

VOLKSWAGEN

AKTIENGESELLSCHAFT



Sharing the Challenge.

Sustainability in Supplier Relations



Information on the Internet

Group Sustainability Portal
volkswagenag.com/sustainability

B2B Supplier Platform
vwgroupsupply.com

2013 Sustainability Report microsite
sustainability-report2013.volkswagenag.com

2012 Sustainability Report microsite
sustainability-report2012.volkswagenag.com

Volkswagen Brand Environmental Portal
volkswagen.com > Company > Responsibility

Publication distribution service
volkswagenag.com > Publications

Sharing the Challenge.

Sustainability is more than a current trend. Sustainability is a task we must undertake together in the interests of society at large.

Volkswagen was quick to recognize this fact. As early as the mid-1990s we began communicating ideas to our suppliers on how we could optimize our common value chain in ecological and social terms as well. Then, together with our suppliers, we took a further step with the introduction of global environmental and social standards. With the “Sustainability in Supplier Relations” concept, ever since 2006 the Volkswagen Group has been ensuring that production- and site-related environmental and social standards are integrated into the development process in which it partners with its suppliers. This approach is based on recognition of the simple fact that responsible behavior and commercial success are not mutually exclusive but actually foster one another. Because an environmentally aware and socially engaged supplier is a good and reliable partner in economic terms as well; a partner who will help safeguard our common future.

The three key elements of our sustainability concept are early warning methods, requirements in terms of environmental and social standards, and communication with suppliers. Online tools are becoming increasingly important here: eLearning in the context of the Sustainability in Supplier Relations concept helps provide not only our own employees but also those of our

suppliers with comprehensive and more in-depth knowledge of our Sustainability Requirements.

The main forum here is our Group Business Platform, which provides a rich source of helpful information for our partners in their sustainable everyday work. This includes environmental data, standards, certificates and reports, information on recommended and prohibited materials, as well as the latest news and product-related specifications for components and modules.

This brochure is designed to provide an overview of the Sustainability in Supplier Relations concept. At the same time, it serves as a guideline for the activities of our business partners and explains why responsibility cannot be allowed to stop at the factory gates. With this as our credo, we face up to the major global challenges of our age – and ideally, we do so together.

Sincerely,



Dr. rer. pol. h.c. Francisco Javier Garcia Sanz
Member of the Board of Management of Volkswagen AG,
with responsibility for ‘Procurement’



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The Concept: Reaching Goals Together.

By 2018 the Volkswagen Group aims to be not only the most profitable and fascinating automobile manufacturer in the world, but above all the most sustainable. In this context, sustainable relations with our suppliers are decisive.



Sustainability is the key to success. And for Volkswagen, sustainability does not stop at the factory gates. We want to shoulder responsibility together with our suppliers – in the interests of a successful future, of a fair and caring society, and last but not least of the environment.

The Sustainability in Supplier Relations concept will help us reach these goals. Our aim here is to safeguard our future success and share it with our suppliers. With this in mind, we have based the concept on four strong pillars:

- > Sustainability Requirements for suppliers that have to be acknowledged by all suppliers before submitting a quotation. No company can submit a quotation without acknowledging these requirements.
- > Contractual integration of the Sustainability Requirements into the procurement process. In addition, suppliers are again requested to specifically acknowledge the sustainability requirements.
- > An early warning system for identifying and minimizing risks along the supply chain.
- > Supplier monitoring and development.

Underlying documents

The foundations for the Sustainability in Supplier Relations concept are provided by the “Volkswagen Group requirements regarding sustainability in its relationships with business partners (Code of Conduct for Business Partners)”. These set out the Group’s expectations concerning its business partners’ conduct with regard to central environmental and social standards. They, in turn, are based on documents such as the Principles of the United Nations Global Compact, the International Chamber of Commerce’s Business Charter for Sustainable Development, and the relevant conventions of the International Labour Organisation. These principles are supplemented by Volkswagen’s Environmental Policy, the resulting environmental goals and requirements, the Group’s Quality Policy and the Volkswagen Declaration on Social Rights. The Code of Conduct helps to master the legal

Environmental protection and occupational health and safety – just two of many aspects that make up Sustainability in Supplier Relations.



and ethical challenges of business relations. The Volkswagen Group expects its business partners to comply with its Code of Conduct.

