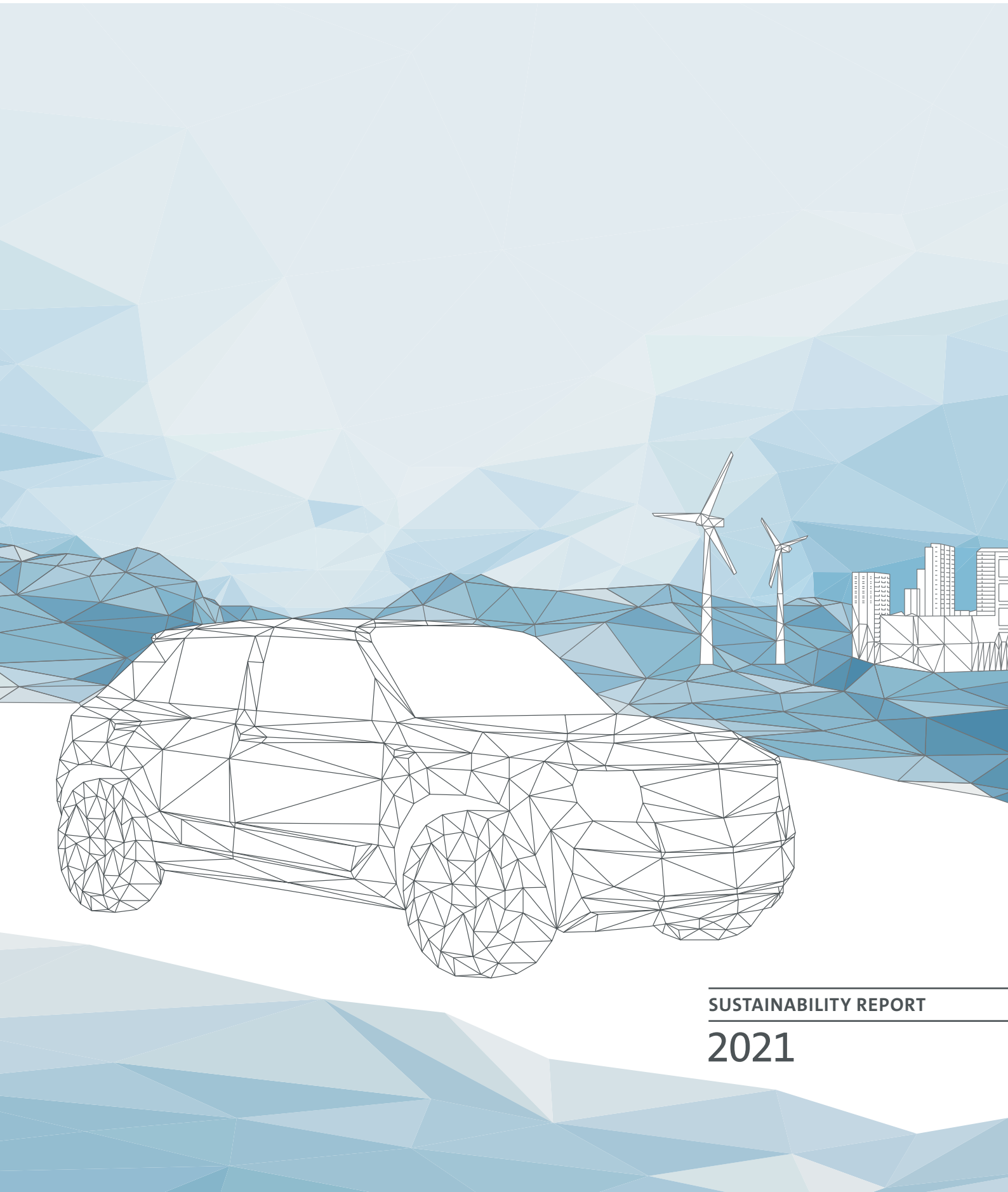


# VOLKSWAGEN

AKTIENGESELLSCHAFT



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SUSTAINABILITY REPORT

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2021

## **NEW AUTO: VOLKSWAGEN REINVENTS ITSELF**

The world of mobility will change fundamentally by 2030: electric drives and fully networked, self-driving transportation will determine how we move around in the future.

With the new Group strategy, “NEW AUTO – Mobility for Generations to Come”, the Volkswagen Group wants to be a significant driver of this transformation and accelerates its realignment from a vehicle manufacturer to a world-leading, software-driven mobility provider. A company that is redefining mobility while also doing business climate neutrally and conscientiously.

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A detailed description of the sustainability activities of the Volkswagen Group's brands and regions is available at:

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Reporting

## NAVIGATION

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Dr. Herbert Diess,  
Chairman of the Board of Management of  
Volkswagen AG



Daniela Cavallo,  
Chairwoman of the General and Group  
Works Council of Volkswagen AG



Georg Kell,  
Founding Director of the UN Global Compact  
and Spokesperson of the Volkswagen Sus-  
tainability Council

## 1. How is sustainability reflected in the new strategy, NEW AUTO?

**Dr. Herbert Diess:** The NEW AUTO world will be free of emissions, smarter and above all more sustainable. The key to making that happen is getting more electric cars on the road. This is what we achieved in 2021: we are the e-mobility market leader in Europe and the number two in the USA. We are expanding the charging infrastructure in Europe, China and the USA to 45,000 charging points by 2025. We are planning to build six battery factories by 2030 together with partners and deal with entire battery cycles. And electric drives bring economic advantages in the truck segment as well.

Only sustainable products will stand the test of time. E-mobility is increasingly paying off for customers. Calculated per kilometer, our electric vehicles are already cheaper to run than vehicles with internal combustion engines. We are driven by our commitment to the Paris climate goals and we at Volkswagen want to be carbon neutral by 2050. Furthermore, we have embedded the issues of ESG, decarbonization and integrity as points of strategic focus in NEW AUTO.

What is important for decarbonization is a shared consensus between politicians, industry, customers and society. A key milestone in 2021 was our readmission to the UN Global Compact, the world's largest sustainable corporate management initiative. We regard this as a sign that we are building stakeholders' trust in our strategy.

## 2. What progress has the Volkswagen Group made in 2021? Is sustainability becoming a business model?

**Georg Kell:** The NEW AUTO strategy signals Volkswagen's determination to advance electric mobility and establish new areas of business along the value chain. The associated investments and business decisions are obviously the most important development. By doing this, Volkswagen is positioning itself at the forefront of the transition from the fossil-driven approaches of the polluting industrial age to smart and clean processes. Implementing the strategy is causing an upturn in green electricity, efficiency and circular material flows and thus significantly contributes to reducing greenhouse gases.

We also made progress on the management of ESG data and on decarbonization approaches. Measures to promote compliance and integrity, particularly in supply chain management, are now firmly established across the Group. Herbert Diess has very clearly spoken out in favor of the energy transformation and higher carbon prices, and a new industrial collaboration has also been started. Volkswagen has become more innovative and more modern.

Sustainability is already a prerequisite for long-term business success. It's long been known how much mistakes cost companies. Volkswagen's recent diesel crisis is just one example of this. Legal changes, the shift in customer preferences and investor awareness of risks and opportunities in connection with sustainability topics mean sustainability will now also become a value driver. Companies will only be successful in the long term if they integrate these trends into their strategy and activities. The key word here is "integration" – i.e. that sustainability becomes completely matter of course in all roles and in the minds of all the Group's managers and employees. It is just as important to propagate and embed the concept of decarbonization and circular material flows within our business and at suppliers, so what matters is accelerating the transformation.

## 3. Where does the Volkswagen Group need to show even more engagement? Where are the sustainability challenges for a group that operates in 153 countries?

**Daniela Cavallo:** We support the Group's strategy of concentrating on electric drives and see our job as ensuring that profitability and job security are given equal consideration.

In addition to the technical shift to e-mobility, the area of socio-environmental change will also be one of the most pivotal points of the transformation. Here we need to help shape this change at an early stage. Rapid implementation of the transformation can only succeed if we reach the whole Group and every employee and get them on board. It's important to us as a works council that a topic such as employer attractiveness and the associated employee satisfaction are factored in. That's in line with our Volkswagen culture.

By implementing new business areas and as a result of employee training, we're on the right track to develop issues such as sustainability, transformation and employee satisfaction into a success.




The challenge for us is to create standards that conform to the goals of the Paris Agreement. We're confident that we can derive rules on the basis of these standards that our international partners will adopt. However, this also includes convincing people at sites that have to deliver sustainability promises under different political conditions.

Our society is becoming more and more conscious of sustainable action. Just like with a technological edge, the field of sustainability naturally still has a lot of potential, and Volkswagen can also be a pioneer here. The business model therefore not only needs to be measured by its monetary success but must also pursue social and environmental issues. The trend among rating agencies to prioritize the social area in addition to the environmental and governance areas is in line with the Works Council's principles.

## REPORT STRUCTURE

This 2021 Group Sustainability Report is based on internationally established frameworks and requirements, such as the GRI standards of the Global Reporting Initiative (GRI, see also following section), ESG sustainability ratings and stakeholder expectations. The report is supplemented by a detailed description of the sustainability activities of our brands and regions and of the Volkswagen Group's corporate citizenship projects.

This information, which does not form part of this report, can be found on the Volkswagen Group's corporate website.

-  > Sustainability in the Group's DNA > Sustainability Management
-  > Sustainability in the Group's DNA > ESG Performance Management and Materiality Analysis
-  > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Reporting

## VOLKSWAGEN GROUP SUSTAINABILITY COMMUNICATION



## BASIS FOR REPORT

For reporting year 2021, Volkswagen AG is issuing a nonfinancial statement at Company level and a nonfinancial Group declaration, which are being published together as a combined separate nonfinancial report within the meaning of HGB sections 289b para. 3 and 315b para. 3. The nonfinancial report is drawn up in accordance with HGB section 315c, in conjunction with sections 289c through 289e. Furthermore, the GRI Standards of the Global Reporting Initiative (GRI) are used as the framework for drawing up the nonfinancial report. In this nonfinancial report, Volkswagen systematically uses the GRI Standards as the underlying structure for reporting on management approaches and the specific standard disclosures. In line with the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG*), this nonfinancial report concentrates on the focus issues necessary for an understanding of the Volkswagen Group's business development, overall performance and position as well as the Volkswagen Group's impact on nonfinancial aspects. We are reporting in detail on our climate protection activities in line with Task Force on Climate-related Financial Disclosures (TCFD) requirements for the first time.

The Group Sustainability Report was prepared in compliance with the GRI Standards of the Global Reporting Initiative (GRI), applying the "Core" option.

The strategy chapter and the six following chapters on focus issues in the report each consist of a text section plus a

consolidated KPI table at the end of each chapter. At the same time, the separate GRI Content Index shows how we are implementing the requirements of the United Nations Global Compact (UNGC). The GRI Content Index has been separated from the 2021 Sustainability Report and can be found as a separate document in the Group portal:

-  > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Reporting > Sustainability Report

References to disclosures outside the nonfinancial report are supplementary information and do not form part of this report. The following passages are also not part of the nonfinancial report:

- Interview (p. 4–6)
- Value Chain (p. 12)
- The German Corporate Governance Code and Further Information (p. 13)
- Making the Social and Environmental Impact of Our Actions Measurable (p. 19)

The information in this report relates to the Volkswagen Group as a whole. Where information relates to individual Group divisions only, this is clearly indicated in the text. Unless indicated otherwise, any information provided for the Group also applies to Volkswagen AG. In addition to Volkswagen AG, the Group includes all major subsidiaries inside and outside Germany that are directly or indirectly controlled by Volkswagen AG. The KPIs and the associated targets include the Bugatti brand companies



on the topics of the UEP (the reduction of the environmental impact of production), the DCI (the decarbonization index), the Opinion Survey and the diversity index on a pro rata basis up to and including October 2021.

Bugatti is not included in the accident figures.

Navistar International Corporation (Navistar), which was acquired on July 1, 2021, is not included in the key figures or associated targets on the topics of the UEP (the reduction of the environmental impact of production), the DCI (the decarbonization index), the Opinion Survey or occupational safety (accident figures). Navistar is included in the diversity index. In the financial data, our joint ventures in China are reported using the equity accounting method. However, they are included in full (100%) in volume-related data (sales, production and workforce) and in production-related environmentally relevant data. The management approaches described in this report (e.g. the environmental compliance management system [ECMS] and the compliance management system for business and human rights [CMS BHR]) apply to all the Volkswagen Group's controlled companies. With our non controlled companies – i.e. companies that are not controlled by a company of the Volkswagen Group as the majority owner – we work to the extent permitted by law toward implementation of the adjusted management approaches. The Chinese joint ventures are included in the information on the Volkswagen Group in the KPIs and the associated targets on the topics of the UEP (the reduction of the environmental impact of production), the DCI (the decarbonization index), the Opinion Survey, the diversity index, accident indices and accident figures. The risks of the Chinese market are assessed by Volkswagen China Investment Company Ltd.

The KPIs presented in this report build on the indicators presented in previous years. Any material changes to the methods used to collect and measure the data on our sustainability performance are explicitly disclosed by the respective KPIs. All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts.

## REPORT AUDITING

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft (EY) conducted a voluntary, limited assurance engagement in accordance with ISAE 3000 (Revised) on the combined separate nonfinancial report prepared in accordance with HGB sections 289b para. 3 and 315b para. 3 to verify that its disclosures comply with the relevant statutory requirements. Further information on the engagement can be found in the independent practitioner's report on a limited assurance engagement on the nonfinancial reporting.

## DISCLOSURES IN CONNECTION WITH THE ANNUAL FINANCIAL STATEMENTS

Connections have been identified in this combined nonfinancial report to amounts reported in the 2021 annual or consolidated

financial statements. In fiscal year 2021, negative special items in connection with the diesel issue amounting to € -0.8 billion affected operating profit in the Passenger Cars business area. To hedge the currently known legal risks related to the diesel issue, the provisions for litigation and legal risks as of December 31, 2021 include an amount of around € 2.1 billion, based on existing information and current assessments. Insofar as these can be adequately measured at this stage, contingent liabilities relating to the diesel issue were disclosed in the notes to the consolidated financial statements in an aggregate amount of € 4.3 billion, whereby € 3.6 billion of this amount results from lawsuits filed by investors in Germany. The provisions recognized, the contingent liabilities disclosed, and the other latent legal risks in the context of the diesel issue are in part subject to substantial estimation risks given the complexity of the individual relevant factors, the ongoing coordination with the authorities, and the fact that the fact-finding efforts have not yet been concluded. Should these legal or estimation risks materialize, this could result in further substantial financial charges. In particular, adjustment of the provisions recognized in light of knowledge acquired or events occurring in the future cannot be ruled out. The remaining provisions relate to a wide range of identifiable individual risks, price risks and contingent liabilities, which are factored in in the amount of their probable occurrence. Depending on the jurisdiction concerned, risk provisions for any non-compliance with statutory emissions limits are also included. Their measurement takes into account, among other things, the respective sales volume and the legally defined tax or the cost of acquiring emission rights from other manufacturers. Advantage has been taken of synergies between individual brands of the Volkswagen Group by establishing emission pools where possible. Additional information on this matter and the valuation assumptions and bases can be found in the Annual Report in the notes to the consolidated financial statements.

## ADDITIONAL REPORTING WITHIN THE GROUP

By referencing this combined separate nonfinancial report, all Group companies that are required by national legislation to disclose nonfinancial and diversity-related information pursuant to Directive 2014/95/EU but do not issue their own nonfinancial statement are exempted from the obligation to submit their own nonfinancial reports.

## TERMINOLOGY RELATING TO CLIMATE PROTECTION

The use of the term CO<sub>2</sub> emissions in this report includes the consideration and identification of the additional climate-damaging greenhouse gases methane (CH<sub>4</sub>) and laughing gas (N<sub>2</sub>O) (CO<sub>2</sub> equivalents). All figures in this report on CO<sub>2</sub> emissions correspond to CO<sub>2</sub> equivalents, except for fleet emission figures.

Net carbon neutrality is achieved when anthropogenic CO<sub>2</sub> emissions are balanced worldwide through avoidance, reduction and offsetting over a specific period of time. With regard to climate protection, in addition to CO<sub>2</sub> emissions Volkswagen also pays



attention to other relevant greenhouse gases. Avoidance and reduction have priority over offsetting for the Volkswagen Group. For offsetting measures, the Group follows the highest internationally established standards.

## EDITORIAL NOTES

Whenever this report uses the term *Sustainability Report*, this expression includes the *nonfinancial report* each time it is mentioned, to the extent described on page 7.

## REPORTING PRACTICES

The nonfinancial report is published annually. The last nonfinancial report was published on March 16, 2021. In addition to information about the Group's sustainability activities in the 2021 fiscal year (January 1 to December 31, 2021), this 2021 nonfinancial report also contains selected information from the 2022 fiscal year.

## ABOUT THIS REPORT

The editorial deadline was Friday, February 11, 2022. The Group Sustainability Report is published in German and English and is released in the first quarter of 2022.

## LEGAL INFORMATION

This sustainability report contains statements relating to the future business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic as of the time of going to press. The estimates given involve a degree of risk, and the actual developments may differ from those forecast. Any changes in significant parameters relating to our key sales markets, any significant shifts in exchange rates or commodities relevant to the Volkswagen Group or in parts supply (especially semiconductors), or any deviations in the actual effects of the COVID-19 pandemic from the scenario presented in this report will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement, and of risks and opportunities, presented in this sustainability report develop in a way other than we expect at the time of publication, or if additional risks and opportunities or other factors that affect the development of our business emerge.



## OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. The parent company's head office is Wolfsburg. It develops vehicles and components for the Group brands but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad. More detailed disclosures can be found in the list of shareholdings in accordance with sections 285 and 313 of the German Commercial Code (*Handelsgesetzbuch – HGB*) or accessed on our website.



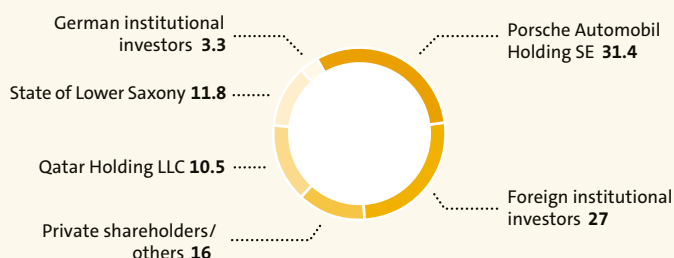
> [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations

Volkswagen AG is a vertically integrated energy supply company as defined by section 3 no. 38 of the German Energy Industry Act (*Energiewirtschaftsgesetz – EnWG*) and is therefore subject to the provisions of the EnWG. In the electricity sector, Volkswagen AG generates, sells and distributes electricity together with Group subsidiaries.

The Volkswagen AG Board of Management has sole responsibility for managing the Company. The Supervisory Board appoints, monitors and advises the Board of Management and is directly consulted on decisions of fundamental significance for the Company.

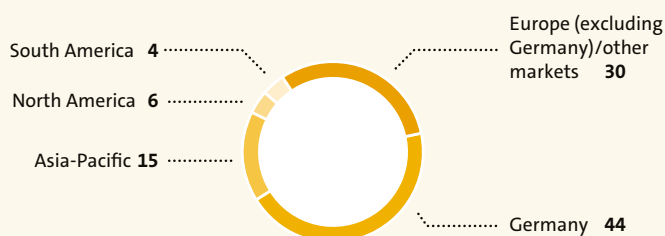
### VOLKSWAGEN AG SHAREHOLDER STRUCTURE

as of December 31, 2021, by % of subscribed capital



### EMPLOYEES BY MARKET

as of December 31, 2021, in %



## ORGANIZATIONAL STRUCTURE OF THE GROUP

The Volkswagen Group is one of the leading multi-brand groups in the automotive industry. The Group's business activities comprise the Automotive and Financial Services divisions. All brands within the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are independent legal entities. The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas. The Passenger Cars Business Area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio extends from small cars through to luxury vehicles in the premium segment. It also includes motorcycles and is supplemented by mobility solutions. With its brands, the Volkswagen Group is present in all relevant markets around the world. The key sales markets currently include Western Europe, China, the USA, Brazil, Russia, Mexico, Poland and Turkey.

Responsibilities were divided between ten Board of Management positions until December 31, 2021. In addition to the Chair of the Board of Management, which also includes the Volume brand

group, the other Board positions are Purchasing, Technology, Finance, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, and China. Until December 31, 2021, the Chair of the Board of Management was also responsible for China and the Board member for IT was also responsible for Finance. Since February 1, 2022, a separate Board member has been responsible for the IT Board position. The Board position with responsibility for China was once again allocated to a dedicated Board member, to take effect on August 1, 2022.

Alongside the brand groups, Volkswagen continued to build the Group company CARIAD SE in the reporting year. It is pooling and expanding the Volkswagen Group's software expertise and will offer a standardized operating system for the vehicles of the Group brands.

Effective from the beginning of 2021, the former Components & Procurement Board division was split up and two new Board positions created for Procurement and Technology. The new Technology Board position will be responsible for all Group Components activities across the Group, the marketing of the Volkswagen platforms to third parties, the development and manufacturing of battery cells as well as the associated procurement, the areas of charging and charging systems, and the corresponding joint ventures worldwide.

The Supervisory Board resolved in December 2021 to increase the number of members in the Group Board of Management and to reorganize the structure and functions of the Board of Management in this context. The new Board position, Volkswagen Passenger Cars, was established with effect from January 1, 2022. Another new Board position, Group Sales, was created effective February 1, 2022.

The “Volume” brand group comprises the Volkswagen Passenger Cars, SEAT/CUPRA, ŠKODA and Volkswagen Commercial Vehicles brands. Since March 1, 2021, Bentley has been assigned to the “Premium” brand group, which previously comprised the Audi, Lamborghini and Ducati brands. Following the departure of Bugatti from the Group’s brand portfolio in November 2021, the Sport & Luxury brand group now only comprises the Porsche brand. The Truck & Bus brand group is the umbrella for the Scania, MAN and Navistar commercial vehicles brands.

Our management model means better use can be made of existing skills and economies of scale, synergy effects can be boosted more systematically and decision-making can be accelerated. In addition, this prepares the Volkswagen Group for a management structure that is simpler, leaner and more effective, and strengthens the brands, giving them more autonomy. In line

with the principle of subsidiarity, decisions will be taken at the lowest competent level, close to business operations. For further information, see the “Structure and Business Activities” chapter in the Annual Report.

 > 2021 Annual Report > Group Management Report > Structure and Business Activities

## LEGAL FACTORS INFLUENCING BUSINESS

Like other international companies, the business of Volkswagen companies is affected by numerous laws, domestically and abroad. In particular, there are legal requirements relating to services, development, products, production and distribution, as well as supervisory, data protection, financial, company, commercial, capital market, anti-trust and tax regulations as well as regulations relating to labor, banking, state-aid, energy, environmental and insurance law.

## THE GERMAN CORPORATE GOVERNANCE CODE – A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE

Corporate governance provides the regulatory framework for corporate management and supervision. This includes a company’s

## THE VOLKSWAGEN VALUE CHAIN

### RESEARCH & DEVELOPMENT

The Volkswagen Group is further advancing its transformation to a digital mobility group and will invest around €89 billion in future technologies such as electric mobility and digitalization in the next five years.

### PROCUREMENT

Every year, the Volkswagen Group purchases a wide range of raw materials, components and other goods. A sustainable supply chain and environmentally compatible transportation are important for fully assuming responsibility for human rights, environmental protection and the battle against corruption.

### PRODUCTION

Every working day, the Volkswagen Group manufactures an average of around 33,000 vehicles globally. Efficient production ranks alongside environmental protection and employee health and safety as one of our core goals.

### MARKETING & SALES

Business relationships with fleet customers are often long-term and stable partnerships. The Volkswagen Group’s share of commercial fleet customers is 42.1% in Germany and 26.5% in the rest of Europe.

### AFTER-SALES & FINANCIAL SERVICES

Our service includes supporting dealerships to ensure they can provide quality advice and maintenance, managing our original parts business, and providing vehicle-related financial services.

### RECYCLING

In addition to recycling vehicles at the end of their useful life, we pay close attention during the new-vehicle development stage to the recyclability of the required materials, the use of high-quality recycled materials, and the avoidance of pollutants.

organization and values, and the principles and guidelines for its business policy. The German Corporate Governance Code (the Code) contains principles, recommendations and suggestions for corporate management and supervision. Its principles, recommendations and suggestions were prepared by a dedicated government commission on the basis of the material provisions and nationally and internationally accepted standards of sound, responsible corporate governance. In the interests of best practice, the government commission regularly reviews the Code's relevance in light of current developments and updates it as necessary. The Board of Management and the Supervisory Board of Volkswagen AG base their work on the Code's principles, recommendations and suggestions. We consider good corporate governance to be a key prerequisite for achieving a lasting increase in the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and enables us to meet the steadily increasing demand for information from national and international stakeholders. You can find our published Declaration of Conformity with the German Corporate Governance Code here:


 > [www.volkswagenag.com](https://www.volkswagenag.com) > Investor Relations > Corporate Governance

#### FURTHER INFORMATION

Explanations of the composition, working methods and diversity concept of the Board of Management and the Supervisory Board and information on voting rights are available in the "Corporate Governance" chapter in the 2021 Annual Report.

 > [2021 Annual Financial Statements](#) > Corporate Governance


Extensive explanations of the remuneration system and the individual remuneration of the members of the Board of Management and Supervisory Board can be found in the Remuneration Report for fiscal year 2021, which forms part of the 2021 Annual Report, in the notes to Volkswagen's 2021 consolidated financial statements and in the notes to the 2021 annual financial statements of Volkswagen AG.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Investor Relations > Corporate Governance > Remuneration

In 2021, the Volkswagen AG Group Board of Management adopted an update of the tax strategy principles, which can be found on our website.

Each year, Volkswagen AG sends the German Federal Central Tax Office a country-by-country report, which includes information on tax payments and tax expenses/income by country.

The Volkswagen Group has the ambition of implementing its marketing and communication activities transparently and responsibly. This includes attentiveness towards our environment and requires us to treat all individuals with respect and honesty and as equals. This applies internally and externally, online and off. To this end, the Group has developed principles that serve as a compass for implementing the Volkswagen Group's values with regard to marketing and communication activities.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy

With the new Group strategy “NEW AUTO – Mobility for Generations to Come”, we are preparing ourselves for the global changes in mobility and thus driving Volkswagen’s transformation into a software-driven company.

With the TOGETHER 2025+ Group strategy, which the Group enhanced in 2019, Volkswagen kicked off one of the biggest processes of change in its corporate history with the aim of making the Group more focused, efficient, innovative, customer-oriented and sustainable, and systematically gearing it toward profitable growth. These strategies have provided the framework and key pillars with which we aim to achieve our vision of being a world-leading provider of sustainable mobility.

As technology advances, the automotive industry is forging ahead with the transformation toward e-mobility and digitalization. The market for electric vehicles will thus continue to grow strongly in the next few years, meaning that cost-efficient and sustainable production of battery systems and the expansion of charging infrastructure will be crucial to success.

The shift to connected, intelligent and eventually self-driving vehicles, however, will bring more wide-reaching changes for the automotive industry. This shift will be dependent on increasing software development capabilities so as to excite customers with constantly improving digital functionality. The most important milestone in this context is the development of autonomous driving, which will change customers’ experience of mobility forever and pave the way to new business models.

As with technological trends, global economic as well as geopolitical constraints are increasingly confronting the automobile industry with greater challenges, for example the economic influence wielded by our biggest mobility markets, China, USA and Europe, and the way they are diverging. The Chinese economy will continue to gain influence and grow rapidly. The enormous growth in economic output (GDP) underlines the importance of the Asian market.

Sustainability will continue to be a recurring theme in the business world, driven by the increasingly noticeable consequences of climate change and customers’ greater awareness of sustainable lifestyles.

In the context of the fast-changing environment and the challenges resulting from it, the Group Board of Management adopted the new Group strategy “NEW AUTO – Mobility for Generations to Come” in May 2021 with the approval of the Supervisory Board. The strategy’s focus is the world of mobility in 2030. With NEW AUTO, we are resetting our priorities and developing the necessary expertise as we continue our transition from automotive manufacturer to mobility group. Alongside software development and capabilities in autonomous driving, this also includes areas such as battery technology, battery recycling, charging infrastructure and mobility services.

### THE 12 INITIATIVES OF THE NEW AUTO STRATEGY

The Group strategy consists of 12 initiatives in total. The focus is on the technology initiatives Mechatronics, Software, Battery, Charging and Mobility Solutions. A further seven initiatives form the basis for the Volkswagen Group’s strategic realignment. These are ESG, Decarbonization & Integrity, Business Model 2.0, NAR and China Regions, Group Steering Model, People & Transformation, and Financing the Transformation.

To make the goals of the strategy’s various initiatives as transparent as possible for management and employees, the Group Board of Management has decided to structure and regularly measure the strategic goals and milestones using the OKR (objectives and key results) method. This means that, for each initiative, achievable objectives will be defined for each quarter along with envisaged key results, and their progress discussed with the Board of Management every three months.

#### MECHATRONICS

Innovation, technology and lasting competitiveness are to be ensured using a future-oriented mechatronics platform. A standard platform known as the SSP – Scalable Systems Platform will enable maximum synergy effects, reduced investment costs and fast, regular technology updates, while also providing the necessary product differentiation in the Group’s portfolio. It will form the basis for autonomous driving and help us offer electric cars for all.

#### SOFTWARE

Software-based customer functions (such as driver assistance systems) have already improved driving comfort and vehicle safety significantly. As vehicles become fully connected in future and increasingly complex software technologies are developed (for instance with the aid of artificial intelligence), a completely new experience of mobility and additional product differentiation will become possible, due in part to the development of automated driving. To maximize synergies in the development of software platforms and software-driven customer functions, the Volkswagen Group will combine this development expertise with CARIAD’s new software architecture E³ 2.0. The Software strategy initiative thus comprises measures to drive the development of software platforms for connectivity and automated driving and their roll-out to all the Group’s vehicles.

#### BATTERY

Energy, batteries and charging are becoming one of our core competencies. To achieve our strategic objectives, we must become a profitable expert along the entire battery life cycle. To this end, the Cell and Battery Strategy initiative will pool expertise from all across the Group and drive the transformation process together with our strategic partners.



## CHARGING

Coordinated and cohesive cooperation within the Group is needed to establish Volkswagen as a global, comprehensive charging and energy services provider in future. The Charging and Energy Services initiative will combine related activities across the brands, create synergies and drive the creation of a dense and comprehensive charging network.

## MOBILITY SOLUTIONS

With the motto “Mobility for Generations to Come”, the Volkswagen Group is developing the mobility solutions of the future, taking into account global trends and changing customer needs. Autonomous driving, combined with new mobility solutions, is expected to mark Volkswagen's transformation into one of the leading providers of sustainable mobility.

## ESG, DECARBONIZATION & INTEGRITY

ESG (Environmental, Social, Governance) refers to the basic principles of doing business sustainably. The Group's stakeholders (e.g. investors, employees, customers and NGOs) have high expectations of the Company's ESG performance, including on issues such as decarbonization and integrity. The ESG performance thus directly affects the Group's market capitalization and the cost of capital as well as, for example, its attractiveness as an employer. The ESG Group initiative therefore aims to improve the Group's ESG performance in order, among other things, to ensure it can attract investment and to optimize its cost of capital.

## BUSINESS MODEL 2.0

By connecting vehicles, we will be able in future to remain in contact with customers throughout the vehicle life cycle and thus to offer them services and functions for their individual needs. The Business Model 2.0 initiative is developing a Group-wide portfolio of services that aims to create a seamless and innovative product experience to connect brands, customers, dealerships, our partners and whole markets.

## NORTH AMERICA REGION (NAR)

North America is the region with the greatest growth potential for the Volkswagen Group, especially in e-mobility. In the United States, Volkswagen is putting a wide range of highly attractive electric vehicles on the roads, tailored to the market. The Group is positioning itself for the future ready to leverage the growth of an increasingly electrified market using its brands, products and services. The aim is to increase market share in e-mobility.

## CHINA REGION

China is of major strategic significance to the Volkswagen Group as its most important individual market. A large share of vehicle

sales is concentrated on this growth market. This strategy initiative therefore brings together all key measures to continue the success story of Volkswagen in China. It includes a comprehensive program of measures to expand market share in the electric vehicle segment and safeguard market share in combustion engine models. The core component remains a Group-wide localization strategy, which aims to offer Chinese customers tailored products using globally developed platform technologies (hardware and software).

## GROUP STEERING MODEL

To implement the Group strategy and achieve long-term success for the Volkswagen Group, we need to establish mechanisms for making swift decisions and realizing synergy effects at a consistently high level and keep enhancing them further. The updated Group steering model hones the definition of responsibilities and roles and provides transparency, thus strengthening collaboration within the Group. Combined with a reoriented financial management along the brand groups and cross-brand value drivers, the Volkswagen Group is creating a future-oriented governance model to match the changing environment.

