

# SUSTAINABLE PROCUREMENT

## How can Interroll contribute to a more sustainable future?

Long-term thinking is one of the most important Interroll values. The world is facing the pressing sustainability challenges of our time – climate change, natural resource conservation and waste reduction. Interroll always pursues sustainable growth, and we are making great efforts to implement corporate social responsibility throughout the entire product life cycle, maintain green development and create sustainable development to reduce negative impacts on the environment.

## And specifically your department/area of responsibility?

As Director of Strategic Purchasing APAC, I work with my colleagues to achieve for sustainable procurement in APAC. In our region more and more attention is being paid to environmental and energy topics. We have been working with partners to establish a “local for local” and diverse supply chain to mitigate risk, and also to offer sustainability benefits by means of shorter transport routes. We are taking measures to create a regional green supply chain, including purchasing more environmentally friendly products and services in accordance with our global purchasing guidelines.

## How does our company integrate sustainability criteria into the procurement process, ensuring ethical sourcing and responsible supply chain practices?

The Supplier Code of Conduct contains the key guidelines for our supplier relationships. It includes our expectations relating to ethical responsibility, labor and human rights, health and safety, quality and environment. In addition to signing the Supplier Code of Conduct with our suppliers, we are also introducing an ESG risk assessment of suppliers to ensure ethical sourcing and responsible supply chain practice. We are establishing a common understanding of sustainability and improving transparency in our procurement process.

**Daisy Bay**, Director Strategic Purchasing Asia/Pacific

**Our sustainable procurement management approach helps us work toward achieving the following United Nations Sustainable Development Goals (SDGs):**



**SDG 1.2: Reduce poverty by at least 50 percent**

Interroll's sustainable procurement approach helps to improve the income and livelihoods of people, especially in disadvantaged communities. By purchasing products and services from providers that pay fair wages and ensure good working conditions, we are contributing to social responsibility.

**SDG 3.8: Achieve universal health coverage**

We can indirectly influence the positive development of health coverage by considering social criteria relating to working conditions and preventive healthcare when selecting suppliers.

**SDG 3.9: Reduce the number of illnesses and deaths from hazardous chemicals and environmental pollution**

By considering environmental criteria in the upstream value chain with a view to reducing negative environmental impacts, we can ensure awareness of these issues through our supplier relationships.

**SDG 5.1: End discrimination against women and girls**

**SDG 5.2: Eliminate all forms of violence against and exploitation of women and girls**

**SDG 8.7: End modern slavery, trafficking, and child labor**

**SDG 8.8: Protect labor rights and promote safe and secure working environments**

**SDG 16.2: End abuse, exploitation, trafficking and all forms of violence against children**

**SDG 16.5: Reduce corruption and bribery**

Our zero-tolerance policy in respect of human rights violations, discrimination, bribery, fraud and harassment ensures that our own sites and our contractual partners have an awareness of and actively comply with the expectations and requirements contained in our (Supplier) Code of Conduct. This also applies to compliance with applicable labor standards.

**SDG 12.6: Encourage companies to adopt sustainable practices and integrate sustainability information into their reporting cycle**

By including ESG criteria in our Supplier Code of Conduct, we are enforcing compliance with these aspects in our supply chain. At the same time, our daily and intensive dialog with our partners fosters acceptance of sustainable business practices.

**SDG 13.1: Strengthen resilience and adaptive capacity to climate-related natural disasters**

**SDG 14.1: Reduce marine pollution**

**SDG 15.5: Protect biodiversity and natural habitats**

By seeking to raise awareness of negative environmental impacts and their economic consequences, we are contributing to aspects such as climate resilience within the supply chain. This applies as much to protecting the oceans from pollution as to preserving natural habitats and biodiversity.

## CONTEXT

GRI 3-3

According to forecasts made by recognized demographic institutions – and also the United Nations (UN) – the global population is expected to continue growing. A key challenge is to provide people and businesses with the goods and food they need while at the same time conserving resources. This is particularly true of the material-handling industry, which will grow in social significance and perception in terms of speed, efficiency gains, networking and individualization, but also when it comes to resource conservation, environmental friendliness and food safety.

Our customers and users have expectations of products and services with bona fide ethical and ecological credentials, and this is increasingly a critical factor for us at Interroll. Added to this are stricter laws in respect of due diligence and transparency along the upstream supply chain. New reporting obligations have been introduced especially for companies like Interroll Holding AG, which are subject to the Swiss Code of Obligations (OR). In the following, we explain in detail our position in respect of Article 964j-k CO concerning critical minerals and child labor. Our aim is to increase transparency and reduce negative environmental and social impacts in the supply chain. We address these aspects in both our central and local procurement activities.

