



Slavery and Human Trafficking Statement

2018

KNORR-BREMSE





Slavery and Human Trafficking Statement for the 2018 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 2018 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 Section 54, Part 6 of the Modern Slavery Act 2015 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 6.6 billion in 2018. As of year-end 2018, a total of 28,452 employees (thereof 2,519 leasing 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 2018, Knorr-Bremse spends over 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'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. Moreover, we pledge to abide by the International Labour Organization (ILO) human rights conventions and the United Nations (UN) General Declaration on Human Rights. Knorr-Bremse has also endorsed the Code of Conduct of the German Railway Industry Association, which also clearly defines a requirement to abolish all forms of compulsory labor.

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.

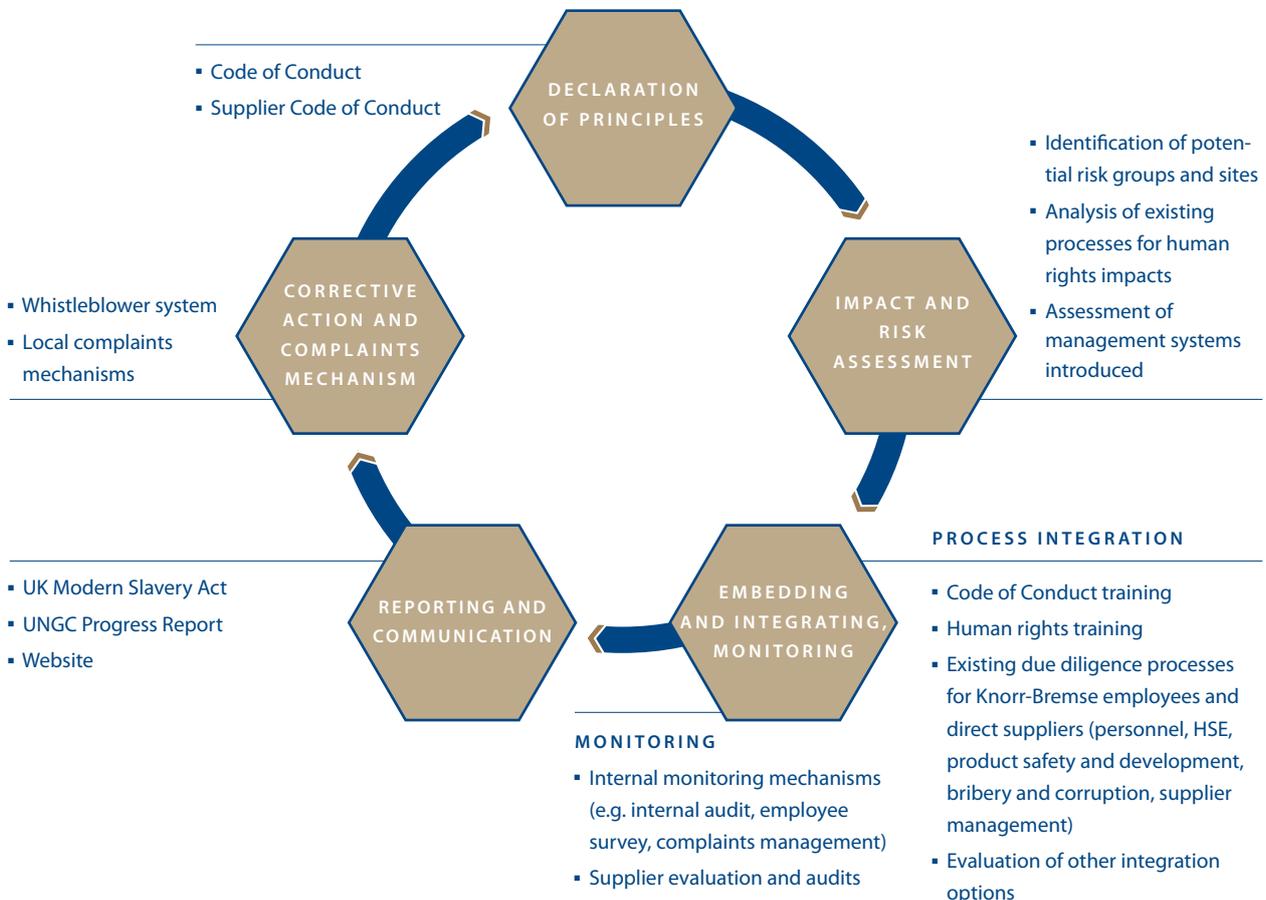
Moreover, Knorr-Bremse is committed to ensure that responsible business practices are also applied throughout our supply chain. Our Supplier Code of Conduct aims to ensure that good business conduct as well as respect for and protection of human rights is integrated in our supplier relationships. The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

These Codes are complemented by additional human-rights-related guidelines, such as those in our HSE Policy or local human resources guidelines.

Due diligence processes in relation to Slavery and Human Trafficking

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 (see picture). For leasing staff the same rights and obligations apply as for our direct employees.

✓ DUE DILIGENCE ON HUMAN RIGHTS AT KNORR-BREMSE





Human Resources Management processes in the UK 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 UK.

