

Policy statement of MAN Energy Solutions SE

for compliance with human rights and environmental due diligence obligations pursuant to Section 6 (2) of the German Act on Corporate Due Diligence for the Prevention of Human Rights Violations in Supply Chains (Lieferkettensorgfaltspflichtengesetz – LkSG) of 16 July 2021

(Please note that this is a non-binding translation of the official German document)

MAN Energy Solutions SE is headquartered in Germany and is a globally active group of companies with more than 120 locations and around 14,000 employees. In addition, we count more than 14,000 direct suppliers in over 80 countries among our business partners. As an indirect, 100% subsidiary of Volkswagen AG, MAN Energy Solutions SE is also closely integrated into the Volkswagen Group and the corresponding organizational structure.

As a global company and part of the Volkswagen Group, we are aware of our responsibility to respect human rights and to comply with our human rights and environmental due diligence obligations. This is the benchmark for our corporate activities throughout our supply and value chain.

For the first year in which the LkSG becomes valid, the Volkswagen Group's strategic objective concerning human rights, and thus also the strategic objective of MAN Energy Solutions SE, is to ensure that the obligations imposed by the Act are met completely and in the best possible manner. For the 2023 fiscal year, it is first of all our ambition to implement the legal requirements in a timely and complete manner. This will be challenging given the global operational expansion of our business activities and the high complexity of our supply and value chains.

In the coming years, we will continuously review and improve our initial risk management in terms of defending protected legal positions under human rights and environmental laws, and to broaden it to include further strategic goals and objects of legal protection, including beyond the scope of the LkSG.

Below we describe the procedure by which MAN Energy Solutions SE fulfils its obligations in accordance with section 4 (1), section 5 (1), section 6 (3-5), and sections 7 to 10 of the LkSG. We also describe the prioritized human rights and environmental risks for the company identified on the basis of the risk analysis, with reference to the conventions listed in the annex to the LkSG. Finally, we describe the human rights and environmental expectations that MAN Energy Solutions SE has both of its employees and suppliers in the supply chain as determined by the risk analysis and the conventions listed in the annex to the LkSG.

1. Establishment of a risk management system, § 4 LkSG

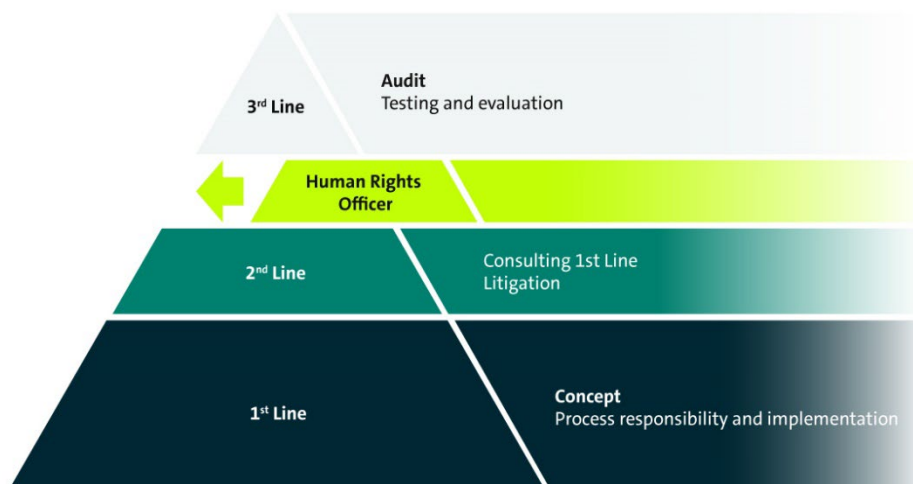
MAN Energy Solutions SE is part of the Volkswagen Group and is therefore closely integrated into the corresponding organizational structures. At Volkswagen, clear responsibilities have been established throughout the Group as part of the "three-line of defense model" as a regulatory framework for a holistic governance, risk and compliance management system for managing corporate risks, including those for the protected interests of the LkSG. This "three-line of defense model" is also used accordingly at MAN Energy Solutions SE.

The first line of defense consists of the specialist and functional departments responsible for day-to-day operational business. In their operational activities they mitigate risks, including protected legal positions under the LkSG, which they detect at an early stage, analyse and actively manage by means of suitable preventive measures. Relevant divisions for ensuring the fulfilment of human rights and environmental due diligence obligations as defined in the LkSG primarily include, in Volkswagen AG's own business area, the Human Resources, Group Occupational Health and Safety and Group Security divisions, as well as Group Procurement for suppliers.

