

An aerial photograph showing a train on tracks on the left, a road with a truck on the right, and a forest with autumn foliage in the center. The text 'SUSTAINABILITY-LINKED BOND FRAMEWORK' is overlaid in the center, enclosed in a white bracket-like shape.

SUSTAINABILITY-LINKED BOND FRAMEWORK



KNORR-BREMSE

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About Knorr-Bremse

Knorr-Bremse AG (“Knorr-Bremse”) is the world market leader in braking systems and other rail and commercial vehicle systems. Knorr-Bremse’s products make a decisive contribution to greater safety and energy efficiency on railways and roads around the world.

Global megatrends including urbanization, sustainability, digitalization and mobility offer the promise of long-term, sustainable growth for both the rail and commercial vehicle markets. To its customers, Knorr-Bremse is a byword for quality and reliability. The company is focused on meeting all local regulations and standards in both of these sectors, acting as a global partner for vehicle manufacturers and operators alike.

As the leading partner for braking, entry and HVAC systems, as well as a range of other subsystems, the Rail Vehicle Systems division provides equipment for passenger and freight trains, light rail vehicles, metro trains and other vehicles. Knorr-Bremse is constantly driving connectivity both within and between the various subsystems. This is also true of our Commercial Vehicle Systems division, which supplies braking systems and vehicle dynamics solutions. These include driver assistance and automated driving systems for trucks, buses, trailers and agricultural vehicles.

We are a partner to all key customers worldwide. They place their trust in our local market expertise and presence combined with the excellence of the products and systems we offer globally.

With a history dating back over 115 years, Knorr-Bremse is one of Germany’s most successful industrial companies. In 2021, Knorr-Bremse’s global sales totaled EUR 6.7 billion. Some 30,500 employees at over 100 sites in more than 30 countries use their competence and motivation to satisfy customers worldwide with products and services.

More information on Knorr-Bremse can be found on our corporate website¹.

¹ [Start page | Knorr-Bremse Group](#)

Corporate Responsibility at Knorr-Bremse

Knorr-Bremse strives to be a global driving force for innovative and sustainable system solutions that make mobility and transportation safer, more reliable and more efficient. In doing so, the company endeavors to create added value for its customers and, at the same time, make a positive contribution to society. Along the way to achieving this company vision, the Knorr-Bremse Corporate Responsibility (“CR”) strategy plays a fundamental role with its planned and realized measures.

Strategy and Management

Like all large corporations, Knorr-Bremse bears great responsibility with regard to the economy, society and the environment. In addition, as a market leader in brakes and other systems for rail and commercial vehicles, we serve as a role model for the mobility sector. We strive to meet this responsibility with our products and our operations.

The CR strategy supports Knorr-Bremse in translating its focus on sustainability into success in society and in living up to its ecological and societal responsibility. The CR strategy impacts both creating value in a resource-conserving way as well as our actions as a fair business partner and employer who always undertakes to fulfill its responsibility of due diligence with regard to human rights. Our goal is to constantly improve and develop our sustainability performance further in all areas of value creation.

We are convinced that sustainability and competitiveness are inextricably linked and an important factor in the success of the company over the long term, which is why we have clearly dedicated ourselves to the United Nations Sustainable Development Goals and to observing human rights around the world. To meet these requirements, we define clear guidelines, establish management systems and consistently implement corresponding measures.

Further, Knorr-Bremse is supporting responsible practices outside its immediate corporate scope through donations.

Knorr-Bremse Global Care e.V. (“**Knorr-Bremse Global Care**”) is a globally active non-profit organization that offers new prospects to people who, through no fault of their own, are in need of support. It promotes projects of partner organizations primarily in the two areas of education and water, sanitation and hygiene (WASH).

Values and Corporate Responsibility Guidelines

Knorr-Bremse's strategy and the focus on sustainability in the organization and its processes is in full harmony with the five Knorr-Bremse company values:

- Entrepreneurship
- Technological Excellence
- Reliability
- Passion
- Responsibility

The concrete structure of our CR management is based on statutory frameworks and internal rules such as policies and guidelines. They provide our employees, customers, suppliers and other business partners with the knowledge necessary for them to act in accordance with our requirements related to sustainable corporate governance.