Supplier management

During 2018 Knorr-Bremse continued to ensure that suppliers were aware of our Supplier Code of Conduct and agreed to comply with it. 81% of direct suppliers by purchasing volume have taken note of our Supplier Code of Conduct or refer to a comparable code of conduct of their own. Suppliers of direct materials must also accept the relevant department's Quality Management Guideline which form part of the contractual agreements with our suppliers. We revised our guidelines for the Commercial Vehicle Systems division in 2018, incorporating both our Supplier Code of Conduct and minimum sustainability requirements. The Quality Management Guideline for the Rail Vehicle Systems division is currently being updated and will also include a contractual obligation to abide by our Supplier Code of Conduct.

Should a supplier fail to comply with these standards, Knorr-Bremse reserves the right to review the relationship with the supplier for future transactions and enquiries and, where necessary, to terminate it. To ensure our guidelines are widely accepted by our suppliers, we continuously monitor supplier contracts in which our expectations concerning forced labor are implemented. Additionally, we have introduced Supplier Sustainability Assessments in both divisions, in which selected suppliers are invited to conduct a assessment on several environmental, social, and ethical questions. The assessments are validated by external analysts and also include the supplier's activities aimed at tackling forced labor and human trafficking. The assessment ratings will be incorporated into the supplier evaluation and selection process.

Currently around 750 of our direct suppliers have been assessed. Despite our complex range of products, global operations and diversified supply chain, these assessed suppliers account between them for 53% of our global purchasing volume; we aim to increase this figure to 60% in 2019.

We also conduct external sustainability/social audits at chosen supplier locations to ensure compliance with our Supplier Code of Conduct. The audits assess management approaches and how they are implemented in relation to compliance, the environment, health and safety at work, human rights, labor rights, and supplier management. We have drawn up development plans with the suppliers concerned on the basis of the results.

Risk assessment and management

In 2018 we initiated a risk and gap analysis with the aim of cementing and building upon our existing processes for due diligence on human rights. The analysis was carried out on the basis of the UN Guiding Principles for Business and Human Rights and covers a number of risks that might arise as a result of Knorr-Bremse's activities. The starting point for this exercise was a risk analysis at national and site level, in addition to potential human rights risks within the value creation chain. We then went on to examine relevant internal guidelines and processes to assess how well they reflected our due diligence requirements on human rights. Interviews conducted with relevant specialized departments and at selected sites provided an insight into the robustness of our current processes. As a result of this gap analysis we have identified a number of areas for improvement and drawn up specific recommendations for action, which are now being implemented step-by-step. The results of the analysis show that due diligence regarding employment law for potential risk groups is currently a major focus for Knorr-Bremse. Temporary staff, service providers at our sites and supply chain employees were identified as key risk groups.



In the course of the year under review we built on the processes described here by instigating the following measures to be implemented over the next few years:

- Policy commitment: An expanded commitment to human rights to be included in our Code of Conduct.
- Risk identification: Increased internal data collection to identify potential risks. Through sustainability assessments and audits in our supply chain, Knorr-Bremse identifies potential human rights risks.
- Integration: An assessment of potential effects and an intensified procedural focus on risk groups, including avoidance of human rights risks when recruiting temporary staff.
- Monitoring and reporting: Building capacity in relevant specialized departments and expanding Internal Audit monitoring processes to include additional human-rights-related aspects.
- Grievance mechanisms and remedy: Examining potential expansion of our complaints mechanisms with a view to improved reporting of infringement of legislation and internal guidelines.

Effective action taken to address modern slavery

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 2018, there were no instances of modern slavery reported or identified.

The findings of the sustainability on-site audits at six direct, high-risk suppliers showed processual gaps regarding management of human rights, e.g. overtime payment or updating of employment contracts. As mentioned above, the findings have been translated into concrete development plans in order to manage the gaps systematically.

Training on modern slavery and trafficking

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. Available in ten different languages, the package had been completed by over 15,100 employees (around 53% of total employees) across all regions in the Knorr-Bremse Group by the end of the year under review. Employees without access to a learning platform received additional face-to-face training to ensure they were familiar with the Code of Conduct. Selected employees in regular contact with external partners, for example those working in our Purchasing and Sales departments, were also provided with additional in-person training on corruption prevention and fair competition during 2018.

Across a number of our UK locations, training programs, face-to-face and townhall style briefings have been conducted to raise awareness for legislation and human rights topics such as discrimination, poverty and gender equality. These were additionally supported in 2018 with a focus on the UN Sustainable Development Goals as part of the worldwide 'Knorr-Bremse Day' events. The Knorr-Bremse Day has been carried out globally and locations have been offered information to conduct workshops on the Sustainable Development Goal 8 'Decent Work and Economic Growth', which included the topic human rights.

Furthermore, in 2018 we focused on raising awareness on human rights in our purchasing departments: During international meetings, such as the internal European 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 Pune (India) a workshop has been carried out, which included modern slavery



principles. In addition local purchasing staff joined the sustainability audits at our suppliers to gain a deeper understanding of sustainability management, including human rights.

The staff awareness raising will be continued throughout 2019. Additionally, at our UK location in Melksham we plan to include the topic modern slavery in monthly team cascades and to undertake 'unconscious bias trainings'.

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