

# “Slavery and Human Trafficking Statement” by Volkswagen Zubehör GmbH

(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 Volkswagen Zubehör GmbH 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 Volkswagen group wide 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 Zubehör GmbH is a 100% subsidiary of Volkswagen AG and therefore fully part of the Volkswagen Group. It primarily Volkswagen Zubehör GmbH develops and distributes vehicle-related accessories and lifestyle-products for vehicles of the brand Volkswagen. Detailed information can be found in the list of shareholdings Volkswagen Group pursuant to sections 285 and 313 of the German Commercial Code (HGB), which can be accessed [here](#) and is part of the annual financial statements.

With its presence in key markets, the Volkswagen Group's global procurement organisation, with which Volkswagen Zubehör GmbH works very tightly together respectively a part of it is, ensures that production materials, investments in property, plant and equipment, investment property and intangible assets, 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.

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 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, we implemented already years ago the "Sustainability in Supplier Relations" concept and continue to develop it further. This concept anchors sustainability in our procurement processes and procurement organisations..

## Internal measures

### *General*

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. As part of the Volkswagen Group and in cooperation, we have prioritised a focal area in the collaboration with external stakeholders. We support the German Federal government's National Action Plan (NAP) "Business & Human Rights". Specifically, we will actively participate in the automotive industry's sector dialogue "Business & Human Rights" under the aegis of the German Federal Ministry of Labour and Social Affairs (BMAS). Combating modern slavery also plays an important role here. In addition, the Volkswagen Group was the first automotive manufacturer to be included in the Global Business Initiative (GBI) "Business & Human Rights" in 2019. The purpose of this corporate network is to discuss issues and participate in peer learning.

#### *Volkswagen Group Code of Conduct<sup>1</sup>*

As part of the Volkswagen Group, Volkswagen Zubehör GmbH has fully implemented the Volkswagen Group's Code of Conduct.

The Volkswagen Group updated its Code of Conduct in 2017. As already reported, it was launched and became mandatory for all the brands of the Volkswagen Group by the end of 2017, as well as in the Volkswagen Accessories. The content of the Code of Conduct is thus identical for all the brands and companies. It is readily available 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. 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).

#### *Volkswagen Group Whistleblower System<sup>2</sup>*

As part of the Volkswagen Group, Volkswagen Zubehör GmbH has fully implemented the Volkswagen Group Whistleblower System

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

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<sup>1</sup>[https://www.volkswagenag.com/presence/konzern/documents/Code\\_of\\_Conduct\\_2017\\_VW\\_Konzern\\_deutsch.pdf](https://www.volkswagenag.com/presence/konzern/documents/Code_of_Conduct_2017_VW_Konzern_deutsch.pdf)

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

whistleblowers and affected persons. Discrimination against whistleblowers is a serious regulatory violation and will not be tolerated.

### *Qualification of employees*

Preventive measures promote compliance at Volkswagen Zubehör GmbH 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.

In fiscal year 2019, individual, dedicated training measures of varying scope took place for employees on this topic. For the future, a basic training course has been designed, which will be able to be variously integrated in wider compliance training courses. A comprehensive, stand-alone intensive training course that introduces the topic is also planned. Furthermore, communication on this topic has been 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)<sup>3</sup>*

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.

#### *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

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

2019. Since then, these requirements also apply to our distribution 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.”

In order to raise awareness among suppliers, we expanded the information and qualification opportunities in 2019. This includes the information on the ONE. Group business platform, workshops with suppliers and training courses with the Drive Sustainability Initiative. We will continue these measures in 2020.

#### *Systematic determination of sustainability risks (Detect)*

Our objective is to be aware of and effectively address the sustainability risks in our supply chain at all times. As a core measure, a Sustainability Rating (S-Rating) was introduced in mid-2019 and has been rolled out throughout the Group since then. The S-Rating has immediate relevance for our direct suppliers: if a supplier does not meet our requirements regarding compliance with sustainability standards, they will generally not be awarded a contract. This is a direct incentive for suppliers to improve their sustainability performance.

The checks forming part of the S-Rating are carried out with the help of a multi-stage, risk-based process. A standardised questionnaire / self-assessment questionnaire (SAQ), developed jointly with other European OEMs, is used to analyse a company's sustainability performance. The information and documents in the SAQ are checked and validated by a service provider: if a supplier states that they have specific processes and policies in place, they must prove this with documents. Specifically, a question is asked regarding a human rights policy which includes the topic of “Forced or compulsory labour and human trafficking”.

Using a risk-based approach, further checks are carried out on site after an initial analysis of the supplier's details. If the results of the check show severe deficits in the implementation of our sustainability requirements, the supplier will receive a negative rating. This means that no contract can generally be awarded.

#### *Achieving improvements together (React)*

A range of measures are available in order to react to risks determined in the supply chain and specific violations by suppliers as well as to actively effect improvements. An important component of sustainable supply chain

management in this context are the so-called ad-hoc cases, meaning suspected violations of the sustainability requirements arising suddenly. The process of ad-hoc case management was revised and systematised in 2019.

#### *Special due diligence for human rights*

As part of our sustainable supplier management, we are in particular committed to the protection of those groups along our supply chains that face a high risk of potential negative effects on human rights. In this context, when implementing processes, our actions are informed by our due diligence to uphold human rights as required pursuant to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. In accordance with the requirements of a risk-based approach, we focus our measures on supply chains in which, according to our analyses, particularly high risks for negative effects are inherent.

#### *Commitment to international initiatives*

In our commitments, we seek, via the Volkswagen Group, close cooperation with international organisations. In our supplier management, we therefore implement the OECD guidelines for the responsible procurement of raw materials and the standardised reporting templates issued by the Responsible Minerals Initiative (RMI). As a member of the Global Battery Alliance (GBA), our aim is to act as a catalyst and accelerate measures towards a socially responsible, ecologically sustainable and innovative battery value chain.

#### *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.

In addition to e-learning, we conduct through Volkswagen Group subject-specific sustainability training courses and workshops with our suppliers at selected locations. In addition, we also work with industry initiatives and in cooperation with other companies to promote better sustainability management at our suppliers.

**Volkswagen Zubehör GmbH**  
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