

Slavery and Human Trafficking Statement by the Volkswagen Group

(Fiscal year 2021)

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) and we, as a wholly owned subsidiary, have fully embraced this commitment. The Volkswagen Group has extended and affirmed this understanding and their commitment to the internationally recognised agreements and conventions in the new Declaration by the Volkswagen Group on Social Rights, Industrial Relations and Business and Human Rights ([Link](#)).

Organisation and supply chain

Volkswagen Zubehör GmbH is a 100% subsidiary of Volkswagen AG and therefore fully part of the Volkswagen Group. It primarily 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 of Volkswagen AG.

With its presence in key markets, the Volkswagen Group’s global procurement organisation, with which the Volkswagen Zubehör GmbH works very tightly together respectively as part of it, 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 Volkswagen Group as a result of the brands’ networking of the various procurement organisations. The Volkswagen Group currently purchase products, services and parts from approx. 100 countries worldwide.

For Volkswagen Zubehör GmbH, 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 UN Sustainable Development Goals (SDGs). To achieve this objective, Volkswagen AG implemented the “Sustainability in Supplier Relations” concept as early as 2006 and are continuing to develop it. This concept anchors sustainability in the procurement processes and procurement organisations. In this way, by 2025 Volkswagen AG intend to effectively prevent environmental, social and corporate governance risks, including human rights risks, and to ensure that 85% of the 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 Volkswagen Group in gaining a better understanding of local conditions.

Internal measures

General

In January 2019, the Volkswagen 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 Volkswagen Group Compliance. Combating modern slavery in the value and supply chain is one of the focal areas of the activities in Business & Human Rights – embodied, for example in the key points of the “Salient Issues in Business & Human Rights”. For Volkswagen AG and us, child labour and forced labour are serious violations of human rights and are therefore in particular prohibited. In addition to coordination within the Volkswagen Group itself, in 2020 we continued to prioritise collaboration with external stakeholders. The Volkswagen Group support the German Federal government’s National Action Plan (NAP) “Business & Human Rights”. Specifically, in 2020 the Volkswagen Group actively participated in the “Business & Human Rights” dialogue of the automotive industry under the aegis of the German Federal Ministry of Labour and Social Affairs (BMAS). We will together with the Volkswagen Group continue this dialogue in 2022. Combating modern slavery also plays an important role here. In addition, since 2019, as part of the Volkswagen Group, we have been an active member of the Global Business Initiative for Human Rights ([GBI](#)), and are the only car manufacturer to take part. The purpose of this corporate network is to discuss issues and participate in peer learning. We also proactively seek communication with other stakeholders, as for example in the Volkswagen Group Sustainability Stakeholder Dialogue in February 2020. Here the Volkswagen Group presented and discussed different business and human rights measures with bodies such as NGOs and human rights organisations. On this basis, Volkswagen Zubehör GmbH have been able to develop our engagement in order to even better meet our corporate responsibility for human rights.

Volkswagen Group Code of Conduct¹

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 and introduced it uniformly to all its brands and companies around the world. 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

¹<https://www.volkswagenag.com/en/group/compliance-and-risk-management/compliance.html>

responsibility. The Code of Conduct helps employees observe existing company rules at 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, Volkswagen Group and Volkswagen Zubehör GmbH 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 of Volkswagen Zubehör GmbH 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, which we have also fully endorsed. 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 Zubehör GmbH 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 System²

As part of the Volkswagen Group, Volkswagen Zubehör GmbH has fully implemented the 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 der Volkswagen AG, risk assessments on the subject of human rights are also carried out by the main Volkswagen Group divisions and companies and the countermeasures taken are reported

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

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. Reports are submitted to the Brand Board of Management, the Volkswagen Group Board of Management and the Audit Committee on a quarterly or annual basis, as well as when required.

In addition, a cross-departmental working group in Group Compliance of the Volkswagen Group developed a concept in 2019 for assessing risk exposures alongside a correlation of country risks and business model risks in the area of “Business & Human Rights” for controlled entities. Volkswagen Zubehör GmbH is also one of them. Based on this, measures that in particular develop viable and uniform structures for this topic are defined for the entities. These measures are integrated in the general measures for traditional compliance topics such as the prevention of corruption and money laundering. These measures were communicated to the Volkswagen entities in the reporting period and have become a mandatory component of the internal compliance risk management process at the end of 2021. The Volkswagen Group integrates business and human rights into the Group’s existing Compliance Management System in accordance with the UN human rights due diligence guidelines. The Business & Human Rights Centre of Competence advises other business units on human rights issues, ad hoc cases and implementation of legal requirements, especially those related to compliance. This advisory function has been established in the Volkswagen Group since 2020.

