



Modern Slavery Act Transparency Statement (Reporting Year 2020/2021)

Preamble

Section 54 of the United Kingdom Modern Slavery Act (in force since 2015) requires corporations that exceed a threshold volume of business activities in the UK to disclose their efforts to fight modern slavery. This statement intends to provide transparency for stakeholders regarding ZF's value chain and respective business practices at its locations. In May 2020, ZF successfully concluded the acquisition of WABCO, which joined the ZF Group as the Commercial Vehicle Control Systems (CVCS) division. Prior to the acquisition, WABCO had already implemented UK MSA-relevant policies and processes. It also had been reporting on relevant training and continuous improvement. In the course of 2020, ZF Group gradually extended its respective policies and processes to include the CVCS division.

This statement is made with regard to ZF Friedrichshafen AG as the parent company and its UK subsidiaries. The following entities were part of ZF as published in the 2020 Annual Report:

- LucasVarity, Shirley
- Midwest Lemförder Limited, Darlaston
- Off Highway Brakes & Controls Limited, Pershore
- WABCO Automotive UK Limited, Leeds
- ZF Automotive Holdings UK Limited, Shirley
- ZF Automotive UK Limited, Solihull
- ZF Lemforder UK Limited, Darlaston
- ZF International UK Limited, Shirley
- ZF Pension Sponsor UK Limited, Shirley
- ZF Services UK Limited, Nottingham

The ZF Group, Its Business and Supply Chain

ZF Friedrichshafen AG is a non-listed corporation in accordance with German law. Shareholders are the Zeppelin Foundation and the Dr. Jürgen and Irmgard Ulderup Foundation. ZF Friedrichshafen AG and the ZF Group are headed by the Board of Management, which manages the company, and by the Supervisory Board, which monitors the Board of Management. For the most part, the activities of the Board of Management are strategic in nature and comprise responsibility for the corporate functions, the divisions and the regions.



As a global leader in the automotive industry, ZF provides driveline and chassis technology as well as active and passive safety technology. The portfolio comprises systems, units and components for passenger cars and the commercial vehicle industry. Activities also include market segments such as construction and agricultural machinery, wind power, marine propulsion, aviation technology, rail drives, special drives and test systems for industry, as well as transmissions for industrial applications. Additionally, ZF offers a wide range of services such as the spare parts business for driveline and chassis technology or maintenance and repair services.

With about 271 locations in 42 countries worldwide, a major part of its value creation lies in sourcing appropriate components. For the procurement of production materials, ZF maintains a global network consisting of approximately 5,900 suppliers, ranging from small family businesses to large groups. Suppliers are mostly contractors who procure raw materials or basic components for the products ordered by ZF. They also manufacture products and, in some cases, design the products ordered by ZF. Due to the impact of COVID-19, overall business has decreased, leading to a purchasing volume for production materials totaling €16.3 billion in 2020, including directed-buy volumes. The value of non-production materials amounted to some €4.6 billion.

Policies in Relation to Modern Slavery and Human Trafficking

The [ZF Code of Conduct \(CoC\)](#) is the key document addressing individual responsibility within the ZF Group. It is currently available in more than 25 languages and provides all employees with clear orientation for flawless business conduct. The CoC also includes commitment to human rights, clearly stating the rejection of human trafficking, forced labor and child labor. Furthermore, it states that ZF supports the abolition of slavery, forced labor and exploitative child labor.

As for ZF's supply chain, all new and existing suppliers are required to endorse the [ZF Business Partner Principles](#). These set out fundamental requirements as to how suppliers must conduct business if they wish to work with ZF. Therefore, they also address topics such as human rights, labor standards, occupational safety and health protection, environmental protection, business ethics and compliance. Business partners are specifically expected to reject all forms of slavery, forced labor and child labor. Suppliers are expected to respect freedom of association and the right to form interest groups, to provide fair and appropriate remuneration and working times in accordance with applicable law, and to promote the qualification of their employees.

Respecting national and international laws and regulations at the locations worldwide is regarded as the minimum requirement. The Business Partner Principles also conform to principles and conventions, such as the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Universal Declaration of Human Rights, the UN Guiding Principles on



Business and Human Rights and relevant conventions of the International Labour Organization (ILO). An updated version of the ZF BPP was released in 2020.

A standardized process for the request and confirmation of Business Partner Principles includes a tool for tracking information on the current status of each supplier. Acceptance of the Business Partner Principles is taken into consideration in supplier award decisions and in the approval process for new suppliers. ZF reserves the right to scrutinize business relationships and take appropriate action if deviations or violations are identified.

In Germany, external service providers must sign an additional declaration of compliance with collective agreements guaranteeing fair wages, normal working hours and the rejection of unregistered labor and tax evasion. This declaration also applies to subcontractors engaged by ZF and includes the provision that ZF may check compliance at any time.

Due Diligence Processes in Relation to Slavery and Human Trafficking within the Supply Chain

To reinforce sustainability and combat human trafficking, forced labor and child labor within our supply chain, ZF introduced an additional sustainability criterion as a mandatory requirement for the approval of new suppliers and for ongoing sourcing for production material in May 2020. This sustainability criterion covers the topics of climate footprint, human rights and compliance, as well as environment, health and safety (EHS).

