

## 1. Introduction

This Modern Slavery statement has been prepared in accordance with the provisions of section 16 of the *Modern Slavery Act 2018* (the **Act**). It is Volkswagen Financial Services Australia's (**VWFS**) first modern slavery statement (**Statement**) which summarises VWFS' structure and operations, supply chains, modern slavery risks and controls in place for the period 1 January 2020 – 31 December 2020 (**Reporting Period**).

Following the introduction of the Act, VWFS engaged an independent supply chain consultant to undertake a detailed review of modern slavery practices across VWFS' operations and supply chain, which involved key internal stakeholders across Procurement, Legal, Compliance, Sales and Human Resources.

It is important to note that this statement also incorporates the Slavery and Human Trafficking statement of Volkswagen Aktiengesellschaft (**Volkswagen Group**), which sets Volkswagen Group's global approach, processes and principles to combat slavery and human trafficking. The Volkswagen Group statement is updated annually. Where applicable, VWFS has adopted these or similar processes in its operations in the Australia. For the latest version of the Volkswagen Group statement, please see the link below:

[Slavery and Human Trafficking Statement Volkswagen AG](#)

## 2. Structure and Operations

VWFS is a private limited company incorporated in Australia and provides financial services to dealerships, companies and individual customers. It holds an Australian Credit Licence and an Australian Financial Services Licence. VWFS' head office is located in Sydney and at the end of the Reporting Period, employed approximately 175 employees.

## 3. Supply Chains

VWFS has a supply chain that is primarily comprised of service providers to maintain its financial services operations. These providers are predominantly locally based however there are some key suppliers which are internationally based or have international operations.

VWFS actively used 258 suppliers and service providers during the Reporting Period. These suppliers and service providers are located in Australia and elsewhere in the world and are engaged to fulfil VWFS' business operations. This supply chain is locally managed by VWFS with 28 suppliers accounting for 80% of VWFS' total procurement spend.

## 4. Risks of Modern Slavery in VWFS' operations and supply chain

With the assistance of its independent consultant, VWFS sought to understand the inherent modern slavery risks in VWFS' operations and supply chains. This included an assessment of the sectors and industries in which VWFS' locally managed suppliers operated during the Reporting Period, geographical location and spend.

### *VWFS Operations*

The risk of modern slavery in VWFS' own operations is low. There is no known susceptibility to modern slavery in our activities, as these sectors are highly regulated in Australia.

### *VWFS Supply Chains*

VWFS sought to understand the inherent risks of modern slavery in its indirect supply chain controlled by VWFS locally by following a risk-based approach to build a comprehensive picture of priority suppliers and service providers to assess in higher risk categories.

The review included categorisation of VWFS' specific supplier engagements as presenting a high, medium or low responsible sourcing risk, to formulate a more targeted risk based approach to supplier management. The risk assessment was conducted based on a supplier's (a) annual expenditure, (b) industry and (c) geographical location.

The risk-based process helped to identify 22 priority suppliers and service providers which VWFS will focus on and address any issues identified. Arising from these issues, VWFS has taken the following additional actions:

- completed a detailed supplier diagnostic of its locally appointed supply chain to identify key categories of products and services that are procured with a higher propensity for modern slavery risk. As a result, VWFS requested business partners identified in the higher risk categories to complete a self-assessment questionnaire (SAQ). This will enable VWFS to better identify risk, whilst also providing opportunities for improved knowledge of our business partners, understanding of the issues and any risk-mitigation systems they have in place. VWFS will continue to develop its SAQ to ensure careful, diligent and progressive review of our supply chain.
- VWFS has further strengthened the business partner due diligence performed as part of tenders, partner selection and on-boarding to confirm our business partners are aware of VWFS' sustainability requirements.
- We have reviewed our standard form contracts and are developing appropriate contractual clauses to include in our supplier contracts. These clauses will require our suppliers to commit to upholding minimum standards in their supply chains and encourage them to proactively address any major risks relating to modern slavery that they may identify.

## **5. Controls to Address Modern Slavery Risks in Australia**

### **(a) Code of Conduct for Employees**

All employees of the wider Volkswagen Group including VWFS are required to comply with the Volkswagen Group Code of Conduct for Employees (**Code**). The Code is based on shared values which outlines how we work, make decisions and interact with one another and supports ethical and responsible conduct with a focus on our responsibility as a member of society; our responsibility as a business partner and our responsibility in the workplace.

