



Modern Slavery Act Transparency Statement (fiscal year 2019)

Preamble

The Section 54 of the United Kingdom Modern Slavery Act (effective since 2015) requires certain globally operating corporations to disclose their efforts to address Modern Slavery in their supply chains. This statement intends to provide transparency for stakeholders regarding ZF's value chain and respective business practices.

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 led 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 like the spare parts business for driveline and chassis technology or maintenance and repair services.

With about 230 locations in 40 countries worldwide, a major part of value creation lies in sourcing appropriate components. For the procurement of production materials, ZF maintains a global network consisting of approximately 6,600 suppliers, ranging from small family businesses to large groups. Suppliers are mostly contractors who procure raw materials or basic components for the products ZF ordered. They also manufacture products and, in some cases, design the products ZF ordered. The purchasing volume for production materials totaled €20.6 billion in 2019 and includes directed-buy volumes. The value of non-production materials amounted to some €6.0 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 Group. It has been published in 27 languages showing employees clear direction towards flawless business conduct. The CoC also includes the respect for human rights, clearly stating the rejection of human trafficking, forced labour and child labour. Furthermore, it states that ZF supports the abolition of slavery, forced labour, and exploitative child labour.

As for ZF's supply chain, all new and existing suppliers are obligated to endorse the [ZF Business Partner Principles \(BPP\)](#). The BPP represent values that ZF recognizes, supports and communicates: Respecting national and international laws and regulations at the locations worldwide is a minimum. The BPP 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).

The BPP are intended as guidelines that specify fundamental requirements for the cooperation with our business partners. They address topics such as human rights, labour standards, occupational safety and health protection, environmental protection, responsible raw materials procurement, business ethics and compliance. Business partners are specifically expected to reject any form of slavery or forced labour as well as rejecting child labour. They are also expected to respect the freedom of association and the right to form interest groups; to provide fair and appropriate remuneration and working times as well as supporting qualification of their employees.

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

A standardized process for the request and confirmation of our BPP includes a tool to track the information about the current BPP status of each supplier. Acceptance of BPP 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 were identified.



Due Diligence Processes in relation to Slavery and Human Trafficking

During the approval process, ZF requires potential new suppliers to submit a self-assessment on sustainability, based on [ZF's Business Partner Principles](#). ZF uses an adapted version of the Self-Assessment Questionnaire on CSR and Sustainability developed by the European Automotive Working Group on Supply Chain Sustainability. The advantage of using a standardized Self-Assessment Questionnaire for all participants (OEM and Tier 1) is to avoid duplication and to improve efficiency for the suppliers.

Inquiries about data regarding supplier contact, the existence of a product safety officer, HSE (Health, Safety and Environment) and general company data or certificates are being managed using a supplier portal. The tool is mandatory for all strategic and accepted suppliers.

To meet the requirements of the Dodd Frank Act, Sec. 1502 for a supply chain free of minerals used to finance conflicts, ZF requests all relevant production material suppliers to disclose the origin of their resources. The scope of conflict minerals includes gold, coltan, cassiterite, wolframite and its derivatives such as tantalum, tin or tungsten from the Democratic Republic of the Congo (DRC) and adjacent countries.

ZF uses a web-based solution for the reporting and identification of conflict minerals. The results of the inquiry indicate that there is no indication that ZF products are directly affected by sourced products that finance conflicts in DRC regions. If suppliers would indicate potential high-risk smelters in their supply chain, ZF conducts a follow-up and requests these suppliers to eliminate critical smelters from their supply chain. ZF also requests an assurance from new suppliers that they do not source from the identified smelters. As these minerals are necessary for several functions and purpose of some of our products, ZF is fully committed to further cleaning its supply chain.

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.

Any suspected serious misconduct of policies, regulations or laws may be reported anonymously via the [ZF Trustline](#), an electronic notification system that employees and third parties can use. In 2019, there were no instances of human trafficking or modern slavery reported or identified and therefore no corrective actions necessary.



Effective actions taken in 2019 to address Modern Slavery

In 2019, ZF systematically strengthened the efforts on supply chain sustainability:

- Creation of a dedicated position “Head of Sustainability Management Supply Chain”
- Revision of the [ZF Business Partner Principles](#) with special attention to human rights. The rollout of the new BPP will commence in 2020.
- Platform-based supplier sustainability supplier-assessment. Items include standards like SA 8000 for Human Rights & Labour, the ISO 37001 for Anti-bribery & Anti-corruption or the Directive 2014/95/EU with focus on supply chain responsibility.
- Setup of a social media monitoring screening for negative CSR issues in our supply chain on a daily basis.

As in previous years, also in 2019 sustainability self-assessments were required from all new ZF suppliers. No indications of infringements against principles of environmental protection, human rights, labour practices, forced labour, child labour or freedom of association were identified.

Training on Modern Slavery and Human Trafficking

As core documents and processes of ZF’s supply chain management were recently under review and since the new online learning platform was implemented in the course of 2019, ZF postponed specific trainings regarding Modern Slavery and Human Trafficking. The Code of Conduct training, implemented in 2018 as web-based online course, has been transferred to the new learning platform thus being available within ZF’s own HR system.

Friedrichshafen, 2020-03-25

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