

Questionnaire: Extractive sector, just transition and human rights

State duty to protect human rights

2. Are you aware of any measures, both mandatory and voluntary, at national, regional, and international levels to foster business respect for human rights in the extractive sector, especially in the context of energy transition plans, programs and activities? If so, are these measures effectively enforced and do they provide the necessary coverage in light of evolving circumstances, including energy transition plans? Is greater clarity necessary in some areas of law and policy? What measures may reasonably correct this situation?

Volkswagen Group shares the conviction that the business community must contribute within its means to anchor human rights and environmental standards in global supply chains. Volkswagen Group has implemented several processes, directives and measures to that effect, and has established supplier standards to which it holds itself and its business partners accountable (please refer to question 10). We have implemented and continuously strive to improve our processes to ensure respect for human rights and environmental standards – based on a risk-based approach.

Against that background, Volkswagen Group supports a harmonization of sustainability due diligence legislation on an international level. Furthermore, the exchange between companies on strategic orientation might help in case of far-reaching topics. It would be helpful to define what an acceptable and public audit could be to include in company decisions. In this respect the scope definition of future regulations should lead to a manageable complexity, focus and measures taken by a company. A limitation of the scope to the **supply chain** – comparable to the German Act on Corporate Due Diligence Obligations in Supply Chains (also known as the Lieferkettensorgfaltspflichtengesetz) - would help to focus. In our opinion a clear legal framework would be useful ensuring as much consistency as possible, not leading to a regulatory patchwork.

7. How can energy transition policies, programs, plans and activities in one State have adverse human rights impacts outside of their territory or jurisdiction (including supply chain issues and sourcing)? What measures may reasonably correct this situation?

The energy transition plans and activities will result in an increasing demand of primary raw materials (such as iron, rare earth, silver indium, copper, etc.). Large amounts of raw materials are mined in developing countries, often also in politically unstable regions. The increased demand for raw materials mined in these regions can result in a higher risk of human rights violations when conveying and processing these raw materials (i.a. child labour, exploitation, discrimination).

There are reasonable measures states can implement to reduce the adverse human rights impacts outside of their territory:

- The implementation of **human rights policies** for upstream supply chain activities (e.g. German Act on Corporate Due Diligence Obligations in Supply Chains, also known as the Lieferkettensorgfaltspflichtengesetz)
- **Recycling and resource efficiency** should be increased, supported and promoted through political measures. Recycled waste can and should play an important role in our economy, since waste products represent an immense source that can be used reasonably.
- States should enable **international cooperation** through multilateral investment and lending policies and provide technical assistance that serves the development of renewable energy and its infrastructure worldwide. The development of renewable energy can contribute to positive impacts for local communities, including improving health, environment and energy access.

Corporate responsibility to respect human rights

9. What roles should business enterprises in the extractive sector play to integrate human rights into ongoing energy transition plans and programs to address adverse human rights impacts? Please provide examples if possible.

In general, enterprises should integrate the necessity of protecting and promoting human rights in their business models. As for Volkswagen Group we have implemented a risk management system in order to avoid both human rights and environmental risks (please refer to question 10). Furthermore, as a German company we have a legal obligation and interest in a human rights integration due to the Lieferkettensorgfaltspflichtengesetz (please refer to questions 2 and 7).

10. Are human rights provisions, for example in existing concessions, contracts, and bilateral investment treaties, effective in encouraging businesses in the extractive sector, including investors, to respect all internationally recognized human rights? If not, what should be done to strengthen their efficiency?

Volkswagen Group has implemented a risk management system with proactive and reactive measures both contractual and factual covering our supply chain including the extractive sector in order to safeguard human rights and environmental protection.

As for proactive measures, our relevant business partners will need to pass through a due diligence process which results in a **sustainability rating**: This is a Group-wide tool used to assess the sustainability performance of suppliers in the fields of the environment, social and integrity and to mitigate risks. It is directly relevant to awarding contracts. The core element of our supplier management is the **Code of Conduct for Business Partners** which sets out our expectations of our business partners' conduct with respect to key human-rights, environmental, social and compliance standards. Before submitting a quote, our suppliers must confirm that they accept our sustainability requirements in the Code of Conduct for Business Partners. We also call

on our direct suppliers to pass our requirements set out in the Code of Conduct for Business Partners down along their supply chain.

