



**Samochody
Dostawcze**

Volkswagen Poznań Sp. z o.o. · ul. Warszawska 349 · 61-060 Poznań · Polska

Slavery and Human Trafficking Statement by Volkswagen Poznań

Sp. z o.o.

(Fiscal year 2020)

This statement has been prepared pursuant to section 54 of the United Kingdom Modern Slavery Act 2015. In particular, it details the measures implemented throughout the Group and the Volkswagen Poznań Sp. z o.o. to prevent forms of modern slavery and human trafficking.



**Samochody
Dostawcze**

Strona 2

Preamble

In view of the advancing globalisation and the increased complexity of our value creation and supply chain, we recognise our global responsibility which includes the protection of human rights. For us, this responsibility does not end at our factory gates, but goes beyond them. Our broad understanding of the topic “Business & Human Rights” has been published under this [link](#) since the United Nations’ International Human Rights Day 2019 (10 December 2019). We have extended and affirmed this understanding and our commitment to the internationally recognised agreements and conventions in the new Declaration by the Volkswagen Group on Social Rights, Industrial Relations and Business and Human Rights. This declaration was published on 8 December 2020 and can be found [here](#).

Organisation and supply chain

Volkswagen Poznań is a limited liability company with its registered office in Poznań, Poland. In organisational terms, Volkswagen Poznań belongs to the Volkswagen Group. Volkswagen Poznań is part of the Volkswagen Commercial Vehicles brand and comprises four production sites, in Poznań and in Września. The product range includes the following vehicles: Caddy, Transporter and Crafter and components for the automotive industry, manufactured in the Volkswagen Poznań foundry. With about 10 thousand employees, Volkswagen Poznań is one of the largest private employers in Greater Poland.

Volkswagen Group

Volkswagen AG is the parent company of the Volkswagen Group. It primarily develops vehicles and components for the Group brands, and also produces and sells in particular passenger cars and light commercial vehicles of the Volkswagen



**Samochody
Dostawcze**

Strona 3

Passenger Cars, Volkswagen Commercial Vehicles and Volkswagen Components brands. In its function as parent company, Volkswagen AG directly or indirectly holds investments in AUDI AG, SEAT S.A., SKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, Scania AB, MAN SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH as well as numerous other companies in Germany and other countries. Detailed information can be found in the list of shareholdings pursuant to sections 285 and 313 of the German Commercial Code (HGB), which can be accessed [here](#) and is part of the annual financial statements.

The production network of the Volkswagen Group comprises 118 locations which produce passenger cars, commercial vehicles and motorcycles as well as powertrains and components. With 66 locations, Europe remains our most important production region for the manufacture of vehicles and components. There are 24 sites in Germany alone. We operate 34 sites in the Asia-Pacific region. There are five sites in North America and nine in South America. The Group operates four sites in Africa.

With its presence in key markets, the Group's global procurement organisation ensures that production materials, assets and services are sourced worldwide in the required quality, in accordance with sustainability standards and at the best possible terms. The competitive advantages of the various procurement markets are utilised by the whole Group as a result of the brands' networking of the various procurement organisations.

For us, global compliance with sustainability standards in areas such as human rights, occupational health and safety, environmental protection and combating corruption is a basic prerequisite for successful business with our suppliers. Only together with our business partners is it possible to ensure compliance with sustainability standards and contribute to the implementation of the UN Sustainable Development Goals (SDGs). To achieve this objective, we implemented



**Samochody
Dostawcze**

Strona 4

the “Sustainability in Supplier Relations” concept as early as 2006 and are continuing to develop it. This concept anchors sustainability in our procurement processes and procurement organisations. In this way, by 2025 we intend to effectively prevent environmental, social and corporate governance risks, including human rights risks, and to ensure that 85% of our direct business partners receive an A- rating in our “Sustainability Rating”. The Volkswagen Group has a globally positioned and growing network of sustainability officers in the Procurement departments of the respective brands and regions. This network currently consists of more than 40 experts and assists the Group in gaining a better understanding of local conditions.