The second line of defense consists of the advisory departments; with regard to objects of legal protection under the LkSG at Group level, primarily Group Legal and Group Compliance, HR Compliance, Group Environment and Group Occupational Health and Safety. These advisory departments are responsible mainly for ensuring compliance processes and for advising and supporting the operational divisions in their risk management activities.

The third line of defense is the Internal Audit department as an all-encompassing, independent auditing body.

On 1 August 2022, Volkswagen AG created the independent and exclusive position of Human Rights Officer (HRO) in addition to the aforementioned structures. This role at Volkswagen is positioned in the three-line of defense model between the second and third lines of defense as a continuously accompanying controlling, monitoring and consulting function. It therefore completes the holistic system for managing corporate risk as defined in the LkSG.



The HRO's business area is represented by an organisational structure with currently 65 employees, who have regionally focused and strategic cross-functional roles. The HRO's area focuses on monitoring, auditing and consulting tasks in accordance with section 4(3) of the LkSG on behalf of the Group Board of Management. In addition, the Group Board of Management has delegated to the HRO various responsibilities which includes internal and external communication, the reporting in connection with the LkSG, as well as coordinating the fulfilment of obligations for reporting and preparing a policy statement across the Group (sections 10 and 6 of the LkSG).

The HRO reports directly to the member of the Group Board of Management for Finance/COO at Volkswagen AG, whose area of responsibility does not include the first and second lines of defense - to be monitored by the HRO.

The HRO was appointed by resolution of the Group Board of Management on 24 June 2022 as Human Rights Officer as defined in section 4(3) of the LkSG for the whole of Volkswagen AG's own business area as described in section 2(6) LkSG, including the currently 13 other Group companies at that are subject to mandatory reporting alongside Volkswagen AG. In the same resolution, it was decided that the companies of the Volkswagen Group that are subject to mandatory reporting shall be at liberty to appoint their own human rights officers as defined in section 4(3) of the LkSG, in addition to the HRO. The decision was then embedded in a Group Policy governing the division of responsibilities.

In addition, MAN Energy Solutions SE has not appointed any other person as Human Rights Commissioner pursuant to Section 4 (3) of the LkSG. Rather, the responsibility of the HRO appointed by Volkswagen AG for MAN Energy Solutions SE as a reporting company within the meaning of the LkSG was written down in a guideline of MAN Energy Solutions SE.

2. Risk analysis procedure in the company's own business area and at suppliers, section 5 LkSG

a) Risk analysis in the company's own business area

In 2022/23, individual divisions of Volkswagen AG's first and second lines began conducting questionnaire-based queries in the Group companies of Volkswagen AG's own business area for the purposes of risk analysis (section 2(6) of the LkSG). Specifically, this concerned the Group functions Group Compliance, HR Compliance, Group Occupational Health and Safety, Group Environment and Group Security. The resulting feedback from the Group companies, including MAN Energy Solutions SE and its subsidiaries, were evaluated by the aforementioned departments and the main risks to objects of legal protection under the LkSG were then deduced.

This risk analysis covered all Group companies of Volkswagen AG's own business area within the meaning of Section 2 (6) LkSG with the exception of Dr. Ing. h.c. F. Porsche AG and its affiliated companies.

The human rights risks identified during the initial risk analysis and considered to be of particular relevance are unequal treatment in employment and disregard for the occupational health and safety obligations applicable to the place of employment. Furthermore, owing to the fact that Volkswagen AG also operates in regions and markets in which the legal right to freedom of association does not exist or is restricted, this risk was however also weighted as a priority. We keep these regions and markets under constant observation. A relevant environmental risk is the ban on the use of persistent organic pollutants which are present in extinguishing agents, in accordance with the POP regulation.

An analysis of the methodology used in this risk analysis by the HRO in 2023 showed that the risk analyses which were carried out by the Group functions Group Compliance, Processes and Programmes, HR Compliance, Group Occupational Health and Safety, Group Environment and Group Security occurred independently of one another at staggered intervals and as yet without harmonisation in terms of content. The individual analyses were not coordinated centrally until 2023. The methodology or process of the individual risk analyses have as yet not been documented for the most part. The HRO presented and explained these results to the Group Board of Management in July 2023 and subsequently to the aforementioned departments. Potential for improvement has been identified and discussed, and recommendations for action have been made.

