

ESG Conference 2021: Company Perspectives on Business and Human Rights

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Volkswagen Group

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PUBLIC

Historical Obligation: Human Rights at Volkswagen

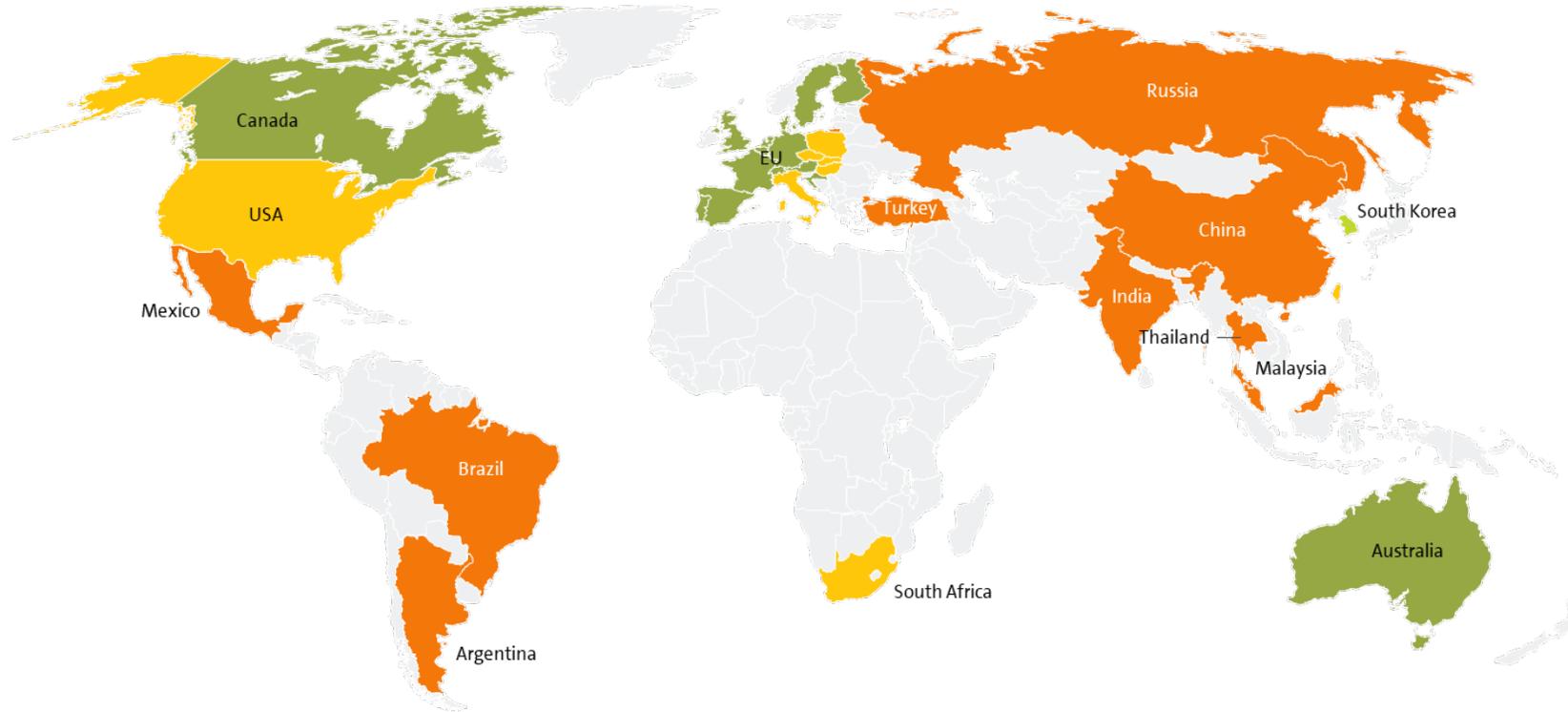


Forced labourers without protective clothing in Wolfsburg producing military equipment in 1942