## PEOPLE & TRANSFORMATION

With its intended transformation into a global tech company, the Volkswagen Group will undertake the biggest transformation of its workforce in its history. To ensure the Group remains competitive in future, we need to attract and retain top talent and support employees with extensive training provision. Aligning the structure of the workforce with the fields that will drive the future will also be centrally important.

## FINANCING THE TRANSFORMATION

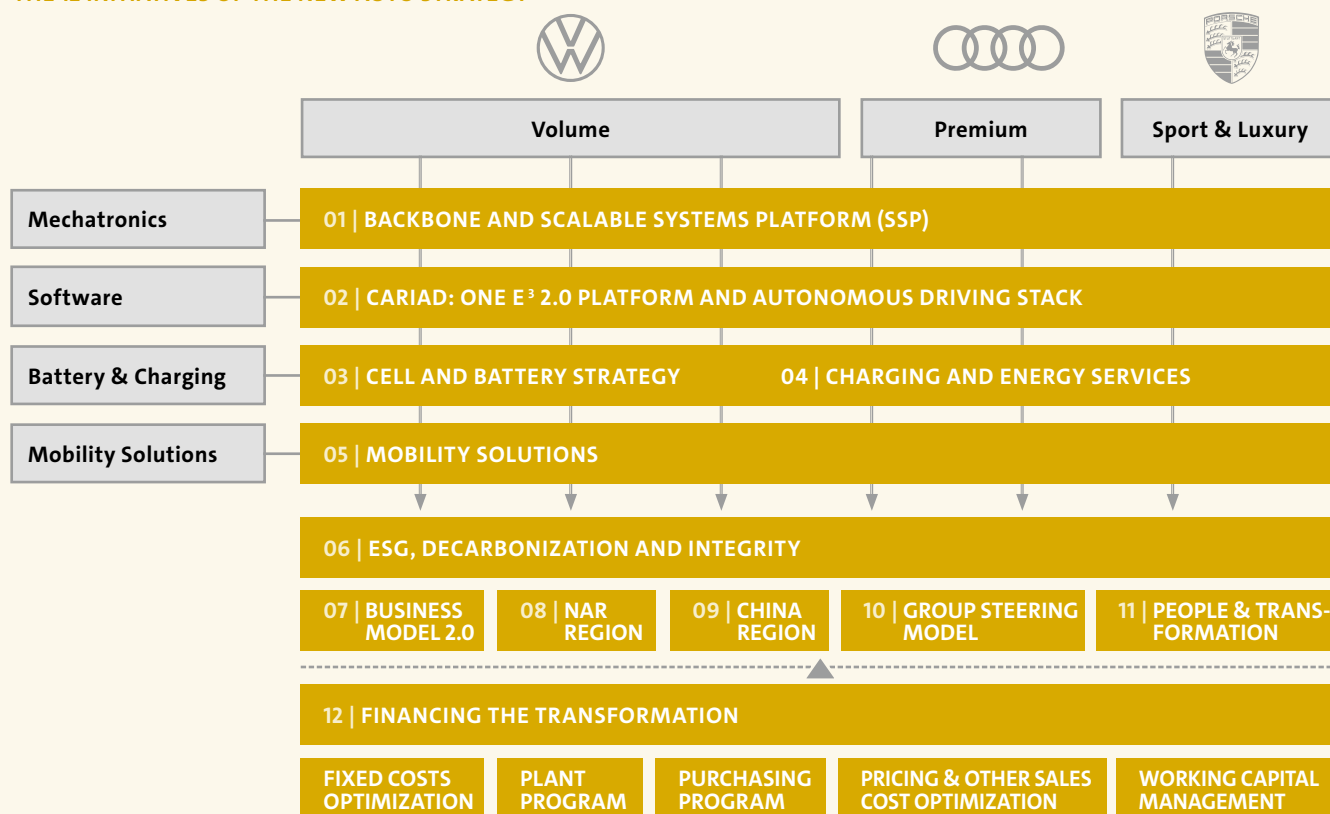
The transformation being driven by digitalization and electrification will require substantial investment. To cover this financing requirement, the “Financing the Transformation” initiative intends, in the light of the two issues of costs and efficiency, to leverage even more Group-wide synergies across all areas of activity along the value chain. The initiative therefore includes multiple action areas, such as productivity increases at plants and measures to optimize cash flows in the Group.

## GROUP STRATEGY GOALS AND KEY PERFORMANCE INDICATORS

The 12 newly defined initiatives describe how we want to achieve our goals of mobility for today's generation and those of tomorrow. Our strategy will also be guided by four overarching target dimensions. The four target dimensions here are: excited customers; excellent employer; role model for the environment, safety and integrity; and competitive profitability. We want to grow sustainably by consistently pursuing these objectives. The target dimensions apply throughout the whole Group. The strategic KPIs that we use to measure how well we have implemented our Group strategy are dependent on the respective business model.



## THE 12 INITIATIVES OF THE NEW AUTO STRATEGY



As the new Group strategy is currently being specified and enhanced in detail, the content and adjusted 2030 strategic KPI targets in the target dimensions are still being determined. The relevance of the KPIs is reviewed at Group level and their focus is continuously monitored and adjusted as necessary. We report on the defined nonfinancial strategic KPIs in the “Sustainable Value Enhancement” chapter of the 2021 Annual Report.

### Target Dimension: Excited Customers

This target dimension focuses on the diverse needs of our customers and on tailor-made mobility solutions. We aspire to exceed our customers’ expectations, thus generating maximum customer benefit. This requires not only the best products, the most efficient solutions and the best service, but also flawless quality and an outstanding image. We want to excite our existing customers, win over new ones and retain their loyalty in the long term – because only loyal and faithful customers will recommend us to others.

The strategic KPIs consist of the conquest rate and KPIs pertaining to loyalty, customer satisfaction and quality.

### Target Dimension: Excellent Employer

To achieve sustainable success, we need skilled and dedicated employees. We aim to increase their satisfaction and motivation by means of equal opportunities, an attractive and modern working environment, and a forward-looking organization of

work. An exemplary management and corporate culture forms the basis for this, allowing us to retain our core workforce and attract new talent.

The strategic KPIs of this target dimension cover internal employer attractiveness determined by means of the Opinion Survey, external employer attractiveness, an external employer ranking as well as the diversity index.

### Target Dimension: Role Model for the Environment, Safety and Integrity

Every day, we at the Volkswagen Group assume and exercise responsibility in issues relating to the environment, safety and society. This commitment should be reflected both in our thoughts and actions and in all our decisions. We pay particular attention to the use of resources and the emissions of our product portfolio, sites and plants. Our goal is to continuously reduce our carbon footprint and lower our pollutant emissions. Through innovations and outstanding quality, we aim for high product safety.

Our primary objectives in this process include complying with laws and regulations, establishing secure processes and dealing openly with mistakes so that they can be avoided or rectified in the future. In terms of integrity, Volkswagen aims to become a role model for a modern, transparent and successful enterprise.

The strategic KPIs for this target dimension include the decarbonization index, CO<sub>2</sub> fleet emissions, compliance, integrity and a culture of dealing openly with mistakes.

#### Target Dimension: Competitive Profitability

Investors judge us by whether we are able to meet our obligations as regards interest payments and debt repayments. As equity holders, they expect appropriate dividends and a long-term value enhancement of their shares.

We make investments with a view to achieving profitable growth and strengthening our competitiveness, thus keeping the Volkswagen Group on a firm footing in the future and ensuring it remains an attractive investment option.

The goals we have set ourselves are operational excellence in all business processes and becoming the benchmark for the entire industry.

The strategic KPIs are operationalized for internal management purposes: target and actual data are derived from Volkswagen Group figures.

#### STRATEGIC KPIs: COMPETITIVE PROFITABILITY

	2015	2025
Operating return on sales	6.0%	8–9%
Research and development ratio (R&D ratio) in the Automotive Division	7.4%	~ 6%
Ratio of capex to sales revenue in the Automotive Division	6.9%	~ 5%
Net cashflow in the Automotive Division	€ 8,887 million	> € 10 billion
Payout ratio	negative	> 30%
Net liquidity in the Automotive Division	€ 24,522 million, 11.5%	~ 10 % of the Group's sales revenue
Return on investment (ROI) in the Automotive Division	–0.2%	> 15%

<sup>1</sup> 2015 before special items.

## MATERIALITY ANALYSIS LINKED WITH GROUP STRATEGY AND ESG PERFORMANCE

The materiality process is used to identify and evaluate the most important sustainability issues for the Group. The decisive factors here are impact on the environment and society, stakeholder expectations, key ESG requirements, the Volkswagen AG business model and compliance with legal requirements and internationally established reporting standards.

The Group conducted another materiality analysis in the reporting period. In reviewing a large number of potentially material issues, we considered both external and internal company perspectives. The external side related to, for example, results of dialog processes with the Sustainability Council and the Stakeholder Panel, reputation surveys, the requirements of relevant international and national frameworks, such as the EU taxonomy, the UN Global Compact, the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the UN Sustainability Development Goals (UN SDGs) or the German Commercial Code (*Handelsgesetzbuch – HGB*), and to key ESG ratings and trend analyses and benchmark studies.

The internal dimension incorporated in particular Group guidelines on sustainability management, materiality analyses of Group brands, interviews with sustainability officers working in Group functions, country-specific risk analyses of Volkswagen Group production plants, impact analyses of financial effectiveness in the focus areas using AI-supported analysis of 250 ESG criteria and evaluation of 30,000 public media sources in 170 countries and at 700 NGOs plus an SDG survey of Volkswagen AG sustainability experts.

When the Group's NEW AUTO strategy was being developed, the selection of focus issues was also reflected on in the context of the financial and capital market requirements. As a result, the four defined focus areas of decarbonization, circular economy, responsibility for supply chains and business, as well as people in the transformation were confirmed from the 2020 materiality analysis, and in 2021 the two focus areas of diversity and integrity were added and classified as being material by the Group Steering Committee for Sustainability. These six focus areas, in turn, cover most of the requirements formulated from the ESG ratings for assessment criteria applied:

- Decarbonization
- Circular economy
- Responsibility for supply chains and business
- Diversity
- People in the transformation
- Integrity

Each focus issue is connected with a clear ambition, targets and milestones, possible KPIs and packages of measures. ESG-related KPIs such as the decarbonization index and the diversity index

are already reflected in the remuneration of members of the Board of Management.

## > Corporate Governance


The topics classified as material also provide the foundation for the structure of this sustainability report and serve as the basis for managing the Volkswagen Group's sustainability program.

## ACTION PROGRAM FOR OPTIMIZED ESG PERFORMANCE

The NEW AUTO Group strategy focuses not only on technological and product-related initiatives but also on improving the Group's ESG performance. This is because this directly impacts market capitalization, costs of capital and investability. This is partly due to increasing density of regulations on sustainability as a result of frameworks such as the EU taxonomy or regulations on the responsible shaping of supply chains. Moreover, capital market players such as institutional investors not only expect transparency on the Group's sustainability performance but also the demonstration of clear ambitions, strategic decisions and improvement measures. An estimated 35% of global fixed assets are already managed in accordance with ESG requirements today.

In the past reporting year, we started an action program that targets significant improvement of our results in ESG ratings by 2025. It consists of four pillars:

1. ESG performance management: We close existing gaps in ESG performance and create additional transparency by disclosing our measures and key performance indicators.
2. ESG engagement: We increase our communication presence in the capital market by communicating our messages and results in roadshows, investor conferences and other formats. In this way, we solicit trust and at the same time benefit from the learning effects and knowledge that this dialog makes possible.







 > [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Financial Calendar > Past Dates

3. Management of media controversies: We aim to reduce the negative impact of legal or media controversies regarding the Volkswagen Group on our rating results. The reinstatement in the UN Global Compact is an important milestone here. Our own Web-based information on existing ESG controversies around Volkswagen makes an additional contribution to clarification and objectivization.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Corporate Governance > ESG Controversies

4. Internal ESG data infrastructure: We are working on establishing comprehensive ESG data reporting tools for better data-supported infrastructure and will create comprehensive and custom ESG information offerings for relevant stakeholders in the future.

Compared with prior years, the Group's assessment in the various ESG ratings, such as MSCI and Sustainalytics, has substantially improved. In fiscal year 2021, Volkswagen continued to have a score of A- in the CDP climate rating and had an A rating in the Water Disclosure Project (WDP).

	2019	2020	2021	
<b>MSCI</b> 	CCC	CCC	B	
 <b>SUSTAINALYTICS</b> <small>a Morningstar company</small>	41.4 (severe risk)	41.7 (severe risk)	29.6 (medium risk)	
<b>ISS ESG</b> 	C	C	C	

ESG rating scales  
MSCI: CCC–AAA; Sustainalytics: 0–100; ISS: D–A+

## MAKING THE SOCIAL AND ENVIRONMENTAL IMPACT OF OUR ACTIONS MEASURABLE

The Volkswagen Group wants to measure the impact of its actions even more precisely in quantitative terms in the future and, if possible and reasonable, to monetize this. This involves assessing positive and negative effects on, among other things, the environment and society for the purpose of the inside-out perspective, which is one of the two cornerstones of the double materiality view. This impact relates to the Group's entire business, including its supply chain and its products and services. This means we are not only taking on board impetus from regulatory developments as it emanates from the EU CSR Directive or the EU Green Bond Standard, but also impetus from international initiatives and organizations such as the OECD and the World Business Council for Sustainable Development (WBCSD). At the same time, like other global companies, we are endeavoring to make even greater use of an impact assessment in our decision-making and management processes, risk management, reporting and communication with our stakeholders. Impact assessments already

represent tried and tested tools at Volkswagen, particularly for the assessment of mobility concepts. Here, new options are continuously investigated for their sustainability impact and readjusted as necessary.

 > Sustainability Impact of New Mobility Options

The results of two pilot projects with the title “Impact Valuation@ Volkswagen Group” form the basis of a future Group-wide concept. In order to advance the topic of impact measurement and develop comparable concepts, the Volkswagen Group joined the Value Balancing Alliance (VBA) together with the Porsche brand. This initiative champions the development of uniform assessment standards for impact measurement and the financial balancing of sustainability impacts on an international level across sectors. In addition to the Volkswagen Group, the VBA's members include numerous global companies, such as Bosch, BASF, BMW, SAP, Mitsubishi Chemical Holdings and Novartis.

## STRUCTURE AND TASKS OF THE SUSTAINABILITY ORGANIZATION

Sustainability means maintaining intact environmental, social and economic systems with long-term viability at global, regional and local level. The Volkswagen Group can influence these systems in various ways and actively takes responsibility to make a contribution to their sustainability. An extensive sustainability management system was set up for this purpose. The related structures, processes and responsibilities are codified in a specific Group policy. We view sustainability management as a continuous improvement process (CIP).

The Chairman of the Board of Management of Volkswagen AG has cross-functional overall responsibility for sustainability. Additional responsibility is taken by members of the Board of Management with their responsibility for specific management systems relating to sustainability and by the Group Steering Committee for Sustainability. The members of this steering committee include managers from central Board of Management business areas and Group functions, representatives of the brands and the Group Works Council. The steering committee defines concrete strategic targets and programs, sets out measures for uniform cross-business-area, cross-brand and cross-regional development of sustainability management and makes decisions on sustainability-related basic issues and positions in the Volkswagen Group.

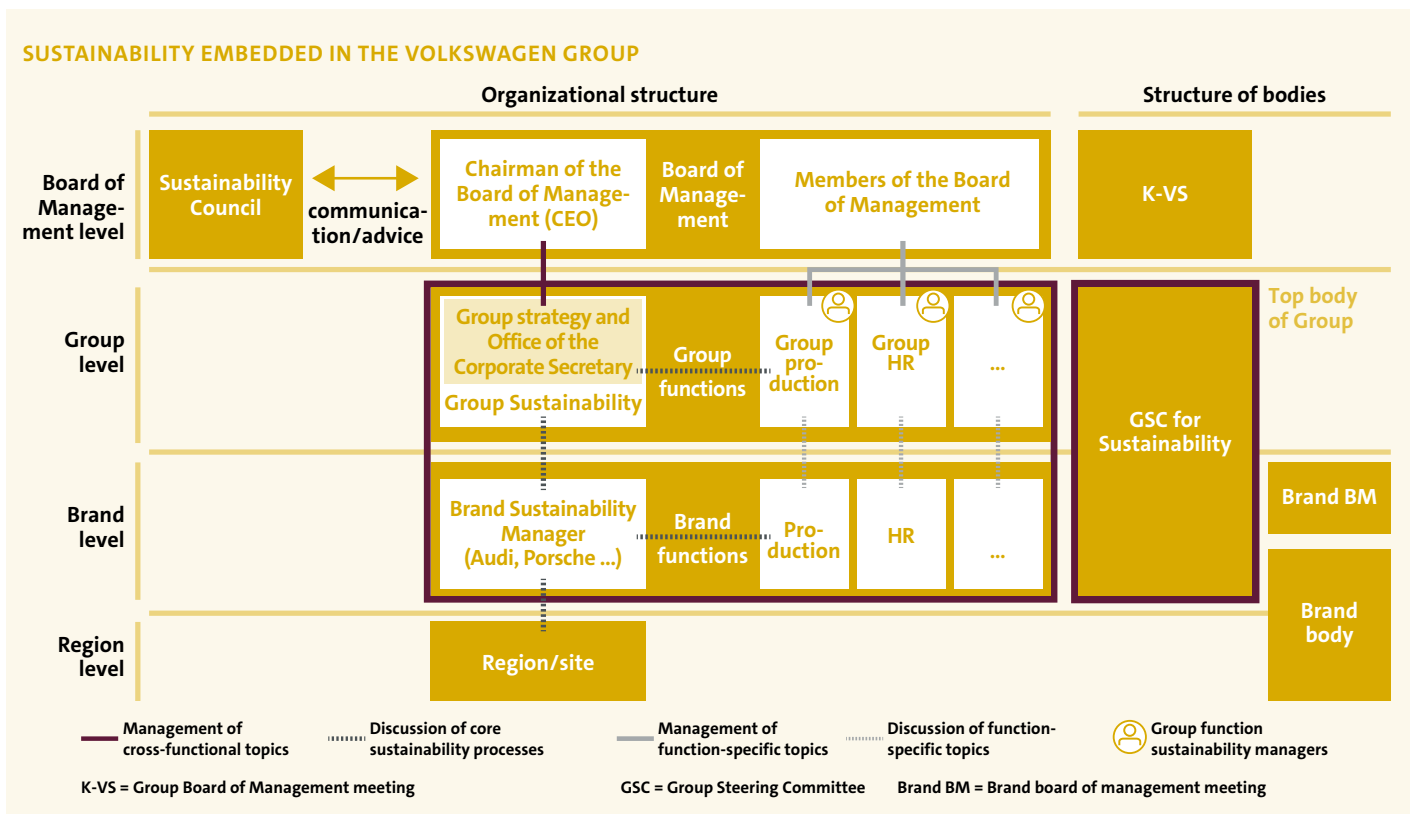
The Group's sustainability function (Group Sustainability) coordinates all sustainability-related activities and the Group-wide and cross-functional network for sustainability. Communication with Group functions, brands and companies is structured via

defined core processes. They serve to create transparency on external requirements and translate these into corporate action. The core processes include the sustainability strategy and materiality analysis, stakeholder management, ratings and rankings, sustainability policies and sustainability reporting. Group Sustainability is allocated to Group strategy and the Office of the Corporate Secretary in order to ensure that sustainability is closely linked with the strategic corporate goals and the core business. It is also responsible for the office of the Group Steering Committee for Sustainability.

In addition to the Group Steering Committee for Sustainability, regular discussions within the Group-wide sustainability network take place through various formats, such as the Group Sustainability Summit or the Sustainability Manager Core Team Meeting (SMCT), which was newly established in the reporting year. At brand level, the brand sustainability managers carry out the cross-functional coordination of sustainability topics, develop the sustainability strategy, are responsible for content and reporting on sustainability topics within the brand, represent the brand on sustainability topics externally and coordinate with Group Sustainability.


## THE SUSTAINABILITY COUNCIL AS AN INDEPENDENT DRIVING FORCE AND PARTNER

At Group level, the Sustainability Council has a prominent position. This advisory committee, which was created in 2016, supports the Volkswagen Group with important strategic sustainability topics and is made up of internationally renowned experts from the academic world, politics and society. The committee establishes



its own working methods and areas of focus independently, has extensive rights for the purposes of exchanging information, consultation and initiating action, and consults regularly with the Board of Management, top management and the employee representatives.

Dialog between Volkswagen and the Sustainability Council in 2021 focused on the new Group strategy, NEW AUTO, with the vision “Mobility for Generations to Come” and the topics of ESG and commitment to climate protection. The committee also dealt with the stage of development of Volkswagen’s decarbonization has reached, progress in creating sustainable supply chains, the efforts for more diversity in the workforce, the workforce transformation, circular economy, anti-corruption and the topic of zero impact mobility. After its meetings, the Sustainability Council addressed its recommendations on these and other aspects to the Group Board of Management. The published letters of recommendation are available on the Sustainability Committee’s website.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Engagement > Sustainability Council

In addition, the committee launched a project to examine digitalization in its capacity as an enabler for sustainability. A study was also launched on the potential of future forms of work and training to shape the transformation. The study builds on the results of the employment study initiated by the Sustainability Council with the Fraunhofer Institute for Industrial Engineering IAO, which was published at the end of 2020. The research project with the Mercator Research Institute on Global Commons and Climate Change (MCC), which was begun in the previous year, focused on, among other things, dialog organized jointly with the OECD on the inclusivity and effectiveness of climate legislation in the transport sector and conducting initial analyses.

#### REINSTATEMENT IN THE UN GLOBAL COMPACT

In 2021, after a five-year hiatus, the Volkswagen Group was officially reinstated as a participant of the UN Global Compact, the world’s largest corporate sustainability initiative. A corresponding request by the Chairman of the Volkswagen Group’s Management Board for renewed participation was granted. The relevant letter of recommitment signed by the Chairman of the Board of Management and the confirmation of the reinstatement by the UN Global Compact can be found on the organization’s website. The Group had been removed from the list of members in the wake of the diesel issue. The Volkswagen Group had already been a participant of the UN Global Compact since August 2002. Even after removal from the list of participants, the Group had continued reporting to the UN Global Compact in the subsequent years and sought reinstatement. In the reporting year, the

Volkswagen Group participated in the Climate Ambition Accelerator and in the Target Gender Equality Initiative.


The decisive factor for the reinstatement was the Volkswagen Group’s completely rebuilt compliance and integrity policy as a result of the successfully concluded Monitorship supervised by the U.S. Department of Justice. The Group’s ambitious climate protection program and the appointment of an independent Sustainability Council also played a key role.

For investors and asset managers in the capital market, membership of the UN Global Compact is an important criterion for investability in Volkswagen AG shares and bonds. Sustainability oriented funds have grown significantly in the last few years and have become indispensable as stakeholders.

#### GREEN FINANCE FRAMEWORK FOR INVESTMENTS IN SUSTAINABILITY

Massive investment is needed to transform the Volkswagen Group. At the same time, investors are looking for sustainable investment options. Volkswagen AG has had a Green Finance Framework for various forms of financing such as green bonds since 2020. This document defines the framework for financial instruments geared to sustainability and systematically links our corporate objective of net carbon neutrality by 2050 with our financing strategy. The funds raised under the Green Finance Framework are specifically used on environmentally friendly projects such as e-mobility. This both fulfills the clean transportation category of the Green Bond Principles of the International Capital Market Association (ICMA) and is in line with the goals of the United Nations and the European Union for sustainable development. Sustainability has confirmed that the Green Finance Framework complies with the ICMA’s Green Bond Principles and the Green Loan Principles of the Loan Market Association (LMA).

Volkswagen published the Green Finance Report, which contains the Allocation Report and the Impact Report, for the first time during the reporting year. More information is available on our corporate website under the heading of Green Finance.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Fixed Income > Green Finance



# SUSTAINABILITY IMPACT OF NEW MOBILITY OPTIONS

## MAKING MOBILITY SOLUTIONS MEASURABLY MORE SUSTAINABLE

Our global society today faces the major challenge of finding the right balance when shaping mobility. Both overloading and deficits exist concurrently: the limits for noise, traffic jams, accidents, parking space or poor air quality have been reached or exceeded in many major cities. At the same time, there are too few means of transportation for many people or the transport is too expensive for them, limiting people's access to and participation in society. This is not only the case in the economically weaker countries but also in rural areas or suburbs of industrialized countries.

The Volkswagen Group offers both innovative vehicle technologies and forward-looking mobility services, with which the Group wants to meet its customers' requirements but can also help to solve local environmental and traffic problems in urban and rural areas and to protect the climate worldwide. The global cooperation with partners outside the Group plays an important role. We are guided here by the "Mobility for Generations to Come" vision that our NEW AUTO Group strategy describes.

### > NEW AUTO Group Strategy

Our most important offerings include the ride-pooling service MOIA and WeShare as car sharing – both in all-electric operating mode. "Volkswagen We" is a growing range of vehicle-related digital services and mobility solutions that can be used in the car or with a smartphone. Shaping urban mobility plays a key role for the Volkswagen Group because many mobility options are primarily available in cities. According to the UN's estimates, almost 70 % of the global population will live in cities by 2050.

## SIMULATION PLATFORM FOR MOBILITY CREATES TRANSPARENCY AND ENABLES IMPROVEMENTS

It has been shown many times that new mobility concepts in particular increase the range of options in urban areas but are not automatically sustainable. Creating a basis of assessment is therefore important so that mobility solutions can, on the one hand, be assessed for their sustainability impact and, on the other, can be influenced. This is because determining the right framework conditions and regulations is of decisive importance to make substantial contributions to sustainable cities and tap into business models for the Group. Political players and cities are also increasingly requiring early proof that mobility solutions actually have sustainability effects, and this proof can become a component of approvals or long-term operation.

Against this background, a mobility simulation framework has been created as part of the Volkswagen Group's sustainability management. Its focus is on impact assessments that digitally replicate mobility on the basis of real data. The use of simula-

tions means possible improvements – and also any undesirable side effects – can be discovered early.

Various key figures that are not only scientifically acknowledged but also reflect the requirements of various players are used in the evaluation. For example, short journey times are important for customers, while the reduction of CO<sub>2</sub> emissions is important for society; towns and cities for their part want traffic to occupy as little space as possible and improve air quality, while good utilization of its services is essential to the mobility provider. We are in regular communication with stakeholders on these and other issues and continuously analyze trends so that we can update targets and criteria as needed. The methods and model approaches for mobility simulation are being continuously developed in collaboration with universities. Moreover, real data and empirical figures from mobility providers are used for continuous improvement. The simulations and the results are used to improve our offerings, such as MOIA.

## IMPACT ANALYSIS TOPICS

Measures for increasing the efficiency and better capacity utilization of road transportation continue to be important steps on the path to sustainable mobility. Ride pooling and urban traffic-light intersections therefore remain focus issues for impact assessments at Volkswagen. In the case of ride pooling services such as MOIA, the transport needs of various customers need to be linked as optimally as possible in order to balance detours and waiting times with capacity as well as possible. Modeling and impact assessments provide valuable services here in order to represent the high level of complexity. A simulation of traffic flows in the Hanover area showed that combined services for private individuals and businesses make ride pooling much more efficient and therefore more sustainable. For example, the utilization of vehicles' capacity falls sharply after the rush hour. This could be partially made up for by commercial customers – e.g. from restaurants, bars, the hotel industry and retail. Selected goods transport to avoid empty runs is also conceivable.

We have also further developed our impact assessment of urban traffic-light intersections, which represent a bottleneck in traffic capacity and traffic quality in towns and cities. A vehicle approaching the traffic-light intersection can, for example, avoid the time- and energy-inefficient maneuvers of braking and starting if it is informed when the traffic light will go green in advance. The effects of self-driving vehicles entering complex traffic situations at intersections in future will also be examined.

## ANALYSIS RESULTS SHOW POTENTIAL OF OPTIMIZED VEHICLE USE

The impact assessments provide important indications of the biggest levers for improving the sustainability impact, especially with regard to reducing carbon emissions and relieving the



shortage of space in cities. The focus is principally on the better use of vehicles here. In particular, privately used cars are mostly underutilized. On average, they are only used for around an hour per day and remain in parking spaces in private or public areas for the rest of the time, which in turn takes up valuable urban space. The life cycle of the vehicle is long, which leads to less environmentally friendly, outdated technologies being used for too long on the roads. By contrast, electric robotaxis could operate around-the-clock in the future and transport more people than today all at once in a single journey. Car sharing can increase the use of cars to several hours per day through multiple users using a vehicle one after another over the course of a day. Both solutions lead to more efficient usage with fewer cars and less need for parking space in towns and cities. Combined use – the use of the same car for sharing, hire or with a subscription – may bring further improvements in utilization time. Such multipurpose use of the fleet is possible with a virtual key through a smartphone.

#### UNDERSTANDING URBAN MOBILITY ACROSS MODES OF TRANSPORT AND DEVELOPING IT SUSTAINABLY TOGETHER

The traffic-induced problems are the most urgent in urban centers, and the potential for change is also the greatest here. As a member of the World Business Council for Sustainable Development (WBCSD) for many years, we seek dialog with other companies contributing to the transformation and with stakeholders in order to identify our own scope for action. For example, the Volkswagen Group also continued its collaboration on the WBCSD's Transforming Urban Mobility (TUM) project in 2021. This includes

the Commuter Behavior Change subproject, in which the companies taking part want to make not their products and services but rather the mobility of their own employees as commuters more sustainable. To this end, examples of use have been collected, experience has been shared and recommendations have been published so that other companies can benefit too.

Another focus was the “Mobility as a Service” (MaaS) project, which was jointly carried out by the WBCSD and the International Transport Forum (ITF) and was completed in the reporting year. As a result, mobility trends were identified and regulatory challenges and solutions through which MaaS can make a contribution to people and society and allow providers a viable business model were presented.

Through MOIA, Volkswagen Commercial Vehicles is a member of the MaaS Alliance, which is a public-private partnership organization that has set itself the objective of creating an open platform for implementing MaaS projects.

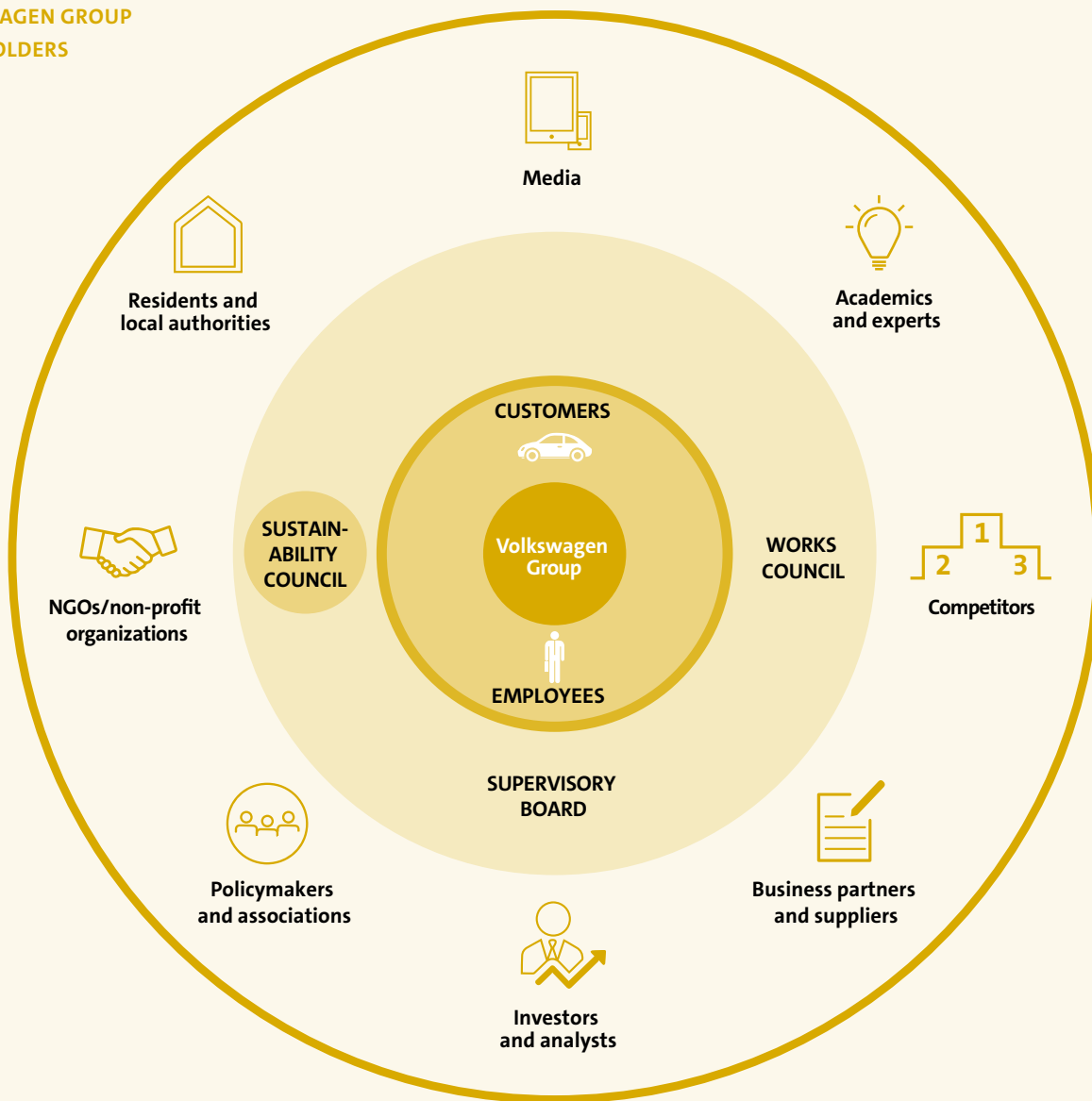
The Volkswagen Group sees itself as a close and reliable partner to cities. Various projects are already being developed, tested and implemented in collaborations around the world. The priority is the establishment of new technologies intended to reduce congestion and environmental pollution. Our Group currently maintains partnerships with a large number of towns and cities, including Hamburg, Hanover, Dresden and Wolfsburg in Germany and cities such as Prague and Barcelona internationally.