Internal measures

Volkswagen Poznań is part of the Volkswagen Group and fully integrated into Volkswagen AG’s compliance program. Consequently, the Group’s Code of Conduct is obligatory for all employees of Volkswagen Poznań. The integration into the Volkswagen Group additionally enables Volkswagen Poznań employees to access the whistleblower system and the qualification program to support compliance prevention purposes. These measures sensitize employees and business partners of Volkswagen Poznań to comply with the applicable rules within the Volkswagen Group.

General

In January 2019, the Group Board of Management – specifically Hiltrud D. Werner from Integrity and Legal Affairs, and Gunnar Kilian from Human Resources – appointed a Business & Human Rights coordinator, who is part of Group Compliance. Combating modern slavery in our value and supply chain is one of the focal areas of our activities in Business & Human Rights – embodied, for example in the key points of our “Salient Issues in Business & Human Rights”. For us, child



**Samochody
Dostawcze**

Strona 5

labour and forced labour are serious violations of human rights and are therefore in particular prohibited.

Volkswagen Group Code of Conduct¹

The Volkswagen Group updated its Code of Conduct in 2017 and introduced it uniformly to all its brands and companies around the world. The Code of Conduct embodies the ethical principles of the Volkswagen Group and is based on common values, with a focus on honesty, integrity, compliance and ethical behaviour as well as on the subject of responsibility. The Code of Conduct helps employees observe existing company rules at their workplace, as business partners and as members of society, providing them with practical guidance, assistance and advice. The rejection of all forms of modern slavery and human trafficking is an integral part of the Volkswagen Group Code of Conduct. In addition, we base our actions on the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the requirements of the International Labour Organisation (ILO).

The Code of Conduct is available at all times to all employees on the Intranet and also to third parties on the Internet, and is continuously communicated in digital and print media as well as at internal company events. Regular training on the Code of Conduct is mandatory for all employees, regardless of hierarchical level. Additionally, members of the senior management confirm their knowledge and responsibility with regard to the Code of Conduct each year following a risk based approach.

The Volkswagen Group has also specially formulated the Code of Conduct for Business Partners. This details the Group's expectations regarding the attitude and conduct of business partners in their corporate activities, particularly with regard to suppliers and sales partners. The requirements are regarded as the basis for

¹https://volkswagen-poznan.pl/sites/default/files/CoC%20VWN%202020_04%20-%20EN.pdf



**Samochody
Dostawcze**

Strona 6

successfully shaping the business relationship between the Volkswagen Group and its partners. They include observance of human rights, such as the prohibition of child labour, human trafficking and slavery, as well as ensuring environmental protection and preventing corruption.

Volkswagen Group Whistleblower System²

The **whistleblower system** is used for reporting serious rule violations. The violation of human rights is an example of an issue that involves a serious regulatory violation. It enables not only employees, but also business partners and customers around the world to report misconduct by employees any day of the year: written information can be submitted in any language using a specially protected online reporting channel. An international 24-hour telephone hotline is available for reporting information in a total of 17 languages. Information can also be submitted via commissioned external lawyers (ombudspersons). The reports can be made anonymously on all channels, if desired. Strict confidentiality and secrecy are maintained throughout the entire process. The Whistleblower System guarantees the highest possible protection for whistleblowers and affected persons. Discrimination against whistleblowers is a serious regulatory violation and will not be tolerated.

Risk analysis

Within the framework of the established risk management processes, represented by elements including the quarterly risk process and the annual regular GRC process, risk assessments on the subject of human rights are also carried out by the main Group divisions and companies and the countermeasures taken are reported on. Within the annual regular GRC process, the identification of potential risks is

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



**Samochody
Dostawcze**

Strona 7

supported by a list of risk-related focus areas which also includes potential risks from human rights violations. Reports are submitted to the Brand Board of Management, the Group Board of Management and the Audit Committee on a quarterly or annual basis, as well as when required.

