## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>3</td>
</tr>
<tr>
<td>VOLKSWAGEN GROUP POLICY ON SUSTAINABLE RAW MATERIALS</td>
<td>3</td>
</tr>
<tr>
<td>PROGRESS IN 2020 - A YEAR OF MILESTONES</td>
<td>4</td>
</tr>
<tr>
<td>Volkswagen Group’s Raw Material Due Diligence Management System</td>
<td>5</td>
</tr>
<tr>
<td>Enhanced Supplier Requirements and Engagement</td>
<td>6</td>
</tr>
<tr>
<td>DUE DILIGENCE ACTIVITIES IMPLEMENTED IN 2020</td>
<td>7</td>
</tr>
<tr>
<td>Risk Identification and Assessment Measures and Results</td>
<td>7</td>
</tr>
<tr>
<td>Risk Mitigation Measures and Supplier Engagement</td>
<td>13</td>
</tr>
<tr>
<td>Industry Group Engagement</td>
<td>16</td>
</tr>
<tr>
<td>Staff Training</td>
<td>16</td>
</tr>
<tr>
<td>OUTLOOK AND IMPROVEMENT PLANS FOR 2021</td>
<td>17</td>
</tr>
<tr>
<td>Contact Information</td>
<td>18</td>
</tr>
</tbody>
</table>
As one of the largest automotive manufacturers in the world, the Volkswagen Group is aware that the operations of its suppliers’ and sub-suppliers’ can have a significant impact on people and planet. In compliance with our human rights due diligence process, the Volkswagen Group continuously conducts raw material supply chain due diligence by identifying, assessing, and mitigating actual and potential negative impacts.

In line with international best practice, the Volkswagen Group is committed to publicly report on the progress and results of our due diligence activities of the Volkswagen Group. This Due Diligence Report summarizes the Volkswagen Group’s raw materials human rights supply chain due diligence activities, implemented between January and December 2020 on raw materials that the Volkswagen Group considers ‘priority raw materials as well as the results of these due diligence activities. Tin, Tantalum, Tungsten, and Gold (hereafter 3TGs), Cobalt, Lithium, Graphite, Nickel, Aluminium, Copper, Natural Rubber, Platinum Group Metals (hereafter PGMs), Rare Earth Elements (hereafter REEs), Leather, Mica and Steel are considered priority raw materials. Human rights risks in scope for the work of the due diligence management system are:

- Child labour
- Modern slavery
- Systematic or widespread human rights abuses associated with the extraction, transport or trade of the raw material
- Human rights abuses committed by public or private security forces
- Direct or indirect support to non-state armed groups or public or private security forces
- Risks to workers’ occupational health and safety (OHS)
- Adverse environmental impacts
- Infringement on labour rights
- Discrimination and harassment, including against vulnerable groups
- Threats to indigenous people and communities

This report is designed to be in conformance with the OECD Due Diligence Guidance for Responsible Business Conduct, the OECD-FAO Guidance for Responsible Agricultural Supply Chains, and the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (hereafter OECD Minerals Guidance).

This report is aligned with the Volkswagen Group policy on Sustainable Raw Materials, in which the Volkswagen Group states its commitment to responsible and transparent business conduct along its raw material supply chains and the many regions in the world affected by its supply chains. The Policy commits to incorporate sustainability requirements (e.g., environmental protection, human and worker’s rights, transparent business relations and fair competition) in supplier contracts, build supplier capacity, disclose countries of origin, encourage suppliers to pass on requirements to their sub-suppliers, and monitor compliance through audits, amongst other measures.

This report is available at this link. The policy is currently under review and the Volkswagen Group plans to present a revised policy within 2021.
<table>
<thead>
<tr>
<th>PROGRESS IN 2020 - A YEAR OF MILESTONES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000+</td>
</tr>
<tr>
<td>previously unknown sub-suppliers</td>
</tr>
<tr>
<td>identified in Volkswagen Group’s supply</td>
</tr>
<tr>
<td>chains, including mine sites</td>
</tr>
<tr>
<td>35+</td>
</tr>
<tr>
<td>countries of origin for raw materials</td>
</tr>
<tr>
<td>identified</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>in-country investigation in Chile</td>
</tr>
<tr>
<td>100+</td>
</tr>
<tr>
<td>virtual and in-person meetings with</td>
</tr>
<tr>
<td>individual or groups of suppliers and</td>
</tr>
<tr>
<td>sub-suppliers on supply chain risks and</td>
</tr>
<tr>
<td>risk mitigation</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>Volkswagen Group staff trainings</td>
</tr>
<tr>
<td>facilitated or hosted by external parties</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>on-the-ground projects joined</td>
</tr>
<tr>
<td>16</td>
</tr>
<tr>
<td>priority raw materials identified</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>Group-wide Raw Material Due Diligence</td>
</tr>
<tr>
<td>Management System developed</td>
</tr>
<tr>
<td>25</td>
</tr>
<tr>
<td>active industry groups participations</td>
</tr>
</tbody>
</table>

Contractual responsible sourcing requirements put in place for all electric vehicle batteries
Took over a seat on the board of directors of the Responsible Mica Initiative (RMI)
Revised grievance mechanism for internal and external stakeholders
Volkswagen Group products include up to several hundred raw materials. Due to the different risk exposure in different supply chains as well as limited resources it is not feasible for the Volkswagen Group to conduct the same level of enhanced due diligence across all raw materials in its products.