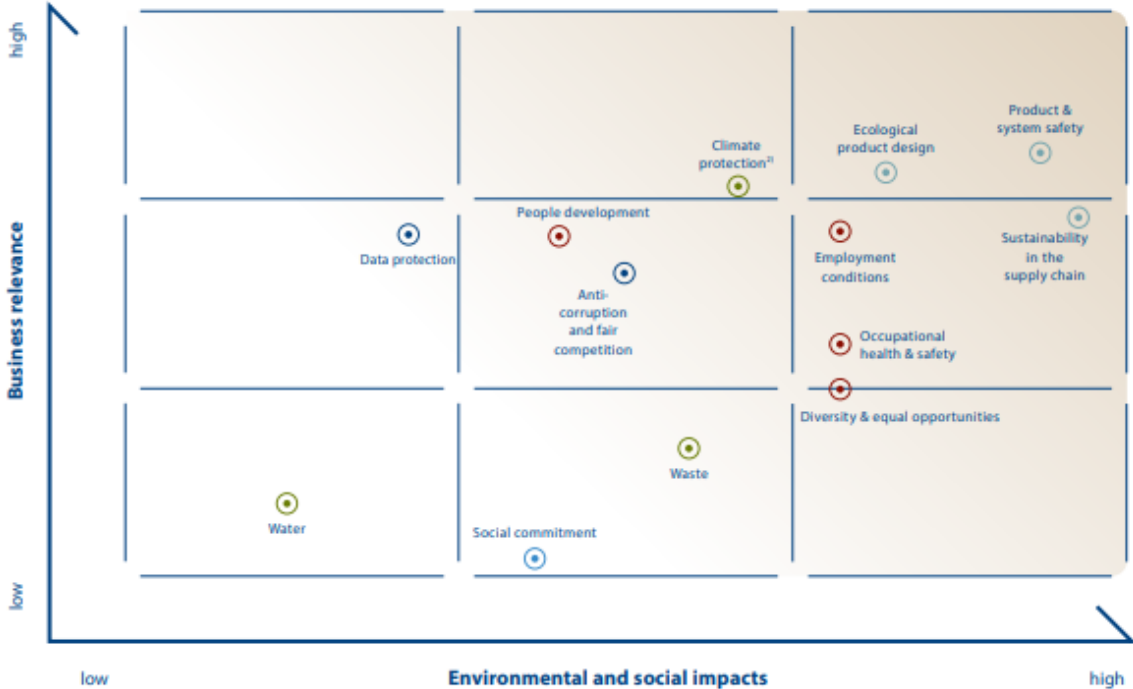
- Our [Corporate Responsibility Guidelines](#) define the principles and strategic targets of responsible corporate governance at Knorr-Bremse.
- Our [Code of Conduct](#) defines our understanding of responsible behavior for all employees around the world.
- The [Human Rights Policy](#) bundles all aspects related to human rights that are currently set out in various Knorr-Bremse guidelines.
- Our [Code of Conduct for Suppliers](#) shows our obligation to fair and sustainable business practices within our supply chain.
- The [Procurement Quality Standards](#) outline the requirements of our suppliers, also with regard to aspects of sustainability
- The [Conflict Minerals Policy](#) governs the handling of conflict materials and thus guides procurement at Knorr-Bremse as well as our suppliers.
- In our [Health, Safety and Environmental Policy](#), we undertake to maintain high standards of performance.
- Our [Leadership Principles](#) serve as orientation for our executives in successfully leading our employees and show what responsibility for the workforce should look like at Knorr-Bremse.
- The [Local Care Principles](#) define the framework for our social programs at the level of individual locations.

Additionally, international guidelines and conventions provide us with guidance on sustainable business. The Global Compact of the United Nations (UN) is an important external initiative that Knorr-Bremse signed in 2010. The Guiding Principles on Business and Human Rights of the UN Human Rights Council, the principles of the conventions of the International Labour Organization (ILO) and the ISO standards such as ISO 14001, ISO 50001 and ISO 45001 are also important in guiding our actions. On a sector level, the actions of Knorr-Bremse are steered by the Sustainability Charter of the International Association of Public Transport (UITP) and the Code of Conduct of the Association of the Railway Industry in Germany (VDB). We are also a signatory of the Dublin Declaration of the European

Rail Supply Industry on promoting rail market growth as well as the European Railway Safety Culture Declaration as a commitment to safe mobility.