In addition, a cross-departmental working group in Group Compliance of the Volkswagen Group developed a concept in 2019 for assessing risk exposures alongside a correlation of country risks and business model risks in the area of “Business & Human Rights” for controlled entities. Based on this, measures that in particular develop viable and uniform structures for this topic are defined for the entities. These measures are integrated in the general measures for traditional compliance topics such as the prevention of corruption and money laundering. These measures were communicated to the entities in the reporting period and will become a mandatory component of the internal compliance risk management process at the end of 2021. For non-controlled companies, with the exception of the Chinese joint ventures, respective compliance risks are assessed individually in close cooperation with our social partners. We rely on the cooperation of these partners. The Volkswagen Group integrates business and human rights into the Group’s existing Compliance Management System in accordance with the UN human rights due diligence guidelines. The Business & Human Rights Centre of Competence advises other business units on human rights issues, ad hoc cases and implementation of legal requirements, especially those related to compliance. This advisory function has been established in the Volkswagen Group since 2020.

Qualification of employees

Preventive measures promote compliance at Volkswagen AG and raise compliance awareness among employees. Target group-oriented communication and training measures for employees at all hierarchical levels play a key role in this. In the reporting period, specific communication and training activities continued to focus



**Samochody
Dostawcze**

Strona 8

primarily on the Code of Conduct, the whistleblower system and the prevention of corruption. The latter is also mandatory for employees and has been rolled out across the Group since 2019. In addition, the Volkswagen Group also trains its business partners in procurement and sales on key aspects of compliance and anti-corruption.

Measures in the supply chain

Volkswagen Poznań accordingly procures to the rules of the Volkswagen Group. With its demands for sustainability in supplier relationships, the Group sets a standard that Volkswagen Poznań has anchored in its procurement process. The procurement process stipulates that, separated according to procurement volume, the processes are conducted through the Group procurement division or the Volkswagen Commercial Vehicles brand's division.

Sustainability requirements of our suppliers (Code of Conduct for Business Partners)³

We want to fulfil our responsibility in our business relations on a global level and act proactively beyond simply meeting legal requirements. In procurement, we pursue a three-pronged approach. The basic prerequisite for these steps is transparency in supplier relationships that go beyond the first level (Tier 1):

- **Prevent:** sustainability requirements are anchored in contracts and specifications, particularly the Code of Conduct for Business Partners; suppliers are fully trained and qualified.
- **Detect:** sustainability risks in the supply chain are systematically identified and prioritised. Sustainability is anchored across the Group in all important

³ https://www.volkswagenag.com/presence/nachhaltigkeit/documents/policy-intern/CodeofConduct_BusinessPartners_V2020.pdf



Strona 9

contract award decisions and a sustainability performance rating of potential suppliers (“S-Rating”) is used. This is based on self-disclosures and risk-based checks on site.

- **React:** various measures are provided in order to respond to the identified risks and effects. These include a standardised process for dealing with violations by individual suppliers and action plans from on-site inspections.

Clear specifications for suppliers (Prevent)

The “Requirements of the Volkswagen Group for Sustainability in Relationships with Business Partners” – the code of conduct for business partners – is a key part of our supplier management system. It is applicable for all suppliers of the Volkswagen Group. Our expectations as regards our business partners’ conduct with respect to core environmental, social and compliance standards are set out contractually there. The requirements are based among others on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant conventions of the International Labour Organisation (ILO). However, the Code of Conduct is not only based on international standards, but also on the Volkswagen Group’s objectives, rules and directives.

The expanded requirements for suppliers specific to the topic of modern slavery are as follows:

“No slavery and no human trafficking – business partners reject all conscious use of forced or compulsory labour as well as all forms of modern slavery and human trafficking. There is no bonded labor or involuntary prison labor. Employment relationships are entered into on a voluntary basis and may be terminated by employees at their own discretion and within a reasonable notice period.”



**Samochody
Dostawcze**

Strona 10

In order to raise awareness among suppliers, we expanded the information and qualification opportunities in 2020. This includes the information on the ONE. Group Business Platform, workshops with suppliers and training courses with the Drive Sustainability Initiative. We will continue these measures in 2021.

