

# SLAVERY AND HUMAN TRAFFICKING STATEMENT

2021



**KNORR-BREMSE**



# Slavery and Human Trafficking Statement for the 2021 Financial Year

The Knorr-Bremse Group is committed to the abolition of forced labor, slavery and human trafficking. This statement sets out the steps Knorr-Bremse has taken during the financial year 2021 to ensure that modern slavery and human trafficking are not taking place in our supply chains or in any part of our business. The statement is made pursuant to Part II, section 14 of the Australian Modern Slavery Act 2018 and has been approved by the Executive Board.

## Knorr-Bremse's structure, business and supply chains

Knorr-Bremse is the global market leader for braking systems and a leading supplier of subsystems for rail and commercial vehicles, with annual sales of EUR 6.7 billion in 2021. As of year-end 2021, a total of 30,544 employees (including leased staff) worked at Knorr-Bremse, which operates within two divisions namely Rail Vehicle Systems and Commercial Vehicle Systems. The Rail Vehicle Systems division equips vehicles with highly advanced products. Along with braking systems these include entrance systems, HVAC systems and other subsystems. Its system solutions are installed, for example, in high-speed trains, multiple units, metros, streetcars, freight cars, locomotives and special-purpose vehicles. The Commercial Vehicle Systems division is a leading player in solutions that foster greater traffic safety, connectivity, emissions reduction and electric mobility, as well as automated driving. Its braking systems and vehicle dynamics solutions including driver assistance systems are hard at work in trucks, buses, trailers and agricultural vehicles.

Knorr-Bremse – as a 1st tier B2B supplier – is active within over 100 sites in more than 30 countries around the world. We operate a diverse supply chain in two industries using a wide range of goods, so there are a number of supplier levels between our finished products and the source of raw materials entering the manufacturing process. We purchase primarily components which are assembled at our locations. We also purchase raw materials and ready-for-sale products. Most of our raw materials spending is on metals, friction components, electronic parts and plastics. As a globally operating company, Knorr-Bremse works with a wide range of suppliers, with most of their goods and services being purchased locally. This means that our choice of suppliers has a significant impact on the environment and society in the countries where suppliers source their products.

Knorr-Bremse Australia a 100% owned Subsidiary of Knorr-Bremse AG has its head office situated in Sydney with 6 branch locations throughout Australia. Knorr-Bremse Australia operates in both the Rail and Commercial Vehicle segments generating annual sales of AUD 243 million in 2021 and employing a workforce of 457. The Australia business not only provides OE solutions to its customer base but also acts a leading Aftermarket Service provider to many of its customers.

## Knorr-Bremse's policies in relation to slavery and human trafficking

Knorr-Bremse acts in accordance with clearly defined values and standards of responsible conduct that comply with laws and regulations and take internationally recognized principles into account. As a signatory to the United Nations Global Compact, Knorr-Bremse is committed to upholding human rights. In addition, we pledge to comply with applicable national legal frameworks, all of the International Labour Organization's conventions on human rights and the UN's Universal Declaration of Human Rights. Knorr-Bremse is committed to fulfilling our duty to carry out due diligence on human rights. To meet that commitment, we ensure our processes are consistent with the UN Guiding Principles for



Business and Human Rights and the German government's National Action Plan for the Economy and Human Rights (NAP).

At Knorr-Bremse we established policies and statements specifically to target and reflect these topics: Our key principles and rules regarding respect for human rights are set out in Knorr-Bremse's Code of Conduct, which is binding on all employees. Our Code of Conduct provides guidance on how to act responsibly toward employees, colleagues, customers, business partners, and the environment in which we operate. It lays down standards of behavior and helps us maintain integrity in our business activities and approach our day-to-day work in a manner that is both ethical and respects the law. The Code of Conduct also clearly states that nobody may be forced into employment or work against their will.

Moreover, Knorr-Bremse is committed to ensure that responsible business practices are also applied through-out our supply chain. Our Supplier Code of Conduct aims to ensure that good business conduct as well as respect for and protection of human rights is integrated in our supplier relationships. The Supplier Code of Conduct requires our suppliers to comply with basic labor rights, prohibiting the use of forced labor and man-dating fair and balanced remuneration and working hours.

