

VOLKSWAGEN FINANCIAL SERVICES

THE KEY TO MOBILITY

Slavery and Human Trafficking Statement by Volkswagen Financial Services (Fiscal year 2023)

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 Volkswagen Financial Services to prevent forms of modern slavery and human trafficking.

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. The broad understanding of Volkswagen Group of the topic “Business & Human Rights” has been published under this link¹ 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” (Social Charta). This declaration was signed jointly by the Volkswagen AG Group Executive Board and the European and Global Group Works Council on 27th of November 2020.²

Organisation and supply chain

The Volkswagen Group is a stock corporation under German law, with headquarters in Wolfsburg, Germany. It is made up of two segments: automotive and financial services. The Financial Services division is concerned with dealer and customer finance, leasing, banking and insurance business, fleet management and mobility services.

Volkswagen Financial Services initiated a corporate restructuring in September 2017. Volkswagen Financial Services Germany has been separated to Volkswagen Financial Services AG with its domestic and non-domestic associated companies and Volkswagen Bank GmbH with its subsidiaries and branches within the EU. Part of the Financial Services Division of Volkswagen AG are, as well as the financial services companies in the USA and Canada that belong directly or indirectly to Volkswagen AG – with the exception of the Financial Services of the Scania and Porsche brands and Porsche Holding Salzburg.

¹ <https://www.volkswagen-group.com/en/human-rights-16108>

² <https://www.volkswagen-group.com/en/policies-16116>

Volkswagen Financial Services AG, with headquarters in Braunschweig, provides leasing, banking and insurance business, fleet management and mobility services. Additionally, Volkswagen Financial Services AG provides the international lending business outside of the EU. The European lending and deposits business is provided by Volkswagen Bank GmbH and its subsidiaries and branches within the EU. On 01.07.2024 a further corporate restructuring will take place, as a result of which the European and non-European business will be separated from each other.

Volkswagen Financial Services AG provides its businesses in following countries: Germany, Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, France, Finland, Greece, India, Italy, Ireland, Japan, Luxembourg, Mexico, The Netherlands, Norway, Poland, Portugal, Russia, Slovakia, Sweden, Switzerland, Spain, South Africa, South Korea, Taiwan, Turkey, the United Kingdom and the USA.

Volkswagen Bank GmbH Group operates in Germany, France, Greece, Italy, The Netherlands, Poland, Portugal, Slovakia, Spain and the United Kingdom.

The companies are collectively referred to below as Volkswagen Financial Services.

In respect of section 54 of the United Kingdom Modern Slavery Act Volkswagen Financial Services AG and Volkswagen Bank GmbH – including associated companies, subsidiaries and branches – are obligated companies as per 31st of December 2023. Volkswagen Financial Services are present in all relevant markets around the world. Currently, the main markets include Western Europe as well as China, Brazil and Mexico.

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. We currently purchase products, services and parts from approx. 90 countries worldwide.

For the Volkswagen Group, 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 the Volkswagen Group suppliers. Only together with our business partners at over 59,000 locations 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 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. 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 70 experts and assists the Group in gaining a better understanding of local conditions.

Internal measures

General

As the very first company listed in the German stock index, Volkswagen AG created the independent function of a Human Rights Officer in August 2022. This position serves as the first point of contact for all human rights related issues from authorities, NGO's and the public. Volkswagen Financial Services also appointed its own human rights officer in December 2022.

One of the substantial tasks of the Human Rights Officer is to monitor the adequacy and effectiveness of risk management under the obligations of the German Act on Corporate Due Diligence Obligations in Supply Chains (known as the Lieferkettensorgfaltspflichtengesetz, abbreviated as LkSG) carrying out the function provided by § 4 (3) LkSG, thus exercising risk-based controls.

In order to avoid both Human Rights and environmental risks, the LkSG specifies several obligations concerning due diligence that companies must adhere to. These obligations include, among others, the implementation of risk analyses, the establishment of preventive measures, the adoption of remedial actions once legal violations have been identified as well as the establishment of a whistleblower system. The effectiveness of measures need to be checked and documented continuously.