Environmental standards

Integral parts of the contract and co-valid contractual documents include VW Norm 01155 and VW Norm 99000. VW Norm 99000, for example, explicitly standardizes requirements relating to environmental impact, recyclability and prohibited materials. Furthermore, Volkswagen requires its major suppliers to have a certified environmental management system in place in accordance with ISO 14001 and/or EMAS. As part of the environmental certification and auditing of the Volkswagen AG locations, regular checks are made on the environmentally relevant suppliers and service providers working on the factory sites.

Social standards

In respect of social standards too, Volkswagen requires its suppliers to make a clear commitment to internationally accepted standards. This includes a ban on all forms of discrimination, forced labor and child labor, and establishes the right to freedom of association.

The standards inherent in a modern employment policy are also of central importance to Volkswagen as a means of supporting sustainability in the supply chain. These include appropriate compensation that corresponds at the very least to the legally valid and guaranteed minimum. They also include working hour regulations that correspond at least to the respective national legal standards or the minimum standards of the respective national economic sectors – something that also applies in terms of occupational health and safety. Here Volkswagen expects its partners to at least comply with the respective national standards for a safe and hygienic working environment.

Ethical foundations

Volkswagen stands for honest and legally compliant business practices. This standard is also expected of our business partners, particularly where environmental protection, occupational health and safety, and employee rights are concerned. For Volkswagen, the observance of internationally recognized human rights forms the basis of all business relations. Volkswagen has set up a central email address for complaints regarding actual or

suspected violations of human rights in the supply chain at sustainability@vwgroupsupply.com

The values underlying our collaboration are integrity, fairness, transparency and partnership. The Group rejects any behavior that is corrupt or damaging to the Company in everyday transactions. Suppliers are expected to accept full responsibility for ensuring fair and genuine competition, while observing competition law and antitrust legislation.

The Volkswagen Group reserves the right to have compliance with the Sustainability Requirements verified by experts at the business partner’s premises during regular business hours. In addition, the Volkswagen Group expects its business partners to ensure that their suppliers also comply with these requirements. In cases of suspected non-compliance and in the course of random inspections, the Volkswagen Group requires appropriate documentation of the measures taken in this respect.

Concrete requirements

For our suppliers, the Sustainability in Supplier Relations concept takes the form of the following process:

Group Business Platform: Registration on the central portal: www.vwgroupsupply.com

Contractual integration of the Sustainability Requirements for suppliers.

Questionnaire: Complete the sustainability questionnaire. This is posted on the Group Business Platform as a to-do task. In cases where there is reason to suspect non-compliance, in the event of possible deviations from the Volkswagen Sustainability Requirements or if the questionnaire is not completed satisfactorily, the supplier is contacted and a written statement requested. Expert teams evaluate this statement and, in a dialogue conducted in a spirit of partnership, ensure effective long-term supplier development.

Sustainability training module: In the interests of an ongoing supplier development process, Volkswagen makes a digital eLearning module on sustainability available to its suppliers. The module can be called up in nine languages on the Group Business Platform. At the supplier’s request Volkswagen makes this tool available not only to the supplier employee responsible but also to his or her staff. In the eLearning module the user first learns useful information about the Volkswagen Sustainability



Analyze, prevent, check: The aim of the Sustainability in Supplier Relations concept is always to engage in partnership-like dialogue with the supplier.



Requirements. Via the “To Do” function on the Group Business Platform the supplier is invited to work through the module. After completing this task, the supplier has to perform a self-check. The sustainability learning module is not regarded as “passed” until this check is successfully completed.

Internal implementation

Sustainability in supplier relations only works if all concerned pull in the same direction. With this in mind, Volkswagen makes sure to inform all its employees accordingly, raising awareness and organizing training and information events worldwide. In addition, new Procurement employees learn about the Sustainability in Supplier Relations concept in a special induction program.

In view of the above, Volkswagen particularly appreciates suppliers who are willing to share with the Company in bearing responsibility. The Company rewards very intensive and vibrant partnership with the Volkswagen Group Award. The award goes to suppliers who, among other things, have achieved outstanding success in the fields of sustainability and the environment.