The primary objective of the Volkswagen Group’s raw materials human rights supply chain due diligence activities for 2020 was the development of an OECD-aligned and pragmatic due diligence management system to a) identify priority raw materials and b) identify, assess, and mitigate risks along those priority raw materials supply chains in a way that is appropriate to the characteristics of a specific raw material supply chain. In alignment with the OECD Minerals Guidance the Volkswagen Group developed a methodology to select priority raw materials based on an assessment of potential human rights risks associated with a specific raw material supply chain and the analysis of the demand for this material from the Volkswagen Group. One resource for the evaluation of potential human rights risks associated with a specific raw material supply chain was the Drive Sustainability/Responsible Minerals Initiative (RMI) Material Change Report, that is available here.

After a 7-month iterative development process, three workshops with Sustainability in Procurement representatives from various Volkswagen Group brands, representatives from the Volkswagen Group compliance and human rights departments, and the Volkswagen Group’s Head of Procurement Strategy, the Volkswagen Group’s raw material human rights due diligence management system (hereafter RMDDMS) was finalised in April 2020. Operationalization and implementation started immediately. Considering the coordination efforts required given the company size, this represented a major milestone for raw materials human rights supply chain due diligence in the Volkswagen Group. The RMDDMS laid the foundation for the Volkswagen Group and its brands to conduct human rights supply chain due diligence across priority raw materials in a formalized manner using concrete tools and methodologies. This process allowed for a more stringent communication flow within the Volkswagen Group for queries related to human rights abuses along raw materials supply chains.

**RAW MATERIAL DUE DILIGENCE SYSTEM**

Volkswagen Group due diligence management system in accordance with OECD

---

**Analysis**

1. Identification of 16 high risk raw materials
2. Assignment of sustainability lead brands for raw materials
3. Identification of affected car parts and main suppliers to Volkswagen Group

**Measures**

A. Approach within Volkswagen Group supply chains
B. Supplier collaboration to increase supply chain transparency and assess specific risks
C. Risk mitigation measures to ensure sustainability performance
D. Cross-industry approach
E. Collaboration on high-risk supply chains through joint projects and initiatives

**Evaluation**

7. Impact assessment of individual measures and progress of the management system
8. Annual reporting communicates openly to interested stakeholders

---

Source: Volkswagen AG
Enhanced Supplier Requirements and Engagement

In 2020, the Volkswagen Group also added increased raw material-specific responsible sourcing requirements to more procurement processes. For instance, responsible sourcing requirements were enshrined in contracts with battery suppliers for the Group’s electric vehicles, including requirements of transparency and the implementation of due diligence requirements as laid out in the OECD Minerals Guidance targeting the entire raw material supply chain. The Volkswagen Group also adapted its Code of Conduct for Business partners to include more OECD-aligned wording and to expand expectations beyond 3TG. The Supplier Code of Conduct can be accessed here.

The Volkswagen Group also intensified its direct supplier and sub-supplier engagement on supply chain risks and mitigation measures in 2020. An estimate of over 100 virtual and in-person bilateral meetings were conducted with suppliers and sub-suppliers in addition to engagement in multi-stakeholder forums. Highlights in this regard were the presentation and discussion with stakeholders of Volkswagen’s due diligence approach to battery raw materials in the “National Action Plan for the Implementation of the UN Guiding Principles on Business and Human Rights” (NAP), Sector Dialogue Automotive, Working Group 2 “Respecting Human Rights in Natural Resource Value Chains and Supply Networks” on 19.5.2020, as well as taking on a seat on the board of directors at the Responsible Mica Initiative in November 2020.

Roles and Responsibilities

As per the RMDDMS, raw materials human rights supply chain due diligence in the Volkswagen Group is overseen by a Steering Group, that constitutes senior management, including the Head of Procurement Strategy. The RMDDMS is guided by the Group and implemented by a Working Group that includes representatives from Sustainability in Procurement teams from all brands. To ensure full ownership within a multi-raw materials due diligence system, develop in-depth expertise and to pragmatically organise the supplier relations, there are brand leads for each priority raw material with coordination through the Working Group.