Materiality Analysis

The focal points of Knorr-Bremse’s Corporate Responsibility strategy and activity areas are determined as part of a materiality analysis, which emphasizes the most pressing issues for the company to approach and outlines the areas to take responsibility for ecological and societal challenges. The materiality analysis was first conducted in 2018 and is annually reviewed and confirmed, to ensure that the company is aware of key topics.



For the process of conducting the materiality analysis, Knorr-Bremse is engaging with a variety of internal and external stakeholders, to achieve a holistic picture and ensure all relevant aspects are considered.

The materiality analysis serves as the foundation for the definition of the strategic areas of the corporate responsibility strategy. Besides, Knorr-Bremse took into consideration external ratings and rankings and the United Nations Sustainable Development Goals (SDGs). With our due diligence

processes for human rights, we align ourselves with the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

Corporate Responsibility Action Areas

Knorr-Bremse structures its work on corporate responsibility in terms of six distinct areas of activity. They are the pillars of our strategic CR management. The areas of “Strategy and Management” and “Communication and Cooperation” provide the framework for the four content-focused areas of activity:

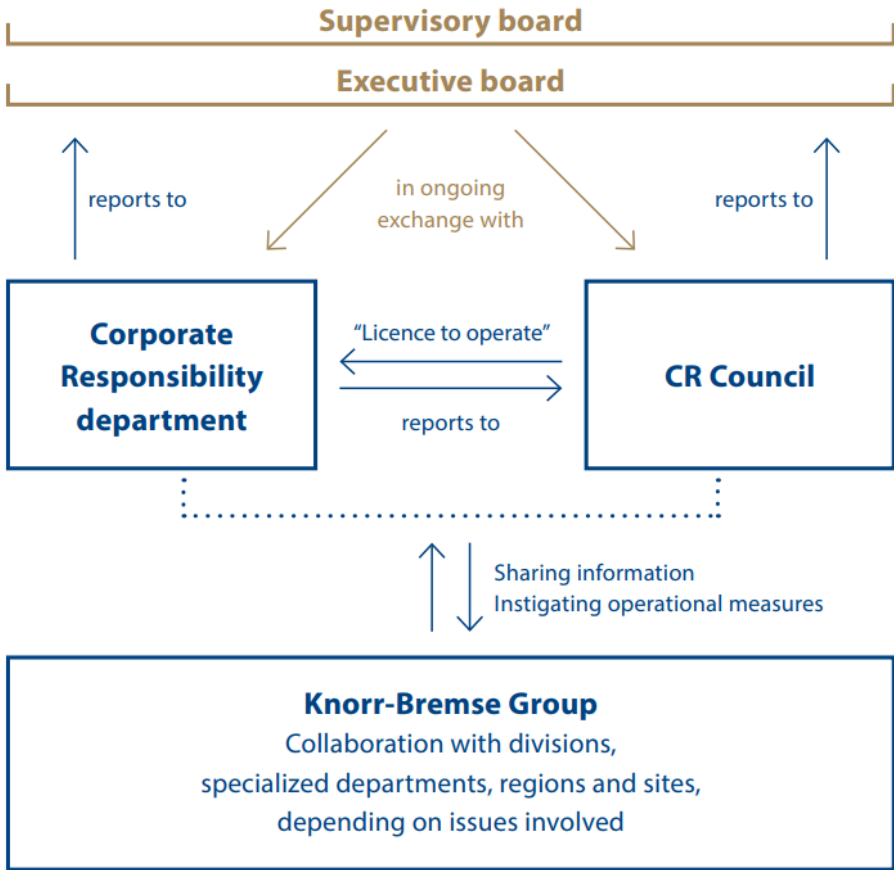
- Strategy and Management
- Products and Partners
- Employees and Leadership
- Environment and Climate
- Commitment and Society
- Communication and Cooperation

Within these areas of activity, we deal with strategic topics we derive from our materiality analysis, external ratings and rankings (see below) and the United Nations Sustainable Development Goals (find more information below). With our due diligence processes for human rights, we align ourselves with the UN Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights.

Corporate Responsibility Organizational and Governance Structure

With a clear organizational structure, we want to ensure that the field of sustainability is implemented in Knorr-Bremse’s highest decision-making bodies.