Comprehensive dialogue

All the concept’s structures and modules are regularly reviewed – not least in exchanges with other organizations and companies

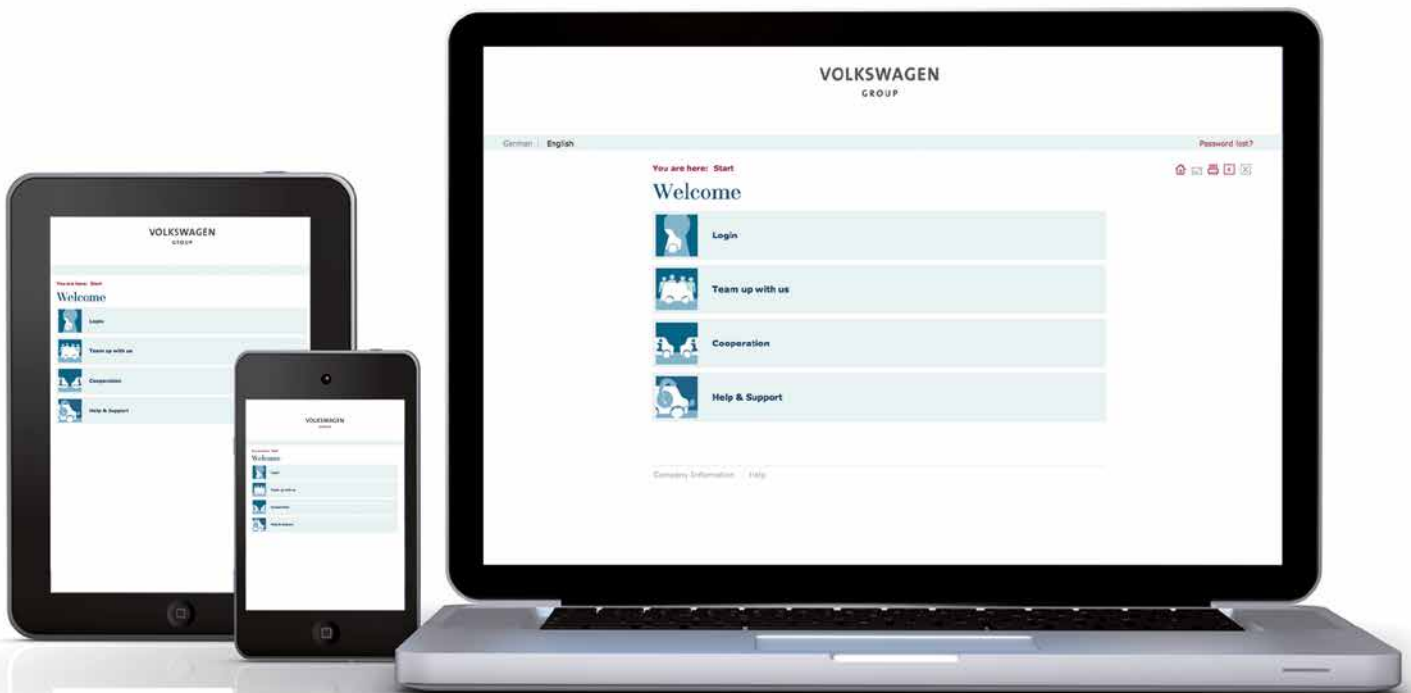
including the Forum for Sustainable Development of German Business (econsense), the German Automobile Industry Association (VDA), the Extractive Industries Transparencies Initiative (EITI) and the European Automotive Working Group on Supply Chain Sustainability (coordinated by CSR Europe). Based on the findings of this international dialogue, concrete changes to the concept are then discussed.

Worthwhile engagement

The Sustainability in Supplier Relations concept clears the way for sustainable mobility across the full life cycle of an automobile, comprising not only the product but all its components and the associated services as well. The concept enables suppliers to benefit from a sound and strong partnership with Europe’s largest automotive group. This way we ensure that the concept is tailored above all to the players for whom it was originally developed: our suppliers.

Point of Departure: The Group Business Platform.

Cooperation with Volkswagen starts on the central Group Business Platform at www.vwgroupsupply.com



Volkswagen makes dialogue with its business partners and suppliers as simple as possible via the online Volkswagen Group Supply Platform. The platform has over 200,000 users a day and can also be accessed via mobile devices.

The Group Business Platform lays the foundations for a safe, clean working environment.



