

4

Slavery and Human Trafficking Statement by Volkswagen Group Services, Unipessoal, Lda (Fiscal year 2020)

This statement has been prepared pursuant to section 54 of the United Kingdom Modern Slavery Act 2015. In particular, it details the measures implemented throughout the Group to prevent forms of modern slavery and human trafficking.

Preamble

In view of the advancing globalisation and the increased complexity of our value creation and supply chain, we recognise our global responsibility which includes the protection of human rights. For us, this responsibility does not end at our factory gates, but goes beyond them. Our broad understanding of the topic "Business & Human Rights" has been published under this [link](#) since the United Nations' International Human Rights Day 2019 (10 December 2019).

Organisation and supply chain

Volkswagen Group Services, Unipessoal, Lda is part of the Volkswagen Group. It primarily provides a wide range of services for the Group brands and companies in Portugal and Spain.

The production network of the Volkswagen Group comprises 118 locations which produce passenger cars, commercial vehicles and motorcycles as well as powertrains and components. With 66 locations, Europe remains our most important production region for the manufacture of vehicles and components. There are 24 sites in Germany alone. We operate 34 sites in the Asia-Pacific region. There are five sites in North America and nine in South America. The Group operates four sites in Africa.

With its presence in key markets, the Group's global procurement organisation ensures that production materials, assets and services are sourced worldwide in the required quality, in accordance with sustainability standards and at the best possible terms. The competitive advantages of the various procurement markets are utilised by the whole Group as a result of the brands' networking of the various procurement organisations. We currently purchase products, services and parts from approx. 100 countries worldwide.

VOLKSWAGEN

GROUP SERVICES

For us, global compliance with sustainability standards in areas such as human rights, occupational health and safety, environmental protection and combating corruption is a basic prerequisite for successful business with our suppliers. Only together with our business partners at around 65,000 locations is it possible to ensure compliance with sustainability standards and contribute to the implementation of the UN Sustainable Development Goals (SDGs). To achieve this objective, the Group implemented the "Sustainability in Supplier Relations" concept as early as 2006 and are continuing to develop it. This concept anchors sustainability in our procurement processes and procurement organisations. In this way, by 2025, we intend to effectively prevent environmental, social and corporate governance risks, including human rights risks, and to ensure that 85% of our direct business partners receive an A- rating in our "Sustainability Rating". The Volkswagen Group has a globally positioned and growing network of sustainability officers in the Procurement departments of the respective brands and regions. This network currently consists of more than 40 experts and assists the Group in gaining a better understanding of local conditions.

Internal measures

General

In January 2019, the Group Board of Management – specifically Hiltrud D. Werner from Integrity and Legal Affairs, and Gunnar Kilian from Human Resources – appointed a Business & Human Rights coordinator, who is part of Group Compliance. Combating modern slavery in our value and supply chain is one of the focal areas of our activities in Business & Human Rights – embodied, for example in the key points of our "Salient Issues in Business & Human Rights". For us, child labour and forced labour are serious violations of human rights and are therefore particularly prohibited. In addition to coordination within our Group itself, in 2020, Volkswagen Group Services, Unipessoal, Lda continued to prioritise the implementation and enforcement of the Group Policies and measures in the area of Business & Human Rights, in order to even better meet our corporate responsibility for human rights.

Volkswagen Group Code of Conduct

The Volkswagen Group updated its Code of Conduct in 2017 and introduced it uniformly to all its brands and companies around the world and was implemented by Volkswagen Group Services, Unipessoal, Lda. The Code of Conduct embodies the ethical principles of the Volkswagen Group and is based on common values, with a focus on honesty, integrity, compliance and ethical behaviour as well as on the subject of responsibility. The Code of Conduct helps employees observe existing company rules at

VOLKSWAGEN

GROUP SERVICES

their workplace, as business partners and as members of society, providing them with practical guidance, assistance and advice. The rejection of all forms of modern slavery and human trafficking is an integral part of the Volkswagen Group Code of Conduct. In addition, we base our actions on the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the requirements of the International Labour Organisation (ILO).

The Code of Conduct is available at all times to all employees on the Intranet and also to third parties on the Internet, and is continuously communicated in digital and print media as well as at internal company events. Regular training on the Code of Conduct is mandatory for all employees, regardless of hierarchical level. Additionally, members of the senior management confirm their knowledge and responsibility with regard to the Code of Conduct each year following a risk based approach.

The Volkswagen Group has also specially formulated the Code of Conduct for Business Partners. This details the Group's expectations regarding the attitude and conduct of business partners in their corporate activities, particularly with regard to suppliers and sales partners. The requirements are regarded as the basis for successfully shaping the business relationship between the Volkswagen Group and its partners. They include observance of human rights, such as the prohibition of child labour, human trafficking and slavery, as well as ensuring environmental protection and preventing corruption.

Volkswagen Group Whistleblower System

The whistleblower system is used for reporting serious rule violations. The violation of human rights is an example of an issue that involves a serious regulatory violation. It enables not only employees, but also business partners and customers around the world to report misconduct by employees any day of the year: written information can be submitted in any language using a specially protected online reporting channel. An international 24-hour telephone hotline is available for reporting information in a total of 17 languages. Information can also be submitted via commissioned external lawyers (ombudspersons). The reports can be made anonymously on all channels, if desired. Strict confidentiality and secrecy are maintained throughout the entire process. The Whistleblower System guarantees the highest possible protection for whistleblowers and affected persons. Discrimination against whistleblowers is a serious regulatory violation and will not be tolerated.