A corresponding questionnaire was developed based on the Self-Assessment Questionnaire on CSR and Sustainability developed by the Drive Sustainability initiative (formerly European Automotive Working Group on Supply Chain Sustainability). The reviewed questionnaire is a mandatory element of the new supplier approval process. It is also a mandatory deliverable for new sourcing from existing suppliers. If a supplier does not provide a completed questionnaire, if the score achieved lies below 25 percent or if the acceptance sheet for the Business Partner Principles is not signed and submitted, the sourcing case or supplier approval will not be processed. In 2020, all new ZF suppliers for production material and all Sourcing Decision Board supplier awarding (in 2020: 256 sourcing decisions) underwent self-assessment in accordance with the Sustainability Criterion.

With regard to so-called conflict minerals, gold, coltan, cassiterite, wolframite and its derivatives such as tantalum, tin or tungsten from the Democratic Republic of the Congo (DRC) and adjacent countries are used in ZF products. To meet the requirements of the Dodd Frank Act, Sec. 1502, and to ensure a conflict-free supply chain, ZF requested all relevant production material suppliers to disclose the origins of their resources. The selection of relevant suppliers is based on a due diligence process aligned with ZF's Corporate Sustainability team and follows the OECD's five-step



approach. Based on relevant commodities, regions and impact based on purchasing volume, some 800 suppliers participate in the annual conflict minerals reporting.

ZF uses a web-based solution for the reporting and identification of conflict minerals throughout the supply chain. All relevant suppliers receive written communication explaining the topic of conflict minerals and stating that ZF is committed to eliminating critical smelters from its supply chain.

As part of the tool-assisted supplier inquiry program, an overall feedback rate of more than 73 percent was recorded in 2020 (2019: 50 percent). ZF intends to increase the feedback rate from suppliers in 2021. The inquiries give no indication that ZF products contain sourced products that finance conflicts in DRC regions. For all suppliers who indicate potential high-risk smelters in their supply chains, ZF conducts a follow-up and requests that these suppliers eliminate critical smelters from their supply chains. As these minerals are necessary for technical functions in some of ZF's products, ZF is fully committed to avoiding sourcing from potentially critical smelters.

Any suspected serious breach of policies, regulations or laws may be reported anonymously via the **ZF Trustline**, an electronic notification system available to employees and third parties. In 2020, the ZF Trustline was enhanced with the addition of a category specific to violations of human rights, thus indicating the importance that ZF attributes to human rights and encouraging people to report on potential violations. Since early 2021, the ZF Trustline has been available in six languages, covering more than 80 percent of ZF's employees and a similar quota of its production material suppliers. In 2020, there were no instances of human trafficking or modern slavery reported or identified, and therefore no corrective action was necessary.

Risk Assessment and Management

ZF has implemented a comprehensive internal risk analysis process for compliance risks. The objective of this process is to identify, assess and counteract compliance-related risks as early and effectively as possible. Detailed information can be found in the Annual Report.

A dedicated risk assessment was carried out regarding human rights. For this purpose, specific self-assessments of suppliers were considered, and a separate survey was conducted at all ZF locations. No indications were thereby found of suppliers or locations that pose a particularly high risk of human rights violations, nor do we award contracts to suppliers suspected of committing such violations.

ZF also successfully conducted a pilot project within a target group of about 800 suppliers that represent the global footprint of ZF. This assessment was intended to increase the overall transparency of the supply chain and to better mitigate sustainability-related risks. It included



Environmental Protection (ISO 14001/EMAS), Human Rights & Labor (SA 8000 (SIA)), Anti-bribery & Anti-corruption (ISO 37001), Health & Safety (OHSAS 18001/ISO 45001) as well as Supply Chain Responsibility (Directive 2014/95/EU). While the results give no indication of infringement of ZF principles regarding human rights, labor practices, forced labor, child labor or freedom of association, a total of 39 suppliers were classified as critical. They were approached individually to define appropriate mitigation activities in 2021.

Effective Action Taken in 2020/2021 to Address Modern Slavery

In 2020 and 2021, ZF systematically reinforced its efforts regarding supply chain sustainability:

- Further staffing of the department “Sustainability Management Supply Chain”
- The CoC was implemented in the Commercial Vehicle Control Systems (CVCS) division in July 2020. Its introduction was supplemented by an online training opportunity.
- The ZF Trustline was extended to the Commercial Vehicle Control Systems (CVCS) division.
- Revision of the ZF Business Partner Principles, with special attention to human rights.
- Platform-based supplier sustainability assessment. Items included standards such as SA 8000 for Human Rights & Labor, ISO 37001 for Anti-bribery & Anti-corruption or the Directive 2014/95/EU with a focus on supply chain responsibility.
- Social media monitoring screening for negative CSR issues in our supply chain on a daily basis. Overall, 102,833,046 relevant social media messages were examined for the supply base, 97 percent of which were classified as uncritical. For the 23 suppliers with critical incidents, a follow-up was initiated on an individual basis.

As in previous years, sustainability self-assessments were required from all new ZF suppliers in 2020. No indications of infringements against principles of environmental protection, human rights, labor practices, forced labor, child labor or freedom of association were identified.

Training on Modern Slavery and Human Trafficking

Due to the COVID-19 crisis and the focus on key measures during 2020, training on modern slavery and human trafficking was rescheduled for 2021.



Friedrichshafen, 2021-08-23

A handwritten signature in black ink, appearing to be 'S. Jaskula', written over a horizontal line.

Sabine Jaskula
Member of the BoM
Human Resources and Legal

A handwritten signature in blue ink, appearing to be 'W. Rehm', written over a horizontal line.

Wilhelm Rehm
Member of the BoM
Materials Management