The methodology of the risk analysis was adapted in 2023, which included taking into account the above results and suggestions of the HRO. The individual analyses are now coordinated by the Processes and Programmes department within the Group Compliance division. The plan is to complete and further improve the risk analyses, which are not yet comprehensive, from 2024 onwards. This will also have a corresponding impact on the risk analysis of MAN Energy Solutions SE.

b) Supplier risk analysis

In 2022, MAN Energy Solutions SE's procurement department carried out an analysis of the supply chain using a risk-based approach for the purpose of risk analysis in all companies in its own business area (Section 2(6) LkSG). First, an abstract risk analysis of the suppliers was carried out on the basis of country risks and industry risks. The resulting suppliers with an increased risk exposure were specifically analyzed and evaluated by an external service provider using questionnaires relevant to the LkSG (concrete risk analysis). The evaluation of critical suppliers is taken into account in the award process. In addition, a continuous review of critical messages for all high- and medium-risk suppliers is carried out via the external service provider. Critical suppliers will also be subjected to a concrete risk analysis in 2023 et seq. on the basis of on-site inspections, if necessary.

An analysis of the methodology of this risk analysis by the HRO in 2023 has shown that some of those suppliers who should have been included in the scope of the analysis have not yet been fully covered by it, as they have contracted, for example, outside automated procurement systems or within the framework of special contracts and have therefore not been recorded on the system side. Furthermore, the study showed that the methodology and results of the abstract risk analysis had not yet been fully documented. These results were presented and explained to the Volkswagen Group Board of Management by the HRO in July 2023 and subsequently to the Volkswagen Group Procurement department. Potential for improvement was identified and recommendations were made for the realization of this potential.

In 2024, the risk analysis of suppliers will be further developed by Volkswagen Group Procurement. In particular, the criteria for abstract and concrete risk analysis are examined. For this purpose, results from questionnaires, on-site inspections and from the complaint procedure are used.

3. Procedure for the anchoring of preventive measures, § 6 LkSG

a) Prevention measures in our own business area

In 2022/23, individual divisions in the first and second lines in the three-line of defense model (p. 1) began responding to already discernible or known risks to objects of legal protection under the LkSG through preventive measures deemed suitable according to their professional assessment.

For example, the HR Compliance division revised the Group Policy 35 HR Compliance, introduced basic measures to prevent human rights violations against employees and expanded measures already introduced to intensify the focus on protecting human rights. The revised Group Policy 35 was adopted by the Group Board of Management on 26 September 2023 and will be implemented throughout the Group over the next six months. A Group Policy on preventing discrimination in employment is being planned immediately and already exists in draft form.

The Group Occupational Health and Safety division has extended the Group Policy 44 Organisation and Responsibility in Occupational Health and Safety to include measures intended to mitigate the risks described in section 2(2)(5) of the LkSG in particular. The Group Security division has extended the Group Policy 13 Security to include regulations intended to mitigate the risks described in section 2(2)(11) of the LkSG in particular. In 2023, the Group Environment division extended the Environmental Compliance Management System (ECMS) to include LkSG-relevant risks and continued to push ahead with Group-wide implementation of the ECMS.

The plan for 2023/24 is to channel the results of the restructured and coordinated risk analyses in Volkswagen AG's own business area into efforts to develop and to implement further preventive measures.

b) Preventive measures at suppliers

Even before the LkSG came into force, and since 1st of January 2023, the Group Procurement division had started and has been continuing to mitigate already discernible or known risks to objects of legal protection under the LkSG using preventive measures deemed suitable from its experience.

In the risk area of direct suppliers, among other things, a sustainability rating was introduced as a selection criterion, the standard contractual anchoring of the provisions of the Code of Conduct for business partners was envisaged, and media screening, training for suppliers and on-site inspections were implemented to identify and reduce risks .

The aforementioned measures were also implemented at MAN Energy Solutions SE and its subsidiaries.

In addition, LkSG-relevant questions were included in the existing quality questionnaire at MAN Energy Solutions SE as part of the necessary initial auditing of new suppliers, especially in the project business.

The plan for 2023/24 is to channel the results of the risk analysis with adapted scope and improved and documented methodology carried out at suppliers into efforts to develop and implement further prevention measures.

