

Policy statement of Volkswagen AG

for compliance with human rights and environmental due diligence obligations pursuant to section 6(2) of the German Act on Corporate Due Diligence Obligations for the Prevention of Human Rights Violations in Supply Chains (Lieferkettensorgfaltspflichtengesetz - LkSG) of 16 July 2021

The Volkswagen Group operates in 162 countries around the world. It employs around 670,000 people at its 119 sites worldwide. The Volkswagen Group comprises some 2,500 companies, including more than 1,200 controlled companies. Furthermore, we have more than 59,000 direct suppliers in more than 90 countries as our business partners.

In 2023, the Volkswagen Group of companies comprises of, apart from Volkswagen AG, 13 other Group companies subject to mandatory reporting in accordance with section 10 of the LkSG, to which the LkSG applies pursuant to section 1(1) of the LkSG.¹

As a global company, we are aware of our responsibility to respect human rights and to comply with our due diligence obligations as regards human rights and the environment. This is the benchmark for our corporate activities throughout our supply chain and value chain.

For the first year in which the LkSG becomes valid, the Volkswagen Group's strategic objective concerning human rights is to ensure that the obligations imposed by the Act are met completely and in the best possible manner. For the 2023 financial year, it is first of all our ambition to implement the legal requirements in a timely and complete manner. This will be challenging given the global operational expansion of our business activities and the high complexity of our supply chains and value chains.

In the coming years, we will continuously review and improve our initial risk management system in terms of defending protected legal positions under human rights and environmental laws, and to broaden it to include further strategic goals and objects of legal protection, including beyond the scope of the LkSG.

Below we describe the procedure by which Volkswagen AG is fulfilling its obligations in accordance with section 4(1), section 5(1), section 6(3–5) and sections 7 to 10 of the LkSG. We also describe the prioritised human rights and environmental risks for the company identified on the basis of the risk analysis, with reference to the conventions listed in the Annex to the LkSG. Finally, we describe the human rights and environmental expectations that Volkswagen AG has both of its employees and suppliers in the supply chain as determined on the risk analysis and the conventions listed in the Annex to the LkSG.

1. Establishment of a risk management system, section 4 LkSG

At Volkswagen, clear responsibilities are established throughout the Group as part of the "three-line of defense model" as a regulatory framework for a holistic governance, risk and compliance management system for managing corporate risk, including the risk to protected legal positions under the LkSG.

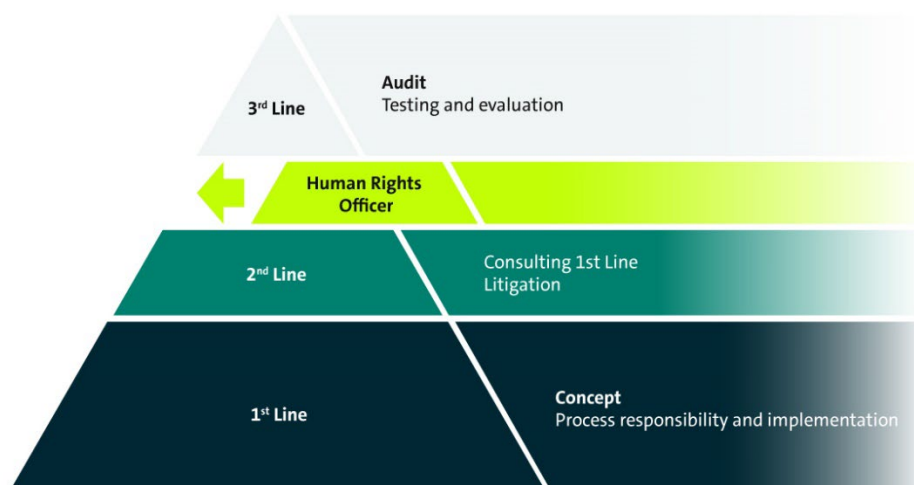
The first line of defense consists of the specialist and functional departments responsible for day-to-day operational business. In their operational activities they mitigate risks, including protected legal positions under the LkSG, which they detect at an early stage, analyse and actively manage by means of suitable preventive measures. Relevant divisions for ensuring the fulfilment of human rights and environmental due diligence obligations as defined in the LkSG primarily include, in Volkswagen AG's own business area, the Human Resources, Group Occupational Health and Safety and Group Security divisions, as well as Group Procurement for suppliers.

