



## ZF Friedrichshafen AG

### Declaration of Principles Concerning the Respect of Human Rights

As a globally active technology enterprise with its main emphasis on mobility, ZF is represented in 41 countries with approximately 148,000 employees at around 240 locations.

For procurement, ZF maintains a global network ranging from small family-owned businesses to large groups of companies. The approximately 6,600 suppliers of production materials and 46,380 suppliers of non-production materials include some 1,200 strategic suppliers.

#### **Declaration of Principles**

Fairness and transparency have long been established as important principles for the conduct of business transactions at ZF. This also extends to a clear commitment to and support of internationally recognized human rights. Our responsibility toward society and social principles is evidenced in particular by our membership of the United Nations Global Compact.

Within our company and in our dealings with business partners we attach great importance to mutual respect, trust, tolerance and fairness. The dignity, privacy and personal rights of each and every individual must be respected.

We refuse all forms of human trafficking, forced labor or child labor. Rather, we undertake everything within our power to abolish slavery, forced labor and exploitative child labor.

Furthermore, we do not tolerate discrimination because of skin color, gender, religion and belief, age, nationality, social or ethnic background, pregnancy, disability, sexual orientation, or political and trade union activity.

We acknowledge that ZF bears responsibility for its value chain to respect and support internationally recognized human rights standards. We regard it as our obligation to observe national and international laws and regulations worldwide at our locations.

Central documents such as Guidelines or the ZF Code of Conduct are in compliance with valid principles and conventions, for example 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 the relevant conventions of the International Labour Organization (ILO).



## **Determining Potentially Negative Consequences**

During the approval process, ZF requires potential new suppliers to submit a self-assessment in matters of sustainability based on the ZF Business Partner Principles. For this purpose, ZF uses an adapted version of the Self-Assessment Questionnaire on CSR and Sustainability developed by the Drive Sustainability industrial initiative. The use of a standardized self-assessment questionnaire for all participants (OEM and Tier 1) has the advantage of eliminating redundant processes and improving efficiency for the suppliers.

Inquiries regarding supplier contact data, the existence of a product safety officer, HSE (Health, Safety and Environment) and regarding general corporate data or certifications are managed via a supplier portal. This tool is obligatory for all strategic and accepted suppliers.

## **Guidelines and Due Diligence**

The ZF Code of Conduct serves as the central document for securing responsibility in the company. It is published in 27 languages and provides all employees at ZF with clear orientation as to how they shall behave in everyday business relations. The ZF Code of Conduct also extends to respect for human rights and takes a clear stance in its rejection of human trafficking, forced labor and child labor.

All new and existing suppliers are expected to recognize the ZF Business Partner Principles and to reinforce corresponding values and principles at their companies and in their own supply chains. In addition to upholding human rights, ZF expects suppliers for example to respect freedom of association and the right to form interest groups, to provide fair and appropriate remuneration and working times, and to support qualification of their employees.

To ensure that the procurement of resources such as gold, coltan, cassiterite or wolframite (conflict minerals) does not finance armed conflict, ZF requires all major suppliers of production materials to disclose the origin of their resources. ZF uses a web-based solution for this purpose. Any suppliers that indicate sourcing from potentially high-risk smelters are subjected to a follow-up by ZF and are required to eliminate critical smelters from their supply chains. ZF then requires an assurance from these suppliers that they no longer derive resources from the identified smelters. Since ZF as a technology provider continues to be dependent on the use of such resources, we try to reduce their share and to effectively exclude critical sources.

## **Current Measures**

A dedicated position of Head of Sustainability Management Supply Chain was additionally created in materials management in the summer of 2019, with the objectives of increasing transparency in the supply chain, sensitizing suppliers to matters of sustainability including human rights, and initiating all necessary measures in case of violation. As an initial measure,



a social media monitoring system was set up in which media are screened for negative CSR issues in our supply chain on a daily basis. This increased constant monitoring of the supply chain should minimize risks and reinforce our suppliers' awareness of their consequences.

ZF also initiated a pilot project with 800 strategic suppliers that aims to improve the sustainability assessment of all suppliers. This takes standards into account such as SA 8000 for Human Rights & Labor or ISO 37001 for Anti-Bribery Management Systems, along with non-financial information that is required to be published under the provisions of the CSR Directive Implementation Act.

The ZF Business Partner Principles have been revised, particularly with a view to due diligence in connection with human rights. This will take effect as of 2020.

All new suppliers from the past financial year participated in the supplier self-appraisal process. There were no indications as to violation of the principles of environmental protection, human rights, work practices, forced labor, child labor or freedom of association.

### **Grievance Mechanisms**

In addition to the contact channels in regular business transactions, ZF has established an electronic report system in German and English for this purpose. The ZF Trustline is available to all employees and business partners who wish to anonymously report suspicion of serious misconduct in relation to guidelines, regulations or laws. The topic of human rights was established as a separate report category at the beginning of 2020.

### **Reporting**

ZF reports on current developments and specific objectives in its annual Sustainability Report, which complies with the standards of the Global Reporting Initiative (GRI). It also contains the Progress Report to the UN Global Compact, the ten principles of which we promote as a signatory.

Friedrichshafen, March 26, 2020

The Board of Management