

RESPONSIBILITY FOR SUPPLY CHAINS AND BUSINESS




The Volkswagen Group is pursuing a vision of enabling sustainable mobility for future generations: we want to live up to our legal, social and environmental responsibility not only within our own business but also in our supply chains as well. In 2021, the Volkswagen Group anchored the focus topic of “Responsibility for supply chains and business” in the key Group initiatives.

Our ambition, which we want to translate into lived corporate practice by 2030, is: we are fully and entirely committed to our corporate human rights responsibility in our business relationships, in our business units and at our sites. For this reason, we are integrating business and human rights in the compliance management system.

This ambition results in concrete objectives in the field of human rights: in our supply chain, we want to avoid ESG-related risks, including human rights risks, to achieve a situation where 85% of our direct business partners obtain an A in our sustainability rating (S rating) by 2025. All other business partners need to achieve a B rating and thus at least meet our requirements. All entities within the scope of Group Compliance are tasked with incorporating business and human rights in their compliance management system by 2023. We will tie suitable measures and programs to the achievement of each target and manage this by means of KPIs.

RESPONSIBILITY IN OUR GROUP

Politicians and civil society increasingly demand that companies respect their duties of human rights due diligence. In numerous countries, these demands are leading to legislation. The latest example is the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichten-Gesetz – LkSG*), which was passed in July 2021. At the same time, investors and analysts are subjecting corporate actions with regard to human rights duties to a systematic and increasingly strict assessment through the use of sustainability ratings. Volkswagen acknowledges its human rights due diligence duties and codifies these in the Social Charter.

 > www.volkswagenag.com > Sustainability > Strategy & Reporting > Policy > Declaration on Social Rights

Acting on the Basis of Firm Values and Principles

The work in our factories and sales companies around the world is based on our principles, such as respect for minorities and compliance with labor standards. We continuously assess social and labor standards and the human rights risk in the countries where we operate. The basis for this is, in particular, the publicly available reports of the United Nations and specific analyses and indices. We explore critical topics internally and communicate about these as needed and on a target-group-specific basis. For example, our investor relations website has an area for controversial ESG topics.

 > www.volkswagenag.com > Investor Relations > Corporate Governance > ESG Controversies

The Volkswagen Group respects international policies and conventions, particularly:

- The UN Universal Declaration of Human Rights, which is codified in the International Covenant on Civil and Political Rights and in the International Covenant on Economic, Social and Cultural Rights
- The Core Labor Standards of the International Labour Organization (ILO)
- The UN Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The principles of the UN Global Compact

The Volkswagen Group has anchored the topic of business and human rights in its processes and policies independently from external expectations and legislation. For example, the Group and employee representatives have signed the “Declaration by the Volkswagen Group on social rights, industrial relations and business & human rights” – the Social Charter. This declaration provides a binding basis for social and industrial relations within the Volkswagen Group. It also serves as a benchmark for shaping relationships with suppliers and other business partners. The specific expectations regarding suppliers arising from this declaration are defined in the Code of Conduct for Business Partners. This Code of Conduct must be recognized by all suppliers prior to the commencement of the business relationship.

Focal Points: Business and Human Rights

We have compared the above international human rights frameworks with our business-specific activities, worked out the aspects that are relevant for us and defined these as focal points. These “salient business & human rights issues” refer to:

Labor rights

- Freedom of association and the right to collective bargaining
- No slavery and trafficking
- No child labor
- Good working conditions