Place of remembrance in Wolfsburg plant

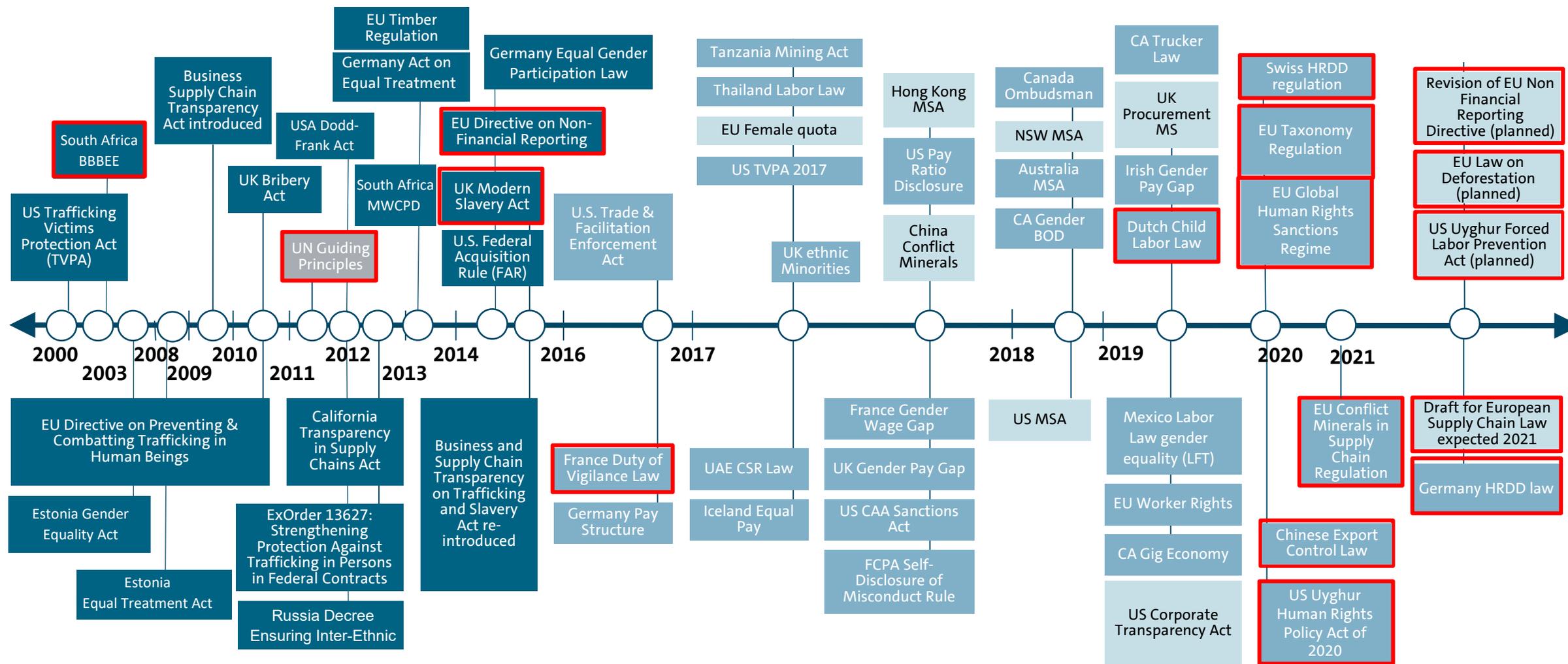
Risk based obligation: Volkswagen production plants mainly in risk countries



Maplecroft business & human rights
upfront country risk categories:

- Low (>7.5-10)
- Medium (>5-7.5)
- High (0-5)

Legal obligation: Human Rights Due Diligence Legislation is developing from soft law to hard law