Volkswagen Group Grievance Mechanism

An important part of due diligence in supply chain management is our Supply Chain Complaint Mechanism. This grievance mechanism enables us to investigate upcoming suspicions brought to our attention relating to breaches of our sustainability requirements, including human rights violations along the supply chain. In 2020, the Grievance management process was revised. Information channels include our website, an e-mail address as well as an anonymised channel that is accessible to all potential affected stakeholders, including employees of suppliers, civil society actors or representatives of communities in the immediate proximity to our production sites. The processing of cases is described in a binding directive, which is guided by the Group and implemented together with the brands and regions of the Volkswagen Group. For identified violations mitigation measures are taken immediately. For particularly serious infringements the termination of the business relationship is also possible. In addition, employees and external stakeholders are also able to report potential violations of our rules by our suppliers to the employee representatives of the Volkswagen Group. This applies to both potential violations by our direct suppliers as well as by sub-suppliers in the supply chain. Another point of contact are external ombudspersons. More information is available here.
The following provides a summary of human rights due diligence activities implemented on priority raw material supply chains of the Volkswagen Group in 2020. This risk based approach is in line with the recommendations from the OECD Minerals Guidance.

## Due Diligence Activities Implemented in 2020

Risk Identification and Assessment Measures and Results

In 2020, Volkswagen Group implemented different approaches for the identification of risks in different raw material supply chains. Approaches included:

- Audits up to the upstream level
- Supply chain mappings
- Analysis of suppliers’ and sub-suppliers’ self-disclosures
- Examination of risk analyses from industry initiatives
- Analysis of returned Volkswagen Group questionnaire and survey results
- Monitoring of media reports
- Stakeholder engagement (including civil society, investors and government organizations)
- A review of grievances received through the Volkswagen Group Grievance Mechanism
- In-country investigation

This is in line with Volkswagen Group’s due diligence approach of selecting activities based on specific supply chain characteristics. ‘Risks identified in general’ pertain to risks identified as generally present in international raw material supply chains and known to the Volkswagen Group for example through publically available reports rather than risks that are confirmed to be present in Volkswagen Group’s particular supply chains. Given 2020 was the first year Volkswagen Group implemented the newly developed RMDDMS and the extreme complexity and opaqueness of some of the supply chains, risk identification was undertaken for all priority raw materials, the risk assessment - defined as the assessment of the presence of risks in Volkswagen Group’s particular supply chain and their severity - was finalized only for a number of priority raw materials. We are committed to continue towards full risk assessment for all selected raw materials.