Safety

- No involvement in any unlawful activities
- Guarantee of people’s safety

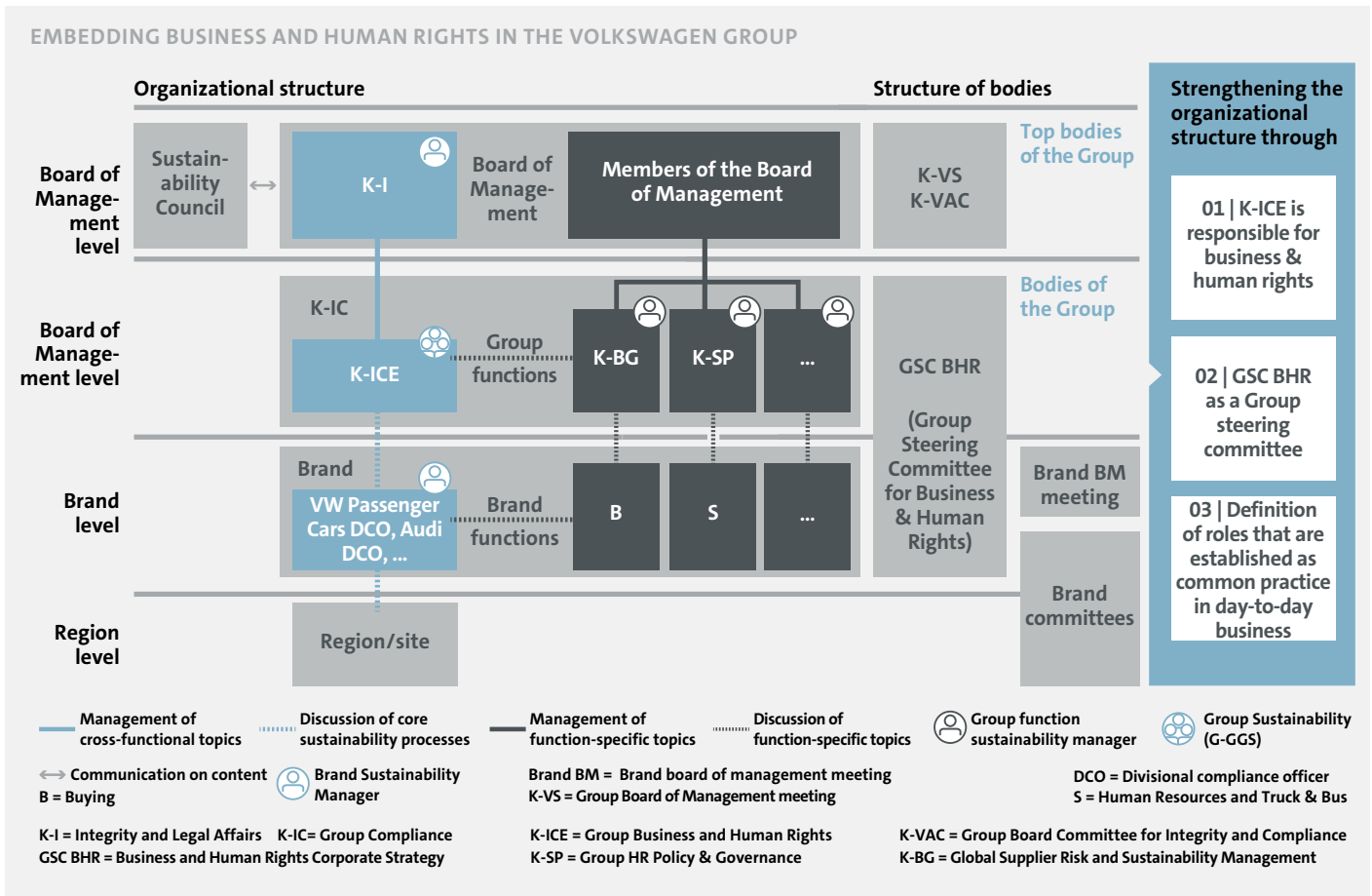
Tolerance

- Tolerance towards different ideological and religious opinions and respectful expression of them
- No discrimination
- Diversity and protection of disadvantaged, especially indigenous groups

Clear Responsibilities Defined

Since 2019, the Volkswagen Group has had a coordinator for the business and human rights action area. The coordinator is appointed by the Group Board of Management and also manages the

collaboration with the brands and regions. In addition, we have established committee structures for steering the topic of business and human rights from the Group Board of Management through to regional level in the Group's brands.



Code of Conduct and Group Policies as a Framework for Action

Expectations of our employees and our Group-wide understanding of the observance of universal human rights are also set out in our Code of Conduct. The issue of human rights is covered in the chapter on “Our responsibilities as a member of society”. Our Code of Conduct and additional topic-related Group policies apply to all the Volkswagen Group’s employees around the world. Employees of the Volkswagen Group’s controlled companies are trained to this end as part of the mandatory Code of Conduct training. The training on the Code of Conduct was updated in the reporting year. As part of this, the training focal points of business and human rights, the environmental compliance management system, product conformity and product safety, and occupational safety were further strengthened. Employees who took their mandatory Code of Conduct training in the reporting year either for the first time or as part of the regular repeat cycle have therefore been trained on these topics.

In addition to the Code of Conduct training, there is also in-depth training on business and human rights for business divisions with medium risk exposure and interested employees.

In the reporting year, six of these in-depth training courses were held for Volkswagen AG employees. Further information on the implementation rates for the Code of Conduct training can be found in the “Integrity” chapter.

Integrity

Group policies create precise specifications. For example, it was stipulated in Group Policy 31 that business and human rights is a focal point of the Volkswagen Group’s Compliance department. With the revision of the “Participation Management of Non-Controlled Participations” Group policy and the adoption of the “Conducting Site Projects for Industrialization” Group policy, we also procedurally anchored the topic of business and human rights in site decisions and M&A projects.

Compliance Management System for Human Rights

We implement our management approach throughout the Group: we have integrated the topic of business and human rights into the Group’s established compliance management system. This is intended to achieve integration of the topic along the

UN Elements of Human Rights Due Diligence. Our controlled companies are included using the standardized internal compliance risk management process (ICRA). In the case of noncontrolled companies (excluding Chinese joint ventures), an individual analysis is made with our respective company partners. We rely on the cooperation of these partners here.

