Instruction

Jensen Metal

Sustainable procurement process guidelines

Owner/version/ approval

Owner: Purchasing and operations manager

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1. Purpose

1.1. Jensen Metal is committed to and strives to contribute to the sustainable development of society by producing and providing high-quality and innovative products. The company is committed to conducting responsible business that creates long-term value for all our stakeholders, while respecting environmental constraints and promoting social equality. This Sustainable Procurement Policy sets out our commitment to integrating environmental, social and governance (ESG) principles into all stages of our procurement and supply chain.

1.2. The purpose of this policy is to:

1.2.1. Establish a framework for making procurement decisions that are consistent with the company's sustainability goals for the defined timeframe;

1.2.2. Provide clear guidance to company's purchasers on supplier risk assessment criteria;

1.2.3. Identify the necessary skills and knowledge for purchasers on sustainable procurement principles;

1.2.4. Manage supply chain risks and, where possible, take advantage of the opportunities that could be provided using renewable resources and other innovations in supply chains.

1.2.5. Ensure the requirements of customers and other stakeholders for a transparent and responsible supply chain

1.3. This policy is based on internationally recognized frameworks, including the **European Sustainability Reporting Standards (ESRS), Corporate Sustainability Reporting Directive (CSRD),** and **UN Global Compact** principles.

2. Scope of policy

2.1. This policy applies to all employees involved in the procurement of goods and services for the company's production needs. It covers all expenditures to third-parties, including but not limited to:

2.1.1. Raw materials (e.g. steel products, paints, welding wire);

2.1.2. Components and other ingredients;

2.1.3. Production machinery and equipment;

2.1.4. Operational goods and services (e.g. maintenance, repair and operating materials, logistics, and other services).

3. Governance and responsibilities

3.1. Responsibility for the implementation of this policy is structured as follow:

3.1.1. **Senior management (CEO/COO):** Takes primary responsibility for the effectiveness of the policy and its alignment with the overall company strategy. Responsible for providing the necessary resources for its implementation.

3.1.2. **Purchasing and operations manager:** Responsible for implementing, maintaining and regularly reviewing the policy, as well as reporting on the performance of the procurement department against the established KPIs.

3.1.3. **ESG Specialist:** Responsible for making recommendations and making changes to ensure that this policy is compatible with CSRD, ESRS, CSRDDD and other sustainability frameworks.

3.1.4. **Purchasers:** Are responsible for applying this policy in their daily procurement activities, including communication and supplier selection, obtaining information on supplier environmental factors, as well as making purchases.

3.1.5. **All employees:** All employees are expected to understand and adhere to the principles of this policy in their respective positions.

4. Supplier Code of Conduct

4.1. All suppliers must comply with our General Procurement and Supply Regulations. It specifies compliance with all applicable laws and regulations and set out our minimum sales and supply standards.

4.2. In addition, all suppliers are expected to conduct business in an ethical manner, respecting human rights, fair business practices and the rule of law.

4.3. To ensure that these principles are implemented in practice, the company has developed a Supplier Code of Conduct, which is a requirement for all the suppliers who account for a significant portion of the company's expenditure.

5. Integration into the procurement process

5.1. Sustainability criteria are integrated throughout the procurement process cycle:

5.1.1. Supplier qualification and attraction: When evaluating potential suppliers for cooperation, the supplier's importance and supplier risk are assessed. The supplier is informed about the company's principles of honest and responsible business conduct, and is also invited to confirm their commitment to comply with them by signing the Supplier Code of Conduct. In addition, purchasers may consider the need to fill out and submit a supplier's sustainability self-assessment questionnaire.

5.1.2. Price surveys and supplier selection: In price requests, purchasers should take into account the supplier's sustainability assessment and, where possible, cooperate with suppliers who make significant investments in ensuring a transparent and sustainable supply chain.

5.1.3. Supplier performance management: Suppliers are evaluated annually against the established environmental criteria.

5.2. In order to maintain supplier assessment in line with the supplier's risk level, it should be practical and as proportionate as possible – the higher the supplier's turnover and/or risk level, the more in-depth the assessment of ESG criteria.

5.3. Low-risk non-material suppliers with a turnover below EUR 20,000 may be subject to a simplified assessment, relying on the supplier's commitment to comply with the company's code of ethics.

5.4. Suppliers who has assigned a high-risk supplier status after assessment should develop recommendations to reduce this risk, for example by requesting information on relevant environmental criteria and/or facilitating cooperation, for example by conducting on-site visits.