## STRATEGIC STAKEHOLDER MANAGEMENT

Our stakeholders are individuals, groups or organizations who have a material influence on or are materially influenced by the way in which the Group reaches its corporate decisions and the implications of those decisions. Our customers and employees

are at the center of our stakeholder network. Around this core, eight further groups have been identified. The Group's supervisory and advisory bodies, such as the Supervisory Board, the Works Council and the Sustainability Council, act as a special interface between internal and external stakeholders.

### VOLKSWAGEN GROUP STAKEHOLDERS



For us, stakeholder management means interacting with the Company's key stakeholder groups systematically and continuously as part of the Group initiative on ESG performance, decarbonization and integrity, which is part of the new Group strategy, NEW AUTO. Our stakeholder management aims for open, constructive and also critical communication with the stakeholder groups listed in the diagram about their requirements and expectations of us, as well as central issues of our Group strategy and its implementation. Our brands and regions have their own stakeholder activities. The Group's task is to bring together these activities in an integrated stakeholder activity framework.

This includes:


- stakeholder activities on a Group level with specific committees, formats and a focus on stakeholders relevant across the Group
- advising and coordinating the brands and regions on the implementation of their activities
- carrying out regular stakeholder analyses and stakeholder surveys

Stakeholder management is one of the core processes of sustainability management in the Group. Tasks, responsibilities and organization are set out in the Group policy on sustainability management.

As a global business, our business activities impact the lives of a very large number of different people. Internationally oriented, effective stakeholder management is increasingly important for the Volkswagen Group. This is not only the foundation for determining the sustainability strategy's key action areas but also necessary for fulfilling the increasing expectations and communication requirements of our stakeholders, whose trust in the Volkswagen Group we want to continue to strengthen. Moreover, continuous communication with all the business areas is essential for achieving corporate goals and complying with reporting standards and other standards and legal requirements.

The transformation of the Volkswagen Group from a vehicle manufacturer to a world-leading, software-driven mobility provider and the development of areas of expertise such as autonomous driving, battery technology, charging infrastructure and energy services will change and expand the range of our stakeholders. Our goal is to involve all stakeholders in this transformation process through a continuous exchange of information and opinions. Better understanding the positions of our stakeholders and actively using their feedback for the sustainable development of our Group and society is key. That is the basis for positioning our Group robustly and also flexibly for the future under likewise constantly changing economic, environmental and social framework conditions and sustainably improving our Group's reputation and thus its acceptance.

Our Group is a player in numerous networks of experts and decision-makers who have a significant influence on our business and the agenda in the politico-social environment. An overview of the Group's most important memberships is available on our website.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Engagement > Memberships

#### REPUTATION KPI REFLECTS STAKEHOLDER TRUST

The reputation key performance indicator (KPI) makes a decisive contribution to anchoring stakeholder management in the strategy. The indicator is based on the responses by external stakeholders in the Group reputation survey, which has been conducted annually since 2017, to the question about the degree to which they trust the Volkswagen Group. Eliciting this KPI enables a holistic view of attitudes and opinions on the Group and allows the identification of changes in evaluations over the course of time.

The Audi, Porsche and Volkswagen Passenger Cars brands are now consistently represented in the survey. The survey data are based on personal telephone interviews that are conducted with representatives of importance to the Volkswagen Group from the fields of politics and associations, media, academia, NGOs, investors and analysts and also business partners in the three markets (Germany, China and the USA). Fundamentally, representatives of the highest possible decision-making level are interviewed in all the stakeholder groups. In 2021, the Group achieved the following results: in Germany, 80% of stakeholders stated they trusted the Volkswagen Group (2020: 57%). In China, the proportion was 97% (2020: 92%) and in the USA it was 67% (2020: 78%). In Germany, the reputation KPI thus improved by 23% compared with 2020. Following its previous high in 2020, the reputation KPI in the USA decreased to 67% in 2021. Excluding the above-average rise in 2020, the Volkswagen Group's reputation has been on a steadily upward trajectory since 2017.

The reputation KPI has improved by **23%** in Germany compared with 2020.

#### STAKEHOLDER PANEL AS A CRITICAL COMPANION

In addition to the Sustainability Council, the Volkswagen Group has established a Stakeholder Panel, which has overseen the Group sustainability activities for over 20 years. The whole panel (Germany/Austria/Switzerland, EU) currently comprises more than 200 institutions and organizations.

After interruption of communication with our stakeholders due to the pandemic, in the reporting year we started developing a long-term stakeholder engagement strategy, which will go into concrete implementation in 2022 and synchronize the panel's activities and events with those of the Sustainability Council to a greater degree. For 2022, we also plan to establish an international panel.

## COMMITMENT TO AN UNDAMAGED ENVIRONMENT

As one of the largest automotive manufacturers in the world, we have to observe extensive legal requirements for all sites and markets and aim to live up to our internal and external stakeholders' high expectations of the effectiveness of environmental management – including, and especially following, the diesel issue. We also want to live up to our voluntary commitments on environmental matters and compliant behavior. The environmental compliance management system is therefore in particular a risk provision against breaches of regulations that may be associated with damage to the environment, our Group and society. The aim of our environmental management is also to continuously improve our environmental performance and reduce our environmental impact.

One of the focuses of the NEW AUTO Group strategy is the Group's ESG performance. In environmental protection (E), decarbonization and circular economy are the focus issues. These are also core elements of the "goTOzero" Group environmental mission statement. At the same time, the environmental compatibility of our products, services and processes is one of our Group Essentials. With electric drives, digital connectivity and autonomous driving, we want to make the car cleaner, more intelligent, quieter and safer. We use our innovative power in order to reduce our environmental footprint – over the entire life cycle of our products and mobility solutions. Our innovations are at the same time intended to help our customers to be more environmentally friendly.

### THE "GOTOZERO" MISSION STATEMENT: MINIMIZATION OF NEGATIVE EFFECTS ON THE ENVIRONMENT

The Volkswagen Group bundles all its measures in environmental protection under the "goTOzero" environmental mission statement. This concept sets the agenda for a way of doing business that is as environmentally friendly as possible with a footprint that is as carbon-neutral as possible. The Volkswagen Group has set itself the goal of achieving this by 2050.

To quote the environmental Group mission statement: "For all our products and mobility solutions we aspire to minimize environmental impacts along the entire life cycle – from raw material extraction to end-of-life – in order to keep ecosystems intact and to create positive impacts on society. Compliance with environmental regulations, standards and voluntary commitments is a basic prerequisite of our actions." This Group mission statement combines all strategic and compliance-related aspects of the Group's environmental activities and forms the basis for linking targets, key performance indicators, programs and measures. The mission statement is continuously reviewed and its objectives adjusted to new requirements and changes in conditions.

In its "goTOzero" mission statement, the Volkswagen Group concentrates on the following four action areas:

- **Climate change:** Volkswagen is committed to complying with the United Nations' Paris Agreement. The goal is to become a company with a carbon-neutral footprint by 2050. As early as by 2025, the Group plans to reduce the total life-cycle greenhouse gas emissions from passenger cars and light commercial vehicles by 30% compared to 2015. In addition, the Group has set a decarbonization target confirmed by the Science Based Targets initiative (SBTi), which envisages a reduction of 30% from 2018 to 2030 without offsetting.



#### > Decarbonization

The transition to renewable energies is a key part of the objectives, and to this end, the Group aims to actively drive the transition towards renewable energies along the entire life cycle.

- **Resources:** Volkswagen wants to further improve its resource efficiency and promote reuse and recycling approaches in the areas of materials, energy and water. By 2025, the Group plans to have reduced the production-related environmental impact with respect to energy, water, waste and volatile organic compounds by 45% per vehicle compared to 2010.
- **Air quality:** Volkswagen is also driving e-mobility forward to improve local air quality by reducing emissions of nitrogen oxides and particulate matter.
- **Environmental compliance:** With respect to integrity, Volkswagen aims to set an example for a modern, transparent and successful business by installing and monitoring effective management systems that cover the environmental impact of its mobility solutions across all life-cycle phases.

### MANAGEMENT AND COMPLIANCE IN MATTERS OF THE ENVIRONMENT

The Volkswagen Group has created an environmental policy that calls on managers and the workforce to implement environmental goals with joint responsibility. In its environmental policy, the Group commits to protecting the environment, fulfilling binding obligations and continuously improving its environmental compliance management system and environmental performance.

We have also implemented a Group policy for the environmental compliance management system describing requirements, tasks and responsibilities with regard to the environment and compliance. This policy provides the framework for implementing environmental compliance management systems across all phases of the business and the entire life cycle of vehicles in our brands and companies. The policy defines the minimum requirements for operating organizations regarding implementing an environmental compliance management system and gives them the flexibility to implement this in a manner in line with their business activities.

In 2019, we internally set ourselves the target that all production and development sites in the Group must obtain third-party certification of environmental management systems in accordance with ISO 14001 or the Eco-Management and Audit Scheme (EMAS). Because the standards do not, however, answer the question of how to avoid misconduct and how to respond appropriately to it, the Volkswagen Group has expanded the established environmental management systems to include important compliance aspects.

The intention of our environmental compliance management systems is to ensure that environmental aspects and obligations are taken into account in our business operations. We consider disregard of environmental obligations, fraud or misconduct to be a serious compliance breach. Whether our actions conform to the requirements of our environmental policy and other environment-related Group specifications is evaluated annually and reported to the Group Board of Management, to the respective boards of management of the brands and to the managing directors of the companies.

The Group Board of Management is the highest internal decision-making level for environmental matters. Both the Volkswagen AG Board of Management and the boards of management of the brands take account not just of economic, but also social and environmental aspects when making relevant business decisions. The Group-wide management of environmental protection, including implementing the resource-efficiency programs and monitoring target achievement, is the responsibility of the Group Steering Committee for the Environment and Energy. It is the highest environmental committee in the Volkswagen Group and is responsible for reporting to the Group Board of Management or the environmental officer in the Group Board of Management. The Group Steering Committee for CO<sub>2</sub> and the Group Steering Committee for Fleet Compliance and Exhaust Emissions manage important individual aspects for our products – such as CO<sub>2</sub> and exhaust emissions. The Group Steering Committee for Sustainability is responsible for climate protection.

The Volkswagen Group coordinates the activities of the brands, which in turn manage measures in the individual regions. The brands and companies are organizationally responsible for themselves when it comes to environmental matters. They base their own environmental protection activities on the targets, guidelines and principles that apply throughout the Group. In order to prove that we have achieved our targets, we disclose environmental key performance indicators annually and report transparently on the progress of the Group's efforts.

Good progress has been made as regards external certification. In 2021, 110 of our 120 sites, including the central development units were certified in accordance with ISO 14001 or EMAS. In terms of employee numbers, this equates to more than 99%. In addition, 65 production locations have certified their energy management systems in accordance with ISO 50001. Since 2009, the "Integration of Environmental Factors into Product Development" model used in the Volkswagen Passenger Cars brand's technical development has also been certified to ISO/TR 14062. SEAT development is certified in accordance with ISO 14006.

### Checking and Complying with Limits

In internal combustion engines, we adhere to national and international legal norms and limits. For example, the Euro 6d-TEMP standard has been obligatory for new registrations in the European Union since September 1, 2019. In addition to the use of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), it also requires measurement in accordance with the RDE (= Real Driving Emissions) standard. Unlike with WLTP, emissions are not measured on a test bench – they are measured in actual road traffic. As of January 1, 2021, the Euro 6d standard became obligatory for all new registrations. This is accompanied by a further reduction in emission limits under RDE conditions.

In order to comply with the legal requirement within the framework of the Euro 6 standard, our diesel vehicles come with an SCR catalytic converter as standard and all new TSI and TSFI gasoline engines have a particulate filter.

### Group-wide Communication and Networking on Environmental Issues

The Volkswagen Group has established the Group Environmental Talk as a format of internal communication for employees. Several members of the Group Board of Management and the spokesperson for the Volkswagen Group's Sustainability Council, Georg Kell, took part in the event in 2021. The focus of the discussion was on the European Green Deal and the Volkswagen Group's potential in the area of circular economy.

Furthermore, the Group held environmental weeks – "goTOzero weeks" – in the brands and regions for the first time in the reporting year. The aims of the Group-wide campaign were to provide information and facilitate employee networking in the Volkswagen Group so as to advance environmental protection activities across the Group. The focus was on participatory events, talks by experts, and many digital workshops and information programs on the topics of decarbonization, energy, environmental compliance, biodiversity, water, waste and circular economy.

## LIFE-CYCLE APPROACH DETERMINES ANALYSIS AND ACTIONS

We consider the environmental impact we cause throughout the entire life cycle and at all stages of the value chain. This includes the manufacturing process with the associated extraction of raw materials, the production of materials, the processes at our suppliers and our own production operations at our sites, the use phase with the resulting vehicle emissions and the necessary supply of fuel, and ultimately the recycling of the vehicle at the end of its life cycle. For detailed, ISO-standardized life cycle assessments (LCAs), we use special LCA software with our own LCA database LEAD (Life Cycle Environmental Assessment Database), which makes the exchange of harmonized data throughout the Group and a standardized basis for calculating our environmental performance possible. In the next step, we identify hot spots in the life cycle and deduce suitable solutions to reduce the environmental impact. We call this life cycle engineering. In line with our life cycle approach, we involve our suppliers in our efforts to minimize our environmental impact early on.

For example, for the life-cycle analysis of the ID.3, in terms of impact categories we particularly consider the climate effect. CO<sub>2</sub> and all other emissions relevant to the climate are recorded here and converted into CO<sub>2</sub> equivalents. Here, Volkswagen AG commissioned TÜV NORD CERT Umweltgutachter GmbH as an independent external body to carry out the review of our own life cycle assessment study in accordance with the applicable standards DIN EN ISO 14040 and DIN EN ISO 14044. In accordance with the standard, the manufacturing phase starting with raw material extraction, the use phase over 200,000 km in the passenger transportation WLTP driving cycle and recycling of the Golf 8 and ID.3 were all used as the framework.

## CONSERVATION OF NATURAL RESOURCES

Our targets in the areas of CO<sub>2</sub>, energy, water, waste and volatile organic compounds – the reduction in environmental impact in production (UEP) – were defined within the production strategy and include objectives for the Group and its brands. Given their high environmental relevance, we focus particularly on energy and CO<sub>2</sub>.

## REDUCTION OF THE ENVIRONMENTAL IMPACT OF PRODUCTION (UEP)

By 2025, the production-related environmental impact with respect to energy, CO<sub>2</sub>, water, waste and volatile organic compounds (VOC) is to be reduced by 45% per vehicle compared to 2010. The following charts show the development of these figures from 2010 to 2021 (data: 11+1 months).<sup>1</sup>

- UEP: -29.0% (2020: -32.4%)<sup>2</sup>

The following five indicators form the UEP KPI:

- Energy requirements per vehicle: -3.5% (2020: -12.4%)
- CO<sub>2</sub> emissions per vehicle: -33.3% (2020: -35.2%)
- Water consumption per vehicle: -11.6% (2020: -17.1%)
- Waste for disposal per vehicle: -61.6% (2020: -57.3%)<sup>3</sup>
- VOC emissions per vehicle: -62.0% (2020: -61.7%)

In 2021, the production situation remained strained due to global supply bottlenecks and electronic components in addition to the challenges caused by the pandemic. Production stops at many sites and the resulting reduced production volume in many cases led to a rise in specific resource requirements and thus to the specific environmental KPIs per vehicle deviating from the targets.

# UEP: -29.0%

(2020: -32.4%)

As a result, the successes of the measures and activities to further reduce our factories' adverse environmental impacts that were implemented this year are once again not directly reflected in the UEP environmental indicators.

<sup>1</sup> The figures for December of the reporting year include an estimate. The estimated figures for the prior year were replaced in the current data collection.

<sup>2</sup> Passenger Cars and Light Commercial Vehicles division, Bugatti included pro rata.

<sup>3</sup> Waste for disposal includes only production-specific volumes.



## ANCHORING ENVIRONMENTAL PROTECTION IN MANUFACTURING: ZERO IMPACT FACTORY

We are planning the production of tomorrow with our one.PRODUCTION Group production strategy. Emissions levels and the use of resources at Volkswagen Group locations require particular attention. The “goTOzero – Zero Impact Factory” program is developing specific steps for more sustainable production. It is guided by the vision of creating a factory that has no adverse environmental impact. We have developed a checklist of currently 143 environmental criteria to help the sites determine their status on the way to becoming a Zero Impact Factory. As well as the criteria of climate protection and energy, emissions, water and waste, this also includes aspects such as the appearance of the factory, commitment to biodiversity, protecting the soil, avoidance of business disruptions, functioning environmental management, better resource efficiency towards a circular economy and environmentally neutral mobility management for employees and the transportation of goods.

We are working on the following key issues for further implementation:

- Setting and achieving ambitious environmental targets for production
- Developing a long-term vision for environmental targets in production and rolling it out across the Group
- Strengthening employees’ environmental awareness
- Integration of relevant environmental aspects into processes

We will present the Zero Impact Factory Award to recognize particularly innovative environmental projects and increase awareness of the initiative from 2022. For the coming year, the focus will be on measures for environmental improvement with measurable success in the areas of avoiding plastic and recycling.

Furthermore, we record environmental measures in the IT-supported “Massnahmen@web” system, thus encouraging the Group-wide exchange of best practices. In the reporting year, 1,544 implemented measures relating to the environment and energy were documented. They are aimed at improving infrastructure and production processes for passenger cars and light commercial vehicles.

## COMMITMENT TO BIODIVERSITY

The manufacturing operation of our vehicles impacts biodiversity through emissions, land use and transportation – from raw material extraction through the use phase to recycling. Volkswagen is aware of its responsibility and has been involved in protecting and retaining biological diversity through conservation projects since 2007. As a founding member of Initiative Biodiversity in Good Company e. V., we have made a commitment to this. In this commitment, we also acknowledge the three goals of the international Convention on Biological Diversity (CBD) and have defined corresponding action areas to make our contribution to achieving these goals in the context of our business activities.



> [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy

In addition to supporting conservation projects around the world, we have set ourselves the target of increasing biodiversity at our production sites as well. Steps such as creating wildflower meadows, planting trees and shrubs and installing nesting aids for bats, birds and insects have already been taken locally. To increase biodiversity at the production sites, we have introduced a rating tool, which is also integrated in the checklist. The effectiveness of the biodiversity measures is regularly reviewed through the environmental compliance management system. Another component of our commitment is raising employees’ awareness of the topic of biodiversity by means of information, training and involvement in projects.



ENVIRONMENTAL MANAGEMENT KPIS<sup>1</sup>

KPI	Unit	2021	2020	Notes and comments
Sites certified in accordance with ISO 14001 or EMAS in the Volkswagen Group	Number	110	107	
Proportion of these in terms of number of employees	in %	99.6	99	
Production sites certified in accordance with ISO 50001 in the Volkswagen Group	Number	65	59	
Production sites certified in accordance with ISO 50001 in Volkswagen AG	Number	6	6	
Sites certified in accordance with ISO 14001 or EMAS in Volkswagen AG	Number	6	6	
Proportion of these in terms of number of employees	in %	100	100	
<b>Specific emissions reduction (strategic KPIs)</b>				
<b>in the Volkswagen Group</b>				
Change in overall environmental impact of production (UEP)	in %	–29.0	–32.4	
Change in specific energy requirements	in %	–3.5	–12.4	
Change in CO <sub>2</sub> emissions	in %	–33.3	–35.2	
Change in specific VOC emissions	in %	–62.0	–61.7	
Change in specific water consumption	in %	–11.6	–17.1	
Change in specific waste for disposal	in %	–61.6	–57.3	Only production-specific volumes
<b>in Volkswagen AG</b>				
Change in overall environmental impact of production (UEP)	in %	9.4	–11.3	
Change in specific energy requirements	in %	20.8	–7.2	
Change in specific CO <sub>2</sub> emissions	in %	19.9	–6.3	
Change in specific VOC emissions	in %	–15.1	–18.9	
Change in specific water consumption	in %	19.7	4.7	
Change in specific waste for disposal	in %	–25.6	–40.4	Only production-specific volumes
<b>Energy consumption</b>				
Energy consumption in the Volkswagen Group	in million MWh/year	21.98	21.62	
of which in Volkswagen AG	in million MWh/year	4.76	4.65	
Energy consumption in the Volkswagen Group	in kWh/vehicle	2,432	2,207	Cars and light commercial vehicles
of which Volkswagen AG	in kWh/vehicle	7,246	5,570	
Heat energy consumption – cars & light commercial vehicles	in million MWh/year	5.89	5.33	
Heat energy consumption – Volkswagen AG	in million MWh/year	1.89	1.60	
Heat energy consumption – other divisions	in million MWh/year	0.76	0.71	

<sup>1</sup> The following sites are not included in the Group assessment: the four Scania Service Centers (Johannesburg, Narasapura, Kuala Lumpur, Taoyuan City); a MAN Truck & Bus site (Serendah); two sites in China (Hefei, Suzhou) and five NAVISTAR sites (Huntsville, Springfield, Tulsa, Escobedo, Santo Amaro).

KPI	Unit	2021	2020	Notes and comments
Total electricity consumption in the Volkswagen Group (as a proportion of total energy consumption)	in %	50	52	
in Volkswagen AG	in %	43	46	
Total electricity consumption (absolute)	in million MWh/ year	11.05	11.20	
in Volkswagen AG	in million MWh/ year	2.04	2.12	
<b>VOC emissions</b>	in metric tons/year	13,593	14,856	
of which cars and light commercial vehicles	in metric tons/year	12,506	13,700	
of which Volkswagen AG	in metric tons/year	1,118	1,339	
of which other divisions	in metric tons/year	1,087	1,156	
<b>VOC emissions</b>	in kg/vehicle	1.57	1.58	Cars and light commercial vehicles
of which Volkswagen AG	in kg/vehicle	1.77	1.69	
<b>Freshwater</b>				
Freshwater volume	in million m³/a	39.69	41.77	
of which cars and light commercial vehicles	in million m³/a	32.07	32.65	
of which Volkswagen AG	in million m³/a	3.62	3.98	
of which other divisions	in million m³/a	7.62	9.12	
Freshwater volume	in m³/vehicle	4.02	3.77	Cars and light commercial vehicles
of which Volkswagen AG	in m³/vehicle	5.74	5.02	
<b>Waste for disposal</b> (only production-specific volumes)				
Nonhazardous waste	in metric tons/year	28,961	36,130	
of which cars and light commercial vehicles	in metric tons/year	25,019	30,611	
of which Volkswagen AG	in metric tons/year	1,439	1,311	
of which other divisions	in metric tons/year	3,942	5,519	
Hazardous waste	in metric tons/year	54,369	63,313	
of which cars and light commercial vehicles	in metric tons/year	46,480	55,612	
of which Volkswagen AG	in metric tons/year	8,738	8,909	
of which other divisions	in metric tons/year	7,889	7,701	
Nonhazardous waste	in kg/vehicle	3.13	3.53	Cars and light commercial vehicles
of which Volkswagen AG	in kg/vehicle	2.28	1.65	
Hazardous waste	in kg/vehicle	5.82	6.41	Cars and light commercial vehicles
of which Volkswagen AG	in kg/vehicle	13.83	11.24	
“Massnahmen@web” measures implemented	Number	1,544	1,520	
in Volkswagen AG	Number	467	452	

## RISK MANAGEMENT AS AN EARLY WARNING SYSTEM

Promptly identifying the risks and opportunities associated with our business activities and taking a forward-thinking approach to managing them is crucial to our Group's long-term success. A foresighted risk management process and effective internal control systems are therefore vitally important to us. Not only do we set high internal standards, we also insist that all our suppliers along our entire value chain comply with these standards.

## RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

A comprehensive risk management system and internal control system (RMS/ICS) helps us to handle risks responsibly. It defines the primary principles and elements of our Group, forming the basis for the appropriate and effective management and control of material risks. This applies to risks with consequences for the Volkswagen Group and/or for the environment and society. It is thus also directly applicable to the assessment of nonfinancial risks that could arise when pursuing goals and implementing measures in the focus areas.

### > ESG Performance Management and Materiality Analysis

The organizational design of the Volkswagen Group's RMS/ICS is based on the internationally recognized COSO Enterprise Risk Management framework (COSO = Committee of Sponsoring Organizations of the Treadway Commission). Through a Group risk management policy, all business divisions and units are obliged to implement an RMS/ICS. The Board of Management receives ad-hoc and quarterly risk reports.

The focus of our RMS/ICS is the three lines model – a basic element required by, among others, the European Confederation of Institutes of Internal Auditing (ECIIA). In line with this model, our RMS/ICS has three lines that are designed to protect us from the occurrence of material risks.

The first line comprises the operational risk management and internal control systems of the individual brands, companies and departments. The RMS/ICS is an integral part of the Volkswagen Group's structure and workflows. Incidents that could constitute a risk are identified and assessed in the first line. Countermeasures are introduced, the residual potential impact is assessed, and the information is incorporated into planning in a timely manner. Material risks are reported to the relevant committees on an ad-hoc basis. The results of the operational risk management process are incorporated into budget planning and financial control on an ongoing basis. The targets agreed in the budget planning rounds are continually reviewed in revolving planning updates. At the same time, the results of risk mitigation measures are promptly incorporated into the monthly forecasts regarding further business development. This means that the Board of Management also has access

to an overall picture of the current risk situation via the documented reporting channels during the year.

The second line is the Group risk management organization, which, among other things, sets standards for the RMS/ICS, provides support to the divisions in the form of relevant training and coordinates the quarterly risk survey. It reports quarterly to the Group Board of Management on any material risks, which are defined using quantitative and qualitative assessment criteria and given probability ratings. The additional annual governance, risk and compliance (GRC) control process, with a focus on internal control activities, is being gradually replaced by a standard ICS. In the standard ICS, standardized control targets are now set for the key brands, companies and departments to cover process risks. The documented control activities are regularly tested for their effectiveness and the ICS is thus improved.

The third line of defense is Group Internal Audit, which carries out regular checks on the structure and implementation of the RMS and ICS as part of its independent audit activities.

The Volkswagen Group continuously develops its risk management in order to take account of constantly increasing internal and external requirements in the field of corporate responsibility.

## RISKS CONCERNING NONFINANCIAL ISSUES

Nonfinancial matters are taken into account in both the methodology and the content of our RMS/ICS. The standard ICS uses master control catalogs containing standardized process risks and associated control targets as a specification for internal controls to be carried out in the brands and companies. Risks and requirements in relation to product or environmental compliance are addressed in various master control catalogs – e.g. for production. To ensure the appropriateness of the master control catalog, we check whether it is up to date each year, and it is adjusted if necessary. In the quarterly risk process, the risks are classified into risk clusters.

The nonfinancial matters pursuant to the German CSR Directive Implementation Act (*CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG*) are addressed in both the master control catalogs in the standard ICS and the risk clusters of the quarterly risk process. For example, environmental matters are taken into account in the Environment and Sustainability master control catalog via the risk that “the material environmental and sustainability risks of our products, production and services along the entire life cycle are not/insufficiently identified”. In the compliance master control catalog, the risk that “compliance breaches and risks (whistleblower information) are not addressed or not sufficiently addressed or not promptly/correctly dealt with” serves to address the matter of “combating corruption and bribery”. As part of the quarterly risk process, risk clusters involving environmental risks, emission risks, compliance risks or CO<sub>2</sub> risks or


product-related risks, for example, that address these matters are specified in this process.

Risks that could impact on our bottom line also include general environmental risks and climate-change risks. These include risks that could result from different CO<sub>2</sub> and emissions regulations, but also extreme weather, storms or floods with effects on production, infrastructure and supply chains. The risks relevant from the Volkswagen Group's perspective are presented in the report on risks and opportunities in the management report. In fiscal year 2021, risks continued to be identified with regard to compliance with regulations on fleet CO<sub>2</sub> emissions in individual brands and markets. A more detailed description is available in the report on risks and opportunities in the Annual Report under the heading "Environmental Protection Regulations". Further risks arise from the assertion of what are actually civil-law environmental policy objectives.

The Volkswagen Group generates significant negative effects with regard to the environment with its business and products due to CO<sub>2</sub> emissions across the entire life cycle. We wish to make our contribution to limiting global warming to well below two degrees Celsius in accordance with the Paris Agreement by making our entire Group net carbon neutral by 2050. To this end, decarbonization has been firmly anchored as a focus issue in the NEW AUTO Group strategy. More information on the effects, targets and measures can be found in the "Decarbonization" chapter.

 > Decarbonization

Beyond this, no further risks with very likely serious negative effects have been identified.

 > Annual Report 2021 > Group Management Report > Report on Risks and Opportunities

## SOCIAL RESPONSIBILITY

As a good corporate citizen, we would like to be a constant economic driver and contribute to structural development and equal opportunities in more (business) processes. We have always believed in the importance of recognizing our social responsibilities towards our stakeholders. We do not yet have a Corporate Citizenship strategy that applies throughout the Group, but we regard it as a must for reasons of transparency and accountability. That is why we are currently working on a strategic foundation for this action area. The main focus of our philanthropic activities is on supporting future, environmental, educational and community projects at many of our sites across the world.

We select specific projects and develop them on our own or in partnership with local partner organizations and NGOs.

- The projects are in line with the Group Essentials and address a specific issue of local relevance or a global challenge.
- They are an expression of diversity within the Group and the social environment in which the projects are carried out.
- They are the result of close dialog with the local stakeholders involved in implementation.
- Projects are managed locally under the responsibility of the competent units.

In the reporting year, the development of Group-wide corporate citizenship guidelines was accelerated, and their adoption and the start of the rollout is planned for 2022.

EUROPEAN IMPACT HERO SUPPORTS  
SUSTAINABLE START-UPS

Together with SAP and Microsoft Germany, Volkswagen and Audi supported a Europe-wide program for supporting social entrepreneurs oriented towards sustainability. The European Impact Hero program supports start-ups from the fields of circular economy, climate and sustainability in the supply chain with expertise from volunteers from the four large corporations, valuable contacts and prize money – donated by Ecopreneur.eu, a European network of sustainable businesses.

European Impact Hero was embedded in the European Social Economy Summit (EUSES) jointly organized by the European Commission and the City of Mannheim. The conference is organized by the European Commission every six years with the aim of strengthening the social economy in Europe and spelling out its contribution to economic development, social inclusion and environmental transformation.

In May 2021, in conjunction with Impact Hero Day, ten start-ups qualified for the Impact Hero Lab following an intensive application phase, selection by jury and presentation of innovative solutions to problems, and thus for high-quality support to enhance their business models in a six-month accelerated program.

In the Impact Hero Lab, the start-ups will be supported by various experts and mentors. At the closing event in November 2021, the companies supported presented their models to impact investors and the reporting companies. The start-up that made the most progress in the Biodiversity & Ecosystem Futures (BEF) program won the European Impact Hero Award and prize money of €5,000.

PARTNERSHIP WITH MICROSOFT  
FOR DIGITAL EDUCATION

The Volkswagen Group increasingly links sustainability with digitalization in its social engagement activities, relying on partnerships to do so. As part of a long-term collaboration with Microsoft Germany, one of our focuses is on projects in digital education and training. This is intended to give people access to digital technology, thus increasing participation in society and future opportunities.

