


SUSTAINABLE SUPPLY CHAIN

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SUPPLY CHAIN MANAGEMENT

BUILDING SUSTAINABLE RELATIONSHIPS

Supply chain partners are integral to our business model. We expect them to uphold the same ethical principles that we do. That’s why we collaborate with vendors and subcontractors to enforce high standards of human rights and promote the best environmental practices. Our goal is to extend our sustainability principles across all our suppliers.

■ We need a reliable supply chain for components, subsystems, and services. Geopolitical tensions pose potential risks, so we also work closely with our suppliers to strengthen resilience. Using market intelligence and risk management tools, we identify critical suppliers and materials, ensuring that we can respond quickly to any challenges. ■

About our supply chain

■ We receive our goods and services from some 52,000 supplier sites, most of which are located in our biggest markets in Europe, North America, and Asia. Because pre-engineered components comprise a large portion of the materials that we use to build our elevators, suppliers play a crucial role in ensuring uninterrupted production. Our tier 1 suppliers typically make components such as electric motors, electronic equipment, and elevator doors, while our second-tier vendors include steel producers.

Overall, we spend slightly more than 4 billion EUR a year on procurement. Today the vast majority (approximately 90%) of our total spending goes to suppliers that are located geographically close to our group’s companies. ■

Supplier code of conduct

■ Our supplier code of conduct (SCoC) is at the center of our approach to sustainable supply chain management, and is included in all our supply contracts. We expect all our suppliers to adhere to its principles, which cover

topics such as human rights, fair working conditions, health and safety, environmental protection, bribery and corruption, and anti-competitive behavior. The SCoC also requires suppliers to mitigate climate-related risks. We have reviewed it against Germany’s Supply Chain Due Diligence Act and concluded that it covers all relevant aspects. However, we refined its requirements for environmental protection and working conditions when we launched an updated version in October 2023. See our updated [SCoC](#). ■

GRI 204-1 | GRI 308-2

Organization and management

■ At TK Elevator, our Chief Operating Officer (COO) is ultimately responsible for managing supply chain-related topics, supported by our global procurement and supply management (PSM) function, the head of which reports directly to the COO.

The global PSM function is organized into two groups:

- Strategic sourcing: leads global negotiations with suppliers of key strategic components relevant to our product categories.
- Centers of excellence: set global sustainability procurement targets and oversee supplier qualification and auditing processes.

The global PSM function also has a dedicated team focused on advancing sustainability initiatives. This includes developing relevant procedures, implementing and maintaining tools, delivering education and training, overseeing sustainability-related activities, and monitoring risk-driven action plans.

The team also leads targeted campaigns – such as those on carbon footprint, conflict minerals, and sustainability assessments and audits – and ensures alignment with the broader sustainability community on key topics, targets, roadmaps, and reporting.

Regional PSM teams look after local supplier relationships, supervising supplier sustainability assessments, conducting sustainability audits (in collaboration with external providers), and following up on corrective action plans. ■

GRI 205-2 | GRI 308-1 | GRI 414-1

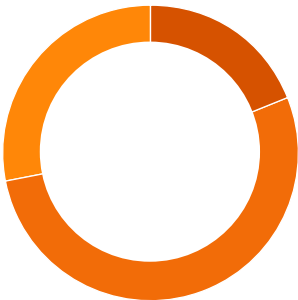
Proactive supplier management

■ We have implemented a comprehensive supplier management strategy that enables us to prioritize higher impact areas within our supplier base while maintaining oversight of the broader network. Central to this strategy is our supplier segmentation framework, which categorizes suppliers into one of four segments – “Focus,” “Watchlist,” “Screen,” and “Register” – ranked by their level of significance or attention required.

This segmentation is guided by a score calculated based on three key factors:

- 1 The nature of the supplier’s business (e.g., production typically has greater environmental impacts than services).
- 2 The volume of business conducted with the supplier.
- 3 Country-specific regulatory considerations that influence the likelihood of undetected issues. ■

Procurement spending by type 2023/24



Spending by type

● Installation Services	19%
● Direct Spend	53%
● Indirect Spend	28%

SUPPLY CHAIN MANAGEMENT CONTINUED

■ We began rolling out this system in 2022/23, aiming to complete comprehensive sustainability assessments of all high-impact suppliers (Focus and Watchlist segments) by 2026. Suppliers in the “Screen” segment will also undergo assessments, albeit with a more streamlined scope due to their lower level of sensitivity.



At the beginning of the reporting year, slightly more than 2,000 suppliers were categorized as high impact. These represent more than half of our total spend. We subject these suppliers to the most comprehensive monitoring, which entails the continuous collection of information publicly available in real time. For Focus suppliers, we carry out supplementary ESG deep-dives on a self-assessment basis, called 360°plus. These address general sustainability topics such as Compliance, Human Rights & Labor, Health & Safety, Environmental Protection and Supply Chain Responsibility. In 2023/24 we added the topics Conflict Minerals and Carbon Footprint to the assessment.

In addition to our broader approach centered on sustainability assessments, we continue to conduct on-site supplier audits. Over the past two years, the comprehensive supplier management framework we've developed has allowed us to redefine the role of audits within our risk management strategy. While audits were previously our primary tool for assessing supplier risks, we now place greater emphasis on sustainability assessments, enabling more effective engagement with a wider range of suppliers. On-site audits are now used as a supplementary, event-driven spot-check tool, supporting our strategic shift toward more proactive and collaborative supplier management.