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5.5. The aim of assessing suppliers against environmental criteria is to improve the overall performance, transparency and capacity of the company's supply chain, therefore the aim is not to exclude suppliers who do not meet minimum standards, but to facilitate cooperation, identify opportunities and find solutions.

6. Supplier evaluation methodology

6.1. Supplier evaluation is based on the supplier's assessment according to the supplier's responses to the Supplier ESG assessment questionnaire. Scoring methodology: a 5-point rating scale is used for each pillar (Environment, Social, Governance). The number of points reflects the supplier's level of maturity and integration of ESG practices into it's business.

Points	Environmental requirements
1	No information submitted. Supplier does not provide any evidence of environmental policies or practices.
2	No significant environmental violations have been identified in the last 3 years. Basic measures have been implemented to monitor and manage the risk of environmental pollution in accordance with local laws (no violations from the State environmental service or other responsible institutions, etc.)
3	Policies and procedures have been developed to manage major environmental risks, such as waste management, water and energy consumption. There are arrangements for accounting for CO2 emissions.
4	A certified environmental management system, such as ISO 14001, is in place. Supplier systematically collects data on key indicators, including CO2 emissions. Supplier makes regular offers and alternatives for "greener" products or services.
5	Supplier actively works to reduce its carbon footprint, publishes information on CO2 emissions, makes practical improvements, manages supply chain Tier 3 emissions and shares information (e.g. publishes ESG or sustainability reports).

Punkti	Social requirements
1	Does not provide information relating to employee employment rights, health or safety.
2	Supplier provides only general information, respects human rights. There are no information about violations of labor rights or labor protection in the last 3 years.
3	An occupational health and safety system have been implemented, and accidents at work are accounted for and investigated.
4	Supplier actively monitors the social well-being of employees, including monitoring indicators such as LTI (Lost Time Injuries), and also shares this information.
5	Supplier contributes to the well-being of society by participating in social and charity projects.

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Punkti	Governmental requirements
1	Supplier does not undertake to comply with the Supplier Code of Conduct, and is operating only to the requirements set out in the procurement contract.
2	A Code of Conduct and/or anti-corruption policy has been implemented. Supplier has signed Company's Code of Conduct. Supplier has not been able to provide responses to requests for information of sufficient quality and in a timely manner.
3	Basic compliance. Provides quality and timely responses to information requests. Knows the participants in its supply chain and is able to obtain information about the origin of products to the extent possible.
4	Supplier demonstrates transparency by disclosing information. Supplier is in close cooperation with its suppliers and is able to find operational solutions to sustainability challenges.
5	ESG and sustainability principles are fully integrated into the company. Supplier publishes information on sustainability goals and indicators.

6.2. Supplier's ESG rating is compiled after assessing all three ESG categories on a 1-5 point system (maximum possible 15 points). If the ESG rating is:

- **3 – 5 points**: In the next reporting period, it is necessary to schedule a meeting or request additional information, including, if necessary, recommending observations to the supplier;
- **6 – 8 points** OR **8+ points if there is 1 point in any of the sections:** Agree on improvements to be made, recommend observations to improve the result;
- **9 – 12 points:** Develop cooperation;
- **13 – 15 points:** Increase cooperation, seek cooperation opportunities to achieve the company's ESG goals (reduction of CO2 emissions, content of recycled raw materials in supplied products, "Zero waste" packaging material, etc.).

6.3. According to the supplier's assessment, ESG criteria should make up at least 10-20% of the total assessment based on which suppliers are selected for contract execution.

7. Key performance indicators (KPIs) and reporting

7.1. In order to assess the effectiveness of this policy, the Procurement and Operations Manager monitors the supplier assessments and reports annually in the management report on the situation:

7.1.1. Total suppliers by risk group (low risk, high risk, unassessed suppliers);

7.1.2. Total percentage of suppliers that have signed the Supplier Code of Conduct;

7.1.3. Weighted average ESG rating of all assessed suppliers;

7.1.4. Number of supplier sustainability audits conducted and number of significant non-conformities identified and resolved.

7.1.5. Identified problems, opportunities and alternatives proposed by suppliers to improve emissions indicators at all stages of the supply chain.

7.2. Performance against these KPIs will be reviewed quarterly at the procurement department level and reflected annually in the company's management sustainability report.

8. Training and communication

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8.1. The training of procurement specialists, purchasers or other involved persons, its scope and regularity shall be determined by the Procurement and Operations Manager, taking into account the problems identified in the previous reporting period.

9. Policy review

9.1. This policy will be reviewed at least every two years, or more frequently if required by changes in legislation, reporting standards or company strategy, to ensure its continued relevance and effectiveness.