

VOLKSWAGEN

AKTIENGESELLSCHAFT

Slavery and Human Trafficking Statement

Volkswagen Group (Fiscal year 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 Volkswagen Group with its Volkswagen Passenger Cars and Volkswagen Commercial vehicles brands 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.

Content

p.4

Organisation and supply chain

p.5

Internal measures

p.7

Measures in the supply chain

p.10

Progress report

Organisation and supply chain

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group's brands, but also produces and sells vehicles – in particular passenger cars and light commercial vehicles – under the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its function as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, Scania AB, MAN SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the Handelsgesetzbuch (HGB – German Commercial Code), which can be accessed at www.volkswagenag.com/ir and is part of the annual financial statements. The Volkswagen Group's production network is comprised of 123 locations in which passenger cars, commercial vehicles and motorcycles as well as powertrains and components are manufactured. With 71 locations, Europe remains our most important production region for vehicles and components. There are 28 sites in Germany alone. The Asia-Pacific region has 34 locations. We have five locations in North America and nine in South America. The Group operates four locations in Africa.

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 110 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 organisations and also has a growing, global network of sustainability officers for procurement activities for the individual brands and in the individual regions. This network currently consists of more than 40 experts and helps the Group to better understand local conditions.

Internal measures

Volkswagen Group Code of Conduct¹

The Volkswagen Group updated its Code of Conduct in 2017. It was launched and became mandatory for all the brands of the Volkswagen Group by the end of 2017. The content of the Code of Conduct is thus identical for all the brands and companies. It is available to all employees on the intranet and to third parties on the Internet at any time, and is continuously communicated in digital and print media as well as at internal company events. The Code of Conduct is based on shared values, with a focus on honest conduct, integrity, compliance with all rules and regulations and responsibility. The Code of Conduct seeks to help employees observe the Group'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 the Volkswagen Group's 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).

Volkswagen Group Whistleblower System²

The whistleblower system is responsible for receiving and processing reports of serious regulatory violations. Violations of human rights are strong indicators of a serious regulatory violation. In August 2018, a revised Group Policy was adopted, which further developed the whistleblower system, in particular through enhanced communication options. Our employees, business partners and other third parties may use various channels in the whistleblower system to report possible serious regulatory violations of group employees. These channels include the online reporting channel, telephone hotline, email inbox and personal contact with the Investigation Office, as well as contact via ombudspersons. The specially protected online reporting channel and the appointed ombudspersons ensure that all reports can be forwarded anonymously to the Investigation Office. Information on possible serious regulatory violations can be submitted in any of the major languages used by the Group and is treated confidentially. The main procedural principles and safeguards are the protection of both the whistleblower and the person implicated. Any retaliatory action against whistleblowers constitutes a serious regulatory violation and will not be tolerated.

¹ https://www.volkswagenag.com/presence/konzern/documents/Verhaltensgrundsätze_Group_EN_V2019.pdf

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

Internal measures

Qualification of employees

By taking preventive measures, we promote compliance with regulations at Volkswagen AG and raise the awareness levels of our employees. Therefore, target group-oriented communication and training measures for employees at all hierarchical levels play a crucial role within our compliance work. In this reporting period, communication and training activities focused primarily on the Code of Conduct and the whistleblower system. Generally, all Volkswagen AG employees received a personal copy of the Code of Conduct by the end of the first quarter of 2018. In addition, the mandatory Code of Conduct training program for all new hired employees was extended to all existing employees. The training courses are accompanied by comprehensive communication measures. The various internal communication channels were used for this purpose. This includes both online and offline media as well as event and training concepts.

Risk analysis

The regular risk management process includes a quarterly risk process and the annual standard GRC process. 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. Quarterly, annual and ad-hoc reports are submitted to the Brand and Group Board of Management as well as the Audit Committee.

As our procurement staff provide an essential interface to our business partners and thus to our supply chain, all new buyers are additionally briefed and trained on sustainability matters and potential risks. We ensure that our employees are familiar with the internal systems and processes as well as our sustainability requirements towards our business partners so that they can report any violations of our sustainability requirements to the responsible units of . We train certain employee groups separately on specific matters such as raw materials in electric mobility and related sustainability risks, such as human rights violations, in specially adapted training formats. In 2018, more than 2,000 procurement employees worldwide were trained in regard to sustainability in the supply chain.

Measures in the supply chain

Sustainability requirements for our suppliers³

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 the internationally acknowledged human rights. In 2018, a process started to revise these requirements in order to address, e.g., current circumstances and new challenges in the supply chain. Publication is planned for 2019. 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 focussed sustainability audits of suppliers.