The Executive Board has joint responsibility for sustainability. The Corporate Responsibility department handles the topic of sustainability and reports directly to the CFO and the Knorr-Bremse Corporate Responsibility Council (“**CR Council**”). The CR Council, which meets twice a year, comprises a member of the Executive Board, a representative of the European management board from each of the two divisions, the Chair of Knorr-Bremse Global Care and the Head of CR. The council makes decisions on the CR program with its projects and is centrally responsible for developing, managing, and monitoring these projects together with the CR department. Committees from the business and the business departments supplement the implementation and development of the CR program.



Knorr-Bremse and the Sustainable Development Goals (SDGs)

The Sustainable Development Goals of the United Nations provide guidance for companies in aligning their business activities with sustainable development. This enables industrial businesses to use their economic and innovative power to counteract the economic, social and ecological challenges that were addressed by the SDGs, which took effect in 2015. In the past, Knorr-Bremse already made an important contribution to the SDGs with its products, services and activities in the field of mobility. To further reinforce and focus our dedication, we identified five significant SDGs whose achievement we can have a decisive influence on through our business model and our operational processes.

These **five SDGs**, which were chosen in collaboration with management and employees, are:





In 2019, Knorr-Bremse has launched global initiatives for the five SDGs that have been given priority. These initiatives are intended to increase the contribution of Knorr-Bremse to the SDGs with concrete improvement measures and targets, that are driven and measured by dedicated commitments and

actions. Each of these five initiatives is overseen in terms of content by a member of the Executive Board and the Chair of the Board of Knorr-Bremse Global Care.

ESG Ratings and Rankings

External ratings are extremely important to Knorr-Bremse. They highlight areas of potential improvement so that we can live up to the expectations of external stakeholders. We use sustainability ratings and rankings to analyze and evaluate our CR performance, because they offer a comparison with other market players and the early recognition of trends, which support the further development of our company in turn.

	<p>Knorr-Bremse achieved 52 of 100 points (2020: 50) and thus is among the best 17% in the comparison group in S&P Global's Corporate Sustainability Assessment.</p>
	<p>In 2021, Knorr-Bremse was once again given the rating of "A," the third best of seven categories. Knorr-Bremse is thus among the best 24% to 41% in the comparison group.</p>
	<p>ISS once again gave Knorr-Bremse the prime status of "C+," thus putting Knorr-Bremse among the best 12% in the industry comparison.</p>
	<p>In 2021, Knorr-Bremse was evaluated with 18.9 out of a total of 100 risk points (2020: 19.0) and is thus classified as having low risk. In the industry comparison, Knorr-Bremse is among the best 3% of performers.</p>
	<p>The CDP has given Knorr-Bremse a "B" rating for transparency and climate protection performance (2020: A-). This score puts Knorr-Bremse in the management level of the CDP, meaning the company is among the best 39% within the comparison group.</p>
	<p>Knorr-Bremse was awarded Gold Status for 2021 (2020: Silver Status). This puts us in the top 5% of companies in the comparison group.</p>
 <p>Self Assessment Questionnaire (SAQ)</p>	<p>A total of 17 Knorr-Bremse locations have been evaluated in the range from 80% to 93%.</p>

In addition, Knorr-Bremse has been listed in the index since its beginning in 2020. Basis for the inclusion is Knorr-Bremse's ESG performance, market capitalization and revenue.

Sustainability-Linked Bond Framework

Rationale

The Sustainability-Linked Bond Framework (the “Framework”) serves as basis for the issuance of Sustainability-Linked Bonds by Knorr-Bremse. At Knorr-Bremse, we are strongly committed to drive sustainability within our own operations as well as beyond. We think that sustainable finance can serve as a significant tool in contributing to the sustainable transformation of the economy. For this purpose, we consider the alignment of our financing strategy with sustainability objectives and related measurements as a powerful step to further drive our ambitions and communicate our goals in a transparent and credible way to the capital market, as well as within the organization and to other stakeholders.

As a first step in this regard, we signed a new syndicated loan whose interest is being linked to our sustainability rating by ISS Corporate Solutions at the end of 2021. With the bonds issued under this framework, we are striving to further strengthen the commitment to sustainability and providing our stakeholders with new and additional targets, that emphasize the ambitious pathway we are following and allow a transparent measurement of our performance and evaluation of actions.