The Group Business Platform integrates suppliers into the business processes at Volkswagen. This is where the central online applications of all Volkswagen Group brands are brought together. From terms and conditions of supply and calculations to online requests for quotations, the Group Business Platform offers many useful tools for efficient collaboration in the fields of Procurement, Quality Assurance, Research & Development and Logistics.

Communication via the Platform is as undemanding as the technical requirements:

- > PC or Mac with Internet connection
- > Web browser (Microsoft Internet Explorer is recommended)
- > Minimum screen resolution 1024 x 768 pixels
- > Optimal screen resolution 1280 x 1024 pixels or higher

Across the Volkswagen Group we use Microsoft Internet Explorer to access the Internet. With other browsers such as Mozilla Firefox, Opera or Netscape there are in some cases security issues and these browsers are not recommended by the Volkswagen Group. To view and download the PDF files on our Group Business Platform we recommend using Adobe Reader.

All data are treated in strict confidence and used exclusively for internal purposes. All data are of course protected against external access. From the login page onwards, all data on the Group Business Platform are communicated using 128-bit SSL encryption. This method of encryption includes all areas of the Platform and is also covered by SSL certificates.

A tool and an information medium

Along with its interactive functionalities for everyday business purposes, the Group Business Platform is an information medium in its own right. Here, suppliers can find all they need to know about the Sustainability in Supplier Relations concept. The relevant internal Volkswagen policies can also be accessed. These include our Environmental Policy with the resultant environmental goals and requirements, our Occupational Safety Policy and the Declaration on Social Rights and Industrial Relationships at Volkswagen. Moreover, the Group Business Platform also provides access to further information on international guidelines such as the UN Global Compact or the core labor standards of the ILO.

Off to a Safe Start: Contractual Integration of the Sustainability Requirements.

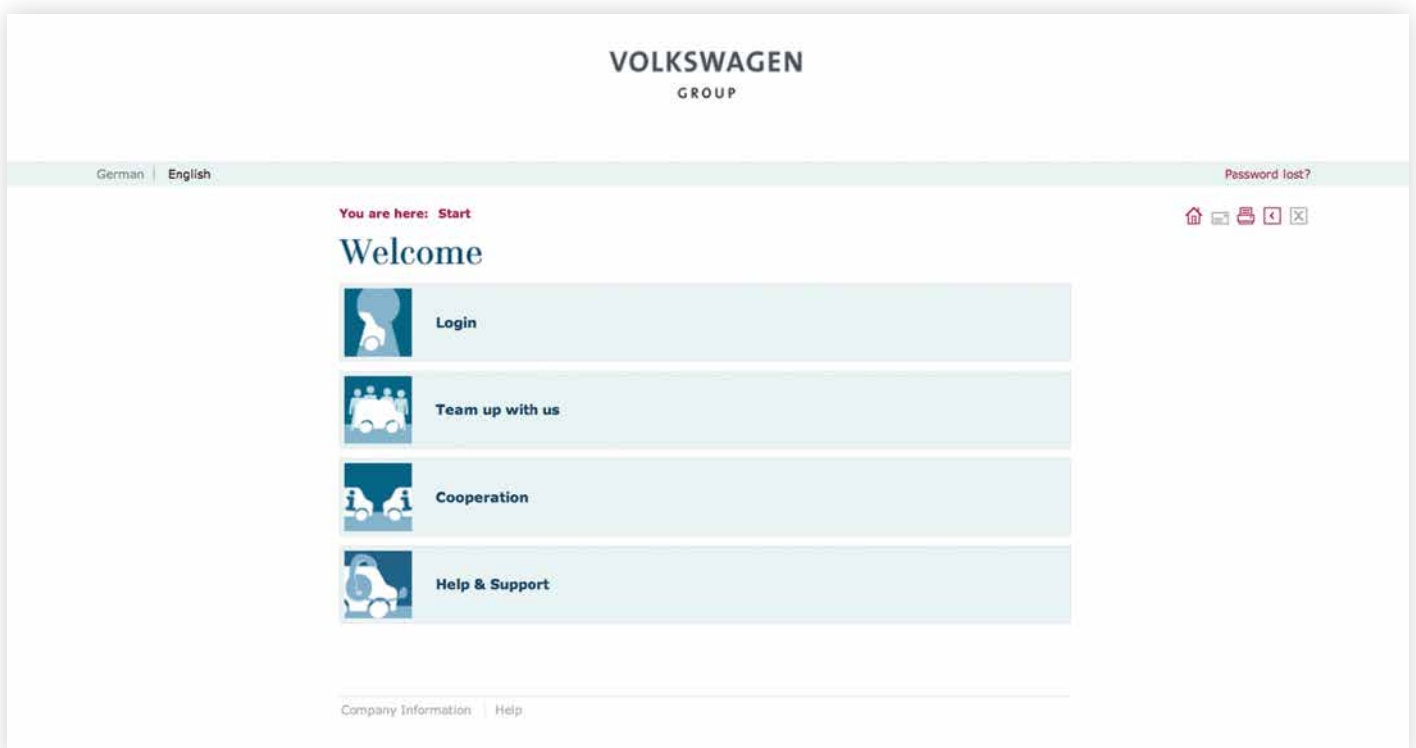
Clear information forms the basis of a transparent, fair and long-term partnership. That is why contractual integration of the Sustainability Requirements is obligatory for all suppliers.