The Knorr-Bremse Code of Conduct, which applies to all employees of the Group, defines central principles and rules for respecting human rights. The Human Rights Policy rolled out globally in 2021 concretizes the basic stance of the Code of Conduct with regard to human rights issues. It bundles all aspects relating to human rights that are set out in various internal guidelines and can be accessed externally on the Knorr-Bremse website. The following human rights topics are mentioned explicitly:

- Working times
- Wages and benefits
- Workplace health and safety
- Forced or compulsory labor, modern slavery or human trafficking
- Child labor
- Equal opportunities
- Physical or psychological harassment
- Freedom of association, freedom of assembly and the right to collective bargaining
- Freedom of opinion
- Employee privacy
- Corruption
- Security management

The Knorr-Bremse Human Rights Policy describes our desire to respect and protect the human rights of all people who work for us, either directly or indirectly. Along the way, examples and recommendations for action make our commitment and the implementation thereof tangible. We are always conscious of the fact that our activities and products can make an impact on society. For this reason, we explain in the Human Rights Policy how we aim to protect the rights of people in our own businesses, at our partners and in society by reducing the negative impact of our actions. The respect for human rights required on the part of suppliers and contractors by the Human Rights Policy supplement the requirements stipulated by the Knorr-Bremse Code of Conduct for Suppliers.



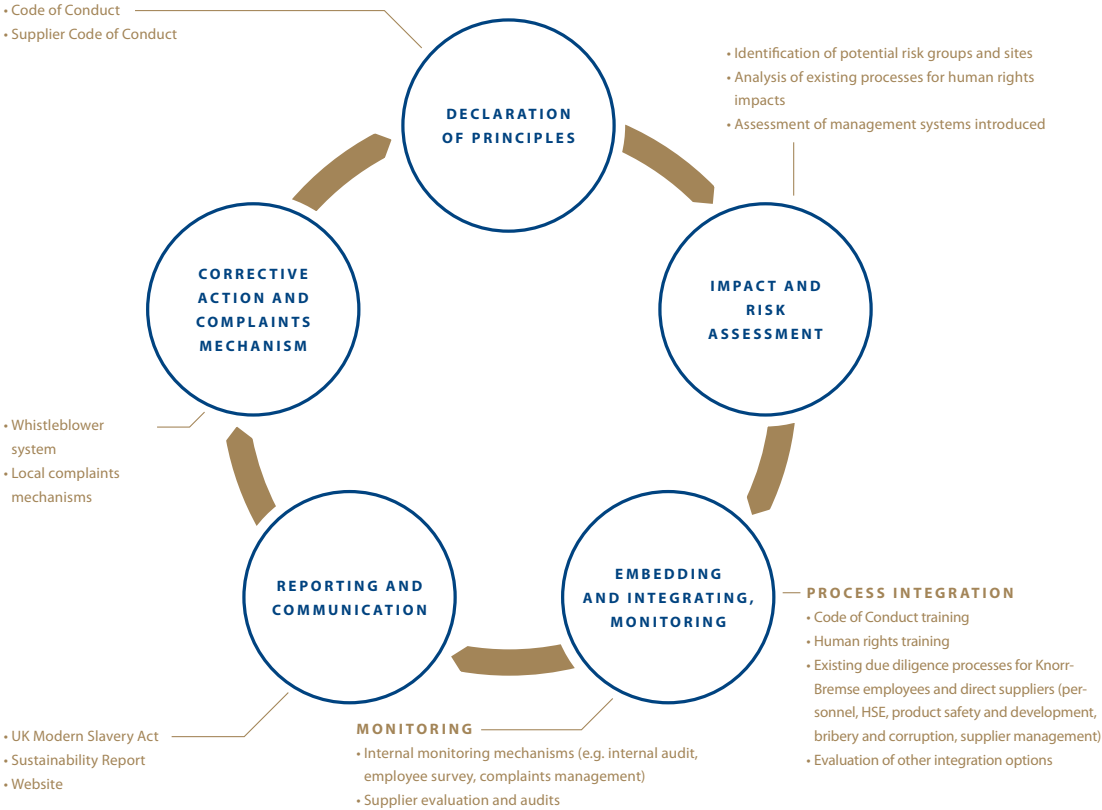
In order to protect human rights in the area of conflict materials, we have introduced a due diligence process. Key instruments for managing and reporting conflict materials include the Group-wide binding Conflict Minerals Policy and supplier surveys. The Knorr-Bremse Conflict Minerals Policy, which was introduced in 2020, describes the way in which we handle conflict minerals.