Structure

The Framework serves as the uniform platform for the issuance of Sustainability-Linked Bonds by Knorr-Bremse. It is aligned with the Sustainability-Linked Bond Principles² (SLBP 2020) by the International Capital Market Association (ICMA) and the Sustainability-Linked Loan Principles³ (SLLP 2022) by the Loan Market Association (LMA), representing voluntary best practices for sustainability-linked financing instruments.

Sustainability-Linked Financing Instruments as defined in this Framework may include but are not limited to covered/ secured or unsecured bonds, convertible bonds, loans, Schuldscheine and commercial papers. The instruments can be of any seniority, including subordinated/ hybrid instruments, but are in all cases ranking pari-passu with other conventional instruments of similar status and subordination.

As outlined by the ICMA SLBP 2020 and the LMA SLLP 2022, the Framework is structured around the following five chapters:

- Selection of Key Performance Indicator
- Calibration of Sustainability Performance Targets
- Characteristics of Sustainability-Linked Bonds
- Reporting
- Verification

² [Sustainability-Linked-Bond-Principles-June-2020-171120.pdf \(icmagroup.org\)](https://www.icmagroup.org/standards/sustainability-linked-bonds/sustainability-linked-bond-principles-june-2020-171120.pdf)

³ [SLLP.pdf \(lma.eu.com\)](https://www.lma.eu.com/standards/sustainability-linked-loans/sustainability-linked-loan-principles-2022.pdf)

Sustainability-Linked Bonds

Selection of a Key Performance Indicator (“KPI”)

Knorr-Bremse selected a Key Performance Indicator (“KPI”) based on the relevance, core and materiality to its overall business and considering a high strategic significance to its CR strategy. Further, we considered the global political ambitions and actions plans, such as by the United Nations or the European Union, which Knorr-Bremse is fully committed to support.

The KPI selected and outlined below forms a central part of our CR and corporate strategy going forward and contributed to by the whole organization and endorsed by the Executive Board.

KPI: Setting a SBTi⁴ approved Greenhouse Gas (GHG) Emissions target for Knorr-Bremse’s value chain (Scope 3)

Knorr-Bremse is committed to follow a science-based trajectory for its decarbonization efforts. For this reason, we are planning to commit itself to the Science Based Targets Initiative (SBTi) and to set science-based targets for its GHG emission inventory (Scope 1-3). To underline the importance of following a science-based decarbonization approach for Knorr-Bremse, we have selected setting a SBTi approved Greenhouse Gas (GHG) Emissions target for Knorr-Bremse’s value chain (Scope 3) as the KPI for this framework. For the avoidance of doubt, the absolute Scope 3 emissions themselves of Knorr-Bremse are not in scope of this KPI at this stage, but might be considered as an addition to the Framework at a later stage.

Methodology

The KPI follows Knorr-Bremse’s commitment to the SBTi and the setting of corresponding science-based targets. While these will relate to all three scopes of Knorr-Bremse’s GHG emission inventory, as set out in the requirements of the SBTi, the target in scope of this KPI will be Knorr-Bremse’s ambition concerning its Scope 3 GHG emissions. The definition of the Scope 3 target will be fully aligned with the requirements of the SBTi, namely, to cover at least two-thirds (i.e. 67%) of total Scope 3 emissions and will be in line with the reduction ambition set out for Scope 3 targets.

Going forward, Knorr-Bremse will annually report on its Scope 3 emissions as in scope of the SBTi approved target. For more information on the criteria for target setting, please refer to the SBTi Target Validation Protocol.

Materiality of the KPI

Given the threat of climate change, substantial emission reductions among the whole value chain are required to align with international ambitions. As Scope 3 emissions make up the largest share of emissions for Knorr-Bremse and its sector, it is of paramount importance for us and the sector to

⁴ Science Based Targets Initiative (SBTi) - [Ambitious corporate climate action - Science Based Targets](#)

concentrate efforts not just on the own operations but drive sustainability considerations both up- and downwards the value chain to ensure the full alignment with a limitation of global warming to well below 2 degrees Celsius.

