

Slavery and Human Trafficking Statement by OOO Volkswagen Group RUS (Fiscal year 2020)

This statement has been prepared by OOO Volkswagen Group RUS (hereinafter – “VGR”) as an entity being part of Volkswagen Group ((hereinafter also – the “Group”)) and it explains the measures implemented both locally by VGR, and those VGR-relevant 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 value creation and supply chain, Volkswagen Group and VGR, being its integral part, 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. Volkswagen Group’s 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). Volkswagen Group has extended and affirmed this understanding and the 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. This declaration was published on 8 December 2020 and can be found [here](#).

Organisation and supply chain

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 the Group’s most important production region for the manufacture of vehicles and components. There are 24 sites in Germany alone. The Group operates 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.

In Russia, the automotive division of Volkswagen Group is represented by OOO Volkswagen Group Rus. VGR represents 7 out of 12 brands that form the automotive division, namely: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, SKODA, Audi, Bentley, Lamborghini, Ducati. VGR also produces certain models of Volkswagen Passenger Cars and SKODA vehicles on its production sites in Kaluga and Nizhni Novgorod.

With its presence in key markets, the Group's global procurement organization 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 utilized by the whole Group as a result of the brands' networking of the various procurement organizations. The Group currently purchases products, services and parts from approx. 100 countries worldwide. VGR's procurement function is fully embedded into the Group's procurement processes and assures the equal level of diligence and care in procurement processes in Russia.

For both VGR and the Group, 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 the Group's 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 has implemented the "Sustainability in Supplier Relations" concept as early as 2006 and is continuing to develop it. This concept anchors sustainability in the procurement processes and procurement organizations. In this way, by 2025 the Group intends to effectively prevent environmental, social and corporate governance risks, including human rights risks, and to ensure that 85% of the Group's 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 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 both us and the Group, child labour and forced labour are serious violations of human rights and are therefore in particular prohibited. Combating modern slavery also plays an important role.

The Group supports many important initiative in this regard and maintain dialogues with external stakeholders. Among other initiatives, the “Business & Human Rights” dialogue of the automotive industry, Volkswagen Group Sustainability Stakeholder Dialogue, and the Global Business Initiative for Human Rights (GBI) need to be mentioned. For GBI, we are the only car manufacturer to take part. The purpose of this corporate network is to discuss issues and participate in peer learning. This all helps us to develop our engagement in order to even better meet our corporate responsibility for human rights.

Code of Conduct¹

OOO Volkswagen Group Rus updated its Code of Conduct in 2017, following the adoption of the Volkswagen Group’s Code of Conduct the same year. The Code of Conduct embodies the ethical principles of the OOO Volkswagen Group Rus 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 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 OOO Volkswagen Group Rus’s Code of Conduct. In addition, we base our actions on the principles of the UN Global Compact, the OECD Guidelines for Multi-national 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 em-

¹https://vwgroup.ru/upload/Code_of_Conduct_2020_VGR_ENG_27.05.2020.pdf

employees, regardless of hierarchical level. Additionally, according to the Group standard, members of the senior management confirm their knowledge and responsibility with regard to the Code of Conduct each year following a risk based approach.

OOO Volkswagen Group Rus has also specially formulated the Code of Conduct for Business Partners, following the formulation of the Volkswagen Group's Code of Conduct for Business Partners. This details the Volkswagen 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 OOO Volkswagen Group Rus 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.

Whistleblower System²

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. Reports to Volkswagen Group Whistleblower System channels locally available in Russia can be made at any time in Russian and English to the following channels:

Postal address: Russia 117485, Moscow, Obrucheva street 30/1, to the attention of the Compliance Officer of VOLKSWAGEN Group Rus LLC, particularly to allow anonymous reporting. E-mail (Main contact): whistleblower@volkswagen.ru

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

² <https://vwgroup.ru/en/#compliance>

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 OOO Volkswagen Group Rus's divisions 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. Reports are submitted to the Board of Management on a quarterly or annual basis, as well as when required.

Recently, VGR as a controlled entity participated in the Group-led evaluation of risk exposures in the area of "Business & Human Rights" for controlled entities. Based on this, the Group will provide all participants, including VGR, measures that in particular develop viable and uniform structures for this topic. These measures will be integrated in the general measures for traditional compliance topics such as the prevention of corruption and money laundering. They will 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 OOO Volkswagen Group Rus 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. New employees at OOO Volkswagen Group Rus are required to participate in the induction training that covers compliance topics and should then complete the Code of Conduct online training.

