

SLAVERY AND HUMAN TRAFFICKING STATEMENT

2019



KNORR-BREMSE



SLAVERY AND HUMAN TRAFFICKING STATEMENT FOR THE 2019 FINANCIAL YEAR

The Knorr-Bremse Group is committed to the abolition of forced labor, slavery and human trafficking. This statement sets out the steps taken by Knorr-Bremse during the 2019 financial year 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 and other rail and commercial vehicle systems, with annual sales of EUR 6.9 billion in 2019. As of year-end 2019, a total of 28,905 employees (including 2,550 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 sub-systems. 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 e-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 at 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 mainly purchase components, which are assembled at our locations. We also purchase raw materials and ready-for-sale products. As of 2019, Knorr-Bremse spent 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. 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 this 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 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.

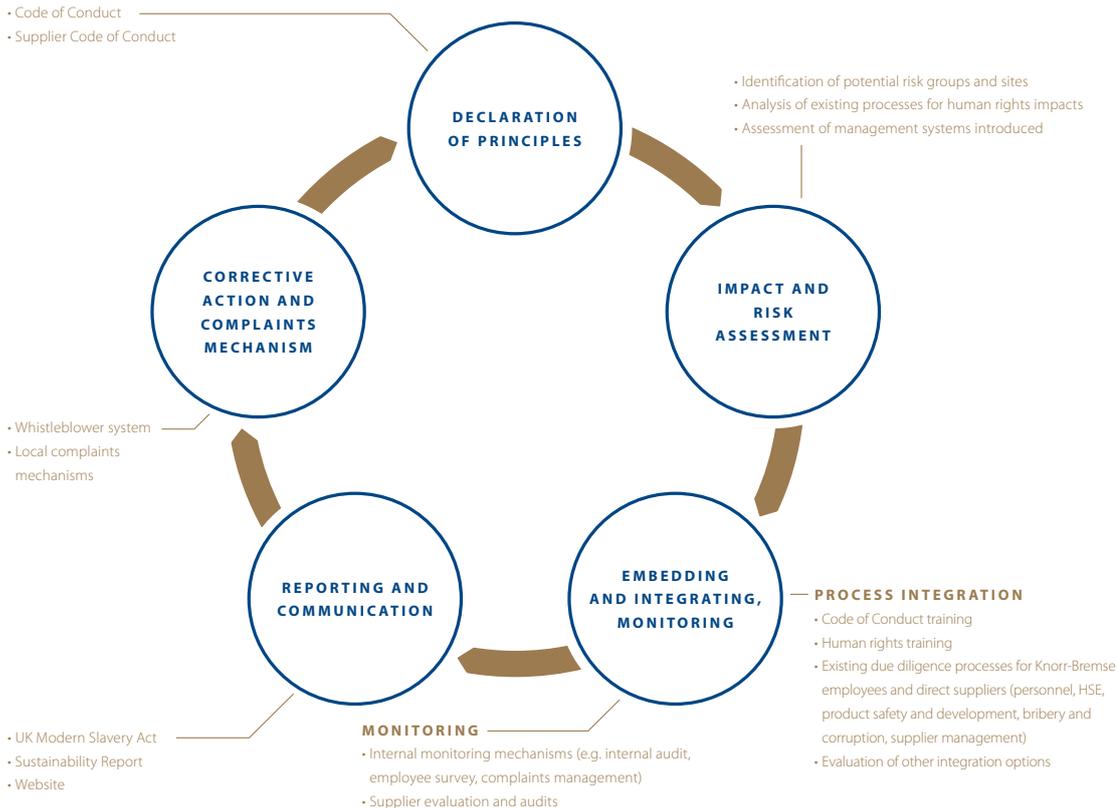
These Codes are complemented by additional human-rights-related guidelines, such as those in our HSE Policy or local human resources guidelines.

For 2020 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 different 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 (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 the UK.

Supplier management

During 2019 Knorr-Bremse continued to ensure that suppliers were aware of our Supplier Code of Conduct and agreed to comply with it. In 2019, 85% of our direct suppliers by purchase volume have taken note our Supplier Code of Conduct. New Knorr-Bremse direct material suppliers are contractually obliged to do likewise. In the Commercial Vehicle Systems division, the Supplier Code of Conduct is incorporated into the Quality Management Guideline, which direct suppliers are obliged to sign. The Quality Assurance Agreement for the Rail Vehicle Systems division is currently being updated. The updated guideline will also include a contractual obligation to abide by our Supplier Code of Conduct. For direct purchasing, all purchase orders through our SAP system already include the Supplier Code of Conduct reference. For indirect suppliers, we are currently updating our Framework Contract and Purchase Order document globally to include the Supplier Code of Conduct; the launch is planned for Q3 2020.