At the Autostadt Wolfsburg, the two cooperation partners also expanded the digital training options in the reporting year. These training options are aimed at school students, young people, adults and teachers. The new format included a weekly livestream learning option ("Mittwochs um 4 lernen wir" [We learn on Wednesday at 4]). Extensive knowledge from the topics of programming, artificial intelligence, autonomous driving, technology and design was playfully and entertainingly presented on a dedicated YouTube channel.

EXTENSIVE PHILANTHROPIC CONTRIBUTIONS  
AROUND THE WORLD

During the reporting year, we were sustainably active in the fields of the environment and society through numerous projects worldwide. We give donations in cash and in kind to support activities and projects primarily devoted to education, culture, sports and social causes. Donations may only be given to recognized non-profit organizations or ones specifically endorsed to receive donations.

800

Projects and Initiatives  
Around the World

The Volkswagen Group donated €1 million in emergency aid in the areas affected by flooding in North Rhine Westphalia and Rhineland Palatinate in Germany in 2021. The funds were given to the German Red Cross, which organized the aid locally with around 3,500 emergency personnel. The funds provided by the Volkswagen Group were used to directly support the people in need and were used to distribute aid supplies and medical emergency aid. In addition, they funded equipment and supplies for

the numerous German Red Cross helpers. Dr. Ing. h. c. F. Porsche AG also provided donations of € 1 million for flood victims in “Aktion Deutschland Hilft”, plus a donation of € 500,000 for the German Red Cross’s international flood assistance in Belgium, Austria and the Netherlands. AUDI AG employees donated more than € 400,000 for the benefit of flood victims, and AUDI AG topped this sum up to € 800,000 following a decision by the Board of Management.

In the reporting period, Volkswagen AG made donations amounting to € 31.2 million.

In 2021, the brands and companies supported more than 800 projects and initiatives around the world.

Information on the individual topics and projects can be found on our website:



> [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Engagement > CC Projects Worldwide

1

DECARBONIZATION



2

CIRCULAR ECONOMY



3

PEOPLE IN  
THE TRANSFORMATION



4

DIVERSITY



5

INTEGRITY



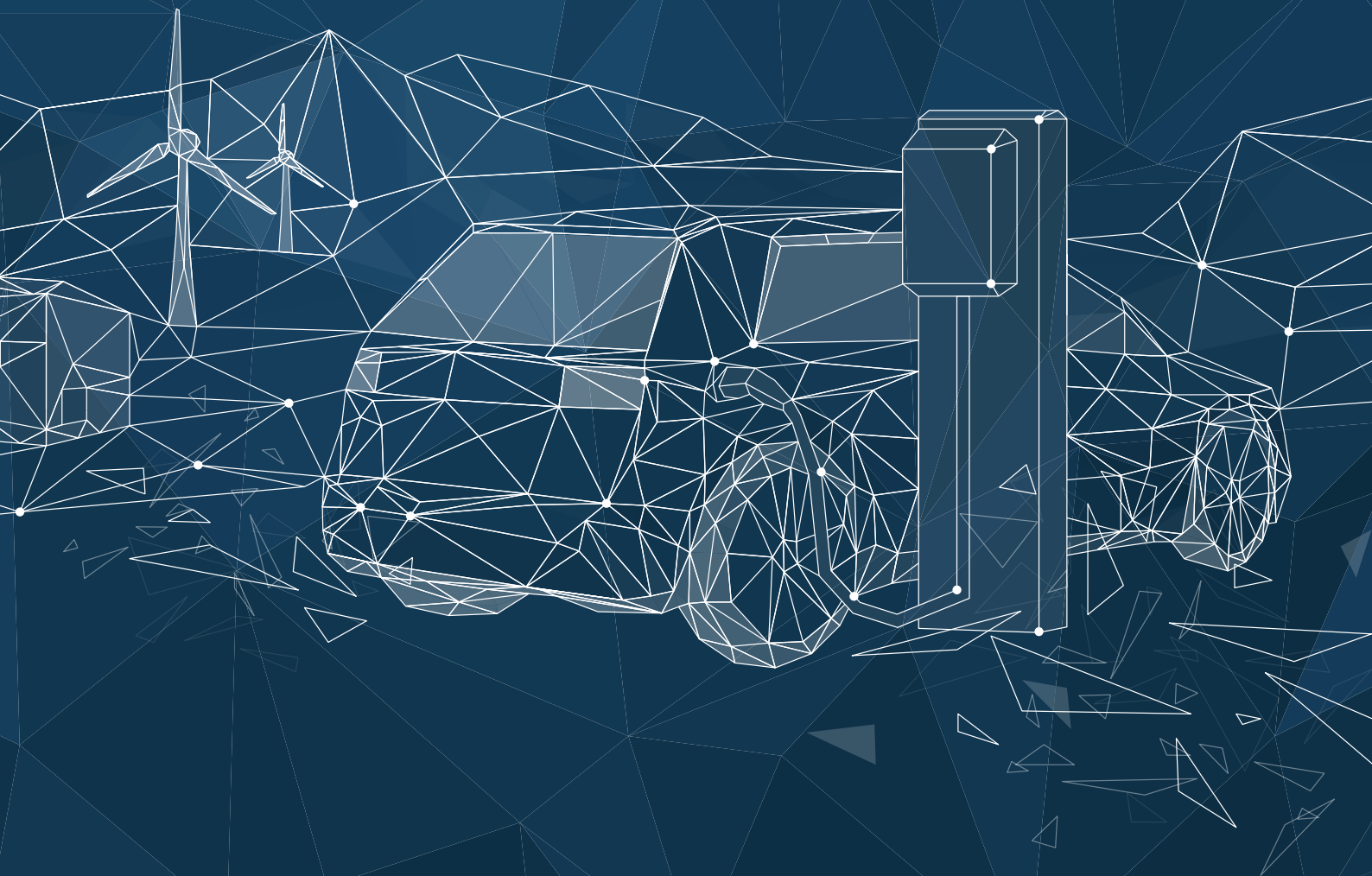
6

RESPONSIBILITY FOR SUPPLY  
CHAINS AND BUSINESS





# DECARBONIZATION



## PARTICULAR RESPONSIBILITY FOR CLIMATE PROTECTION

Climate change is one of humanity's key challenges. The speed of global warming has rapidly increased in the last three decades. Stopping it is a challenge for us all. According to the calculations of the Intergovernmental Panel on Climate Change (IPCC), the transport sector accounts for around a fifth of global greenhouse gas emissions. As one of the world's largest automotive manufacturers and mobility providers, we are aware of our responsibility and have defined the decarbonization of our Group and its products as a focus area and therefore a key element of our corporate strategy.

We are committed to the Paris Climate Agreement, which aims to keep the increase in global temperature by 2050 to well below two degrees Celsius. By 2050, we want our whole Group to become net carbon neutral. We have set important milestones and intermediate goals for ourselves along the way: by 2030, we want to reduce the CO<sub>2</sub> emissions of our passenger cars and light commercial vehicles by 30% per vehicle over their entire life cycles, compared with the base year of 2018. Alongside the Group's electric offensive, we are focusing to a greater extent on integrating renewably generated electricity in the use phase and switching our production plants' external power supply to renewable energy.

Decarbonization occupies a key position in the NEW AUTO Group strategy and is one of six focus topics in the Group initiative to improve ESG performance. The commitment to climate protection is also a core part of our "goTOzero" environmental mission statement, which stands for a net carbon-neutral way of doing business.

### Reporting According to TCFD Recommendations

For the first time, we are reporting our activities on climate protection in detail in accordance with the guidelines of the Task Force on Climate Related Financial Disclosures (TCFD), which was set up by the G20's Financial Stability Board. These guidelines create a coherent framework for voluntary and consistent reporting of an entity's climate-related financial risks and opportunities. This chapter on decarbonization is structured accordingly.

## CLIMATE PROTECTION CENTRALLY MANAGED


The Group Board of Management is the Group's highest sustainability body. The Chairman of the Board of Management has cross-functional overall responsibility for sustainability. The Group Steering Committee for Sustainability bears the main responsibility for climate protection along the value chain as the highest body below the Board of Management. Product and portfolio topics are managed by the Group Steering Committee for CO<sub>2</sub>.

At least twice a year, the Group Steering Committee for Sustainability reports information about corporate-responsibility and sustainability topics – e.g. about handling the risks and opportunities of climate change – and the Group Steering Committee for CO<sub>2</sub> reports information about product-related greenhouse gas emissions to the Group Board of Management, which makes key decisions on topics relevant to climate protection. For example, the Group plans to invest around € 89 billion in cutting-edge areas such as hybridization, electric mobility and digitalization by 2026. This equates to around 55% of capital expenditure and all the Group's research and development costs in the planning period. € 52 billion alone is earmarked for investment in electric mobility.

The Group Board of Management is also the highest internal decision-making level for environmental issues. The relevant Group steering committees, such as the Group Steering Committee for Sustainability or for the Environment and Energy, are responsible for managing environmental protection issues throughout the Group. Other bodies oversee important individual aspects for our products – for example CO<sub>2</sub> and exhaust emissions. These include the Group Steering Committee for CO<sub>2</sub> and the Group Steering Committee for Fleet Compliance and Exhaust Emissions. They report to the Board of Management on various topics: the implementation of the NEW AUTO Group strategy, the decarbonization program, risk management, business plans, setting and pursuing targets, and requirements for handling climate-related topics. For Volkswagen, climate-related topics have an important strategic and operative significance – e.g. with respect to regulatory requirements and the corresponding performance of our products and also our Group's ongoing transformation process. In addition to having Group-wide responsibility for sustainability, the Board of Management regularly consults with Volkswagen's Sustainability Council on climate protection.

### Remuneration of the Board of Management Linked to Decarbonization Progress

The Volkswagen Group has linked the remuneration of the members of its Board of Management to, among other things, the development of the decarbonization index as the core climate-protection-related key indicator in the Group. This serves as a measurement tool for the CO<sub>2</sub> emissions of the brands of the EU-27, China and US regions that manufacture passenger cars and light commercial vehicles over the entire life cycle. The Volkswagen Group's Remuneration Report provides further information on how key sustainability criteria are taken into account in the Board of Management's remuneration.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Corporate Governance > Remuneration

## MANAGEMENT OF GROUP-WIDE CLIMATE PROTECTION MEASURES

The Group Board of Management member responsible for production regularly informs the Group Board of Management on sustainability, environmental and energy-related topics. The member of the Board of Management is responsible for all production and environmental activities, including activities connected with climate-friendly mobility. The Group-wide management of environmental protection is the responsibility of the member of the Board of Management responsible for production and of the Group Steering Committee for the Environment and Energy, which is supported by numerous specialist bodies.

Climate-related topics are coordinated and managed by regular meetings of the Group steering committees, by internal and external stakeholder engagement and by continuous communication with the heads of the Group's and the brands' various research and development units and other Group functions.

Volkswagen's Group Head of Environment provides reports to the Group Board of Management on environment- and energy-related topics in their capacity as Head of the Group Steering Committee for the Environment and Energy. The Division Head of the Group Strategy and General Secretariat provides reports to the Chairman of the Group Board of Management in their capacity as Head of the Group Steering Committee for Sustainability and regularly informs the Group Board of Management on sustainability- and environment-related topics. The positions described have the task of coordinating and managing the sustainability, environmental and CO<sub>2</sub> activities decided by the Group Board of Management.

### The Volkswagen Group's Climate-Related Risk and Opportunity Analysis

The Group identifies both risks resulting from climate change (physical risks) and risks and opportunities due to the shift toward a decarbonized economy (transitional risks and opportunities).

#### I. Transitional risks

##### a. Politics & law

###### Emissions standards

Compliance with fleet and exhaust-emission limits can be technically challenging and require significant investment. Breaches of limits may also result in significant financial penalties. The Volkswagen Group closely coordinates technology and product planning with its brands so as to implement existing legal requirements and avoid breaches of limits.

###### Carbon pricing

Volkswagen supports ambitious carbon pricing, as this promotes the transformation to climate-friendly electric mobility in line with Group strategy. An increasingly effective

carbon price, particularly in Europe, may, however, also lead to additional costs in energy and material consumption. The Group is countering this risk by switching its energy supply to renewable energies in the long term and integrating corresponding quotas for the use of renewably generated electricity in supplier-side procurement requirements.

Additional costs or earnings losses may result from a mandatory tightening of emission reduction targets or early divestitures of the Group portfolio's high-emission products. The Group counters this risk through certification of the conformity of its self-imposed decarbonization targets in accordance with the Paris Climate Agreement by independent and internationally recognized organizations such as the Science Based Targets initiative.

##### b. Technology

###### Increasing model diversity

The increasing diversity of models as part of the electric offensive and shorter product life cycles come with a global increase in vehicle start-ups. The technical systems and processes involved are complex, which means there is a risk that vehicle start-ups may be delayed. The Group counters this risk by identifying weak points in product creation early and on the basis of experience, with the aim of protecting vehicle start-ups in respect of quantity, quality and timing.

##### c. Market

###### Emission-based vehicle taxation

Potential increases in vehicle taxes based on CO<sub>2</sub> emissions – as is already the case in many European countries – may lead to demand shifting in favor of smaller segments and engines and have an adverse financial impact for the Group. The Group counters this risk by constantly developing new and fuel-efficient vehicles and alternative drive technologies. The electrification of the portfolio and the Group's drive and fuel strategy form the basis for this.

##### d. Reputation

###### Reporting & communication

Critical media reports or defensive communication by the Group in relation to its CO<sub>2</sub> emissions, reduction targets and the decarbonization strategy might lead to reputational damage and, as a consequence, to reductions in the demand for the Group's products. The Group counters the risk through regular communication regarding its carbon footprint, emission reduction targets, and electrification and decarbonization strategy in the annual and sustainability reports and in its stakeholder management.

## II. Physical risks

### a. Acute

#### *Extreme weather events*

Potential disruptions of the supply of critical input factors, such as semiconductors, caused by the impact of weather events such as floods or winter storms may potentially lead to production downtime that has a financial impact for the Group. The Group counters the supply risk with strategic allocation of quantities available to the brands, prioritization of components and the intensification of business relationship management with suppliers.

### b. Chronic

#### *Water availability*

If the climate impacts water availability, this can lead to a need for site-related investments or cause added costs as a result of any adjustment measures needed or alternative supply routes. The Group counters this risk by assessing the climate-related vulnerability of production sites and deriving appropriate countermeasures using environmental analyses.

## III. Opportunities

### a. Products

#### *Sales potential*

The transformation of transportation and the associated transition to lower-emission and electric mobility open up new sales potential for fuel-efficient vehicles, electric vehicles and other alternative drives. The Volkswagen Group is laying the groundwork to open up the sales potential of the transformation of transportation with its brands based on coordinated technology and product planning and the associated electric offensive.

### b. Efficiency

#### *Cost savings*

Decarbonization measures can go hand in hand with tapping efficiency potential. These include, for example, measures for more efficient LED lighting, modernized heat supply and cooling at the sites or also optimized washing and drying processes in production. The Group identifies and taps such potential by systematically recording and assessing reduction measures to be implemented on the basis of various decision-making criteria as part of the decarbonization program. Furthermore, the Group has a tool that provides additional incentives for implementing efficiency measures in the form of its CO<sub>2</sub> fund.

### c. Market

#### *Capital market performance*

A positive performance on CO<sub>2</sub> and reporting in line with capital market requirements may positively impact rating outcomes and the Group's capital market conditions. ESG criteria are therefore an integral component of the NEW AUTO Group strategy with the aim of achieving sustainable improvements in capital market performance. Furthermore, the Group is gearing its reporting even more systematically to capital market requirements (e.g. TCFD). Volkswagen published its first Green Finance Report during the reporting year. The Green Finance Framework systematically links our corporate objective of CO<sub>2</sub> neutrality by 2050 with our financing strategy.



> Sustainability Management

#### **Scenario Analysis as a Decision-Making Basis for Climate Protection**

Volkswagen is a member of the Mobility Multiple (MoMo) working group of the International Energy Agency (IEA). The Group helped develop the model itself and uses model data and assumptions in a variety of contexts. MoMo uses various IEA ETP (Energy Technology Perspectives) scenarios, including 2DS (2 °C Scenario) and B2DS (Beyond 2 °C Scenario). We have focused on the target years 2025 and 2030 here. These describe the milestones on the way to net carbon neutrality by 2050. We have conducted analyses up to 2050, as this was the maximum timeframe covered by the model. We have therefore concentrated the investigations on the relevant reference years of 2025 and 2030, as these represent reference years for internal KPIs.

The scenario analysis focused on the areas of production, sales and technology, the impact of products, and materials procurement. In respect of production-related emissions, the analysis showed that a significant reduction in emission intensity per vehicle will be needed to achieve the UN climate goals, particularly in view of increasing unit sales. With respect to the development of the vehicle sector, the analysis showed that electrification is going to grow considerably in importance; internal combustion engines will, however, retain a substantial market share in the next decade, even in a B2DS scenario. These results are necessary to make a well-founded decision regarding our sales planning and materials production. They are integrated into our decarbonization index scenarios to assess the reduction per vehicle over the entire life cycle. The market- and product-related results support and affirm our decision confirmed by the NEW AUTO Group strategy to invest massively in electric mobility and in increasing the efficiency of the internal combustion powertrain.

## DECARBONIZATION PROGRAM TARGETS WHOLE LIFE CYCLE

In order to achieve its targets, the Volkswagen Group is implementing a comprehensive and holistic decarbonization program that covers the whole life cycle of the vehicles. It is built on three key principles, which at the same time represent a setting of priorities: the top priority is measures with which CO<sub>2</sub> emissions can be avoided or reduced. In second place follow measures with which we can gradually shift the energy supply in the entire value chain to renewable energy. Finally, we offset unavoidable CO<sub>2</sub> emissions through climate protection projects that meet the high international standards.

The electrification of our vehicle fleet and the associated cut in CO<sub>2</sub> emissions in the use phase mean that the relevance of the supply chain in the decarbonization of the Volkswagen Group is continuously increasing. The Volkswagen Group therefore systematically identifies the biggest drivers of CO<sub>2</sub> emissions in the supply chain and defines measures to reduce them.

One identified focus here is steel. The Volkswagen Group is therefore in close communication with selected steel manufacturers in order to accelerate the switch to carbon-neutral products. For example, the Group subsidiary Scania has entered into a cooperation with the start-up H2 Green Steel. For the ID. models, for example, the Volkswagen Passenger Cars brand is going to use additional sustainable components this year, including battery cases and wheel rims made of green aluminum and tires produced with low emissions. The ID. family's carbon footprint can be improved by around two metric tons per vehicle in the next few years through ten focus components. For new vehicle projects, Volkswagen wants to make CO<sub>2</sub> emissions a key contract-award criterion for relevant supplier contracts in the future.

We are tackling the challenge that higher CO<sub>2</sub> emissions initially arise in the supply chain during the transition to electric mobility and shares of the use phase are shifting to production. This is because of the difficulty of raw material extraction and the energy-intensive processes in manufacturing batteries, which are also used in our supply chain. All suppliers (new contract awards) of high-voltage batteries are already contractually obliged to use certified power from renewable sources in their production processes. This stipulation was expanded to include additional requirements in relevant lower levels of the value chain and has been integrated into our contract awards during the reporting year. CO<sub>2</sub> emissions in battery manufacturing are therefore falling.

More information on decarbonization measures in the upstream levels of the value chain can be found in the "Responsibility for supply chains and business" chapter.

On the key topic of battery cells, we want to take a pioneering role in Germany and worldwide and are making targeted investments in our own production capacity to this end. For example,

Volkswagen Group Components has significantly expanded the production of battery systems for the latest generation of e-vehicles at its Braunschweig plant. Following the first stage of expansion with the maximum capacity of 250,000 battery systems, the second expansion stage with the same capacity started in 2021. In total, the site will now be able to install up to 500,000 batteries for models based on the modular electric drive matrix (MEB) each year following complete ramp-up. In addition, Volkswagen Group China started construction of a production plant for battery systems in Hefei (Anhui Province) in the reporting year. The plant will initially supply between 150,000 and 180,000 high-voltage battery systems for Volkswagen Anhui's all electric vehicles based on the Group's MAB platform.

Volkswagen Group Components opened a modern laboratory for cell research and development in Europe in 2021, located in Salzgitter. The new unified battery cell for the volume segment will roll off the production line at the gigafactory in Salzgitter from 2025. By 2030, the Volkswagen Group wants to operate six cell factories with a production output of 240 GWh in Europe together with partners and in this way guarantee supply security.

Volkswagen also owns a stake in Swedish battery company Northvolt AB, which is going to build a factory for the production of lithium ion batteries that should start production in 2024. We supported our partner with US\$ 620 million in a financing round to expand capacity in the areas of production, recycling, and research and development in the Northvolt Ett gigafactory in Skellefteå in northern Sweden.

### E-mobility as a Key Factor of Decarbonization

Compared to vehicles with an internal combustion engine, electric vehicles have less of an impact on the environment, as they produce no local emissions during use. Our calculations show that the current carbon footprint of electric vehicles is already better on average in Europe in most markets than comparable gasoline or diesel vehicles over the entire life cycle as well.

The consistent electrification of our vehicle fleet opens up the path to sustainable, emission-neutral mobility for our customers. We plan to invest around € 52 billion in electric mobility across the Group by 2026. Electric vehicles' share in sales in our core markets of the EU, the US and China should rise to more than 50% by 2030. In the EU alone, the Group wants to achieve a share of sales of at least 60% at this time and for the Volkswagen Passenger Cars brand 70%. As a result, the Group would substantially exceed EU Green Deal targets aimed at tightening fleet emission threshold values. The new electric vehicles are manufactured at eight sites in Europe, China and the US. The modular electric drive matrix (MEB) serves as the technical backbone of the e-offensive and is used in many more of our electric models. We saw the market launch of additional e-models from different brands in 2021, including the Volkswagen ID.4, Volkswagen ID.6 (China), ŠKODA ENYAQ iV, Audi Q4 e-tron, Audi Q4 Sportback e-tron, Audi e-tron GT and Porsche Taycan Cross Turismo.



### Renewable Energy for Vehicle Use

Around 75% of a car's CO<sub>2</sub> emissions arise in the use phase ("well to tank" and "tank to wheel"). A key factor in achieving carbon-neutral e-mobility is consistently charging vehicles with 100% renewably generated electricity. This is the only way that almost half of all CO<sub>2</sub> emissions can be avoided compared with the normal EU electricity mix.

By supplying energy from renewable sources via our subsidiary Elli (Electric Life), we can offer our customers the option of being emission-free in the use phase too. Volkswagen Naturstrom, which is almost 100% carbon neutral, is generated by wind, solar and hydroelectric power plants in Germany, Austria and Switzerland. In order to set up fast charging infrastructure, Volkswagen founded the joint venture IONITY with other OEMs. IONITY had set up 400 fast charging stations on major highways across Europe by 2020. Along with its partners, the Group wants to operate around 18,000 public fast charging points in Europe by 2025. This represents a fivefold expansion of the fast charging network compared to today and corresponds to about one third of the total demand predicted for 2025 on the continent.

This will be achieved through a series of strategic partnerships in addition to IONITY. For example, BP wants to construct around 8,000 fast charging points across Europe together with Volkswagen. In cooperation with Iberdrola, Volkswagen will, in particular, cover main traffic routes in Spain. In Italy, Volkswagen wants to collaborate with Enel to expand the fast charging network both along freeways and in urban areas. Volkswagen wants to spend about €400 million for the European program as a whole by 2025. Volkswagen wants to expand the public fast charging network in the US and China too. Electrify America is planning around 3,500 fast charging points in North America by the end of the reporting year. In China, Volkswagen is planning a total of 17,000 fast charging points by 2025 through the CAMS joint venture.

#### *Volkswagen supports the construction of wind farms and solar parks*

In addition, the Volkswagen Group is the first car maker to directly support the expansion of renewable energy on an industrial scale in the future. New wind farms and solar parks are to be constructed in several regions of Europe by 2025. Contracts for the first projects were already signed with energy company RWE in the reporting year. In Germany, Volkswagen supported the construction of a solar plant with a total capacity of 170 million kWh each year. This was completed in Tramm-Göthen in Mecklenburg in northeastern Germany by the end of 2021 and was constructed entirely without any state subsidies. Incorporating around 420,000 solar modules, it is the largest independent solar project in Germany. It is planned that all projects together will generate around 7 terawatt hours (TWh) of additional green electricity by 2025. This should even better cover the electricity needs of the electric vehicles brought to market and mean a net carbon neutral use phase can be achieved for the electric fleet. In addition, in the reporting year, the supply of around 1 TWh was

contractually agreed through entering into partnerships with electricity suppliers.

#### *E-cars will be part of energy systems in the future*

Volkswagen will integrate the electric car in private, commercial and public energy systems in the future. This will allow green electricity from the solar plant to be stored in the vehicle and fed back into the home network if needed. Not only will customers be more independent of the public power grid, they will also save money and reduce CO<sub>2</sub> emissions. Models based on Volkswagen's own MEB platform will support this technology from 2022 onwards. Volkswagen also plans to offer a complete package with all technical modules and digital services for bidirectional charging. The technology is soon to be used on a larger scale – for example in residential buildings, businesses or in the general power grid.

### Climate Protection in Manufacturing

Since 2010, Volkswagen has increased vehicle production from 7.3 million to 8.0 million vehicles (an increase of 10%). Although absolute energy consumption increased by 6%, at the same time absolute greenhouse gas emissions reduced by 27%. Volkswagen wants to continue this trend and reduce greenhouse gas emissions in production by 50.4% in absolute terms compared to 2018 by 2030, which corresponds to a 1.5 °C trajectory. By 2021, absolute greenhouse gas emissions had already been decreased by 20.7%. Key to this are increasing energy efficiency and switching to a renewable power supply as important components of the decarbonization strategy. Nine production sites are already operated on a carbon-neutral basis, including compensation measures: Brussels and Győr (Audi), Zwickau and Dresden (Volkswagen), Zuffenhausen and Leipzig (Porsche), Crewe (Bentley Motors), Vrchlabí (ŠKODA) and Santa Agata (Lamborghini).

The Volkswagen Group has made progress in supplying its plants with electricity from renewable energies since 2019. The percentage of electricity purchased externally rose from 95 to 96% at EU production sites within one year. By 2023, all EU sites are to be supplied with 100% electricity from renewable sources. By 2030, the same target is planned for all global sites outside China.

A total of 43 production sites within the EU and ten additional sites outside the EU were fully converted to an external electricity supply generated from renewable energies. This meant that 100% renewably generated electricity was used at 53 Group sites in 2021.

In 2021, 49% of the Group's total global electricity consumption (including China) at its production sites was accounted for by renewable electricity – an increase of 9% compared with the previous year. The Volkswagen Group is currently working with its Chinese partners to develop its own targets for its Chinese production sites. The high proportion of coal-fired power in the Chinese electricity mix and the highly regulated electricity market make this project particularly challenging.



Volkswagen is also paying particular attention to converting its own electricity generation. The conversion of the power plants in Wolfsburg from coal to gas, which commenced in 2019, is expected to reduce operational emissions by 60% from 2023 onwards, which equates to annual savings of 1.5 million metric tons of CO<sub>2</sub>.

In 2021, greenhouse gas emissions by the Group decreased by 20,000 metric tons CO<sub>2</sub> compared with the previous year. The increased percentage of renewable energies used to supply production sites played a key role in achieving this decrease.

In addition, Volkswagen is working at full speed on advancing energy-efficiency projects in its 120 production facilities. Across the Group, 1,544 measures for saving energy were implemented in 2021 alone.

### GOTOZERO IMPACT LOGISTICS

In order to achieve the climate targets and contribute to the decarbonization of the Group, Volkswagen Group Logistics is working together with colleagues from Brand Logistics in the goTOzero Impact Logistics initiative. Continuous optimization of the transport network and logistics processes can reduce emissions. In addition, the use of new, low-emission technologies in the transportation of production materials and finished vehicles is being reviewed and pushed.

The measures the Volkswagen Group has taken to achieve carbon-neutral logistics going forward include moving shipments from road to rail and the complete avoidance of CO<sub>2</sub> through the use of green electricity on electric railroad lines in Germany in collaboration with Deutsche Bahn AG.

Volkswagen is one of the first carmakers to transport most of its new vehicles on the North Atlantic using low-emission LNG ships (LNG – liquefied natural gas). After the first two LNG car carriers entered service in 2020, Volkswagen Group Logistics is going to use four more ships with dual fuel engines that can be powered with liquid gas from the end of 2023 and run using renewably generated fuels in the future. By using liquid gas, Volkswagen aims to reduce the ships' CO<sub>2</sub> emissions. In European ship transportation, the Group already operates two car carriers with biofuel produced from plant-based waste material – such as waste oil from the food industry.

Volkswagen also plans to tap potential for cutting emissions in internal mobility processes in the future. For example, for planning and organizing business travel by air and rail, a carbon calculator is to be trialed for the Board of Management and top management in a pilot project.

### CO<sub>2</sub> Fund Funds Decarbonization of the Group's Own Processes

The Volkswagen Group has an internal CO<sub>2</sub> fund that proportionally funds projects around the world that make a contribution to reducing greenhouse gas emissions and are transferable to as

many sites, brands and companies as possible. Up to €25 million per year is available for this. At the end of the 2021 reporting year, a number of successful projects were completed. These included measures for decarbonizing the sales network as part of the Sustainability@Retail initiative. In other areas of business, projects range from the construction of a biogas plant for the ŠKODA brand in India to supporting technologies to increase the proportion of recycled plastics for vehicle components. New projects have already been decided for 2022 as well.

### Carbon-Neutral Handover of Electric Vehicles

For a number of the Group's electric vehicles, Volkswagen has decided to make their handover to customers net carbon neutral. For as long as we cannot avoid CO<sub>2</sub> emissions and cannot use renewable energies everywhere, we will do this by voluntarily offsetting the remaining greenhouse gas emissions from the supply chain, production and logistics of MEB vehicles from the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, SEAT and ŠKODA brands in Europe and of selected vehicle types from the Porsche and Audi brands based on the PPE platform (Premium Platform Electric). We expect electrification and the associated net carbon-neutral delivery in Europe to increase the need for offsetting for the next years, which totaled 6.1 million metric tons of CO<sub>2</sub> for the Group (excluding China) in 2021.

#### *Offset projects in line with high international standards*

We offset unavoidable emissions from the life cycle phases, such as from the supply chain, production, etc., through climate protection projects with high certification standards, such as the Verified Carbon Standard (VCS) in combination with the Climate Community and Biodiversity Standards (CCB) or the Gold Standard. For the quality assurance of offsetting projects, we assess the projects with regard to compliance with standards, credibility, site selection, project size and the contribution to achieving the United Nations Sustainable Development Goals. To underpin our commitment to climate protection projects and be able to develop our own projects in accordance with the highest standards, we established a joint venture for offset projects during the reporting year.

#### *Use of technical carbon sinks and carbon removal from the atmosphere*

We recognize the need to tap additional potential by creating technical carbon sinks and associated projects for carbon dioxide removal to achieve the decarbonization goals. And we are running our own research projects to this end. Among other things, Volkswagen Group Innovation's "Climate Engineering" technology building bundles all the Group's initiatives on carbon dioxide removal approaches to leverage synergies for all the brands, the entire Group and our customers. One key focus is activities for evaluating direct-air-capture technologies and their industrialization to establish broad access to affordable negative emissions for industry and society in the short to medium term. For the acceleration of previous efforts on the way to decarbonization, the Group has signed a memorandum of understanding for the development of relevant projects to permanently remove CO<sub>2</sub>

from the atmosphere with its Icelandic project partner Carbfix, which turns CO<sub>2</sub> into natural stone through mineralization in a certified process.

#### European Commitment in the CEO Alliance

The Chairman of the Board of Management of the Volkswagen Group, together with the CEOs of ten further companies with their registered offices in Europe, expressly acknowledged the EU's Green Deal and the associated climate protection targets. The CEO Alliance for Europe's Recovery, Reform and Resilience supports the goal of making the EU the leading region in the world in climate protection, accelerating investment, driving innovation and thus creating future-proof jobs. The members of the alliance see themselves as an "Action Tank" and collaborate on a range of concrete joint projects: an EU-wide charging infrastructure, integration of EU energy systems, a digital Carbon Footprint Tracking system, sustainable buildings, electric buses for Europe, a value chain for green hydrogen and the establishment of European battery production. The alliance consists of companies from various sectors and European nations.

On the occasion of the European Commission's presentation of the Fit for 55 legislative package, the CEO Alliance issued policy

recommendations for a progressive and ambitious approach. The CEOs' proposals particularly include strong carbon price signals, rapid measures for decarbonizing mobility and transport, the transformation of the building sector and a rapid restructuring and renewal of the energy system and all EU member states.

