



# ***Slavery and Human Trafficking Statement***

2017

**KNORR-BREMSE**





# Slavery and Human Trafficking Statement for the 2017 Financial Year

This statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 and sets out the steps Knorr-Bremse has taken to ensure that slavery and human trafficking are not taking place in our supply chains or in any part of our business. The statement has been approved by the Executive Board.

## Policies in relation to slavery and human trafficking

Integrity and responsible behavior are fundamental values in Knorr-Bremse's dealings with employees and business partners. Knorr-Bremse is committed to complying with all relevant legislation and regulations and is categorically opposed to all forms of forced or compulsory labor as well as human trafficking.

## Structure, business, and supply chains

Knorr-Bremse is a 1st-tier B2B supplier of sub-systems for rail and commercial vehicles, with sales totaling over EUR 6 billion in 2017. In 30 countries, some 28,000 employees develop, manufacture, and service braking, entrance, control, and energy supply systems, HVAC and driver assistance systems, as well as steering systems, and powertrain and transmission control solutions. As a technology leader, through its products the company has been making a decisive contribution to greater safety by road and rail since 1905.

Knorr-Bremse Division Rail is the leading manufacturer of braking systems for mass transit and mainline trains. The Company's systems are used in high-speed trains, multiple units, metros, light rail vehicles, locomotives, and freight cars. Knorr-Bremse has bundled its global service activities under the RailServices brand in order to be able to offer a customized service package to meet all requirements. The Division Truck of Knorr-Bremse supplies braking systems for trucks, buses, trailers, and agricultural vehicles and is a market leader for electronic brake control and driver assistance systems. Other product areas include steering and powertrain-related systems. Aftermarket services are bundled under the TruckServices brand name. Knorr-Bremse also cooperates with Bosch and ZF in operating the Alltrucks full-service workshop system.

Knorr-Bremse is active in more than 100 locations 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 primarily purchase components which are assembled at our locations. We also purchase raw materials and ready-for-sale products.

Our sourcing is based on a high degree of localization. For both divisions, local content – the proportion of the total volume purchased which comes directly from suppliers in the region – is around 70%.

## Our commitment and policies

Knorr-Bremse is driven by its five core values. "Responsibility" is the core value that applies in managing issues like slavery and human trafficking. Furthermore, as a signatory to the UN Global Compact since 2010, Knorr-Bremse is committed to upholding ten principles based on key UN conventions, including the elimination of all forms of forced and compulsory labor. Our group-wide 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.



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. The rollout of our Supplier Code of Conduct to all direct material suppliers of both divisions started in 2017 and will be completed in 2018. For Indirect Purchasing, the rollout will commence in 2018.

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.

### Due diligence processes in our operations

In 2017 we initiated a project to further establish and expand our due diligence processes for human rights. Our aim is to undertake a risk and capacity assessment of key human rights risks and existing management processes based on the UN Guiding Principles for Business and Human Rights. In 2018 we started to analyze the human rights risks the Groups' business may face in all its countries of operation and to conduct a gap analysis of policies, systems, procedures, and practices that will help to improve our human rights due diligence. The goals of this project include an in-depth analysis of possible gaps in our human rights due diligence process. This will involve all relevant departments and chosen locations as well as a measurement plan to cope with identified gaps.

We have also added sustainability requirements in the quality management guidelines for procurement. These form part of the contractual agreements with our suppliers and cover the ten principles of the UN Global Compact, including the commitment to eliminate all forms of forced and compulsory labor. These measures are based on 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 regularly 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 self-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. We also conduct external sustainability/social audits at chosen supplier locations to ensure compliance with our Supplier Code of Conduct.

In October 2017 Knorr-Bremse introduced a web-based whistleblower system allowing employees and external stakeholders, including supplier employees, to submit information about crimes or severe legal infringements that affect the Knorr-Bremse Group, anonymously if desired. This includes potential violations of our Code of Conduct and Supplier Code of Conduct. The system is provided and hosted by an external company and was available in 2017 in 20 languages and for reports from 20 countries, with 12 more to follow in 2018. All reports are securely channeled to our Compliance organization, which conducts a thorough assessment and initiates necessary countermeasures based on the decision of the Knorr-Bremse Compliance Committee.



## Staff training

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.

In 2017 the staff working within the Quality department of the Knorr-Bremse Division Truck, some 50 supplier development engineers and supplier quality development professionals, received sustainability training at the internal Supplier Quality Improvement Conference. This included several human rights-related topics like modern slavery. Internal events organized for all Purchasing employees in both divisions incorporate sustainability-related presentations and awareness-raising sessions in which human rights and modern slavery are integral topics.

Across a number of our UK locations, training programs and face-to-face and townhall style briefings have been carried out to raise awareness for legislation and human rights topics, e.g. discrimination.

In 2018 Knorr-Bremse plans to perform sustainability training for different internal target groups in the form of staff awareness and through our calendar of international meetings, e.g. for Purchasing staff and engineers.

In addition to the gap analysis of our human rights due diligence project, a workshop focusing on human rights will be developed as a voluntary workshop which can be carried out as part of our annual Knorr-Bremse Value Days activity. This workshop is open to all employees and aims to raise general awareness of human rights and how Knorr-Bremse supports them through internal processes. It also focuses on developing measures aimed at mitigating human rights risks at Knorr-Bremse.

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