



# Slavery and Human Trafficking Statement

VOLKSWAGEN Group Rus OOO (Fiscal year 2017)

June 2018

This statement has been issued in accordance with Section 54 of the United Kingdom Modern Slavery Act 2015. It describes all the measures taken by the OOO Volkswagen Group Rus in order to avoid any forms of modern slavery and human trafficking.

#### Preamble

Against the backdrop of advancing globalisation and the increased relocation of manufacturing to the relevant sales markets, we are aware of our global responsibility to respect human rights. For us, this responsibility does not stop at the doors to our factories but continues far beyond.

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## Organisation and supply chain

OOO Volkswagen Group Rus is a Russian subsidiary of Volkswagen Group.

The Volkswagen Group is a stock corporation under German law, with headquarters in Wolfsburg, Germany. It is made up of two segments: automotive and financial services. The Group Automotive division comprises twelve brands: Volkswagen Passenger Cars, Audi, SEAT, SKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen Commercial Vehicles, Scania and MAN.

With the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands, all units in the Group Automotive division are separate legal entities.

The Financial Services division is concerned with dealer and customer finance, leasing, banking and insurance business, fleet management and mobility services. Volkswagen AG is the parent company of the Volkswagen Group. The Volkswagen Group and its brands are present in all relevant automotive markets around the world. Currently, the main sales markets include Western Europe as well as China, the United States, Brazil and Mexico. The Group procures goods and services from all over the world for its manufacturing processes. It operates 120 manufacturing sites in 20 European countries as well as 11 American, Asian and African countries.

With its presence in its main markets, the Group procurement structures ensure that production materials, capex and also services are sourced globally in the required quality and on the best possible terms. Competitive advantages offered by the individual sourcing markets are utilised by networking the brands' procurement structures on a Group-wide basis. We currently purchase products, services and parts from around 120 countries around the world.

For us, global observance of sustainability standards in such areas as human rights, occupational health and safety, environmental protection and anti-corruption forms the basis for successful business with our suppliers. Only by working with our roughly 40,000 business partners are we able to make sure that sustainability standards are observed and make a contribution towards implementing the United Nations Sustainable Development Goals (SDGs). To achieve these goals, we implemented the "Sustainability in Contractor Relations" model as early as in 2006 and are developing it continuously. This model entrenches sustainability in our procurement processes and systems and also has a global network of sustainability officers for procurement activities for the individual brands and in the individual regions. This network helps the Group to better understand local conditions.

## Internal measures

### Code of Conduct

OOO Volkswagen Group Rus has updated its Code of Conduct<sup>1</sup> in 2017, following the adoption of the Volkswagen Group's Code of Conduct the same year. The revised Code of Conduct applies to all employees and is based on shared values. The focus is on honest conduct, integrity, compliance with all rules and regulations and responsibility. The Code of Conduct seeks to help employees observe the company's rules at their workplace, as business partners and as members of society, providing them with guidance, assistance and advice. The rejection of all forms of modern slavery and human trafficking likewise forms part of OOO Volkswagen Group Rus's new Code of Conduct. In addition, our activities are guided by the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the principles of the International Labour Organisation (ILO).

### Whistleblower System

OOO Volkswagen Group Rus has an established Whistleblowing system, which provides our employees an opportunity to communicate facts of serious compliance breaches, including violation of human rights, via various channels – from direct superior to communication on anonymous basis with compliance department via a dedicated email account [compliance@volkswagen.ru](mailto:compliance@volkswagen.ru). Communications with the compliance department via this email account is also available for the business partners and other third parties. The principles serving the basis for the Whistleblower System, promote a fair and transparent process that protects the Company, the persons affected and the whistleblower.

Currently, the Whistleblowing system at OOO Volkswagen Group Rus is undergoing a transformation in connection with the implementation of the new Whistleblowing system on the Volkswagen Group level.

The regular risk management process includes the annual standard GRC process, and starting 3 quarter 2018 - quarterly risk process.

### Risk analysis

Risk assessments pertaining to human rights are conducted and the countermeasures taken in response are reported by the main Group divisions and companies.

The annual regular GRC process supports the recording process of potential risks by means of a list of focus areas, which also includes potential risks arising from the violation of human rights. Annual report is submitted to Volkswagen Group Board of Management and the Audit Committee. Starting 3 quarter 2018, quarterly reports shall be submitted to the Group and Brand Boards of Management.

### Employee qualification

By taking preventive measures, we promote compliance with regulations in our organisation and raise the awareness levels of our employees. Therefore, employee information and training at all hierarchical levels play a crucial role within our compliance work. New employees at OOO Volkswagen Group Rus are required to complete the learning programme on the Code of Conduct. This year the all employees of OOO Volkswagen Group Rus are undergoing mandatory trainings on the Code of Conduct. The management shall receive additional, risk-based and tailor-made discussion session with the Compliance department. OOO Volkswagen Group Rus makes the revised Code of Conduct available to employees via various channels. It has been published on the Intranet and the Internet, printed versions shall be available soon, too. The new Code of Conduct and its importance have been communicated in information emails sent to all employees.