The adherence to these obligations applies both to the Volkswagen Group's own business as well as to its supply chain. This supply chain, consisting of direct and indirect suppliers, is both complex and globally spread out due to the diversity of the Volkswagen Group's products.

In 2023, we have again prioritised a focal area in the collaboration with external stakeholders. We support the German Federal government's National Action Plan (NAP), Business & Human Rights. Specifically, since 2020 we have been active participants in the Business & Human Rights dialogue of the automotive industry under the aegis of the German Federal Ministry of Labour and Social Affairs (BMAS). We will continue this dialogue in 2023. Combating modern slavery also plays an important role here.

Following a five-year break, the Volkswagen Group rejoined the UN Global Compact, the largest worldwide initiative for sustainable corporate governance, in 2021 and has been involved in national and international initiatives. We also provide regular reports on how we implement the ten principles of the UN Global Compact in our business practices at group level. You can find our most recent progress report on the UN Global Compact website.³

Moreover, we actively seek dialogue with other stakeholders at group level, such as the Sustainability Council, which has supported Group sustainability activities for over 20 years. The whole panel (DACH, EU) currently includes more than 200 institutions and organisations. Due to the pandemic, we had to

³ <https://unglobalcompact.org/what-is-gc/participants/10041-Volkswagen-AG>

interrupt the dialogue with our stakeholders between 2020 and 2021. We were able to re-establish this dialogue on a smaller scale in the reporting year.

In the future the company will continue to be supported by an independent body. Realigned in terms of personnel and strategy, the future Sustainability Council will support the implementation of the sustainability strategy and the ESG goals in the Group.

Only suppliers who accept our requirements for sustainability and commit to fulfil these are able to enter into a business relationship with the Volkswagen Group. Suppliers who enter into a business relationship with the Volkswagen Group are urged to then pass these sustainability requirements on to their business partners along the supply chain. Together with our business partners, we at the Volkswagen Group reject any form of forced labour and discrimination. The Group takes its corporate responsibility and due diligence obligation to uphold human rights around the world extremely seriously. The work at our factories, sales companies and suppliers is based on our principles, which include respect for minorities, employee representation, and social and working standards. And we expect the same of our business partners around the world.

*Volkswagen Financial Services Code of Conduct*⁴

Volkswagen Financial Services updated its Code of Conduct in 2024. The content of the Code of Conduct is the same in all brands and companies. It 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), as set out in our Social Charta.

No forced labour

Volkswagen Financial Services and the Volkswagen Group rejects forced labour and all forms of modern slavery including human trafficking. This includes, in particular, work carried out involuntarily by people due to intimidation, penalty or threat of being disadvantaged (e.g., debt slavery or involuntary prison labour). Employment relationships are based on voluntary participation and can be terminated at any time by the employees of their own free will and within a reasonable period of notice.

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

⁴ <https://www.vwfs.com/en/corporate-responsibility.html>

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 successfully shaping the business relationship between the Volkswagen Group, Volkswagen Financial Services 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. The requirements for business partners were revised in 2022 and amended to include the requirements of the German Act on Corporate Due Diligence Obligations in Supply Chains.

Volkswagen Group Whistleblower System ⁵

The Whistleblower System is used for reporting Serious Regulatory Violations. The violation of human rights is an example of an issue that involves in principle a Serious Regulatory Violation. Potential violations of the Code of Conduct for Business Partners, including reports on serious risks and violations regarding human rights and environment, including potential cases occurring at Volkswagen Group as well as at direct and indirect suppliers, can also be reported to the Whistleblower System. Employees, as well as business partners and customers, have the opportunity to report misconduct by employees or suppliers around the clock, 365 days a year. In an international 24-hour telephone hotline, information can be reported in a total of 8 languages. In addition, information can also be submitted in person or through commissioned external lawyers (ombudsmen). If desired, the reports can be made anonymously in all channels. Strict confidentiality and secrecy apply throughout the process. The Whistleblower System guarantees the highest possible protection for whistleblowers and all persons who contribute to investigating and remedying misconduct and violations of the rules. Discrimination against whistleblowers and contributors is in principle a Serious Regulatory Violation and will not be tolerated. At the same time, the Whistleblower System safeguards the interests of the Persons Implicated. The presumption of innocence applies to the Persons Implicated as long as a violation is not proven.