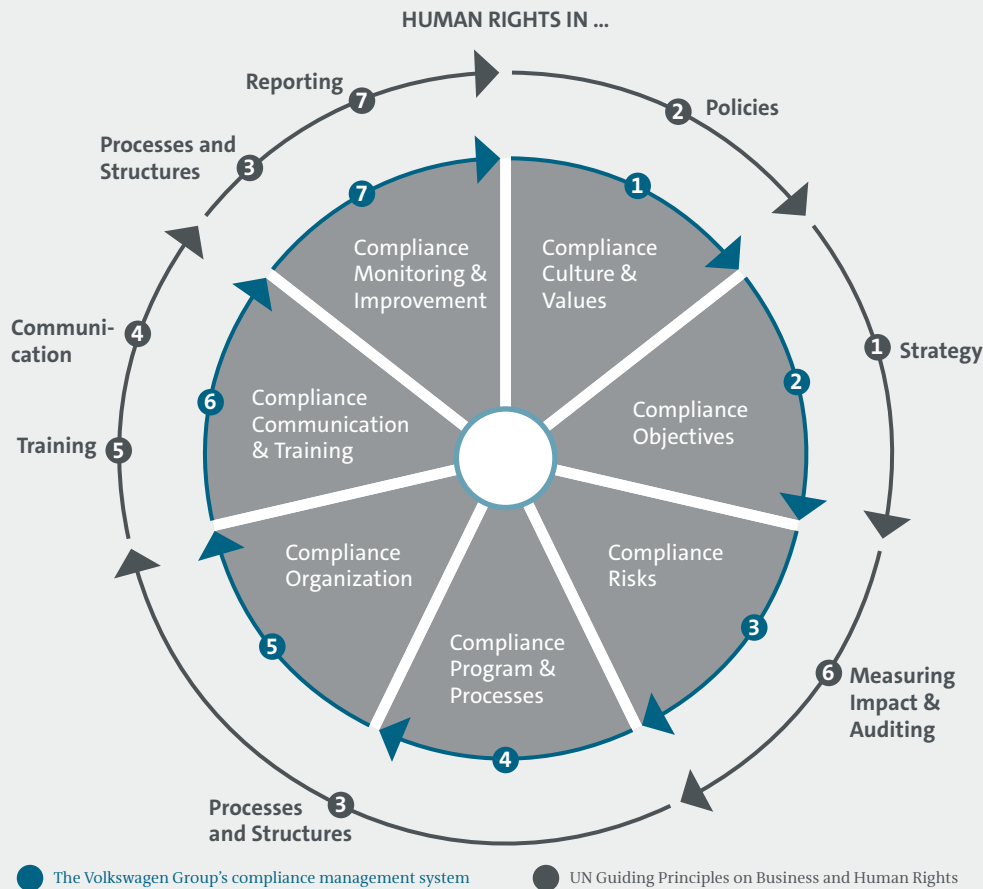
In the reporting year, the introduction of the set of compliance measures on the topic of business & human rights was completed in the companies falling within the scope of compliance; the scope of compliance covers the Group's controlled companies that are

active and have their own staff (see "Internal Compliance Risk Assessment (ICRA)" section).

Transparency through human rights risk management

The Volkswagen Group has 120 production sites worldwide, including the Chinese joint venture production facilities. These are mainly in countries with a medium or high human rights risk. Group Compliance made risk assessments for the field of human rights for 782 controlled Group companies around the world. This means that 100% of our controlled companies within the scope of compliance in a total of 82 countries were audited.

USE OF THE EXISTING COMPLIANCE MANAGEMENT SYSTEM TO PROMOTE HUMAN RIGHTS IN DAY-TO-DAY BUSINESS IN ACCORDANCE WITH UN GUIDELINES



- 1) Strategy: definition of our work priorities, "salient business and human rights issues".
- 2) Policies: integration of the topic into strategic documents and Group policies, for example in the Code of Conduct and the Social Charter.
- 3) Processes and Structures: risk-based approach in the context of systematic analysis and uniform Group-wide measures. BHR risk assessment and implementation of risk-specific measures.
- 4) Communication: reporting in the sustainability report, raising awareness of the topic through internal and external communication measures.

- 5) Training: basic training for all employees and extended training for employees from business units with increased risk exposure in the Volkswagen Group's controlled companies.
- 6) Measuring Impact & Auditing: monitoring and continuous improvement.
- 7) Reporting: reporting and organizational feedback in the context of rankings.


This human rights risk assessment is largely based on a correlation of country and business-area risks. The country risks reference the Maplecroft index, a meta-index that draws on more than 30 individual indices of international organizations – for example, the UN or the Business & Human Rights Resource Centre. The specific business-area risks are based on corresponding publicly available, relevant, well-known information.