These supplier sustainability audits are conducted by an independent third party. They provide valuable insights into potential risks faced by selected suppliers and serve as an important starting point for open dialogue. This engagement marks the first step in collaborating with suppliers to enhance their performance. Our overall aim is to strengthen the resilience of our supply chain –

not by ending business relationships, but by supporting and improving supplier capabilities.

If the results of an audit fall below a predefined threshold, we engage with the supplier to discuss any required measures to improve the situation. This is followed by a re-assessment to evaluate how well the measures have been implemented and whether the issues identified have been rectified. Typically, such re-assessments result in an improved score from below 50 to well above 70. Also, in 2023/24 the three suppliers that failed the initial audit in 2022/23 passed their re-audits, providing effective proof of the success of the improvement measures. ■

Progress with our supplier assessments

■ Having been implemented in 2022/23, our comprehensive supply chain sustainability risk management approach was in full operation during 2023/24 – providing continuous supplier risk monitoring, risk evaluation with defined action plans and tracking, and deep-dive sustainability self-assessments for our suppliers.

So far, our approach is making steady progress, as 71% of high impact suppliers have already completed their 360°plus assessment in 2023/24 (2022/23: 84%) – which is well on the way to our long-term target of 100% by 2026. The variation in the coverage in comparison to the previous year results from our update and refinement of the underlying supplier segmentation. ■

GRI 308-1 | GRI 308-2 | GRI 407-1 | GRI 408-1
GRI 409-1 | GRI 414-1 | GRI 414-2

■ We also saw strong results from our in-depth 360°plus assessments, achieving an almost complete coverage of our Focus suppliers in 2023/24 – 99% for general sustainability topics and 97% for Conflict Minerals and Carbon Footprint.

We continue to conduct on-site supplier audits as a spot check and event-driven tool. In 2023/24, we successfully completed 29 supplier audits, exceeding our target of 27 for the year.

In 2024, for the fourth year in a row, we were recognized by CDP (the Carbon Disclosure Project) as a Supplier Engagement Leader for taking action to quantify and reduce climate risks within our supply chain.

We are aware that fulfilling the high sustainability standards we set can be challenging, especially for smaller suppliers, which is why we train our buyers on the ground to provide support when needed. ■

Dedicated training for our strategic buyers

Our strategic buyers are expected to possess a strong command of category management that goes far beyond operational procurement. To support this, we partnered with a third-party provider to deliver specialized training in a virtual classroom format. The standard curriculum was enhanced with a dedicated module on ESG and carbon footprint. In 2023/24, the program engaged 50 enthusiastic participants from across all business units.

SUPPLY CHAIN MANAGEMENT CONTINUED

CARBON FOOTPRINT AWARENESS RECOGNITION

Recognizing our suppliers' efforts to reduce their environmental footprint and to raise awareness of this within TK Elevator, we launched our Carbon Footprint Awareness Recognition this financial year. The very first Recognition went to Inovance at the Asia Pacific business unit's Supplier Day, highlighting the great importance we attach to the issue of CO₂ reduction and underlining the call by our chief procurement officer, Oscar Rego, to integrate carbon footprint reduction as a strategic issue in business developments between TK Elevator and

our suppliers. This year's second recipient of the Recognition, Scanfil, is an important partner in our EOX program, and received it in appreciation of their efforts to create a more sustainable business. "We accepted this reward with great pleasure," noted Andreas Bohner, Scanfil's Global Sales Manager. "Sustainability work within Scanfil is a collaborative effort. We have consistently improved our sustainability practices and aim to be among the top EMS companies leading the change towards a greener future."



Alongside this, we continued to offer selective training sessions for those buyers worldwide who own and manage our supplier relationships. Our aim was to raise awareness of the importance of considering sustainability topics and our risk assessment methodology and risk management process as well as our legal obligations relating to the Supply Chain Due Diligence Act.

These training initiatives were complemented by the development of a new manual that covers all areas of purchasing and dedicates a separate chapter to the topic of sustainability. We also continue to challenge our own approach and capture best-in-class solutions by liaising with peers and exchanging ideas and experiences in sustainable supply chain management.

Engaging with suppliers to measure GHG emissions

Our supply chain generates around 30% of our Scope 3 emissions. Read more about our carbon footprint on page 21 →

There are two key levers to reduce our emissions in the supply chain. The first involves using less material or materials with lower environmental impacts. For example, EOX in Europe fits the first lever, as it uses 20% less steel than similar products. Using the second lever means working with our suppliers to support the reduction of their own emissions.

To support this second option, we collected GHG data, as part of our deep-dive assessments, 360°plus, from our Focus suppliers, which represent around 30% of our purchase volume. The goal of this initiative is to engage with suppliers and discuss reduction targets and plans and ultimately support them in reducing their GHG emissions. As part of our efforts, we also plan to provide training opportunities for suppliers which will enable them to support our decarbonization plan. I

Full transparency on conflict minerals

The production of the components used in our products, including the electronic parts and electric motors, calls for large quantities of natural resources and raw materials such as water and metals. We require our vendors to use resources mindfully and expect them to provide full and transparent information on their sources of conflict minerals on request.

To avoid purchasing components produced using minerals from illegal mines in zones where there is a high risk of inhumane treatment and/or involvement in civil wars, we assess our suppliers' sourcing practices using the Responsible Minerals Initiative's conflict minerals reporting template (CMRT).

In 2023/24, as part of our deep-dive assessments, 360°plus, we collected data related to the use of conflict minerals by our Focus suppliers using the CMRT. In 2024/25 we will leverage this data to identify critical supply chains. I

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