Source: Based on GBI
Key: ■ 2000-2016 ■ 2016-2021 ■ Proposed law

German Due Diligence Law binding from January 2023, European law in process

German Legislation

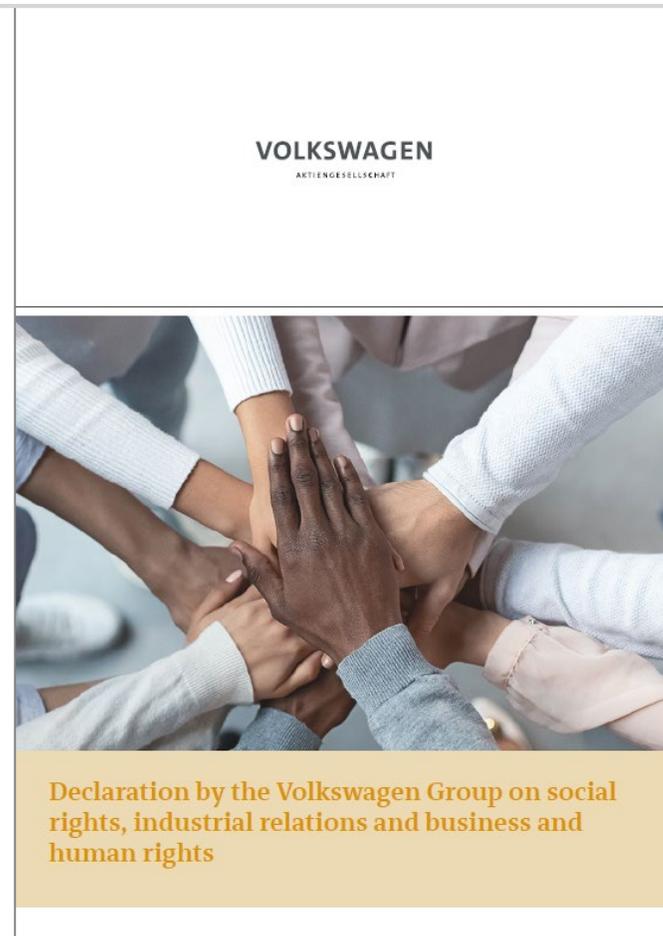
- Government bill passed the federal cabinet on March 3rd 2021
- First Reading in „Bundestag“ in April 2021
- Passing of the law July 2021
- The law shall enter into force by January 1st 2023.

European Legislation

- *European Parliament*: Recommendations & Report on March 11th 2021
- *European Commission*: First draft planned approximately around June 2021

Our new Social Charta anchors fundamental social rights and principles

- **Name includes declaration of business human rights:** „Declaration by the Volkswagen Group on social rights, industrial relations and business and human rights”
- Explicit **commitment** by the Volkswagen Group to **corporate human rights responsibilities** and the respective international **conventions and declarations**
- **Binding basis** for social and industrial relation **for the Volkswagen Group**, internal and external, including suppliers and other business partners as well as third parties
- Detailed presentation of principles and objections, this means the international recognized human rights are applied to the Group and accepted
- **Use of compliance management systems** for implementing this declaration
- **Guidelines for implementing** the declaration are explicitly stated and responsibilities are explained
- Enlarging the scope to VW AG and **all controlled entities** within the Group, additionally promotion in non controlled organisations



Main BHR content and principles are condensed in the Volkswagen Group's Salient Business and Human Rights Issues alongside our business