In 2021, the CEO Alliance also expressed support for carbon pricing across industries and countries and called for political decision-makers in Europe to set a strong price signal. Another proposal is a European carbon pricing system that would include measures to simultaneously achieve a social balance and emissions reduction. In a contribution to the debate in 2021, the Chairman of the Board of Management of the Volkswagen Group proposed a minimum price of € 60 per metric ton of CO<sub>2</sub> from 2023 in Europe. This figure should rise to € 100 by 2026. The alliance is also calling for a change to the EU Emissions Trading System ETS (for electricity and heavy industries) and additional sector-specific emission trading systems for the areas of mobility, transportation and buildings. These systems could then converge from 2030.

## THE MANAGEMENT OF CLIMATE-RELATED RISKS

The quarterly risk process is used at all Group brands, key Group companies and Volkswagen Financial Services AG and Volkswagen Bank GmbH to identify and manage acute risks. The risks and management measures are documented in the Risk Radar risk management IT tool.

As part of the risk assessment, a score is calculated for each risk by multiplying the likelihood of occurrence by the potential extent of the damage. This enables comparison of the risks. The extent of the damage is calculated from the criteria of financial loss and reputational damage and the potential threat to adherence to external legal requirements. A score between 0 and 10 is assigned to each of these criteria. The measures implemented to manage and control risk are taken into account in the risk assessment (net perspective).

The score for a likelihood of occurrence of more than 50% in the analysis period is classified as high; for a medium classification, the likelihood of occurrence is at least 25%. For the criterion of financial loss, the score rises in line with the loss; the highest score of 10 is reached when the potential loss is upwards of € 1 billion. The criterion of reputational damage can have characteristics ranging from local erosion of confidence and loss of trust at local level to loss of reputation at regional or international level. The potential threat to adherence to external legal

requirements is classified based on the influence on the local company, the brand or the Group.

The result is a risk score of between 0 and 200 as an expression of the risk assessment. A score of 0–10 for the likelihood of occurrence is multiplied with a score of 0–20 for the extent of the damage.

Risk reporting to the committees of Volkswagen AG takes place quarterly depending on materiality thresholds. Acute risks from a risk score of 40 or potential financial loss of € 1 billion or more are presented to the Board of Management and the Audit Committee of the Supervisory Board of Volkswagen AG. The quarterly risk process covers acute risks for our business including risks for the achievement of our sustainability goals and thus also risks associated with climate change. The focus is on acute risks for the next 24 months (short and medium term). In addition, long-term risks requiring short- and medium-term counter-measures are identified and managed using the quarterly risk process. We also use competition, environmental and market studies to identify risks.

## DEFINITION AND PURSUIT OF AMBITIOUS DECARBONIZATION TARGETS

The Volkswagen Group wants to become a net carbon neutral company by 2050. Compared to 2015, the company wants to reduce the carbon footprint of its passenger cars and light commercial vehicles by 30% per vehicle by as early as 2025. To achieve this goal, offset action is also planned alongside carbon reduction measures and converting to renewable energies.

In 2021, the Group intensified its decarbonization targets, significantly strengthening its ambitions: the Volkswagen Group is aiming to reduce the CO<sub>2</sub> emissions of its passenger cars and light vehicles by 30% in production and the use phase between 2018 and 2030. The plan goes beyond the existing intermediate goals for 2025 because the goal for 2030 is to be achieved through pure CO<sub>2</sub> reduction. The Science Based Targets initiative (SBTi) has confirmed to the Volkswagen Group that the Company fulfills the conditions for limiting global warming to “well below two degrees Celsius” with its decarbonization target. Furthermore, during the reporting period Volkswagen committed to increase the level of its ambition to 1.5 degrees Celsius, and the SBTi is currently assessing this.

The decarbonization target for 2030 covers not only passenger cars and light commercial vehicles but also a target for heavy trucks and buses from Scania, which represents a sub-target for the Group. Scania is committed to reducing absolute Scope 1 and Scope 2 greenhouse gas emissions by 50% by 2025 compared with the base year of 2015. The Scope 3 greenhouse gas emissions from the use of vehicles sold are to be reduced by 20% per vehicle kilometer by 2025, also compared with a 2015 baseline. The SBTi confirmed to Scania that these targets are at a level that allow global warming to be limited to 1.5 °C. MAN also adopted a commitment in the reporting year and is aiming for SBTi certification of the decarbonization target.

The Group's previous target of reducing CO<sub>2</sub> emissions by 30% per vehicle between 2015 and 2025 remains an intermediate goal. Because this also includes climate projects offsetting carbon, it is not verified by the SBTi.

The level of ambition for the decarbonization targets is considered a minimum requirement for the Group brands, which are also free to set higher targets themselves. For example, Volkswagen wants to reduce its CO<sub>2</sub> emissions per vehicle in the EU by 40% and significantly exceed the Group-wide target of 30% by 2030 (base year of 2018). Porsche aims to become a net carbon-neutral company by 2030.

### Decarbonization Index for Target Achievement Measurability

In the decarbonization index (DCI), we have a meaningful measuring instrument that makes our progress and interim results in this area public and verifiable. The DCI is calculated based on the CO<sub>2</sub> emissions over the entire life cycle of the brands of the Europe (EU 27, UK, Norway and Iceland), China and US regions

that manufacture passenger cars and light commercial vehicles. In this index, the use phase is calculated over 200,000 km and with reference to region-specific fleet values without legal flexibilities. The intensity of the CO<sub>2</sub> emissions from the electricity used to charge electric vehicles is also calculated on the basis of region-specific energy mixes. Maintenance of the vehicles is not taken into account here. Our vehicle life cycle assessments, which are used as the data basis for calculating supply chain and recycling emissions, have been verified externally and independently in accordance with the ISO 14040 standard. During the reporting period, luxury brands Bentley, Lamborghini and Bugatti were added to the DCI calculation process.

The DCI calculation methodology is regularly adjusted depending on internal and external requirements, such as new test cycles for fleet emissions. In order to present a methodologically consistent time series, published DCI values can therefore also be adjusted to the new methodology and thus changed. The DCI computational logic changed during the 2020 reporting period as a result of the testing methodology for fleet values being changed. Given the fleet regulation rules in force, in 2021 the test cycle for measuring consumption and exhaust gas data was changed from NEDC (New European Driving Cycle) to WLTP (Worldwide Harmonized Light-Duty Vehicles Test Procedure). As a result of the more realistic test cycle, higher consumption is reported and emissions recorded in the use phase increase accordingly.

**The DCI is to be decreased  
by 30%  
by 2030 compared with the  
base year of 2018.**

In the reporting year, the DCI value averaged 45.9 metric tons of CO<sub>2</sub> per vehicle. Compared to the WLTP-adjusted value for 2020, that represents a reduction of 1.7 metric tons of CO<sub>2</sub> per vehicle. The electrification of the portfolio combined with the use of renewable energies in production and the use phase is showing a significant impact.

### TRANSPARENCY ON CO<sub>2</sub> EMISSIONS AS A BASIS FOR IMPROVEMENTS

Every year, we calculate the Group's carbon footprint using the Scope 1 to 3 inventory, in line with the requirements of the internationally accepted Greenhouse Gas Protocol (GHG). On this basis, we can determine the success of the measures we have put in place and identify other areas where we can take action.

Not shown are additional CO<sub>2</sub> compensation projects, e.g. for the carbon-neutral delivery of electric vehicles. The compensation volume in the reporting period ran to 6.1 million metric tons of CO<sub>2</sub>.

This equates to 0.9 metric tons of CO<sub>2</sub> per vehicle for all vehicles included in the Decarbonization Index.

In line with the Scope 3 standards published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI), we are reporting CO<sub>2</sub> emissions for 13 out of a total of 15 Scope 3 categories in 2021. According to this, around 16% of all Scope 3 emissions are in the “Purchased goods and services” emissions category, while 76.7% are in the “Use phase” emissions category (well to wheel). To calculate use-phase emissions in the DCI and in the Scope 3 GHG inventory, fleet values not including any legal flexibilities are used.

The calculation of CO<sub>2</sub> emissions in the use phase of the Scope 3 GHG inventory is based on a Group fleet value representing the global passenger cars and light commercial vehicles fleet in the three major regions (Europe [EU 27, UK, Norway and Iceland], the USA and China). In order to provide a picture that is as complete as possible, we also collect data on emissions in this category that are produced during the production and transportation of fuels (“well to tank” emissions).

*Fleet CO<sub>2</sub> emissions in Europe (EU27+2)<sup>1</sup>*

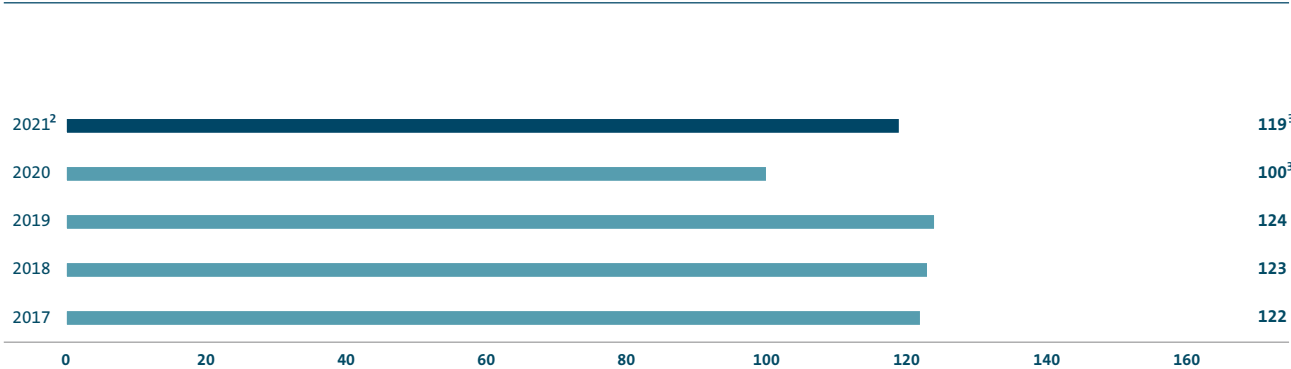
In the reporting period, the Volkswagen Group’s EU (EU27+2) passenger car fleet (not including Lamborghini and Bentley) emitted an average of 119 g CO<sub>2</sub>/km (WLTP)<sup>2</sup> in line with statutory measurement bases, compared with a statutory target of 121 g CO<sub>2</sub>/km (WLTP)<sup>2</sup>. This means that the Volkswagen Group exceeded the EU’s fleet CO<sub>2</sub> target.

As small volume manufacturers with an independent fleet, the Lamborghini and Bentley brands are assessed under European CO<sub>2</sub> legislation and both exceeded their individual targets.

Bentley and Lamborghini will be incorporated in the Volkswagen Group’s new passenger car fleet in the EU from 2022 onwards. The European Commission is pursuing a target of a 15% reduction in CO<sub>2</sub> by 2025, which corresponds to a CO<sub>2</sub> target of less than 105 g CO<sub>2</sub>/km for our EU new passenger car fleet. A 55% reduction is proposed for 2030, which corresponds to a CO<sub>2</sub> target of less than 60 g CO<sub>2</sub>/km. We expect our EU new passenger car fleet to be able to meet the target for 2025 and outperform the target for 2030.

The Volkswagen Group’s new light commercial vehicles fleet in the EU emitted an average of 202 g CO<sub>2</sub>/km (WLTP) in the 2021 reporting period as per statutory measurements bases,<sup>2</sup> compared with a statutory target of 198 g CO<sub>2</sub>/km (WLTP)<sup>2</sup>. Contrary to what was originally planned, the target was missed due to the shortage of semiconductors and the resultant limited availability of vehicles. The target for the CO<sub>2</sub> pool established with other manufacturers was reached. All the figures mentioned are subject to confirmation of the CO<sub>2</sub> data in the context of official publication by the European Commission. The European Commission is pursuing a target of a 15% reduction in CO<sub>2</sub> by 2025, which corresponds to a CO<sub>2</sub> target of less than 175 g CO<sub>2</sub>/km for our EU new light commercial vehicle fleet. A 50% reduction is proposed for 2030, which corresponds to a CO<sub>2</sub> target of less than 115 g CO<sub>2</sub>/km. We expect our EU new light commercial vehicle fleet to be able to meet the target for 2025 and outperform the target for 2030.

**CO<sub>2</sub> EMISSIONS OF THE VOLKSWAGEN GROUP’S EUROPEAN (EU27+2) NEW PASSENGER CAR FLEET**  
in grams per kilometer (WLTP)



<sup>1</sup> Belgium, Malta, Bulgaria, the Netherlands, Denmark, Austria, Germany, Poland, Estonia, Portugal, Finland, Romania, France, Slovakia, Greece, Slovenia, Ireland, Spain, Italy, Sweden, Croatia, the Czech Republic, Latvia, Hungary, Lithuania, Luxembourg, Cyprus + Iceland, Norway.  
<sup>2</sup> The European Commission switched its calculation of CO<sub>2</sub> fleet emissions from NEDC to WLTP in 2021.  
<sup>3</sup> Subject to confirmation of the CO<sub>2</sub> data in the context of official publication by the European Commission.

In the United Kingdom and Switzerland/Liechtenstein markets, the Volkswagen Group's fleets narrowly missed the statutory targets for the 2021 reporting period.

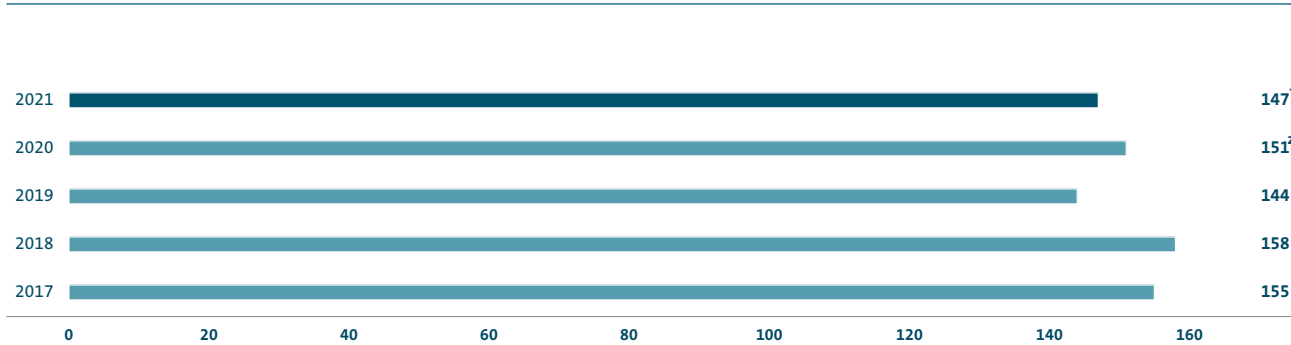
*CO<sub>2</sub> fleet emissions in the USA*

In the USA, the emissions community – consisting of Group brands Volkswagen Passenger Cars, Audi, Lamborghini, Bentley, Porsche and Bugatti – undertakes to comply with both the Greenhouse Gas (GHG) and Corporate Average Fuel Economy (CAFE) regulations, which every manufacturer has to comply with in relation to passenger cars and light commercial vehicles, factoring in credits for “air conditioning” and “off cycle credits”. Due to the delay in the confirmation by the authorities of model years differing from the calendar year, internal calculations are used to determine the figures for the current and preceding model year. The passenger car and light commercial vehicle fleet's GHG

CO<sub>2</sub> figure for model year 2021 (internal data as of September 2021) is an average of 147 g CO<sub>2</sub>/km (model year 2020: 151 g CO<sub>2</sub>/km) compared with a statutory target of 142 g CO<sub>2</sub>/km (model year 2020: 139 g CO<sub>2</sub>/km). By applying the statutory flexibility provided for regarding GHG and in CAFE as well as externally acquired credits, the Volkswagen Group succeeded in complying with applicable requirements – subject to confirmation by the authorities – for model year 2021. The figure mentioned for model year 2020 is subject to confirmation by the EPA and CARB authorities.

We anticipate a CO<sub>2</sub> target of around 110 g CO<sub>2</sub>/km in the USA for 2025 and therefore expect to be able to achieve this target. We will increase the electric vehicle proportion of our new vehicle fleet to well over 40% by 2030 and are therefore within the current Administration's target range.

**VOLKSWAGEN GROUP CO<sub>2</sub> EMISSIONS ACCORDING TO THE GHG PROTOCOL FOR PASSENGER CARS AND LIGHT COMMERCIAL VEHICLES IN THE USA**  
*in grams per kilometer by model year*



<sup>1</sup> Subject to the submission of the MY21 final MY report and the subsequent confirmation by the EPA and the CARB (internal data as of September 2021).  
<sup>2</sup> Subject to confirmation by the EPA and the CARB (MY20 final MY report submitted but not yet confirmed).



MANAGING TARGET ACHIEVEMENT IN DECARBONIZATION

The two levers with the greatest influence on greenhouse gas emissions across the entire life cycle of Volkswagen products are the Group's electric offensive and the Renewable Energies strategy. This strategy involves the integration of renewably generated electricity into the use phase of electric vehicles and plug-in hybrid electric vehicles and switching plants' external power supply to renewable energy globally. Around 90% of the decarbonization targeted by the Group can be realized through electrification of the fleet and switching to green energy.

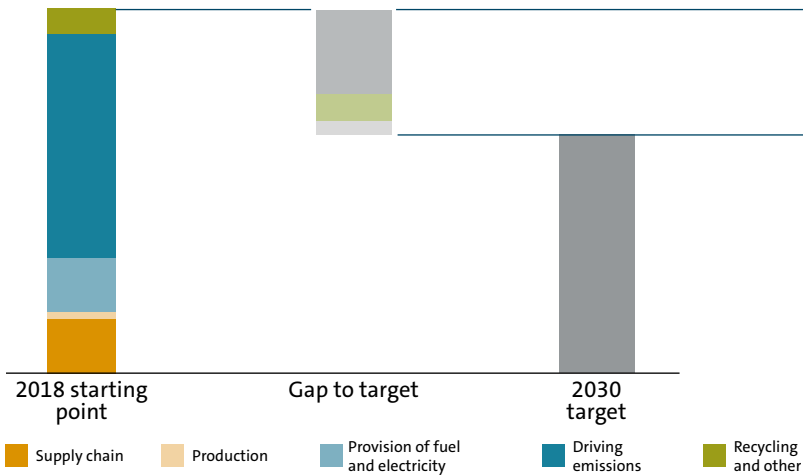
Measures will be implemented and managed through a decarbonization program that is being rolled out for the entire Group, for all brands and regions. The Group Steering Committee for Sustainability is responsible for the program and target achievement. The Decarbonization Project Center that we founded ourselves and which includes experts from all brands and departments is responsible for strategy and target development and also for implementation. We use a predefined process overseen by the management of the Decarbonization Project Center to check measures with which we can achieve the objective of decarbonization. All production locations and the brands and regions have prepared decarbonization roadmaps. The degree of achievement of our targets is measured with a tracking system. If we miss the target, we will implement corrective measures.

In the reporting year, TRATON SE launched its own decarbonization program that is connected with the existing decarbonization program for passenger cars and light commercial vehicles via interfaces. The considerable CO<sub>2</sub> footprint of heavy commercial vehicles means the Volkswagen Group expects this step and the associated measures to result in significant progress in reducing greenhouse gas emissions.

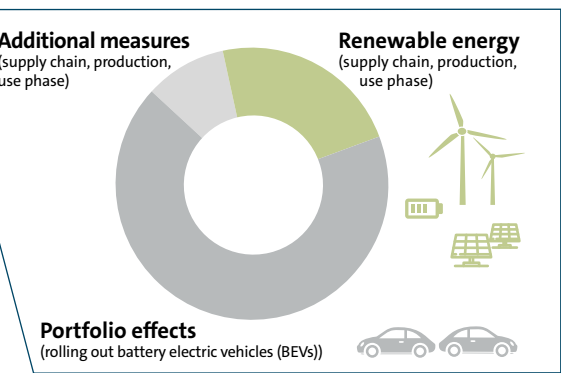
Internal carbon pricing tools are an integral component of our decarbonization controlling. When managing the portfolio, we work with shadow prices to integrate emission-related risks into decision-making processes and with internal emissions trading to optimize reduction paths of CO<sub>2</sub> fleet compliance. In the decarbonization program, we assess the efficiency of reduction measures using abatement costs and aggregate these in an abatement cost curve. In the course of this, we work with an internal carbon price or abatement costs of up to € 20 per metric ton of CO<sub>2</sub>, which is reviewed annually based on target achievement and adjusted by a resolution of the Board of Management.

RENEWABLE ENERGY IS A KEY LEVER FOR GROUP'S DECARBONIZATION TARGET

Roadmap for the DCI reduction measures [metric tons of CO<sub>2</sub>e per vehicle]



Measures to close the gap to the target



Schematic illustration

## DECARBONIZATION KPIS

KPI	Unit	2021	2020	Notes and comments
<b>Decarbonization Index</b> WLTP (NEDC) (strategic KPI)	metric tons of CO <sub>2</sub> /vehicle	45.9	47.6 (43.0)	Passenger-car manufacturing brands and light-commercial-vehicle-producing brands in the Europe (EU 27, United Kingdom, Norway and Iceland), China and USA regions. As a result of a more specific data set, the emissions recorded in the DCI decreased by 0.6 metric tons of CO <sub>2</sub> /vehicle in 2021. Projects in the supply chain (closed-loop management of aluminum scrap and renewable energy for battery cell production) and our green electricity measures in the use phase led to a reduction of total emissions in the DCI by 0.5 metric tons of CO <sub>2</sub> /vehicle. The DCI for 2020 and 2021 is reported without taking offset measures into account. To enable comparability, the DCI reported in 2020 was adjusted in line with the new calculation assumptions (WLTP).
<b>Average emissions of the new passenger car fleet</b> (strategic KPI)				
EU <sup>1</sup>	g CO <sub>2</sub> /km	119	99.9	Excluding Lamborghini and Bentley
USA	g CO <sub>2</sub> /km	147	151	
<b>Alternative drive technologies in the Group</b>				Volkswagen Group production: Volkswagen Passenger Cars, Audi, ŠKODA, SEAT, Volkswagen light commercial vehicles
Worldwide				
Gas drives (natural gas and LPG)	Number of vehicles produced/percentage change	35,192/ -24.0	46,326/ -61.0	
Hybrid drives	Number of vehicles produced/percentage change	239,998/ +18.9	201,852/ +265.2	
All-electric drives	Number of vehicles produced/percentage change	427,946/ +112.2	201,675/ +82.1	
<b>Alternative drives (total)</b>	<b>Number of vehicles produced/percentage change</b>	<b>703,136/ +56.3</b>	<b>449,853/ +57.7</b>	
Europe				EU 27, United Kingdom, Norway and Iceland
Gas drives (natural gas and LPG)	Number of vehicles produced/percentage change	34,917/ -23.6	45,700/ -42.4	
Hybrid drives	Number of vehicles produced/percentage change	198,550/ +46.7	135,367/ +383.7	
All-electric drives	Number of vehicles produced/percentage change	289,389/ +65.0	175,369/ +165.9	
<b>Alternative drives (total)</b>	<b>Number of vehicles produced/percentage change</b>	<b>522,856/ +46.7</b>	<b>356,436/ +105.7</b>	
Product carbon footprint (DCI)	metric tons of CO <sub>2</sub> /vehicle	45.9	47.6 (43.0)	

<sup>1</sup> The European Commission switched its calculation of CO<sub>2</sub> fleet emissions from NEDC to WLTP in 2021.

KPI	Unit	2021	2020	Notes and comments
Scope 1 GHG emissions	in million metric tons of CO <sub>2</sub>	4.74	4.34	
of which Volkswagen AG	in million metric tons of CO <sub>2</sub>	2,21	2,22	
Scope 1 GHG emissions	in kg of CO <sub>2</sub> /vehicle	476	438	
of which Volkswagen AG	in kg of CO <sub>2</sub> /vehicle	3,51	2,8	
Scope 2 GHG emissions	in million metric tons of CO <sub>2</sub>	2.42	2.80	
of which Volkswagen AG	in million metric tons of CO <sub>2</sub>	0.14	0.11	
Scope 2 GHG emissions	in kg of CO <sub>2</sub> /vehicle	290	304	
of which Volkswagen AG	in kg of CO <sub>2</sub> /vehicle	221	136	
Scope 3 GHG emissions <sup>1</sup>	in million metric tons of CO <sub>2</sub>	364.14	411.13 (368.94)	WLTP (NEDC)
<b>Scope 3 GHG emissions in the Volkswagen Group</b>				
Purchased goods and services	in metric tons of CO <sub>2</sub> / in %	58,092,388/ 16.0	61,301,008/ 16.6	

<sup>1</sup> In the Scope 3 GHG inventory, the methodology used in the "Franchise" category was enhanced in 2021. This is expected to result in an increase in reported emissions in this category. Validated actual figures for the reporting year will be reported from the 2022 reporting year onwards.

Doing business in an environmentally sustainable way is one of the central challenges of our time. The EU has defined criteria for determining the corporate degree of environmental sustainability. With our taxonomy-aligned investments in development activities and in property, plant and equipment, we are today already shaping our future in an environmentally sustainable way as envisaged by the EU taxonomy.

## BACKGROUND AND OBJECTIVES

As part of the European Green Deal, the European Union (EU) has placed the topics of climate protection, the environment and sustainability at the heart of its political agenda in order to achieve climate neutrality by the year 2050. To this end, the EU Action Plan on financing sustainable growth was developed that aims to reorient capital flows towards sustainable investment, to mainstream sustainability in risk management and to foster transparency and longtermism in financial and economic activity. The Action Plan comprises ten measures and centres around the EU taxonomy (Regulation (EU) 2020/852 and associated delegated acts).

The EU taxonomy is a classification system for sustainable economic activities. An economic activity is considered taxonomy-eligible if it is listed in the EU taxonomy and can potentially contribute to realizing at least one of the following six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems.

An activity is only considered environmentally sustainable, i.e. taxonomy-aligned, if it meets all three of the following conditions:

- The activity makes a substantial contribution to one of the environmental objectives by meeting the screening criteria defined for this economic activity, e.g. level of CO<sub>2</sub> emissions for the climate change mitigation environmental objective.
- The activity meets the Do-No-Significant-Harm (DNSH) criteria defined for this economic activity. These are designed to prevent significant harm to one or more of the other environmental objectives, e.g. from the production process or by the product.
- The activity is carried out in compliance with the minimum safeguards, which apply to all economic activities and relate primarily to human rights and social and labor standards.

## FIRST-TIME REPORTING FOR FISCAL YEAR 2021

Under the EU taxonomy, the Volkswagen Group is required to report on the climate change mitigation and climate change adaptation environmental objectives for the first time for fiscal year

2021; the disclosure requirements extend to the share of economic activities that are taxonomy-eligible and that are not taxonomy-eligible in sales revenue, capital expenditure and operating expenditure. The figures reported relate to the consolidated companies included in the Volkswagen Group's financial statements. Volumes and financial data for our Chinese joint ventures are therefore excluded. As the EU taxonomy is being applied for the first time, prior-year figures are not provided.

The wording and terminology used in the EU taxonomy are currently subject to some uncertainty in interpretation. Our interpretation is set out below.

In addition to the current disclosure obligations, we have voluntarily assessed our business activities for taxonomy alignment. We already report the relevant figures for passenger cars and light commercial vehicles, and for our hydrogen activities in the Power Engineering Business Area.

## ECONOMIC ACTIVITIES OF THE VOLKSWAGEN GROUP

In its Group strategy NEW AUTO – Mobility for Generations to Come, the Volkswagen Group is driving its transformation towards becoming one of the world's leading providers of sustainable mobility. We pay particular attention here to the use of resources and the emissions of our product portfolio, as well as those of our sites and plants.

The Volkswagen Group's activities in its vehicle-related business with passenger cars, light commercial vehicles, trucks, buses and motorcycles cover the development, production and sale of vehicles and extend to our financial services and other vehicle-related products and services. Activities in these areas are suited under the EU taxonomy to making a substantial contribution to the environmental objective of climate change mitigation by increasing clean or climate-neutral mobility.

The Volkswagen Group's activities in the Power Engineering Business Area comprise the development, design, production, sale and servicing of machinery and equipment. These activities also fall under the environmental objective of climate change mitigation.

The analysis of the economic activities in the context of the EU taxonomy has not revealed any activities that contribute specifically to the environmental objective of climate change adaptation.

The table below sets out the allocation of our activities in the vehicle-related business and in Power Engineering to the economic activities listed in the EU taxonomy under the environmental objective of climate change mitigation. Changes may be made to the economic activities in future as the rules around the EU taxonomy dynamically evolve.

Economic activity in accordance with the EU taxonomy	Description of economic activity	Allocation in the Volkswagen Group
Environmental objective: mitigating climate change		
3. Manufacturing		
3.2 Manufacture of equipment for the production and use of hydrogen	Manufacture of equipment for the production and use of hydrogen.	Power Engineering
3.3 Manufacture of low-carbon technologies for transport	Manufacture, repair, maintenance, retrofitting, repurposing and upgrade of low-carbon vehicles, rolling stock and vessels.	Vehicle-related business
3.6 Manufacture of other low-carbon technologies	Manufacture of technologies aimed at substantial greenhouse gas emission reductions in other sectors of the economy, where those technologies are not covered by other economic activities in the manufacturing sector.	Power Engineering
9. Professional, scientific and technical activities		
9.1 Close to market research, development and innovation	Research, applied research and experimental development of solutions, processes, technologies, business models and other products dedicated to the reduction, avoidance or removal of greenhouse gas emissions for which the ability to reduce, remove or avoid greenhouse gas emissions in the target economic activities has at least been demonstrated in a relevant environment, corresponding to at least Technology Readiness Level 6.	Power Engineering

### Economic activities in vehicle-related business

#### *Economic activity 3.3 Manufacture of low-carbon technologies for transport*

We allocate all activities in our vehicle-related business associated with the development, production, sale (including financial services), operation and servicing of vehicles to this economic activity. This includes all passenger cars, light commercial vehicles, trucks, buses and motorcycles manufactured by us, irrespective of their powertrain technology, and also includes genuine parts.

In our vehicle-related business, we have detailed the vehicles manufactured by us by model and powertrain technology and analyzed the CO<sub>2</sub> emissions associated with them in accordance with the WLTP. In this way, we have identified those vehicles among all of our taxonomy-eligible vehicles that meet the screening criteria and with which the substantial contribution to climate change mitigation is measured. These include all of the Volkswagen Group's all-electric vehicles. Until December 31, 2025, they also include passenger cars and light commercial vehicles with CO<sub>2</sub> emissions of less than 50 g/km. This encompasses the majority of our plug-in hybrids. Buses meeting the EURO VI standard (Stage E) are also included until December 31, 2022.

At this stage, other activities that are directly associated with the primary vehicle-related business and that in our view should also be allocated to this economic activity have not yet been included or have been interpreted as not yet being taxonomy-eligible. This is because, as the rules of the EU taxonomy currently stand, it is still unclear where to record them in accordance with the EU taxonomy. These activities particularly include the sale of engines and power-trains, as well as parts deliveries, the sale of non-Group products and production under license by third

parties. Hedging transactions and individual activities that we present primarily under Other sales revenue in the consolidated financial statements do not conform to the descriptions of economic activities in the EU taxonomy, and we have therefore initially classified them as not being taxonomy-eligible.

### Economic activities in Power Engineering

In the Power Engineering Business Area, we have analyzed our activities with respect to their classification under the EU taxonomy and, with the exception of the heavy fuel oil engine new building business and individual components for the extraction and processing of fossil fuels, have identified them as taxonomy-eligible.

#### *Economic activity 3.2 Manufacture of equipment for the production and use of hydrogen*

Our activities relating to the manufacture of equipment for the production and use of hydrogen that meet the screening criteria and make a substantial contribution to the climate change objective are taxonomy-eligible. One example is the use of green hydrogen. At Volkswagen, these include the power-to-X technology for the production of low-carbon or carbon-neutral synthetic fuels, as well as components for the storage of hydrogen.

#### *Economic activity 3.6 Manufacture of other low-carbon technologies*

The description of this economic activity means that only those technologies manufactured for the purpose of reducing greenhouse gas emissions substantially in other sectors of the economy are taxonomy-eligible. At Volkswagen, this comprises all new-build activities that enable the use of gas and climate-neutral synthetic fuels (e.g. manufacturing of gas and dual-fuel engines),

all industrial solutions for energy storage and sector coupling (e.g. heat pumps) and all solutions for carbon capture, storage and usage; it also includes subsea compression (subsea compression close to the wellhead for the extraction of natural gas). These activities are rounded off by the service and after-sales business, comprising the upgrading and modernization of existing equipment. For example, we retrofit existing maritime fleets with technology that makes it possible to reduce CO<sub>2</sub> emissions.