The completion of this analysis means that we have assessed our business units' gross human-rights risks and can allocate it to the low, medium and high categories. This means we are also aware of those with a high gross risk. We have had the companies audit and confirm the results. These companies were then given risk-specific measures to be implemented by the end of 2021. This will be audited by the Group from 2022.

In the next step, the companies with a high gross risk are to be assessed in respect of their net risks. To this end, we developed a self-assessment questionnaire in the reporting year and tested and finalized it in a pilot project. At the same time, starting with the publication of the first draft of the Supply Chain Due Diligence Act (LkSG) in the spring of the reporting year, we synchronized the content of the net risk assessment with the requirements of the act, which has now been passed.

Implementing legal requirements for human rights protection

In the last few years, a trend of also regulating the issue of business and human rights in national laws has emerged in leading economic powers. Volkswagen, as a global business, observes such national requirements that put international standards in concrete form. One example of this is the UK Modern Slavery Act 2015. We publish a corresponding Group statement on this on our website annually.

 > www.volkswagenag.com > Sustainability > Policy > Slavery and Human Trafficking Statement

Since the first draft legislation on the LkSG came into existence, we have been addressing the corresponding requirements and comparing these with the structures and processes in the Volkswagen Group. We welcome the fact that the adoption of the Supply Chain Due Diligence Act means a long and important debate has reached a conclusion. The Volkswagen Group supports a binding legal framework that requires companies and their suppliers to respect human rights. We also welcome the EU's legislative initiative, particularly the associated level playing field for equal and fair competition conditions at international level.

Engaged Dialog with Our Stakeholders

We provide our workforce with information on business and human rights over a number of channels. This includes articles in internal media and newsletters and internal dialog and Q&A events. This is because it is important to us that our employees obtain information directly at first hand. We communicate our

positioning to the public and external stakeholders through interviews with top managers and in media reports.

In our view, continuous dialog between those involved about principles and implementation issues is needed in differentiating between the state's duty to protect human rights and corporate human rights responsibility. For businesses, it is often challenging to obtain concrete and objective information enabling a comprehensive assessment of human rights situations. In order to achieve further progress, we also seek cooperation with international organizations. For example, we are continuously in written and personal dialog with NGOs and human rights institutions. In this context, we gave, for example, the United Nations Commission on Human Rights (UNCHR) an insight into our activities upon request.

Institutional investors and investment banks also seek dialog with us on the topic of business and human rights. The corresponding activities are, for example, the subject of the Volkswagen ESG Conference. We also publish our standpoint, including on controversial aspects, on the Volkswagen Group's investor relations website.

Internationally, we continue to be the only carmaker to engage in the cross-sector initiative "Global Business Initiative for Business and Human Rights" (GBI).

Furthermore, our involvement with econsense, the sustainability association of German business, is key to our activities. In Germany, we also actively participate in the German automotive industry's sector dialog in the context of the National Action Plan for Business and Human Rights, in which manufacturers, suppliers, trade unions, NGOs and the German federal government are involved. Volkswagen AG, Audi and Porsche participate in the three working groups of the sector dialog. In its working groups on raw materials and on the introduction of overarching complaint mechanisms, we are promoting, among other things, the piloting of a cross-company complaint mechanism.

In the first Volkswagen Business and Human Rights Industry Dialog, in June 2021 we sought professional discussion with those responsible for the topic from other companies and also to share best practices. We plan to continue these events.

RESPONSIBILITY IN OUR SUPPLY CHAIN

Due to the complexity of its products, the Volkswagen Group's supply chain is highly complex, globally distributed and subject to constant change. It comprises more than 60,000 supplier sites around the world in almost 100 countries. In the Sustainable Procurement 2025+ strategy, we set the following goals as an aspiration:

1. **Performance:** We improve our direct and indirect suppliers' sustainability performance through our activities.
2. **Partnership:** We work together with our suppliers and other stakeholders cooperatively, constructively and on an equal footing.
3. **Transparency:** We are committed to transparency in our activities and supply chains.

We will only be able to achieve these targets together with our suppliers. That is why we pursue systematic and continuous development of these suppliers founded on partnership-based cooperation. Long-term partnerships with strategic suppliers are at the forefront of our activities in purchasing. This is also reflected in the key figures by which we want to be measured by 2025. For example, 85% of direct suppliers (based on revenue) will have their awareness of sustainability topics raised and be trained on these. We also want to reach a point where 85% of suppliers audited (based on revenue) obtain a sustainability rating of A. In our own Group, we will train 100% of buyers around the world on sustainability topics.

Management Approach with Three Dimensions of Action

We want to live up to our responsibility in our business relationships on a global level and want to act proactively beyond fulfilling legal requirements – for example, with regard to decarbonization or our sustainability rating. In procurement, we follow a three-pronged approach. This step requires transparency about the supply relationships that go beyond the first tier (tier 1).