¹ Audi AG, Dr. Ing. h.c. F. Porsche AG, MAN Truck & Bus SE, Volkswagen Sachsen GmbH, Volkswagen Group Services GmbH, CARIAD SE, MAN Truck & Bus Deutschland GmbH, MAN Energy Solutions SE, MHP Management- und IT-Beratung GmbH, Porsche Leipzig GmbH, Volkswagen Financial Services AG, Volkswagen Original Teile Logistik GmbH & Co. KG, TRATON SE.

The second line of defense consists of the advisory departments; with regard to objects of legal protection under the LkSG at Group level, primarily Group Legal and Group Compliance, HR Compliance, Group Environment and Group Occupational Health and Safety. These advisory departments are responsible mainly for ensuring compliance processes and for advising and supporting the operational divisions in their risk management activities.

The third line of defense is the Internal Audit department as an all-encompassing, independent auditing body.

On 1 August 2022, Volkswagen AG created the independent and exclusive position of Human Rights Officer (HRO) in addition to the aforementioned structures. This role at Volkswagen is positioned in the three-line of defense model between the second and third lines of defense as a continuously accompanying controlling, monitoring and consulting function. It therefore completes the holistic system for managing corporate risk as defined in the LkSG.



The HRO's business area is represented by an organisational structure with currently 65 employees, who have regionally focused and strategic cross-functional roles. The HRO's area focuses on monitoring, auditing and consulting tasks in accordance with section 4(3) of the LkSG on behalf of the Group Board of Management. In addition, the Group Board of Management has delegated to the HRO various responsibilities which includes internal and external communication, the reporting in connection with the LkSG, as well as coordinating the fulfilment of obligations for reporting and preparing a policy statement across the Group (sections 10 and 6 of the LkSG).

The HRO reports directly to the member of the Group Board of Management for Finance/COO at Volkswagen AG, whose area of responsibility does not include the first and second lines of defense – to be monitored by the HRO.

The HRO was appointed by resolution of the Group Board of Management on 24 June 2022 as Human Rights Officer as defined in section 4(3) of the LkSG for the whole of Volkswagen AG's own business area as described in section 2(6) LkSG, including the currently 13 other Group companies at that are subject to mandatory reporting alongside Volkswagen AG. In the same resolution, it was decided that the companies of the Volkswagen Group that are subject to mandatory reporting shall be at liberty to appoint their own human rights officers as defined in section 4(3) of the LkSG, in addition to the HRO. The decision was then embedded in a Group Policy governing the division of responsibilities.

In 2022 and 2023, the companies Audi AG and Volkswagen Financial Services AG, which are both subject to mandatory reporting, each appointed to the role of human rights officer one person in addition to the HRO, in accordance with section 4(3) of the LkSG. In 2023, the companies Dr. Ing. h.c. F. Porsche AG and TRATON SE, which are both subject to mandatory reporting, each set up committees to perform monitoring, auditing and consulting tasks on behalf of the two companies and their subsidiaries in addition to the HRO,

in accordance with section 4(3) of the LkSG. Irrespective of this, the HRO also monitors the aforementioned companies and performs the remit assigned by the Group Board of Management in coordination with the functionaries of Audi AG, Volkswagen Financial Services AG, Dr. Ing. h.c. F. Porsche AG and TRATON SE within the framework of a cooperation model.

2. Risk analysis procedure in Volkswagen AG's own business area and at suppliers, section 5 LkSG

a) Risk analysis in Volkswagen AG's own business area

In 2022/23, individual divisions within the first and second lines of defense began implementing questionnaire-based surveys in the Group companies of Volkswagen AG's own business area for the purposes of risk analysis (section 2(6) of the LkSG). Specifically, this concerned the Group functions Group Compliance, HR Compliance, Group Occupational Health and Safety, Group Environment and Group Security. The resulting feedback from the Group companies were evaluated by the aforementioned departments and the main risks to objects of legal protection under the LkSG were then deduced.

This risk analysis encompassed all Group companies in Volkswagen AG's own business area as defined in section 2(6) of the LkSG with the exception of Dr. Ing. h.c. F. Porsche AG and its affiliated companies.

