



Modern Slavery Act Transparency Statement

(Reporting Year 2022/2023)

Preamble

Section 54 of the United Kingdom Modern Slavery Act (in force since 2015) requires corporations exceeding an annual turnover of £36 million in the UK disclose their efforts to fight modern slavery. This statement intends to provide transparency for stakeholders regarding the value chain and respective business practices at the locations of the ZF Group (referred to as ZF). The statement is made with regard to ZF Friedrichshafen AG as the parent company and its UK subsidiaries. The following entities were part of the ZF Group as published in the 2022 Annual Report:

- Autocruise Ltd. Solihull
- Clayton Dewandre Holdings Limited, Hull
- LucasVarity, Solihull
- Midwest Lemförder Limited, Darlaston
- WABCO Automotive Pension Trustees Limited, Batley
- ZF Automotive Holdings (UK) Limited, Solihull
- ZF Automotive UK Limited, Solihull
- ZF CV Distribution UK Limited, Leeds
- ZF International UK Limited, Solihull
- ZF Lemforder UK Limited, Darlaston
- ZF Pension Sponsor UK Limited, Solihull
- ZF Services UK Limited, Nottingham

ZF, Its Business and Supply Chain

ZF is a corporation headquartered in Friedrichshafen (Germany). The Zeppelin Foundation owns 93.8 % of the company. These shares are managed by the city of Friedrichshafen. The remaining 6.2 % are owned by the Dr. Jürgen and Irmgard Ulderup Foundation, Lemförde (Germany). The shareholders exercise their voting rights at the annual shareholders' meeting.

ZF is 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. Business activities by product segments are organized by divisions.



As a global technology company, ZF is supplying advanced mobility products and systems for passenger cars, commercial vehicles, and industrial technology. The comprehensive product range is aimed primarily at established vehicle manufacturers, mobility service providers and start-up companies in the fields of transportation and mobility. ZF electrifies a wide range of vehicle types. With its products, the company contributes to reducing emissions, protecting the climate and enhancing safe mobility. Alongside our core markets – passenger cars and commercial vehicles – ZF also serves market segments such as construction and agricultural machinery, wind power, marine propulsion, rail drives, special drives, and test systems.

ZF has around 164,900 employees worldwide and is represented with 168 production locations in 32 countries. A major part of its value creation lies in sourcing appropriate components. For production materials, ZF maintains a worldwide network of approximately 12,000 suppliers, ranging from small family businesses to large corporations. These include approximately 1,000 strategic suppliers. Furthermore, ZF cooperates globally with about 54,600 suppliers of non-production materials. The purchasing volume for production materials increased to €24.6 billion in 2022, including directed buy volumes, for which ZF's customers define which sub-suppliers are to be subcontracted. The purchasing value of non-production materials amounted to €7.7 billion in 2022.

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 27 languages and provides all employees with clear orientation for flawless and responsible business conduct. The CoC also includes commitment to human rights, clearly stating the rejection of human trafficking, forced labor and child labor. In 2022, ZF's compliance management system was revised in cooperation with the relevant internal stakeholders. In the course of this revision, statements on human rights became more specific and other topics, such as government affairs, social media and marketing messages, were included in the CoC.

As for ZF's supply chain, all new and existing suppliers are required to endorse the [ZF Business Partner Principles \(BPP\)](#). They represent the key values that are indispensable for ZF. Compliance with national and international laws and regulations at all locations worldwide is considered the minimum requirement. The BPP also conform to various 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.



More precisely, these principles contain guidelines specifying fundamental requirements for collaboration with ZF's business partners. They address topics such as human rights, labor standards, occupational safety and health, environmental protection, business ethics and compliance. In particular, business partners are expected to reject any form of slavery, forced labor or child labor. ZF also expects them 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. The BPP also expect suppliers to ensure that these values are respected in their supply chains.

In Germany, external service providers must sign an additional declaration of compliance to 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. The acceptance of the BPP is considered for new awardings to existing suppliers and for the registration of new suppliers. ZF reserves the right to scrutinize business relations and take appropriate action if deviations or violations are identified.

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 ZF's supply chain, the ZF Group uses a mandatory requirement for the approval of new suppliers and for ongoing sourcing for production material. The ZF Group developed the Sustainability Criterion, a Self-Assessment Questionnaire on Sustainability, that covers the topics of climate footprint, human rights and compliance, as well as environment, health and safety (EHS).

Until May 2023 the ZF Group applied this Sustainability Criterion for the selection and registration of new suppliers.

As part of the continuous development of our approach, ZF replaced its own Self-Assessment Questionnaire in all relevant processes through the standardized Sustainability Assessment Questionnaire (SAQ) of Drive Sustainability by May 2023. The SAQ is part of the new sustainability KPI - the ZF Sustainability Score (ZF SUS Score). The ZF SUS Score is one overall score calculated by different environmental and social compliance key performance indicators and a mandatory requirement within the sourcing and new supplier approval process.

To be ready for future sourcing or to become an approved supplier for the ZF Group, suppliers need to achieve a ZF Sus score of >65%. If the ZF Sus score is below 65% the supplier needs to work on improvement measures to reach the minimum score.