- **Prevent:** Sustainability requirements are enshrined in contracts and specifications, particularly the Code of Conduct for Business Partners. Suppliers' awareness is raised and they receive training.
- **Detect:** The sustainability risks in the supply chain are systematically detected and prioritized. Sustainability is anchored in the material contract award decisions across the Group and a rating of potential suppliers' sustainability performance ("S rating") is used. The basis for this is self-assessment and risk-based on-site audits.
- **React:** Various measures are available to react to the risks and impacts identified. These include a process for reviewing breaches by individual suppliers and action plans derived from on-site audits.

Implementation of this management approach is mandatory worldwide and is enshrined in corresponding policies for the Group's brands and controlled companies. The Procurement Sustainability Management department conducts the operational management. To better bundle skills, the department was directly assigned to a division below the member of the Group Board of Management responsible for purchasing in a restructuring of procurement during the reporting year. In order to identify current developments and long-term challenges in the individual countries, we also encourage dialog between our brands and regions through the Sustainability Procurement Network, in which more than 50 experts from five continents work together.

Prevent: requirements for our suppliers

The core element of our supplier management is the "Volkswagen requirements for sustainability in relations with business partners" – the Code of Conduct for Business Partners". The Code of Conduct is agreed with all the Volkswagen Group's suppliers. It embeds our expectations of our business partners' conduct with respect to key environmental, social and compliance standards in our contractual agreements. The requirements are based, among other things, on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant International Labour Organization (ILO) conventions. The Code of Conduct is, however, not just based on international standards, but also objectives, rules and policies of the Volkswagen Group.

Before submitting a quote, our suppliers must confirm that they acknowledge our sustainability requirements in the Code of Conduct; this explicit acknowledgment must be repeated after 12 months have elapsed if they wish to submit new quotes. We also call on our tier 1 suppliers to pass our requirements set out in the Code of Conduct for Business Partners down along the supply chain. The Code of Conduct is currently being revised and further requirements arising, for example from the Supply Chain Due Diligence Act, are being added. We plan to publish the revised Code of Conduct in the first quarter of 2022.

In addition to the Code of Conduct for Business Partners, there are additional product-specific requirements for suppliers. These are set out in the specifications and stipulate the way in which certain products must be manufactured. The guidelines include, for example, only manufacturing battery cells with renewable energy and cooperating on full supplier disclosure for the cobalt supply chain. These requirements are also binding for the suppliers in question.

Detect: systematic detection of sustainability risks

Our aim is to know and effectively address the material sustainability risks in our supply chain. A sustainability rating (S rating) was introduced as a key measure for all relevant companies and suppliers in 2019, and its implementation was completed by the end of 2021. The S rating is used to audit the sustainability

performance of relevant suppliers¹ and reveal opportunities for continuous improvement. It assesses the environmental performance of suppliers and their social sustainability and integrity. The S rating is directly relevant to awarding contracts. If a supplier does not meet our requirements for compliance with sustainability standards, it is fundamentally not eligible for the award of contracts. There is thus a direct incentive for suppliers to improve their sustainability performance.

The check for the S rating takes place via a multistage process. In an initial step, the risk exposure is identified from a combination of country risk and the supplier's corporate processes and policies. A specialist service provider is used for the identification of the country risk. The Group's sustainability performance is analyzed by means of a standardized questionnaire for self-assessment. We developed the "SAQ" questionnaire in a joint project with other automotive corporations involved in the DRIVE Sustainability Working Group organized by CSR Europe. The information and documents in the SAQ are checked and validated by a service provider via a central platform. If a supplier states that it has appropriate processes and policies, it must prove this with documents. Minimum requirements were drafted for the questionnaire. Every supplier that the S rating applies to must meet the requirements enshrined in the questionnaire in the areas of corporate governance, the environment, social issues, human rights, compliance and supplier management.

A total of more than 15,532 active suppliers submitted a sustainability questionnaire by the end of the reporting period. In the reporting period, 6,353 suppliers improved their sustainability performance through taking appropriate steps. Based on sales revenue, more than 78% of our production suppliers have documented that they have a certified environmental management system in accordance with ISO 14001 and/or EMAS. Our objective is for 100% of direct, revenue-generating suppliers with a production site and more than 100 employees to have a certified environmental management system by 2025.

Following an initial analysis of the supplier data, in-depth audits are carried out on site, based on risk. 654 on-site audits were conducted around the world in 2021 (2020: 790). On average, five breaches of our sustainability requirements were identified.² Clear differences can be seen depending on the region.

NUMBER OF BREACHES IDENTIFIED WORLDWIDE PER ON-SITE AUDIT BY REGION AND IDENTIFIED TOP RISKS BY REGION³

Geographic region	Average breaches per region	The region's top 3 risks
Africa	4	Unions, emergency exits, emergency lighting
Asia ⁴	7	Supply chain management, payment, emergency exits
Europe	5	Supply chain management, license to operate, evacuation drills
Latin America	6	Organization (social facilities), organization (fire safety), supply chain management
North America	5	Supply chain management, first aid, grievance mechanism

³ Excluding on-site checks at logistics service providers.