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 inquiries and, where necessary, to terminate it. Additionally, we have introduced Supplier Sustainability Assessments in both divisions, in which selected suppliers are invited to conduct an assessment on several environmental, social and ethical questions. The assessments are validated by external analysts and also include the suppliers' activities aimed at tackling forced labor and human trafficking. The assessment results are considered in our procurement decisions. 830 of our direct suppliers have been assessed to date, accounting for 61% of our global purchasing volume, compared to 53% in 2018. We have achieved this in spite of the global nature of our business, our complex product portfolio and the diversity of our supply chains, even exceeding the 60% target that we had set for 2019.

In addition to the supplier sustainability assessments, we also carry out on-site supplier sustainability audits in which independent experts visit the suppliers' sites to evaluate compliance with the applicable social and environmental standards and our Supplier Code of Conduct. They also audit the suppliers' management methods and their implementation in the areas of compliance, environment, occupational health and safety, human and labor rights, and supplier management. In 2019, audits of this kind were carried out at a total of 24 potentially high-risk suppliers in Asia, America and Europe. The results have been used to draw up development plans with the suppliers in question.

RISK ASSESSMENT AND MANAGEMENT

Over the course of the year under review we continued to develop a range of measures based on the results of a human rights risk and gap analysis conducted in 2018 (for more details, please refer to the Knorr-Bremse UN Global Compact Progress Report 2018). This analysis showed that we needed to review our due diligence processes in relation to working conditions for certain at-risk groups, in particular for temporary workers, service providers at our sites, and employees in our supply chain. Therefore, we started an in-depth risk analysis focused on ethical recruitment in order to improve our understanding of the risks that may affect certain groups, including temporary workers and people working for our service providers, so that we can address these risks more effectively.



In 2020 we plan to examine the following specific issues at site level using a comprehensive 'Ethical Recruitment Questionnaire':

- Our existing processes for recruiting and on-boarding new employees.
- The demands Knorr-Bremse makes of recruitment agencies, temporary employment agencies and service providers to ensure fair working conditions.
- Local complaints systems and information about incidents that have occurred.

In our supply chain of direct suppliers we identify potential human rights risks through sustainability assessments and audits (see above). In 2019, we developed a pre-audit checklist that will allow us to assess suppliers' sustainability and human rights risk profiles on-site and have a broader access to identification of potential risks. The checklist will help colleagues visiting suppliers on-site 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. The completed checklists will be used to decide which suppliers should undergo independent on-site sustainability audits.

EFFECTIVE ACTION TAKEN TO ADDRESS MODERN SLAVERY

Our web-based whistleblowing system allows for anonymous reports of severe legal violations and breaches of the Code of Conduct. It is accessible to everyone worldwide and can be used in various languages. We investigate any evidence of possible violations. The system enables 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 2019, there were no instances of modern slavery reported or identified.

The findings of the on-site sustainability audits at several 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, and additional training material is being developed for further support and for raising awareness.

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 who have access to a Company eLearning platform and needs to be retaken 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 90% of our 17,000 employees with access to a Company eLearning platform (or approximately 60% of the total workforce) by the end of 2019. Selected employee groups without access to an eLearning platform received additional face-to-face training to ensure they were familiar with the Code of Conduct.

Face-to-face training is used to complement or substitute e-learning materials and help us to reach staff who do not have access to a learning platform. In the course of 2019, a total of around 150 employees were introduced to the provisions of the Code of Conduct and associated guidelines in face-to-face training sessions all



over the world. Selected employees in regular contact with external partners, for example those working in our Purchasing and Sales departments, were also provided with additional 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.

Furthermore, since 2018 we have focused on raising awareness for human rights in our purchasing departments: During international meetings, such as the internal European Purchasing Conference, town hall or regional purchasing meetings, we continuously informed our purchasing colleagues on sustainability-related issues, especially on human rights in the value chain. After the local purchasing staff in Pune (India) received a workshop which covered topics including modern slavery principles, workshops in Spain and the U.S. were also organized in 2019. In addition, local purchasing staff joined the sustainability audits at our suppliers to gain a deeper understanding of sustainability management, including human rights: in China, India, Spain, the U.S., the Czech Republic, Poland, Hungary and Germany. The staff awareness-raising will be continued and comprehensive training material will be developed to set the basis for new purchasing employees. In the onboarding process, related sustainability and human rights issues in the supply chain and procurement processes will be addressed. Additionally, at our UK location in Melksham we plan to include the topic of modern slavery in monthly team cascades and to undertake 'unconscious bias training'.

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