Risk analysis

Matters such as risk assessments regarding human rights can be recorded in the established Risk Management and Internal Control System (ICS) processes by the key Group areas and companies. Material business risks are regularly recorded, assessed and followed up with the required countermeasures as part of the quarterly risk process. Control activities are carried out within the annual standard ICS process to minimise litigation risks in material business processes at the Volkswagen Group and are tested for their effectiveness. A standardised risk catalogue is used for this which includes clearly defined control targets. These activities include checks on the specific content of agreements

⁵ <https://www.vwfs.com/en/corporate-responsibility/whistleblower-system.html>

(incl. requirements regarding human rights) in the supply chain and compliance with legal and in-house specifications regarding human rights in the standard ICS. Reports are sent to the brand and Group boards of management and the Audit Committee on a quarterly and annual basis or when the need arises. These reports can also contain risks and material weaknesses in the area of human rights if the degree of materiality for reporting is met.

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 became a mandatory component of the internal compliance risk management process at the end of 2021. For non-controlled companies respective compliance risks are assessed individually in close cooperation with our business 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. In the reporting year, adjustments to the compliance risk management process have been prepared in order to fully comply with the requirements of the German Supply Chain Due Diligence Act (LkSG), which came into force on January 1, 2023.

Qualification of employees

Preventive measures promote compliance at Volkswagen Financial Services 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. The Volkswagen Group reported on the Code of Conduct, Anti-Corruption, and the Whistleblower System training activities throughout the entire reporting year.

New employees at Volkswagen Financial Services are required to complete the online learning programs on the Code of Conduct and Anti-Corruption. Volkswagen Financial Services makes the Code of Conduct available to employees via various internal communication channels. It has been published on the Intranet and the Internet, while all new employees have received their own digital copy.

In addition, the Volkswagen Group also trains its business partners in procurement and sales on key aspects of compliance and anti-corruption. In the financial year 2023, dedicated employee training measures were held on various subjects on Group level. For example: The group wide Code of Conduct training contains a deep dive for the topic human rights as well as the Supply Chain Due Diligence Act ("LkSG"). The Volkswagen Group also continues to pursue the communication strategy it developed the previous year in order to increase the transparency in human rights.

Measures in the supply chain

Sustainability requirements for our suppliers

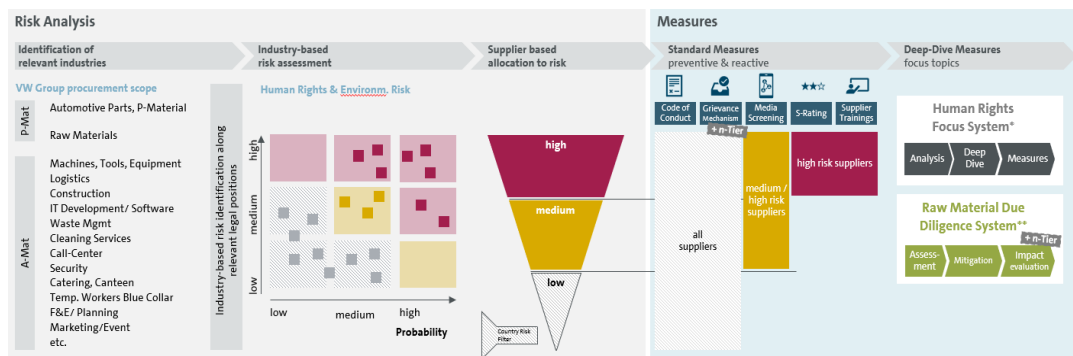
Volkswagen Financial Services does not act as a manufacturer or producer of material goods and has no supply chains in this regard.