⁴ In terms of geographical distribution, Russia and Turkey are allocated to Asia.

In the reporting period, we further developed and used a special approach for the on-site check of logistics service providers, which, in addition to checking whether environmental criteria have been met, in particular also checks observance of minimum social standards when deploying driving staff.

We are also working continuously on avoiding duplication when auditing and, to achieve broader coverage of the supply chain, are partnering with original equipment manufacturers (OEM) and suppliers in a German Association of the Automotive Industry (VDA) task force to create a common standard for on-site audits. To this end, major Group companies founded the Responsible Supply Chain Initiative e. V. in October 2021 together with 11 additional partners; the initiative plans to share initial audit findings next year. The Volkswagen Group supports the continuous growth of the initiative with a Board of Management mandate.

By the end of the reporting year, we had 12,483 S ratings for suppliers, accounting for around 85% of total procurement expenditure. Of these suppliers, 3,524 have an A rating, which equates to 54% of suppliers based on revenue. 91 were rated C and are thus not currently eligible for the award of contracts.

3,524
suppliers have
an A rating.

¹ The relevance of a business partner for the S rating results from factors including the size of the company or the risk exposure derived from the type of service.

² Excluding on-site checks at logistics service providers.

React: make improvements on site

A series of measures are available to react to risks identified in the supply chain and concrete breaches by suppliers, and thus to actively bring about improvements.

Our supply chain grievance mechanism is an important component of sustainable supply chain management. We use it to investigate any suspected breaches of our sustainability requirements that occur. The corresponding channel is accessible via our website, an email address and an anonymized channel and is open to anyone potentially affected and stakeholders, e.g. employees of suppliers, civil society players or representatives of communities in the immediate vicinity of our production locations. The processing of cases is uniformly described in a binding policy and is managed by the Group. Cases are processed together with the brands and regions of the Volkswagen Group. If violations are identified, measures are introduced immediately. If there are particularly serious breaches, termination of the business relationship is also possible.

In the reporting period, 111 reports of breaches were dealt with. This concerned suppliers where behavior contravening the rules or contracts was identified as a result of information provided. Collaboration was ended or suppliers were blocked for the award of new contracts in the case of four suppliers as a result of activities by Procurement.

CASES FROM THE COMPLAINT MECHANISM WORLDWIDE

Geographical distribution	Context	Direct supplier		
Europe	74 Social	26	Yes	70
Asia ¹	9 Compliance	66	No	41
Africa	2 Environment	12		
North America	17 Cross-topic	7		
Latin America	3			
No classification possible	6			

¹ In terms of geographical distribution, Russia and Turkey are allocated to Asia.

Sustainability Training for Employees and Partners

Systematic training of our employees and suppliers is a central component of our strategy and essential for the improvement of sustainability in the supply chain. For this purpose we are currently using two different formats: live online training, as the pandemic continues to make in-person training impossible, and e-learning courses, which can be accessed and conducted online at any time.

For all Procurement employees, the topic of sustainability is an established part of the skills profile. Worldwide, more than 1,900 Procurement staff were trained in this issue in 2021. Our training measures continue also to be geared to specific target groups.

In 2021, more than

1,900

buyers were trained on sustainability globally.

For example, buyers of components associated with higher sustainability risks were given an intensive training program in a separate format. Since 2017, we have trained our Procurement employees to deal with the special challenges found in battery supply chains. In-depth human rights training has been available since 2020 and was held again in 2021.

To enable continuous supplier development, we usually conduct issue-specific sustainability training courses and workshops with our suppliers at selected sites. In fiscal year 2020, this was not possible due to worldwide restrictions. We therefore developed an online training option in order to train suppliers on our requirements and their implementation in shorter sessions. During the reporting period, more than 1,000 participants took advantage of this opportunity. As part of the DRIVE Sustainability initiative, online training was also provided for suppliers in India, Argentina, France and Russia, involving 84 participants.

In addition to the trainings, we make an e-learning module on sustainability available to current suppliers in the nine languages of defined risk countries. By the end of the reporting year, more than 18,000 suppliers had completed the e-learning course, which equates to around 36% of the sales revenue generated by suppliers of our procurement expenditure.

Content Focus of Supply Chain Management

For the way we responsibly organize supply chain, the thematic focus areas of compliance, decarbonization and human rights are an indispensable part of our sustainability activities across the entire value creation process in the Volkswagen Group.

