

POL-940

POLICY FOR SUSTAINABLE AND RESPONSIBLE PROCUREMENT

POLICY

IDENTIFICATION

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1 INTRODUCTION

Lutech S.p.A. and the entire Lutech Group (hereinafter also referred to as "LUTECH" or "Organization"), a leader in the Information Technologies industry, bases its growth strategy on the understanding that ethical sourcing, i.e., the ethical and socially responsible management of all processes for the supply of materials and services required by its suppliers, verified on the basis of criteria and rewards, is a crucial process for achieving ESG goals.

Sustainable procurement is, in fact, a topic that reflects the efforts made by its heads of department to comply with reporting obligations introduced by Lutech, commencing with the first edition of the Sustainability Report (2021), a document necessary to restore data and perspectives on the social, environmental and economic performance of the value creation process.

Lutech's vision of its Sustainable Procurement policy is based on a holistic, system-based view that strengthens the resilience of processes and relationships along the supply chain, helping to build increasingly responsible supply chains in the digital sector.

Lutech respects ESG principles and is committed to promoting them, alongside its suppliers, by identifying and managing environmental, social, and economic areas of impact along the supply chain and committing to purchasing sustainable, ethical, and responsible materials, goods, and services.

To ensure the relevance of sustainable procurement, Lutech defines its effectiveness by **assessing its overall impact on external and internal service delivery (i), stakeholder engagement (ii), and determining their ESG impact (iii)**.

Lutech ensures that processes are definitive and structured, and checks for any unfair practices along the supply chain.

The ethical sourcing strategy applied by Lutech:

- ❑ **To examine internal processes:** suppliers are examined in terms of risk (e.g., human rights, working conditions, business continuity, transparency, privacy, security).
- ❑ **To identify problem areas:** the group checks areas of risk (country, service or production process).
- ❑ **To consult other stakeholders:** Lutech consults local and international experts to update benchmarks and technical expertise.
- ❑ **To build a strategy:** Lutech determines what type of information to request from suppliers, defines how to analyze the information, and establishes the risk priorities.
- ❑ **To keep track of indirect procurements:** reviews suppliers for both direct and indirect expenditures.

2 PURPOSE

The purpose of this Policy is to establish a group approach and practice dedicated to the continuous selection of the best suppliers from the perspective of ESG (Environment, Society, Governance) impact. The continuous quest for improvement in business performance must promote responsible choices, transparency and dialogue with suppliers, encouraging the sharing of best practices and the reduction of mutual social-environmental impact, consistent with the Lutech Sustainability Policy.

3 MAIN LEGAL REFERENCES

| REF. | DOCUMENT | TITLE |
|------|--|--|
| [1] | ISO 20400:2017 | Guidelines on the integration of social accountability in an organization's procurement policies and processes |
| [2] | SA8000 Standard | SA8000® ETHICS CERTIFICATION - Corporate Social Accountability |
| [3] | Tripartite declaration of principles concerning MNEs | Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy |
| [4] | Basic Code Ethical Trading Initiative (ETI) | Basic Code - Ethical Trading Initiative (ETI) |

ISO 20400:2017 Guideline provides guidance for the integration of sustainability and accountability throughout the supply chain. The document is intended for interested parties in or affected by the procurement process and its active stakeholders are those responsible for the procurement processes making up the supply chain organization structures.

The main aspects of the reference format for ISO 20400:2017 are:

- greater focus on risk assessment in the use of suppliers;
- assessment of satisfaction of interested parties in relation to the scope of reference;
- evaluation of device test reports;
- measures to combat product counterfeiting;
- continuous performance improvement system.

Standard SA8000 calls for an approach based on management systems to deal with social performance and emphasizes continuous improvement.

The elements of the standard are: child labor, forced or compulsory labor, health and safety, freedom of association and the right to collective bargaining, discrimination, disciplinary practices, working hours, remuneration and the relevant management system.

Tripartite Declaration of Principles concerning MNEs is the *International Labour Organization's* (ILO) tool that offers direct guidance to companies on social policy and inclusive, responsible and sustainable work practices. Its principles are directed at multinational and national companies, home and host country governments and employers' and workers' organizations by providing guidance in areas such as employment, training, working and living conditions, labor relations, and general policies.

The **ETI Basic Code** contains nine clauses reflecting the most relevant conventions of the *International Labour Organization*, in relation to labor practices. The clauses are:

1. Employment is freely chosen.
2. Freedom of association and the right to collective bargaining are respected.
3. Working conditions are safe and hygienic.
4. Child labor shall not be used.
5. Living wages are paid.
6. Working hours are not excessive.
7. No discrimination is practiced.
8. Regular employment is provided.
9. No harsh or inhumane treatment is allowed.

4 SCOPE OF APPLICATION

The following policy applies to Business Partners (direct suppliers and subcontractors) and the entire Organization and is handed over to all corporate suppliers, as well as being available on the website <https://lutech.group/en> in the "Responsibility" section. This Policy must be applied in conjunction with the Organization's Code of Ethics.

With respect to Business Partners, the Organization will strive to implement all the measures necessary to ensure supplier compliance with the following policy, continuous sharing of information and collaborative development of best practices in sustainable procurement.

5 GOALS AND COMMITMENTS

The goals that the Organization intends to achieve through this policy are:

- ❑ **policy compliance:** through the sharing of this policy, compliance by all suppliers and subcontractors with all aspects (economic, social and environmental), and with the application, to the maximum extent possible, of the concept of integrated sustainability;
- ❑ **honesty and transparency:** by conducting business transactions in an honest and transparent manner and sharing the principles and objectives of this policy with the suppliers themselves;
- ❑ **protection for the future:** thanks to the sustainable procurement plan that allows Lutech to protect against future possible product shortages, fluctuations and regulatory changes in ESG;
- ❑ **reducing risk and building up reputation:** preventing suppliers from using unfair practices that could negatively affect Lutech's financial balance and image.