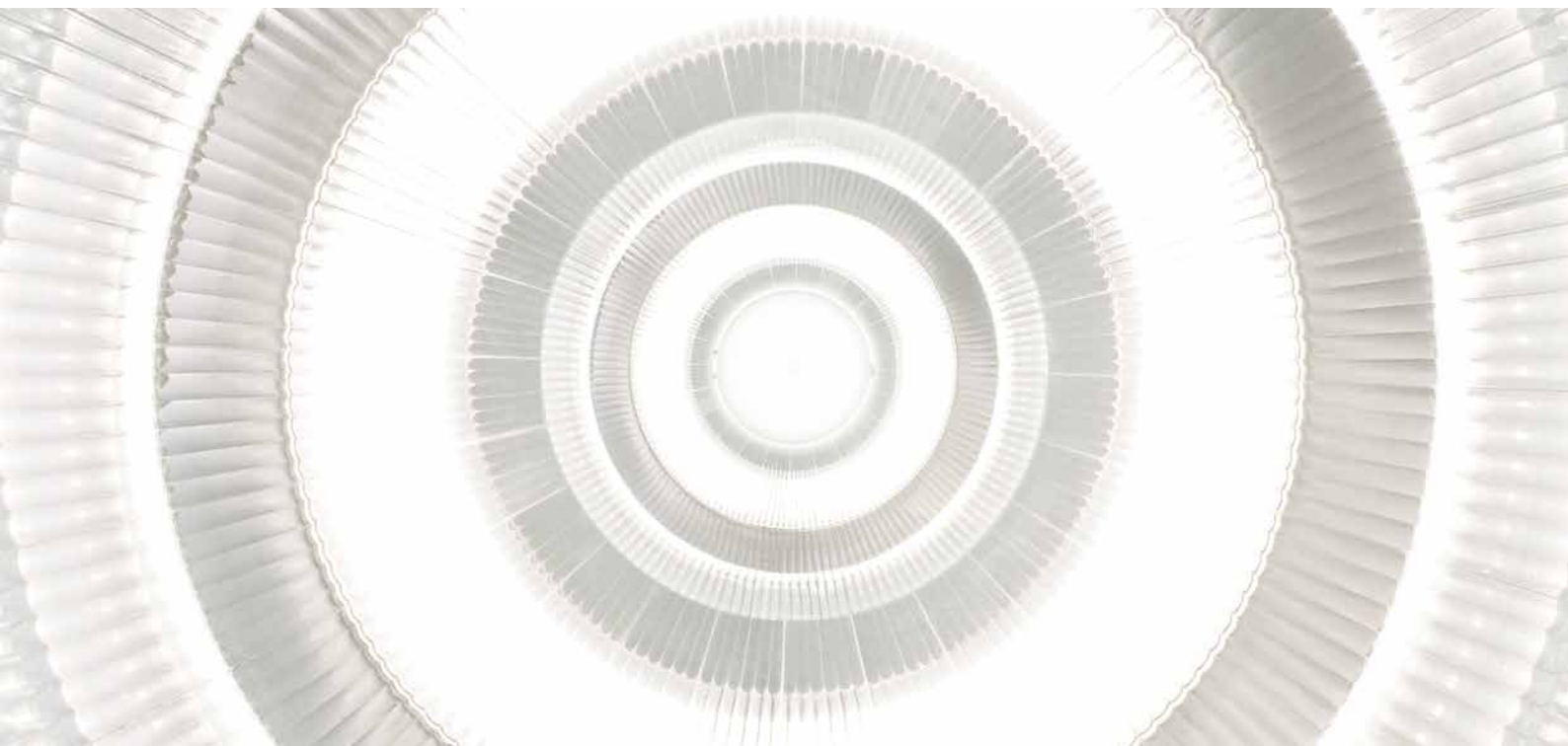
When suppliers submit a quotation via the Group Business Platform they are required to acknowledge the “Volkswagen Group requirements regarding sustainability in its relationships with business partners (Code of Conduct for Business Partners)”. No quotation can be submitted without acknowledging these requirements. This acknowledgement must be renewed every twelve months and is integrated into the Group Business Platform. The Sustainability Requirements then become part of the contract between the parties.