These Codes are complemented by additional human-rights-related guidelines, such as those in our HSE Policy or local human resources guidelines and the Security Guideline. In the context of employee safety, the latter regulates the handling of human rights-related, safety-critical incidents such as harassment, bullying, threats, or bodily harm.

### Due diligence processes in relation to Slavery and Human Trafficking in our business and supply chains

In order to ensure due diligence on human rights, we base our processes on the UN Guiding Principles for Business and Human Rights. Due diligence on human rights is covered by our existing processes, particularly in HR, Purchasing and HSE Management. For leasing staff, the same rights and obligations apply as for our direct employees.

#### Due diligence on human rights at Knorr-Bremse



Knorr-Bremse makes an additional contribution to upholding human rights due diligence, because more than 90% of the 169 SDG subgoals are based on international human rights and labor law standards (source: The Danish Institute for Human Rights). Our goal is to continuously develop our human rights due diligence processes in order to make a systematic contribution to the achievement of the SDGs by 2030.



### **Structures and processes**

In the Knorr-Bremse organization, the Executive Board has responsibility for taking remedial action in the event of possible human rights breaches. In 2021, the new position of human rights manager was filled in the Compliance department. The human rights manager develops and coordinates cross-functional measures to embed human rights more strongly in global corporate processes. In doing so, the human rights manager involves representatives of the Compliance, HR, CR, HSE, Purchasing and Legal Affairs departments in the decision-making processes on human rights issues. We plan to finalize the definition of the governance structure regarding human rights matters within the Knorr-Bremse Group in 2022. Our existing processes, for example in HR, Purchasing and HSE Management, consider aspects of human rights due diligence. Operational implementation and review of these activities are the responsibility of the relevant functions in the divisions and local units.

At the same time, we are working to integrate human rights due diligence more closely into our operational processes in order to minimize risks and prevent negative impacts. We take the results of the human rights risk analysis and detailed information as an opportunity to review our corporate processes and implement improvement measures.

### **Identifying human rights risks**

Building upon a human rights risk and gap analysis from 2018, we once again carried out an analysis of our management approach to human rights due diligence in the reporting period. The target was to evaluate the existing structures and processes regarding the German Supply Chain Due Diligence Act, which will apply beginning in 2023. The result is a time line and action plan along with the implementation thereof beginning in 2022 in order to fulfill the statutory requirements in a timely manner. In a first step, we will, in particular, deal with adapting the risk management process to cover all the legal requirements mentioned. Since 2019 our site-related human rights risk analysis has served as a criterion for selecting sites for internal audits. These regular audits examine the local situation regarding selected human rights, and in the case of complaints trigger countermeasures at the site concerned.

In the case of the supply chain, we carry out sustainability assessments and audits to identify potential human rights risks. On the basis of these sustainability assessments we assign suppliers to a risk category.

### **Supplier management**

Knorr-Bremse's efforts to promote high sustainability standards in the supply chain benefit both the Group and our suppliers, whose sustainable development we support in this way. As a global company, Knorr-Bremse works with a wide range of predominantly local suppliers who form an integral part of our value chain and make a significant contribution to the success of our business.

We currently purchase products and services from approximately 30,000 suppliers from over 60 countries. 72% of procurement spending is accounted for by more than 6,000 manufacturing and production partners for parts, components and materials that are incorporated in our products. Our biggest orders are for metals, friction components, electronic components and plastics, while we only purchase a small proportion of raw materials. Knorr-Bremse's choice of suppliers has a significant environmental and social impact in the countries where these items are produced. It is therefore of central importance to us to ensure that our supplier management processes take sustainability into account, as well as complying with environmental and human rights standards.



### **Supplier Principles and guidelines**

We aim to achieve a shared understanding of corporate responsibility throughout the entire value chain, including our suppliers and business partners. We have incorporated this in our Code of Conduct and our CR Guideline.