As for reactive measures Volkswagen Group carries out continuous and risk-based **media screening** of relevant suppliers 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 our **supply chain grievance mechanism** which is used to process information on human-rights and environmental risks and on breaches of human rights or environmental obligations by the Volkswagen Group's direct or indirect suppliers. The mechanism is accessible via the channels of the **Volkswagen Group's whistleblower system** and is open to all potentially affected stakeholders – e.g., employees of suppliers, civil society players or representatives of affected communities. 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.

In short: Direct and indirect suppliers would risk their business relation with Volkswagen Group in case of violations of human rights and the environment.

11. Have you seen extractive sector investors play a role in preventing and mitigating, or in exacerbating, negative impacts of energy transition efforts on human rights? Should investors be required to conduct gender responsive HRDD in meaningful consultation with local communities, civil society organizations, Indigenous Peoples, and human rights defenders? What remediation responsibility should investors have?

Investors should be required to conduct HRDDs prior to taking on extractive sector projects.

Human-rights-related risks are often highest at the beginning of the supply chain, i. e. at mining and crude processing level. In order to identify, assess and mitigate those risks, Volkswagen Group has implemented a Raw Materials Due Diligence Management System that currently covers 16 high risk raw materials. One current counter measure is a supply chain mapping and audit program that we conduct in cooperation with our battery suppliers. As a result of the audits, corrective actions are derived and tracked. Also, in 2022 we have joined the IRMA initiative with the plan to implement IRMA audits, starting in our battery supply chain.

Volkswagen Group committing to IRMA or similar standards (such as Copper Mark or ASI) and making them a raw material sourcing requirement contributes to risk prevention and mitigation in the extractive sector.

13. Should concessions, contracts, and legislation require all business enterprises producing, purchasing, processing, and distributing transition minerals to apply and implement human rights-based impact and risk assessments and due diligence standards, including gender-re-

sponsive HRDD and heightened HRDD for conflict-affected areas? If so, how could such processes ensure meaningful participation of impacted communities, particularly vulnerable and historically excluded groups?

Volkswagen Group believes that it is necessary to introduce a uniform standardized certification that is accepted and trustworthy to increase transparency and accountability in the raw material supply chains.

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.

14. How could extractive sector associations, higher education institutions and other stakeholders promote awareness and encourage human rights-compatible business practices (e.g., addressing greenwashing and green scamming practices)?

Volkswagen Group likes to share our opinion that institutions and stakeholders successfully promote awareness and are able to encourage human-rights compatible business practices via the use of media and direct dialogue with the business. We welcome external input and we foster a regular dialogue and contact with various stakeholders, NGOs and international organizations including the UN via our participation in the roundtable for responsible business in challenging contexts.

Good practices and other comments

19. Please provide examples of good practices regarding the integration of human rights issues in the extractive sector in the context of the energy transition.

Volkswagen Group has triggered several initiatives in the last years which could be seen as good practice:

- We engage with our suppliers – from the battery cell manufacturer to the mine site – to promote responsible sourcing and mining through credible certification schemes. As a major step toward this goal, we made the decision to join the Initiative for Responsible Mining Assurance (IRMA) to leveraging the IRMA Standard to advance responsible social and environmental performance on mine sites, with an initial focus on EV battery materials.
- As an active member of Drive Sustainability, we contributed to the development and launch of the Raw Material Outlook Platform, a major resource for automotive companies and other interested stakeholders to identify risks in global raw material supply chains and find collaborative actions to manage them.

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- In 2021, Volkswagen Group joined the pledge for a moratorium on deep sea mining, which poses potentially severe environmental risks, and committed to exclude any raw materials linked to this mining method from our supply chains.
- We also like to point out the positive outcomes from some of our on-the-ground projects, which support local communities affected by cobalt and lithium mining in the Democratic Republic of Congo and Chile. These projects, implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) were aimed to mitigate risks associated with labor, health & safety and water conservation.

For further reference we invite you to have a look at our:

- Responsible Raw Material Report:
<https://www.volkswagenag.com/de/news/2022/05/volkswagen-publishes--responsible-raw-materials-report-2021.html>
- Sustainability Report:
<https://www.volkswagenag.com/en/sustainability/reporting.html>