### Overview and Status of Risk Identification and Assessment

<table>
<thead>
<tr>
<th>Raw material</th>
<th>Approach</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Across all battery raw materials (cobalt, nickel, lithium, graphite)</td>
<td>Volkswagen Group’s approach in 2020 focused on requesting disclosure of supply chain information from Volkswagen Group’s tier-1 battery suppliers. Volkswagen Group organises regular responsible sourcing workshops and meetings with these suppliers to collaborate closely with our direct business partner and coordinate common due diligence activities like audit programs or supplier outreach. Additionally, the Group had regular exchanges with civil society organisations, mining companies, investors, government organisations and systematically monitored media reports on mines identified in Volkswagen Group’s supply chain through auditing and mapping efforts and tier-1 supplier disclosure.</td>
<td>See individual raw materials below.</td>
</tr>
<tr>
<td>Raw material</td>
<td>Approach</td>
<td>Results</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td>3TGs</td>
<td>The Volkswagen Group’s risk identification efforts on 3TG supply chains prioritised suppliers based on an analysis of 3TG containing parts used for production. For these prioritised suppliers, Volkswagen Group’s efforts in 2020 focused on the review of Conflict Minerals Reporting Templates (CMRTs). For trucks and buses, more than 200 CMRTs were analysed as well as survey requests sent out to 127 tier-1 and tier-2 suppliers, to which 40% responded so far. For Passenger cars more than 350 company-level current CMRTs were collected from suppliers found to be delivering parts containing 3TG. Over 1000 supplier locations were written to as part of campaigns, requesting them to provide updated supply chain information through CMRTs. Volkswagen Group then assessed whether 3TG smelters identified in Volkswagen Group’s supply chain were on the Responsible Minerals Initiative (RMI) List of Conformant Smelters.</td>
<td>For trucks and buses: 357 smelters identified, of which 74.5% were on the RMI List of Conformant Smelters For passenger cars: 731 3TG suppliers were identified who disclosed 313 smelters (identified through RMI smelter IDs), of which 75% have achieved RMI conformant smelter status. Another 4% are currently in the process of certification. The remaining smelters are either in the process of RMI engagement or unknown to the RMI. Furthermore suppliers report data which is inconclusive leading to difficulties identifying smelters and determining their RMI status. The Volkswagen Group considers this result to be inadequate. Therefore, starting in 2021, we aim to cooperate with a CMRT specialist to significantly improve our suppliers’ response rate and hence risk identification and assessment, enabling better risk mitigation. Risks identified in general:  - Child labour  - Systematic or widespread human rights abuses associated with the extraction, transport or trade of the raw material  - Human rights abuses committed by public or private security forces  - Direct or indirect support to non-state armed groups or public or private security forces  - Adverse environmental impacts  - Infringement on labour rights  - Discrimination and harassment, including against vulnerable groups  - Risks to workers’ occupational health and safety (OHS)  - Threats to indigenous people and communities The risk assessment for the 3TG supply chains is ongoing.</td>
</tr>
<tr>
<td>Aluminium</td>
<td>Volkswagen Group’s approach focused on engagement in the Aluminium Stewardship Initiative (ASI). Within the multi-stakeholder initiative raw material specific risks are identified. In October 2020, Volkswagen Group had a targeted exchange with parties involved in one bauxite mining operation regarding legal and customary rights and the interests of local communities in their lands and livelihoods as well as their use of natural resources. The most important aluminium suppliers as well as relevant industry associations were contacted with regards to this case.</td>
<td>Risk identified in general:  - Adverse environmental impacts  - Threats to indigenous people and communities Risk assessment for aluminium supply chains is ongoing.</td>
</tr>
<tr>
<td>Raw material</td>
<td>Approach</td>
<td>Results</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>---------</td>
</tr>
</tbody>
</table>
| Cobalt       | The risk identification and assessment process in 2020 focused on supplier engagement with the Group's battery suppliers as well as audits along the entire supply chain. The Group conducted mapping audits where supply chain information of (sub-)suppliers was reviewed by a second party auditor. The Group furthermore conducted and reviewed 28 audits against the OECD Guidance at the battery, cathode, and refiner supply chain tiers, which identified subsequent tiers and provided an insight on (sub-)suppliers implementation status of responsible sourcing practices for major material inputs. This audit approach was complemented by targeted outreach to two major cobalt producers. Furthermore, the Group started the preparation of a pilot audit of a large-scale cobalt mine against the CERA Mine Performance Standard which we plan to complete 2021. | Countries of origin identified for Cobalt: Democratic Republic of the Congo (hereafter DR Congo), Madagascar, New Caledonia, Papua New Guinea, Russia, Turkey, Zambia.  
Risks identified in general:  
• Child labour  
• Systematic or widespread human rights abuses associated with the extraction, transport or trade of the raw material  
• Human rights abuses committed by public or private security forces  
• Direct or indirect support to non-state armed groups or public or private security forces  
• Adverse environmental impacts  
• Infringement on labour rights  
• Discrimination and harassment, including against vulnerable groups  
The risk assessment for the cobalt supply chain is ongoing. Currently it cannot be excluded that several of the above-mentioned risks are also present in Volkswagen Group supply chains. Furthermore, the opacity of the cobalt supply chain in certain cases represents a severe risk in itself. |
| Copper       | Volkswagen Group's approach focused on engagement with regards to Copper Mark and the Sector Dialogue Automotive, Working Group 2 "Respecting Human Rights in Natural Resource Value Chains and Supply Networks". The Sector Dialogue enabled the Volkswagen Group to strengthen the collaboration and engagement with civil society, science and government representatives on risks in copper supply chain. | Risk identified in general:  
• Adverse environmental impacts  
• Threats to indigenous people and communities  
Risk assessment for copper supply chains is ongoing. |
| Leather      | Volkswagen Group's approach concentrated on supplier outreach in the form of focused sustainability workshops and the collection of information from its tier-1 suppliers via a bespoke provenance questionnaire. Furthermore, the leather suppliers were assessed using Volkswagen Group's Sustainability Rating. Furthermore, the Volkswagen Group directly engaged with the non-governmental organisation Part of the Solution on sustainable sourcing practices mainly focusing on environmental issues (chemical management and waste water treatment) associated with leather production. | In the reporting timeframe 11 suppliers were targeted, all of them provided information through the provenance questionnaire.  