In 2020, in line with the trainings methodology, a recurring Code of Conduct training was executed for all employees who were not engaged in the production. In addition, training on prevention of corruption was made to the same participant audience, whereas the Board members receive additional, face to face training on prevention of corruption. In 2022, the Code of Conduct training will be again repeated, this time for both production and office employees.

In addition, OOO Volkswagen Group Rus also trains its business partners in procurement and sales on key aspects of compliance and anti-corruption. In the financial year 2020, 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. The Group continues to pursue the communication strategy it developed the previous year in order to increase the transparency in human rights and VGR where suitable and necessary, participates and supports these activities.

Measures in the supply chain

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

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.
- **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.

³ https://vwgroup.ru/upload/Signed_CoC_BP_VGR_en-ru_final%20version5.pdf

- **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 our supplier management system. It is applicable for all suppliers of OOO Volkswagen Group Rus. 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 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, the 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. This will continue in 2021. 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. The Group produces an annual report on the progress of the raw material management system.

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 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 Group's grievance mechanism "Supply Chain Grievance Mechanism", with which the Group responds to suspected violations of sustainability requirements that suddenly arise. The case management process was

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.

revised and reorganised again in 2020 to become a comprehensive complaint management system. It is accessible via the Group's 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 the Group's 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 sustainability@vwgroupsupply.com. This concerns possible violations by our direct suppliers as well as by subcontractors in the supply chain.

Special due diligence for human rights in the supply chain

As part of our sustainable supplier management, 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 Group launched a human rights due diligence management system which is used to systematically analyse, prioritise and minimise human rights risks in the supply chain.

Raw material supply chains require special attention in this respect. To effectively deal with the sometimes extensive risks in these supply chains, the Group sets up a raw material diligence management system. This details the prioritisation and processing of raw material supply chains which is classified by the Group as particularly prone to risks. The Group's focus is currently on 16 types of raw material. Actions for responsibly procuring raw materials which the Group applies 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. Current focus of the Group is on raw materials for batteries, in particular cobalt. In close cooperation with our battery cell suppliers, our aim is to gain transparency of the supply chain from extraction at the mine through to manufacture of the finished product.

For raw materials extracted in conflict regions – tin, tantalum, tungsten and gold – the Group requires the suppliers to use their management systems to exclude the use of minerals from smelters that are not certified according to international standards. This is checked by means of the reporting process which uses the internationally recognised Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI) on all smelters in the upstream supply chain. The Group then evaluates the results, and if non-certified smelters are identified in the supply chain, efforts are made to ensure that these smelters become certified.

The Group's management system 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, a risk-based approach is always taken.

If on-site visits indicate breaches of human rights, a mandatory plan of measures with the supplier to eliminate the deficits is agreed. If this is not effective, necessary and applicable sanctions are considered. Our complaints process is crucial for violations that are reported to us or are identified by us. In this case, we 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

In its commitments, the Group seeks close cooperation with international organisations. In the supplier management, the OECD guidelines for the responsible procurement of raw materials and the standardised reporting templates issued by the RMI are implemented. As a member of the Global Battery Alliance (GBA), the aim of the Group is to act as a catalyst and accelerate measures towards a socially responsible, ecologically sustainable and innovative battery value chain. Commitment to CSR Europe's DRIVE Sustainability industry initiative is also central to the Group's activities.

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. The Group currently uses three different formats to do this. First, these are regular 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 were trained on this subject in 2020, including all members of VGR procurement function. Training measures also have their focus on specific target groups. For example, an intensive, specially structured training course is 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. This is available to all 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, the suppliers are offered sustainability training courses and workshops. In 2020, this has been implemented as online training courses. In addition, suppliers are offered with an e-learning module on sustainability in nine languages of defined risk countries, including Russia. The e-learning was completely revised in terms of content and technology in 2020. By the end of the year, more than 11,992 suppliers completed

the new e-learning courses, which is equivalent to 17.4% of supplier turnover in terms of procurement volume.

Supply chain progress report

OOO Volkswagen Group Rus continuously takes measures for preventing modern slavery and human trafficking, and this was also the case in 2020: as well as updating the Code of Conduct, 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 organization.

On the Group level, 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.

In the coming year on the Group level, they will continue to expand activities to implement sustainability in supply chains. OOO Volkswagen Group Rus as a Group member shall take necessary steps to facilitate such implementation.

OOO Volkswagen Group Rus

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