### Due diligence and transparency obligations in connection with conflict minerals and child labor pursuant to Article 964j-k CO

964 CO

The new due diligence obligations relating to the supply chain and the special reporting obligations in respect of preventing child labor and ensuring the ethical procurement of conflict minerals, as defined in Article 964j-k CO, apply to companies with their registered office, headquarters or main branch in Switzerland if they:

- a) release minerals or metals containing tin, tantalum, tungsten or gold obtained from conflict or high-risk regions for free circulation in Switzerland or process these substances in Switzerland; or
- b) offer products and services for sale if there are justified grounds to suspect that child labor has been used in their manufacture or provision. Companies must demonstrate that they have performed the necessary checks to ensure whether the grounds for such suspicion in relation to their products and services are justified.

## Conflict minerals and metals

964 CO

The amounts of tin, tantalum, tungsten and gold imported to Switzerland in the 2023 reporting year were 0 kilograms, respectively. Therefore, Interroll Holding AG did not import the volumes of tin, tantalum, tungsten and gold that are defined in the law on due diligence and transparency obligations in connection with minerals and metals obtained from conflict regions and using child labor. Therefore, there are no particular due diligence, management or reporting obligations pursuant to Article 964j-k CO.

## Child labor

GRI 408-1

964 CO

At Interroll, we have a zero-tolerance policy in respect of child labor. Due to our own values and our Code of Conduct, we can rule out the existence of child labor at our own sites.

In our supply chains, we comply with the due diligence obligations required by our own Sustainable Procurement Policy and the provisions of our Supplier Code of Conduct and, in respect of child labor, by Article 964j-k CO. Careful selection of our suppliers and a structured global ESG risk screening process enable us to identify potential risks relating to child labor. We procure goods and services in 38 countries. Only a very small number of our suppliers are based in countries whose due diligence response has been classified as enhanced by UNICEF in its Children's Rights in the Workplace Index. In respect of the suppliers from these countries, some of which we have known for a long time, we have received no indications of the use of child labor via our whistleblower platform or from other sources. On the basis of our current assessment, there is no reporting obligation pursuant to Article 964j-k CO.

Notwithstanding the legal obligations, we implement our own ethical principles and targets in respect of responsible business practices and are working consistently and continuously to develop our management approach relating to sustainable procurement, which is a material topic for Interroll.

## CONCEPT AND GOALS

GRI 3-3  
GRI 2-25

The consideration of ESG aspects is an integral part of our business relationships and contractual framework. We accept our social responsibility and are committed to reducing the adverse impact of our business activities in the upstream supply chain. We also manage opportunities and risks in the supply chain in order to make the potential financial impact on our business more transparent and forward-looking for both us and our stakeholders.

964 CO

Our principles and management systems relating to sustainable procurement contribute to improving the performance of our supply chain in respect of business ethics and corruption, environmental and social aspects, labor and human rights, as well as our suppliers' upstream procurement practices. We expect our suppliers to exercise the same due diligence in selecting their suppliers and in providing products and services and to apply only those international standards on working conditions and responsible business practices that Interroll itself recognizes.

Interroll has a zero-tolerance policy in respect of human rights abuses. This is also reflected in the core element of our supplier relationships: our Supplier Code of Conduct, which is an integral aspect of our contractual conditions in procurement.

Through its organizational units in 30 countries, Interroll assumes corporate responsibility in local supply chains as well. Our procurement strategy supports local economies because we seek to purchase from suppliers located in the same country. In this way, we are actively strengthening social development and prosperity in the vicinity of our sites. Moreover, we are shortening supply routes and making a positive environmental contribution in respect of transport.

Our updated Sustainable Procurement Policy is the basis for fulfilling our stakeholders' growing expectations for transparency, complying with legislative requirements and satisfying the increasing demands made of management in respect of ESG risks. Our goal is to systematically record the environmental and social risks in the supply chain and to reduce these by way of suitable action. To this end, we assess our suppliers during the selection process and throughout our relationship using existing management systems for environmental and social standards. We have already started selecting new business partners in a structured manner that takes account of environmental aspects, labor standards and human rights.

## Governance and compliance

GRI 2-9

The Board of Directors and Group Management are responsible for considering and implementing the requirements of sustainable procurement in the overall corporate strategy. They ensure that the responsibilities for assessing risks, setting goals, delivering resources, taking action and conducting reviews are clearly defined. The Board of Directors receives regular information on "sustainable procurement" and an assessment of the associated risks from Group Management, thereby ensuring that it possesses the requisite knowledge to evaluate these aspects.

The COO has overall responsibility for sustainable procurement within the organizational structure. The opportunities and risks in relation to procurement are assessed as part of the annual ESG risk inventory and, together with the associated reporting, they lie within the CFO's area of responsibility. The Board of Directors submits these reports in accordance with Article 964b CO to the annual general meeting for approval (see page 132).