4. Procedure for taking remedial measures, § 7 LkSG

a) Remedial measures in one's own area of business, § 7 para. 1 LkSG

In 2023, individual Volkswagen Group divisions of the first and second lines immediately took appropriate remedial measures to prevent, terminate or minimize the extent of these violations after discovering that violations of a human rights-related or environmental obligation had occurred in Volkswagen AG's own business area within the meaning of Section 2 (6) LkSG.

Since the LkSG came into force, at the time of the submission of this declaration, the Volkswagen Group departments HR Compliance, Group Occupational Health and Safety and Group Safety have not ascertained any violations of the protected legal positions of the LkSG in their areas of responsibility. The affected divisions of MAN Energy Solutions SE also did not ascertain any such violations.

The Group Environment division identified deviations in 2023. These were assessed as being violations within the framework of the Environmental Compliance Management System (ECMS). Remedial measures were defined, implemented and tracked on the basis of a root cause analysis.

For the year 2023/24, it is planned to incorporate the experience gained so far in the development and anchoring of remedial measures in the event of the occurrence of new incidents.

b) Remedial measures in the case of direct suppliers, § 7 para. 2 LkSG

In 2023, following the discovery that violations of a human rights or environmental obligation had occurred at direct suppliers, the Volkswagen Group Procurement division immediately took appropriate remedial measures to prevent, terminate or minimize the extent of these violations.

At MAN Energy Solutions SE, no violations of the protected legal positions of the LkSG were found in the area of direct suppliers.

For the year 2023/24, it is planned to incorporate the experience gained so far in the development and anchoring of remedial measures in the event of the occurrence of new incidents.

5. Complaints mechanism, § 8 LkSG

With Volkswagen AG's independent, impartial and confidential whistleblower system, the Volkswagen Group has established a Group-wide interdisciplinary reporting system for internal and external complaints with various contact platforms.

The whistleblower system also provides an independent complaints procedure for indicating potential violations of the LkSG. The whistleblower system (Central Investigation Office) is available 24 hours a day. It can be accessed internally and externally and allows information (anonymously if desired) to be submitted by telephone, email, a web-based communication platform, post or in person. Reports can also be submitted to external lawyers (ombudsmen).

Reports received are treated confidentially. The whistleblower system is designed to ensure that complainants do not suffer any detriment due to their reporting. Persons entrusted with processing the information and discussing the facts are obliged to act impartially and to maintain confidentiality. They perform their duties independently and on their own account.

Any information and reasonable grounds for suspicion concerning potential human rights and environmental violations and risks are processed within the framework of a process that is transparent, fair and straightforward for everyone involved. Regarding reports affecting suppliers, these are dealt with by Group Procurement through the Supplier Grievance Mechanism.

Rules of procedure for the complaints procedure have been established in accordance with the Volkswagen Group's Group Policy 3 Whistleblower System and published on the Volkswagen AG website. The homepage of MAN Energy Solutions SE also refers to these rules of procedure of Volkswagen AG.

An initial analysis of the existing processes and rules of procedure at Volkswagen AG, Audi AG and TRATON SE by the HRO in 2023 showed there to be potential for improvement in the complaint mechanism, in particular with regard to the procedural rules and staffing in those areas of the whistleblower systems responsible for following up leads pertaining to suppliers. The HRO presented and explained the results of the analysis to the Group Board of Management in July 2023 and subsequently to the relevant departments.

6. Procedure for anchoring and taking measures in the case of indirect suppliers, § 9 LkSG

In 2023, following indications of a potential violation of an obligation pertaining to human rights or the environment by indirect suppliers of Volkswagen AG (substantiated knowledge), a risk analysis was immediately carried out in accordance with section 5(1–3) of the LkSG. Appropriate preventive measures with respect to the party responsible were established and a concept for prevention, termination or minimisation was drawn up and implemented according to the respective occurrence.

7. Procedure for documentation and for the fulfilment of external and internal reporting obligations, § 10 LkSG

Documentation of the fulfilment of due diligence obligations as defined in section 3 of the LkSG by Volkswagen AG is carried out continuously in a decentralized manner. The Group divisions of the first and second line of defense and the HRO's business area each document their own activities.. The corresponding areas of responsibility of Group Companies in Volkswagen AG's own business area as defined in section 2(6) of the LkSG and thus also of MAN Energy Solutions SE are each documented separately in their company.

