

LeadUP Advisory

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
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Advisor: Professor Yair Quintana

Topic: Volkswagen: Forced Labor Within the Supply Chain

Audience: Volkswagen's Board of Directors

- I. Forced Labor and Procurement
- II. Legal Landscape
- III. Industry Snapshot and Volkswagen Assessment
- IV. Recommendations

Executive Summary

The Chinese government's repression of Uyghur minorities in Xinjiang has evolved into one of the most pressing human rights crises of our time. Over 2.6 million individuals have been subjected to forced labor programs across key sectors, including aluminum production, a material critical to automotive manufacturing. Volkswagen, through its vast and complex supply network, has faced growing scrutiny for potential exposure to suppliers linked to these programs. The U.S. Uyghur Forced Labor Prevention Act (UFLPA) & the EU Forced Labor Regulation presume that all goods connected to Xinjiang involve forced labor and are therefore banned from the U.S. and the EU, unless companies can provide clear evidence of the contrary. Volkswagen's previous audits failed to identify such links, and recent customs detentions have revealed significant weaknesses in supply chain transparency and traceability.

To ensure compliance, protect brand integrity, and lead on global ethics, Volkswagen must go beyond existing codes of conduct. We propose a transparent and complete restructure to Volkswagen's supply chain policy, which sets forth on the Global Reporting Initiative (GRI) standards as a baseline. Said restructure shall include but is not limited to GRI 409 (Forced Labor), GRI 408 (Child Labor), and GRI 3 (Material Topics). Our solution proposes immediate changes to the Code of Conduct to explicitly identify and tackle liabilities within high-risk regions like Xinjiang, require suppliers to disclose exposure to labor transfer programs, and integrate preventive mechanisms for vulnerable workers.

To rebuild trust in its sourcing, Volkswagen must implement blockchain traceability systems, as well as advocating towards raw material certification through initiatives such as the Aluminium Stewardship Initiative (ASI), Copper Mark, and ResponsibleSteel. Hence, contributing to verifying that materials are sourced ethically. The use of blockchain, paired with stakeholders' orientations and the changes applied to the Code of Conduct aims to build capacity within Volkswagen suppliers. This will allow suppliers, regulators, and consumers to verify ethical sourcing, while complying with global standards. A restructured supply chain, grounded in ethics, technology, and transparency, positions Volkswagen to be both compliant and a benchmark for responsible global business.