Salient Business and Human Rights Issues

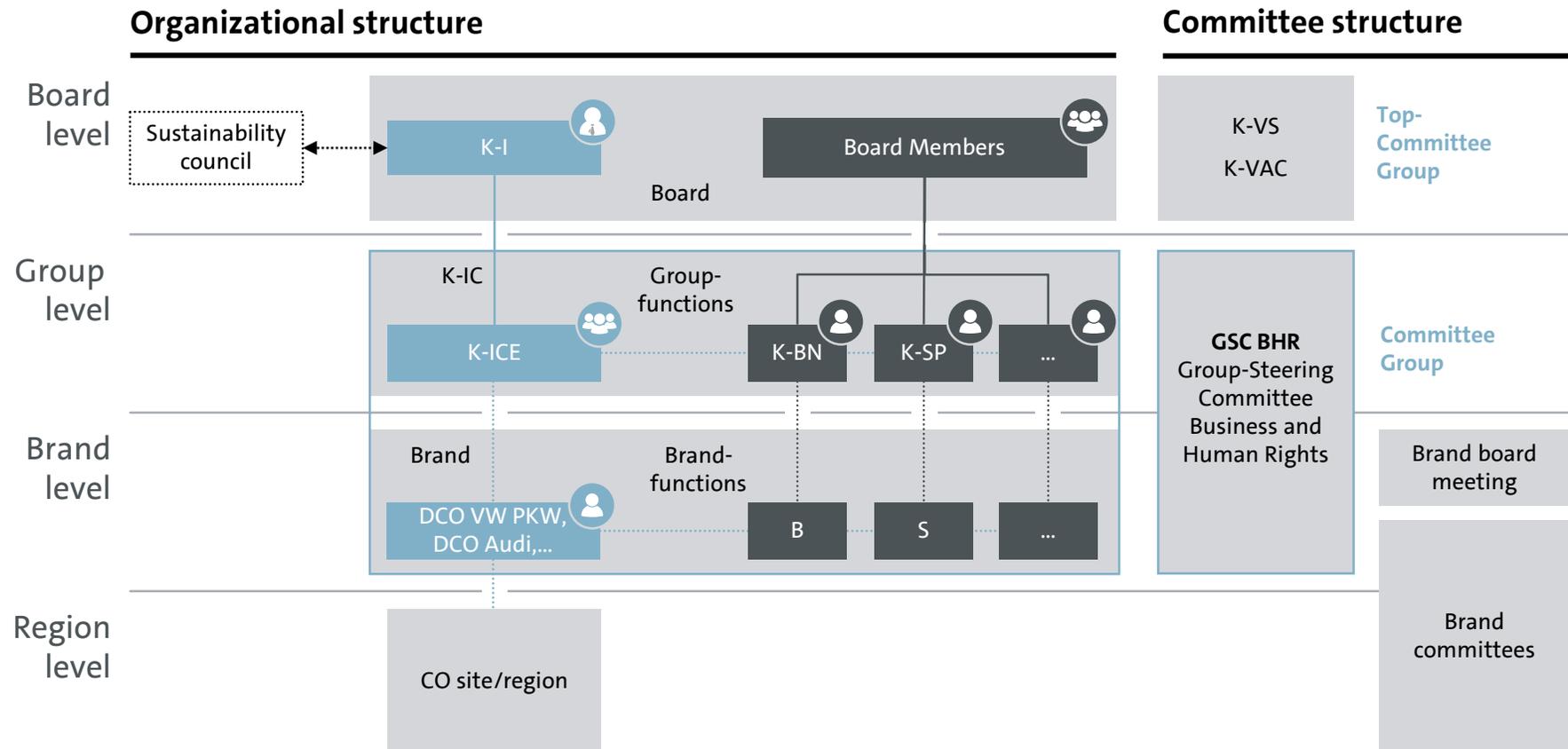


Human Rights at Volkswagen

Volkswagen defined the salient issues for business and human rights



The organizational structure ensures consistent Business and Human Rights Management in the Volkswagen Group



Strengthening of the organizational structure through:

01 | K-ICE is the accountable person for business and human rights

02 | GSC BHR as the Steering Committee Group

03 | Codification of roles, that are established in daily common practice

Chairman of the board
 Board members
 Brand Sustainability Manager
 Group Sustainability (K-GGS)
 Group Function Sustainability Manager
 Exchange/consulted
 Steering of cross-functional matters
 Steering of function-specific matters
 Exchange through core processes of sustainability
 Exchange on function-specific matters



