

## Classification of the audit at SAIC-Volkswagen (Xinjiang) Automotive Ltd.

Volkswagen AG has commissioned Löning – Human Rights & Responsible Business GmbH (Löning) in June 2023 after a tender to conduct an audit at a site operated by SAIC-Volkswagen (Xinjiang) Automotive Company Limited in Urumqi, Xinjiang, PRC. The audit assignment was an audit with a focus on independently clarifying the external allegations that Uyghurs were being employed in forced labor by the operating company at the site.

Löning's role was to define the audit reference standard, select an audit firm licensed to operate in China, organize the audit, supervise its execution on site, evaluate the results and, if necessary, make recommendations for improvement measures.

On the basis of the scope of the mandate, Löning decided to apply the international standard SA8000 as a basis and to use the parts of the audit program that were suitable for the scope of the audit. SA8000 covers the following topics for certification: child labor, forced labor, health and safety at work, freedom of association, discrimination, physical or psychological punishment, working hours, wage levels and management systems. Since certification of the standard was not sought, a complete run of the program was neither necessary nor commissioned. For the audit, the controlling shareholder requested suitable documents and documentation, which were then first checked for authenticity as such and then triangulated using questions in the context of interviews and cross-referencing.

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The document review and interviews were conducted by two Chinese lawyers with many years of extensive experience in auditing SA8000 and compliance with Chinese and international labor law. Christian Ewert, who supervised the work on site, also has 20 years of experience with social audits in China.

### Activity at the site

The audit team found the following circumstances at the site last year at the time of the audit: only completely finished vehicles were unloaded from trains at the site, washed and put into operation. The production, painting and assembly facilities at the plant were closed down. The plant was only used for a final technical quality check, after which the vehicles were delivered to dealers in the region. **This is still the case today.**

The payment of the entire workforce was up to 30% above the average in the region. 76% of the employees had been employed between 8 and 10 years, all others had been employed at the plant for at least four years.

The workforce was, according to Löning's classification at the time of the audit, with 197 people obviously overstaffed. Hardly any overtime was worked, and the

above-mentioned simple tasks could have been handled with significantly fewer personnel.

The number of workers and the activity of the factory had decreased significantly since Covid. Any terminations over the last three years had been initiated by the respective employees. There have been no re-hires, as there was obviously no need for additional workers at the time.

### **Significance of the document review and interviews**

In order to exclude any possible falsifications, the examination of written documents was carried out very carefully and the results were additionally compared with other documents and statements (“triangulated”). The Chinese auditors have no doubt about the authenticity of the documents. In response to spontaneous requests, further documents were also submitted very quickly.

Oral surveys in China in general and in Xinjiang in particular should be evaluated in the background of local conditions. The interviews were conducted carefully, with no third parties present, and care was taken to create a trusting atmosphere. The auditors assured confidentiality, and no listening devices were found when the room was inspected. The interviewees were able to refuse to participate and not answer questions if they did not want to.

All employees at the site were informed about the audit and the purpose of the interviews in a “town hall” style meeting held in one of the company buildings before the interviews were conducted. The commissioned auditors were free to choose who they interviewed. All on-site interviews were conducted individually with the commissioned auditors.

Löning pointed out that the interviewees presumably nevertheless had to assume that their statements would not remain confidential and that they therefore would have expressed themselves with appropriate caution. This was taken into account in the overall assessment.

As a result, the auditors found no evidence of violations of the ILO conventions against forced labor.

### **Classification by Löning**

The assessment of the audit results and their classification in the political context were carried out by Löning as part of their assignment. In doing so, Löning pointed out the generally difficult situation when conducting audits in China and that the results had to be seen in the context of the situation in Xinjiang.