Volkswagen Financial Services participates significantly in the procurement processes of the Volkswagen AG. In addition, we use general due diligence by a central procurement department. Before entering a business relationship, we examine the potential risks and integrity of our business partners (Business Partner Due Diligence). In addition, we are implementing the Volkswagen Group measures for sustainable business relationships in order to live up to our responsibility in our business relationships at a global level.

In the reporting year, we also adjusted our management approach in procurement to meet the requirements of the new German Supply Chain Due Diligence Act (LkSG). The previous approach of “prevent, detect, react” was replaced by the responsible supply chain system (ReSC system). The new approach has the aim of avoiding and minimizing human-rights, social or environmental risks along the Volkswagen Group’s supply chain based on a systemic risk analysis. It should also help to mitigate breaches and continuously improve suppliers’ sustainability performance. The ReSC system includes the following elements, which build on each other:

- **Risk Analysis:** A regular risk analysis serves to identify risks in the Volkswagen Group’s supply chain in advance. The analysis is made on the basis of the suppliers’ business models and takes account of internal and external data on human-rights and environmental risks. Based on the assessment of the risks, each supplier is allocated a low, medium or high sustainability risk. For suppliers with a low sustainability risk, a country risk score is additionally used. If the supplier has an increased country risk, it is upgraded to the medium risk category. The risk analysis is updated once a year and/or as required by Group Procurement Sustainability in consultation with relevant parent companies of the Volkswagen Group.
- **Standard measures:** These proactive and reactive measures include the Code of Conduct for Business Partners, the supply chain grievance mechanism, media screenings, the sustainability rating and training suppliers and employees.
- **Deep Dive measures:** These encompass the human rights focus system in the supply chain, the raw material due diligence management system and collaboration with external partners to develop the concept of sustainability in the supply chain.

Responsible Supply Chain System (ReSC-System)



Standard measures: the foundations of our ReSC System

Code of Conduct for Business Partners⁶

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. It sets out our expectations of our business partners’ conduct with respect to key human-rights, environmental, social and compliance standards. 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.

Specifically with regard to modern slavery, the expanded requirement for suppliers is as follows: “Business partners must take appropriate and adequate measures to eliminate debt bondage, forced and compulsory labour, as well as all forms of modern slavery and human trafficking in their own area of responsibility and/or along the supply chain. Business partners ensure that employment relationships are voluntary and allow employees to give notice of their own volition in observance of a reasonable notice period. Employees of business partners are given a contract at the time of hiring that complies with applicable law and is in a sufficiently documented form (e.g., written or electronic), is written in a language they understand and in which their rights and obligations are truthfully and clearly set out. Furthermore, business partners must not mislead or defraud potential employees about the nature of the work, ask employees to pay recruitment fees or inappropriate transportation fees, and/or confiscate, destroy, conceal, and/or deny access to employee passports and other identity documents issued by government and/or restrict the employees’ freedom of movement or require employees to involuntarily use accommodation provided by the company for no operational reason.”

Supply Chain Grievance Mechanism

An important part of sustainable supply chain management is our complaint mechanism “Supply Chain Grievance Mechanism”, with which we respond to sudden suspected violations of our sustainability requirements. The mechanism accessible via the channels of the Volkswagen Group Whistleblower System and is open to all potentially affected stakeholders – such as employees of suppliers, citizens,

⁶ <https://www.volkswagen-group.com/en/compliance-and-integrity-15705>

or representatives of communities in the immediate vicinity of our production locations. The processing of cases is uniformly described in a binding manual and is managed by the Group. Cases are processed together with the brands and regions of the Volkswagen Group. Breaches identified are categorized by their severity to ensure adequate processing. Depending on the categorization of the breach, appropriate measures are then introduced. If there are serious breaches, it is possible to temporarily block suppliers from eligibility for the award of new contracts or to terminate the business relationship with them.