Risks identified in general:  
• Adverse environmental impacts  
Result of risk assessment:  
All leather suppliers of the Volkswagen Group have successfully passed the sustainability rating. Furthermore 7 out of the 11 targeted leather suppliers have a leather-specific sustainability certificate by the LWG (leather working group) in place, which underlines the responsible tanning practices of Volkswagen Group's leather suppliers. Thus, the above mentioned risks are assessed to be moderate/low in Volkswagen Group's supply chains. |
<table>
<thead>
<tr>
<th>Raw material</th>
<th>Approach</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium</td>
<td>Volkswagen Group conducted an outreach to its battery suppliers and analysed the mapping results of three of its battery suppliers’ lithium supply chains. Volkswagen Group’s derived its 2020 risk assessment results primarily from an independent in-depth study that the Group commissioned analysing the sustainability situation in Chile. The study was conducted by international and regional experts through interviews with stakeholders in Chile including mining communities and indigenous peoples focusing on hydrological as well as questions around community engagement. Additionally, the Group conducted targeted outreach to two lithium producers in Chile and an in-country investigation to Chile in January 2020. Volkswagen Group furthermore engaged in the Sector Dialogue Automotive, Working Group 2 “Respecting Human Rights in Natural Resource Value Chains and Supply Networks”. The Sector Dialogue enabled the Volkswagen Group to strengthen the collaboration and engagement with civil society, science and government representatives on risks in the lithium supply chain.</td>
<td>Countries of origin identified for Lithium: Australia and Chile. Risks identified in general: • Threats to indigenous people and communities • Adverse environmental impacts Result of risk assessment: Based on the results from the in-depth study both risks were assessed to be currently moderate/low in Volkswagen Group’s supply chains. However, as the ecosystem of Salar de Atacama is fragile and there is uncertainty in the scientific knowledge on the impacts of lithium mining and other economic activity, the Volkswagen Group sees the need for further risk assessment and mitigation.</td>
</tr>
<tr>
<td>Mica</td>
<td>In 2020, Volkswagen Group focused on meetings with five paint manufacturers and two battery producers to analyse the supply chain structure and identify sources of supply. These activities were preceded by an initial analysis of Volkswagen Group product parts containing mica.</td>
<td>Risk identified in general: • Child labour • Risks to workers’ occupational health and safety (OHS) Result of risk assessment in regard to our paint suppliers: Based on our mapping results and the engagement of our paint and pigment suppliers in the Responsible Mica Initiative the identified risks are assessed to be moderate/low in the Volkswagen Group supply chains.</td>
</tr>
<tr>
<td>Nickel</td>
<td>Volkswagen Group conducted an outreach to its battery suppliers and analysed the mapping results of two of its battery suppliers’ nickel supply chain. Beyond this, the group consulted critical NGO reports regarding one nickel mine allegedly engaged in deep sea tailings disposal. The Group then engaged in a dialogue with an independent academic institution to better understand the negative environmental impacts of such mining practices.</td>
<td>Risks identified in general are: • Risks to workers’ occupational health and safety (OHS) • Adverse environmental impacts • Infringement on labour rights • Threats to indigenous people and communities Risk identification/assessment for nickel supply chains is ongoing.</td>
</tr>
<tr>
<td>Raw material</td>
<td>Approach</td>
<td>Results</td>
</tr>
<tr>
<td>--------------</td>
<td>----------</td>
<td>---------</td>
</tr>
<tr>
<td>PGMs</td>
<td>Volkswagen Group’s approach in 2020 focused on monitoring the progress and results of PGM producers in Volkswagen Group’s supply chains undergoing Together for Sustainability (TfS) audits and Initiative for Responsible Mining Assurance (IRMA) self-assessments as well as PGM refiners identified in Volkswagen Group’s supply chains undergoing London Platinum and Palladium Market (LPPM) audits. While the results of one mine site audit against TfS and two LPPM refiner audits were not yet available to Volkswagen Group at time of writing of this report, results from another mine site’s IRMA self-assessment were reviewed. In addition, a workshop by the International Platinum Group Metals Association (IPA) attended by Volkswagen Group staff along with three fabricator companies, five mining companies and representative from LPPM provided additional risk information. Also, the Volkswagen Group organised five online meetings with three tier-2 suppliers to better understand the provenance of PGMs and due diligence activities implemented by tier-2 suppliers.</td>
<td>Risks identified in general:  • Human rights abuses committed by public or private security forces  • Risks to workers’ occupational health and safety (OHS)  • Infringement on labour rights  • Discrimination and harassment, including against vulnerable groups  • Conflicts with local communities Risk assessment for PGM supply chains is ongoing.</td>
</tr>
<tr>
<td>Natural Rubber</td>
<td>Volkswagen Group’s approach focused on direct engagement with nine tier-1 suppliers, which informed a high-level supply chain mapping. Additional risk information was derived from a review of a Forest Stewardship Council (FCS) timber country analysis as well as one tier-1 supplier self-declaration.</td>
<td>Risks identified in general:  • Risks to workers’ occupational health and safety (OHS)  • Adverse environmental impacts  • Child labour The risk identification and assessment for natural rubber supply chains is ongoing.</td>
</tr>
<tr>
<td>Steel</td>
<td>Volkswagen Group’s approach focused on direct engagement with 6 tier-1 suppliers, in the form of workshops and continuous meetings. All suppliers responded to supply chain mapping requests and informed the Volkswagen Group’s risk identification and assessment by providing sustainability assessments of upstream suppliers. Additional risk information was collected in regard to the tailings management at iron ore mine sites.</td>
<td>Risks identified in general in regard to major raw material inputs to steel such as iron and coal/coke include:  • Adverse environmental impacts  • Risks to workers’ occupational health and safety (OHS)  • Infringement on labour rights  • Discrimination and harassment, including against vulnerable groups  • Threats to indigenous people and communities The risk assessment for steel supply chains is ongoing.</td>
</tr>
</tbody>
</table>
Informed by the risk identification and assessment activities, Volkswagen Group responded with risk mitigation measures specific to the respective risks identified as well as the contexts of specific supply chains. In 2020, all risk mitigation measures were implemented either through direct supplier engagement or by leveraging other stakeholders or industry groups who can more effectively and more directly prevent and mitigate the risk of adverse impacts than if Volkswagen Group were to implement its own measures.