As our procurement staff constitute a material link with our business partners, all new purchasers are briefed and trained on sustainability matters and potential risks. At the same time, we make sure that our employees are familiar with the internal systems and processes as well as the sustainability requirements that our business partners are expected to comply with in order to report to the responsible units any breaches of our sustainability requirements that are observed.

<sup>1</sup>[https://vwgroup.ru/upload/Code\\_of\\_Conduct\\_Russian.pdf](https://vwgroup.ru/upload/Code_of_Conduct_Russian.pdf)

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## Measures in the supply chain

### Sustainability requirements for our suppliers

The Sustainability in Supplier Relations concept is based on the Volkswagen Group requirements regarding sustainability in its relationships with business partners ([Code of Conduct for Business Partners](#)). These set out the Volkswagen Group's expectations of our business partners' conduct with respect to core environmental, social and compliance standards, including internationally acknowledged human rights. By integrating the sustainability requirements in our procurement process at the contractual level, we seek to ensure that our sustainability standards are observed along the entire supply chain worldwide. Our requirements are based on international standards such as the principles of the UN Global Compact, the ICC Business Charter for Sustainable Development and the conventions of the International Labour Organisation. On the basis of the three pillars – requirements, monitoring and development of the Sustainability in Supplier Relations concept – we review and develop our suppliers' sustainability performance on an ongoing basis. This involves various instruments such as the SAQ self-assessment questionnaire developed by the Initiative DRIVE Sustainability, sustainability as part of quality audits and focused sustainability audits of suppliers.

### Risk analysis

In selecting and working with its suppliers, OOO Volkswagen Group Rus follows the approach and standards set by the Volkswagen Group - country-specific risk analysis, self-assessment questionnaires and local sustainability audits to identify social or ecological risks or risks related to human rights at the respective contractor locations before negotiations with potential suppliers begin. The risk analysis incorporates data from third parties as well as in-house empirical data. Prior to entering into business relations, we additionally perform a risk-oriented review of the integrity of our business partners (Business Partner Check).

### Training and monitoring of suppliers

We extend the monitoring of our suppliers' sustainability performance. An external service provider conducts sustainability audits of our suppliers. If it is necessary, a plan of action to improve the suppliers' sustainability performance is established.

In addition to on-site audits, the suppliers of Volkswagen Group Rus submit self-assessment questionnaires on sustainability matters. The questions contained in the self-assessment questionnaire were widened in 2016, e.g. with the addition of a question to determine whether suppliers have a policy on human trafficking. The ongoing enhancement of and additions to the self-assessment questionnaires allow Volkswagen Group Rus to evaluate suppliers on the basis of the most relevant topics and developments.

We take very seriously any information that we receive on any failure by our business partners to comply with our sustainability requirements and investigate it immediately and systematically. Specifically, we immediately ask the supplier for a statement on the reported suspicion. If the suspicion is confirmed, the supplier is asked to submit an action plan to address the problem. We track and monitor the implementation of this action plan, e.g. via on-site visits and/or 3rd-party CSR audits. Any suspected cases can, for example, be reported via Volkswagen Group's mailbox at [sustainability@vwgroupsupply.com](mailto:sustainability@vwgroupsupply.com).

In addition to audits of our suppliers' sustainability performance, our activities focus on continuous dialogue with and further development of our suppliers. This ensures that our business partners understand our requirements and are aware of new challenges. In the course of the business relationship with all suppliers, we provide an e-learning module on sustainability to permit continuous supplier development. Our suppliers make use of our online qualification offerings.

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## Outlook

Looking forward, we as a corporate citizen and a member of Volkswagen Group will continue to reject any violation of human rights, which we see as a dynamic risk. Consequently, we will be adjusting our monitoring activities in the light of new developments and continue to work on heightening awareness of any forms of modern slavery and human trafficking both inside and outside our Company.

Integration of the revised Whistleblower System in OOO Volkswagen Group Rus will be one of the core priorities in 2018. In this connection, different channels – such as digital, print and face-to-face – will be used to specifically address the relevant target groups.

Also, starting 3 quarter 2018, OOO Volkswagen Group Rus will begin implementation of Integrity program developed by the Group.

On Group level, risk analyses on the raw materials used in motor vehicles were conducted in 2017 in order to ensure a specific and early response to potential human rights violations and negative environmental impact in the mining industry. On the basis of the results of this analysis, the Group is prioritizing measures for centralized implementation, and OOO Volkswagen Group Rus as a Group member shall take necessary steps to facilitate such implementation.



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General director



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Manufacturing and Technical director



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