

BACHEM

SUSTAINABLE PROCUREMENT COMMITMENT

(Version 1)



1. Statement of intent

Bachem aims to positively impact the world: One of our strategic imperatives is to enable our customers to improve health and promote well-being in society by achieving medical breakthroughs that transform patients' lives.

At Bachem, we are committed to sustainability by taking responsibility for our employees, society, and the environment. We are convinced that ethically correct behavior and integrity are essential for long-term business success. To that end Bachem runs a Corporate Social Responsibility (CSR) Management System based on a framework with four fundamental normative pillars: being an attractive employer, safeguarding the environment, acting ethically, and guaranteeing the highest quality in products and services. Given Bachem's global reach, ensuring the sustainable procurement of our goods and services is paramount to continuously improve our performance in the action fields outlined in our CSR framework. It is one of our main sustainability ambitions to realize opportunities for sustainable development through our procurement activities. Our supplying partners are essential companions on the journey towards fulfilling this mission.

2. Objective

The guidelines and principles stated in this document aim to enhance sustainability in procurement by adopting and incorporating CSR principles into our procurement processes and decisions while ensuring that the requirements of our organization and our stakeholders are met.

The process of sustainable procurement is a delicate balancing act between risk and opportunity in Bachem's dealings with supplying partners: On the one

hand, it is directed at avoiding practices that harm people or the environment, represent significant business or supply risk, or could hurt Bachem's reputation – on the other hand, we recognize it as an opportunity to align supplying partners with our CSR practices and leverage our influence to encourage continuous improvement in environmental, social or ethical performance.

In combination with Bachem's Global Code of Conduct for Supplying Partners, this Commitment ensures that procurement activities are based on collaborative relationships that create sustainable value for all stakeholders.

3. Scope and application

This Commitment applies to all Bachem legal entities carrying out procurement activities related to any good or service provided by our supplying partners (in the following named "partners"). It is linked to Bachem's Procurement Policy; the two documents are designed to work in conjunction.

The Bachem Global Code of Conduct for Supplying Partners (BCP) governs sustainable procurement. It is based on international standards and encompasses fundamental commitments and the minimum set of ethical standards we follow in our business practices, and Bachem expects its partners to meet.

The notion of what is sustainable is not static: we constantly strive to intensify our supply chain sustainability efforts in the addressed fields and expand the scope to further areas in which we see opportunities for enhancing the sustainable development of our supply chain. Thus, this Commitment shall be treated as a dynamic document. Our main quantitative targets will be updated on an annual basis and are pursued with appropriate monitoring.

4. Guiding principles and commitments

We aim to make our operations more sustainable by:

- integrating environmental, social, and governance (ESG) principles into our procurement processes and decisions to leverage opportunities and mitigate threats associated with our procurement process;
- establishing procurement practices that lessen negative economic, social, or environmental impacts in the supply chain;
- setting targets and action plans in support of this document, and pursuing continuous improvement of our practices;
- conducting procurement activities transparently following our Code of Conduct, the BCP, and the principles of the Modern Slavery Act;
- engaging with partners who conduct business adhering to ethical, social, and environmental responsibility, respect human rights, and are aligned with our BCP;
- establishing long-term business relationships with our partners that create value for the mutual benefit of all parties;
- communicating our Sustainable Procurement Commitment to stakeholders (internal and external) and raising awareness among our partners for sustainability topics;
- increasing transparency by monitoring and analyzing the sustainability performance of our partners with sustainability assessments, covering CSR criteria in the areas of environment, labor & human rights, ethics, and sustainable procurement (see section 5);
- evaluating existing and future potential relationships with partners against our Vendor Sustainability Risk Mapping Framework (see section 5) and prioritize sustainability assessments accordingly;
- working with our suppliers to identify issues that do not meet our expectations and help them in addressing the gaps identified, if any;
- encouraging our partners to strengthen existing efforts or to adopt and extend practices that enhance continuous improvement of their sustainability performance throughout their operations and supply chains;
- publicly disclosing the progress on our targets outlined in this Commitment regularly.

5. Sustainability assessments of partners

The ESG (Environment, Social, Governance) performance of our partners is assessed by the independent and globally renowned third-party supply chain rating platform EcoVadis. The sustainability assessments encompass the three management layers “policies,” “actions,” and “re-

sults.” Thematically, they consider a range of Corporate Social Responsibility issues, which are grouped into four themes: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement.

The definition of the assessment cycle and corrective actions follow a performance-based approach:

Performance group	Specification of scoring	Re-assessment & corrective actions
Pioneers	Particularly advanced or innovative practices in all criteria assessed	Every 3 years, no corrective actions are required
Practitioners	Main criteria covered with acceptable practices.	Every 2 years, corrective actions may be requested occasionally
Learners	Not all main criteria covered or sufficiently addressed	Every year, an improvement plan with corrective actions addressing the main criteria is needed

Table 1: Sustainability performance group of rated partners and resulting requirements.