Business and Human Rights integrated in Policies and Processes

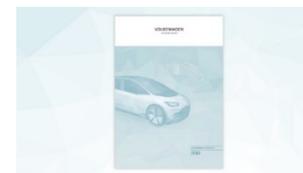
1 Volkswagen policies protecting human rights



Together with our social partners



2 Human rights as part of our sustainability reporting



3 Collaboration with **stakeholders** on human rights



4 **Grievance Mechanisms** for human rights violations with the Volkswagen Whistleblower System

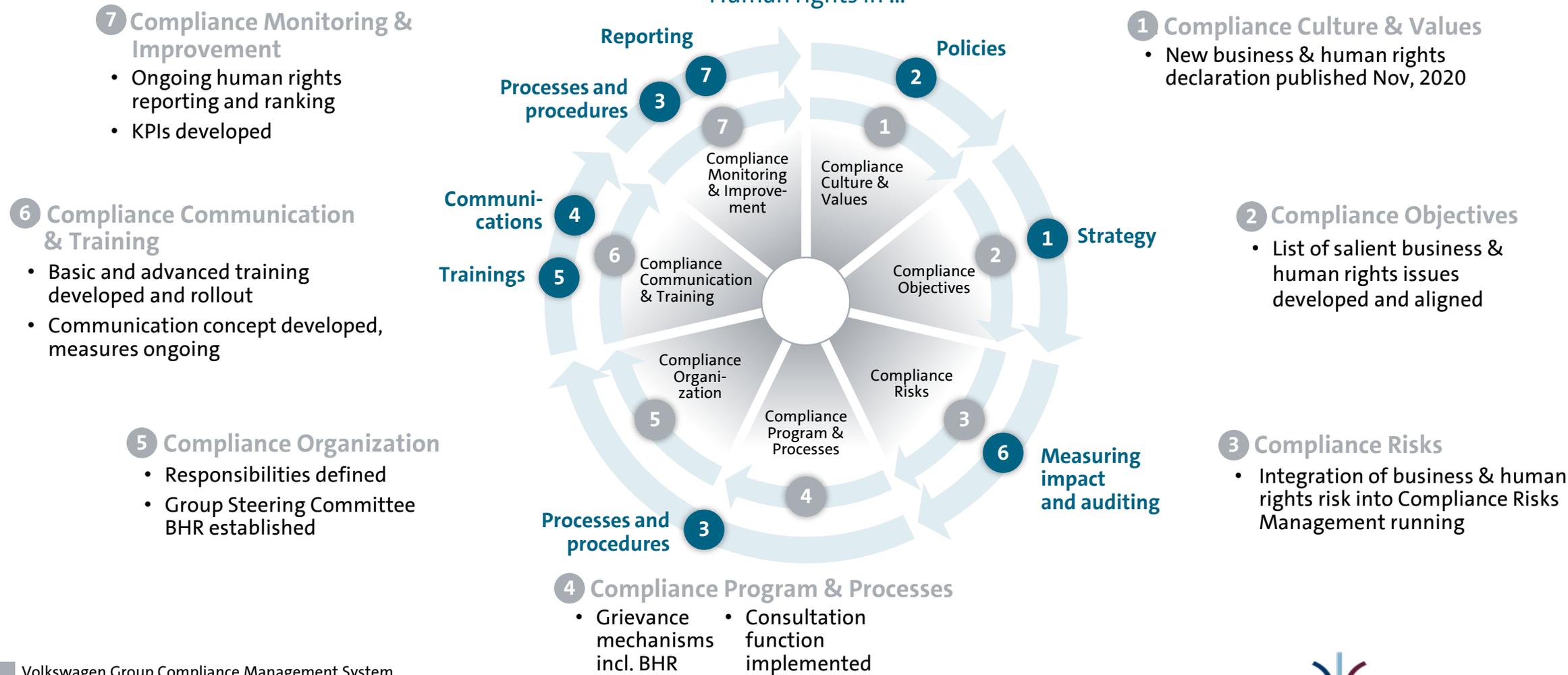


5 Integration into the Volkswagen **Compliance Management System** alongside with the UN Guiding Principles



Implementing business & human rights according to UN guiding principles

Using the existing compliance management system to boost business and human rights