The human rights risks identified during the initial risk analysis and considered to be of particular relevance are unequal treatment in employment and disregard for the occupational health and safety obligations applicable to the place of employment. Furthermore, owing to the fact that Volkswagen AG also operates in regions and markets in which the legal right to freedom of association does not exist or is restricted, this risk was however also weighted as a priority. We keep these regions and markets under constant observation. A relevant environmental risk is the ban on the use of persistent organic pollutants which are present in extinguishing agents, in accordance with the POP regulation.

An analysis of the methodology used in this risk analysis by the HRO in 2023 showed that the risk analyses which were carried out by the Group functions Group Compliance, Processes and Programmes, HR Compliance, Group Occupational Health and Safety, Group Environment and Group Security occurred independently of one another at staggered intervals and as yet without harmonisation in terms of content. The individual analyses were not coordinated centrally until 2023. The methodology or process of the individual risk analyses have as yet not been documented for the most part. The HRO presented and explained these results to the Group Board of Management in July 2023 and subsequently to the aforementioned departments. Potential for improvement has been identified and discussed, and recommendations for action have been made.

The methodology of the risk analysis was adapted in 2023, which included taking into account the above results and suggestions of the HRO. The individual analyses are now coordinated by the Processes and Programmes department within the Group Compliance division. The plan is to complete and further improve the risk analyses, which are not yet comprehensive, from 2024 onwards.

b) Risk analysis at suppliers

In 2022, Group Procurement¹ carried out a supply chain analysis according to a risk-based approach for the purposes of risk analysis in all Group companies in Volkswagen AG's own business area (section 2(6) of the LkSG), with the exception of MAN Energy Solutions SE. For vehicle-producing companies, an abstract risk analysis of suppliers was carried out primarily on the basis of industry risks and checked for plausibility using questionnaires and with reference to country risks. The suppliers identified as having an increased risk exposure will be subject to specific risk analysis based on on-site inspections from 2023 onwards. The human rights and environmental risks identified during the initial risk analysis at suppliers and considered to be of particular relevance are those listed in section 2(2)(3, 5, 7, 9) of the LkSG.

¹ MAN Energy Solutions SE has carried out its own risk analysis at suppliers in accordance with its own methodology.

An analysis of the methodology of this risk analysis by the HRO in 2023 shows that a proportion of the suppliers that should have been included in the analysis in fact were not included, for instance due to having been contracted outside automated procurement systems or within the scope of special orders. As such, these have not been recorded by the system. The investigation also showed that the methodology and results of the abstract risk analysis had yet to be fully documented. The HRO presented and explained these results to the Group Board of Management in July 2023 and subsequently to the Group Procurement division. Potential for improvement has been identified and recommendations for action have been made.

Group Procurement will continue to develop the risk analysis at suppliers in 2024. In particular, the criteria for the abstract and specific risk analysis will be examined using materials such as the results from questionnaires, on-site inspections and the complaints procedure.

3. Procedure for laying down preventive measures, section 6 LkSG

a) Preventive measures in Volkswagen AG's own business area

In 2022/23, individual divisions in the first and second lines in the three-line of defense model (p. 1) began responding to already discernible or known risks to objects of legal protection under the LkSG through preventive measures deemed suitable according to their professional assessment.

For example, the HR Compliance division revised the Group Policy 35 HR Compliance, introduced basic measures to prevent human rights violations against employees and expanded measures already introduced to intensify the focus on protecting human rights. The revised Group Policy 35 was adopted by the Group Board of Management on 26 September 2023 and will be implemented throughout the Group over the next six months. A Group Policy on preventing discrimination in employment is being planned immediately and already exists in draft form.

The Group Occupational Health and Safety division has extended the Group Policy 44 Organisation and Responsibility in Occupational Health and Safety to include measures intended to mitigate the risks described in section 2(2)(5) of the LkSG in particular. The Group Security division has extended the Group Policy 13 Security to include regulations intended to mitigate the risks described in section 2(2)(11) of the LkSG in particular. In 2023, the Group Environment division extended the Environmental Compliance Management System (ECMS) to include LkSG-relevant risks and continued to push ahead with Group-wide implementation of the ECMS.

The plan for 2023/24 is to channel the results of the restructured and coordinated risk analyses in Volkswagen AG's own business area into efforts to develop and to implement further preventive measures.

b) Preventive measures at suppliers

Even before the LkSG came into being and since 1 January 2023, the Group Procurement division had started and has been continuing to mitigate already discernible or known risks to objects of legal protection under the LkSG using preventive measures deemed suitable from its experience.