Our Group-wide Supplier Code of Conduct lays down the requirements that must be met in order to work with us. It describes the standards we expect our suppliers to observe in terms of working conditions, human rights, environmental protection, safety, business ethics, and compliance. The Supplier Code of Conduct is designed to support the systematic inclusion of sustainability criteria in all our supplier contracts and procurement processes. It calls on our suppliers to ensure that their own suppliers are also aware of our expectations. The Code of Conduct is currently available in 14 languages. Lastly, the respect for human rights required on the part of suppliers and contractors by the Human Rights Policy supplement the requirements stipulated by the Knorr-Bremse Code of Conduct for Suppliers. Our Group-wide Knorr-Bremse Conflict Minerals Policy, which we introduced in 2020, also contributes to human rights due diligence

### **Standards: requirements in our Supplier Code of Conduct.**

In 2021 we continued step-by-step rollout of our Code of Conduct across our entire supplier base.

Knorr-Bremse contacted its existing direct (production) material suppliers, asking them to confirm receipt of and recognize the Supplier Code of Conduct. The Supplier Code of Conduct has also been integrated into the supplier installation process and its recognition is mandatory. This process is being rolled out step by step. Our supply contracts also reference the Code. In addition, 2021 saw us achieve an important goal, with rollout of the Knorr-Bremse Code of Conduct for indirect suppliers. All orders placed by Knorr-Bremse world-wide now contain a reference to our Supplier Code of Conduct, and the Code has also been integrated into our supplier framework agreements.

**Sustainability Assessments:** Surveying and assessing suppliers regarding their sustainability management are ongoing activities in both divisions. Supported by external service providers, we call upon our business partners to fill out questionnaires on their social and ecological performance. The self-assessments and evidentiary documents of the suppliers are validated and evaluated by the external service providers. Currently, 1,983 suppliers have been assessed. The coverage rate is thus 61% of the global purchasing volume – an encouraging improvement compared to the previous year in view of the global positioning of a complex product range and diversified supply chains. We have thus reached our annual target of 60%, and the proportion of our global purchasing volume covered should further increase by 2025.

**Integration in Sourcing Decisions:** We take account of suppliers' sustainability assessments in our contract award process. In the CVS division, sustainability assessment is integrated into the so-called Sourcing Board, the review and decision-making body for supplier orders. In the RVS division, preference is given to suppliers who have been granted "Preferred" or "Potential Preferred" supplier status. To be able to reach this high supplier status, Knorr-Bremse requires a valid supplier sustainability assessment or proof that such assessment is in progress. Moreover, the suppliers should be able to present a certified environmental management system that is in line with the international standard ISO 14001. Currently, a number of suppliers covering 61% of the direct production volume meets this requirement.



**Risk Classification:** We use the insights gained as part of the sustainability assessment to evaluate the risks associated with the suppliers. Based on the individual assessment results, we classify our suppliers into the categories A, B and C, where C represents the level with the potentially highest sustainability risks. Going forward, we want to reduce the proportion of suppliers evaluated in the C category. To this end, we draw up action plans for improving sustainability performance with the suppliers in question. We also have the option of reducing the volume of purchases we make from the suppliers. In addition to supplier-specific evaluation of the management instruments and processes, we also use external sources such as country and sector risk analyses, as well as media reports, to identify potential risks. The risk is monitored until it has been refuted by objective evidence.

**Sustainability Audits:** By means of internal and external audits, we review and assess the sustainability performance of our suppliers. In addition, we integrate sustainability aspects into standard supplier visits, during which we use the supplier on-site sustainability risk checklist. It contains questions and practical tips for Knorr-Bremse employees in the area of supplier development so that they can identify and assess these sustainability risks on-site at suppliers. The results of the completed checklists are used as a decision-making criterion regarding additional sustainability audits on-site or other in-depth investigations. In 2021, 56 colleagues completed the online webinars offered on the use of these internal checklists. Sustainability assessments, involving surveying and evaluating suppliers on their sustainability performance, were continued in both divisions. With the assistance of external service providers, we request our business partners to complete questionnaires about their social and environmental performance. The external providers then validate and evaluate the self-disclosures and verification documents submitted by our suppliers. 921 of our direct suppliers have been assessed to date. This brings coverage to 67% of our global purchasing volume (2019: 61%). Once again, this meets the 60% annual target that we have set ourselves. During the year under review we also launched assessments of indirect suppliers. Independent experts assess compliance with the applicable social and environmental standards on-site in independent external sustainability audits. Additionally, the management approaches of the suppliers and the implementation thereof are assessed in the following areas: compliance, environment, occupational health and safety, human and labor rights, and supplier management. In 2021, 18 on-site audits were conducted, eight of which were follow-up audits (2020: zero audits due to the pandemic; 2019: 24 audits).

