

# Integrity and Compliance

GRI 2-23, 2-24, 205-1

## Integrity and Compliance: Foundation of Business Success

Integrity and compliance (I&C) have a high priority in the Volkswagen Group. They create the basis for correct and values-based conduct. We gear our rules, processes and corporate culture to enabling all employees to act with integrity and in compliance with the rules at all times. This includes doing the right thing on the basis of your own convictions – regardless of economic, time or social pressures.

We believe that sustainable economic success requires each individual to comply with laws, regulations and voluntary commitments. This behavior must be a matter of course for all Group employees. This is why we have made I&C a key element of our NEW AUTO Group strategy and defined it as one of six focus topics of our sustainability program. As metrics and action areas, I&C should permanently have the same strategic and operational priority in our Group as sales revenue, profit, product quality or employer attractiveness.

We want to lead the way as a role model for I&C and take responsibility – as a company and as part of society. We have set out the basis of our actions in our Code of Conduct (CoC) and in the Group Essentials.

 → [volkswagen-group.com](https://www.volkswagen-group.com) > Code of Conduct

 → [volkswagen-group.com](https://www.volkswagen-group.com) > Group Essentials

We are aware that violations of laws, rules and regulations would not only damage the trust our shareholders, customers, partners and employees place in us, we would also have to expect legal consequences and face the threat of fines. From an I&C perspective, our business activities entail risks in the areas of corruption, money laundering, human rights and

the environment. As part of our e-mobility strategy and the corresponding ramp-up of our battery business, we need to purchase significantly more raw materials whose mining must be strictly monitored for human rights compliance. There is generally a high risk of corruption in the countries concerned. Breaches of environmental protection requirements may also harm the natural environment and lead to reputational damage and financial losses.

We use our responsible supply chain system to proactively avoid or minimize social and environmental risks and corruption along the supply chain. The structure builds on a systematic risk analysis. More information can be found in the Supply Chain and Human Rights chapter. Details on the organization of our general risk management system and internal control processes can be found in the Risk Management chapter.

 → Supply Chain and Human Rights

 → Risk Management

## Anchoring in the Group

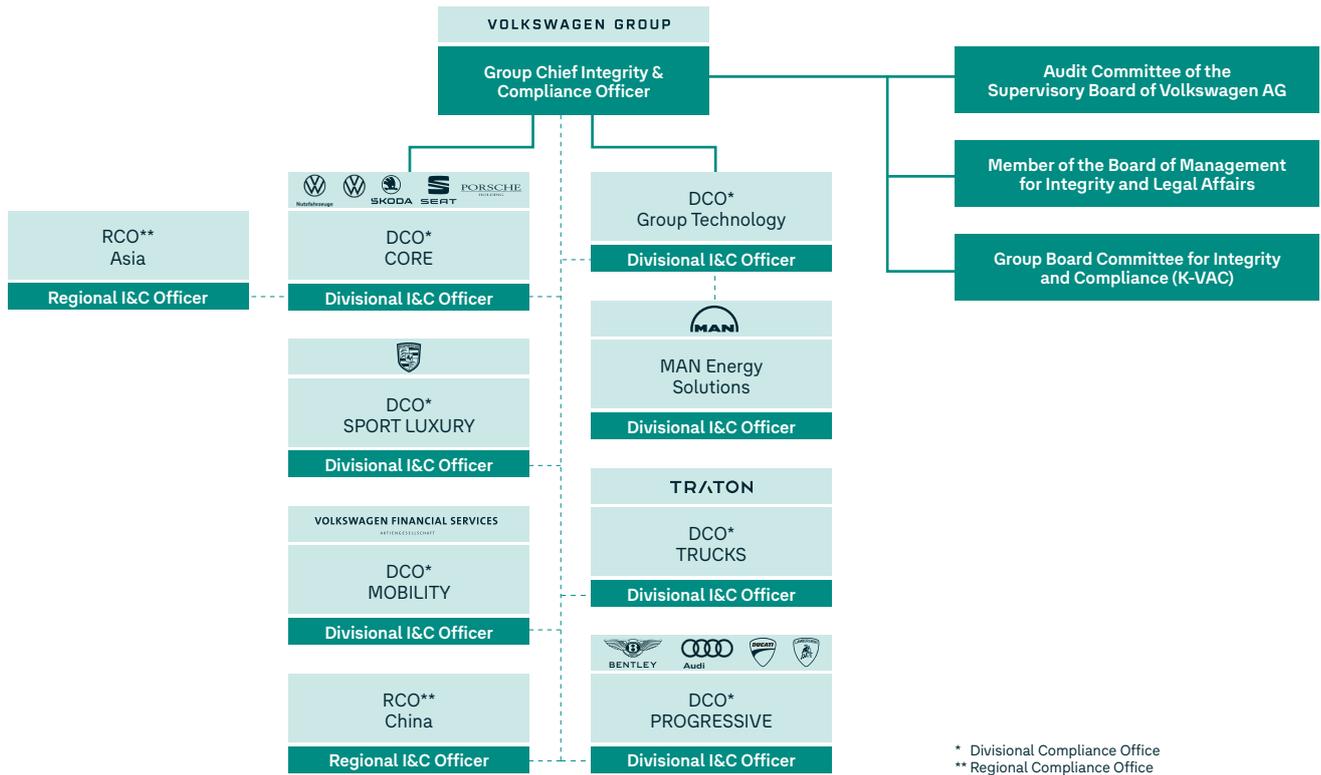
Group Integrity & Compliance supports the Group and brand companies in carrying out their business activities in compliance with the rules and complying with the relevant laws and internal regulations.