6 FUNDAMENTAL PRINCIPLES

The sustainable procurement practices that Lutech is committed to at all levels within its organization are as follows, broken down according to the scope of ESG impact.

They complement the suppliers' evaluation principles based on product quality, procurement costs, lead times, business ethics, security and privacy that form the initial basis for the assessment of suppliers by Lutech.

6.1 *Management level*

- ❑ ***Involvement in Supply Chain:*** the Organization is committed to adopting a collaborative approach in its relationships with suppliers and subcontractors in order to involve them in the commitment to Sustainability, seeking to establish a genuine sharing of objectives to improve compliance and implementation.
- ❑ ***Ongoing monitoring:*** the Organization is committed to monitoring the fulfilment of sustainable sourcing commitments and achievement of health and safety standards to prevent situations from arising that are not in compliance with the following policy and to satisfying requests for changes in conduct contrary to ESG principles in a timely manner.
- ❑ ***Verification of supplier certifications:*** the Organization selects suppliers through a sustainability performance evaluation process, also by obtaining voluntary certifications. This process ensures that the working relationship with a supplier more closely reflects the company's procurement policies and potentially improves the sharing of the values and goals put forward in this policy.
- ❑ ***Mandatory laws regarding environmental and social sustainability:*** in the performance of their contractual obligations towards Lutech, suppliers must comply with all mandatory national and international laws on environmental and social sustainability, linked to the creation of business value.
- ❑ ***Innovation and cross-sectoral partnership:*** through cooperation and innovation projects developed together with suppliers, the Organization reviews purchasing processes, moving closer to circular economy models by going beyond just sharing criteria and standards.
- ❑ ***Performance assessment:*** with the use of metrics and performance indicators it is possible to quantify, evaluate and validate social-environmental indicators throughout the entire purchasing cycle of a product or service.

6.2 Economic Level

- ❑ **Robustness and durability resulting from innovations in product design**, capable of extending the shelf-life of the purchased product or service, moving from a Total Cost of Ownership (TCO) approach to a Total Value of Ownership (TVO) approach.
- ❑ **Product/service life cycle costs**: evaluating the costs of the entire cycle of the product/service (purchase, operating, maintenance and post-consumer costs), reducing hidden costs as much as possible, such as, for example, those related to waste management or pollution, by adopting environmental sustainability and circular economy practices.
- ❑ Existence and adoption of **procedures for managing specific strategic and operational risks**.

6.3 Environmental Level

- ❑ **Eco-design**: taking into account eco-design principles which are innovative with respect to required supplies, with the aim of minimizing impact associated with material and energy procurement.
- ❑ **Ecological footprint**: being aware of the carbon and water footprint of key materials and products and purchasing, where possible, alternatives with lower water and carbon footprints.
- ❑ **Minimal impact on the environment**: use of products that have minimal impact on the environment, taking into account the sustainability of resource production, transportation, energy used, raw material consumption, waste production and the percentage of recycled content or secondary source materials as part of a circular economy approach.
- ❑ **Local deliveries and markets**: reducing the impact of deliveries, by encouraging the sourcing of materials, products and services from local areas, so that ESG values are shared more with communities and territories.
- ❑ **Environmental Risk Analysis**: use of environmental risk analysis and Environmental Management Systems to verify the systematization of internal procedures in different scenarios and business contexts.

6.4 Social Level

- ❑ **Social accountability**: suppliers must take all the measures at their disposal to reduce the risk of accidents to a minimum, safeguarding the principle of occupational health and safety. Business Partners must ensure that none of their activities or those of subcontractors involve the use of child labor or forced labor and that work is organized on the basis of working hours predetermined by national and international regulations, not exceeding the maximum permitted by applicable law.
- ❑ **Freedom of association**: the existence of independent trade unions or management/worker committees that address workers' priorities is guaranteed. Employees must be able to report complaints or potentially illegal activities in the workplace.
- ❑ **Corporate welfare**: in its dealings with Business Partners, Lutech will favor organizations that implement corporate welfare policies by making goods and services available to their employees, increasing their well-being and encouraging a good balance between work and private life.

- ❑ ***Philanthropy:*** in its dealings with Business Partners, Lutech will consider organizations that demonstrate economic commitment to supporting a socially beneficial cause in line with Lutech's values, and/or will have adopted a legal status that commits them to have social and environmental impact, linked to their business activities.
- ❑ ***Diversity management:*** the company will consider more favorably suppliers that actively manage diversity and inclusion in their workforce, recognizing and promoting the positive and enriching value of diversity.
- ❑ ***Local communities:*** Lutech will favor Business Partners that work with local governments and communities to improve the education, culture, economy and social welfare of the communities in which they operate. Suppliers should commit to considering local people and communities among the key stakeholders in any type of community project they plan to implement.
- ❑ ***Transparency and involvement:*** preference is given to suppliers who favor transparency and involvement in decisions involving their employees in order to encourage greater participation in company life and in the pursuit of the company's mission and support for its vision, principles and values.
- ❑ ***Fair treatment of employees:*** Business Partners must treat their employees with respect and dignity, without subjecting them to any kind of cruel, inhuman or degrading punishment, abuse or threats of abuse and harassment. Business Partners shall not tolerate discrimination based on gender, minority membership, political opinion and religious belief, age, ethnicity, marital status, family status, disability or any other personal condition.
- ❑ ***Existence of a Code of Ethics:*** the company considers the Code of Ethics, and other social-environmental reporting or social impact assessment documents, as evidence of accountability in ESG matters.