Additionally, at VWFS, we respect human rights and support the observance of these rights. We reject all deliberate use of forced or compulsory labour. Child labour is prohibited. We comply with all applicable employment laws, including the minimum age requirements for employment.

### **(b) Code of Conduct for Business Partners**

In addition to the Code of Conduct for Employees, supplier relations are governed by the Volkswagen Group Code of Conduct for Business Partners, which sets out the Volkswagen Group's expectations of our business partners' conduct with respect to core environmental, social

and compliance standards, including internationally acknowledged human rights. By progressively integrating these requirements into our procurement process at the contractual level, we seek to ensure that our sustainability standards are observed along our supply chain.

### (c) Supplier Contracts

Contractual agreements will include specific provisions requiring suppliers/service providers to:

- Comply with modern slavery laws and not engage in any form of modern slavery.
- Take all reasonable steps to ensure that its suppliers do not engage in any form of modern slavery (including undertaking due diligence in its selection of suppliers, and continually monitoring and auditing its suppliers for this purpose).
- Allow VWFS to audit the supplier/service provider for compliance with the Act.

As a business, VWFS maintains its zero tolerance approach to any form of modern slavery. VWFS acknowledges that modern slavery exists and is a risk to all businesses. In the event that any of VWFS' business partners are found to be engaging in modern slavery or other unethical working practices, VWFS will take reasonable steps to address those issues with this business partner, seek to drive improved standards and, if deemed necessary, may either suspend or terminate its relationships with any such business partners.

### (d) Speak Up Culture/Whistleblower System

VWFS has established a [whistleblower system and policy](#) which places importance on fostering a speak-up culture that encourages employees to speak up and report suspected wrongdoing and raise concerns relating to serious misconduct. Reportable misconduct includes modern slavery concerns and suspicions of human rights violations.

Reports can be made via telephone, e-mail, mail and via an online tool, in person and anonymously, on request. Strict confidentiality and privacy is 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.

Additionally, VWFS has an incident and breach reporting framework which provides another channel for employees to speak up and raise concerns with regards to modern slavery and human rights issues.

### (e) Training and Awareness

As part of our internal training and communication plan, our employees receive information specific to modern slavery risks, as well as periodic training on the Volkswagen Group Code of Conduct, which also includes a focus on business human rights.

We believe that awareness is equally important for our business partners. In 2020 we encouraged our business partners to register on the [VWAG global sourcing platform](#). This platform provides our business partners with important information on our expectations, but equally provides them with resources and information to better understand and mitigate risks they may have in their own supply chains.

In 2020, our Sales Partners (franchised dealer network) undertook web-based training on the Code of Conduct for Business for Business Partners. Similar to our employee training, content focused on the Volkswagen Group's expectation of Business Partners with a focus on business human rights.

## 6. Tracking the effectiveness of our action over the next 12 months

VWFS acknowledges that modern slavery exists and is a risk to all businesses and are consciously aware that this is a journey that we as a corporate must continue to work collaboratively with business partners to ensure the risks of Modern Slavery are managed effectively. To that end, during the course of 2021 and into the future, VWFS' objective is to review all aspects of our supply chain and work collaboratively with our business partners, to ensure the risks of modern slavery are identified and managed as much as possible and to positively influence sustainability performance.

To this end, we plan to track the effectiveness of our planned actions by:

- Continuing to develop our SAQ's to Business Partners;
- Conducting Board training and awareness;
- Conducting employee training and awareness;
- Ensuring modern slavery measures are continually developed in our Procurement tools and processes;
- Conducting audits of historical contractual agreements to identify and rectify any gaps that may not reflect our new modern slavery requirements.

## 7. Consultation and Commitment of the Board of Management

The preparation of this Statement has been undertaken in consultation with our parent entity, Volkswagen Group; specifically in collaboration with the Business and Human Rights team. The continuous monitoring of the effectiveness of VWFS' modern slavery controls will continue to be managed operationally by the Group Procurement Manager in consultation with local Compliance Officers and the Volkswagen Group Business Human Rights team.

This statement was approved by the Board of VWFS on 23 July 2021.



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**Joern Kurzrock**  
Managing Director



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**Paul Stanton**  
Managing Director