Systematic determination of sustainability risks (Detect)

Our aim is to be aware of the sustainability risks in our supply chain at all times and effectively address them. A key measure introduced in 2019 is the sustainability rating (S-Rating), which will be fully integrated by the end of 2021. The S-Rating indicates relevant⁴ suppliers' sustainability performance and opportunities for continuous improvement. It evaluates the ecological performance of suppliers as well as their social sustainability and integrity. The S-Rating is of direct relevance to our direct suppliers in terms of contract awards. If a supplier does not meet our requirements for compliance with sustainability standards, they will generally not be awarded contracts. This is a direct incentive for suppliers to improve their sustainability performance.

The audits for the S-Rating are carried out using a multi-stage, risk-based process. The company's sustainability performance is analysed using a standardised self-assessment questionnaire (SAQ) that was developed together with other European original equipment manufacturers (OEMs). The information and documents in the SAQ are checked and validated by a service provider. If a supplier states that it has specific processes and policies in place, it must provide the documents to prove this. Specifically, a question is asked regarding a human rights policy which includes the topic of "Forced or compulsory labour and human trafficking".

⁴ The relevance of a business partner for the S-Rating comes from factors such as company size or risk exposure, which is derived from the type of service.



**Samochody
Dostawcze**

Strona 11

Using a risk-based approach, further checks are carried out on site after an initial analysis of the supplier's details. If the results of the check show severe deficits in the implementation of our sustainability requirements, the supplier will receive a negative rating. This means that no contract can generally be awarded.

Achieving improvements together (React)

A range of measures are available in order to be able to react to risks identified in the supply chain and to specific violations by suppliers, and therefore to actively effect improvements.

An important part of sustainable supply chain management is our grievance mechanism "Supply Chain Grievance Mechanism", with which we respond to suspected violations of our sustainability requirements that suddenly arise. The case management process was revised and reorganised again in 2020 to become a comprehensive complaint management system. It is accessible via our website, an email address and an anonymised channel and is open to all stakeholders and potentially affected persons such as employees of suppliers, social organisations or representatives of communities in the immediate vicinity of our production sites. The cases are handled according to a binding policy, managed by the Group and processed together with the Volkswagen Group brands and regions. If violations are identified, measures are initiated immediately. If there are particularly serious violations, the business relationship may even be terminated.

Employees and external parties can also report potential violations by our suppliers to the Volkswagen Group works council or trade unions, or use the Volkswagen Group whistleblower system or contact sustainability@vwgroupsupply.com. This concerns possible violations by our direct suppliers as well as by subcontractors in the supply chain. External ombudspersons are another point of contact.



Strona 12

In the reporting period, in addition to 34 cases in the Group that were handled by the Procurement department, measures were also agreed with suppliers by the Group Audit department. These were suppliers where conduct in violation of regulations or contracts had been identified as a result information received or through audits. In total, collaboration with 17 suppliers was terminated or they were excluded from new contract awards following the activities of the Procurement and Audit divisions.

Special due diligence for human rights in the supply chain

As part of our sustainable supplier management, we are particularly committed to protecting those groups that are at high risk of potential human rights violations along our supply chain. To comply with international frameworks and requirements, the Volkswagen Group launched a Human Rights Due Diligence Management System in 2020 to systematically analyse, prioritise and reduce human rights risks in the supply chain.

If human rights violations are identified during on-site visits, a plan of action is agreed with the supplier to remedy the deficits, which must be worked through. If this is not effective, sanctions will be imposed. For violations that are brought to our attention or identified by us through other channels, our complaints process is decisive. Here we enter into an exchange with the supplier on a case-by-case basis and work towards an improvement. If there is no improvement in the case of serious violations, this can lead to exclusion from the supply chain.

Digital innovations for greater transparency and safety in the supply chain

To increase transparency in upstream supply chains and prevent risks in raw materials procurement, the Volkswagen Group asks direct suppliers to disclose the supply chains, and also uses second-party supply chain mapping audits. These risks include forms of modern slavery, for example.



**Samochody
Dostawcze**

Strona 13

Another approach that has been pursued since 2020 is the use of a service provider which comprehensively audits suppliers using artificial intelligence. Constant monitoring of freely available internet sources including social media allows information on possible violations by suppliers to be reported in real time.