Knorr-Bremse is fully committed to decarbonize not only its own operations but also drive its sustainability ambitions beyond its own operations with regards to its suppliers and other upstream activities, as well as its clients considering the use phase of its products (downstream). While these areas represent very challenging fields for emission reductions, Knorr-Bremse acknowledges the urgent need and high materiality of its Scope 3 emission and is looking for corresponding targets and reduction pathways. Thus, we have chosen **setting a SBTi approved Scope 3 target as its KPI**. As outlined above, by submitting a Scope 3 target for SBTi approval, Knorr-Bremse will also seek approval for a Scope 1+2 emission target, in line with the SBTi requirements. By committing itself to decarbonize its value chain, Knorr-Bremse’s efforts in this regard can be associated with generating a positive sustainable impact by contributing to the overall decarbonization efforts, such as the UN SDG 13 - Climate Action and the European Union environmental objective “Climate Change Mitigation”, as defined in the EU Taxonomy.

Calibration of Sustainability Performance Target (“SPT”)

SPT: Publication of a SBTi⁵ approved Greenhouse Gas (GHG) Emissions target for Knorr-Bremse’s value chain (Scope 3) until 31 August 2023	
Target	Publication of a SBTi approved Scope 3 target for the year 2030
Target Observation Date	31 August 2023
Baseline	n/a

Rationale and Strategy

With its Climate Strategy 2030, Knorr-Bremse set itself specific targets, which were developed as part of Knorr-Bremse’s contribution to achieving SDG 13 (Climate Action) and aim to make a contribution to achieving the goal of the UN Paris Climate Agreement of 2015 of limiting global warming to a maximum of 1.5 degrees Celsius. The climate strategy relates to the direct carbon emissions (Scope 1) and the market-based indirect carbon emissions (Scope 2) and is based on two goals: reducing absolute carbon emissions by half until 2030 in line with the requirements by the Science-Based Targets Initiative (SBTi) (-4.2% per year until 2030 vs. 2018 baseline) and achieve carbon neutrality for the sites.

⁵ Science Based Targets Initiative (SBTi) - [Ambitious corporate climate action - Science Based Targets](#)

In 2021, Knorr-Bremse achieved both of its targets, namely an absolute reduction by 73.8% vs. its 2018 baseline (vs. an initial target of 50.4%) as well as carbon-neutrality for its own sites (with the use of voluntary carbon-offsetting).



With these achievements, Knorr-Bremse is among the leaders in its industry, being one of the first companies of its size and business profile to achieve climate-neutrality considering offsetting of residual emissions.

The reduction depicted was achieved by applying the following levers:

- Energy efficiency measures and the use of low-carbon fuels in heating systems and in the fleet
- Investments in measures to increase the proportion of our own renewable energy produced at Knorr-Bremse sites
- Increase in the proportion of renewable energy purchased via long-term power purchase agreements, green electricity products and energy attribute certificates (EACs)
- Use of high-quality offsets (Gold Standard) continue to neutralize the residual emissions to achieve the desired carbon neutrality. The offsetting has been carried out via two projects that are realized in collaboration with Knorr-Bremse Global Care: one project for clean drinking water in Kenya and Tanzania, and another for efficient wood gasifier ovens in India.

Based on its recent achievements, Knorr-Bremse is highly committed to reducing its carbon footprint among its value chain both upstream and downstream. For this purpose, Knorr-Bremse is currently in the process of completing its Scope 3 inventory and evaluating technically feasible reduction potentials for setting a corresponding emissions reduction target.

As a company striving to contribute to the global ambitions surrounding climate change, Knorr-Bremse supports the goal to limit global warming to a minimum of well below 2 degrees Celsius. Thus, we are aiming to align ourselves with the ambitions as set out by the Science Based Targets Initiative not only for our own operations but also our full value chain. For this purpose, we defined the **SPT as the publication of a SBTi approved GHG emissions reduction target for Knorr-Bremse's value chain (Scope 3) until 31 August 2023.**

With this target, Knorr-Bremse is committing itself to set a science-based reduction pathway for the emissions stemming from its value chain (Scope 3) and is thus already now projecting a forward-looking perspective on its future GHG footprint.