**Development: development plans, training and involvement in sustainability initiatives.**

To meet our sustainability requirements over the long term, we offer training programs to support our suppliers in the further development of their sustainable business practices. At the same time, we provide our employees with qualification and training on the topics as well.

**Awareness and Training:** We continuously work to raise the awareness and develop the skills of our employees in the area of sustainability. In coordination with a few service providers responsible for the sustainability assessments, we also offer corresponding webinars and additional support on the subject. For example, we provide training materials on the subject of conflict minerals. In 2022, we will continue to advance our approach to training and developing suppliers in the field of sustainability.

**Supplier Development Programs:** If an audit or a sustainability assessment reveals breaches or improvement potential, Knorr-Bremse develops and implements action plans for improvement with the suppliers. In 2021, we reviewed and refined this process and also set up follow-up audits. In addition, the audit results help us to identify potential risk fields, which we will pay particular attention to in the future as part of our supplier management. For example, we have identified the topics of waste man-



agement and the assurance of human rights due diligence as potential risk factors from our external sustainability audits and incorporated them into our supplier on-site sustainability risk checklist.

**Training for Procurement Specialists:** In addition, training Knorr-Bremse employees is a key prerequisite for sustainable purchasing management. Around the world, they should develop the know-how to be able to assess, advise and audit suppliers. We therefore held webinars on the topic of sustainability in sourcing for procurement specialists in 2021. The webinars focused on Knorr-Bremse's expectations of suppliers, teaching background information about conflict materials and interactive question-and-answer sessions. In addition, a binding e-learning module was developed for all global purchasing employees, which is also part of the Knorr-Bremse onboarding training course and was rolled out in December 2021.

For further developing our activities in this area we also draw on discussions within relevant industry initiatives. The CVS division is in close contact with the German Automotive Industry Association, which is working to develop effective industry-wide solutions for high-risk raw materials. We are also founding members of the Railsponsible initiative, whose goal is sustainable procurement in the rail industry.

### **Risk assessment and management**

The starting point for ensuring we fulfill our duty of human rights due diligence is our gap and risk analysis conducted in 2018 at country and site level regarding possible human rights risks along the value chain. The results of the analysis show that Knorr-Bremse should focus in particular on due diligence with regard to labor law for potential risk groups. Temporary agency workers, service providers at our sites and employees in the supply chain were identified as key risk groups here. In our annual risk analysis planned from 2022, we will therefore be putting the focus on these risk groups and also want to be able to report potential risks on the topic of ethical recruitment as part of this. Since 2019, our site-based human rights risk analysis has been included as a criterion in the selection of internal auditors to conduct audits. Selected human rights are audited on site within this regular audit and, in the event of complaints, remedial actions are determined.

Human Resources Management processes in the Australia are structured to comply with all statutory requirements. We undertake steps to ensure that no employees are subject to discrimination in relation to pay or employment conditions. When recruiting both permanent and temporary staff stringent checks are conducted to confirm an individual's employment status to work legally in Australia.

In our supply chain of direct suppliers, we identify potential human rights risks through sustainability assessments and audits (see above). We also developed a pre-audit checklist as an on-site risk checklist to enable routing during audits in order to assess suppliers' sustainability and human rights risk profiles more accurately. The checklist helps people carrying out routine audits to determine whether the supplier could fall into the high-risk category for sustainability and human rights. It contains questions and practical advice to help members of Knorr-Bremse's supplier development team identify and assess human rights risks when visiting suppliers' sites.

As recommended by the Responsible Minerals Initiative, we ensure transparency in the sourcing process for, and in the use of, minerals from conflict or high-risk areas, including tin, tantalum, tungsten and gold ("3TG"). In an annual survey, we ask direct suppliers with 3TG relevance for information on the origin of the minerals used by means of the Conflict Minerals Reporting Template (CMRT). Our last survey identified six smelting plants classifiable as critical, and corresponding processes to minimize risk





were introduced. Moreover, we held a supplier seminar on conflict minerals in September 2021. The training materials provided include our new data collection on cobalt, which will be used beginning in the 2022 reporting period.