Commitment to international initiatives

Working further up the supply chain and beyond contractual relationships requires us to go further. The Volkswagen Group can only achieve this through joint, industry-wide initiatives and cooperation with suppliers in a spirit of partnership. No one is served by aiming to ban as many non-compliant companies as possible from our supply chain or to exclude entire countries of origin from our supply chain. Rather, our ambition must be to work with them to improve sustainability performance.

In our commitments, we seek close cooperation with international organisations. In our supplier management, we therefore implement the OECD guidelines for the responsible procurement of raw materials and the standardised reporting templates issued by the RMI. Our commitment to CSR Europe's DRIVE Sustainability industry initiative is also central to our activities.

Sustainability training for employees and partners

The systematic education and training of our employees and suppliers is a key building block of our strategy and is essential for improving sustainability in the supply chain. We currently use three different formats to do this. First, we regularly conduct face-to-face training around the world. However, since these could only take place to a very limited extent in 2020, we added live online training courses. Thirdly, there are e-learning courses that can be taken online at any time.



**Samochody
Dostawcze**

Strona 14

Sustainability is an established part of the competence profile for all Procurement employees. Around the world, more than 2,000 buyers were trained on this subject in 2020. We also continue to focus our training measures on specific target groups. For example, an intensive, specially structured training course was held for buyers of components with increased sustainability risks. We have been training our buyers on the specific challenges in battery supply chains since 2017. An in-depth human rights training course has been available since 2020. An e-learning system was also introduced in the reporting period. This is available to all employees in Procurement and deals in particular with the sustainability requirements of the Volkswagen Group and how they are reviewed as part of the S-Rating.

To allow continuous supplier development, we usually carry out sustainability training courses and workshops for our suppliers on specific subjects at selected sites. In the reporting period, this was only possible to a very limited extent. We have therefore developed an online training course with shorter sessions to teach suppliers about our requirements and how to implement them. The format was available in English, German and Spanish as of June 2020. Over 950 contractors' employees took up the offer in the reporting period. The training originally planned as part of the DRIVE Sustainability initiative for suppliers in India, Argentina, France and Russia could not be carried out and is expected to take place in 2021.

In addition to the training courses, we provide our current suppliers with an e-learning module on sustainability in nine languages of defined risk countries. The e-learning was completely revised in terms of content and technology in 2020. By the end of the year, more than 11,992 suppliers completed the new e-learning courses, which is equivalent to 17.4% of supplier turnover in terms of procurement volume.

Supply chain progress report



**Samochody
Dostawcze**

Strona 15

Volkswagen Poznań will continue to align to the guidelines and standards of the Volkswagen Group. The sustainable ongoing development of business-partner relationships will accordingly be an elementary feature of Volkswagen Poznań.

As described in the last statement by the Volkswagen Group for the financial year 2019, various measures for preventing modern slavery and human trafficking were implemented in 2020: as well as updating the Code of Conduct for Business Partners, we continued rolling out the sustainability rating implemented in 2019 which also includes human rights risks and has been integrated in the contract award processes for the global procurement organisation.

By the end of the reporting period, more than 13,000 active suppliers in the Volkswagen Group had submitted a sustainability questionnaire (SAQ). In the reporting year, an improvement in the sustainability performance of 1,369 suppliers was achieved through corresponding measures.

In 2020, 790 (2019: 1,331) risk-based on-site reviews were carried out by the Volkswagen Group worldwide. On average, six violations against our sustainability requirements were identified. During the reporting period, an on-site check of logistics service providers was also introduced and piloted, which takes account of decentralised service provision, for example with more employee interviews.



**NUMBER OF BREACHES FOUND WORLDWIDE, PER ON-SITE CHECK
PER REGION AND IDENTIFIED TOP RISKS PER REGION**

| Geographic region | Average breaches per region | The region's top 3 risks |
|--------------------------|------------------------------------|---|
| Africa | 4 | Occupational safety, fire safety, managing complaints |
| Asia* | 6 | Fire safety, occupational safety, working hours |
| Europe | 5 | Fire safety, occupational safety, handling of hazardous materials |
| Latin America | 6 | Fire safety, occupational safety, supply chain management |
| North America | 4 | Fire safety, occupational safety, environment |

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

Volkswagen Poznań Sp. z o.o.

Poznań, June 2021

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