Media screening

Volkswagen Group Procurement Sustainability carries out continuous and risk-based media screening of relevant suppliers⁷ using a software tool. If the tool identifies indications of possible breaches of our Code of Conduct for Business Partners, these are reviewed and, if necessary, processed in the supply chain grievance mechanism.

Sustainability-Rating

Our aim is to know the material sustainability risks in our supply chain and to address them effectively. A sustainability rating (S rating) was introduced in 2019 as a key measure for all relevant companies and suppliers with a high sustainability risk. The S rating is used to audit the sustainability performance of relevant suppliers 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, 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 appropriate processes and guidelines, it must prove this with documents. Specifically, suppliers are asked about a human rights policy that includes the topic of forced or compulsory labour and human trafficking. 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 a contract can generally not be awarded.

Sustainability training for employees and suppliers

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. We currently use two different formats to do

⁷ The relevance of a business partner for the media screening comes from factors such as company size or risk exposure, which is derived from the type of service.

this. One format is live training courses held online, as it was not possible to conduct training courses in person during the reporting year. Secondly, there are e-learning courses that can be taken online at any time. Sustainability is an established part of the skills profile for all Procurement employees. The Volkswagen Group 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. To allow continuous supplier development, we carry out sustainability training courses and workshops for our suppliers on specific subjects. The Volkswagen Group offers online training courses with shorter sessions to teach suppliers about our requirements and how to implement them. In addition to the training courses, we provide our current suppliers with an e-learning module on sustainability, which also includes content on modern slavery, in nine languages of defined risk countries. As part of the DRIVE Sustainability initiative, online training courses were also held in Germany, Italy, Mexico and the USA regarding the specific sustainability challenges by Volkswagen Group in these countries. As part of the initiative, the Volkswagen Group offers our suppliers an e-learning training course so that they receive an introduction to sustainability and managing the n-tier supply chain.

Consolidation measures: additional elements of our RESC System, the Human Rights Focus System

As part of our sustainable supplier management, we are also committed to protecting those groups along our supply chains that may face a high risk of potential human rights violations. To help us comply with international frameworks, requirements and, in particular, the German Act on Corporate Due Diligence Obligations in Supply Chains, the Volkswagen Group implemented a Human Rights Focus System (HRFS) in 2022. This system aims, in particular, to identify and properly address high risks in our supply chain in connection with human rights violations and the environment. In addition, the Group analysed the data collected during the reporting period from our Supply Chain Grievance Mechanism, the on-site checks and information from studies, NGO reports and discussions from stakeholders to come up with a long list of relevant topics. We plan to determine focus activities from this information in 2023 which will be processed over the course of the year. To aid this processing, a toolbox will be developed by the Group with measures to help mitigate risks identified from 2023 onwards.

Supply chain progress report

As described in the last statement by the Volkswagen Group for the financial year 2022, various measures for preventing modern slavery and human trafficking were implemented in 2023. A central component was updating the Code of Conduct for Business Partners. Many suppliers had submitted the sustainable questionnaire by the end of the reporting period. In the year under review, measures took place at suppliers to improve sustainability performance. In 2023, risk-based on-site checks were carried out worldwide by the Volkswagen Group and violations against our sustainability requirements were identified. There are clear differences depending on the region. Measures such as the Corrective Action Plan (CAP) or a new audit can be implemented depending on the violation in question.

In the coming year, we will continue to expand our activities to implement sustainability in our supply chains. To this end, we are taking steps in line with the processes of Volkswagen AG to map our supply chains even better. Our aim is not only to identify risks in the future, but also to continuously minimise them using various instruments such as auditing, certification, and qualification. To this end, we are taking steps to structure our processes relating to human rights due diligence even more systematically. The objective is to identify, prioritise and then prevent or mitigate our sustainability risks comprehensively. This aim fundamentally applies to the entire supply chain. We report on our objectives and activities and the progress of the management system in context of the Volkswagen Group Sustainability Report.⁸

Braunschweig, June 2024



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⁸ <https://www.volkswagen-group.com/en/reporting-15808>