The Group Chief Integrity & Compliance Officer heads the global integrity & compliance organization. They report directly to the member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board of Volkswagen AG. The integrity & compliance organization is structured by division, which is intended to strengthen communication and enable harmonized processes across all relevant Group companies.

The divisional integrity & compliance officers are generally responsible for several brands and implement compliance measures in their area of responsibility. Dr. Ing. h.c. F. Porsche AG and TRATON SE are exceptions from this. They have their own, independent compliance structures.

One regional integrity & compliance officer is responsible for the activities of the Volkswagen-controlled entities in China. A regional integrity & compliance officer for the Asia region oversees the controlled companies in Australia, Korea, Japan, Malaysia and Taiwan.

## Group Integrity & Compliance DCO and RCO Structure



As the highest Group body, the Integrity and Compliance Group Board of Management Committee (K-VAC) deals with our integrity and compliance management system. It is overseen by the Group Board of Management Integrity and Legal Affairs function. K-VAC analyzes the respective compliance management systems for each risk area, harmonizes the intermediate processes and reviews I&C reports from the brands and regions. As well as the members of the Group Board of Management responsible for human resources and finance, the committee also includes other members of the boards of management and top management of the brands.

### Together4Integrity Successfully Concluded

With the Together4Integrity (T4I) program, we have built a holistic integrity and compliance management system (ICMS) which brings together virtually all the Company's integrity and compliance activities under one roof. This system was set up in line with the five internationally recognized ECI (Ethics and Compliance Initiative) principles: strategy, risk management,

a culture of integrity, a speak-up environment and resolute accountability. The aim of T4I is not only to strengthen uniform corporate governance throughout the Group in relation to integrity and compliance, but also to advance the culture of integrity. This includes steadfastness in adhering to principles of integrity regardless of economic or social pressures. T4I and the integrity and compliance management system therefore contribute significantly to increasing sustainability in the Volkswagen Group. The original plan was for it to be implemented by 2025. However, given that the roll-out had already made more progress than expected at the beginning of the reporting period and that the consistently high approval scores for the question on integrity in the annual Opinion Survey pointed to the program's success, we decided in the reporting period to bring the centralized program management and control to an early end during 2023. Responsibility for continuing to implement the measures and embedding them in a lasting way now lies with the Group brands and companies and with the responsible Group departments.

## Integrity and Compliance in Practice

As part of the operational implementation of I&C, we continuously identify possible risks and define the corresponding work focuses. There are also awareness and training measures for Group employees and suppliers. By these means, we want to ensure that everyone acts with integrity as a matter of course in day-to-day business.

### Work Focuses and Risk Assessment

The focuses of the Group Integrity & Compliance Organization's work include anti-corruption and preventing embezzlement, fraud and money laundering. In addition, the Compliance department is involved in mergers and acquisitions (M&A).

The starting point is the internal compliance risk assessment (ICRA). It determines the compliance risks in the Group. Every controlled company must implement appropriate measures based on its risk profile. The Group Chief Integrity & Compliance Officer reports on the implementation status to K-VAC on an ad hoc basis, but at least annually. The ICRA also defines standards for the Code of Conduct, the whistleblower system, compliance training and communication.

Internal and external auditors regularly scrutinize the compliance management system (CMS). Particularly in the context of the monitoring and improvement process, auditors regularly audit how effective compliance measures are. In addition, we are continuously further developing the CMS.