In the risk area of direct suppliers, for example, a sustainability rating has been introduced as a selection criterion, standard contractual establishment of the provisions of the Code of Conduct for Business Partners has been stipulated and media screening to identify and reduce risks has been implemented, as well as further training for suppliers and on-site inspections.

The plan for 2023/24 is to channel the results of the risk analysis with adapted scope and improved and documented methodology carried out at suppliers into efforts to develop and implement further prevention measures.

4. Procedure for taking remedial action, section 7 LkSG

a) Remedial action in Volkswagen AG's own business area, section 7(1) LkSG

In 2023, individual divisions in the first and second lines of defense, having identified a violation of an obligation pertaining to human rights or the environment in Volkswagen AG's own business area as defined in section 2(6) of the LkSG, immediately instituted appropriate remedial measures to prevent, end or minimise the extent of this violation.

Since the LkSG came into force, at the time this statement was made, the HR Compliance, Group Occupational Health and Safety, and Group Security divisions have not ascertained any protected legal positions under the LkSG in their areas of responsibility.

The Group Environment division identified deviations in 2023. These were assessed as being violations within the framework of the Environmental Compliance Management System (ECMS). Remedial measures were defined, implemented and tracked on the basis of a root cause analysis.

The plan for 2023/24 is to channel past experience into efforts to develop and institute remedial measures to deal with newly occurring incidents.

b) Remedial action at direct suppliers, section 7(2) LkSG

In 2023, the Group Procurement division, who discovered direct suppliers to have violated an obligation pertaining to human rights or the environment, immediately instituted appropriate remedial measures to prevent, end or minimise the extent of the violation.

The plan for 2023/24 is to channel past experience into efforts to develop and lay down remedial measures to deal with newly occurring incidents.

5. Complaints mechanism, section 8 LkSG

With Volkswagen AG's independent, impartial and confidential whistleblower system, the Volkswagen Group has established a Group-wide interdisciplinary reporting system for internal and external complaints with various contact platforms.

The whistleblower system also provides an independent complaints procedure for indicating potential violations of the LkSG. The whistleblower system (Central Investigation Office) is available 24 hours a day. It can be accessed internally and externally and allows information (anonymously if desired) to be submitted by telephone, email, a web-based communication platform, post or in person. Reports can also be submitted to external lawyers (ombudsmen).

Reports received are treated confidentially. The whistleblower system is designed to ensure that complainants do not suffer any detriment due to their reporting. Persons entrusted with processing the information and discussing the facts are obliged to act impartially and to maintain confidentiality. They perform their duties independently and on their own account.

Any information and reasonable grounds for suspicion concerning potential human rights and environmental violations and risks are processed within the framework of a process that is transparent, fair and straightforward for everyone involved. Regarding reports affecting suppliers, these are dealt with by Group Procurement through the Supplier Grievance Mechanism.

A set of rules of procedure has been defined for the complaints procedure in accordance with the Volkswagen Group's Group Policy 3 Whistleblower System and published on the Volkswagen AG website.

Dr. Ing. h.c. F. Porsche AG, Audi AG and TRATON SE maintain their own brand investigation offices under the Group-wide coordinating and monitoring function of the Central Investigation Office.

An initial analysis of the existing processes and rules of procedure at Volkswagen AG, Audi AG and TRATON SE by the HRO in 2023 showed there to be potential for improvement in the complaint mechanism, in particular with regard to the procedural rules and staffing in those areas of the whistleblower systems responsible for following up leads pertaining to suppliers. The HRO presented and explained the results of the analysis to the Group Board of Management in July 2023 and subsequently to the relevant departments.

Using two whistleblower cases, the HRO later identified additional potential for improvement at Volkswagen AG with respect to documentation. The potential for improvement was also discussed with the respective functionaries and recommendations were made to realise this potential.

Dr. Ing. h.c. F. Porsche AG did not participate in the HRO's initial analysis of the complaint mechanism in accordance with the LkSG.

6. Procedure for laying down and implementing measures at indirect suppliers, section 9 LkSG

In 2023, following indications of a potential violation of an obligation pertaining to human rights or the environment by indirect suppliers of Volkswagen AG (substantiated knowledge), a risk analysis was immediately carried out in accordance with section 5(1-3) of the LkSG. Appropriate preventive measures with respect to the party responsible were established and a concept for prevention, termination or minimisation was drawn up and implemented according to the respective occurrence.