### **Effective action taken to address modern slavery**

Employees and external stakeholders can report violations of laws or voluntary commitments anonymously or on a personalized basis via the whistleblower system. They can also use the system to report suspected human rights abuses. All complaints are examined and passed on to the relevant place for closer investigation. In every justified case, suitable measures are taken to rectify the situation. In the case of suspected human rights infringements, the CR department is informed. The aim is to systematically evaluate all information received and take appropriate measures. Employees can also report complaints to the newly created Incident Notification and Alarm Service (INAS). Our whistleblowing system for breaches of the Code of Conduct allows us to monitor respect for human rights more closely. Our independent central Internal Audit function also examines compliance on selected aspects of human rights at our sites worldwide as part of routine audits. In 2021, there were no instances of modern slavery reported or identified.

### **Assessing the Effectiveness of Actions**

We carry out selected sustainability audits in which independent experts visit the supplier's sites to evaluate compliance with the applicable social and environmental standards. The supplier's management methods and their implementation are also scrutinized in the areas of compliance, environment, occupational health and safety, human and labor rights, and supplier management.

Knorr-Bremse appreciates the high sustainability requirements of its customers and supports them in achieving their objectives. At the request of its customer Deutsche Bahn, sustainability audits were carried out at five Knorr-Bremse Rail Vehicle Systems (RVS) locations: Munich and Berlin, Germany; Mödling, Austria; Pamplona, Spain; and Budapest, Hungary. An independent auditing firm assessed compliance with environmental, safety, social and human rights standards. The result was a consistently very high overall assessment, with performance rates ranging from 93% to 99%.

### **Training on modern slavery and trafficking**

As part of professional capacity-building, we continuously promote awareness of human rights due diligence within the Company. This enables us to meet increasing statutory requirements and respond to stakeholders' growing interest in these issues. In this context we maintain an ongoing dialog with our specialized departments. The heads of Corporate Responsibility and Compliance report regularly to top management on planned or completed Company-wide activities related to human rights due diligence. They also inform the Supervisory Board of current developments in the field of human rights and any related measures taken by Knorr-Bremse. The Code of Conduct informs Knorr-Bremse employees of their duty to comply with human rights. In December 2017 Knorr-Bremse launched a group-wide eLearning program for our Code of Conduct. To prevent compliance breaches, Knorr-Bremse relies on transparent communication and employee training. A video address by the CEO on the topic, among other measures, was made available on the intranet and social media channels to raise awareness in 2021. Information about the compliance organization, the responsible contact persons, the compliance guidelines and supplementary information are available on the Group-wide intranet. A global e-learning module on our Code of Conduct is available in 13 languages and needs to be completed online every two years. In December 2021, more than 97.5% (2020: more than 95%) of the 17,000 employees with access to e-learning platforms (approximately 55% of the entire workforce) had a valid certificate. Knorr-Bremse also regularly audits managers' knowledge on the Code of Conduct and its active communication. The



e-learning is supplemented by in-person events that are appropriate for the target group. In 2021, we ran 25 training modules that taught employees specific compliance content and our policies around the world. Due to the pandemic, these were largely run in online formats

With effect from January 2021, the Code of Conduct is an integral part of employment contracts for German Knorr-Bremse companies, and therefore also part of the onboarding process for new employees. We are planning rollout to our international sites in mid-2021.

Furthermore, in 2018 we focused on raising awareness on human rights in our purchasing departments: During international meetings, such as the internal Asia Pacific Purchasing Conference, we continuously informed our purchasing colleagues on sustainability related issues, especially on human rights in the value chain. For the local purchasing staff in Granville (Australia) an introduction workshop to the Supplier Code of Conduct has been carried out, which included modern slavery principles. In addition, local purchasing staff supported the sustainability audits at our suppliers to gain a deeper understanding of sustainability management, including human rights. In 2019, Asia Pacific Purchasing distributed controlling processes across regional purchasing teams to further reinforce awareness and the importance of human rights and sustainability in the value chain.

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