Our partners differ in terms of their size, the product/service supplied and the raw materials used by them, their organizational structure, and the geographies of operation. Since each of these attributes comes with certain risks levels, we are grouping our supplier base following a Vendor Sustainability Risk Mapping Framework (VSRMF) into different categories, determining the priority of a sustainability assessment. This framework is premised on three critical criteria incorporating the social, environmental, and economic dimensions of sustainability:

- Criterion 1 (C1): Total risk level associated with the country a partner operates in with regards to labor rights, human rights & ethics, environment, and fair business practices

- Criterion 2 (C2): Average annual spending on business with partner
- Criterion 3 (C3): Criticality associated with the goods or services a partner delivers

Partners above a predefined threshold in all three criteria are considered as high-risk suppliers. If that holds for two of the three criteria, they are categorized as medium-risk suppliers.

The prioritization of integrating our partners into the sustainability assessment cycle arises from the risk level of the category they were assigned.

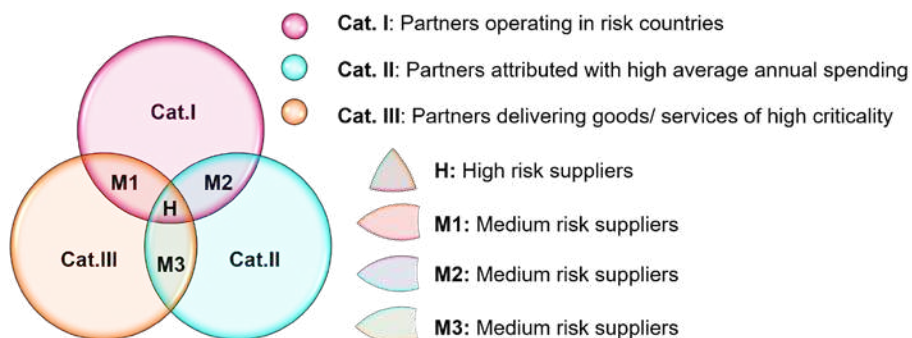


Image 1: Illustration of categorization of partners according to risks associated with C1-C3.

6. Sustainable procurement goals and monitoring

- I. **2021** Bachem's entire supplier base is analyzed and categorized according to our Vendor Sustainability Risk Mapping Framework.
- II. **2022** 98% of our partners, categorized as high-risk suppliers are integrated into the sustainability assessment loop.
- III. **2022** 95% of our partners, categorized as medium-risk suppliers are integrated into the sustainability assessment loop.
- IV. **2022** Bachem's manufacturing site in Bubendorf is certified against the Round Table of Sustainable Palm Oil (RSPO) Supply Chain Certification Standard to handle sustainable palm oil/ palm kernel oil derivatives via physical supply chains (Mass Balance).

The above-mentioned sustainable procurement goals form an integral component of Bachem employees' objectives. We track the implementation of our Sustainable Procurement Commitment and measure our progress on the set targets by analyzing corresponding KPIs on a bi-annual basis.

Bachem sees transparency as a valuable asset. Therefore, we also assess and validate our sustainability performance by EcoVadis. In addition to the company's strengths, the sustainability assessment helps Bachem identify improvement possibilities addressed in a corrective action plan. It supports our company in continuously improving our CSR management system and sustainability performance.

7. Responsibilities

Every function is accountable for the tasks and processes associated with the area of responsibility defined below:

Vice President of Supply Chain Management (SCM)	<ul style="list-style-type: none"> • Approves sustainable procurement framework • Holds accountability for this Commitment
Head of Procurement	<ul style="list-style-type: none"> • Takes leadership in deploying this Commitment effectively • Holds accountability for achieving sustainable procurement goals
Category Manager (or equivalent) Procurement Specialist (or equivalent)	<ul style="list-style-type: none"> • Conducts procurement activities following the aims of this Commitment • Extends the awareness and recognition of this Commitment to our business partners throughout the supply chain
Sustainability Manager SCM	<ul style="list-style-type: none"> • Manages the EcoVadis sustainability assessment program • Categorizes partners according to VSRMF • Reviews this Commitment and the corresponding Code of Conduct for Supplying Partners annually • Verifies performance against this Commitment
CSR Compliance Manager	<ul style="list-style-type: none"> • Ensures that the strategic context of the Commitment is appropriate and that it contributes to the company's overall CSR targets

BACHEM

GLOBAL BUSINESS

Bachem facilities are located in Switzerland, the EU, and in the USA. All cGMP manufacturing sites are inspected by the US-FDA and national authorities.



About Bachem:

Bachem is a leading, innovation-driven company specializing in the development and manufacture of peptides and oligonucleotides. With 50 years of experience and expertise Bachem provides products for research, clinical development and commercial application to pharmaceutical and biotechnology companies worldwide and offers a comprehensive range of services. Bachem operates internationally with headquarters in Switzerland and locations in Europe, the US and Asia. The company is listed on the SIX Swiss Exchange.

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