In addition to the minimum ZF SUS score of 65%, ZF has defined minimum requirements for each topic. For example, regarding social compliance ZF has defined minimum requirements



for our supplier base with the aim to minimize potential negative impacts and human rights violations by the implementation of preventive measures.

As a minimum, ZF requires the following preventive measures from our suppliers:

- A policy covering working conditions and human rights
- A policy covering health and safety topics
- A policy or code of conduct to set sustainability requirements towards suppliers

The new and fully digital solution including automated workflows gives ZF the possibility to measure the overall sustainability performance of a supplier.

Gold, coltan, cassiterite, wolframite and its derivatives such as tantalum, tin or tungsten are referred to as conflict minerals because mining and trading of these minerals in the Democratic Republic of the Congo and adjacent countries also serve to finance armed conflicts. However, they are indispensable for numerous products – also at ZF. Although ZF is not subject to the regulations of the “Dodd-Frank Act” (Sec. 1502) and EU Regulation 2017/821 laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores and gold originating from conflict-affected and high-risk areas, ZF takes its responsibility seriously and commits to responsible 3TG procurement.

To this end, ZF requested that all relevant suppliers of production materials disclose the origin 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 5-step approach. The annual conflict minerals reporting covers about 1.000 suppliers.

ZF uses a web-based solution for identifying and reporting conflict minerals throughout the entire supply chain. All relevant suppliers receive written communication explaining the fact that ZF is committed to eliminating critical smelters from its supply chain. The response rate for the reporting year 2022 increased to 76% (2021: 63%).

Although these minerals are necessary for technical functions in some of the company’s products, ZF is fully committed to avoid sourcing from potentially critical smelters. ZF requests that all suppliers indicating potential high-risk smelters in their supply chain remove such critical smelters from their supply chain.

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. The system is available in 17 languages, e.g. German, Chinese, Portuguese, Spanish, Polish and English. Feedback on critical issues in the supply chain, such as child labor, human rights violations or environmental protection can also be communicated.



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.

ZF uses a risk management process to systematically analyze and evaluate its supply chain regarding compliance with social and environmental standards and to identify risks early on. For its existing supplier base, ZF carried out an initial risk assessment and prioritization of direct suppliers (Tier 1) for production materials based on country and product-specific risks as well as the annual purchasing volume. This assessment covers approximately 2,000 suppliers or about 90 % of the procurement volume. It helped ZF to identify suppliers with a potential risk of violating sustainability standards. To achieve transparency and obtain the required information, ZF therefore requests that these suppliers complete the Sustainability-Assessment Questionnaire (SAQ). After verification of the questionnaire, ZF supplements the result with additional information on the sustainability performance of the suppliers using its own systems. This results in an internal risk assessment for the supplier location and the definition of further prevention and mitigation measures such as on-site social audits of the suppliers' production locations.

ZF's commitment to strengthening human rights in its supply chains is also reflected in our participation in the Responsible Supply Chain Initiative e.V. (RSCI), an initiative for sustainable supply chains in the automotive industry. The RSCI mission is to support members, suppliers, and stakeholders within the automotive industry and affiliated industries with a coherent social on-site-assessment standard and sharable results, and thus strive for more responsible supply chains.

Effective action taken in 2022/2023 to address Modern Slavery

In 2022 and 2023, ZF systematically reinforced its efforts regarding supply chain sustainability:

- In 2022, ZF conducted an analysis of our existing approach to human rights risk analysis. ZF completed the necessary adjustments in the first half of 2023. The main task will be to enable ZF to fulfill all core elements of the human rights due diligence approach ZF is setting up for the whole Group.
- In 2023 ZF implemented the new sustainability KPI – ZF Sustainability Score – in all relevant processes and set up a new Sustainability score dashboard.



- Since 1. January 2023 ZF is member of the Responsible Supply Chain Initiative e.V. (RSCI). RSCI has developed a standardized assessment for verifying the social compliance performance on-site. The first RSCI audits at ZF supplier locations shall start in Q4 2023 and in addition dedicated ZF employees have started a RSCI 2nd party auditor training.

Training on Modern Slavery and Human Trafficking

In 2021, ZF started to compile a wide range of internal and external training modules for its employees, which, in addition to general human rights issues, also contain specific contents, such as modern slavery and human trafficking.

In 2022 - 2023, this range was broadly spread and expanded through internal communication via the ZF-Intranet like for example training videos on Human Rights Due Diligence were created.

In 2022, ZF also started to conduct digital live basic training courses for specific area requirements. In addition, individual training courses for management staff and sustainability managers also took place face-to-face.

In 2022, ZF has extended the supplier academy platform to support cooperation with production materials suppliers, and at the same time, promote supplier qualification regarding sustainability. ZF suppliers are given the opportunity to take part in seminars held in their regions. Participation provides suppliers with in-depth training on ZF requirements and standards in the areas of environmental issues, human rights and EHS, and on corresponding guidelines and procedures.

Friedrichshafen, 2023-11-08

A handwritten signature in blue ink, appearing to be 'L. Corzilius'.

Dr. Lea Corzilius
Chief Human Resources Officer /
Labor Relations Director

A handwritten signature in blue ink, appearing to be 'S. von Schuckmann'.

Stephan von Schuckmann
Member of the BoM
Materials Management