### Risk Mitigation Measures and Supplier Engagement

#### Raw material Approach

**Across all battery raw materials (cobalt, nickel, lithium, graphite)**

Volkswagen Group in 2020 developed specific supplier requirements for responsibly sourced raw materials for all electric vehicle (EV) batteries for the Volkswagen Group. These requirements are included in procurement contracts of EV battery materials and include transparency requirements as well as requirements regarding the implementation of the OECD Minerals Guidance to ensure that human rights are protected at the mine sites in Volkswagen Group’s EV battery supply chains, including ensuring the absence of child labour.

Furthermore, the Group communicated to tier-1 suppliers an expectation to join relevant industry initiatives and for suppliers and sub-suppliers to commission their own audit programs, including at the mining level.

To contribute to risk mitigation in raw material extraction countries the Volkswagen Group also joined or prepares projects that aim at directly improving living and working conditions in the lithium and cobalt supply chain.

**3TGs**

For trucks and buses, Volkswagen Group’s risk mitigation approach included a bespoke Volkswagen Group conflict minerals training attended by 73 tier-1 and tier-2 3TG suppliers.

For passenger cars, supplier engagement included Volkswagen Group communicating to over 1,000 3TG supplier locations, requiring them to complete CMRTs and ensure the certification of unknown or non-certified suppliers.

**Aluminium**

Volkswagen Group’s approach focused on the engagement at Aluminium Stewardship Initiative (ASI). Within the multi-stakeholder initiative raw material specific risks are identified and mitigated through a certification scheme along aluminium supply chains. One Volkswagen Group brand assigned with management of supply chain risks in the aluminium supply chain during the reporting period became the first car manufacturer to be awarded the Chain of Custody certificate from the Aluminium Stewardship Initiative (ASI). This certification applies to all aluminium material flowing into this specific Volkswagen Group brand’s supply chain. This follows that brand’s achievement of ASI’s Performance Standard Certification for material stewardship for aluminium in 2018.

Lastly, for a particular case where a bauxite mining company potentially infringed on local community rights, the Volkswagen Group formally called upon the conflict parties to come to a dispute resolution in respect of internationally accepted human rights, compliance and environmental standards.
<table>
<thead>
<tr>
<th>Raw material</th>
<th>Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cobalt</td>
<td>In response to findings from a supply chain mapping and auditing project along one battery supplier’s cobalt supply chain, the Volkswagen Group ensured that 19 Corrective Action Plans (CAPs) were agreed upon with suppliers at the battery, cathode, and refiner levels. These CAPs related particularly to gaps identified in the way that Volkswagen Group’s sub-suppliers manage risks in the upstream of their supply chains related to risks listed in the Annex II of the OECD Minerals Guidance. Furthermore, the Volkswagen Group held workshops related to due diligence expectations and gaps in current practices with two cobalt producers in Q1 2020. As a result a clean cobalt strategy was agreed upon which entails concrete improvement measures targeting the sustainability performance based on a detailed analysis of audit results. Throughout this year this strategy was implemented by the (sub-)supplier. In further support of risk mitigation in the DR Congo the Volkswagen Group also joined the Cobalt for Development (C4D) Project - a cross-industry initiative launched by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. The project is funded together with the Volkswagen Sustainability Council. It aims to promote responsible artisanal mining by strengthening legal compliance, improving health and safety conditions, and promoting environmental management. So far more than 2,000 community members benefitted from improved access to education, alternative income opportunities and farming as well as money saving skills. C4D developed comprehensive training materials on health and safety, environmental management, protective equipment, and cooperative management. C4D and the local government agency tasked with health and safety on artisanal mine sites jointly trained 40 cooperative members from 14 cooperatives. The project is aiming to provide on-site training and coaching to 1,500 artisanal miners at four sites.</td>
</tr>
<tr>
<td>Leather</td>
<td>During 2020, Volkswagen Group responded to the identified environmental risks in leather supply chains by hosting workshops with 11 tier-1 suppliers. The workshops aimed at communicating Volkswagen Group’s expectations on responsibly sourced leather and identifying roadmaps of improved implementation of Volkswagen Group’s expectations. Following the public report of the non-governmental organisation Earthsight the Volkswagen Group furthermore formally engaged with the mentioned suppliers to understand risk exposure. The Volkswagen Group received the written confirmation by the affected suppliers stating that no leather or primary material from Paraguay is used for Volkswagen Group’s products.</td>
</tr>
<tr>
<td>Lithium</td>
<td>Following the trip to Chile, targeted information collection from two lithium producers, and analysis of an in-depth study on the sustainability situation in the lithium production region of Chile, the Volkswagen Group focused on the identification of next steps for risk mitigation. Next steps will aim at the establishment of a basis of trust on the ground with various partners and to look for solutions together to protect the livelihoods of the people, especially those of the indigenous communities. Furthermore throughout 2020 the Volkswagen Group used supplier meetings with its battery suppliers and mining companies to communicate its expectations towards responsibly sourced lithium for its EV batteries.</td>
</tr>
<tr>
<td>Mica</td>
<td>A brand of the Volkswagen Group joined the Responsible Mica Initiative, taking on a seat in the board of directors in November 2020. The Responsible Mica Initiative supported 80 mica-dependant communities with on-the-ground projects in the reporting year. The goal is to enable mica-dependent communities to be reached by inclusive empowerment programs that include increased livelihood opportunities and access to quality education. In sum already 362 villages are reached by the projects and 750 out of school children are now enrolled in school. Volkswagen Group’s focus in 2020 was on promoting the Responsible Mica Initiative (RMI).</td>
</tr>
<tr>
<td>Raw material</td>
<td>Approach</td>
</tr>
<tr>
<td>------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| PGMs             | The Volkswagen Group’s strategy in responding to the identified risks along PGM supply chains in 2020 included making further progress towards operationalising a responsible sourcing requirements document integrated in procurement processes.  
Furthermore, the Group actively promoted adoption and industry-wide roll-out of the International Platinum Association (IPA)’s audit approach, particularly to PGM suppliers identified in Volkswagen Group’s supply chain, through targeted meetings with tier-2 suppliers and via direct engagement with the IPA. During the targeted meetings with tier-2 suppliers, the Volkswagen Group also communicated its due diligence expectations. |
| Natural Rubber   | Volkswagen Group in 2020 firmed up its support to a 4-year in-country project in Indonesia that aims to support and improve the situation and livelihood of local smallholder farmers.  
Furthermore, the Volkswagen Group actively encouraged tier-1 suppliers’ in undertaking efforts towards responsibly sourced natural rubber—including investments into additional in-country projects, including projects to combat deforestation through the analysis of satellite images. |

