon arrival and require them to take an online training. In 2021, 98% of our employees worldwide have signed the CoC.

ESG Key Performance Indicators *

Environmental (E)			2017	2018	2019	2020	2021
E1.1	GhG emissions	Total amount (in tons) in CO ₂ equivalents for Scope 1	N/A	N/A	N/A	N/A	245
E1.2	GhG emissions	Total amount (in tons) in CO ₂ equivalents for Scope 2	N/A	N/A	N/A	N/A	4'042
E1.3	GhG emissions	Total amount (in tons) in CO ₂ equivalents for Scope 3	N/A	N/A	N/A	N/A	163'610
E2.1	Emissions intensity	Total GhG emissions per output scaling factor	N/A	N/A	N/A	N/A	0.25%
E4.1	Energy intensity	Total direct energy usage per output scaling factor	14%	14%	16%	15%	11%
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	N/A	Yes
Social (S)			2017	2018	2019	2020	2021
S4.1	Gender diversity	Percentage: total enterprise headcount held by women	N/A	N/A	N/A	N/A	52.6%
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)			2017	2018	2019	2020	2021
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?	93%	96%	97%	97%	98%

* Aligned with NASDAQ ESG Reporting Guide 2.0.

Towards a sustainable future

Rainer Bos, Senior Vice President Europe/Americas, and Andrea Borla, Chief Finance Officer, share their perspectives on LEM's new CO₂ strategy.

What was the catalyst behind LEM's CO₂ strategy?

Rainer Bos (RB)

There are two key aspects behind our strategy. Above all, it is our responsibility as a company to contribute to the mitigation of climate change. Secondly, our customers are expecting their suppliers to fulfill their CO₂ requirements. It is also important that our employees feel that they work in a company that is doing the right thing for the future of our society.

Andrea Borla (AB)

Absolutely. With this strategy, we want to underline LEM's willingness to contribute to reducing global warming and its effects by launching concrete initiatives. The other catalyst is our various stakeholders, including customers and employees, but also our investors, who in the last few years have made increasing inquiries about our responsibility around sustainability.

Can you describe the way in which you are going about this project?

AB In 2021, we set up a global team, with individuals from our various locations and sites. It was essential for us that this was not just a head office exercise with our Swiss-based team, but that our global teams also participate, especially at the other main sites in China and Bulgaria.

It is fundamental to keep in mind that the way our products are used is also part of our overall contribution to tackle climate change. Nearly all our products are helping to optimize and reduce energy consumption in many sectors of the economy.

After exploratory discussions, we decided to seek guidance from an external consulting firm specialized in crafting CO₂-reduction plans for companies. The first phase was the assessment, during which we evaluated the sources of our CO₂ emissions. The second phase was to develop a company-wide CO₂-reduction strategy, which consisted in defining the long-term vision, the mid- and short-term targets, and several specific initiatives on how to tackle our emissions.

What are your findings so far?

RB Scope 1 and 2 account for only 2.5% of our total CO₂ emissions. Scope 1 emissions are direct emissions from LEM's own sources that result from the combustion of fossil fuels. Scope 2 emissions refer to indirect emissions generated by our purchases of electricity. These are areas that we can impact strongly and can make relatively quick reductions. However, scope 3 emissions are a bigger challenge, since they include a company's upstream and downstream activities. We were all aware of the fact supply chains are often a crucial element in the CO₂ activities of a company like ours, but the magnitude of its effect was surprising. 97.5% of our total CO₂ emissions are classed as scope 3; these include purchased components (90.2%), downstream transportation (4.3%), and production materials (1.5%). This is a clear indicator that we must collaborate more closely with our suppliers to share and develop similar ambitions and plans. To me, we even need to go beyond that, as it is not just the suppliers, but the components that we are buying from them that play a central role.

Given these findings, what are your short-term targets, and how do you aim to achieve them?

RB Our priority is to be CO₂ neutral in scope 1 and scope 2 by 2025. We are convinced that we can do that by purchasing green energy from the market or by installing solar panels at our sites for our own electricity consumption. Moreover, we will start to reduce our scope 3 emissions in parallel, for example by finding reasonable, more environmentally friendly transportation means for our goods – inbound and outbound. There are several other measures that can be taken to diminish our scope 3 emissions, such as reducing single-use products, increasing the usage of recycled materials, and reducing waste in general.

What is your long-term vision and target?

AB Like many of our customers, we have the ambition to be faster in becoming CO₂ neutral than the Paris commitments, that is, to be CO₂ neutral in all 3 scopes by 2040, instead of 2050. The major challenge is the way by which we can ensure that all our purchased components are also produced in ways that emit drastically less CO₂.

What are the main challenges facing LEM in reducing its scope 3 CO₂ footprint across its supply chain with suppliers?

RB A key challenge is that we should be working on the designs of the future to come up with more "CO₂-compliant" product designs. In our industry, we have lots of so-called "design-for" activities, such as "designs for quality," "designs for cost" or "designs for manufacturing." I am convinced that in the future we need to introduce a "design for environment." A second challenge is to fully involve our suppliers in developing their own action plans in terms of ambitions for CO₂ reduction and neutrality. We need to develop a strategy together in the scope of the general partnership agreements and contracts that we have with them, especially when it comes to electronic components. A third challenge is to ensure that we carefully select the right locations when we make capacity increases. To optimize our CO₂ footprint, we need to look at where our customers and our suppliers are when making choices about expansion. Finally, we must closely monitor country-specific policy developments. For example, in the Western part of the world, we have the freedom to select electricity suppliers based on carbon neutrality. In other regions, this selection proves to be more challenging.

