



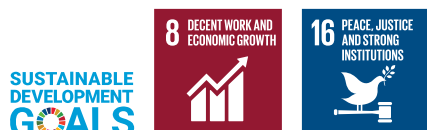
Boarding for the future

SUSTAINABILITY REPORT
MTU AERO ENGINES AG
FISCAL YEAR 2023

2023

Supplier management

We work with numerous suppliers around the globe. As a basis for this collaboration, we hold them to the environmental and social criteria that are important to us.



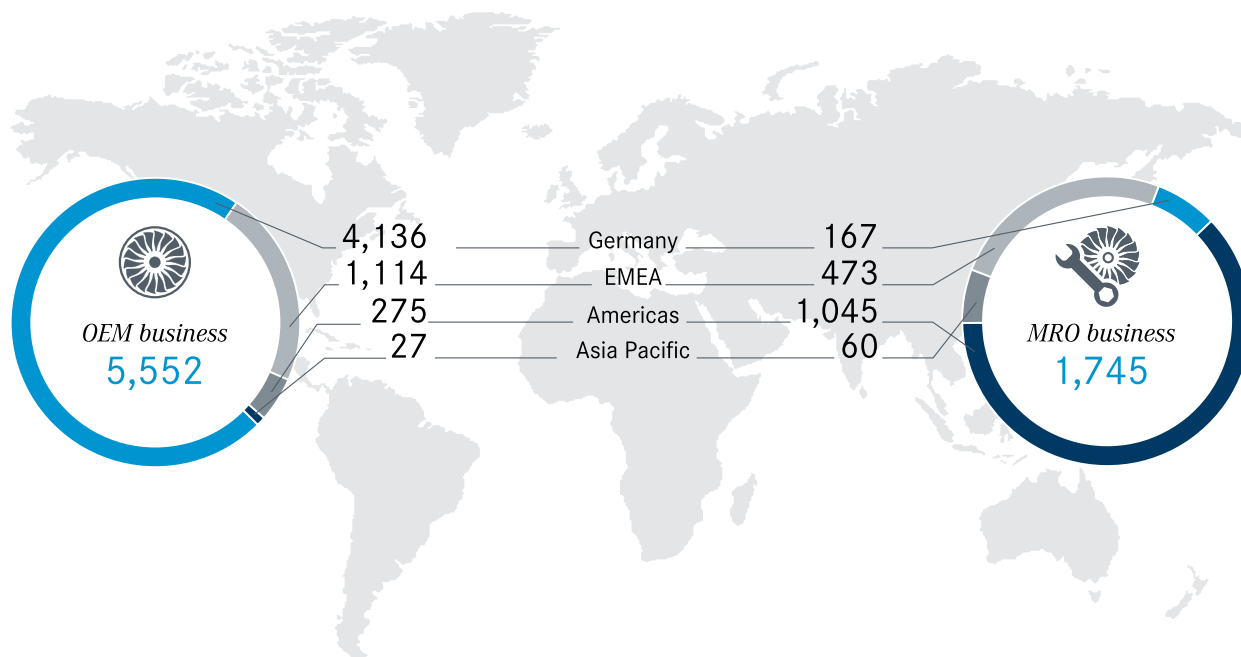
The value added by an MTU product includes important pre-production stages at external suppliers. We seek to create reliable relationships with those suppliers based on mutual trust. In keeping with our claim of sustainable value creation and the expectations of our stakeholders, we uphold certain standards in purchasing. For us, the pursuit of supplier management that aligns with sustainability criteria (responsible sourcing) encompasses environmental and social aspects as well as transparency along the supply chain. We place the same standards as regards sustainability on the collaboration with our suppliers that we do on our own business activities. To a large extent, the same standards apply to both of MTU's business segments: new and spare parts (original equipment manufacturer: OEM) and commercial maintenance (maintenance, repair and overhaul: MRO). However, they each have their own organizational units for sourcing production material.

Because today's supply chains are so global, extensive, and complex, we concentrate our efforts regarding sustainability aspects above all on the supply step immediately upstream (tier 1). Our direct suppliers are contractually obliged to ensure that their subcontractors also abide by our defined standards.

Our global supply chains

In 2023, our sites worked with 7,297 suppliers around the world (2022: 6,243). Our supplier base expanded due to growth in the MRO business, including the new repair site in Serbia. Europe is home to 80.7% of all MTU's suppliers, with 73.1% of the total located in Germany.