The target to be published will be formulated for the year 2030 and based on a 2021 baseline. It will follow the ambition requirements as set out by the SBTi. The target to be published will be set for the year 2030, derived from an analysis of Knorr-Bremse's indicative GHG emission inventory and technically feasible emission reduction pathways for its key Scope 3 emission categories – such as purchased goods and services (Scope 3.1), upstream transportation and distribution (Scope 3.4) and use of Sold Products (Scope 3.11). These are expected to make up the substantial amount of Knorr-Bremse's Scope 3 emissions in order to fulfill the requirements of emissions covered under a Scope 3 target by the SBTi. For the avoidance of doubt, the achievement of the target to be set is not included as the SPT under this framework as of now. Going forward, Knorr-Bremse might consider the inclusion in the framework and for future transactions, depending on suitable financing structure.

To achieve the target setting, Knorr-Bremse is currently in the process of baselining its emissions and evaluating the reduction potential that can be identified for its Scope 3 emissions. These efforts are led by the corporate responsibility department and involve a working group with representatives of the business divisions and relevant departments, e.g. engineering, procurement & logistics. It is also endorsed by the management board which will review final results and eventually endorse the target for the whole company.

Following the target setting and publication, Knorr-Bremse will also provide information on its corresponding emissions reduction strategy, i.e. the levers we consider for reducing our Scope 3 emissions in order to achieve the target, with its upcoming annual reporting.

The deadline to publish the target (the target observation date) is set considering Knorr-Bremse's internal efforts to calculate its Scope 3 GHG emission inventory and also considering some time for target approval by the SBTi.

The achievement of this target might be influenced by certain factors, predominately the duration of the validation process by the SBTi, but also the internal preparations that have been achieved so far and the ones that will still be required. Further, the identification of reduction potentials based on the technical feasibility and market development will also be a relevant factor for the target achievement.

Characteristics of Sustainability-Linked Bonds

Sustainability-Linked Bonds issued under this Framework by Knorr-Bremse have their financial characteristic in some way linked to the performance of the KPI defined in this framework. The precise characteristics of any bond issued under this Framework (incl. all relevant definitions) will be specified in the respective bond documentation.

In general, if Knorr-Bremse does not achieve the respective SPT or fails to report the KPI as set out in the bond documentation of the respective instrument a Trigger Event will occur, which will result in a change in the financial characteristics of the instrument.

The implications on the financial characteristics of the Sustainability-Linked Bond in case of a Trigger Event can vary and will be defined in the documentation of the respective Instrument. Variations include but are not limited to coupon step-up(s), coupon step-down(s) and/ or a higher or a lower redemption price payable.

Suitable structures and variations of the financial characteristics will be selected by Knorr-Bremse as of the time of issuance, considering internal requirements, market standards and best practices.

Reporting

Knorr-Bremse will report on the KPI annually, and in any case for any period relevant for assessing the occurrence of a Trigger Event, within the non-financial section of its Annual Report and within the Sustainability Report. The reporting will provide the performance of the KPI in the respective financial year, as well as any information Knorr-Bremse deems relevant for the assessment of the KPI performance.

The reporting will also provide information on material potential changes to the corporate and sustainability strategy, changes in any calculation methodology, changes in the relevant governance and illustrate how the progression of the KPI towards the SPT achieved a sustainable positive impact.

Verification

The non-financial section of Knorr-Bremse's annual report is subject to an external verification assurance statement (limited assurance) that is covering the performance of the stated KPI. The annual report contains the assurance statement of the auditor or any other qualified provider appointed by Knorr-Bremse. It will be provided annually, and in any case for any period relevant for assessing the occurrence of a Trigger Event.

Second Party Opinion

Knorr-Bremse has appointed ISS Corporate Solutions, Inc. (“ISS”) to provide an independent pre-issuance Second Party Opinion (“SPO”) report to evaluate this Framework and confirm its alignment with the ICMA SLBP 2020 and the LMA SLLP 2022. The SPO report will be accessible at Knorr-Bremse’s corporate website and is also available on the website of ISS.

DISCLAIMER

This Sustainability-Linked Bond Framework (the "**Document**") is intended to provide non-exhaustive, general information. This Document may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Knorr-Bremse Aktiengesellschaft ("**Knorr-Bremse**") and accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Knorr-Bremse as to the fairness, accuracy, reasonableness or completeness of such information. The information and opinions contained in this Document are provided by Knorr-Bremse as at the date of this Document and are subject to change without notice.

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