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 the reporting period, specific communication and training activities continued to focus primarily on the Code of Conduct, the whistleblower system and the prevention of corruption. The latter is also mandatory for employees and has been rolled out across the Volkswagen Group since 2019. In the financial year 2021, dedicated employee training measures were held on various subjects, for example basic and advanced courses on human rights. The contents can be flexibly integrated into wider compliance training but can also be used as intensive courses to provide a separate and comprehensive introduction to the topic.

Measures in the supply chain

Sustainability requirements of our suppliers (Code of Conduct for Business Partners)³

Volkswagen Zubehör GmbH wants to fulfil its responsibility regarding business relations on a global level and act proactively beyond simply meeting legal requirements. In procurement, we pursue a three-pronged approach.

³ <https://www.volkswagenag.com/en/group/compliance-and-risk-management/compliance.html>

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.
- **Detect:** sustainability risks in the supply chain are systematically identified and prioritised. Sustainability is anchored 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.
- **React:** various measures are provided in order to respond to the identified risks and effects. These include a standardised process for dealing with violations by individual suppliers and action plans from on-site inspections.

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 the supplier management system of Volkswagen Zubehör GmbH. It is applicable for all suppliers of the Volkswagen Zubehör GmbH. 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.”

In order to raise awareness among suppliers, Volkswagen Zubehör GmbH, in collaboration with the Volkswagen Group, expanded the information and qualification opportunities in 2020. This includes the information on the *ONE. Group Business Platform*, workshops with suppliers and training courses with the Drive Sustainability Initiative. These measures will continue in 2022. In addition, in 2020 a raw materials due diligence management system was introduced which identifies risks for 16 selected raw materials and allows specific mitigation measures to be developed on Group level.

Systematic determination of sustainability risks (Detect)

The aim of Volkswagen Zubehör GmbH 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 relevant⁴ 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.

The audits for the S-Rating are carried out using a multi-stage, risk-based process. The company's sustainability performance is analysed using a standardised self-assessment questionnaire (SAQ) that was developed together with other European original equipment manufacturers (OEMs). The information and documents in the SAQ are checked and validated by a service provider. If a supplier states that it has specific processes and policies in place, it must provide the documents to prove this. 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 be able to react to risks identified in the supply chain and to specific violations by suppliers, and therefore to actively effect improvements.

An important part of sustainable supply chain management is the grievance mechanism "Supply Chain Grievance Mechanism", with which respond to suspected violations of our sustainability requirements that suddenly arise. The case management process was revised and reorganised again in 2020 to become a comprehensive complaint management system. It is accessible via our website, an email address and an anonymised channel and is open to all stakeholders and potentially affected persons such as employees of suppliers, social organisations or representatives of communities in the immediate vicinity of our production sites. The cases are handled according to a binding policy, managed by the Group and processed together with the Volkswagen Group brands and regions. If violations are identified, measures are initiated immediately. If there are particularly serious violations, the business relationship may even be terminated.

Employees and external parties can also report potential violations by our suppliers to the Volkswagen Group whistleblower system or contact sustainability@vwgroupsupply.com. This concerns possible violations by direct suppliers as well as by subcontractors in the supply chain. External ombudspersons are another point of contact.

⁴ The relevance of a business partner for the S-Rating comes from factors such as company size or risk exposure, which is derived from the type of service.

Special due diligence for human rights in the supply chain

As part of the sustainable supplier management of Volkswagen Zubehör GmbH, we are especially committed to protecting those groups along our supply chains who face a high risk of potential human rights violations. In order to meet the international framework agreements and requirements, in 2020 the Volkswagen Group launched a human rights due diligence management system which we use to systematically analyse, prioritise and minimise human rights risks in our supply chain.

The raw material supply chains require special attention in this respect. To effectively deal with the sometimes extensive risks in these supply chains, it was also set up a raw material diligence management system. This details the prioritisation and processing of raw material supply chains which has been classified as particularly prone to risks. Our focus, in cooperation with the Volkswagen Group, is currently on 16 types of raw material. Our actions for responsibly procuring raw materials are guided by the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This contains guidelines on management approaches, on risk identification and prevention, on inspecting smelters and on instruments for communication and reporting.

For raw materials extracted in conflict regions – tin, tantalum, tungsten and gold – the Volkswagen Zubehör GmbH require our suppliers to use their management systems to exclude the use of minerals from smelters that are not certified according to international standards. We, in cooperation with the Volkswagen Group, check this by means of our reporting process which uses the internationally recognised Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI) on all smelters in our upstream supply chain. We then evaluate the results.