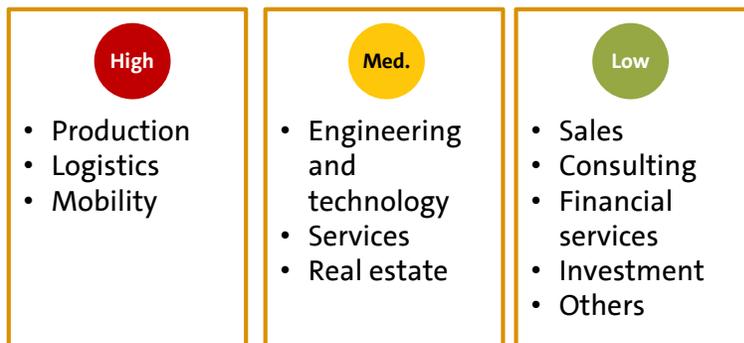


■ Volkswagen Group Compliance Management System
■ UN Elements of Business & Human Rights due diligence



Starting point is a Business and Human Rights Risk Assessment, correlating both country and business model risks

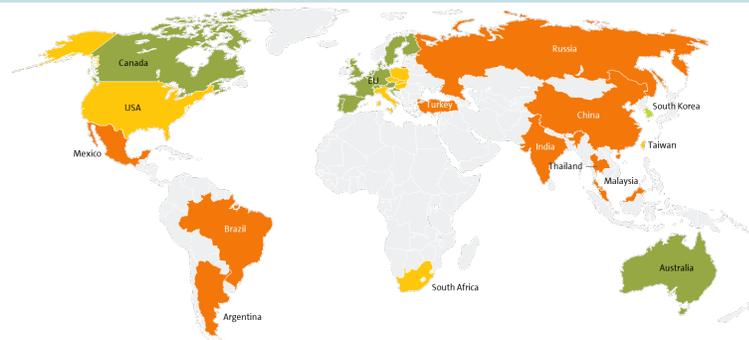
Business Model Risk



Compliance Scope 2020: 782 Entities

- **Status:** Compliance scope
- **Legal status:** Registered or in formation, but not in liquidation
- **Country information:** Especially business & human rights country risks
- **Business models:** Classified regarding higher human rights risk exposure, category overview:
- **Additionally:** New entities in high risk countries increase scoring

Country Risk based on Maple Croft's meta Index

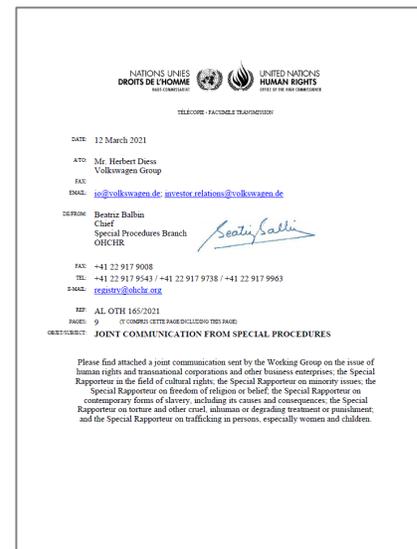


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Continuous Dialogue with Stakeholders: Request from the „Office of the High Commissioner for Human Rights” (OHCHR)

- Questions regarding BHR activities in China and XUAR were sent out to Volkswagen and further German and European companies with business activities in Xinjiang
- Request answered and active exchange on the topic between Volkswagen and OHCHR
- Active and transparent dialogue honoured by OHCHR
- Request and our answer are published on the UN Website [AL OTH \(165.2021\) \(ohchr.org\)](https://www.ohchr.org/AL/OTH/165.2021)