#### *Economic activity 9.1 Close to market research, development and innovation*

The description of this economic activity includes applied research in technologies for the reduction or avoidance of greenhouse gas emissions. We allocate our licensing business to this economic activity. This business provides our development services in the form of production documents, based on which our licensees are authorized to manufacture corresponding gas and/or dual-fuel engines.

For economic activity 3.2 Manufacture of equipment for the production and use of hydrogen, we meet the screening criteria that are a requirement for the substantial contribution to the climate change mitigation objective. Given that the new reporting obligations and the requirements specified therein have only very recently been introduced, it was not yet possible to provide corresponding proof of economic activities covered by 3.6 Manufacture of other low-carbon technologies and 9.1 Close to market research, development and innovation.

### **DO NO SIGNIFICANT HARM (DNSH)**

The DNSH criteria were analyzed in the reporting year for economic activities covered by 3.3 Manufacture of low-carbon technologies for transport and 3.2 Manufacture of equipment for the production and use of hydrogen.

In the vehicle-related business, an analysis was performed for each vehicle production site where passenger cars, light commercial vehicles, trucks and buses are or will be produced that meet the screening criteria for the substantial contribution of economic activity 3.3 Manufacture of low-carbon technologies for transport, or that are to meet them in future according to our five-year planning. Of the approximately 30 sites included, the majority are located in the EU, with some in the United Kingdom, Turkey, the USA, Mexico, Brazil and China.

For the Power Engineering Business Area, an analysis was performed for each site that produces relevant components for systems or is responsible for supply chains that meet the screening criteria for the substantial contribution of economic activity 3.2 Manufacture of equipment for the production and use of hydrogen, or that are to meet them in future according to our five-year planning. There are two such sites, located in Germany and Sweden.

Below, we set out our interpretation and describe the main analyses we used to examine whether there was any substantial

harm to the other environmental objectives. The assessments confirm that we meet the requirements of the DNSH criteria in the reporting year for the sites producing passenger cars and light commercial vehicles. The outcome of the evaluation of the two Power Engineering sites was also positive.

#### *Climate change adaptation*

We performed a climate risk and vulnerability assessment to identify which production sites may be affected by physical climate risks. The physical climate risks we identified were assessed on the basis of the lifetime of the relevant fixed asset.

Volkswagen's climate-based DNSH assessment is based on Representative Concentration Pathway (RCP) scenario 8.5 to the year 2050 and thus assumes the highest concentration of CO<sub>2</sub> according to the Intergovernmental Panel on Climate Change (IPCC). The relevance of the identified threats was assessed for the local environment and, if appropriate, the measures needed to mitigate the risk were developed.

#### *Sustainable use and protection of water and marine resources*

We evaluated our economic activities with respect to the sustainable use and protection of water and marine resources looking at the three following criteria: preserving water quality, avoiding water stress, and an environmental impact assessment (EIA) looking at the impact on water, or a similar process. We based the analysis primarily on ISO 14001 certificates, the findings of official approval procedures and other external data sources in relation to regions exposed to increased risks.

#### *Transition to a circular economy*

Environmentally compatible waste management in the manufacturing process, reuse and use of secondary raw materials and a long product lifespan are a major part of Volkswagen's environmental management system. Volkswagen defines clear and unambiguous guidelines on the circular economy in its environmental principles, in its overall factory white paper and in its goTOzero strategy.

The product-related requirements for passenger cars and light commercial vehicles are reflected in the implementation of the statutory end-of-life vehicle requirements in conjunction with the type approval of the vehicle models. In addition to this, each brand has targets and measures for the use of recycled materials in new vehicles.

#### *Pollution prevention and control*

The DNSH criteria for this environmental objective require that the economic activity in question does not lead to substances listed in a variety of EU chemical regulations and directives being manufactured, placed on the market or used. Approval and monitoring processes are implemented with the aim of ensuring compliance with the legislation specified in the DNSH criteria.



### *Protection and restoration of biodiversity and ecosystems*

In order to verify adherence to the requirements on biodiversity and ecosystems, the relevant areas were identified. Where biodiversity-sensitive areas are located close to a production site, we checked whether a nature conservation assessment had been performed and whether nature conservation measures had been defined in the environmental approvals and subsequently implemented.

### **MINIMUM SAFEGUARDS**

The minimum safeguards consist of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights. Below, we describe the main analyses we used to examine whether the minimum safeguards are adhered to.

The Volkswagen Group has 120 production sites in 83 countries, including those of the Chinese joint ventures. We conducted human rights risk assessments for 782 controlled Group companies worldwide; this included all sites that were also examined under the DNSH criteria.

For the risks identified in the analysis, the companies received risk-specific measures to be implemented by the end of 2021.

### **Key Performance Indicators in accordance with the EU Taxonomy regulation**

The EU taxonomy defines sales revenue, capital expenditure and operating expenditure as the key performance indicators that must be reported on. Disclosures on taxonomy eligibility are mandatory for fiscal year 2021. We have voluntarily assessed our business activities for taxonomy alignment and already report the relevant figures for passenger cars and light commercial vehicles, and for our hydrogen activities in the Power Engineering Business Area.

The financial figures relevant for the Volkswagen Group are based on the IFRS consolidated financial statements for fiscal year 2021. Where possible, the figures have been directly assigned to an economic activity. In our vehicle-related business, for example, we compiled the financial figures based on the vehicle model and powertrain technology. This applies both to the vehicles themselves and to the corresponding financial services and other services and activities. Only where this was not possible for capital expenditure and operating expenditure, the figures were broken down using allocation formulas. In the vehicle-related business, we based the allocation formulas on the long-term sales plan and the capacity and utilization planning at the individual sites. In the Power Engineering Business Area, we used allocation formulas based on planned sales revenue. This data and planning form part of the medium-term financial planning for the next five years, on which the Board of Management and Supervisory Board have passed a resolution.

## Sales revenue

The definition of turnover in the EU taxonomy corresponds to sales revenue as reported in the IFRS consolidated financial statements, which amounted to € 250.2 billion in fiscal year 2021 (see also note 1 “Sales revenue” in the notes to the consolidated financial statements).

Of this total, € 225.4 billion, or 90.1% of Group sales, was attributable to economic activity 3.3 Manufacture of low-carbon technologies for transport and classified as taxonomy-eligible. This includes sales revenue after sales allowances from new and used vehicles, including motorcycles, from genuine parts, from the rental and lease business, and from interest and similar income, as well as sales revenue directly related to vehicles, such as workshop and other services.

Of the taxonomy-eligible sales revenue, € 21.3 billion meet the screening criteria used to measure the substantial contribution to climate change mitigation. This includes all of our all-electric vehicles, the majority of the plug-in hybrids, and the buses meeting the EURO VI standard (Stage E).

Taking into account the DNSH criteria and minimum safeguards, sales revenue of € 21.1 billion attributable to our passenger cars and light commercial vehicles, accounting for 8.5% of consolidated sales revenue, was taxonomy-aligned. Of this amount, € 14.6 billion, or 5.8% of consolidated sales revenue, was attributable to our all-electric models (BEVs).

In the Power Engineering Business Area, the majority of our taxonomy-eligible sales revenue was attributable to economic activity 3.6 Manufacture of other low-carbon technologies (€ 2.4 billion). A further € 13 million was contributed by economic activity 9.1 Close to market research, development and innovation. Our activities that fall under economic activity 3.2 Manufacture of equipment for the production and use of hydrogen recorded taxonomy-aligned sales revenue of € 5 million, taking into account the DNSH criteria and minimum safeguards.

Of the Volkswagen Group's total sales revenue in fiscal year 2021,

- € 227.8 billion, or 91.0%, was taxonomy-eligible sales revenue and
- € 21.2 billion, or 8.5%, was taxonomy-aligned sales revenue.

## SALES REVENUE

Economic activities	Sales Revenue		Substantial Contribution to Climate Change Mitigation		Compliance with DNSH Criteria	Compliance with minimum Safeguards	Taxonomy-aligned Sales Revenue	
	€ million	% <sup>1</sup>	€ million	% <sup>1</sup>	Y/N	Y/N	€ million	% <sup>1</sup>
<b>A. Taxonomy-eligible activities</b>	227,787	91.0	21,268	8.5	Y/N	Y	21,152	8.5
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	225,380	90.1	21,264	8.5	Y/N	Y	21,147	8.5
of which taxonomy-aligned BEVs (passenger cars and light commercial vehicles)	–	–	–	–	Y	Y	14,579	5.8
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	5	0.0	5	0.0	Y	Y	5	0.0
3.6 Manufacture of other low-carbon technologies	2,390	1.0	–	–	–	–	–	–
9.1 Close to market research, development and innovation	13	0.0	–	–	–	–	–	–
<b>B. Taxonomy-non-eligible activities</b>	22,413	9.0						
<b>Total (A + B)</b>	250,200							

<sup>1</sup> All percentages relate to the Group's total sales revenue.

### Capital expenditure

Capital expenditure for the purposes of the EU taxonomy refers to the following items in the IFRS consolidated financial statements: additions to intangible assets, additions to property, plant and equipment, and additions to lease assets and investment property. These are reported in the notes to the 2021 consolidated financial statements in note 12 “Intangible assets”, note 13 “Property, plant and equipment” and note 14 “Lease assets and investment property”. Additions from business combinations, each of which is reported under “Changes in consolidated Group”, are also included. By contrast, additions to goodwill are not included in the calculation.

In fiscal year 2021, additions in the Volkswagen Group as defined above amounted to

- €9.1 billion from intangible assets,
- €10.7 billion from property, plant and equipment and
- €29.1 billion from lease assets (mainly vehicle leasing business) and investment property.

Additions from changes in the consolidated Group, which amounted to €5.1 billion in fiscal year 2021, can also be added to this figure. These mostly related to Navistar. Total capital expenditure to be included in accordance with the EU taxonomy therefore came to €54.0 billion.

All capital expenditure attributable to our vehicle-related business is associated with economic activity 3.3 Manufacture of low-carbon technologies for transport. Taxonomy-eligible capital expenditure for the vehicle-related business amounted to €53.5 billion, or 99.1% of the Group's capital expenditure.

To determine the substantial contribution in the vehicle-related business, we compiled the financial figures based on the vehicle model and powertrain technology, in the same way as for sales revenue. Where possible, capital expenditure was directly attributed to vehicles. It was included, if the vehicles in question make a substantial contribution to the climate change mitigation objective. We did not include any capital expenditure directly attributable to vehicles that do not meet the screening criteria. Capital expenditure that was not clearly attributable to a particular vehicle was taken into account on a proportionate basis using

allocation formulas. In our vehicle-related business, we used model- and brand-specific allocation formulas based on the long-term sales plan and the capacity and utilization planning for the Group companies. Depending on the primary business activity, allocation formulas from the long-term sales plan were used for sales companies, for example, and allocation formulas based on the capacity and utilization planning were used for production companies. This means that capital expenditure on sites that according to our medium-term planning will only produce vehicles meeting the screening criteria for the substantial contribution in the next five years was counted in full via the allocation formula. In contrast, capital expenditure on sites that only produce vehicles not meeting the screening criteria was not counted under the allocation formula. Calculated in this way, capital expenditure relating to vehicles that meet the screening criteria for the substantial contribution amounted to €14.4 billion.

Taking into account the DNSH criteria and minimum safeguards, capital expenditure of €14.2 billion on our passenger cars and light commercial vehicles was taxonomy-aligned. This represented 26.2% of the Group's total capital expenditure. This figure includes additions to capitalized development costs of €3.5 billion and additions to property, plant and equipment of €3.8 billion for our all-electric passenger cars and light commercial vehicles (BEVs).

Taxonomy-eligible capital expenditure in the Power Engineering Business Area has been allocated to economic activity 3.6 Manufacture of other low-carbon technologies. Capital expenditure was broken down based on planned sales revenue. Taxonomy-eligible capital expenditure amounted to €65 million.

Of the Volkswagen Group's total capital expenditure in fiscal year 2021,

- €53.6 billion, or 99.2%, was taxonomy-eligible capital expenditure and
- €14.2 billion, or 26.2%, was taxonomy-aligned capital expenditure.

## CAPITAL EXPENDITURE

Economic activities	Capital Expenditure		Substantial Contribution to Climate Change Mitigation		Compliance with DNSH Criteria	Compliance with minimum Safeguards	Taxonomy-aligned Capital Expenditures	
	€ million	% <sup>1</sup>	€ million	% <sup>1</sup>	Y/N	Y/N	€ million	% <sup>1</sup>
<b>A. Taxonomy-eligible activities</b>	53,596	99.2	14,437	26.7	Y/N	Y	14,165	26.2
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	53,531	99.1	14,437	26.7	Y/N	Y	14,165	26.2
of which additions to capitalized development costs for BEVs (passenger cars and light commercial vehicles)	–	–	–	–	Y	Y	3,504	6.5
of which additions to property, plant and equipment for BEVs (passenger cars and light commercial vehicles)	–	–	–	–	Y	Y	3,760	7.0
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	–	–	–	–	–	–	–	–
3.6 Manufacture of other low-carbon technologies	65	0.1	–	–	–	–	–	–
9.1 Close to market research, development and innovation	–	–	–	–	–	–	–	–
<b>B. Taxonomy-non-eligible activities</b>	443	0.8						
<b>Total (A + B)</b>	54,039							

<sup>1</sup> All percentages relate to the Group's total capital expenditure.

## Operating expenditure

The operating expenditure reported by us for the purposes of the EU taxonomy comprises non-capitalized research and development costs, which can be taken from note 12 “Intangible assets”. We also include the expenditure for short-term leases recognised in our consolidated financial statements, which can be found in note 33 “IFRS 16 (Leases)”, and expenditure for maintenance and repairs.

The allocation of operating expenditure to the economic activities followed the same logic as that described for capital expenditure.

All operating expenditure attributable to the vehicle-related business is associated with economic activity 3.3 Manufacture of low-carbon technologies for transport and has been classified as taxonomy-eligible.

Where possible, non-capitalized research and development costs were directly attributed to vehicles. It was included, if the vehicles in question make a substantial contribution to the climate change mitigation objective. We did not include any non-capitalized research and development costs directly attributable to vehicles that do not meet the screening criteria. Non-capitalized research and development costs that were not clearly attributable to a particular vehicle were taken into account on a proportionate basis using allocation formulas. For these and other operating expenses, the same allocation formulas were used as for capital expenditure.

Taxonomy-eligible operating expenditure in the Power Engineering Business Area falls under economic activity 3.6 Manufacture of other low-carbon technologies. As with capital expenditure, operating expenditure was broken down on the basis of planned sales revenue.

## OPERATING EXPENDITURE

Economic activities	Operating Expenditures		Substantial Contribution to Climate Change Mitigation		Compliance with DNSH Criteria	Compliance with minimum Safeguards	Taxonomy-aligned Operating Expenditures	
	€ million	% <sup>1</sup>	€ million	% <sup>1</sup>	Y/N	Y/N	€ million	% <sup>1</sup>
<b>A. Taxonomy-eligible activities</b>	9,911	99.2	3,463	34.7	Y/N	Y	3,265	32.7
Vehicle-related business								
3.3 Manufacture of low-carbon technologies for transport	9,702	97.1	3,463	34.7	Y/N	Y	3,265	32.7
Power Engineering								
3.2 Manufacture of equipment for the production and use of hydrogen	–	–	–	–	–	–	–	–
3.6 Manufacture of other low-carbon technologies	209	2.1	–	–	–	–	–	–
9.1 Close to market research, development and innovation	–	–	–	–	–	–	–	–
<b>B. Taxonomy-non-eligible activities</b>	81	0.8						
<b>Total (A + B)</b>	9,992							

<sup>1</sup> All percentages relate to the Group's total operating expenditure.

# CIRCULAR ECONOMY



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## STRENGTHENING THE CIRCULAR ECONOMY

The finite nature of natural resources and the social and environmental consequences of mining raw materials make uncoupling economic growth from resource consumption and the development of a circular economy key sustainability topics. Against this background, businesses such as the Volkswagen Group face tighter legal regulation and increasing pressure from their stakeholders' expectations. They also recognize extensive opportunities to tap into new business models and markets or to give themselves an edge in the competition for limited resources with changed use concepts.

The Volkswagen Group created concepts for the reconditioning and recycling of vehicle components early on. One important driver of the circular economy is the ongoing decarbonization of the Volkswagen Group. The growing use of secondary materials and the establishment of closed loops of materials help to significantly reduce our CO<sub>2</sub> emissions.

In the NEW AUTO Group strategy, the circular economy has been defined as a focus topic within the central Group initiatives on sustainability. In the strategic design of this action area, we orient ourselves on the existing "goTOzero" mission statement. With this the Volkswagen Group is setting itself the target of, among other things, further improving its resource efficiency and promoting reuse and recycling approaches in the areas of materials, energy and water.

 > Environmental Management

## MANAGEMENT APPROACH TO THE CIRCULAR ECONOMY

We want to intensify our efforts for a transition to a loop-oriented and resource-conserving way of doing business and to combine our projects and measures into a holistic approach. On the way to this, we are in close communication with our stakeholders and also with legislators and actors in politics and society. We also rely on alliances and the implementation of joint projects with various partners, such as suppliers, plant manufacturers or the recycling sector.

Circular economy is a key issue in Group Initiative 6 of the "NEW AUTO – Mobility for Generations to Come" Group strategy. Oliver Blume, member of the Board of Management of Volkswagen AG, "Sport & Luxury" brand group, and Dr. Manfred Döss, member of the Board of Management responsible for Integrity and Legal Affairs, are responsible for Group Initiative 6 as the Board tandem. We are currently in the process of putting the objectives in concrete terms. The Volkswagen Group is planning to add further KPIs that indicate progress in the area of the circular economy to the existing KPIs (DCI, reduction of the environmental impact of production). The most important measures that we want to take to implement the circular-economy strategy include further clarifying targets and indicators and also realizing circular

business models for the most important components and materials, such as batteries, steel, aluminum or plastics.

We are currently developing our own working structure at Group level for managing the activities. This builds on the work of committees such as the Group Steering Committee for the Environment and Energy, the Group Steering Committee for Sustainability, the Group Steering Committee for Product Recycling and the Group Working Committee for Environment Product. In terms of measures, in production we focus on creating the most closed material loops possible with innovative recycling approaches and on using renewable raw materials and materials produced with low emissions.

## OUR GOAL: CLOSED MATERIAL LOOPS

We are stepping up efforts to use material loops in our production processes. When selecting raw materials, we opt for recycled ones obtained from production waste or end-of-life products. When developing new vehicles, we pay attention to the recyclability of the required materials, using high-quality recycled material and avoiding pollutants. Under the European Directive on end-of-life vehicles, passenger cars and light commercial vehicles must be 85% recyclable and 95% recoverable at end of life. All our vehicles registered in Europe comply with these standards.

## Aluminum Closed Loop at Audi

The Aluminum Closed Loop Project, with which a closed loop for aluminum was achieved beyond Company boundaries for the first time in the Neckarsulm plant in 2017, is an example of our approach. The waste from aluminum sheet-metal parts from the press shop is delivered directly back to the suppliers, who can recycle the scrap and use it to produce new material that Audi then uses again in the press shop. Compared with using primary aluminum, recycling aluminum waste can save up to 95% of the energy used in manufacturing. In this way, Audi avoids CO<sub>2</sub> emissions and reduces the quantity of primary raw materials needed. In addition to the plant in Neckarsulm, the Audi plants in Ingolstadt and Győr have now also joined the Aluminum Closed Loop process. The process itself and the resultant CO<sub>2</sub> savings of more than 720,000 metric tons of CO<sub>2</sub> since 2017 have been verified by independent third parties.

## In-House Expertise in Battery Recycling

Volkswagen Group Components opened the Group's first facility for recycling high-voltage vehicle batteries at the Salzgitter site at the start of 2021. The objective is industrialized recovery of valuable raw materials such as lithium, nickel, manganese and cobalt in a closed loop and also of aluminum, copper and plastic, with a recycling rate of more than 90% in the future. Batteries are only recycled if they can no longer be used in other ways – for example, in reconditioned form in mobile energy storage systems such as flexible fast charging stations or charging robots. The facility has been initially designed to recycle up to 3,600 battery systems per year in pilot operation.

The innovative and CO<sub>2</sub>-saving recycling process does not require energy-intensive melting in a blast furnace. The used battery systems are delivered, deep discharged, and dismantled. The individual parts are ground into granules in the shredder and then dried. In addition to aluminum, copper and plastics, the process mainly yields valuable “black powder” containing lithium, nickel, manganese, cobalt, and graphite, which are important raw materials for batteries. The separation and processing of the individual substances by hydrometallurgical processes – using water and chemical agents – is subsequently carried out by specialized partners. As a consequence, essential components of old battery cells can be used to produce new cathode material. The material recovered can be used to support battery cell production in the future. The CO<sub>2</sub> savings are calculated to be approximately 1.3 metric tons per 62-KWh battery manufactured using cathodes made from recycled material and green electricity. That is more CO<sub>2</sub> emissions than are generated during the production and logistics processes of a new ID.3.

### Tapping the Potential of Chemical Waste Management

Numerous components in cars are made of plastics. Quality requirements mean that up to now, these can only be made from petroleum-based materials and usually cannot be recycled. This is because recycling of mixed plastic waste poses a major challenge, while plastics of the same type can often be mechanically recycled. Audi and the Karlsruhe Institute of Technology (KIT) have therefore set up a pilot project for chemical recycling as part of the Industrial Resource Strategies THINKTANK in order to feed such mixed plastic fractions back into a resource-conserving circular system. The plastic components are processed into pyrolysis oil by chemical recycling. This oil is of equivalent quality to petroleum products, and materials made from it are just as high quality as virgin material. In the medium term, components made from pyrolysis oil can be used again in automobiles and thus increase the proportion of sustainably manufactured components in cars.

Moreover, in the “SyKuRA” project (systematic recycling of plastics from end-of-life vehicles) Volkswagen is working on feeding the plastic components from shredder residues from end-of-life vehicles into high-quality recycling. Here, too, in addition to improved sourcing technology, it is essential to explore the possibilities of chemical recycling in the form of pyrolysis for fractions that are not mechanically recyclable. In addition to Volkswagen, the Öko-Institut, the chemical company BASF, processing specialist SICON, and the Clausthal University of Technology are also involved in the project, which is supported by the Federal Ministry of Research.

### Recycling Production Waste

Any waste with recyclable content generated in production is also always systematically included in our closed-loop processes. For example, in the Volkswagen Group Components foundry in Kassel, all aluminum chips generated on the site are returned to the casting process. Around 20 metric tons of aluminum chips are produced here each day and melted down in the plant.

According to forecasts, this alternative to regular aluminum production reduces the energy requirements by around 3,250 MWh per year and reduces CO<sub>2</sub> emissions by more than 1,400 metric tons per year. In the medium term, the foundry wants to melt down a further 40 metric tons of material from other European Volkswagen plants per day. In the long term, the quantity is set to rise to up to 80 metric tons of chips per day.

At the Volkswagen plant in Wolfsburg, plastic waste produced in the process of manufacturing tanks will in the future be prepared and used again for the production of tanks. As a result, around 1,600 metric tons of material that would otherwise be disposed of can be used in plastic tanks in this way each year. This can save the plant 2,500 metric tons of CO<sub>2</sub> and €2 million in costs of materials each year.

### Use of Recycled Materials in Vehicle Interiors

Using the highest possible proportion of recyclable materials is very important for us. In a flagship project for a special ID. family model, ceiling headliner, fabrics, carpets, seats, door trim and decorative inlays, for example, are being made from sustainable material, which consists of up to 100% recycled materials, for instance PET bottles. An ID.4, for example, contains material equivalent to 140 1.5-liter PET bottles or 380 0.5-liter bottles.

### USE OF RENEWABLE RAW MATERIALS

To reduce our resource consumption, we rely on raw materials from renewable sources when manufacturing our vehicles. Wherever possible, our Group brands use renewable raw materials such as the natural fibers flax, cotton, wood and cellulose. Such materials can be used if they comply with all the technical requirements and perform better than conventional materials over the life cycle. In addition, our sustainability standards apply to our suppliers. The following examples illustrate our approach.

#### > Responsibility for Supply Chains and Business

In collaboration with the Technical University of Liberec, ŠKODA has developed a sustainable, ecological material made from sugar beet pulp, which is used in dyed form in the interior of vehicles to create certain design accents. In addition, ŠKODA is working on another material based on the miscanthus reed, which will also be used in the interior of models in the future. In addition, the Group is investigating the use of other ecologically sourced materials, such as materials based on coconut fibers or rice husks.

### RESPONSIBLE USE OF WATER

The supply chain, in particular obtaining and processing raw materials, is responsible for the greater part of our water use. Because we cannot influence these aspects directly – despite our sustainability requirements for suppliers – we concentrate on our production sites. Of all the freshwater that we use, 49.3% (around 15.8 million m<sup>3</sup>) is used by sites located in risk zones,

i.e. regions experiencing water shortages, such as Mexico. The closed-loop circulation or recirculation of cooling and process water mean the need for freshwater and the quantity of waste water can be reduced considerably. The San José Chiapa (Mexico) Audi site, which can be considered a waste-water-free site due to closed-loop circulation, provides a good example of this. As part of our “goTOzero” concept, our sustainable water management focuses on the following areas of activity:

- Reduction of freshwater consumption and efficiency in water use, particularly in water stress areas
- Minimization of pollution and no worsening of the environmental and chemical status in the receiving waters (waters into which the treated waste water is introduced)
- Increased soil and groundwater protection when using water-polluting substances

We manage water-saving processes at our Group's locations during production in line with Group-wide specifications. In addition, Volkswagen supports the CDP Water Disclosure Project (WDP) through the transparency of its water management. In 2021, we were given the top grade of A in the WDP ranking for our sustainable water management and are thus back in the leadership index. Given our growing production figures and the integration of new sites, our Group's absolute freshwater use has increased in recent years. From 2010 to 2021, the quantity of freshwater used per vehicle decreased by 11.6% per vehicle, thanks to a wide range of recycling measures and to the introduction of manufacturing processes requiring little water. The amount of waste water produced is in line with the amount of freshwater that we use. Differences in quantities between fresh and waste water are the result of evaporation in cooling towers and during the manufacturing process.

### SUSTAINABLE WASTE MANAGEMENT

Our waste strategy aims to reduce the quantity of waste we produce and to reuse unavoidable waste to create high-quality materials – i.e. to close loops. The focus is on:

- Avoiding waste creation by optimizing production and auxiliary processes and increasing material utilization levels (material efficiency)
- Reducing the quantity of waste produced by processing waste at sites
- Prioritizing the reuse of waste and reducing the quantity of waste that needs to be disposed of

In order to optimize our management of waste, we are increasingly using digital waste management systems in all German and a number of international production locations of the Volkswagen, Volkswagen Commercial Vehicles, Porsche, Audi and MAN brands. They make it easier to control waste management processes and facilitate state control of the disposal of hazardous waste.

In order to monitor waste management and recycling processes, we carry out regular cross-site, cross-brand and cross-OEM waste disposal audits in Germany and the rest of Europe. In addition, the auditors receive further training and hold regular discussions to ensure that they have a common understanding of the quality requirements associated with waste disposal services, to carry out audits of consistently high quality and to allow other OEMs and suppliers to take advantage of the findings.

We reuse waste from manufacturing, logistics, workshops and technical development to produce high-quality materials. Our Procurement Division has established a Group-wide system for recovering waste materials that can generate income – for example, paper, plastics, wood, electronic components or metal. Under the umbrella of the Zero Impact Factory initiative, we are intensifying our efforts to avoid plastic waste with the Zero Plastic Waste project. This includes not only the aforementioned project for recycling plastic waste in diesel tank production but also the future recognition of initiatives for reducing plastic waste in the Volkswagen Group's Zero Impact Factory Award. Together with the Group brands and various departments from environmental protection, logistics and the production trades, a “roundtable” has also been created. This interdisciplinary working group develops targeted strategies for minimizing the use of plastic packaging. Group-wide regulations that stipulate that any remaining plastic packaging should be recyclable were developed for this. We test innovative options for avoiding plastics here and are guided, wherever possible, by the Group sites' best practices.

### RECYCLING OF VEHICLE PARTS AND TOOLS

Overall, the aim of the high quality focus with a low need for repair is to give our vehicles long lives in the use phase, thus making an important contribution to resource efficiency.

The brands in the Volkswagen Group also take back many used parts from the repair shops, such as engines, transmissions or electronics, because these contain valuable raw materials. These car parts are industrially remanufactured and tested and can then be used in another car again. When they need a repair, our customers can decide whether the repair shop should install an original part – or whether it is preferable to use a Genuine Remanufactured Part. These are comparable to an original part in terms of quality but are much lower in price than new parts. Using these parts saves large amounts of raw materials, energy and CO<sub>2</sub>. It is not just vehicle parts that are reconditioned at Volkswagen to conserve resources and save costs; production tools are too. This is what, for instance, the center of excellence for tools at the Salzgitter site is for. An average of 160,000 tools have been processed here each year since 2009 to make them suitable to return to use. This includes rotary-broaching tools, drills or cutters for manufacturing battery anodes and cathodes.

## CIRCULAR ECONOMY KPIS

KPI	Unit	2021	2020	Notes and comments
CO <sub>2</sub> avoided since 2017 through the Aluminum Closed Loop Project	in metric tons of CO <sub>2</sub>	720,000	525,000	
Proportion of freshwater needed at sites in risk zones	in million m <sup>3</sup> /year	15.8	16.7	

# PEOPLE IN THE TRANSFORMATION

The background is a deep red color with a complex, abstract geometric pattern. It features a network of thin white lines forming a wireframe structure that resembles a 3D architectural model or a data visualization. The pattern is composed of various polygons, primarily triangles, of different sizes and orientations, creating a sense of depth and movement. The overall effect is modern and technological.



## SOCIAL RESPONSIBILITY FOR A NEW ERA OF SUSTAINABLE MOBILITY

The automotive industry is in the middle of a far-reaching technological transformation in order to live up rising societal expectations, international treaties and political regulations, which require targeted decarbonization of products and business processes. Shifting from internal combustion engines to electric drives, digitally connecting the car with its environment or autonomous driving do not just lead to corresponding increases in revenues and higher value-added shares in software and electric mobility, digitalization and electrification as drivers of future technological development also increase knowledge intensity in the sector, with a focus on coding, programming and engineering activities. This transition will be completed within a decade. This means the whole automotive world is currently in a transformation corridor, at the end of which the role of automotive manufacturers as employers and the qualifications needed in the industry will be radically different from at the start of this process.

The changes the Volkswagen Group has made in its production strategy are also impacting the qualifications needed and the composition of the workforce. This is becoming particularly evident in the continued retrofitting of further plants in the reporting year, a process which started in 2020, for instance in Emden, Salzgitter and Hanover as well as in Chattanooga in the USA. Electric cars are now being built at 12 Volkswagen Group sites. In contrast to cars with internal combustion engines, the production of e-vehicles is less complex, whereas new fields of employment for highly qualified workers are emerging as a result of new digital functionalities in the vehicle. Overall, the current structure of Volkswagen's workforce does not yet reflect the expected changes; for example, around half of employees continue to work in manual jobs in production.

It is also to be expected that the transition to NEW AUTO and the transformation into a software-driven business could lead to asynchronicity in human capital development, for which it is vital to prepare. For example, a surplus of staff may arise in traditional areas, while a shortage is probable on talent markets for tech professions, where businesses such as Volkswagen will have to compete with IT businesses.

As a result, the Volkswagen Group workforce is facing a ten-year process of simultaneous recruitment, job cuts and restructuring. This transformation will only be successful if we involve our employees, train them, prepare them for the forthcoming changes as well as possible, give them a clear perspective and allow them to participate. We also need to preserve our employees' performance and motivation in this modernization process and seek to efficiently manage labor costs in order to stay competitive.

