

**2022 Modern Day Slavery Statement  
Meritor Heavy Vehicle Systems Australia Ltd.**

**Introduction**

This statement, pursuant to the Modern Slavery Act 2018, (Cth) (Act), sets out the actions taken by Meritor Heavy Vehicle Systems Australia Ltd. (ABN No. 86 004 479 430) (**Meritor Australia**) to address modern day slavery risks in our business and supply chain for the financial year ending 30 September 2021.

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.

This statement is Meritor Australia's first Modern Day Slavery statement submitted under the Modern Slavery Act 2018.

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

Meritor Australia is a wholly owned subsidiary of Meritor Incorporated (Meritor Inc.); a public company listed on the New York Stock Exchange and based in Troy, Michigan in the United States of America.

Meritor Inc. is a leading global supplier of drivetrain, mobility, braking, aftermarket and electric powertrain solutions for commercial vehicle and industrial markets. Meritor serves commercial truck, trailer, off-highway, defence, specialty and aftermarket customers around the world.

Meritor Australia both imports and manufactures driveline products for heavy duty vehicle applications, and sells associated components for aftermarket service and support through its customer dealership network, and independent distributors and retailers.

Our Australian operations include:

- Head office and manufacturing facility located in Sunshine, Victoria
- Aftermarket distribution centre located in Derrimut, Victoria
- A workforce of 109 persons, consisting of 88 permanent employees, 2 contractors and 19 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 119 active suppliers providing a range of goods and services and located in the following areas:
  - Australia 27
  - USA 53
  - Asia 20
  - Europe 10
  - India 9

**Criteria 3 - Risks of Modern Day Slavery.**

Meritor Australia recognises especially given the global nature of our business, 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.

A preliminary and comprehensive assessment was made of all active suppliers in the 2021 financial year using the recognised *Global Slavery Index*<sup>1</sup> and recognising suppliers which had been prequalified for compliance to trafficking and slavery laws, with established supply relations and contracts with Meritor group globally.

This preliminary assessment resulted in no immediate concerns being identified based on a large portion of Meritor's Australia purchases from other Meritor entities and/or are prequalified and established suppliers. Meritor Australia had 98% compliance of suppliers providing a certificate of compliance against trafficking and slavery.

Particular attention in this assessment was on suppliers located in countries that are considered higher risk in accordance with the Global Slavery Index. The findings were such that there is an opportunity for suppliers in these higher risk countries especially, to have formal policies and governance processes established to create awareness, and identify and respond to trafficking and slavery risk within their business and supply chain operations. This will be a focus for improvement in 2022.

It was determined that our own operations was 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 group of companies, including Meritor Australia, have comprehensive policies and governance in place to ensure business is conducted in an ethical and legally compliant manner, and which 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 (Meritor Inc. global policy)** – establishes the guidelines and procedures for assuring compliance with local Australian Laws and Meritor Global Requirements which prohibit human trafficking and slavery, and/or knowingly benefiting from any such activity.

([https://bulletin.meritor.com/policies/PolicyLibrary/L-013\\_HumanTraffickingandSlaveryPolicy.pdf#search=slavery](https://bulletin.meritor.com/policies/PolicyLibrary/L-013_HumanTraffickingandSlaveryPolicy.pdf#search=slavery))

**Employee Ethics (Code of Conduct) Handbook (Meritor Inc. 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.

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<sup>1</sup> **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 (Meritor Inc. global policy)** – Meritor 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.

**Production Supplier Evaluation, Qualification and Selection Procedure** – which therein outlines requirements of suppliers for compliance with laws against human trafficking and slavery.

## **2. Due Diligence**

In 2021 to coincide with this first Modern Day Slavery Statement, the business undertook a project that ensured 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.

This captured supplier data via a questionnaire that has enabled us 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.

As an outcome of this process, we have established a baseline for future reviews and continuous improvement in our Modern Day Slavery process.

In 2022 Meritor Australia is committed to increasing it’s engagement with higher risk suppliers by strengthening this due diligence program.

In addition to the focus on all existing suppliers to Meritor Australia, any new supplier regardless of spend or product or service category, shall be subject to risk profiling which shall include the questionnaire and require a *Certificate of Compliance Against Human Trafficking and Slavery of Compliance*.

## **3. Training**

Commencing in 2022, a Modern Day slavery awareness training program shall be launched at Meritor Australia for all employees to participate.

This shall be conducted annually to equip our employees with relevant knowledge and awareness; ensure a high level of understanding of the risk of modern day slavery and human trafficking in our business, and reconfirm understanding of the related internal Meritor policies referenced herein.

## **4. Supplier Controls / Agreements**

Meritor Inc. and Meritor Australia requires suppliers to sign a *Certificate of Compliance Against Human Trafficking and Slavery* 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.

Australia shall have all suppliers complete annually, a newly created Modern Day Slavery questionnaire to ensure we always have the latest view of both improvements in our supply chain and to remain abreast of any new evolving risks for appropriate mitigating actions.

### **Criteria 5 - Assessing Effectiveness of the Actions**

Internal and external controls to identify and reduce the risk of modern day slavery, shall be subject to regular reviews, and both the findings and the effectiveness of these systems shall also be addressed and documented in regular management reviews for further appropriate action(s) to mitigate risk.

The effectiveness of these actions shall be measured by:

- Overall trend in total risk reduction
- Participation rate in annual supplier compliance statements
- Completion of modern day slavery awareness training by 100% of nominated employees
- Supplier education training for higher risk profiled country suppliers
- Any case of modern day slavery identified, suspected or reported to be immediately investigated and remediated

Furthermore, updates shall be made to any policies to mitigate any newly identified risks or change in legal requirements.

### **Criteria 6 - Consultation:**

The leadership team of Meritor Australia, and also Meritor's 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**

Whilst this is our first submission of a Modern Day Slavery Statement, Meritor Australia has and is committed to implementing enhanced policies and processes to those that already exist to address the risks of modern day slavery throughout our business operations and supply chains. These improvements, along with actions identified herein, shall be embedded over the coming 12 month period and reported in the 2023 statement.

### **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 Australia (Meritor Heavy Vehicle Systems Australia Ltd.) on 17<sup>th</sup> May 2022.

David Cole  
**Managing Director**

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