1. Please provide any additional information and/or comment(s) you may have on the above-mentioned allegations.
2. Please provide information as to whether your company has undertaken human rights due diligence steps, as set out in the United Nations Guiding Principles on Business and Human Rights, to identify, prevent, mitigate and account for human rights abuses caused by or contributed to through your own activities, or directly linked to your operations, products or services by your business relationships. This includes the exercise of adequate oversight and human rights due diligence across your supply chains in order to prevent and mitigate impact on the enjoyment of human rights of Uyghur and other minority workers, including their right to freedom of movement and protection from forced labour, trafficking in persons and other contemporary forms of slavery.
3. Please explain what monitoring and evaluation systems your company has in place to ensure the effectiveness of human rights due diligence steps taken to mitigate and prevent human rights abuses, including forced labour, trafficking in persons and other contemporary forms of slavery as described in this letter and other related human rights violations, throughout your business operations. In particular, please provide information on whether your company has put in place "cascading" requirements that reach down to your suppliers, such as human rights risk assessments that would cover all tiers of suppliers as recommended in the 2018 report of the Working Group to the General Assembly.
4. Please explain what measures have been adopted to ensure that staff of your company as well as your business partners have adequate awareness, knowledge and tools to identify and report human rights abuses, including those alleged in the present letter, throughout your operations.
5. Please explain what concrete steps have been taken by your company to exercise leverage, in line with the UN Guiding Principles, in your business relationships to prevent and mitigate human rights abuses committed by businesses employing workers belonging to Uyghur and other minorities.
6. Please provide information on whether your company has reported any such alleged human rights abuses in the present letter to relevant authorities, including in countries where your company is incorporated or domiciled. Moreover, what steps has your company taken, or is considering to take, to avoid potential complicity in such alleged business related human rights abuses?
7. Please advise how your company provides for, or cooperates in the remediation of adverse impact on human rights of Uyghur and other minority workers through legitimate processes if it has caused or contributed to such impact. This may include establishing or participating in effective operational-level grievance mechanisms.

Please provide specific information about any procedures in place to ensure participation of workers and their representatives in the establishment and operationalization of such mechanisms.

8. Please provide information, if any, on cooperation your company may have had with local civil society actors and/or relevant state authorities to ensure that your company's grievance mechanisms are aligned with the national mechanism to address such business related human rights violations.

This communication and any response received from your company will be made public via the communications reporting website in 60 days. They will also subsequently be made available in the usual report to be presented to the Human Rights Council.

We may publicly express our concerns in the near future at, in our view, the information upon which the press release will be based is sufficiently reliable to indicate a matter warranting immediate attention. We also believe that the wider public should be alerted to the potential implications of the above-mentioned allegations. The press release will indicate that we have been in contact with your company to clarify the issue(s) in question.

Please note that letters expressing similar concerns are also sent to the Governments of China, United Kingdom of Great Britain and Northern Ireland, United States of America, Switzerland, Sweden, Spain, Republic of Korea, Japan, Italy, Germany, France, Finland, Denmark and Canada, as well as to other companies involved in the above-mentioned allegations.

Please accept, Mr. Herbert Diess, the assurances of our highest consideration.

Duarte Pesce
Chair-Rapporteur of the Working Group on the issue of human rights and transnational corporations and other business enterprises

Karima Benoume
Special Rapporteur in the field of cultural rights

Fernand de Varennes
Special Rapporteur on minority issues

Business & Human Rights @ Volkswagen Group at a glance

- Volkswagen takes its responsibility for Human Rights seriously
- Organizational Structure ensures consistent BHR Management in the Volkswagen Group – from Group Board to regional level
- Volkswagen specific salient Issues defined
- BHR integrated into compliance management system
- Risk Human rights assessment for almost Group 800 entities run, risk specific mitigation measures rolled out; binding from January 2022

- Continuous transparent communication and dialogue with stakeholders on BHR topics
- Active engagement in BHR initiatives, such as German Sector dialogue of the German Federal Government or Global Business Initiative for Human Rights (GBI)



Thank you