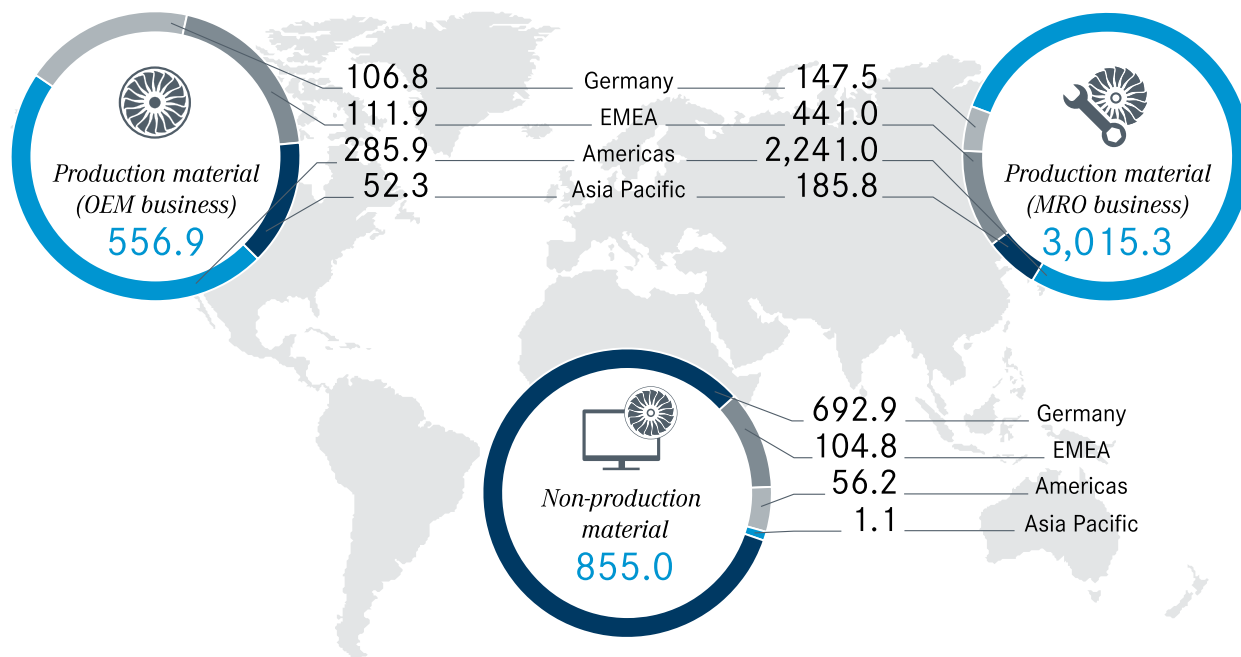
MTU suppliers in 2023 by region



GRI 2-6: Supplier base for production material and non-production material for OEM (new and spare parts) and MRO (commercial maintenance) segments: EMEA = Europe (excluding Germany), the Middle East, and Africa; Americas = North, Central, and South America plus the Caribbean; Asia Pacific = East Asia, Southeast Asia, Australia, and Oceania

Purchasing volume totaled some EUR 556.9 million for production materials in the OEM business. Due to production activities, this was above the previous year's (2022: EUR 448 million). In the MRO business the purchasing volume for production materials was at a total of EUR 3 billion (2022: EUR 2.7 billion). Non-production material expenses amounted to EUR 855 million for the OEM and MRO businesses (2022: 656.8 million), including data for the sites in Canada and Serbia for the first time. Aside from meeting aviation-specific requirements, we were able to source production and non-production material for the OEM business by and large at our own discretion. By contrast, MRO purchasing volume for spare parts and repair work is subject to strict requirements imposed by the relevant OEMs. As a result, MTU Maintenance has less room for maneuver in selecting suppliers. The sole exception is MTU Maintenance Lease Services (MLS) in Amsterdam.

Purchasing volume in 2023 by region (in EUR m)



GRI 2-6: Purchasing volume for OEM (new and spare parts) and MRO (commercial maintenance) segments. EMEA = Europe (excluding Germany), the Middle East, and Africa; Americas = North, Central, and South America plus the Caribbean; Asia Pacific = East Asia, Southeast Asia, Australia, and Oceania

Measured by purchasing volume, the Western Europe and North American markets, which are so important generally for the aviation industry, account for the lion's share of MTU's procurement. In the business for new and spare parts, we procure a wide range of blanks and finished parts. We always source castings and forgings externally, and the same goes for special materials for which MTU has not built up manufacturing expertise, such as electronic control systems. If possible, we source our supplies directly from the manufacturers of blanks or finished parts, whereby the company procures raw materials itself only to a small extent → [More information about the measures we take regarding conflict minerals in raw material purchasing](#). For commercial engine modules, the average proportion of sourced parts lies between 49% for Poland and 66% for Germany (in the military sector, the figure is some 64%).