For all procurement processes that are not dealt with via the Group Business Platform, there is a separate clause on this subject in the General Terms and Conditions of Purchase. This states

that by submitting a quotation to Volkswagen AG or executing an order, the supplier confirms its acknowledgement of the Sustainability Requirements for suppliers. In addition, in the course of the order process, the supplier is again reminded of its acknowledgement based on the General Terms and Conditions of Purchase.

Through this procedure, Volkswagen ensures that the Sustainability Requirements are not only communicated to all suppliers worldwide but awareness of the requirements is also heightened. The outcome is that together we make a substantial contribution to ensuring compliance with central environmental and social standards.





Documented Quality: The Sustainability Questionnaire.

By completing an online questionnaire, our suppliers document which sustainability measures they have implemented in what is a key building block of the quality assurance process.

In the course of collaboration, all suppliers are requested to complete a sustainability questionnaire on the Group Business Platform. Our aim here is to lay firm foundations for successful collaboration. In cases where there are deviations from Volkswagen's Sustainability Requirements, the supplier is asked for a written statement based on the "6D Report", which contains six points to be answered. This statement is then evaluated by ad-hoc expert teams from the relevant brands and regions. If there are reasonable grounds for suspicion of non-compliance with the requirements or the questionnaire is not completed satisfactorily, further steps are taken.

The focus throughout is on fair dialogue in a spirit of partnership and on supplier development. With this in mind we analyze the documentary evidence and if necessary arrange to visit suppliers.

All-round assistance:
the Group Business Platform at
www.vwgroupsupply.com



Leveraging Potential: Effective eLearning.

Volkswagen doesn't leave its suppliers to their own devices. Using modern eLearning options, suppliers can become experts in sustainability, making it all the easier for them to implement the Sustainability Requirements.

In the interests of an ongoing supplier development process, we make an eLearning module on sustainability available to our suppliers in eight languages. This enables suppliers to learn about sustainability for themselves.

Users of the eLearning module discover:

- > What the Volkswagen Sustainability Requirements are based on.
- > What exactly is meant by sustainability in business relations with Volkswagen.
- > What requirements Volkswagen has with regard to environmental and social standards.

On the Group Business Platform, each supplier is invited to complete the eLearning module on sustainability which is posted on the Platform as a to-do task. After working through the module,

the supplier has to successfully complete a self-check process to conclude the process.



Ensuring Transparency: Precision Monitoring.

Across all specialist departments Volkswagen runs a quality assurance process that benefits all its suppliers.

Before entering into a business relationship, in the interests of risk analysis Volkswagen runs an integrity check on new business partners. The aim of this process is to reduce the risk of a relationship that could adversely affect the Group and its business. Before being taken on board the Group Business Platform, all new business partners are therefore subjected to what is known as the Business Partner Check.

Supplier scorecard

Volkswagen uses the supplier scorecard for effective and sustainable supply chain management. The scorecard summarizes information on individual suppliers in the fields of Procurement, Technical Development, Quality Assurance and Logistics. This information makes it possible to perform a supplier analysis. In addition, the supplier scorecard also provides a basis for communication when developing and coordinating integrated supplier strategies. The documented sustainability criteria, such as information about the extent of compliance with the sustainability questionnaire or records of company certification, permit

conclusions to be drawn about a supplier's environmental and social standards.

