

VOLKSWAGEN

GROUP SERVICES

“Slavery and Human Trafficking Statement” by Volkswagen Group Services Unipessoal, Lda.

(Fiscal year 2019)

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 offices, 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 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 122 locations which produce passenger cars, commercial vehicles and motorcycles as well as powertrains and components. With 71 locations, Europe remains our most important production region for the manufacture of vehicles and components. There are 28 sites in Germany alone. The Group operates 33 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, investments in property, plant and equipment, investment property and intangible assets,

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excluding capitalised development costs as well as services are procured worldwide in the required quality and at the best possible terms. The competitive advantages of the various procurement markets are exploited throughout the Group as a result of the brands' networking of the various procurement organisations. The Group currently purchase products, services and parts from approx. 110 countries worldwide.

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 approximately 40,000 business partners is it possible to ensure compliance with sustainability standards and contribute to the implementation of the United Nations Sustainable Development Goals (SDGs). To achieve these goals, the Group implemented the "Sustainability in Supplier Relations" concept back in 2006 and continue to develop it further. This concept anchors sustainability in our procurement processes and procurement organisations. 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 of the reporting period, the Group Board of Management appointed two coordinators – specifically Hiltrud D. Werner, Integrity and Legal Affairs, and Gunnar Kilian, Human Resources – for “Business & Human Rights”, which is located within Group Compliance. Combating modern slavery along our entire value creation and supply chain is one of the focal points of our activities in the area of “Business & Human Rights” – which is embodied, for instance, in the current prioritisation of our “salient issues “business & human rights””. For us, child labour and forced labour are serious violations of human rights and are therefore in particular prohibited. Volkswagen Group Services actively seeks to implement and enforce the Group Policies and measures in the area of “Business & Human Rights”.

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Volkswagen Group Code of Conduct¹

The Volkswagen Group updated its Code of Conduct in 2017. The content of the Code of Conduct is thus identical for all the brands and companies and it was implemented by Volkswagen Group Services. It is readily available to all employees on the Intranet and also to third parties on the Internet. The Code of Conduct is based on shared values, with a focus on honesty, integrity, compliance and ethical behaviour as well as the subject of “responsibility”. Regardless of whether at the workplace, as a business associate or as a member of society - the Code of Conduct makes it easier for employees to deal with existing company rules and offers them orientation, help and advice. The rejection of all forms of modern slavery and human trafficking is also 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 Organization (ILO).

¹https://www.volkswagenag.com/presence/konzern/documents/Code_of_Conduct_2017_VW_Konzern_deutsch.pdf

Volkswagen Group Whistleblower System²

The Whistleblower System is used to report serious rule violations. The violation of human rights is an example of an issue that involves a serious regulatory violation. Our employees and external persons can report regulatory violations via the notification channels of telephone, e-mail, mail and Internet tool, verbal notification and to ombudsmen, also anonymously, on request. The ombudsmen are two external lawyers mandated by the company. Information regarding potential regulatory violations can also be provided via a 24/7 telephone hotline which has been in operation since 2018. Employees and business partners as well as customers throughout the world have the opportunity of reporting information in all the major Group languages 365 days a year, 24 hours a day. 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 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. The “Business & Human Rights” compliance team advises other business units in this regard in urgent cases. It is envisaged that this advisory function will be further structured and expanded in 2020.

Qualification of employees

² <https://www.volkswagenag.com/de/group/compliance-and-risk-management/whistleblowersystem.html>

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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 this year under review, 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 2020. Furthermore, communication on this topic will be increased with, for instance, a communication strategy having been developed.

Measures in the supply chain

Sustainability requirements of our suppliers(Code of Conduct for business partners)³

We aim to meet our responsibility in our business relationships at the global level. We follow a three-pronged approach in Procurement to establish sustainable supply chains with a key focus on human rights and responsible sourcing of raw materials, decarbonisation and combating corruption. The basic prerequisites of these steps is transparency via supplier relationships that go beyond the first level (Tier 1):

- **Prevent:** sustainability requirements are anchored in contracts and specifications as a mandatory component. Suppliers are qualified and made aware of issues by means of training courses and communication materials.
- **Detect:** sustainability risks in the supply chain are systematically determined and prioritised. Besides the price, sustainability aspects are taken into account as a criterion in contract award decisions for new suppliers (Sustainability Rating). This is based on self disclosures and risk-based checks on site.
- **React:** a 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.

³ <https://www.volkswagenag.com/presence/nachhaltigkeit/documents/policy-intern/2016%20Code%20of%20Conduct%20for%20Business%20Partners%20DE-EN.pdf>

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Clear specifications and awareness-raising 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. This was thoroughly updated in 2019. Volkswagen Group Services is working on the implementation of the code of conduct for business partners. Our expectations as regards our business partners’ conduct with respect to core social, compliance and environmental standards are set out there. The requirements are, among other things, based on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant conventions of the International Labour Organization (ILO).

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 deliberate use of forced or compulsory labour as well as all forms of modern slavery and human trafficking. There is no use of debt-servitude or non-voluntary prison labour. Employment relationships are voluntary and employees can give notice of their own volition in observance of a reasonable notice period.”

Training for employees and partners

The systematic further education and training of our employees and suppliers is a core building block of our strategy and essential for improving sustainability in the supply chain. This topic is a firm component of the competence profile for all employees in Procurement. We also focus our training measures on certain target groups. An intensive, specially structured training course is planned to carry out through our employees and business partners.

Supply chain progress report

As announced in the last statement by the Volkswagen Group for fiscal year 2018, various measures for the prevention of forms of modern slavery and human trafficking were designed and implemented

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in fiscal year 2019: in addition to updating the Code of Conduct for Business Partners, the Group implemented a new and expanded Sustainability Rating that also takes into account human rights risks and has been integrated in contract awards as well as contract award processes for the global procurement organisation.

In 2019, on-site checks were carried out globally. On average, three violations against our sustainability requirements were identified.

Geographic region	Average violations per region
Africa	3.7
Asia*	4.7
Europe	1.9
Latin America	2.2
North America	5.2
*Russia and Turkey belong geographically to Asia	

In the coming year, we will continue to implement activities to achieve awareness and sustainability in our employees and business partners. Our aim is not only to identify risks in the future, but also to continuously minimise them by means of various instruments such as auditing, certification and qualification.

Volkswagen Group Services Unipessoal, Lda.

Palmela, June 2020

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Original version signed