At Group level, the Vice President Strategic Purchasing is responsible for operational implementation and execution. This responsibility is delegated to the respective management teams of our legally independent organizational units.

Qualitative and quantitative goals and deadlines for their achievement have been defined for the entire Interroll Group. We have developed or will be developing specific implementation plans for each Interroll organizational unit to achieve the goals based on their individual situation.

964 CO	Targets	KPIs	Unit	2023	2022	Date
	All new suppliers have signed the Interroll Supplier Code of Conduct (SCoC)	Percentage of new suppliers who have signed the Interroll Supplier Code of Conduct	%	20.4	n/a	Continuously
	All suppliers are screened for environmental and social risks	Percentage of suppliers screened for environmental and social risks	%	62.1	59.7	Annually
GRI 308-1	All new suppliers are assessed against environmental criteria	Percentage of suppliers assessed with environmental criteria	%	14.0	n/a	2025
GRI 414-1	All new suppliers are assessed against social criteria	Percentage of suppliers assessed with social criteria	%	14.3	n/a	2025
GRI 204-1	Increase in the percentage of procurement expenditure with suppliers in the same country	Percentage of procurement expenditure with suppliers in the same country	%	82.4	93.7	Annually
GRI 409-1	No confirmed incidents of forced labor	Number of confirmed incidents of forced labor	Number	0	0	Continuously
GRI 408-1	No confirmed incidents of child labor	Number of confirmed incidents of child labor	Number	0	0	Continuously
	No confirmed incidents of human trafficking	Number of confirmed incidents of human trafficking	Number	0	0	Continuously

### OPPORTUNITIES AND RISKS IN SUSTAINABLE PROCUREMENT

GRI 3-3  
GRI 2-25

The supply chain risk analysis is an important component of the statutory reporting requirements to be met by Interroll Holding AG – not only in Switzerland. Here, too, the focus is on respect for human rights, labor and social standards, environmental matters and fighting corruption.

964 CO

The German Supply Chain Due Diligence Act (Lieferkettensorgfaltspflichtengesetz, LkSG) and the future European Corporate Sustainability Due Diligence Directive (EU-CSDDD) include requirements that fulfill the transparency expectations of our customers and stakeholders. Associated with these is the report on supply chain risks that must be submitted to Germany's Federal Office of Economics and Export Control (BAFA).

The risk analysis helps us to identify potential violations of these requirements. Therefore, risk analysis in the supply chain is closely tied to the corresponding reporting obligations. In assessing the ESG risks in sustainable procurement, Interroll distinguishes between general risk assessments and the dedicated screening activities by our service provider EcoVadis in order to analyze and manage specific supplier risks arising from country and industry sector risks.

### General Interroll risk assessment of sustainable procurement based on the 2023 risk inventory

#### ESG risk category “high”

- Supply chain interruptions due to pandemics, natural disasters and/or socio-political instabilities may result in production outages in cross-linked and complex production chains, and thus also lead to lost revenue. Interroll has already been impacted by these in the recent past.

#### ESG risk category “medium”

- Reputational risk arising from unethical or environmentally harmful procurement activities
- Management effort and legal risks arising from new legislative requirements
- Raw material price risks: significant price fluctuations for sustainable raw materials
- Reduced competitiveness due to higher procurement costs

#### ESG risk category “low”

- Quality risks of sustainable procurement: necessary quality not consistent
- Ethical risks: violations of ethical principles and human rights violations

### EcoVadis risk profiling of the Interroll supply chain

GRI 308-2  
GRI 414-2

964 CO

In addition to the general ESG risks from the Interroll ESG risk inventory, we take a dedicated approach to assessing our ESG risks when selecting our supply chain partners. Interroll applies the differentiated EcoVadis methodology in systematically analyzing the supply chain for ESG risks. Group-wide, Interroll assesses 2,935 suppliers in 38 countries and 161 sectors in respect of their ESG risks. Specific ESG country risks are combined with differentiated sector risks. To start with, all 2,935 suppliers were categorized on the basis of these country and sector assessments to produce an individual risk profile.

In addition, a selected group of some 200 suppliers were assessed by Interroll in relation to aspects such as supplier criticality or sales volume. For these suppliers, the aforementioned aspects accounted for 30 percent of the supplier risk assessment.

This resulted in the risk map and risk profiles shown in the graphic on pages 104 and 105. The Group procurement assessment revealed no suppliers with a very high ESG risk profile, 124 with a high ESG risk profile and 889 with a medium-high ESG risk profile.

The EcoVadis country and sector assessments are based on a large number of specific company assessments that are held in a database. These assessments consider ESG aspects in the four categories of environment, working conditions and human rights, ethical business conduct and sustainable procurement. Interroll has had its own production sites assessed in this way, with the pleasing outcomes described in the “Stakeholder Engagement” section.

