

SLAVERY AND HUMAN TRAFFICKING STATEMENT

2020



KNORR-BREMSE



Slavery and Human Trafficking Statement for the 2020 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 2020 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 6.2 billion in 2020. As of year-end 2020, a total of 29,500 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. In 2020, Knorr-Bremse spends EUR 3 billion a year on materials, supplies, and merchandise. 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 241 million in 2020 and employing a workforce of 463. 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.

In 2020 we expanded the due diligence process for the management and reporting of potential conflict materials. An important milestone was the formulation and rollout of our Company-wide Knorr-Bremse Conflict Minerals Policy, which lays down as a long-term target the exclusive use of conflict-free materials and components in our products. To start with, we are taking immediate action to achieve transparency in the procurement process for minerals such as tin, tantalum, tungsten and gold ("3 TGs") from conflict zones or other high-risk areas. On an annual basis we require direct suppliers to provide 3TG-relevant information on the origin of minerals they use by applying the "Conflict Minerals Reporting Template" (CMRT) drawn up by the Responsible Minerals Initiative. By the end of 2020 we had received information about the origin of conflict materials from 73% of our direct suppliers in terms of purchasing volume. The information was generated from internal analysis of product groups, suppliers' self-disclosures or the use of the CMRT.

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 newly implemented in 2020. 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.

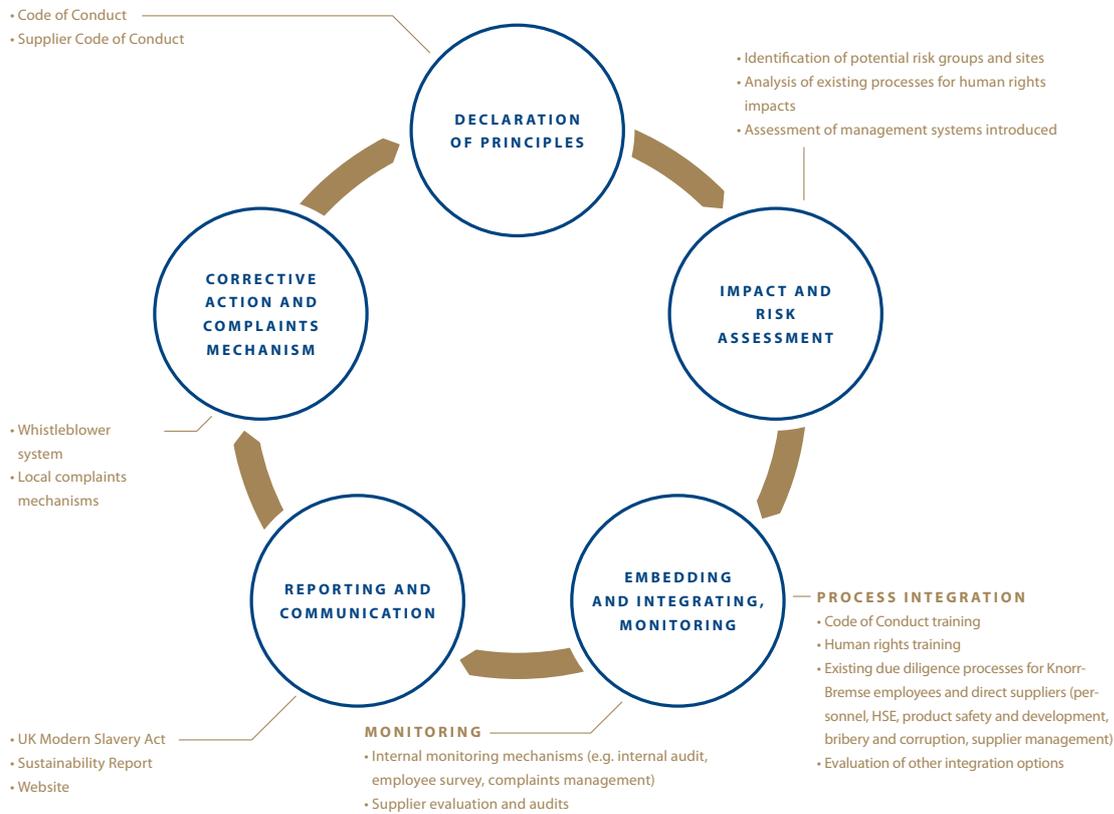
For 2021 we plan to formally adopt and disseminate a stand-alone Knorr-Bremse Human Rights Policy. This policy brings together all the human rights provisions currently contained in various guidelines.

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 is well aware of its duty to carry out due diligence on human rights and is committed to fulfilling this duty at all times, including at all stages of the value chain and in our dealings with all those potentially affected by our business activities. That is why we are systematically expanding our processes designed to safeguard respect for human rights in line with our Code of Conduct and external guidelines.

By gearing its activities towards achieving the UN Sustainable Development Goals (SDGs), Knorr-Bremse is making an additional contribution towards due diligence on human rights. Over 90 percent of the 169 targets that make up the SDGs are based on international standards for human rights and labor law (source: The Danish Institute for Human Rights). We intend to continue to expand our due diligence processes in future, thus making a concerted and systemic contribution to achieving the SDGs by 2030.

Structures and processes

Responsibility for taking remedial action in the case of possible human rights violations lies with the Executive Board. Control is currently carried out within the framework of CR management, which coordinates activities and processes relating to human rights due diligence throughout the Group. Knorr-Bremse is currently examining the possibility of setting up a cross-divisional human rights governance structure to define how the issue of human rights is to be managed in organizational terms. The aim in future is to develop and implement cross-functional measures to anchor human rights more firmly in global corporate processes.



