Slavery and Human Trafficking Statement – Ducati Motor Holding S.p.A.  
(fiscal year 2018)

This statement has been issued in accordance with Section 54 of the United Kingdom Modern Slavery Act 2015. It describes all the measures taken by Ducati in order to avoid any forms of modern slavery and human trafficking.

PREAMBLE

Against the backdrop of advancing globalisation and the increased relocation of manufacturing to the relevant sales markets, we are aware of our global responsibility to respect human rights. For us, this responsibility does not stop at the doors to our factories but continues far beyond.

1. ORGANISATION AND SUPPLY CHAIN

Ducati Motor Holding S.p.A. ("Ducati") is a stock corporation under Italian law, with headquarters in Bologna, Italy. The Ducati Group and its products are present in all relevant two-wheeled motorcycle markets around the world. The Group procurement structures ensure that production materials, capex and also services are sourced globally in the required quality and on the best possible terms.

For us, global observance of sustainability standards in such areas as human rights, occupational health and safety, environmental protection and anti-corruption forms the basis for successful business with our suppliers. Only by working with our business partners are we able to make sure that sustainability standards are observed.

2. INTERNAL MEASURES

Ducati Code of Conduct

Ducati has updated its Code of Conduct in 2017. It is available to all employees on the intranet and to third parties on the Internet at any time, and it is continuously communicated. The Code of Conduct is based on shared values, with a focus on honest conduct, integrity, compliance with all rules and regulations and responsibility. The Code of Conduct seeks to help employees observe the Company’s rules at their workplace, as business partners and as members of society, providing them with guidance, assistance and advice. The rejection of all forms of modern slavery and human trafficking likewise forms part of the Ducati’s Code of Conduct.

The Ducati Independent Body and the Organizational and Management Model pursuant to the Italian Legislative Decree no. 231/2001

Ducati employees, business partners and other third parties are provided with internal contact points as well as external ombudspersons in order to be able to report on legal and regulatory violations as provided by the Italian Legislative Decree no 231/2001.

The Company, to ensure the legality, correctness and transparency in the management of its business and its activities, has adopted the Organizational and Management Model pursuant to the above mentioned Legislative Decree no. 231/2001 as a set of rules and procedures in order to prevent the commission of the different type of crimes provided such Decree and considered as relevant for the Company. In particular, the Company has evaluated the risk of commission of the crimes provided for in art. 25 quinquies of the Decree that are those that
could lead or help the finding of worker in condition of slavery, for example through the human trafficking. Therefore, expected behaviours towards employees and business partners are defined for running business ethically and not tolerate modern slavery.

Every subject that acts in the name and on behalf of the Company that during their activities become aware of notices related to the commission of crimes within the Company or of practice not in compliance with the rules of conduct and the provision of the Code of Ethics, shall be obliged to timely inform the Independent Body of the Company in writing by a dedicated e-mail and/or or in an anonymous way by the Company's address.

Qualification of employees

By taking preventive measures, Ducati promotes compliance with regulations in its organisation and raises the awareness levels of its employees and collaborators. Therefore, employee information and training at all hierarchical levels play a crucial role within our compliance work. During 2018 all white collars in HQ and in most of the Ducati’s subsidiaries have been trained on the Code of Conduct with a focus on safeguard of human rights. New employees at Ducati are required to complete the learning program on the Code of Conduct. In 2017, the entire management of Ducati was additionally required to take part in integrity, culture and compliance training sessions. Ducati makes the revised Code of Conduct available to employees via various channels. It has been sent by e-mail together with the CEO’s Tone from the Top, published on the Intranet, while all employees have received their own personal copy of the flyer that summarize the principles stated by the Code. All newly hired employees received a Welcome Package which includes a personal copy of the Ducati Code of Conduct. A new training session is schedule for 2019 and it will involve all employees.

Risk analysis

As part of the established risk management processes, risk assessments on the subject of human rights are also carried out by Ducati. Within the Company's risk assessment process, regular assessments and updates of countermeasures to ensure the protection of human rights are conducted.

As our procurement staff constitute a material link with our business partners, it distributes them the Code of Conduct for Business Partners, which for years constitutes an attachment to the Company's general conditions of purchase. The Code of Conduct for Business Partners informs and requires our suppliers to share sustainability requirements.