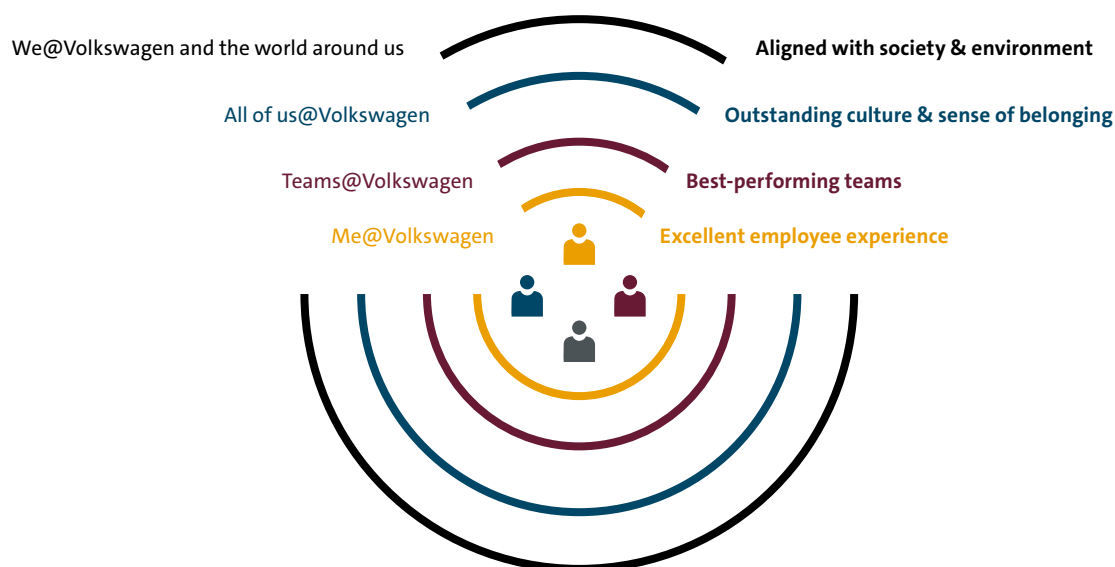
Our aim at Volkswagen is therefore a successful and socially responsible transformation of the workforce into the new era of sustainable mobility. We want to continue to employ the most highly qualified employees possible in attractive, promising professional fields, to pay them competitive salaries, and to provide secure jobs.

### Transformation in Human Resources as a Focus Topic of the New Group Strategy

The responsibility for "people in the transformation" is therefore at the core of our current and future activities in human resources. This responsibility extends beyond HR: for the entire Volkswagen Group, the transformation of the workforce as part of its NEW AUTO Group strategy is defined as one of the central focus topics and in connection with this has been launched as a separate Group initiative. The **Group People Strategy** entitled "Transform to Tech", which was also adopted by the Group Board of Management in the reporting year, plays a key role here. In adopting this new strategy, the Volkswagen Group is continuing with the key, successful approaches contained in its Human Resources policy. These include the pronounced stakeholder focus in corporate governance, comprehensive participation rights for employees, outstanding training opportunities and the principle of long-term service through systematic employee retention. and remuneration that is fair and transparent. Throughout the Group, we offer individual remuneration components for non-union employees that we continuously update to reflect new working realities and business models.

At the same time, the new Group people strategy is setting innovative trends: the employee experience is being systematically improved, teams, as the most important units in the company's organization, are being strengthened and modern forms of working such as agile working are set to be expanded. In this way, we can increase our employer attractiveness and raise our organization's performance.





This is why the Volkswagen Group people strategy looks at employees and their needs throughout the entire work experience: “Me@Volkswagen”, “Teams@Volkswagen”, “All of us@Volkswagen” and “We@Volkswagen and the world around us” are the perspectives from which we address employees’ needs and expectations in a holistic manner. These four dimensions together are what make up the work experience, job satisfaction and, ultimately, the success of the work and the Group’s integration into society.

The first dimension, “**Me@Volkswagen**”, follows the principle that every employee should have the best possible conditions in which to do their job. That starts with excellent equipment and tools, continues via the avoidance of red tape and overly complex process steps through state-of-the-art workspaces, 360-degree feedback opportunities, individual health coaching and personally tailored advanced training opportunities.

The “**Teams@Volkswagen**” dimension is pivotal to the Group’s success: high-performance teams in the Volkswagen Group are groups of people that trust one another, have a common goal and can rely on one another and that can also discuss issues critically and express their opinion.

“**All of us@Volkswagen**” describes the corporate culture dimension. The Volkswagen Group has a strong culture, unique products, fair working conditions, safe work, good opportunities for participation and attractive development paths.

The fourth dimension, “**We@Volkswagen and the world around us**”: without long-term social legitimacy at our locations and in our markets, we will not be able to continue our business model in times of accelerated changes in values – this applies from an economic, environmental and social perspective. Employees are representatives of the Volkswagen Group, and they communicate our values to society.

As the transformation’s key projects and expansion stages, we are pursuing strategic HR planning across the entire Group, an expert basis for the transformation through external academic support and analysis, the definition of an Employment 2030 vision and the implementation of new learning platforms for training with an increased training budget.

Although our new Group people strategy “Transform to Tech” came into effect in fall 2021, the reporting on the key performance indicators for 2021 follows the preceding strategy of “Empower to Transform”. As part of the strategy, we collect and analyze the following key performance indicators:

- **Internal employer attractiveness:** The indicator is derived by asking respondents, as part of the Opinion Survey, which is conducted in the majority of our Group companies, whether they perceive the respective company as an attractive employer. The target for 2025 is 89.1 out of a possible total of 100 index points. 86.8 index points were achieved in the reporting year, i.e. the target of 88.4 index points was missed. 88.2 points were achieved in the previous year. For Volkswagen AG, the value for 2021 was 87.7 index points (2020: 86.9 points).
- **External employer attractiveness:** The ability to recruit top talent is of decisive importance, particularly in view of the Company’s transformation into one of the world’s leading providers of sustainable mobility solutions and the associated development of new business fields. We use this strategic indicator once a year to check the positioning of the major passenger-car-producing brands on the labor market for graduates in each brand’s home country. Rankings in surveys conducted by Universum, in which we aim to achieve individually set, ambitious scores for the Group brands featured, serve as the basis for this. In fiscal year 2021, the Porsche and ŠKODA brands fully achieved the targets set for them, exceeding them in some cases. Whereas SEAT was able to realize some of its targets, the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles and Audi brands did not achieve their targets.

- **Diversity index:** Given the cultural diversity in our global markets and the growing economic momentum, success in a highly competitive marketplace requires an ever-wider range of experience, world views, solutions to problems and product ideas. The diversity of our workforce provides potential for innovation in this area, which we aim to make even better use of in future. As we establish diversity management across the Group, this strategic indicator expresses the development of the proportion of women in management and the internationalization of top management as a percentage of the active workforce<sup>1</sup> worldwide. In particular, it underpins the objective of the human resources strategy, which is aimed at contributing to an exemplary leadership and corporate culture. The proportion of women in management positions, comprising line managers, senior managers and top managers (including members of the Group Board of Management), was 16.3% in 2021, 1.2 percentage points higher than the previous year's level. We aim to raise this figure to 20.2% by 2025. Our goal is to increase the level of internationalization in top management, the uppermost of our three management tiers, to 25.0% by 2025; in the past fiscal year it was 20.3% (2020: 18.7%).

#### Management of HR Processes through OneHR

We aim to effectively implement our HR strategy by means of a standardized structure for the HR departments at the Volkswagen AG sites. In 2020, we established the uniform operating model OneHR for this in our human resources work. The structure of the OneHR organization is based on the Group control units for HR principles and management, HR strategy and innovation, diversity and advancement of women and on a uniform model for personnel support at the plants. In addition, the Group has advice centers staffed by experts plus HR business partners that provide managers and employees in the business divisions with support on all HR issues. After this operating model had first been established and continuously optimized in Volkswagen AG, implementation was also significantly advanced in the Audi, Porsche, MAN and SEAT brands and in Volkswagen Financial Services during the reporting year. OneHR thus supports us in pursuing and achieving the objectives of our Group people strategy.

#### Academic Support of the Transformation Process

We see the continuous academic support of the transformation as an important factor of its success. For the expert basis and operationalization of our new people strategy, we were able to draw, in particular, on the findings of the comprehensive research project "EMDI@VW – Impact of Electric Mobility and Digitalization on the Quality and Quantity of Employment at Volkswagen" initiated by the Volkswagen Sustainability Council, which we conducted together with the Fraunhofer Institute for Industrial Engineering IAO in Germany in 2019 and 2020.


The completion of the study gave us a clear picture of the areas in which we will have to cut jobs and/or recruit in the next few years and of what changes are to be expected in qualifications,

particularly in view of digitalization. In the reporting year, we set up a follow-up study on this. In collaboration with the lead chair of sociology at Friedrich-Alexander University Erlangen-Nürnberg, we will draw on the findings of the Fraunhofer study and explore them in depth to identify potential and resources of people, the organization and learning for shaping the digital and environmental transformation. Like the previous study, this research will also be financed by the Volkswagen Group's Sustainability Council. The findings will be published in 2022.

#### Sustainability Principles as the Foundation of HR Work

Volkswagen is a socially responsible employer, which, as a member of the UN Global Compact, follows international sustainability frameworks and standards in its HR activities, such as the Sustainable Development Goals, the Global Reporting Initiative and recognized ESG standards. Specifically, our activities in daily practice are guided by five principles:


- Transparency, responsibility and participation
- Fair and attractive employer
- Increase in diversity and inclusion
- Transformation-oriented human capital development
- Expansion of preventive health and occupational safety

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy > Declaration on Social Rights

#### TRANSPARENCY, RESPONSIBILITY AND PARTICIPATION

The Volkswagen Group employs more than 672,000 people, of which more than 117,000 at Volkswagen AG. At both Group level and in Volkswagen AG, the proportion of women is 17.9%. We work in 35 countries in Europe and 37 countries in the Americas, Asia, Australia and Africa and operate 120 production sites around the world. In all these places, we assume responsibility for the employees and their families, but also for social and economic development around our sites.

In our social charter, we commit to paying all employees the legally required national minimum wage that is to be guaranteed, to protecting the right to privacy, personal safety and freedom of opinion, to the rights of indigenous people and to preventing cruel, inhuman or degrading treatment. We acknowledge our responsibility to open up good development opportunities for our employees, to encourage their participation and involvement in the work process and to offer a high level of job security.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy > Declaration on Social Rights

<sup>1</sup> Active workforce: total workforce not including trainees and employees in the passive phase of semi-retirement. Data collected from 2021 onwards not including employees in the withdrawal phase of the Time Asset scheme (Time Asset scheme: time credits from deferred compensation).

We are guided in our actions by clear values, especially in the transformation phase. The Volkswagen Group Essentials set out the common basic values for all brands and companies within the Group. Seven simple “We” statements describe what the Group stands for: “We take on responsibility for the environment and society”, “We are honest and speak up when something is wrong”, “We break new ground”, “We live diversity”, “We are proud of the work we do”, “We not me”, “We keep our word”.

### Opinion Survey Measures Employee Satisfaction

We attach great importance to actively involving our employees in processes and to ensuring that their opinions, assessments and criticism are heard – this is also an important element of the people strategy in the “Me@Volkswagen” target dimension. In our Opinion Survey, an employee survey in which 165 companies of the Group took part in 2021, we measure the status of our internal employer attractiveness with a targeted question. In addition, we are also interested in our employees’ views on the questions of where the Group stands on the topic of integrity and how they assess working relationships in the Group. The results of the Opinion Survey thus serve to identify possible improvements and inform managers of where action needs to be taken in their organizational units. In defined follow-up processes, managers take suitable measures in dialog with their employees and are supported in doing this by the Opinion Survey Group team, which provides various tools for this – such as a method toolbox.

At the regular managers’ measures discussion, a discussion of the measures derived and their implementation status takes place using a top-down approach, beginning with the respective division manager/Board member and proceeding to the lowest management level. The aim is to ensure the implementation of the measures derived from the organizational units in a lasting manner.

The 2021 Opinion Survey was carried out at 165 companies in 40 countries. 466,021 of the 596,905 employees in the companies surveyed responded. This is equivalent to a response rate of 78%. The employee satisfaction index, which is calculated from 22 questions, is the principal indicator of the Opinion Survey. It is obtained from the sum of all the responses to the survey that were given on this topic and was 82.3 out of 100 possible index points in 2021 in the Volkswagen Group (2020: 82.2 index points), at Volkswagen AG at 76.2 index points (2020: 74.3 index points).

**In 2021, the employee satisfaction index score was**

# 82.3 out of 100

**possible index points and therefore slightly above the score of the previous year.**

### Transition to Hybrid Work Formats

In the dialog and feedback processes, our employees also told us what particular needs they have regarding the new world of work that is evolving. For example, like at other companies, at Volkswagen the coronavirus crisis above all acted as a catalyst for the breakthrough of digitalization in knowledge work. Virtual communication and collaboration and new formats of knowledge transfer and training – for example, through podcasts or online tutorials – were set up and expanded at short notice.

Hybrid working as a combination of remote working and working on site is increasingly becoming the norm and requires a change of thinking regarding the organization of work and collaboration. To this end, the Group launched several initiatives during the reporting year. One of these is Volkswagen AG’s Office 2025 project, a holistic concept spanning the dimensions of people, space and technology that focuses on the topics of modular working environments, desk sharing and technical infrastructure, including hardware and software.

In July 2021, Volkswagen AG held a “Digital Week” on the hybrid working world with numerous interactive events, around 40 speakers and over 20,000 attendees. The main topics were drafting and applying the company agreement on remote working, maintaining mental health, strengthening the management culture and culture of trust, and the design of office environments, including the technical equipment. The Group also developed guidelines for digital and hybrid collaboration, which should serve as guidance for successful communication and organization for employees, managers and teams. This shared focus on success in cooperation will be applied across the Group in the future with the implementation of the Group people strategy under the “Teams@Volkswagen” target dimension.

### Employee Ideas Wanted

Through their creativity, their knowledge and their initiative, employees take on responsibility for improving processes and products and ultimately help us to achieve our sustainability goals. In 2021, more than 12,631 ideas were submitted as part of idea management and savings of € 37.6 million were achieved at Volkswagen AG’s sites. Volkswagen AG’s innovation fund also supports the development of business ideas fit for the future. The associated “intrapreneurship” program offers employees the opportunity to implement their own business ideas at Volkswagen and expand the existing portfolio of services and products. It consists of an incubator phase for developing a business plan and an accelerator phase for constructing prototypes and customer tests. Under an agreement between IG Metall and Volkswagen AG, the Group makes € 20 million available to the fund each year for projects in new areas of business.

### Employee Rights to Participation

When establishing cooperative labor relations marked by social harmony, we are guided by universally valid human rights and the standards of the International Labour Organization (ILO). Volkswagen is committed to global compliance with freedom of

association and recognizes the basic right of all employees to form trade unions and workers' representations. Employees' right to negative freedom of association is also respected. The recognition of the right of all employees to form trade unions and workers' representations also includes the value chain and represents a key component of the Social Charter. The scope of the Social Charter extends to Volkswagen AG and the Volkswagen Group's controlled companies. The principles of the Social Charter were also integrated as a component of the sustainability requirements in the supply chain and in the Volkswagen Code of Conduct for Business Partners. Due to different political and legal conditions, implementation of the OECD and ILO standards at all global production sites is not possible to the same extent as in the European Union. Freedom of association is realized in compliance with the laws applicable in the various countries and locations. A particular challenge therefore arises in states that have not signed the ILO Convention on Freedom of Association and Protection of the Right to Organize.

In order to navigate the tension between the different national conditions and the interest in the greatest possible achievement of the right to organize, the Volkswagen Group relies on a long tradition of also organizing company labor relations in countries in which the ILO Convention on Freedom of Association and Protection of the Right to Organize has not been recognized. Concrete examples include Volkswagen do Brasil Indústria de Veículos Automotores Ltda., ŠKODA AUTO Volkswagen India Private Limited and Ducati Motor (Thailand) Co., Ltd., where an approach to cooperation that goes well beyond the legal framework is taken. Cases of discrimination due to membership of a trade union can be reported in the Volkswagen Group's whistleblower system. These cases have, to date, not been recorded as separate statistics as the recording of discrimination incidents does not differentiate between the causes of the discrimination.

The Volkswagen Group is aware that ESG-related controversies – including with regard to the protection of employee rights – are becoming increasingly important in investors' decisions. To make how we deal with current and ongoing controversies transparent, the Group has provided its own information online.



> [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Corporate Governance > ESG Controversies

The form of our working relationships is also managed through a number of charters and declarations that we have agreed with the Group European Works Council and Global Group Works Council. These give our employees security with regard to their collective rights at the workplace and set out the principles of the Volkswagen Group's labor policy. Together with the codetermination committees or the employee representatives, we implement these agreements at the respective sites. They include:

- The Declaration on Social Rights and Industrial Relations at Volkswagen (Social Charter), which is geared to the relevant ILO conventions

- The Charter on Labor Relations, which sets out additional information, consultation and codetermination rights for employee representatives of the brands, companies and locations represented by the Group European Works Council and the Global Group Works Council
- The Charter on Temporary Work, in which Group management as well as the Group European Works Council and the Global Group Works Council have agreed on principles relating to temporary work – for example, guide values for the ratio of temporary to permanent employees, equal pay (for equal work), training measures and the limitation of employment periods with a subsequent review as to whether to take on the employee permanently
- The Charter on Vocational Education and Training, in which professional training is anchored as a central part of Charter on Labor Relations

In addition, there are a number of locally applicable agreements with the relevant responsible trade unions that stipulate, for example, standards for further training and for preventive healthcare measures. These fundamental standards and agreements underpin the rights of employees and their elected representatives at Group level in the Group European Works Council and the Global Group Works Council. Executive managers and employee representatives meet regularly to consult on relevant issues. All members of the Group European Works Council and the Global Group Works Council attend at least one joint session of the two works councils every year. As well as discussing the current situation at the various sites, the respective HR managers and Group executive management also share information about product and workforce plans as well as social welfare and personnel standards.

#### **Cooperative Organization of Labor Relations at Brands and Companies**

We want to enable the most comprehensive representation of employee interests possible in our Group. We cooperate with the relevant trade unions all over the world. Many companies in the Group also have a supervisory board on which the workforce is represented. In this way, Volkswagen's Commercial Vehicle division, with the holding company TRATON SE and its subsidiaries MAN, Scania, Navistar and Volkswagen Caminhões e Ônibus, enables far-reaching participation of employee representatives. The TRATON SE Works Council can, for example, exercise extensive rights of information and consultation within the framework of a participation agreement between the board of management and employee representatives. The agreement also regulates the equal representation of employee representatives in the highest body of TRATON SE – the supervisory board. Scania also has a European works council with participation rights, the SEC (Scania European Committee). In addition, Scania has introduced a global corporate policy that regulates minimum standards such as working hours, weekly rest periods, vacation time and sick leave for its employees. Moreover, the Swedish truck brand is an active

partner of the Global Deal platform, a multi-stakeholder initiative for social dialog and partnership between governments, companies, employers' associations and trade unions.

The Charter on Labor Relations additionally allows employee representatives around the world to conclude agreements with local management on specific rights to information, consultation and co-determination. This far-reaching form of participation has proved highly successful over many decades.

## FAIR AND ATTRACTIVE EMPLOYER

We believe that an attractive employer is first and foremost a fair employer. That is why we adhere to the relevant national legal standards when dealing with all matters that affect our personnel. However, in line with our tradition of social partnership and the balancing of interests, we go beyond these standards; we would like to allow all our employees throughout the world to share in Volkswagen's social achievements and its high work and social standards.

Participation, initiative and individual creative opportunities are particularly important when it comes to keeping our promise to be an excellent employer. We would like our employees to be responsible, competent and confident "Company citizens" who actively take part in company affairs and get involved in decision-making processes. "Me@Volkswagen" – one of the target levels of the new people strategy – is based on precisely this principle.

### Social Compatibility of the Transformation in Focus

Collective job security agreements play an important role in the transformation. In Volkswagen AG in Germany, the job security applies until 2029 as a result of the Digital Transformation Roadmap, which underlines our appreciation for industrial work. From 2019 until 2023 and beyond, Volkswagen AG is investing up to € 4 billion in major digitalization projects and efficient administration within this framework in Germany.

We also strive to act in a socially responsible way anywhere we have to cut jobs for economic reasons. For example, as it did many other companies, the coronavirus pandemic also challenged Volkswagen do Brasil to reduce fixed costs. Volkswagen do Brasil, metalworker trade unions and employee representatives of all four plants came together to negotiate a restructuring agreement. In addition to cost-cutting, it was also a matter of applying flexibility measures and adjusting the headcount through a program of voluntary resignations.

At MAN, partial retirement contracts, termination agreements, a change of Group and the establishment of a transfer company were used as tools for the socially responsible headcount reduction that was also necessary there. The basis for this was the negotiation of a joint key issues paper between the company's management and the employee representatives. The corresponding

rules and programs that were implemented in the reporting year continue to apply until 2023.

We provide the HR answers to various challenges at a national or international level with future-proofing programs that we have concluded as part of codetermination. For example, Germany and other parts of Western Europe face not only risks resulting from demographic changes but continue to face shortages of skilled workers who we will need for cutting-edge areas of work. In order to fill jobs with experienced and creative IT, digitalization and electrification experts even more to the benefit of the candidates, we are strengthening our efforts in digitalizing the internal recruitment processes.

Applicants are at the heart of our activities, and we are increasingly addressing them via digital formats due to the current situation. This also includes our "Hello Possible 2.0" recruitment campaign for the Volkswagen brand, which we ran exclusively in digital space and which is aimed at selected experts from the areas of intuitive operability, digital transformation and emission-free mobility.

### Commitment to External Employer Attractiveness

The transformation requires particular dedication to acquiring top talent. An indicator for this is external employer attractiveness. In addition to measuring external employer attractiveness, which includes rankings in surveys conducted by Universum for the Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, Audi, ŠKODA, SEAT and Porsche brands (p. 77), we compile a strategic KPI for Volkswagen Financial Services AG: the external employer ranking. This involves taking part in the "Great Place to Work" external benchmarking, in general once every two years. The aim is to position ourselves as an attractive employer and derive appropriate measures to achieve a ranking among the top 20 employers by 2025 – not just in Europe, but globally. For 2023, we plan to participate in this ranking on a global scale. In competition with other European employers, we achieved that targeted top 20 ranking. In 2021, Volkswagen Financial Services AG was represented in further national and international best-employer rankings.

### Fair and Transparent Pay

A fair and transparent pay system and payment of fair remuneration make a significant contribution to employees' job satisfaction. In accordance with our Social Charter, the remuneration and fringe benefits for our employees correspond at least to the legally required minimum level which is to be guaranteed in the particular country. As they are collectively agreed with trade unions, our rates of pay are usually higher than the prevailing minimum levels. Our employees are generally selected, hired and promoted on the basis of their qualifications, experience and abilities. Individual pay is based on the job performed.

The remuneration system not only reflects the corporate culture but also the organization of work and represents a significant

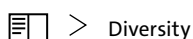


competitive factor for the Group. The gradual transition from old product range to new also comes into play in matters of pay. For example, changes in work, roles and expertise also need to be reclassified with respect to their value.

Employees of Group companies enjoy further Company benefits. Depending on location, these may include subsidized transport and meals, employee terms at cooperation partners and discounts on certain leisure activities. Additional healthcare or supplementary pension benefits may round off the range of company benefits at specific sites. By offering occupational pension schemes, Volkswagen AG and many of its brands and subsidiaries make an important contribution towards securing their employees' income in old age. Employee participation in the Company's success in the form of an employee share program – such as a stock option plan – is not currently offered.

## DIVERSITY AND INCLUSION

Information on strategies, measures and programs, including on enabling a better work/life balance is summarized in the chapter on the focus topic of diversity.



Diversity

## TRANSFORMATION-ORIENTED HUMAN CAPITAL DEVELOPMENT

As an employer, we want our employees to be able to work creating value at workplaces in our Group for their entire working lives. This requires not just for them to retain their health, but also adjusting skills and capabilities to the quickly changing environment. That is why training our employees and adjustment to new work and career profiles is a key action area in the workforce transformation. This is because the comprehensive specialist qualifications of our employees remain the basis for the highest technological excellence. The electrification of the vehicle fleet, the transition towards connected, autonomous driving and the digital transformation of our Group mean that employees already need very different qualifications today. We handle these changes with our comprehensive training system with its individual training measures, which is also part of the gradual implementation of our new people strategy with the target focus of “Me@Volkswagen”.

Dual vocational training at the Volkswagen Group supports the workforce transformation. With its flexible combination of practical activities and theoretical knowledge, vocational training prepares our young professionals for the forthcoming challenges. On an international level, we are guided by the high German training standards but also comply with the relevant national standards and regulations.

In 2021, the Volkswagen Group trained 17,151 young people. We also support the career development of new entrants once they have completed their apprenticeship. For example, particularly talented young specialists are nurtured in talent groups.

## Training Skilled Workers and Managers

At the Volkswagen Group Academy, which is responsible for vocational and advanced training, skilled workers can choose from a broad range of advanced training courses. These range from further training on topics of the future and occupational or cross-disciplinary areas of general interest to specific qualifications in vocational groups and even comprehensive personnel development programs. The COVID-19 pandemic meant that only a restricted range of options was available again in 2021, particularly in multidisciplinary areas. This went hand in hand with a greater shift from classroom seminars to online seminars. In 2021, a start was also made on creating a new learning ecosystem, which will be used to continuously expand the learning options through a platform solution. The “Individual career orientation” (ICO) module offers all Volkswagen AG employees the opportunity to reflect on career goals, interests and personal skills and compare these with the development opportunities in the Group. Various methods of self-reflection or assessment by others, practical exercises, literature recommendations, seminars and podcasts are also offered in a toolkit.

The leadership and management programs and training were further developed in 2021 and their content updated to adapt them to future requirements. The Volkswagen Passenger Cars brand's foreman base training (FBT) and manager base training (MBT) were revised in the reporting year. The manager base training has also had agile management content added. In addition, there is a program for future managers of the Volkswagen brand, the management development program, which focuses on corporate culture, diversity, compliance & integrity, and personal responsibility. Two new modules train prospective managers on agility in day-to-day management. For newly appointed managers of the Volkswagen brand, the new management program launched in 2020 with the company Malik St. Gallen was continued in the reporting year. Its objective is to strengthen managers' ability to deal with the challenges of the transformation using scientifically based leadership and management models. For experienced managers, the Group-wide senior management program provides high-quality knowledge from research and practice with focuses on customer focus, innovation and leadership, which have been supplemented by learning content including design thinking methods, tools such as Triple Impact and Lean Canvas, and decision biases. We set up this human capital development program with Paris business school HEC and the Potsdam Hasso Plattner Institute Academy.

The Volkswagen Group has also compiled a decentralized training and qualifications catalog for its managers, and these qualifications are conceptually designed by individual brands and can be used by other brands. For example, the Group Leadership Academy provides seminars that support and inspire management in the transformation of the Group with the Group Training Catalog for Leadership and Transformation. Under coronavirus conditions, 160 managers took part in nine pilot training courses across the Group in fiscal year 2021. This builds on the enormous stock of know-how and experience for manager training, uses synergies



between the brands and expands knowledge transfer and networking. For example, the “Building a sustainable organization. Together.” training teaches how sustainability can be proactively factored into operational management decisions.

The Transform Leadership 2030 program provides the opportunity to explore all the aspects of the transformation in dialog with experts and members of the Board of Management in eight core modules and, in particular, to deepen technology-specific knowledge.

### **Promoting Agility and Cultural Change**

In view of the many upheavals and to strengthen a culture of cooperation, the Volkswagen Group puts a special emphasis on employees’ ability to act agilely and entrepreneurially. Until 2020, there was, however, a lack of uniform standards that define concrete agile skills. We therefore developed a skills matrix for training in the area of agile business processes together with 30 major listed companies from Germany, Austria and Switzerland in the DACH30 initiative. In the course of this, the Volkswagen Group Academy established a training portfolio on agility.

In order to actively support divisions, departments and project teams with implementing strategic realignments, the Culture & Change Factory was founded at Volkswagen in 2021. The new unit under the umbrella of the Group Academy supports and steers various transformation projects with around 40 experts. The team’s expertise includes change management, culture change, agile training, coaching, process design and continuing training.

### **Investment in Development of Skills for New Technologies**

In the current upheaval of the automotive industry, the Volkswagen Group’s particular training focus is on training employees on important future technologies and closely supporting them in the transformation process. For example, Volkswagen specifically added new courses on the topic of e-mobility to its professional training program at the site in Chattanooga, USA, with the aid of the Volkswagen Group Academy. It largely comprises the two program lines high-voltage qualification and automation qualification, which had around 3,000 participants in the reporting year. We plan to expand the training programs to include the topics of 3D printing, cybersecurity and robotics in the future.

By 2023, Volkswagen AG wants to create at least 2,000 new jobs connected to digitalization at its traditional West German sites. For the HR transformation in the course of the digitalization drive, the Group is increasing its training budget relating to new technologies by € 40 million to a total of around € 200 million, around € 126 million of which had already been released by the end of 2021.

In particular, we are broadening the knowledge base for the digital transformation in the Group with the Faculty 73 program. We train 100 software developers each year here for our own needs.

The two-year training program is designed for employees and external applicants with an affinity for IT. The future experts acquire all the necessary skills for a successful career as a software developer in the automotive industry within the training. In 2021, we placed all 94 graduates of the first phase of the program within Volkswagen AG and CARIAD. In March 2021, 100 people became the third year of students to begin the training program.

Volkswagen AG and CARIAD have also encouraged the establishment of innovative programming schools in Wolfsburg and Berlin in cooperation with the non-profit École 42. The training institute in Wolfsburg commenced operations in May 2021 with 170 students from 30 countries. By the end of 2022, 600 students in Wolfsburg and Berlin are to be admitted and learn from and with each other in line with an innovative training concept. Like at École 42 in Paris, the free training at 42Wolfsburg and 42Berlin is also open to applicants who have not graduated high school or college, irrespective of their age, sex or origin.

### **PREVENTIVE HEALTH AND OCCUPATIONAL SAFETY**

The Volkswagen Group and its HR division continued to have to deal with the consequences of the coronavirus pandemic in 2021 and therefore had to respond to challenges that needed to be handled at the same time as the transformation work. For example, HR repeatedly had to deal with production downtime caused by regional outbreaks of the pandemic and adapt activities to protect employees at the various sites in line with the threat situation.

In addition to this central task currently facing us, we are further expanding preventive health and occupational safety in the Volkswagen Group. This is because physical and mental well-being are important if employees are to perform well at work and cope with the stress typical of working in a changing production company. We have also committed ourselves to this goal of promoting optimum health within the framework of the Group people strategy under the “Me@Volkswagen” target dimension.

In the area of health, sustainability means for us that we want to help every employee to retire healthy. This long-term approach also helps our Group to cope with demographic change in the form of an aging population, which is now typical of many industrial countries in which we operate.

Holistic health management at Volkswagen already goes beyond the statutory preventive healthcare and occupational health and safety requirements. It also includes aspects such as work organization, ergonomics, prevention, integration and rehabilitation, along with leadership culture.

### Group Policy Regulates Occupational Health and Safety

Our employees receive medical care at all our sites in accordance with the relevant national legal regulations and internal rules and on the basis of Group guidelines on protecting and promoting health. All Group sites have at least one facility for dealing with medical emergencies. Most of them also offer medical care provided by a company doctor.

A Group policy regulates the responsibility for occupational health and safety uniformly for all the Group's brands and companies. Health care is managed at Group level by the Head of Group Occupational Health and Safety, who is also Volkswagen AG's senior physician. They report directly to the Chief Human Resources Officer, reporting to the latter on the topics of health and occupational safety.

The Group Steering Committee for Health Care makes decisions on strategic direction and coordinates topics of fundamental importance across brands. The steering committee initiates projects, ensures the transparency of expert knowledge and organizes the leveraging of synergies in health care. Its participants are the Head of Group Health Care and the brands' heads of health care or their representatives. The Group Steering Committee for Occupational Safety makes decisions on the strategic direction and the development of occupational safety. Its participants are the Head of Group Occupational Safety and the brands' heads of occupational safety or their representatives.

In addition to meeting statutory requirements, Volkswagen's Health department focuses to a large extent on preventive approaches. Employees are therefore offered regular checkups. As part of the discussion of the checkup findings, employees are offered customized healthcare services based on new scientific knowledge. However, the pandemic meant it was only possible to maintain these services to a very restricted degree in the reporting year. In fiscal year 2021, the Health department carried out ten initial and 38 subsequent checkups in Volkswagen AG. Since the introduction of the service in 2010, a total of 86,027 Volkswagen checkups have been completed (active permanent workforce).

### Diverse Programs for Combating the Pandemic

In response to the coronavirus pandemic, Volkswagen's Health department began operating its own PCR test facilities at all Volkswagen AG sites at an early stage in order to minimize the risk of cluster outbreaks and protect employees and the Group as well as possible. In addition, Volkswagen also made its PCR test infrastructure available to public health departments at the sites and thus reduced the burden on the public health service.

In addition, the Volkswagen Health department set up and operated its own vaccination centers at 31 sites for a high level of protection against infection. 332,004 coronavirus vaccinations were given across the Group in 2021 (Volkswagen AG: 91,874). Here too, Volkswagen assumed social responsibility and

opened the vaccination centers in some Group companies for people outside the Group.