The management system of Volkswagen Zubehör GmbH also includes due diligence in other raw material supply chains. We therefore cooperate closely with our direct suppliers and in suspected cases demand disclosure of the origin of materials linked to potential breaches of human rights such as child labour, forced labour or any form of modern slavery and human trafficking. Among other things, this includes working conditions in the extraction of raw materials such as mica or natural rubber. Because these processes are highly elaborate due to the complexity of the supply chains with up to eight stages, we always take a risk-based approach.

If on-site visits indicate breaches of human rights, a mandatory plan of measures with the supplier must be agreed to eliminate the deficits. If this is not effective, sanctions are imposed. Our complaints process is crucial for violations that are reported to us or the Volkswagen Group or are identified by us. In this case, Volkswagen Zubehör GmbH enter a dialogue with the supplier on an individual basis with the aim of achieving an improvement. If there is no improvement in the event of serious violations, this can lead to exclusion from the supply chain.

Digital innovations for greater transparency and safety in the supply chain

To increase transparency in upstream supply chains and prevent risks in raw materials procurement, the Volkswagen Group asks direct suppliers to disclose the supply chains, and also uses second-party supply chain mapping audits. These risks include forms of modern slavery, for example.

Another approach that has been pursued since 2020 is the use of a service provider which comprehensively audits suppliers using artificial intelligence. Constant monitoring of freely available internet sources including social media allows information on possible violations by suppliers to be reported in real time.

Commitment to international initiatives

Activities in the earlier parts of the supply chain and outside of contractual relationships requires considerable effort. We, as part of the Volkswagen Group, will only be able to succeed via joint, industry-wide initiatives and collaborations with suppliers as partners. It serves no-one to pursue the objective of banning as many non-conforming companies as possible from the supply chain or to exclude entire countries of origin from the supply chain. Rather, it must be the aim to work with them in a collaborative effort to improve their sustainability performance.

In this commitments, the Volkswagen Group seek close cooperation with international organisations. In our supplier management, we in cooperation with the Volkswagen Group therefore implement the OECD guidelines for the responsible procurement of raw materials and the standardised reporting templates issued by the RMI.

The commitment to CSR Europe's DRIVE Sustainability industry initiative is also central to our activities. In Germany, the Volkswagen Group is committed to the federal government's NAP industry dialogue on business and human rights.

Sustainability training for employees and partners

The systematic education and training of the employees and suppliers is a key building block of the strategy of Volkswagen and is essential for improving sustainability in the supply chain. The Volkswagen Group currently use three different formats to do this. First, regularly conduct face-to-face training around the world. However, since these could only take place to a very limited extent in 2020, live online training courses were added. Thirdly, there are e-learning courses that can be taken online at any time.

Sustainability is an established part of the competence profile for all Procurement employees. Around the world, more than 2,000 buyers within the Volkswagen Group were trained on this subject in 2020. The focus the training continues on measures on specific target groups. For example, an intensive, specially structured training course was held for buyers of components with increased sustainability risks. An in-depth human rights training course has been available since 2020. An e-learning system was also introduced in the reporting period 2020. This is available to all group employees in procurement and deals in particular with the sustainability requirements of the Volkswagen Group and how they are reviewed as part of the S-Rating.

To allow continuous supplier development, Volkswagen Zubehör GmbH usually carry out sustainability training courses and workshops for the suppliers on specific subjects at selected sites. In the reporting period, this was only possible to a very limited extent. Therefore an online training course was developed with shorter sessions to teach suppliers about our requirements and how to implement them. The format was available in English, German and Spanish as of June 2020.

Over 950 contractors' employees took up the offer in the reporting period 2020. The training originally planned as part of the DRIVE Sustainability initiative for suppliers in India, Argentina, France and Russia could not be carried out and is expected to take place in 2022.

In addition to the training courses, an e-learning module on sustainability in nine languages of defined risk countries was provided. The e-learning was completely revised in terms of content and technology in 2020.

Supply chain progress report

As described in the last statement by the Volkswagen Group for the financial year 2020, various measures for preventing modern slavery and human trafficking were implemented in 2020: as well as updating the Code of Conduct for Business Partners, 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 2020, 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.

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 order to avoid duplication and achieve greater coverage of suppliers with on-site checks, the Volkswagen Group are currently collaborating with OEMs and suppliers in a dedicated working group of the German Association of the Automotive Industry (VDA) on a common standard for on-site checks. As from 2020, suppliers will only need to be audited once. The results can then be shared with all participating business partners via a central platform.

Volkswagen Zubehör GmbH
Dreieich, June 2022

Börries Lorenz-Meyer
Chief Executive Officer of Volkswagen Zubehör GmbH

Wolfgang Zang
Chief Financial Officer of Volkswagen Zubehör GmbH