One key component of the supplier appraisal process is made up of "ad hoc cases". These are sudden occurrences of suspected non-compliance with the Sustainability Requirements. In such cases, Volkswagen first initiates a dialogue with the supplier conducted in a spirit of partnership and endeavors to check on compliance. The focus is always on supplier development in the interests of our common success. If, however, the supplier displays no visible interest in long-term improvement, the Volkswagen Group will terminate business relations.



Identifying and minimizing risks: The Sustainability in Supplier Relations concept includes both risk analysis and systematic monitoring.

Early Warning System

► Country risk analysis



In cooperation with an external consulting firm, Volkswagen has developed a tool with which to draw up risk profiles for individual regions.

Progress with the implementation of the concept within the various brands and regions is discussed in the course of regular meetings and video conferences of the sustainability procurement network. This and other early warning systems enable Volkswagen to actively take preventive steps to minimize the risk of non-compliance with the Sustainability Requirements.



Firm Foundations: Sustainability Management.

Through sustainability management Volkswagen ensures that sustainability is firmly anchored in every process.

To coordinate sustainability and corporate responsibility, Volkswagen has put in place a clear structure. The Group Board of Management (Sustainability Board) is also the highest-ranking sustainability body in the Company. It is informed about corporate responsibility and sustainability issues by the Group CSR & Sustainability Steering Group at least twice a year and takes central decisions. The Group CSR & Sustainability Steering Group includes top managers from central Group business areas, the Group Works Council and representatives of the brands and regions. It meets four times a year, decides on the strategic sustainability goals and signs off the Sustainability Report.

The Group CSR & Sustainability Steering Group is in turn supported by the CSR Office which, since 2006, has been coordinating all sustainability-related activities within the Group and the brands. Its remit also covers the stakeholder dialogue conducted at Group level including relations with sustainability-oriented analysts and investors. There are also several dedicated project teams, each working at crossfunctional level on tasks such as sustainability reporting or sustainability in supplier relations. These coordination and working structures have, with a few exceptions, also been established at the various brands and are being continuously strengthened.

To promote dialogue across the Group, set up uniform structures and learn from one another, the CSR and sustainability coordinators of all brands and regions have been meeting annually in Wolfsburg since 2009.

Stakeholder management

Being familiar with stakeholder needs and expectations is one of the keys to success. The larger and more diverse the Volkswagen Group with its products and services becomes, the greater those expectations will be and the more complex the network of relationships will become. The various stakeholder groups include analysts and investors, employees, talents, customers, neighbors, suppliers, business partners, legislators, authorities, academia and non-governmental organizations.

Both the Volkswagen Group and the brands manage intensive and long-standing relationships with stakeholders. The underlying aim is not only to be a responsible corporate citizen but also to obtain insight into external perceptions of our own activities.

Far-Sighted Foresight: Strategy 2018.

Strategy 2018 will make Volkswagen the world's most sustainable automobile manufacturer – and our suppliers are part of that picture.