Group-wide hot-topic reporting plays an important role for our compliance work. It helps to pass on information on compliance-relevant, systemic incidents and to escalate the information in the whole organization.

### M&A and NCS Compliance

In the case of planned mergers and acquisitions requiring the involvement of Group Integrity & Compliance, the companies and transactions are audited for human rights risks and for integrity and reputation risks, including corruption, money laundering and fraud. This also applies to joint ventures, industrialization projects (e.g., new foreign production sites with external partners) and strategic collaborations with third parties. The business divisions responsible for the transaction are then given recommendations for risk-reducing measures.

The integrity & compliance organization also provides advice on the basis of sharing best practice for compliance management in non-controlled shareholdings (NCS), i.e., companies that are not controlled by a Volkswagen Group company as the majority shareholder. In the case of non-

controlled companies (this also includes the Chinese joint ventures), a case-by-case assessment is made with regard to the compliance management system in cooperation with our respective companies via our internal contacts. We rely on the cooperation of these companies here.

### Anti-Corruption

The Volkswagen Group has a zero-tolerance policy toward active or passive corruption. This is anchored in both the Code of Conduct for Employees and the Code of Conduct for Business Partners.

 → [volkswagen-group.com](https://volkswagen-group.com) > [Code of Conduct for Business Partners](#)

Further Group policies set out how to deal with conflicts of interest, donations and sponsorship or benefits in the form of gifts or invitations. In addition, there are operating guidelines addressing approval procedures and record-keeping. Investigating reported breaches of principles is the responsibility of managers and HR, and in serious cases also our investigation offices. If we find personal misconduct, the HR department in question takes the appropriate disciplinary action.

### Business Partner Due Diligence Process

Group Integrity & Compliance supports the entities with operational responsibility – e.g., Procurement or Sales – in conducting the business partner due diligence (BPDD) process. It includes regular screenings, risk assessments, sanction list checks and the identification of warning signs regarding business partners (suppliers and sales partners). We also check whether business partners have a CMS or have implemented any compliance measures.

The aim is to identify risks for breaches of the law and disregard of ethical standards at an early stage, avoid high-risk business partners and define measures to minimize risk and implement these with business partners. In individual cases, we contact selected business partners directly to resolve potential violations. If this is not possible, we do not commence the business relationship or we terminate it insofar as legally possible. The business partner in question may be blacklisted from doing business with the Volkswagen Group, its brands and its companies.

→ In 2023, more than

**4,100**

**BPDD reviews were conducted.**

As of December 31, 2023, we had identified around 400 cases that led to not commencing or terminating business relationships.

### Raising Awareness and Communication

The CoC lays the foundations for integrity and compliance in the Volkswagen Group. It serves as the main tool for reinforcing awareness of responsible conduct and decision-making and can be used as an aid and as a way of finding the right contact persons. As of the start of 2024, a new version of the CoC entered into force. Additional content and an overarching, Group-wide narrative also convey a clear, values-oriented attitude and ensure ease of integration of future developments. The CoC is binding for all the Group's employees. Its content is also part of employee appraisals as a measurement criterion for "setting an example of integrity and compliance."

 → [volkswagen-group.com > Code of Conduct](https://volkswagen-group.com > Code of Conduct)

Events in the departments supplement the services offered by Group Integrity & Compliance. The communication team regularly addresses tasks and case studies from compliance practice. Information and communication activities such as awareness campaigns, film and dialog formats, newsletters and interactive games are used to raise awareness on compliance topics. One separate external format is Compliance-XChange, in which experts share information with other DAX companies on various focal points, such as whistleblower systems or the prevention of money laundering.

The integrity & compliance information point has established itself as a central advisory office. The team can be contacted in person, by email or using the Volkswagen 360° app. It answers questions on integrity and compliance, particularly on the topics of anti-corruption and the Code of Conduct, and is in close communication with other advisory bodies in the Group.

In the reporting year, the information point handled 1,551 inquiries. Around 28% relate to the acceptance or giving of gifts and invitations.

### Training and Standards

Group I&C sets Group-wide uniform standards for compliance training with the CMS. The department puts together implementation packages for the rollout of mandatory training. These contain information on the content and schedule of the training. The packages are intended to enable brands and companies to train employees to an equal level of quality in a risk-based, target-group-specific manner with predefined core content.

In addition to general training, Volkswagen AG's compliance departments additionally offer target-group-specific training formats and communication formats, including management discussions and training courses for disseminators of information.

The training's two focal topics are the Code of Conduct and anti-corruption.