An initial analysis of the fulfilment of documentation obligations at Group level and in the companies of Volkswagen AG's own business area by the HRO in 2023 revealed potential for improvement in terms of availability, being up-to-date and the content of documentation in all of the aforementioned areas. The HRO presented and explained these results to the Group Board of Management in July 2023 and subsequently to the Group divisions and the companies subject to mandatory reporting. Potential for improvement has been identified and recommendations for action have been made.

Coordinating annual external reporting to the Federal Office for Economic Affairs and Export Control (BAFA) in accordance with section 10(2) of the LkSG is carried out by the HRO on behalf of Volkswagen AG and the 13 other companies of the Group that are subject to mandatory reporting in 2023, including MAN Energy Solutions SE. This ensures that reporting obligations and subsequently disclosure obligations are fulfilled in a timely and complete manner.

The fulfilment of the duty to provide information pursuant to Section 4(3) (2) LkSG to the management and supervisory bodies of MAN Energy Solutions SE is ensured by the HRO of Volkswagen AG, who is also responsible for MAN Energy Solutions SE as HRO.

8. Definition and anchoring of MAN Energy Solutions SE's human rights expectations of its employees and suppliers

Respect for human rights is a key priority for the Volkswagen Group, including MAN Energy Solutions SE and its subsidiaries and their employees. We are convinced that sustainable business is only possible through ethical conduct and integrity. We stand for individual freedom, fair working conditions, open international trade, economic development and peaceful coexistence.

In our global business activities, we ensure that our values are lived and that our human rights and environmental expectations are met. We expect the same from our business partners. Complying with the due diligence obligations defined in the LkSG is therefore a duty that we impose on our employees, the Volkswagen Group's own business area and on our supply chain.

These expectations are anchored in all our relevant business processes as well as in internal and external regulations, such as our Code of Conduct, the Social Charter, the Volkswagen Group Environmental Policy, our Group Guidelines, our Code of Conduct for Business Partners, in a new employee training course on the Supply Chain Due Diligence Act, generally in contractual provisions with our business partners and in this policy statement.

Our Code of Conduct and employee training regarding LkSG address in particular the risks of forced labor, slavery, child labor and unequal treatment and set out the company's responsibility and corresponding expectations of its employees, for example, to report potential violations of the provisions of the LkSG. Both address the responsibility of the Volkswagen Group, including MAN Energy Solutions SE and its employees, as members of society, as business partners and in the workplace.

The revised Volkswagen Group Guideline 35 HR Compliance sets out requirements with regard to the unrestricted compliance with human rights due diligence obligations, including the fulfilment of the requirements of the Supply Chain Due Diligence Act by employees in the HR department, and ensures that all employees are sensitized to the importance of conduct with integrity.

The Volkswagen Group Guideline 44 Organization and Responsibility in Occupational Health and Safety sets out in particular requirements for the companies of the Volkswagen Group in order to address the risks pursuant to Section 2 (2) No. 5 LkSG.

The Volkswagen Group Directive 13 Safety stipulates that legal regulations, in particular the Supply Chain Due Diligence Act, as well as the internal regulations existing in the Volkswagen Group, in particular the Code of Conduct, the Group Principles and the Social Charter of the Volkswagen Group, must be taken into account when implementing the requirements of this Directive.

Volkswagen Group guidelines must be implemented in the companies of the Volkswagen Group, including MAN Energy Solutions SE, within six months of their entry into force. MAN Energy Solutions SE has implemented the aforementioned guidelines on time.

In addition to the Environmental Compliance Management System, the environmental objects of legal protection under the LkSG and the binding obligations relating to them are defined in the Volkswagen Group Environmental Policy.

The Code of Conduct for Business Partners addresses in particular the risks associated with occupational health and safety, environmental protection, corporate ethics and the raw material supply chains. It sets out the expectations that the company has of its direct suppliers, to take account of the requirements in their business activities, and to contractually impose such in the appropriate manner on business partners with a bearing on the contractual relationship with the Volkswagen Group. The cooperation obligations of the direct supplier to implement preventive and remedial measures are also defined.

The Volkswagen Group Environmental Policy also applies to MAN Energy Solutions SE and its subsidiaries, and the Code of Conduct for Business Partners is also used by the MAN Energy Solutions Group.

Augsburg, 14.12.2023

For MAN Energy Solutions SE

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