Overall, there are still challenges to effectively respond to risks assessed in the N-tier supply chains and to effectively mitigate risks affecting N-tier suppliers with whom Volkswagen Group does not have contractual relations. The “handing-down” of requirements by our suppliers and sub-suppliers as well as the collaborative approach along the entire supply chain remains therefore particularly important.
As becomes apparent in the way that they are directly leveraged by Volkswagen Group for risk identification and mitigation in specific raw materials as detailed above, industry group engagement forms a crucial part to Volkswagen Group’s raw materials supply chain due diligence efforts. Industry groups are useful sources for risk information as well as developing supply chain-wide responses to systemic risks that Volkswagen Group cannot address alone. Given its existing due diligence resources, the Volkswagen Group pursues different levels of engagement across industry groups depending on different characteristics of different raw materials as well as differences in leverage that Volkswagen Group may be able to exercise to drive its due diligence activities. Volkswagen Group’s engagement across industry groups ranges from actively driving industry group activities to participation for an improved understanding of risks.

In 2020, Volkswagen Group engaged with the following industry groups:

**Raw material-agnostic industry groups:**
- Founding member of the Drive Sustainability Initiative which is an associate member of the Global Platform for Sustainable Natural Rubber (GPSNR) and ResponsibleSteel
- Membership in the Responsible Minerals Initiative (RMI)
- Participation in the Swedish Leadership for Sustainable Development
- Membership in Teknikföretagen - Association of Swedish Engineering Industries
- Membership in the Global Battery Alliance (GBA)
- Participation in the Advisory board of CERA

**3TGs**
- Participation in the RMI’s 3TG Working Group
- Aluminium
  - Membership in the Aluminium Stewardship Initiative (ASI)
- Cobalt
  - Membership in the Global Battery Alliance Cobalt Action Partnership (CAP),
  - Participation in the RMI’s Cobalt Working Group and ASM Working Group,
  - Membership in the Cobalt for Development Initiative
- Copper
  - Participation in the CopperMark Advisory Group
- Leather
  - Engagement with the Leather Working Group (LWG)
- Mica
  - Membership on the Board of Directors of the Responsible Mica Initiative,
  - Participation in the RMI’s mica working group

**PGMs**
- Engagement with the International Platinum Association (IPA)
- Engagement with the London Platinum and Palladium Market (LPPM)

**Rubber**
- Participation in the Natural Rubber Roundtable organized by Südwind Institut and GIZ

**Staff Training**

Building the capacity of staff responsible for the implementation of raw materials supply chain human rights due diligence through trainings is a crucial part of Volkswagen Group’s program continuous improvement objectives.

In 2020, Volkswagen Group participated in:
- 2 full-day workshops on best practice supply chain due diligence – particularly focused on risk assessment and mitigation – facilitated by responsible sourcing advisory firm RCS Global
- 3 trainings hosted by the Global Compact Network Germany on 1) the current state of supply chain due diligence legislative developments in Germany, 2) risk mitigation measures and monitoring of effectiveness of risk mitigation, and 3) human rights due diligence in high-risk contexts
- 1 two-day workshop by the Sustainable Natural Rubber Initiative (SNRI)
- 1 online course on international labour standards and Corporate Social Responsibility (CSR) as pertaining to human rights due diligence
- 3 high-level training on conflict minerals