### Code of Conduct

All employees in the Group are required to complete CoC training and a final test every two years. The training is web-based training (WBT), and passing is documented in the employee's training history. We update the content – including environmental compliance, product conformity, product safety, and the prohibition of corruption – every two years. The last update was in the reporting year. Production employees receive mandatory CoC training every four years. Volkswagen AG systematically records the number of permanent staff subject to mandatory qualification who have a valid CoC qualification (full-time and part-time employees and management). Interns, student workers and doctoral candidates are excluded for technical and process reasons.

In Volkswagen AG, 49,987 employees in the relevant target group had a valid qualification as of the end of December 2023. This is equivalent to 98.9% of the active workforce who must be trained.<sup>1</sup>

Members of senior management and above are certified on the CoC each year. They confirm that they comply with the requirements of knowing their own role of setting an example of compliance, raising the awareness of employees in their area of responsibility accordingly and telling them where they can find certain information in the CoC. Part of the certification is also that participants are aware of the reporting obligation in the event of serious compliance breaches and disclose any conflicts of interest.

We also give business partners from sales and procurement training based on risk. The basis for this is the CoC for Business Partners. This has been a component of agreements with suppliers and service providers since 2020.

### Anti-Corruption

Employees in areas or companies with high exposure to risk must complete mandatory anti-corruption training. It involves an in-depth module on dealing with officeholders and mandate holders. We also raise the awareness of managers from senior management upwards regarding the principles of conduct, which include the prohibition of corruption, as part of the annual CoC certification.

<sup>1</sup> Definition of active workforce: total workforce not including trainees or employees in the passive phase of semi-retirement. In addition, when compiling the data for the diversity index and within the framework of the German Act on the Equal Participation of Women and Men in Leadership Positions (*Gesetz zur gleichberechtigten Teilhabe von Frauen und Männern an Führungspositionen*), an adjustment is made for employees in the withdrawal phase of the Time Asset scheme (Time Asset scheme: time credits from deferred compensation).

Volkswagen AG systematically records the number of permanent staff subject to mandatory qualification who have a valid anti-corruption qualification (full-time and part-time employees and management).

In Volkswagen AG, 49,823 employees in the relevant target group had a valid qualification as of the end of December 2023. This is equivalent to 98.6% of the active workforce<sup>1</sup> who must be trained. Employees can also access the "anti-corruption" guideline at any time.

 → [volkswagen-group.com](https://volkswagen-group.com) > [Anti-Corruption Guideline](#)

### Antitrust Law

Depending on their exposure to risk, it may be mandatory for employees to complete antitrust web-based training. The Group Board of Management is also trained on this content. Employees who are employed in key positions with high risk exposure also receive additional compliance training. This concerns, for example, managing directors or financial officers. The training is held across the Group by the respective companies' compliance and personnel managers. Group Legal also continuously provides antitrust training on a risk-oriented basis and conducts assessments on antitrust and anti-competitive risks.

### HR Compliance

I&C is integrated into standard HR processes such as recruitment, training, promotion and remuneration. It is a compulsory topic in annual employee appraisals and is part of employee training. Volkswagen AG and other defined companies keep anonymized statistics on misconduct and the resulting sanctions. These are regularly communicated to employees. Compliance content is a component of all career development paths, from the trainee induction program through programs for leadership and management development to the senior management program. More details can be found in the People in the Transformation chapter.

 → [People in the Transformation](#)

### Product Compliance

The product compliance management system (PCMS) supports our products in meeting the statutory and regulatory requirements of the exporting and importing countries, internal and external standards, contractually agreed customer requirements and externally communicated commitments over their entire service life. The PCMS defines roles and responsibilities for design, implementation and monitoring. We train employees and managers on product compliance and create points of contact to whom our employees can address their questions.

### Environmental Compliance

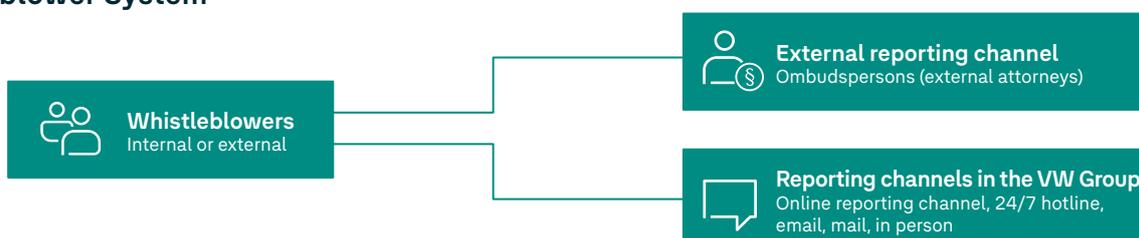
The environmental compliance management system stipulates that environmentally relevant aspects must be taken into account in all strategy, planning and decision-making processes of the brands and Group companies. This includes a KPI system that measures progress on environmental targets. You can find further details in the Environmental Compliance Management chapter.

