

# 8. TRANSPARENCY IN THE SUPPLY CHAIN

voestalpine sources the most diverse range of materials, products, and services from a large number of suppliers. As part of the company's supply chain management, data on the social and environmental effects and risks of suppliers' activities are systematically collected, evaluated, and integrated into the development of supplier relationships. The company's Corporate Responsibility Strategy concerns both general procurement and raw materials procurement.

## General Procurement

When selecting its suppliers, voestalpine ensures that they comply with environmental and social principles. Sustainable supplier management has been integrated into the company's procurement processes to maintain long-term partnerships.

voestalpine ensures that those of its employees who work in purchasing receive ongoing training through information events such as the "Purchasing Power Day" as well as the three-stage "Purchasing Power Academy," which the company itself developed.

The procurement process is continually optimized in order to ensure compliance. The Code of Conduct forms the basis of business actions and decisions in this respect.



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## Raw Materials Procurement

Applying life cycle approaches (“closed loop”) together with our customers guarantees us the highest levels of efficiency in the process of recycling our raw and reusable materials.

We face the challenge of permanently optimizing our supply chains jointly with our suppliers. Regular visits to the sources of raw materials and pre-materials, especially mines and deposits, are a fixed element of this process. Together, we develop methods for designing a supply chain that is efficient and meets our corporate responsibility guidelines (CR Guidelines). New suppliers are assessed in terms of Corporate Responsibility, quality, and performance first; depending on the outcome of the evaluation, they are then included in our portfolio of suppliers. The Sustainable Supply Chain Management (SSCM) project was used to screen our raw material supply chains from the bottom up, examining key factors pertaining to Corporate Responsibility. voestalpine ensures that absolutely all of its raw materials are subjected to this process, thus minimizing risk over the long term.

We require all suppliers who are subject to the Dodd-Frank Act and from whom we source materials to comply with the law's provisions. We ensure based on reports using the Conflict Materials Reporting Template (CMRT) that all materials procured on behalf of the Group are “conflict free.”

The primary responsibility of raw materials procurement management is to secure the long-term, competitive supply of both raw materials and energy. A high degree of integration into upstream and downstream processes, scenario planning, and adaptive supply concepts serve to minimize potential risks.



# 8.1 SUPPLY CHAIN MANAGEMENT

## AT voestalpine

Risk management, the Code of Conduct as an integral part of the delivery terms and conditions, the Sustainable Supply Chain Management project, and the Corporate Social Responsibility (CSR) Checklist of voluntary disclosures on the part of suppliers are the pillars of the supply chain management system that voestalpine has been implementing consistently for years.

The Steel Division has already completed the SSCM supply chain project based on analyses of source countries, suppliers, and mining conditions related to the raw materials in question. During the reporting period, this process was applied for the first time to the supply chain of the High Performance Metals Division as well. Here, too, the materials

utilized were reviewed as to criteria relevant to sustainability, and the findings were entered into a matrix. In a next step, the CSR Checklist is sent to suppliers who are asked to provide voluntary disclosures on their own CR activities. Finally, both the findings of the analyses and potential improvements are discussed with the suppliers in personal meetings.

The SSCM project considers the following criteria in reviews of raw materials, source countries, and suppliers:



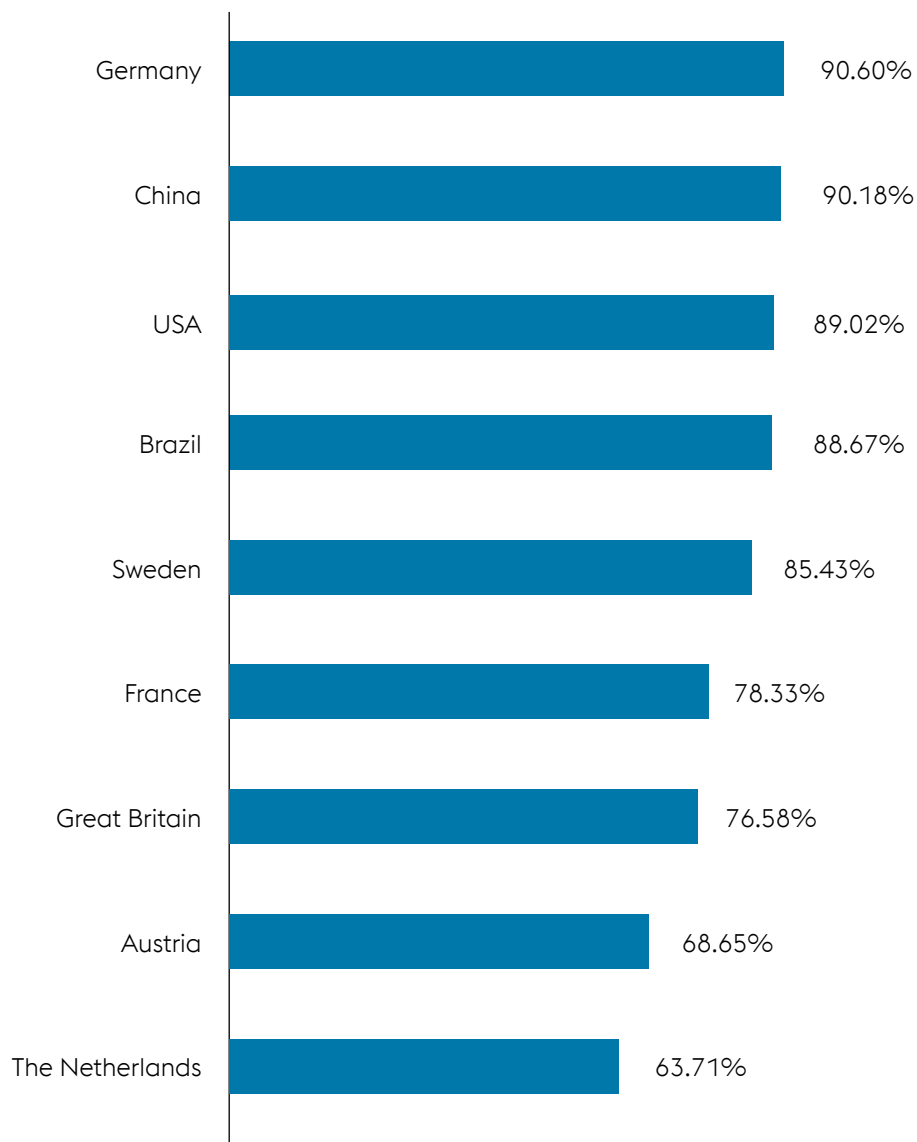
## 8.2 LOCAL SUPPLIERS

Wherever possible and meaningful, voestalpine companies make their purchases regionally, i.e., from suppliers in the vicinity of their facilities. The following graph shows the respective

percentages of regional suppliers. Suppliers are considered local if their business is domiciled in the same country as the voestalpine company they supply.

### LOCAL SUPPLIERS

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## 8.3 SUPPLIER ASSESSMENT

Companies chosen to supply raw materials to the voestalpine Group are selected systematically on the basis of personal meetings, a standardized questionnaire, and a quality assessment of the materials. The raw materials suppliers are evaluated once a year and subsequently rated as A, B, or C suppliers. Depending on the category of raw materials, different parameters are used to this end, for

instance, environmental management, innovation, quality management, or even flexibility and ability to stick to deadlines. Suppliers that achieve an A or B rating are given preference in the procurement process. Corrective measures are jointly defined with B and C suppliers and set forth in writing; they must be implemented within one year.

## 8.4 SUPPLY CHAIN TRANSPARENCY IN ADVOCACY ORGANIZATIONS AND ASSOCIATIONS

Reviewing supply chains as to violations of laws and standards is becoming increasingly important not just for individual companies but also for entire sectors. Hence steel industry advocacy organizations and associations are also addressing this issue. voestalpine has been a member of ResponsibleSteel, an advocacy organization, since April 2019 and has participated in

its work to develop certification standards for facilities and products. At worldsteel (the World Steel Association), several working groups are addressing supply chain issues. Representatives of voestalpine are actively engaged in this work also, contributing their own supply chain management experience.