In order to ensure due diligence on human rights, we base our processes on the UN Guiding Principles for Business and Human Rights and the German government's National Action Plan for the Economy and Human Rights (NAP). 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

In 2018 we initiated a risk and gap analysis aimed at building upon our existing processes for due diligence on human rights and prioritizing possible risks. As a result of this analysis we identified a number of areas for improvement and have drawn up specific recommendations for action. Amongst other things the results have identified temporary staff, service providers at our sites and supply chain employees as key risk groups regarding working conditions. For this reason, we are currently carrying out a Group-wide review of potential risks for these categories and in 2021 will continue with an in-depth analysis focused on "ethical recruitment".

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 more than 29,000 suppliers every year, mainly buying components in the form of semi-finished or finished products that are assembled at our sites. 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. During the year under review, Knorr-Bremse also drew up a policy statement on the handling of conflict materials.

Standards: requirements in our Supplier Code of Conduct.

In 2020 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, 2020 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. In 2020, 37% of the volume of Knorr-Bremse's indirect procurement incorporated the Code of Conduct.

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.

These sustainability assessments of suppliers are considered in our procurement process. In the CVS division, the assessments are one of the factors considered by the Sourcing Board – the internal body that examines and decides on supply contracts. In practice, this means that suppliers are only nominated for supply contracts if they have recognized the Supplier Code of Conduct and have completed, or are in the process of completing, a sustainability assessment. In the RVS division, priority is given to suppliers with “preferred” status. To achieve this, Knorr-Bremse requires them to possess a valid sustainability evaluation document. In addition, suppliers should be able to provide evidence that they operate a certified environmental management system.

In addition, we use an ABC analysis of the findings from the sustainability assessments to evaluate the risks associated with suppliers to both divisions. In order to improve our sustainability performance, we developed a classification and evaluation system during the year under review that makes the assessments comparable in terms of risk classification. Level C covers companies with a potentially higher sustainability risk. In future we aim to reduce the proportion of suppliers coming from this category by subjecting them to closer analysis and organizing measures such as training sessions as part of development plans.

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

If an audit or sustainability assessment reveals instances of non-compliance or areas where there is room for improvement, Knorr-Bremse works with the supplier to draw up a plan to improve their performance. Implementation is reviewed and documented. The information provided for the sustain-



ability assessments is also used to identify any necessary measures, which are then communicated to the supplier in question. The assessments also help us to identify potential risk areas that we will need to especially take into account in our supplier management. For example, our external sustainability audits have identified waste management and human rights due diligence as potential risk factors and included these in our pre-audit checklist.

We are constantly working on raising our suppliers' awareness and developing their competence in these areas. Together with sustainability assessment service providers, we offer a range of webinars and follow-up resources on sustainability-related topics. Thus, in 2020 we started producing a practical guide for suppliers on carrying out human rights due diligence in their business, and for 2021 we are planning a seminar for Level C high-risk suppliers on the subject.

Another key requirement for sustainable procurement management is to ensure that Knorr-Bremse's own employees receive appropriate training to give them the necessary knowledge to properly assess, advise and audit our suppliers. During the year under review, we held webinars for Knorr-Bremse procurement specialists on sustainability in procurement. The focus was on Knorr-Bremse's expectations of suppliers, provision of background knowledge on conflict materials, and interactive Q&A sessions. From 2021 onwards, Knorr-Bremse will also provide information on conflict materials as part of its on-boarding training for procurement specialists.

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

Workplace exploitation and modern slavery are found in many global supply chains. Workers assigned to companies by recruitment agencies, temporary workers and employees of some local service providers (e.g. cleaning companies or logistics firms) are all at greater risk of falling victim to modern slavery or exploitation in the workplace. In 2019, in order to improve our understanding of these risks at Knorr-Bremse and identify scope for improvement, we carried out an in-depth risk analysis in these areas. In 2020 we were planning to examine the following specific issues at site level using a comprehensive "Ethical Recruitment Questionnaire", but the pandemic and resulting lack of time meant this had to be postponed until 2021, when the following aspects will be examined:

- Our existing processes for recruiting and on-boarding new employees.
- Knorr-Bremse's expectations of recruitment agencies, temporary employment agencies and service providers in terms of the establishment and monitoring of fair working conditions.
- Local complaints systems and information about incidents that have occurred.

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. In 2020 the COVID-19 pandemic and cancellation of standard supplier audits meant that this measure could not be implemented.

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 2020, 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. In 2020, none of the planned 43 audits of high-risk suppliers could be carried out (2019: 24 audits in Asia, North America, and Europe). COVID-19-related restrictions prevented the implementation of on-site audits, and these will now be carried out during 2021, if conditions permit.

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 Head of Corporate Responsibility reports regularly to top management on planned or completed Company-wide activities related to human rights due diligence. He also informs 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. This training is mandatory for all employees and is refreshed every two years. The program covers all relevant Code of Conduct content, including aspects of human rights such as freedom of expression, freedom from discrimination, and a ban on child labor and forced labor. The compliance management systems support compulsory training on the Code of Conduct and methods of reporting infringements. 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. We use various channels to engage in dialog with our suppliers and offer training on a variety of sustainability-related topics. In 2020 we started to draw up a practical guide for suppliers on implementation of human rights due diligence in the Company.



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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