We audit the integrity and compliance systems of selected suppliers and service providers through our Business Partner Due Diligence (BPDD). This review of existing and potentially new business partners is carried out as part of a risk-based, transparent, documented process that is implemented worldwide using an IT-based tool. Business partners who we have identified as having an increased corruption risk due to their business and region are also subjected to a more in-depth corruption risk audit. All relevant business partners will then be continuously checked for any change in general conditions through a risk and news screening. For the period from the start of the process in 2019 to December 31, 2021, our database contains 1,513 Business Partner Due Diligence audits.

To achieve our climate-protection targets, we also continuously develop the procurement processes within the Group's

organizational structures and processes. This systematically anchors the criterion of CO₂ reduction in the Group's product development processes. In order to encourage measures among suppliers, the Group systematically identifies the biggest sources of emissions along the supply chain in a component-related way by means of life cycle assessments and extends the responsibility for the environmental impact of the vehicles to its suppliers along the whole value chain. For example, all new suppliers of high-voltage batteries are contractually obliged to use certified energy from renewable sources in their production. When the Group awards new contracts, it now also requires the tier 2 suppliers of relevant intermediate products for battery production to exclusively use renewably generated electricity.

Particular Duty of Due Diligence for Human Rights in the Supply Chain

As part of our sustainable supplier management measures, we pay particular attention to protecting those groups of people who, along our supply chain, are at particularly high risk of human rights abuses. In order to comply with international frameworks and requirements, we piloted a human rights due diligence management system in 2021, which we use to systematically analyze, prioritize and reduce our supply chain's human rights risks. The management system is based on two process steps. First, aggregated assessments are performed for risk analysis based on the S rating data. Through this quantitative approach, we identify 15 high-risk countries for negative impacts on human rights and implement prevention and mitigation measures with our brands and regions. To this end, a total of 575 employees of suppliers were trained in the implementation of human rights-related due diligence in these 15 countries in 2021. In the second step, in addition to the data from the S rating, aggregated data from our grievance mechanism and information from studies, NGO reports and stakeholder conversations are evaluated to determine focus activities. In 2021, we prioritized and worked on the topics of forced labor, risks in service sectors and the revision of our Code of Conduct for Business Partners.


Raw material due diligence management system and reporting

With regard to responsible sourcing of raw materials, the Volkswagen Group implements the fifth step of the OECD Due Diligence Guidance for Responsible Business Conduct and the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In 2020, we implemented an OECD-oriented raw material due diligence management system in the Group. It serves to identify, assess and avoid actual and potential human rights risks in our upstream raw material supply chains. The risk scope of the management system goes beyond Annex 2 of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and currently covers 16 particularly high-risk raw materials. These include the battery raw materials cobalt, lithium, nickel and graphite, the conflict minerals tin, tungsten, tantalum and gold (3TG), and

aluminum, copper, leather, mica, steel, natural rubber, platinum group metals and rare earths.

With this risk-based approach, we prioritize our activities on the basis of the severity and probability of breaches of the law and on the basis of the Group's influence. We also systematically use our Group structure for developing and implementing specific mitigation measures, whose effectiveness we audit. New report structures and toolkits have been developed, and existing tools, such as the complaint mechanism, have been integrated in the management system. Depending on the results of the due diligence process, the measures are adapted and improved on an ongoing basis.

Since 2021 the Volkswagen Group has also reported on the observation of its human rights due diligence obligations in the raw material supply chain – including reporting on the status, progress and goals of the raw material due diligence management system – in an annual Responsible Raw Materials Report. The Group's specific activities and measures regarding the 16 raw materials are also set out there.

 > www.volkswagenag.com > Sustainability > Responsibility for Supply Chains and Business > Sustainability in the Supply Chain

Collaboration with suppliers and digital innovations for more transparency in the supply chain

Increasing transparency is an important prerequisite for identifying, avoiding and mitigating human rights risks in the upstream supply chain. To this end, the Volkswagen Group works in the context of the raw materials due diligence management system closely with its direct suppliers and business partners.


For battery raw materials, especially cobalt, we pursue the objective of creating supply chain transparency from mining the raw materials to manufacturing the finished product. We have been passing the requirement for full transparency on to our direct battery suppliers in our contracts since 2020. Volkswagen has the data received audited and verified by partner companies through second-party supply chain mapping audits.

With respect to digital innovations, Volkswagen also relies on blockchain technology and is working on developing corresponding solutions. This tamper-proof type of data processing allows complete and fraud-proof documentation of supply streams. We also cooperate with service providers that enable suppliers to be competitively audited using artificial intelligence. Here, permanent real-time monitoring of freely available internet sources, including social media, provides us with indications of possible breaches by suppliers.

Certification of raw materials

Because the human-rights-related risks are often highest at the start of the supply chain and these can be countered most effectively here, direct collaboration with mine operators on the certification of mines is an additional part of our strategy. In this way,

we intend to audit, assess and improve the sustainability performance of the mines in our supply chain in the medium term.