 → [Environmental Compliance Management](#)

### Protection and Prevention: The Whistleblower System

The whistleblower system is intended to avert damage to the Group, the workforce and other stakeholders with binding principles and regulated procedures. Employees, business partners and their employees, customers and other third parties can report information on potential breaches of the rules – including serious risks and human-rights and environmental violations – at any time. They may do this anonymously if they so choose. The whistleblower system offers six different reporting channels for this. These include an online channel, which accepts reports in many languages; an international 24-hour telephone hotline; and external attorneys, who act as ombudspersons. The processing of the reports and any follow-up questions can also be confidential and anonymous, if this is requested. Special IT infrastructure prevents the source of the information from being identified.

## Whistleblower System



Strict confidentiality and secrecy apply throughout the investigation process. An investigation is only initiated after a thorough review and in the event of concrete indications of rule-breaking. There is a presumption of innocence. Those involved are heard as soon as possible, and their names are cleared if they have been wrongly accused.

HR sanctions proven misconduct. This can mean a warning, a reprimand or termination. Following serious breaches of rules, structured root cause analyses are conducted in order to prevent similar incidents in the future.

### The Investigation Offices' Work

The Central Investigation Office in Wolfsburg coordinates the Group-wide whistleblower system. The employees there process whistleblower information concerning Volkswagen AG and those of its subsidiaries that do not have their own investigation office and also process reports with relevance for the Volkswagen Group.

Group Internal Audit, Group Security and Group Legal assist with operational case investigation. In individual cases, the investigation office also commissions investigations by independent and external third parties, such as law firms or auditors. This may occur especially when the information concerns members of the Board of Management or cases are exceptionally complex – particularly with imminent legal consequences for Volkswagen AG (e.g., in the event of particularly serious corruption or possible breaches of antitrust and competition law).

AUDI AG, Dr. Ing. h.c. F. Porsche AG and TRATON SE each have separate investigation offices for themselves and their subsidiaries. There is also a regional investigation office at Volkswagen (China) Investment Company Ltd. It processes whistleblower information concerning Volkswagen AG's Chinese subsidiaries. Cooperation between the investigation offices and uniform processing of whistleblower information are centrally monitored and coordinated in Wolfsburg.

### Information and Communication

An IT system, internal controls and multiple-party verification support employees with the processing of suspicious activity reports. Figures on the whistleblower system are reported to the Board of Management and the Supervisory Board at regular intervals. The workforce is also regularly informed about the whistleblower system. In addition, numerous compliance training courses address the task of the whistleblower system and how it works. Employees who might frequently come into contact with serious breaches of rules due to their work receive in-depth training. This includes, for example, employees

in the fields of audit, security, human resources, legal or compliance.

### Protection from Discrimination

The Volkswagen Group assures all whistleblowers of protection from any reprisals they could experience due to their reports and the efforts to investigate breaches. This also applies to people who support the whistleblowers or the investigations. This principle is anchored in Group policy 3, which applies worldwide and is described in the Code of Conduct. Breaches of the ban on discrimination are treated as serious breaches of the rules.

Volkswagen Group complies with international laws on whistleblower protection – for example, the EU directive on whistleblower protection, its implementation acts and the German Supply Chain Due Diligence Act (LkSG) – through the provisions contained in the Group policy.

### Suspected Cases and Compliance Breaches in the Reporting Year

In 2023, 4,120 pieces of whistleblower information were received. Around 20% of these were anonymous but with the option to contact the whistleblower, and around 11% were anonymous without the option to make contact. In 777 cases, the investigation offices accepted an initial suspicion of breaches of the Code of Conduct, in several cases also of laws and/or specific internal regulations at the same time, with the result that an internal investigation was initiated. Of these, 171 cases involved potentially serious breaches of rules.

In the reporting year, the investigation offices examined individual cases of suspected serious infringements of rules to prevent corruption. In nine cases this resulted in significant sanctions such as warnings or dismissals. In five cases this was due to conflicts of interests and in four cases to violations of the policy on benefits. Two investigations into suspicions of serious infringements of antitrust or competition law were closed. In none of these cases was a serious violation of antitrust or competition law established.