Local value creation is particularly important when purchasing non-production material and services, as is the wide variety of goods and services. We procure many of our non-production materials in the countries in which we operate. The local proportion of the purchasing budget for non-production material, for instance, was around 84% in Germany and about 54% in Poland.

Sustainable standards in procurement

We have established a binding [Code of Conduct](#) for suppliers that is a fixed component of the contracts. The Code of Conduct is informed by the [ten principles of the UN Global Compact](#) and sets out social and environmental standards, respect for human rights, and integrity in business conduct with a ban on corruption and bribery. Each contract signed by a supplier includes the commitment to abide by these principles and to communicate them to subcontractors. The Code of Conduct applies to suppliers of the manufacturing and maintenance sites in Europe and Canada, meaning it covers 92% of the entire purchasing volume for 2023. [For more information about the Supplier Code of Conduct, see Human rights in the supply chain](#)

Moreover, MTU's General Terms and Conditions of Purchase contain a clause on compliance with the Supplier Code of Conduct. In our General Terms and Conditions of Purchase for our European sites, we also insist on compliance with the EU's REACH chemicals regulation.

Focus on human rights

When managing our suppliers, we place a particularly strong focus on safeguarding the respect of human rights. Our approach and measures, and how they have developed, are presented in detail under [→ Human rights and conflict minerals in the supply chain](#).

No violations of the Code of Conduct

Suspicious that the Supplier Code of Conduct may have been breached can be reported confidentially to MTU's Compliance Officer. Reports can also be submitted anonymously via the web-based [iTrust system](#), which is available in several languages. Should a supplier be implicated in serious violations, such as corruption, extortion, the granting of undue advantage, or the use of child labor in the execution of a contract for MTU, the company reserves its contractually guaranteed right to terminate the collaboration agreement without notice. In the event of a violation, the supplier must demonstrate that suitable corrective measures have been implemented and must guarantee this in writing. MTU reserves the right to carry out on-site audits to verify compliance with the Code of Conduct. No accusations of possible breaches of the Code of Conduct were reported or registered during the reporting period. Nor were there any complaints about suppliers. Therefore, as in previous years, no supplier partnership was terminated because of sustainability violations, confirmed cases of corruption or other complaints. This also applies to human rights aspects [→ Human rights in the supply chain](#).

To raise awareness of sustainability standards in the supply chain, we regularly provide purchasers with training on professional compliance matters and on the [MTU Code of Conduct](#), which applies to all the company's employees and prohibits corruption, bribery, the granting of undue advantage, and anti-competitive behavior. Our purchasers are also trained on the Supplier Code of Conduct. In addition, we offer special corporate responsibility training, including bespoke training for purchasing departments.

Revised risk process in place

We believe partnerships based on trust are key to sustainable supplier management. For this reason, we seek out long-term relationships with our suppliers. In the OEM business unit for aircraft engines, for example, most of the materials and services are based on contracts with a typical term of two or more years. Contractually agreed buffer inventories allow us to respond quickly to fluctuations in demand. In the reporting year, MTU worked with 1,631 new suppliers (2022: 1,388), or 22.4% of the total (2022: 22.2%). All suppliers are vetted before being accepted into MTU's supply chain. This process includes a binding supplier disclosure and contractual undertaking to comply with the Code of Conduct. MTU's engine leasing business, Amsterdam-based MLS, has its own separate but similar process. To cover environmental aspects, we request proof of certification to standards such as ISO 14001. Using periodic evaluations, we regularly review existing suppliers, including with respect to their ISO 14001 certification. Once approved, suppliers must regularly demonstrate their ISO 9001 compliance for quality management via recertifications. In connection with the establishment of MTU Maintenance Serbia, a process was defined for screening new suppliers there with regard to corruption risks, and has been in continuous use since then. Reviews during the reporting period did not reveal any indications of corrupting behavior. We present our analysis of risks relating to human rights in the supply chain in this report under → [Human rights in the supply chain](#).

We have strengthened our risk management system for human rights in the supply chain and, as of the 2023 reporting year, we will be using an enhanced process. We are currently taking a closer look at other aspects of sustainability in the supply chain. As part of an initial Scope 3 assessment, our experts analyzed the supply chain in terms of its CO₂ emissions. An initial accounting of greenhouse gas emissions across the value chain is in progress. For more information on the Scope 3 project, see [Climate action at our sites](#).

GRI: 102-9, 102-10, 3-3, 204-1, 205-3, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

Human rights in the supply chain

We respect human rights and are committed to seeing that they are also upheld in upstream value creation activities. Our aim is to prevent the violation of human rights in the supply chain.