3. MEASURES IN THE SUPPLY CHAIN

Sustainability requirements for our suppliers – Ducati Code of Conduct and Code of Conduct for Business Partners

The “Sustainability in Supplier Relations” concept is based on the Ducati Group requirements regarding sustainability in its relationships with business partners trough the acceptance of the Ducati Code of Conduct and Code of Conduct for Business Partners.

These set out the Ducati’s expectations of our business partners’ conduct with respect to core environmental, social and compliance standards, including internationally acknowledged human rights. By integrating the sustainability requirements in our procurement process at the contractual level, we seek to ensure that our sustainability standards are observed along the entire supply chain worldwide.
Our requirements are based on international standards such as the principles of the UN Global Compact, the ICC Business Charter for Sustainable Development and the conventions of the International Labour Organisation. On the basis of the three pillars – requirements, monitoring and development of the “Sustainability in Supplier Relations” concept – we review and develop our suppliers’ sustainability performance on an ongoing basis.

Risk analysis

The Volkswagen Group, to which Ducati belongs, uses a country-specific risk analysis, self-assessment questionnaires and local sustainability audits to identify social or ecological risks or risks related to human rights at the respective contractor locations before negotiations with potential suppliers begin. Following the integration of the apparel world into the Supply Chain Department, which took place in the second half of 2018, Ducati plans to carry out a qualification programme for suppliers in this area starting from 2019. This programme includes the request for acceptance of the Ducati Code of Conduct and Code of Conduct for Business Partners to all apparel supplier and random on site visits.

Qualification and monitoring of suppliers

We are working to extend the monitoring of the sustainability performance of our suppliers. During 2017, all the direct suppliers of the Ducati Group were investigated through self-assessment questionnaires on issues related to sustainability, both environmental and social. The ongoing enhancement of and additions to the self-assessment questionnaires allow Volkswagen AG to evaluate suppliers on the basis of the most relevant topics and developments. The questions contained in the self-assessment questionnaire were aimed at assessing whether the investigated suppliers were provided with policies for the management of their environmental aspects and impacts and for the management of CSR’s aspects, such as human rights, working conditions, etc. We take very seriously any information that we receive on any failure by our business partners to comply with our sustainability requirements and investigate it immediately and systematically. In case of non-compliance by our business partners in relation to environmental sustainability requirements, we have defined action plans. Specifically, the suppliers that should present critical issues become subject to inspection with random audits in order to assess the effective compliance with the requirements expected by the Ducati Group. In addition to assessments on the sustainability performance of our suppliers, our activities also focus on dialogue with our business partners who, together with the self-assessment questionnaire on sustainability performance, were asked to express their opinion on issues of environmental, social and economic sustainability. We believe that this ensures that our business partners feel involved in a process of shared improvement and, at the same time, that they understand our needs and the new challenges to which they are called.

3. PROGRESS REPORT

As announced in the Ducati Modern Slavery and Human Trafficking Statement issued in 2017, various measures were taken in 2018 to heighten awareness of any forms of modern slavery and human trafficking.

Among other things, Volkswagen developed a new and expanded sustainability rating, which also takes human rights risks into account and which will be integrated into the awarding process of the global procurement organisation. For Ducati implementation will begin in 2020. In future, only suppliers with a positive sustainability rating will be eligible for contract awards.
The Volkswagen Group, to which Ducati belongs, also remains in regular contact with NGOs, researchers and politicians in the form of stakeholder dialogues to incorporate further knowledge and the expertise of independent third parties in the area of human rights in our business strategy. Looking forward, we as a corporate citizen will continue to reject any violation of human rights, which we see as a dynamic risk. Consequently, we will be adjusting our monitoring activities in the light of new developments and continue to work on heightening awareness of any forms of modern slavery and human trafficking both inside and outside our Company.

In the coming year, we will do our best to continue to expand our activities to implement sustainability in our supply chains. We will take further steps to better map out our supply chain. Our aim is to continue to not only identify risks, but also continuously minimize them by various means, such as auditing, certification and qualification. Likewise, the internal training plans on human rights will be empowered in the next years. This will be supplemented with more intensive training on human rights including practical examples to aid understanding.

Ducati Motor Holding S.p.A.
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