

2023 Modern Day Slavery Statement Meritor Heavy Vehicle Systems Australia Ltd.

Introduction

This is the second Modern Day Slavery Statement submitted pursuant to section 13 of the Modern Slavery Act 2018, (Cth) (Act) for Meritor Heavy Vehicle Systems Australia Ltd. (ABN No. 86 004 479 430) (“**Meritor Australia**”).

This statement describes the continued efforts being taken to ensure transparency in our supply chains by outlining the steps which Meritor Australia has undertaken to detect the risk of modern day slavery within the supply chain and business operations for the financial year ending 30 September 2022.

As a subsidiary of a global company, driven by strong corporate governance and social responsibility, Meritor Australia is committed to maintaining and improving our company policies and processes to identify, eliminate and prevent the risk of modern day slavery in our business and global supply chain.

Criteria 1 and 2 – Identification, Company Structure, Operations and Supply Chain

On 3rd August 2022, Cummins Inc. acquired in full, Meritor Inc., of which Meritor Australia was a wholly owned entity.

Cummins Inc., founded in 1919, is a global power technology leader designing, manufacturing, distributing and servicing a broad portfolio of clean power solutions. The company’s products range from diesel, natural gas, electric and hybrid powertrains and powertrain-related components including filtration, aftertreatment, turbochargers, fuel systems, controls systems, air handling systems, automated transmissions, electric power generation systems, batteries, electrified power systems, hydrogen generation and fuel cell products.

Meritor Australia, now as a wholly owned subsidiary of Cummins Inc, develops, imports and manufactures driveline products for heavy duty vehicle applications; distributes associated components for aftermarket service; and provides support through customer dealership networks, and independent distributors and retailers.

Meritor Australia’s operations include:

- Head office and manufacturing facility located in Sunshine, Victoria
- Aftermarket distribution centre located in Derrimut, Victoria
- A workforce of 118 persons, consisting of 82 permanent employees, 1 contractor and 35 casuals. Our employees are engaged by either direct employment contract or under enterprise agreements which cover about 51% of the total permanent workforce.
- A global supply base of 125 active suppliers providing a range of goods and services and located in the following areas:
 - Australia 31
 - USA 53
 - Asia 22
 - Europe 10
 - India 9

Criteria 3 - Risks of Modern Day Slavery

Meritor Australia, given the global nature of our business, recognises the risk of modern day slavery may occur in our organisation and supply chain, and that level of risk is influenced by vulnerable communities, geographic location of tiered suppliers, and product and service categories.

As part of Meritor Australia's review process, all active suppliers in the 2022 financial year were risk profiled using the recognised *Global Slavery Index*¹; recognising suppliers which had been prequalified for compliance to trafficking and slavery laws, with established supply relations and contracts with Cummins entities globally. Furthermore this process was complemented by engaging suppliers on a survey assessment and *Certificate of Compliance Against Human Trafficking and Slavery*.

This assessment resulted in no immediate concerns being identified and based on a large portion of Meritor's Australia purchases from other Cummins entities and/or are prequalified and established suppliers.

Particular attention in these assessments remains on suppliers located in countries that are considered higher risk in accordance with the Global Slavery Index.

Our own Australian operations remains of low risk in contributing to modern day slavery given robust policies and procedures that govern labour employment and which are subject to employment standards under the Fair Work Act 2009, the existence and representation of trade unions for collective bargaining within our operations, and the requirement for a legal status to work.

Criteria 4 - Actions to Assess and Address Modern Day Slavery

1. Policies and Governance

Meritor Australia, have comprehensive policies and governance in place to ensure business is conducted in an ethical and legally compliant manner, and which are intended to identify and eliminate, or prevent the risk of modern day slavery in our business and global supply chain.

These policies and systems include but not limited to:

Modern Day Slavery and Human Trafficking Policy (global policy) – establishes the guidelines and procedures for assuring compliance with local Australian laws and global corporate requirements which prohibit human trafficking and slavery, and/or knowingly benefiting from any such activity.

Employee Ethics (Code of Conduct) Handbook (global policy) – comprehensive guidelines for all employees to demonstrate exemplary behaviours and commit to the highest ethical standards, sound governance practices, and business and personal integrity. These guidelines outlines the importance we do not engage in, or benefit from, slavery, and other forms of forced labour and human trafficking. In particular, to be sure that we do not cause, participate in, assist, or knowingly benefit from the enslavement, involuntary servitude, forced labour, or debt bondage of any person.

¹ **Global Slavery Index** (<https://www.globalslaveryindex.org/>) - The 2018 Global Slavery Index provides a country by country ranking of the number of people in modern slavery, as well as an analysis of the actions governments are taking to respond, and the factors that make people vulnerable.