An independent external auditor has audited the effectiveness and functionality of the whistleblower system. The Audit Committee of the Supervisory Board, the Group Board of Management and the boards of management of companies concerned were informed of the result and possible suggestions for improvement. The past audit showed that the Group whistleblower system's processes are suitable for efficiently and effectively processing whistleblower information. The investigation offices of AUDI AG, TRATON SE, Volkswagen AG and China were audited in the reporting year.

## Data Protection – Handling Personal Data Responsibly

The Volkswagen Group wants to become a software-oriented mobility provider. This makes compliance with global data protection requirements, especially the General Data Protection Regulation and the German Federal Data Protection Act (*Bundesdatenschutzgesetz*), particularly important.

We base our actions on the following principles: We want to protect the personal data of current and former employees and of customers, suppliers, contractual partners and other data subjects. We collect, record, process, use and store personal data in accordance with legal requirements. We design all components of information processing in such a way that the confidentiality, integrity, availability, verifiability and resilience of the sensitive information and personal data is maintained, and unauthorized internal or external use is prevented.

Volkswagen AG's Group policy is intended to ensure that the controlled Group companies comply with the relevant legal, regulatory and company data protection regulations. It is binding for all Group companies of Volkswagen AG worldwide. The companies implement the requirements autonomously and are thus responsible for compliance with the applicable data protection requirements. This Group policy applies to the collection, processing or other use of the personal data of natural persons, particularly of employees, customers, suppliers, contractual partners and other third parties. The data subjects can assert their rights via a range of channels at any time.

Since 2021, we have offered mandatory web-based data protection training for all managers and all members of the Group Board of Management and brand boards of management of Volkswagen AG. The managers are required to raise their employees' awareness of topics relevant to data pro-

tection every two years. The Group also provides target-group-specific training and events, including training sessions for apprentices and trainees and joint events with IT Security and other departments. For example, we want to increase awareness of the handling of personal data. Information and communication activities such as awareness campaigns, newsletters or podcasts additionally help with the implementation of and compliance with legal and company data protection requirements.

Volkswagen AG has also created a data protection management system (DPMS) and a data protection management organization. These form the basis for implementation of and compliance with the EU General Data Protection Regulation (GDPR). As a compliance management system for data protection, the DPMS also serves to regularly analyze and further develop the data protection processes.

The process for reporting data protection breaches is a core element of Volkswagen AG's data protection management (Articles 33 and 34 GDPR). It serves to identify potential data protection breaches at an early stage and allows them to be processed efficiently. If needed, necessary and damage-limiting countermeasures are initiated, the competent supervisory authority is notified and data subjects are informed. Potential data protection breaches should be reported using the data breach hotline, which can be contacted 24/7. However, it is also possible to make contact through other channels – for example, by email to [data-breach@volkswagen.de](mailto:data-breach@volkswagen.de) or by phone via the local help desk. Anonymous reports of potential data protection breaches can be submitted through Volkswagen AG's central whistleblower system.

In fiscal year 2023, there were no reportable data protection breaches pursuant to Art. 33 EU GDPR in the processing of personal customer data. Reportable data protection breaches outside of the processing of personal customer data were reported to the competent supervisory authority in due time.

Integrity and Compliance KPIs	Unit	2023	2022	Notes and comments
Business partner due diligence reviews	number	> 4,100	> 4,300	Business partners in sales and procurement (suppliers)
<b>Information point</b>				
Inquiries to the compliance information point processed	number	1,551	1,517	Volkswagen AG
Change in inquiries to the compliance information point processed	in %	2	14	
<b>Code of Conduct</b>				
Employees of Volkswagen AG who have a valid qualification on the Code of Conduct	number	49,987	48,311	Web-based training; scope definition, see p. 112
Proportion of the workforce of Volkswagen AG to be qualified	in %	98.9	98.4	Web-based training; scope definition, see p. 112
<b>Anti-corruption   GRI 205-2</b>				
Employees of Volkswagen AG who have a valid qualification on the topic of anti-corruption	number	49,823	45,808	Web-based training; scope definition, see p. 112
Proportion of the workforce of Volkswagen AG to be qualified on the topic of anti-corruption	in %	98.6	93.0	Web-based training; scope definition, see p. 112
<b>Pieces of whistleblower information</b>				
Pieces of whistleblower information	number	4,120	3,073	In all investigation offices
of which anonymous and without any possibility of contact	in %	11	9	