Additionally, Volkswagen Group Sustainability in Procurement staff conducted several internal trainings and awareness raising sessions throughout the year, including for new procurement staff in all brands and regions.
2021 will be a key year for supply chain due diligence. With the German government reaching a compromise on the introduction of a national supply chain due diligence law and the European Union considering a proposal for regulation on battery supply chain due diligence, expectations on companies like the Volkswagen Group will increase. The Volkswagen Group will seek to continue to be a proactive leader in this field and plans to increase our impact by focusing on the following key objectives:

- **Implementation of the RMDDMS**: The focus in 2021 will be on an enhanced operationalisation and implementation of the RMDDMS, including increased uptake of the tools and to create more evidence of best-practice supply chain due diligence practices. The Volkswagen Group aims to gather and analyse more supply chain risk data and identify more raw material sources, including by leveraging external service providers. In particular, the Volkswagen Group will seek to – in addition to gathering risk data – also systematically assess the risks it identifies to inform better and more concrete corrective actions. The objective is to create more measurable positive impact in the communities affected by the Volkswagen Group’s suppliers’ and sub-suppliers’ operations, including in the upstream of the Group’s supply chains. At the same time, the Volkswagen Group will continue to proactively follow up on risk findings and monitor the effectiveness of corrective actions agreed with supply chain stakeholders in 2020.

- **Increased push for more transparency**: An overall challenge the Group encountered in due diligence undertakings and activities across multiple raw materials relates to transparency. One reason for this were contractual and legal restrictions from our (sub-)suppliers to disclose their direct or indirect suppliers. A lack of supply chain transparency constitutes a risk for the Volkswagen Group as it cannot accurately discern if the general risk analysis of the respective raw materials corresponds to actual supply chains. For some raw materials the Group identified also for some (sub-)suppliers the inability to segregate materials and material control systems that were often rudimentary or lacking. In such cases the Volkswagen Group cannot rely on data from such (sub-)suppliers for accurate risk identification and assessment. Specifically in the case of 3TGs, the Group has recognised the need for a significant improvement. In 2021 there are plans to work with external parties to streamline data collection and improve data quality and validation, which can lead to better risk identification, analysis and mitigation in the future.

- **On-the-ground projects**: The Volkswagen Group is also particularly excited at the prospect of direct participation in several on-the-ground projects in 2021, including the Cobalt For Development project in the DR Congo as well as a project targeting risks in Chile in our lithium and in Indonesia in our natural rubber supply chain. These on-the-ground projects are valuable as a means for the Volkswagen Group to contribute to direct positive impact in the upstream of its supply chains. Furthermore, these projects provide valuable multi-stakeholder informed insight into the risks the Volkswagen Group is trying to address.

- **Deepen industry group engagement**: In 2020, the Volkswagen Group joined several industry groups and multi-stakeholder forums. As a new member in these groups, 2020 was primarily a year of learning for Volkswagen Group staff. The plan for 2021 is to deepen this engagement and identify concrete ways in which groups may be proactively leveraged in risk identification and mitigation activities.

- **Align Volkswagen Group Policy on Sustainable Raw Materials with new management system**: A key goal for 2021 will also be the amendment of a new Policy on Sustainable Raw Material Supply Chains. This will be the Group’s key externally facing communication on what it seeks to achieve through raw materials human rights supply chain due diligence in the medium- to long-term.

- **Deepen Public Reporting**: The Volkswagen Group aims to increase its transparency in public reporting including disclosing more countries of origin and the names of identified key supply chain actors, e.g. refiners. In our effort to achieve the highest possible supply chain transparency, the Volkswagen Group is at times restricted in its options and leverage due to various contractual and legal obligations, for example the protection of trade secrets and data protection.

From now we plan to publish the Responsible Raw Materials Report annually. We are conscious of our responsibility and human rights due diligence. This report is the first attempt to openly present our Group’s due diligence activates in raw materials supply chains. Despite remaining challenges, many of which can only be mitigated in the long-term and not by the Volkswagen Group alone. The report is intended to start of a meaningful dialogue with interested stakeholders. We are looking forward to getting feedback to this report under sustainability@vwwgroupsupply.com.
Contact Information

PUBLISHED BY
Volkswagen AG
Sustainability Strategy Procurement
Letterbox 11/1338
38436 Wolfsburg
Germany

CONTACT
sustainability@vwgroupsupply.com

CONCEPTION, EDITING AND DESIGN
Volkswagen AG

IMAGE SOURCES
Volkswagen Group and its Group brands

PUBLICATION
June 2021

LEGAL INFORMATION & DISCLAIMER
This report contains statements relating to the future business development of the Volkswagen Group, preliminary results from processes that are established or in the process of being established and to plans and targets of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast. Any changes in significant parameters relating to our key supplier markets, to the political and regulatory environment or any significant shifts in raw materials relevant to the Volkswagen Group from the scenario assumed in this report will have a corresponding effect on the development of our business, aims and plans.

At the brands of the Volkswagen Group, work on all types and models never ceases, so please allow for the fact that changes in design, equipment and technical specifications may be made at any time.

Consequently, the data and descriptions in this report cannot give rise to claims of any kind. The English version of the report is binding.