Risk analysis

Within the framework of the established risk management processes, represented by elements including the quarterly risk process and the annual regular GRC process, risk assessments on the

GROUP SERVICES

subject of human rights are also carried out by the main Group divisions and companies and the countermeasures taken are reported on. Within the annual regular GRC process, the identification of potential risks is supported by a list of risk-related focus areas which also includes potential risks from human rights violations.

The topic of Business & Human Rights has been formally integrated in the relevant compliance concept since 2019. These measures are integrated in the general measures for traditional compliance topics such as the prevention of corruption and money laundering.

Qualification of employees

Preventive measures promote compliance and raise compliance awareness among employees. Target group-oriented communication and training measures for employees at all hierarchical levels play a key role in this. In the reporting period, specific communication and training activities continued to focus primarily on the Code of Conduct, and the whistleblower system and further training and awareness is planned for the future.

It is also a goal of all Group entities to pursue and increase their communication strategy, in order to increase the transparency in human rights.

Measures in the supply chain

Sustainability requirements of our suppliers (Code of Conduct for Business Partners)

We want to fulfil our responsibility in our business relations on a global level and act proactively beyond simply meeting legal requirements. In procurement, we pursue a three-pronged approach. The basic prerequisite for these steps is transparency in supplier relationships that go beyond the first level (Tier 1):

- **Prevent:** sustainability requirements are anchored in contracts and specifications, particularly the Code of Conduct for Business Partners; suppliers are fully trained and qualified and made aware of issues by means of training courses and communication materials.
- **Detect:** sustainability risks in the supply chain are systematically identified and prioritised. Sustainability is anchored across the Group in all important contract award decisions and a sustainability performance rating of potential suppliers ("S-Rating") is used. This is based on self-disclosures and risk-based checks on site.

VOLKSWAGEN



GROUP SERVICES

- **React:** systematic response is initiated for risks and effects determined. The primary objective is to remedy and prevent violations as well as actively and effectively improve suppliers' sustainability performance.

Clear specifications for suppliers (Prevent)

The "Requirements of the Volkswagen Group for Sustainability in Relationships with Business Partners" – the code of conduct for business partners – is a key part of our supplier management system. It is applicable for all suppliers of the Volkswagen Group and Volkswagen Group Services is working on the implementation and further enforcement of the Code of Conduct for business partners. Our expectations as regards our business partners' conduct with respect to core environmental, social and compliance standards are set out contractually there. The requirements are based, among others, on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant conventions of the International Labour Organisation (ILO). However, the Code of Conduct is not only based on international standards, but also on the Volkswagen Group's objectives, rules and directives.

The expanded requirements for suppliers specific to the topic of modern slavery are as follows:

"No slavery and no human trafficking – business partners reject all conscious use of forced or compulsory labour as well as all forms of modern slavery and human trafficking. There is no bonded labor or involuntary prison labor. Employment relationships are entered into on a voluntary basis and may be terminated by employees at their own discretion and within a reasonable notice period."

Systematic determination of sustainability risks (Detect)

Our aim is to be aware of the sustainability risks in our supply chain at all times and effectively address them. A key measure introduced in 2019 is the sustainability rating (S-Rating), which will be fully integrated by the end of 2021. The S-Rating indicates relevant suppliers' sustainability performance and opportunities for continuous improvement. It evaluates the ecological performance of suppliers as well as their social sustainability and integrity. The S-Rating is of direct relevance to our direct suppliers in terms of contract awards. If a supplier does not meet our requirements for compliance with sustainability standards, they will generally not be awarded contracts. This is a direct incentive for suppliers to improve their sustainability performance.

A range of measures are available in order to be able to react to risks identified in the supply chain and to specific violations by suppliers, and therefore to actively effect improvements.

Sustainability training for employees and partners

The systematic education and training of our employees and suppliers is a key building block of our strategy and is essential for improving sustainability in the supply chain. Sustainability is an established part of the competence profile for all Procurement employees. We will also continue to focus our training measures on specific target groups.

Supply chain progress report

As described in the last statement by the Volkswagen Group for the financial year 2019, various measures for preventing modern slavery and human trafficking were implemented in 2020: as well as updating the Code of Conduct for Business Partners, we continued rolling out the sustainability rating implemented in 2019 which also includes human rights risks and has been integrated in the contract award processes for the global procurement organisation.

By the end of the reporting period, over 13,000 active suppliers had submitted a sustainability questionnaire (SAQ). In the year under review, measures took place at 1,369 suppliers to improve sustainability performance.

In 2020, 790 risk-based on-site checks were carried out worldwide (in 2019 there were 1,331). On average, six violations against our sustainability requirements were identified. During the reporting period, an on-site check of logistics service providers was also introduced and piloted, which takes account of decentralised service provision, for example with more employee interviews.

VOLKSWAGEN

NUMBER OF BREACHES FOUND WORLDWIDE, PER ON-SITE CHECK
PER REGION AND IDENTIFIED TOP RISKS PER REGION


Geographic region	Average breaches per region	The region's top 3 risks
Africa	4	Occupational safety, fire safety, managing complaints
Asia*	6	Fire safety, occupational safety, working hours
Europe	5	Fire safety, occupational safety, handling of hazardous materials
Latin America	6	Fire safety, occupational safety, supply chain management
North America	4	Fire safety, occupational safety, environment

* In terms of geographical distribution, Russia and Turkey are allocated to Asia.


In the coming year, the Group will continue to expand our activities to implement sustainability in our supply chains.

The objective is to identify, prioritise and then prevent or mitigate our sustainability risks comprehensively.

Volkswagen Group Services, Unipessoal, Lda
Palmela, Junho de 2021



José Leal
Managing Director



Mark Jacobi
Managing director