This concerned, for example, cases of suspected forced labour at indirect suppliers. In this instance, we first retraced the supply chain and then carried out audits at the relevant indirect suppliers. In another case, potential violations of the prohibitions set out in section 2(2)(5, 8) of the LkSG were brought to our attention. In this instance, in cooperation with the direct supplier, transparency was created over the subsequent supply chain, which provided important indications for improving the preventive measures and risk analysis. Appropriate measures to realise this potential are still under way at the time of writing this policy statement.

7. Procedure for documenting and fulfilling external and internal reporting obligations, section 10 LkSG

Documentation of the fulfilment of due diligence obligations as defined in section 3 of the LkSG by Volkswagen AG is carried out continuously in a decentralised manner. The Group divisions of the first and second line of defense and the HRO's business area each document their own activities. The corresponding areas of responsibility of Group companies in Volkswagen AG's own business area as defined in section 2(6) of the LkSG document their activities separately within their company.

An initial analysis of the fulfilment of documentation obligations at Group level and in the companies of Volkswagen AG's own business area by the HRO in 2023 revealed potential for improvement in terms of availability, being up-to-date and the content of documentation in all of the aforementioned areas. The HRO presented and explained these results to the Group Board of Management in July 2023 and subsequently to the Group divisions and the companies subject to mandatory reporting. Potential for improvement has been identified and recommendations for action have been made.

Coordinating annual external reporting to the Federal Office for Economic Affairs and Export Control (BAFA) in accordance with section 10(2) of the LkSG is carried out by the HRO on behalf of Volkswagen AG and the 13 other companies of the Group that are subject to mandatory reporting in 2023. This ensures that reporting obligations and subsequently disclosure obligations are fulfilled in a timely and complete manner.

The HRO ensures that the obligation under section 4(3)(2) of the LkSG to provide information to the management and supervisory bodies of Volkswagen AG is fulfilled.

8. Definition and laying down of the human rights expectations of Volkswagen AG with respect to its employees and suppliers

Respect for human rights is a key priority for the Volkswagen Group and its employees. It is our belief that sustainable business can only be achieved through ethical conduct and integrity. We stand for individual freedom, fair working conditions, open international trade, economic development and peaceful coexistence.

In our global business activities, we ensure that our values are put into practice and that our human rights and environmental expectations are met. We expect the same of our business partners. Complying with the due diligence obligations defined in the LkSG is therefore a duty that we impose on our employees, the Volkswagen Group's own business area and on our supply chain.

We have embedded this expectation in all of our relevant business processes and in internal and external regulations, such as our Code of Conduct, Social Charter, Group Environmental Policy, Group Policies, Code of Conduct for Business Partners, as well as in a new employee training course about the LkSG, in contractual provisions with our business partners and in this policy statement.

Our Code of Conduct and employee training course regarding LkSG address in particular the risks of forced labour, slavery, child labour and unequal treatment, and set out the company's responsibilities and corresponding expectations of employees: for example, to report potential violations of the provisions of the LkSG. Both address the responsibilities of Volkswagen AG and its employees as members of the company, as business partners and in the workplace.

The revised Group Policy 35 HR Compliance sets out requirements with regard to full compliance with human rights due diligence obligations, including compliance with the requirements of the LkSG by employees in the HR department, and ensures that all employees are made aware of the importance of acting with integrity.

The Group Policy 44 Organisation and Responsibility in Occupational Health and Safety sets out in particular requirements for companies in order to address the risks described in section 2(2)(5) of the LkSG.

The Group Policy 13 Security stipulates the due consideration of statutory regulations when implementing the requirements of this policy, in particular the regulations of the LkSG and the internal regulations in place within the Volkswagen Group, particularly the Code of Conduct, the Group principles and the Volkswagen Group Social Charter.

The Group Environmental Policy defines in particular not only the Environmental Compliance Management System (ECMS) but also the environmental objects of legal protection under the LkSG and the related binding obligations.

The Code of Conduct for Business Partners addresses in particular the risks associated with occupational health and safety, environmental protection, corporate ethics and the raw material supply chains. It sets out the expectations that the company has of its direct suppliers, to take account of the requirements in their business activities, and to contractually impose such in the appropriate manner on business partners with a bearing on the contractual relationship with the Volkswagen Group. The cooperation obligations of the direct supplier to implement preventive and remedial measures are also defined.

Wolfsburg, 14 November 2023

On behalf of Volkswagen AG

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