³ <https://www.volkswagenag.com/presence/nachhaltigkeit/documents/policy-intern/2014%20Sustainability%20in%20Supplier%20Relations.pdf>

Measures in the supply chain

Sustainability in Supplier Relations (SiSR) in Volkswagen Group

REQUIREMENTS

Contractually binding

- Environmental protection
- Employee rights
- Transparent business relationships
- Fair trading practices
- Duty of care to build responsible supply chains

MONITORING

Verification of compliance with requirements

- Sustainability questionnaire
- Supplier audits
- Transparent business relationships

TRAINING AND SKILLS

Training and raising awareness of buyers and suppliers

- E-Learning programs for suppliers and buyers
- Classroom training courses for suppliers and buyers

FURTHER DEVELOPMENT

- Working and sharing information with the global procurement network
- Involvement in cross-sectoral sustainability initiatives
- Involvement in working groups on sustainability with other automotive manufactures

Measures in the supply chain

Risk analysis

The Volkswagen Group uses a 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 supplier locations even before negotiations with potential suppliers begin. The risk analysis incorporates data from third parties as well as in-house empirical data. In developing suppliers, we particularly focus on countries in which we have identified heightened risks. In order to identify the latest developments as well as long-term structural challenges in the respective countries, we encourage continuous dialogue between our brands and regions through regular meetings and videoconferences within the sustainability procurement network.

Qualification and monitoring of suppliers

In this reporting period, we again significantly extended the monitoring of our suppliers' sustainability performance. An external service provider conducted on-site sustainability audits of 947 suppliers. In 551 cases, the audit results led to an action plan the implementation of which is monitored.

In addition to on-site audits of our suppliers, more than 28,000 supplier sites within the Volkswagen Group had submitted self-assessment questionnaires on sustainability matters by the end of 2018. The self-assessment questionnaire includes a free text field regarding information on modern slavery and human trafficking efforts. The self-assessment questionnaires allow Volkswagen AG to evaluate suppliers on the basis of the most relevant topics and developments. Appropriate measures were taken in more than 2,100 cases to measurably improve suppliers' sustainability performance in 2018.

Any information that we receive on any violations of our sustainability requirements by our business partners are taken very se-

riously and investigated immediately and rigorously. Specifically, we immediately contact the supplier and ask 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 thoroughly track and monitor the implementation of this action plan, e.g., via on-site visits. Potential violations of our sustainability requirements can, for example, be reported via our central mailbox at 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. As of the end of 2018, more than 31,000 supplier sites had made use of our online qualification offerings. In addition to e-learning, we also conduct sustainability training and workshops on specific aspects at selected locations together with our suppliers. Furthermore, in South America, Asia and Europe, we have briefed more than 900 employees from approx. 550 suppliers in face-to-face trainings on sustainability matters and specific regional challenges.

Progress report

As announced in the last Volkswagen Group „Slavery and Human Trafficking Statement” in fiscal year 2017, various measures to prevent forms of modern slavery and human trafficking were conceptualized and implemented in the fiscal year 2018.

Among other things, we developed a new and expanded sustainability rating, which also takes human rights risks into account and which will be integrated into the awarding process of the global procurement organisation. For Volkswagen Group, implementation will begin in 2019. In future, only suppliers with a positive sustainability rating will be eligible for contract awards.

With regard to the electrification campaign of Volkswagen Group, we will continue to focus on raw material risks in the upcoming year. In particular, the implementation of the “OECD Due Diligence Guidance for Responsible supply Chains of Minerals from Conflict-Affected and High-Risk Areas” plays an important role. In 2018, together with the Responsible Minerals Initiative (RMI) and the DRIVE Sustainability Working Group, we have produced a study on the sustainability risks in the raw materials sector entitled the “Material Change Report”. Based on the report we conducted a prioritisation of critical raw materials, which will serve as a basis for further measures.

Concerning conflict minerals, upon request, suppliers must disclose to us the smelters or refineries from which they source the metals tin, tantalum, tungsten and gold. In 2018, suppliers provided

us with specific information on their supply chains that enabled us to identify 321 smelters of tin, tantalum, tungsten and gold. For these companies, we also request risk management practices directly through RMI’s Risk Readiness Assessment.

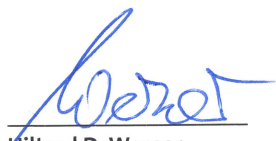
We have launched similar activities for the sustainable sourcing of cobalt. Among other things, we are participating in a certification system for cobalt smelters. The aim is to improve degradation conditions and better trace the origin of the material used to make batteries. Furthermore, we are in close contact with companies along the entire supply chain. It is important that we share not only the same company goals, but also the same company values: transparency, compliance and sustainability must be observed and implemented by all potential partners. In the 2018 reporting period, we also stepped up checks of smelters and mines, e.g., through on-site visits in the Democratic Republic of the Congo.

In the coming year, we will continue to expand our activities to implement sustainability in our supply chains. We will take further steps to better map out our supply chain and focus on additional raw materials. Our aim is to continue to not only identify risks, but also continuously minimize them by various means, such as auditing, certification and qualification.

Volkswagen AG
Wolfsburg, May 2019



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