Whistle Blowing Policy (global policy) – Meritor Australia employees must conduct all business activities in a way that is consistent with the company’ standards of business conduct. Unethical and unlawful behaviour is wrong and can damage the company. This policy establishes the guidelines and procedures for assuring protections for employees and to identify and report misconduct that may be in breach of company policies, and/or cause harm to Meritor and its employees, suppliers and customers. We advise staff they have a responsibility to report and detect on any concerns that they may have in relation to modern day slavery.

Production Supplier Evaluation, Qualification and Selection Procedure – which therein outlines expectations and requirements of suppliers for compliance with laws against human trafficking and slavery. Cummins and Meritor Australia values global supply partners who share a commitment to quality and value and operate under a philosophy that focuses on integrity and “doing the right thing” and this procedure applies to all businesses that produce goods for, or provide services to Meritor Australia.

2. Due Diligence

Each year Meritor Australia ensures that not less than 80% of it’s purchases was with suppliers either of low country index risk (per Global Slavery Index), and/or provide a *Certificate of Compliance Against Human Trafficking and Slavery* within their business and supply chain operations.

Part of this process also included a survey of suppliers that enables Meritor Australia to build a more transparent view of our suppliers with respect to their company structure, policies and procedures for responding to and eliminating modern day slavery risks.

Findings of the 2022 supplier survey were as follows:

- engagement of suppliers located in higher risk countries has improved vs. 2021
- suppliers in high risk countries put more effort and emphasis in defining formal policies and governance processes
- suppliers also expressed interest in Meritor Australia providing related training for increasing awareness and governance in their businesses

3. Training

Meritor Australia, with the support and resource from the Cummins group, provided modern day slavery awareness training program to all functional and team leaders, and all purchasing and supply chain personnel. The training was provided to equip our leaders and employees with relevant knowledge and awareness; to reinforce the leaders role, responsibility and contribution they can make in the elimination of modern day slavery and human trafficking; and to reconfirm understanding of the related Cummins and internal policies referenced herein.

Meritor Australia is anticipating to expand online the annual ethics certification of all salaried employees, to certify their compliance to all Meritor Australia policies as well as encouraging an ethical culture by providing employees who witness or come to know of ethical violations, including that of human rights policy and encouragement to speak up in relation to any potential violations.

Furthermore, given the positive interest shown by suppliers this year, in 2023 we plan to roll out a training program for our global suppliers in support of their efforts to identify, eliminate and prevent the risk of modern day slavery in their business operations and extended supply chains.

4. Supplier Controls / Agreements

In 2022 Meritor Australia requires suppliers that make up in total 80% of purchases by value are either other Cummins entities, and/or of low risk index, and/or provide a *Certificate of Compliance Against Human Trafficking and Slavery* (a statement which requires suppliers to comply with all applicable laws, statutes, ordinances, rules and regulations pertaining to human trafficking and slavery in all locations of their sourcing, manufacturing and selling activities).

In addition, in 2022, internal purchasing processes were enhanced whereby a mandatory requirement added for prospective suppliers to provide both the modern day slavery supplier questionnaire and also *Certificate of Compliance Against Human Trafficking and Slavery*.

Criteria 5 - Assessing Effectiveness of the Actions

Meritor Australia is continually working to develop and protect our commitment to doing business ethically as defined in our internal ethics and code of conduct policies. In 2022;

- No reports were received in relation to human rights and modern day slavery in Meritor Australia's business operations or supply chains
- Supplier *Certificate of Compliance* rate was 85%, exceeding target of >80% of purchases
- Completed inhouse training for all Meritor Australia leaders, and purchasing and supply chain personnel
- A total of 25 suppliers expressed interest in Meritor Australia providing awareness training on modern day slavery

Criteria 6 - Consultation:

In 2022, the modern day slavery activities were made up of cross functional leaders and procurement team members of Meritor Australia, and also with inputs and contributions from relevant specialists from Cummins Inc.. Regional leadership are aware of the contents of this statement, including the expectation of the business' leadership in upholding practices to ensure identification, risk reduction and elimination of modern day slavery in any areas of our business.

Criteria 7 – Other Relevant Information

With Cummins Inc.'s acquisition of Meritor Inc., of which Meritor Australia was a wholly owned entity, over the 2023-2025 timeframe, there may be an increasing level of integration and harmonisation of policies and processes between Cummins Inc. and that of the former Meritor companies, and specifically Meritor Australia. Cummins Inc. upholds strong governance, commitment and actions to ethics and social responsibility both inside and outside in creating stronger communities, and as such, it is only anticipated this will only complement the initiatives and practices of Meritor Australia and it's supply chain to identify, eliminate and prevent the risk of modern day slavery in our global communities.



Approval:

This Statement is provided pursuant to section 13 of the Australian Modern Slavery Act 2018 (Cth). The Board of Directors of Meritor Heavy Vehicle Systems Australia Ltd. is its principal governing body for the purpose of this Act.

This Modern Day Slavery statement was approved by the board of Meritor Heavy Vehicle Systems Australia Ltd. on 31st March 2023

David Cole
Managing Director