We present the specific measures taken to manage our supplier relationships and assess risks in our upstream supply chain in the following.

**STATUS, MEASURES, RESULTS**

**Sustainable supply chain management**

GRI 3-3  
GRI 308-1  
GRI 414-1

964 CO

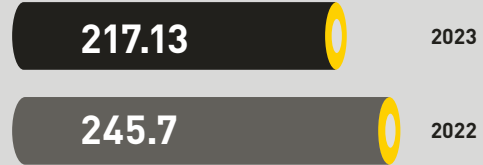
We attach great importance to a stable and fair relationship with our suppliers as our key business partners. Given the extremely specialized nature of the goods purchased, a high degree of expertise must be available on both sides. Many articles and components are custom-made for Interroll and it is virtually impossible to procure alternatives quickly and in the same quality. Although Interroll works actively to diversify this risk, we continued to face global supply chain challenges in 2023. As a consequence, as was the case in 2022, we had to turn to an unusually large number (901) of new suppliers for standard semi-finished products and were only able to assess a small proportion of these at the start to check their compliance with or enforce our requirements in terms of social and environmental standards. In 2023, our sites assessed 129 new suppliers in respect of social criteria and 126 in respect of environmental criteria. This equates to 14.3 percent and 14.0 percent of our new suppliers, respectively.

By contrast, we know our system suppliers very well. The level of continuous dialog and the number of sites we are actually familiar with are high, although it is not possible to make a quantitative disclosure at present. We will optimize this going forward and introduce a quantitative supplier evaluation that regularly assesses logistics, quality, technological and commercial criteria.

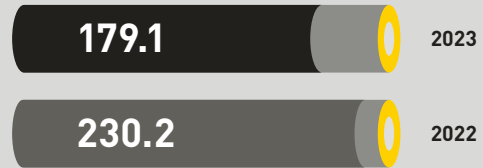
GRI 204-1

Interroll has a decentralized procurement process for 4,726 suppliers (2022: 4,929) with a purchasing volume of CHF 217.3 million (2022: CHF 245.7 million). Of this, CHF 179.1 million or 82.4 percent (2022: CHF 230.2 million or 93.7 percent) is paid for products and services from suppliers based in the same country as the procuring Interroll site, applying the principle of “in the region for the region.” In this way, we avoid long transport routes by ship, for example from Asia to Europe.

**PURCHASING VOLUME IN CHF MILLION**



**PURCHASING VOLUME FROM LOCAL SUPPLIERS IN CHF MILLION**



**Supplier Code of Conduct**

GRI 3-3

A core element of our sustainable procurement is our Supplier Code of Conduct. The associated management system is in a state of dynamic development so it is currently not possible to ensure the comparability of the data. In 2023, the Supplier Code of Conduct was revised substantially, not only to highlight the importance of sustainability issues but also to ensure compliance with the increasingly stringent underlying legislation, such as the German Supply Chain Due Diligence Act (LkSG). In 2023, 184 of our new suppliers signed our updated Supplier Code of Conduct. This applies to the extended supplier group for the production and service sites and represents a ratio of 20.4 percent.

The best way to live up to our responsibility for sustainable supply chain management is by implementing it centrally at headquarters and through our local purchasing locations worldwide.

**Specific ESG risk assessment of  
the supply chain for the German sites  
(focusing on LkSG requirements)**

GRI 2-25

The German Supply Chain Due Diligence Act (LkSG) requires special reporting about suppliers from our German sites. In this context, we have assigned 1,041 suppliers to three classes – strategic, moderate and critical – on the basis of their ESG risks.

964 CO

GRI 308-2  
GRI 414-2

We used the EcoVadis IQ platform and LkSG Lens tool in assessing the ESG risks of these 1,040 suppliers. As a result, 82 of the suppliers categorized as critical were invited to participate in an individual assessment process via the IQ platform. This involved intensive dialog and, in some cases, several communication cycles. In qualitative terms, the process has certainly helped to make suppliers aware of their own ESG performance in the supply chain. As of the copy deadline for this report, no quantitative findings were yet available.

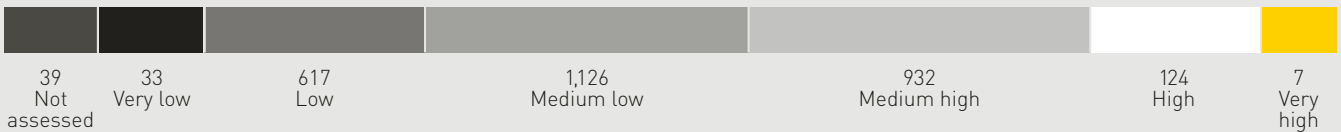


# OVERVIEW OF THE SUPPLIER PANEL

GRI 204-1



Overall distribution of sustainability risk





**38**  
countries