LEM has significant operations and sales in China. How do you view the potential to reduce your CO₂ footprint in that country?

RB Our major short-term focus is moving transportation to train and boat. This is something that we have already achieved in the last years, but due to the current conflict between Russia and Ukraine, logistical constraints have been forcing us to get partially back to air freight. Most of our suppliers are in China, so we will be having various negotiations to have them develop their own action plans. In China, selecting the source of the electrical energy we use is

not fully in our hands, as there are certain restrictions. I am expecting that this will progressively change, but it is a process that might take slightly more time.

What is your attitude towards offsetting?

AB In the short term, we would support resorting to offsetting, which may help achieve immediate results in respect of net CO₂ emissions reduction. In the long term, our ambition is to become CO₂ neutral for all three scopes without having to offset.

How do LEM products contribute to society's overall challenges with climate change?

AB LEM's products help our customers become more energy-efficient by measuring electric current. Our products also get incorporated into electric cars or solar and wind farms for example, applications which play an important role in reducing the CO₂ emission levels of our society. It is fundamental to keep in mind that the way our products are used is also part of our overall contribution to tackle climate change.

RB Exactly. Looking at smart grids, this is a field where many governments will reshape their electrical distribution infrastructure in a more intelligent way, where our smart-grid sensors could be a valuable contribution. It is also, for instance, about making railways more efficient, where LEM solutions could play a major role. Nearly all our products are helping to optimize and reduce energy consumption in many sectors of the economy.

Code of Conduct

We are committed to aligning our operations and strategies with the universally accepted United Nations Global Compact principles in the areas of human rights, labor, environment and anti-corruption. By doing so, we can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Scope: This code applies to all stakeholders of LEM: employees including temporary workers & managers; business partners, including suppliers, subcontractors, consultants, distributors, agents and other third parties associated with us.

Human rights

1. We support and respect the protection of internationally proclaimed human rights and make sure that we are not complicit in human rights abuses.*
2. We provide safe & healthy working conditions.*
3. We commit to protect our employees and colleagues against harassment in the workplace, in particular against any kind of sexual, physical or psychological abuse.*

Labor

4. We uphold the freedom of association and the effective recognition of the right to collective bargaining.*
5. We uphold the elimination of all forms of forced and compulsory labor and the effective abolition of child labor.*
6. We uphold the elimination of discrimination in respect of employment and occupation.*
7. We undertake not to work under the influence of any substance that could impair our judgment or interfere with our effective and responsible professional performance, in order to protect our own safety as well as that of our colleagues and communities.

Environment

8. We support a precautionary approach to environmental challenges, we undertake initiatives to promote greater environmental responsibility and we encourage the development and diffusion of environmentally friendly technologies. *

Business practices

9. We commit to be in compliance with all relevant laws and other applicable standards.
10. We work against corruption in all its forms, including extortion and bribery.*
We do not offer, promise, grant, accept, tolerate, knowingly benefit from or demand any bribes, gifts or other improper advantages which might be construed as influence enhancing. If it is customary in a cultural environment to exchange gifts, these shall be of a symbolic nature.

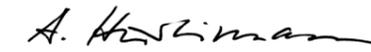
11. We disclose to LEM any situation that may appear as a conflict of interest and, when concerned, refrain from any intervention between LEM and concerned partners.
12. As a publicly listed company, LEM informs its employees, shareholders, the media and financial analysts as well as other target groups in a comprehensive and transparent manner and on the basis of the principle of equal treatment. We acknowledge that the Chairman of the Board, CEO and CFO are LEM's exclusive communication channel to the general public / financial community and will inform the CFO about any potentially price-sensitive fact in order for LEM to comply with its ad-hoc disclosure obligations.
13. We treat confidential information of all our stakeholders with the utmost care. We do not pass on any confidential information, even after having left the company. We protect our data and those of our stakeholders.
14. We must not benefit from, or enable others to benefit from, trading in securities or stocks based on material non-public information.

Application of this Code of Conduct **

- LEM and its employees use the following measures to apply this Code of Conduct, and we recommend our business partners to apply similar measures.
15. We foster a culture within the organization in which misconduct is never acceptable. All our employees, including our top-level management, are constantly committed to preventing any misconduct of our stakeholders.
 16. We assess the nature and extent of our exposure to potential external and internal risks. This assessment is periodic, informed and documented.
 17. We apply due diligence procedures, taking a proportionate and risk based approach in order to mitigate identified risks. We seek to ensure that our policies and procedures are embedded and understood throughout the organization through internal and external communication, including training. We count on you, our employees, to apply our principles.

18. Any queries concerning these principles, or reports on their violation, need to be addressed to line managers or the Human Resources department of your workplace or escalated to corporate via speakup@lem.com. Employees reporting a violation in good faith do not have to expect any negative consequences. Such reports shall be treated with the appropriate confidentiality and anonymity. We do not prohibit anonymous reports, but in order to guarantee adequate investigation, we clearly encourage identifiable reports.
19. We monitor and review procedures and make improvements where necessary.
20. Any employee who violates the law or any of the company's policies or this Code of Conduct is subject to disciplinary action including and up to termination of employment.

For the Board of Directors
Geneva,



Andreas Hürlimann
Chairman

* As defined in the UN Global Compact and specified in the UN Supplier Code of Conduct

** As defined by UK Bribery Act

Leading the world in electrical measurement, LEM engineers the best solutions for energy and mobility, ensuring that our customers' systems are optimized, reliable, and safe.

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Concept and text
LEM
Cabinet Privé
de Conseils SA, Geneva
Process AG, Zurich

Design
Process AG, Zurich