 > www.volkswagenag.com > Sustainability > Strategy & Reporting > Policy > Responsible Raw Materials Report

Involvement in International and Cross-Industry Initiatives

In addition to close collaboration with our direct suppliers and (sub)suppliers, we get involved in initiatives and local projects to address human rights risks in the upstream supply chain and beyond our contractual relationships. These cross-industry and, in some cases, raw-material-specific initiatives are listed in our Responsible Raw Materials Report 2020. The Responsible Raw Materials Report 2021 is going to include additional information on the initiatives' goals and the progress of our local projects.

One example of our approach is Volkswagen AG's membership of the Global Platform for Sustainable Natural Rubber (GPSNR), under the umbrella of which we work towards a sustainable natural rubber supply chain.

In the case of the battery raw material cobalt, the Volkswagen Group is working together with other partners in the Cobalt for Development project for improved working and living

conditions for small-scale cobalt miners and their communities in the Democratic Republic of the Congo. The pilot project aims to strengthen compliance with laws and improve health and safety conditions and social well-being for people locally. Additional information is available on the project website.

In the case of the battery raw material lithium, the Volkswagen Group, together with other partners, has created the Responsible Lithium Partnership initiative, which works towards responsible use of resources and sustainable lithium production in Salar de Atacama in Chile. This is to be achieved through a multi-stakeholder platform comprising all the relevant players in the Salar watershed – from civil society groups, including indigenous communities, through government institutions to local mining companies.

Beyond raw material activities, our involvement in the industry-led initiative DRIVE Sustainability under the umbrella of CSR Europe remains key. The development of the common questionnaire standard for auditing sustainability aspects of suppliers was a milestone in this respect, as was the training approach for suppliers pursued jointly with other OEMs via training events in selected countries.

RESPONSIBILITY FOR SUPPLY CHAINS AND BUSINESS KPIS

KPI	Unit	2021	2020	Notes and comments
Direct suppliers	Number	> 60,000	> 65,000	
Countries in which Volkswagen has direct suppliers	Number	almost 100	> 100	
Experts in the Sustainability Procurement Network	Number	> 50	> 50	
Suppliers with completed SAQ	Number	15,532	13,041	
Improvements in suppliers based on the SAQ	Number	6,353	1,369	
Human rights checks				
Companies for which a risk assessment has been conducted in the area of human rights	Number	782	744	
For sites, associated number of countries for which a risk assessment has been conducted in the area of human rights	Number	82	83	
Training and certification				
Suppliers with certified environmental management system pursuant to ISO 14001 and/or EMAS	in %	78	65	
Procurement staff who have participated in training measures on the topic of sustainability	Number	1,900	> 2,000	
Suppliers who have received training on the topic of sustainability	Number	> 1,000	950	
On-site audits (checks)	Number	654	790	
Average breaches of sustainability requirements by region				Excluding on-site checks at logistics service providers
Africa	Number	4	4	The region's top 3 risks: unions, emergency exits, emergency lighting
Asia ¹	Number	7	6	The region's top 3 risks: supply chain management, payment, emergency exits
Europe	Number	5	5	The region's top 3 risks: supply chain management, license to operate, evacuation drills
North America	Number	6	4	The region's top 3 risks: supply chain management, first aid, grievance mechanism
Latin America	Number	5	6	The region's top 3 risks: organization (social facilities), organization (fire safety), supply chain management
Business partner due diligence audits	Number	1,513	1,136	
Suppliers that have completed the e-learning module on sustainability	Number	more than 18,000	11,992	
Corresponding total sales coverage	in %	around 36	17.4	
Existing supplier ratings	Number	12,483	13,041	
of which suppliers with an A rating	Number	3,524	4,093	
of which suppliers with a C rating	Number	91	220	
Revenue percentage of suppliers with S rating in total purchasing volume	in %	around 85	75	

¹ In terms of geographical distribution, Russia and Turkey are allocated to Asia.

KPI	Unit	2021	2020	Notes and comments
Cases from the complaint mechanism	Number	111	34	
Termination of collaboration with suppliers	Number	4	17	
Cases from the complaint mechanism: number by region				
Europe	Number	74	23	
Asia ¹	Number	9	4	
Africa	Number	2	1	
North America	Number	17	1	
Latin America	Number	3	5	
No classification possible	Number	6	–	
Cases from the complaint mechanism: number by context				
Social	Number	26	11	
Compliance	Number	66	16	
Environment	Number	12	1	
Cross-topic	Number	7	6	
Cases from the complaint mechanism: direct supplier				
Yes	Number	70	26	
No	Number	41	8	
List of countries with increased human rights risks identified (top 15 list)				
India				
China				
Turkey				
Russia				
Mexico				
Brazil				
Argentina				
Morocco				
Tunisia				
Bulgaria				
South Africa				
Romania				
Ukraine				
USA				
Serbia				

¹ In terms of geographical distribution, Russia and Turkey are allocated to Asia.