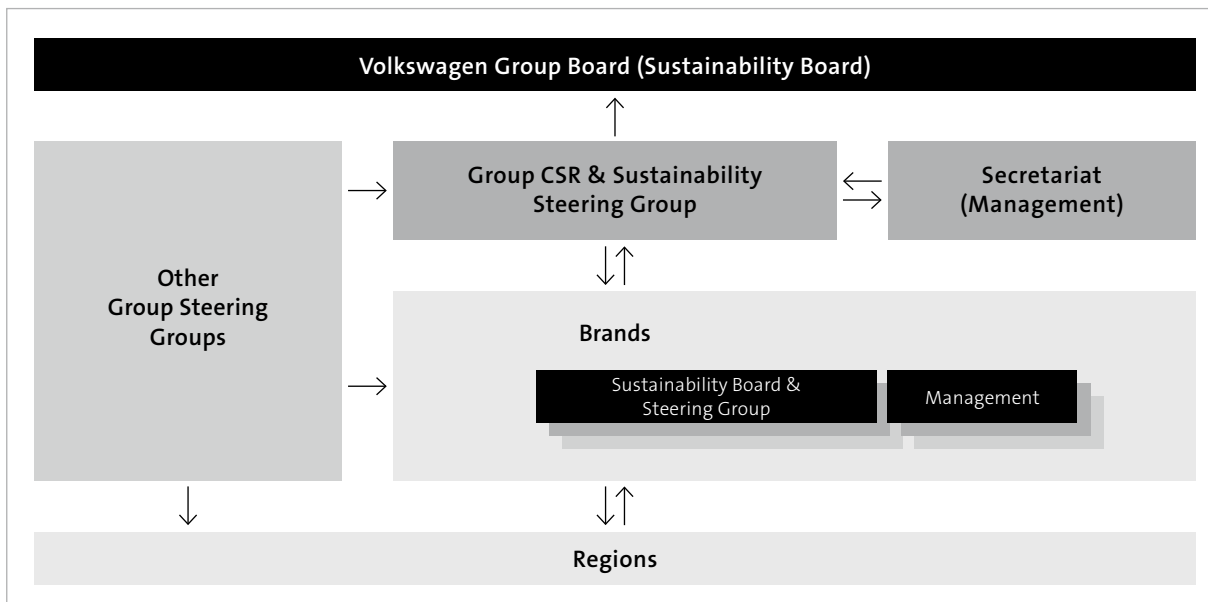
Through our Strategy 2018 we are pursuing the long-term goal of firmly anchoring the Volkswagen Group among the most successful automakers in the world. This applies in terms of profitability, customer satisfaction and quality, of accessing new markets and increasing our production output, and of our attractiveness as an employer.

With a model portfolio geared to ecological principles and the strong position of its brands in the global marketplace, the Volkswagen Group will systematically build on its competitive advantages. Our growth strategy is based on attractive vehicles that appeal to customers in all parts of the world and meet the different regional requirements and cost targets. Our modular approach will be a great help in this respect. In conjunction with our TSI® and TDI® engines, the innovative DSG® dual-clutch gearbox and future electric powertrains, the modular transverse matrix (MQB) will play its part in ensuring that the Volkswagen Group meets its ambitious fuel consumption and emissions targets.

With its broad product and segment coverage as a multi-brand company, the Volkswagen Group is in an almost unparalleled position to ensure very speedy implementation of innovations in high-volume brands and markets and thereby achieve significant improvements in efficiency.

We can only attain our ambitious goals as an automobile manufacturer if, in addition to our existing customer base, we succeed in attracting many new customers all over the world. With this in mind, Volkswagen will be providing increasing support for its dealers as the vital link with the customer and expanding its marketing measures. The greatest long-term growth potential in this respect is to be found in Brazil, China, India, Russia and the USA. Localizing supplier relations not only makes us less dependent on exchange rates, but also enables us to contribute to economic development and location upgrading in the individual countries. And our suppliers are subject to the same ecological and social standards as our own production facilities.

VOLKSWAGEN SUSTAINABILITY ORGANIZATION



Sound structures: Through CSR and sustainability management the Volkswagen Group is anchoring the strategic deployment of sustainability in its everyday business activities.

Simply Sign-up:

How to register on the Group Business Platform at www.vwgroupsupply.com in six easy steps:

A multi-stage registration process is all it takes to become an authorized user of our Group Business Platform. Then you can make use of all activated applications and information services via a single user account.

To register you first need a D-U-N-S number as your unique key. Visit vwgroupsupply.com to learn how to obtain one.

1. Input your company data

The first step is to complete the form by entering your company data. Please be sure to use the full and correct company name and legal form.

2. Enter the registrar's data

This is where to input your own personal data as registrar for your company. As such you are the contact person for the Volkswagen Group throughout the registration process.

3. Data validation by the Volkswagen Group

The Supplier Integration Team then checks that the data you have submitted are correct and correspond to those filed with

Dun & Bradstreet. On the successful outcome of this check, you receive your access data.

4. Confirm the B2B user agreement

The first time you log in, you have to provide electronic confirmation that you accept the B2B user agreement. You then have six weeks in which to send a signed printout of the agreement to the Volkswagen Group.

5. Complete the supplier database

The supplier database is your personal business card for the Volkswagen Group. This is where you enter all the relevant company data and contacts, as well as details of the products and services you offer – and update your data at regular intervals.

6. Appoint a company administrator

The company administrator is responsible for determining the users of the platform at your company and their respective rights. At this point, as registrar you decide whether you want to be the administrator as well or to appoint someone else at your company.



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