We are conscious of our responsibility as a company with global operations, and aim to carry out our due diligence with regard to human rights. MTU fully respects the internationally proclaimed human rights set out in the United Nations' Universal Declaration of Human Rights and applies that to the supply chain as well. Our goal is to enforce compliance with human rights and fair working conditions. In the [Policy Statement on the Protection of Human Rights](#) it adopted in 2023, MTU commits to its human rights due diligence in the supply chain.

Supplier Code of Conduct

The Supplier Code of Conduct applies to upstream value creation activities. Our suppliers must commit to compliance with the Code of Conduct, which is based on the [ten principles of the UN Global Compact](#), which in turn are derived from international initiatives and conventions for the protection of human rights. MTU itself is a member of the UN Global Compact. The Code of Conduct requires suppliers to observe and uphold human rights and to ensure that they are not complicit in any human rights violations. That includes compliance with labor standards regarding the freedom of association, the right to collective bargaining, the prohibition of forced and child labor, the equality of remuneration regardless of gender, and equal treatment of employees. MTU's revised Supplier Code of Conduct has been in force starting in 2023. On the topic of human rights, this also formulates requirements for appropriate payment, occupational health and safety, and environment-related topics such as the handling of hazardous substances and waste, as well as expectations regarding environmental protection and climate action. And finally, we require our suppliers to apply the Code to their subcontractors and reserve the right to terminate, without prior notice, any contract with a supplier who takes no appropriate countermeasures in the event of violations. Our Code of Conduct is included in the General Terms and Conditions and in contract templates for suppliers. → [The MTU Supplier Code of Conduct](#)

Established reporting procedures are in place to ensure that we can systematically follow up on all complaints or reports of human rights infringements. Employees and external stakeholders can make reports to the Compliance Officer as a confidential contact point in the Group, or anonymously via the web-based [iTrust reporting system](#), available in multiple languages. This applies to all human rights concerns. → [See Compliance for information about handling reports](#)

In the reporting period, no reports of suppliers violating the Code of Conduct regarding human rights were submitted. Furthermore, no supplier relationships were terminated due to sustainability shortcomings with regard to human rights.

Risk analysis and monitoring of sustainability performance

MTU carries out an annual risk analysis for direct suppliers of the fully consolidated Group companies using a standardized tool, taking into account the probability of occurrence and extent of damage. The analysis is based on defined environmental, social, and governance (ESG) criteria such as product groups and the countries they are sourced from. We have integrated our risk analysis into our existing risk process for suppliers, and we also include key suppliers in an assessment of compliance with sustainability aspects. This is done by means of a scorecard within the ESG assessment tool. Our risk management approach includes preventive and, if necessary, corrective measures. MTU Maintenance also conducts a structured supplier evaluation twice a year for suppliers of the German sites.

For the findings of the risk assessment of suppliers with regard to child, forced, or compulsory labor or with regard to the freedom of association or the right to collective bargaining, please see MTU's 2023 report to the [German Federal Office for Economic Affairs and Export Control](#) (German version only).

In the reporting year, an interdisciplinary project team completed the implementation of the requirements imposed by Germany's Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) on the management of supply chains with regard to the protection of human rights. MTU has appointed human rights coordinators for the supply chains in its OEM and MRO businesses. The coordinators are responsible for risk analysis and report to the Group's Human Rights Officer.

Conflict minerals: Transparency about raw materials used

We take various steps to safeguard the respect of human rights in the supply chain. This applies especially to the procurement of certain raw materials known as conflict minerals: for example, tantalum, tin, tungsten and gold, which can be found in some of our engine components. These minerals can cause problems in procurement because they are sometimes mined in Central African countries, where the profits are used to finance armed conflicts that commit human rights violations. MTU strives for a sustainable and transparent value chain that excludes the use of conflict minerals. The company never deliberately purchases conflict minerals, but they can find their way into production or pre-production at the various levels of the global supply chain. The General Terms and Conditions and contract provisions require suppliers to provide information about the source of minerals in accordance with the EICC/GeSi Conflict Minerals Reporting Template. Every year, MTU requires its suppliers who deliver components containing minerals declared in the Dodd-Frank Act to declare the origin of the minerals or to source materials solely from certified mines and primary-alloy producers ([Conformant smelter and refiner lists](#)) in order to achieve a value chain with conflict-free raw materials. In turn, MTU demands that its relevant suppliers should specify the origin of such minerals, in order to ensure that the value chain contains only conflict-free raw materials.

When MTU requested information from suppliers in 2023, it discovered nothing to indicate that MTU components contain conflict minerals.

GRI: 3-3, 407-1, 408-1, 409-1, 414-1, 414-2