The Wolfsburg Volkswagen plant's health department also launched a project for monitoring waste water in mid 2021 in order to establish an early warning system for infection clusters via the changes in the viral load in wastewater. This project adds to the range of coronavirus protection measures at an early stage.

### High Standards for Occupational Safety

Like preventive healthcare and emergency health provision, the continuous improvement of occupational health and safety is vitally important to us. In 2004, the Volkswagen Group adopted an internationally valid occupational safety policy. Among other things, it is intended to promote the development of concepts in Group companies for continually improving occupational safety at work.

In the area of occupational safety, sustainability means for us that employees do not suffer accidents when working. Volkswagen is supporting this objective through the introduction of the Safety First strategy. The vision of this strategy is to anchor "safety first" as a guiding principle in the actions of all managers and employees. All occupational safety processes are to be known and to be applied reliably. Workplaces are to be safe and the Occupational Safety department is to be involved in shaping them. All managers and employees are to be informed and trained and act in line with safety requirements.

The strategy requires all Volkswagen Group production sites to comply with the standards of ISO 45001 occupational health and safety management systems and more specific Group requirements. At the end of 2021, a total of 48 (2020: 46) Group sites were certified in accordance with ISO 45001. This corresponds to coverage of 29% of the Volkswagen Group's employees.

In addition to the number of ISO 45001 certificates and their level of coverage, the Volkswagen Group uses the accident frequency and accident severity for employees excluding temporary agency workers as key performance indicators for reporting. The accident frequency index provides information on the number of accidents at work as a proportion of the total of all hours worked. The underlying calculation formula is:  $\text{number of accidents at work reported} \times 1 \text{ million} \div \text{the total number of hours worked}$ . The accident severity index expresses the severity of the accidents reported by showing the total number of working days lost due to accidents reported in the fiscal year as a proportion of the total of all hours worked. The underlying calculation formula is:  $\text{number of working days lost through accidents reported in the fiscal year} \times 100,000 \div \text{the number of hours worked}$ . The Group uses a Group process standard to provide cross-brand information in the event of serious or fatal accidents involving our own employees or workers from partner firms. On this basis, specific measures can be taken to prevent similar accidents across all our sites in the future.

In 2021, the accident frequency<sup>1</sup> was 3.7 (2020: 3.6) in the Volkswagen Group and 6.8 (2020: 5.5) in Volkswagen AG. The accident severity<sup>1</sup> was 5.7 (2020: 5.1) in the Volkswagen Group and 9.1 (2020: 7.4) in Volkswagen AG. The Volkswagen Group and Volkswagen AG recorded one fatal accident involving our own employees in the reporting year.

#### **Volkswagen Sites Recognized for High Occupational Safety**

The Board of Management awards occupational safety trophies each year for the best plant in the Volkswagen Passenger Cars brand in Europe. The best vehicle plant and the best component plant of the Volkswagen brand in Europe were also awarded

prizes for the progress on reducing accident numbers. The trophies for 2019 and 2020 were awarded in Wolfsburg in October of the reporting year.

#### **MANAGING THE WORKFORCE TRANSFORMATION AND MAKING IT MEASURABLE**

We resolutely want to follow the path described above and be measured by tangible progress in reaching our targets. To this end, we will in future use strategic KPIs, such as training hours completed by employees, employer attractiveness as part of the Opinion Survey and the diversity index.

<sup>1</sup> Accidents reported: temporary agency workers and internal commuting accidents not included in the KPI. Absence days are included through December 31 of the respective fiscal year. Excluding Navistar.  
<sup>2</sup> Excluding Scania and Navistar.

## PEOPLE IN THE TRANSFORMATION KPIS

KPI	Unit	2021	2020	Notes and comments
<b>Number of countries in which the Volkswagen Group operates</b>				
Europe	Number	35	36	
The Americas, Africa, Asia, Australia	Number	37	37	
<b>Production facilities worldwide</b>	<b>Number</b>	<b>120</b>	<b>118</b>	
of which Volkswagen AG production facilities	Number	6	6	
<b>Number of employees in the Volkswagen Group by continent</b>				
Europe	Number	492,559	492,907	
The Americas	Number	71,192	56,914	
Africa	Number	5,842	6,134	
Asia	Number	101,726	105,173	
Australia	Number	1,470	1,447	
<b>Total workforce (of which Volkswagen AG)</b>	<b>Number</b>	<b>672,789 (117,633)</b>	<b>662,575 (118,673)</b>	
<b>Employee age structure in the Volkswagen Group</b>		<b>Women/ men</b>	<b>Women/ men</b>	
< 20 years old	in %	0.3/1.3	0.3/1.4	
20–29 years old	in %	3.4/13.0	3.4/14.4	
30–39 years old	in %	5.5/24.9	5.3/25.1	
40–49 years old	in %	4.7/21.0	4.4/20.9	
50–59 years old	in %	3.3/17.6	3.0/17.2	
> 60 years old	in %	0.7/4.4	0.5/4.0	
<b>Staff turnover at Volkswagen AG<sup>1</sup></b>				
Women	in %	0.5	0.5	
Men	in %	0.5	0.8	
Apprentices in the Volkswagen Group	Number	17,151	17,939	
<b>Proportion of women in the Volkswagen Group</b>				
Total management	in %	15.9	14.9 <sup>2</sup>	
Total apprentices	in %	20.1	22.9	Excluding Scania and Navistar
Volkswagen Group, total	in %	17.9	17.0	
<b>Proportion of women in Volkswagen AG</b>				
Total management	in %	14.7	13.9	
Female university graduates recruited	in %	31.7	32.5	
Volkswagen AG, total	in %	17.9	17.8	

<sup>1</sup> Change in data collection methodology from 2021.<sup>2</sup> Adjustment of 2020 figure.

KPI	Unit	2021	2020	Notes and comments
<b>Opinion Survey</b>				
Participating companies	Number	165	117	
Participating countries	Number	40	38	
Participating employees	Number	466,021	436,326	
Percentage of participating employees	in %	78	81	
Internal employer attractiveness	Value	86.8	88.2	
Internal employer attractiveness in Volkswagen AG	Value	87.7	86.9	
Employee satisfaction index	Value	82.3	82.2	
Employee satisfaction index in Volkswagen AG	Value	76.2	74.3	
<b>Ideas management</b>				
Ideas submitted	Number	12,631	14,850	
Savings	€ million	37.6	43.5	
<b>External employer attractiveness</b>				Targets for the Porsche and ŠKODA brands were reached in full, and exceeded to some extent. SEAT targets were reached to some extent, while Volkswagen Passenger Cars, Commercial Vehicles and Audi targets were not reached.
<b>Training</b>				
<b>in the Volkswagen Group</b>	<b>Number</b>	<b>101,953 (132,543)</b>	<b>75,596</b>	Figure in brackets includes web-based training
Time	million hours	10.9 (13.9)	7.8	Figure in brackets includes web-based training
Training hours per employee	average number of hours	16.4 (20.9)	11.7	Figure in brackets includes web-based training
<b>in Volkswagen AG</b>	<b>Number</b>	<b>9,349 (12,972)</b>	<b>5,771</b>	Figure in brackets includes web-based training
Time	million hours	1.0 (1.2)	0.4	Figure in brackets includes web-based training
Training hours per employee	average number of hours	8.3 (9.9)	3.4	Figure in brackets includes web-based training
<b>Preventive health and occupational safety</b>				
Initial checkups by the Health department	Number	10	553	
Subsequent checkups by the Health department	Number	38	1,445	
Total Volkswagen AG checkups since 2010	Number	86,027	88,999	
Group sites certified in accordance with ISO 45001	Number	48	46	
Proportion of these in terms of number of employees	in %	29	–	
Volkswagen AG sites certified in accordance with ISO 45001	Number	–	–	Certification for the six Volkswagen AG sites is scheduled to be achieved by 2024.

KPI	Unit	2021	2020	Notes and comments
<b>Accidents reported</b>				Temporary agency workers and internal commuting accidents not included in the KPI. Absence days are included through December 31 of the respective fiscal year. The figures for 2020 were adjusted due to subsequently reported accidents.
Index of accident frequency in the Volkswagen Group	Value	3.7	3.6	Excluding Navistar
Index of accident severity in the Volkswagen Group	Value	5.7	5.1	Excluding Scania and Navistar
Index of accident frequency in Volkswagen AG	Value	6.8	5.1	
Index of accident severity in Volkswagen AG	Value	9.1	7.4	



# DIVERSITY



## CRUCIAL IMPORTANCE OF DIVERSITY AND INCLUSION

Especially during the transformation, our HR policy's core tasks include creating a working environment in which talent of any age or gender, irrespective of origin and cultural background, can optimally contribute skills and viewpoints. The basis for this is an open, positive and partnership-based culture, a high level of diversity in the workforce and exemplary and inspiring leadership. Diversity, respect, tolerance and equality of opportunity are critical success factors for an open corporate culture. It increases employee motivation and performance as well as our customers' satisfaction.

## INTEGRATION INTO GROUP STRATEGY

Diversity was defined as a focus topic for sustainability as part of the NEW AUTO Group strategy and the Group initiative derived from it. The particular importance of this action area is further underpinned in the Volkswagen Group by the fact that the diversity index<sup>1</sup> as a strategic KPI has acquired direct remuneration relevance at Group Board of Management level.

We have also codified the aim of diverse workforces in key documents. The declaration "We live diversity" as one of the seven Group Essentials is thus a firm part of the Volkswagen Group's cultural DNA. Safeguarding and promoting diversity and equal opportunities is also an important component of the Group's HR Compliance policy.

## DIVERSITY MANAGEMENT ESTABLISHED ACROSS THE GROUP

Group diversity management is directly assigned to the member of the Board of Management with responsibility for Human Resources and reports to this individual. We have enshrined the topic of diversity and equal opportunities in the HR Compliance Group policy. More than 110 diversity managers are working on the topic in the Volkswagen Group. They meet at an annual diversity convention to promote the sharing of best practices and to discuss the implementation of programs and action.

## TRAINING AS A SUCCESS FACTOR FOR DIVERSITY WINS@VOLKSWAGEN

Through our diversity management and the implementation of the Diversity Wins@Volkswagen program, we want to deliberately expand approaches for promoting diversity and inclusion. We pursue a holistic approach that considers diversity in its overriding importance for businesses and society and does not give priority to the needs of any particular group.

Mandatory training for managers from foremen to top managers is a key pillar of the program. The training participants develop

an understanding of why diversity and inclusion are important for the Group, what design approaches and activities can be developed and what responsibility as a manager means in concrete terms. Managers are primarily to be supported and encouraged in avoiding unconscious bias – i.e. unconscious prejudice and stereotypes – in their decisions. We have set ourselves a target of training 75% of around 28,300 managers across the Group and worldwide by December 31, 2021. We outperformed the target, achieving a ratio of 83%. Participation in the training is tracked.

## ENCOURAGEMENT OF NETWORKS

The Volkswagen Group supports the formation of employee networks to promote personal initiative and the willingness to take on responsibility. This includes, for example, the LGBTQI+ & friends network "We Drive Proud", which not only represents the interests of lesbian, gay, bisexual, transgender+, intersex+ and queer people, but first and foremost helps to shape cultural change in the Group. "We Drive Proud" sees itself as an open, Group-wide initiative that maintains dialog with existing networks, e.g. those at Audi, Porsche or SEAT. The establishment of fathers' networks was also further supported. There are now additional networks at Audi ("Dads @ Audi") and at Volkswagen Group Components ("VäterConnection").

## STAKEHOLDER ENGAGEMENT THROUGH THE DIVERSITY PANEL AND DIVERSITY CHARTER

The Volkswagen Group created an advisory committee in the form of the Diversity Panel in 2021. This was one of the measures with which the Group responded to accusations of racism relating to a video advertising the Golf VIII. The panel includes experts from civil society, business and academia but also high-ranking managers from various areas of the Group. The aim is to raise awareness of discriminatory content and conduct and enhance in-house skills to systematically counteract everyday discrimination and racism. The panel met three times in the reporting year and issued concrete recommendations for action regarding organization, processes and activities in the Group. An exchange in the Group IT department's data lab in Munich regarding discrimination by algorithms and various open talks with the workforce on the topic of everyday racism have already taken place. The diversity panel also maintains regular communication with the Volkswagen Group's Sustainability Council.

The Volkswagen Group has also underscored its commitment to diversity in Germany by its signature of and financial support for the Diversity Charter initiative and through Chefsache – a network of managers from business, academia, the public sector and the media for promoting equal opportunities for women and men.

<sup>1</sup> The figures for the proportion of women in management and internationalization in top management are included with equal weighting in an index that was set to 100 in each case for 2016. Both indices were included in equal proportions when setting targets and in the compilation of the overall index (proportion of women in management figure and internationalization of top management figure).

## OBJECTIVES AND KPIS

We not only want to establish processes geared to equal opportunities but also aim to set targets for measures and programs at all levels of management. Our diversity approach centers around quotas for women in managerial positions and targets for the internationality of our top management. These two figures are combined in our diversity index, which has been in force since January 1, 2017.

The diversity index forms part of our Group people strategy and data are collected for the whole Volkswagen Group with its active workforce.<sup>3</sup> We use this index to manage and measure the implementation of our targets. At 16.3% in 2021, the proportion of women in management – comprising managers, senior managers and top managers (including the members of the Group Board of Management) – was significantly higher than the previous year's level. We aim to raise this figure to 20.2% by 2025.

## DIVERSITY INDEX

	Unit	2019	2020	2021
<b>Proportion of women in management<sup>1 2</sup></b>				
Target for proportion of women in management	in %	14.7	14.7	16.0
Actual proportion of women in management	in %	14.3	15.1 <sup>3</sup>	16.3
Actual level of proportion of women sub-index   weighting 0.50		118	125 <sup>3</sup>	135
<b>Internationalization in top management<sup>2</sup></b>				
Target for internationalization in top management	in %	19.7	19.7	21.4
Actual level of internationalization in top management	in %	18.4	18.7	20.3
Actual level of internationalization sub-index   weighting 0.50		108	110	119
<b>Cumulative diversity index figure</b>				
Target cumulative diversity index figure	Value	119	119	129
Actual cumulative diversity index figure	Value	113	117	127

We aim to increase the level of internationalization in top management, the uppermost of our three management tiers, to 25.0% by 2025. In the past fiscal year this was 20.3% (2020: 18.7%).

The figures for the proportion of women and internationalization are each included with equal weighting in an index that was set to 100 in each case for 2016. Both indices were included in equal proportions when setting targets and in the compilation of the overall index (proportion of women figure and top management internationalization figure). An increase in this index to 129 was planned for 2021. This target was narrowly missed with a figure of 127. The targets are decided by the Group Board of Management.

### Pursuing Goals for Increasing the Proportion of Women

We have also formulated goals as regards the proportion of women in management for Volkswagen AG in accordance with section 76 (4) of the German Stock Corporation Act (*Aktengesetz – AktG*). In line with the German Act on the Equal Participation

of Women and Men in Executive Positions (*Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen*) and section 76 (4) of the German Stock Corporation Act, Volkswagen AG achieved the targets set in the reporting year: by December 31, 2021 the proportion of women in the active workforce at the first level of management (senior managers, top managers and brand board of management members) had reached 13.5% (target: 13.0%) and at the second level of management (non-senior managers) it was 18.3% (target: 16.9%). For the new period until the end of 2025, Volkswagen AG has set itself the target of having a proportion of women of 16.5% for the first level of management and of 23.4% for the second level within the active workforce. The Group's Board of Management and Supervisory Board are regularly updated on the progress we are making towards these targets.

<sup>1</sup> Active workforce: total workforce not including trainees or employees in the passive phase of semi-retirement.

<sup>2</sup> Data collected from 2021 onwards not including employees in the withdrawal phase of the Time Asset scheme (Time Asset scheme: time credits from deferred compensation).

<sup>3</sup> Adjustment of figure for 2020.

## Programs for Greater Equality of Opportunity in Career Development

By offering various programs, we are aiming at increasing the proportion of women at management levels within the Group and at ensuring greater equality of opportunity and equal rights in career development. The Volkswagen AG-wide Kompass 2.0 program provides female talent with guidance and a decision aid for starting a management or leadership career. The program centers around a nine-month period of mentoring accompanied by networking days, dialog events, seminars and feedback meetings. 162 employees are taking part in the current 2021/2022 round of the program.

The Volkswagen AG-wide modular mentoring management program is designed for all talent, whether female or male, in the development phase of management development. It is intended to raise awareness of the importance of gender diversity and equal opportunities and serve the purpose of fostering communication between established managers and junior employees on questions of cultural change. The establishment of a mentor-mentee tandem relationship, dialog events with members of the Board of Management and analysis and feedback meetings are therefore important program elements. During the current 2021/2022 round, 31 people are participating in the program.

In order to achieve a sustainable increase in the proportion of women in management, work was done on the further integration of diversity and gender equality in HR processes in key thematic areas. This includes the expansion of job sharing at Volkswagen AG and an impat program aimed at top talent of non-German origin and both genders, who take on responsibility at the first level of management at the Group's head office. This ensures greater visibility of international managers, leverages their expertise and promotes Group-wide networking.

The Volkswagen Group actively participates in the "Target Gender Equality" program, which was set up by the UN Global Compact and targets increased gender equality. The program is based on the "UN Women's Empowerment Principles", which provide all companies with guidance on how they can promote the empowerment of women and gender equality in the workplace, in business and in society. The program is also accompanied by workshops each focusing on different issues, such as the gender pay gap, cross-sector peer-to-peer learning processes and multi-stakeholder dialogs. This is intended to help companies achieve their gender equality goals and increase the proportion of women in leadership positions.

Volkswagen in Argentina has already launched an action plan aimed at strengthening gender equality in working life, which is to be implemented using the UN Women's Empowerment Principles. The focus is on a better work/life balance as a result of flexible working time models and equal opportunities for female managers.

## WORK/LIFE BALANCE

Volkswagen has recognized its employees' need to be able to respond flexibly and at short notice in various life situations. We are therefore constantly working on improving our employees' work/life balance through flexible working time models. For example, we want not only to take into account the specific needs of parents, single parents or employees who are also carers of relatives but to facilitate needs-based and individual flexibility for all employees. The rules and programs here vary from country to country and are determined by the legal framework, cultural circumstances and the results of collective negotiations.

For example, Volkswagen AG and Volkswagen Financial Services AG have introduced a new instrument with "Meine AusZeit", through which employees can take a career break at short notice and flexibly without saving time credits beforehand. In the leave of three to six months, remuneration continues to be paid, financed by advance payment by the employer. This is repaid in the subsequent period of work immediately after the leave.

In addition, we are working on meeting the need many employees have for more flexibility in their working hours and place of work. Volkswagen AG, Audi, Porsche, SEAT and Bugatti have concluded far-reaching company agreements regarding working outside company premises (mobile working). It has become apparent that many employees also want to continue to work remotely to a greater extent after the pandemic. Volkswagen AG has therefore updated the existing 2021 rules. The rules will enter into force after the normalization of the COVID-19 situation and increase flexibility in the structuring of working hours.

Our guarantee of reemployment also offers a high level of flexibility. For the past 20 years or so, Volkswagen AG employees have been able to take up to eight years' leave of absence without having to give a reason. Regardless of whether this leave is for career development purposes or for parental leave, employees have a guaranteed right to re-employment on the same terms and conditions as before.

In particular, we help our employees to care for and look after close relatives. Employees can take up to ten days' leave at short notice in order to organize care for sick relatives, for instance. Employees can take up to six months' leave or reduce their working hours for the same period in order to care for a relative. Employees can work part-time for up to 24 months in order to care for their families in accordance with the statutory entitlement in Germany.

For certain groups of employees at Volkswagen AG and Audi, there is an annual option: a conversion to paid leave may be made in place of payment of additional remuneration in accordance with the collective agreement.

In Germany, the large number of people who take advantage of their statutory parental leave entitlement proves how many employees wish for reconcilability of work and family life. For parents, we grant additional benefits that go beyond statutory entitlements. Thus, to ensure they remain mobile when on parental leave, Volkswagen AG employees that are entitled to company cars may continue using their vehicles privately. Volkswagen AG and subsidiaries with corresponding rules grant their employees a benefit provision in the employer-financed occupational pension plan (basic plan) during parental leave.

We also consider childcare during working hours highly important for enabling work/life balance for our employees. The Volkswagen Group therefore endeavors to offer childcare geared to specific groups of people. Additionally, we provide daycare centers near a number of our sites.

### ANTI-DISCRIMINATION

At Volkswagen, we have a clear stance when it comes to discrimination: we reject it, because we stand for respect, for equal opportunities, for working together and for equal treatment of people, irrespective of their ethnicity, race, gender, disability, ideology, religion, nationality, sexual orientation, social background or political beliefs, provided the latter are based on democratic principles and tolerance towards those who hold different views. The Volkswagen Group Code of Conduct provides guidance throughout the Group and we sanction any breaches of the rules set out in it. Under the code, every employee and manager is responsible for ensuring that colleagues work together in partnership and for taking action if rules are breached. We also

keep central statistics on this: in 2021, 15 Volkswagen Group employees were dismissed due to breaches in the area of discrimination, harassment or stalking.<sup>1</sup>

### INCLUSION AT THE WORKPLACE

However, our understanding of diversity extends beyond gender equality, sexual orientation and internationality. For example, we also focus on the inclusion and integration of employees with disabilities. We take account of our social responsibility by supporting workshops for people with disabilities. To this end, we awarded contracts worth around € 12.4 million in various Group companies during 2021. But we also champion the inclusion of people with disabilities internally. On an international level, we operate five protected workshops and are setting up additional workstations for more than 120 people with disabilities at the ŠKODA production sites in the Czech Republic. In 2021, the proportion of employees with disabilities at Volkswagen AG was 8.7%

Our responsibility for keeping employees in valuable activities for their entire career if possible also extends to the needs of employees with a restricted working capacity. After all, individual forms of work organization can result in significantly higher performance and job satisfaction levels for precisely these groups of employees. The Work2Work program provides a good example. Since 2001, Volkswagen AG has opened up new career opportunities within the business for employees with differing abilities. In Wolfsburg, around 700 employees are currently employed in Work2Work jobs in more than 50 different areas.

<sup>1</sup> Subject to approval by the Group Board of Management. Basis: 111 companies, each with more than 500 employees.

## DIVERSITY KPIS

KPI	Unit	2021	2020	Notes and comments
<b>Diversity index</b>				Total Group, active workforce <sup>1</sup>
<b>Proportion of women in management</b>				Data collected from 2021 onwards, not including employees in the withdrawal phase of the Time Asset scheme <sup>2</sup>
Target for proportion of women in management	in %	16.0	14.7	
Actual proportion of women in management	in %	16.3	15.1 <sup>3</sup>	
Actual level of proportion of women sub-index   weighting 0.50		135	125 <sup>3</sup>	
<b>Internationalization in top management</b>				
Target figure for internationalization in top management	in %	21.4	19.7	
Actual figure for internationalization in top management	in %	20.3	18.7	
Actual level of proportion of women sub-index   weighting 0.50		119	110	
<b>Cumulative diversity index figure</b>				
Target cumulative diversity index figure	Value	129	119	
Actual cumulative diversity index figure	Value	127	117 <sup>3</sup>	
<b>Proportion of women (as per legal situation in Germany: Executive Positions Act )</b>				Data collected from 2021 onwards, not including employees in the withdrawal phase of the Time Asset scheme <sup>2</sup>
<b>Proportion of women in first management level<sup>4</sup></b>				Volkswagen AG, active workforce
Target figure for women at first management level	in %	13.0	13.0	
Actual figure for women at first management level	in %	13.5	10.9	
<b>Proportion of women in second management level<sup>5</sup></b>				Volkswagen AG, active workforce
Target figure for women at second management level	in %	16.9	16.9	
Actual figure for women at second management level	in %	18.3	16.7	
<b>Discrimination</b>				
Dismissals due to breaches in the area of discrimination <sup>6</sup>	Number	15	7	Total Group, basis: 111 companies, each with more than 500 employees (previous year: 62 companies, each with more than 1,000 employees)

<sup>1</sup> Active workforce: total workforce not including trainees and employees in the passive phase of semi-retirement.

<sup>2</sup> Time Asset scheme: time credits arising from deferred compensation.

<sup>3</sup> Adjustment of figure for 2020.

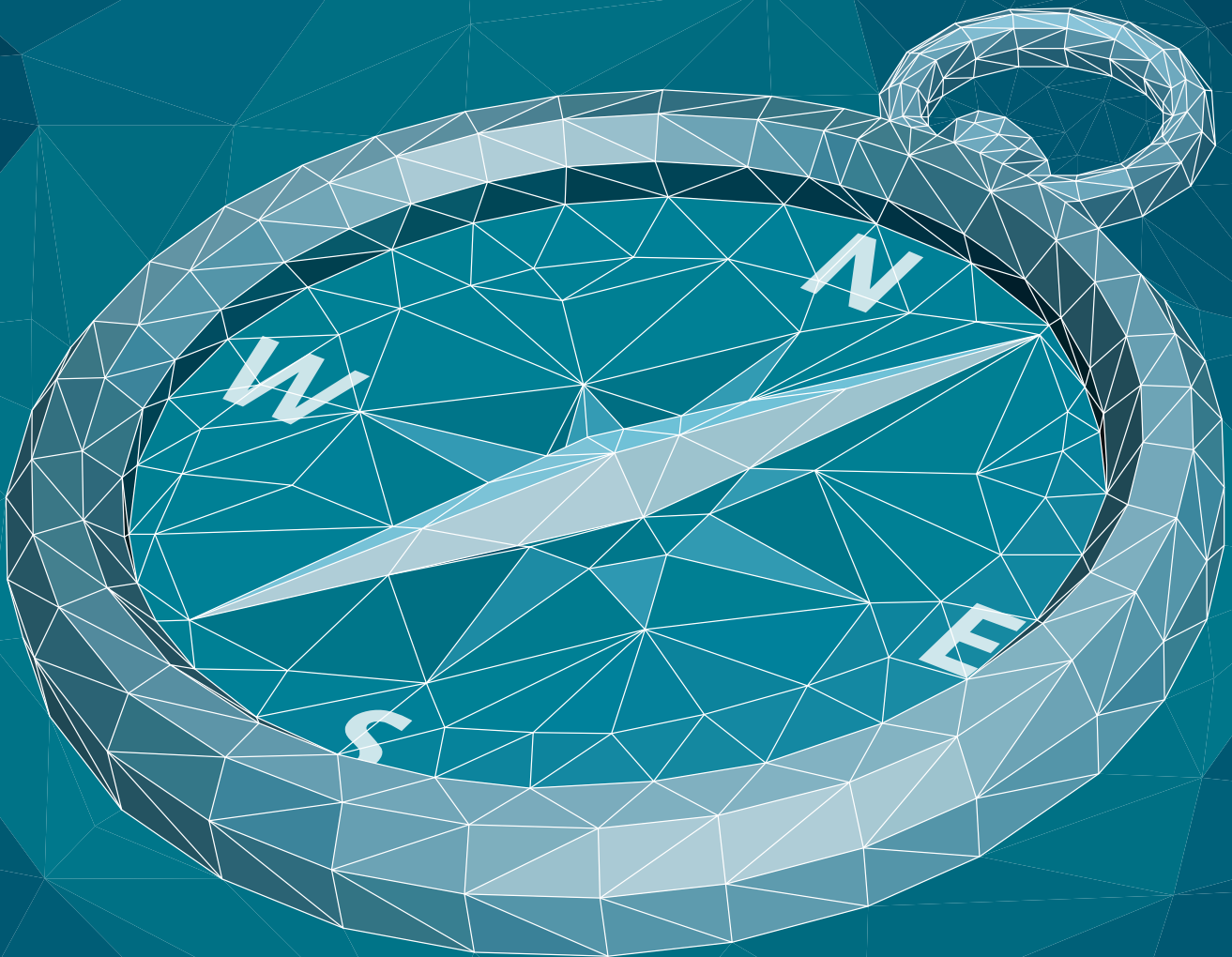
<sup>4</sup> Senior managers, top managers and brand board of management members.

<sup>5</sup> Line managers.

<sup>6</sup> Subject to approval by the Group Board of Management.



# INTEGRITY



## INTEGRITY AS THE FOUNDATION OF SUCCESS

Acting with integrity and in compliance with the rules are of key importance for the success and resilience of our Group. This is why we have made integrity and compliance a key element of our NEW AUTO Group strategy and chosen them as one of six focus topics of our sustainability program. Our objective is to act as a role model in this area and thus deepen the trust of existing and future employees, customers, shareholders and partners. We have set out the ethical basis of our actions in our Code of Conduct and in the Group Essentials.

The aim is to gear our rules, processes and corporate culture to enabling every employee to act with integrity and in compliance with the rules at all times. At the same time, we want to ensure that integrity and compliance permanently have the same strategic and operational priority as, for example, sales revenue, profit, product quality or employer attractiveness.

### Our Understanding of Integrity

For us, integrity means doing the right thing in a professional context on the basis of our own convictions. This includes steadfastness in adhering to these principles – regardless of economic or social pressures. Integrity is an attitude. It provides an inner compass for correct action. This becomes crucial in gray areas where there are no explicit (compliance) rules or conflicting goals exist.

In addition to personal integrity, organizational integrity matters to us too. It is based on anchoring integrity in the Group's processes and decisions and offers people a fixed framework for interaction. In a third dimension, we understand integrity as an intangible corporate asset: it strengthens our stakeholders' trust and makes us more attractive for investors, customers and employees.

## HOLISTIC APPROACH TO INTEGRITY AND COMPLIANCE

Integrity and compliance (I&C) should form the core of our business activities, including in our transformation from a vehicle manufacturer to a provider of sustainable mobility. We set binding standards for this in all areas.

For example, every proposed resolution submitted to the Group Board of Management must demonstrate that it is in line with integrity and compliance requirements and state which relevant risks the targeted resolution includes and how the risks can be reduced. This I&C statement is also binding for decisions of the boards of management of the individual Group brands and companies and for bodies to which the board of management in question has delegated decision-making powers. The I&C statement is thus anchored in the proposed resolutions of the Group's and the brands' top bodies.

As the highest Group body, the Integrity and Compliance Group Board of Management Committee (K-VAC) deals with the design

and guiding principles of the integrity and compliance management system. It is overseen by the Group Board of Management Integrity and Legal Affairs function. The committee includes the members of the Group Board of Management responsible for human resources, finance and IT and other members of the boards of management and top management of the brands. K-VAC analyzes the design of the respective compliance management systems for each risk area and harmonizes the intervening processes. It reviews reports from the brands and regions on integrity, compliance and the T4I initiatives, strategically develops the program and monitors the implementation of the recommendations made in the Monitorship.

In particular, the structures and processes changed in the context of the Monitorship have proven to be an important foundation for our Group. At the same time, they are a task for the future. The boards of management of Volkswagen AG, AUDI AG, Volkswagen Group of America, Inc. and Volkswagen Group of America Chattanooga Operations LLC in particular have committed to continuing on the course adopted and to further promote compliance and integrity in the Group on a permanent basis. An independent auditor is also monitoring the change in our Group. He was appointed on the basis of an administrative agreement with the U.S. Environmental Protection Agency (EPA). The EPA auditorship will run until August 2022.

### Together4Integrity: Umbrella for Integrity and Compliance

We are implementing the Together4Integrity (T4I) program to anchor integrity and compliance measures across the Group. It combines the vast majority of the Group's integrity and compliance activities under a single umbrella, applying uniform, robust process and implementation standards. The program not only establishes a worldwide integrity and compliance management system for all Group and brand companies but also advances one of the most extensive change and cultural programs in the history of the Volkswagen Group. The T4I program also refers to the package of measures of the internal compliance risk assessment (ICRA) for implementing the compliance management system across the Group.

### T4I Bundles the Activities in Eleven Key Initiatives

T4I will be rolled out in the Volkswagen Group by 2022 and implemented by 2025. The Integrity and Legal Affairs function of the Board of Management has responsibility for it. Under the T4I umbrella, uniform Group standards are defined for a total of 16 departments, including not only integrity management and compliance but also risk management, human resources, procurement and production. T4I is rolling out these standards in the form of more than 100 packages of measures and monitoring their implementation as part of effectiveness assurance.

The packages of measures are grouped in 11 key initiatives:

1) HR compliance policies and procedures: The core topic is the integration of integrity and compliance into standard HR processes such as recruitment, training, promotion and remuneration (granting bonuses). Integrity and compliance are also a compulsory topic in annual employee appraisals and form part of training measures for employees across various hierarchy levels. Volkswagen AG and other defined companies additionally keep anonymized statistics on misconduct and the resulting sanctions. These are regularly communicated to employees.

2) Code of Conduct: The Volkswagen Group's Code of Conduct (CoC) serves as the key element for reinforcing awareness of responsible conduct and decision-making within the workforce, giving employees support and guidance, and finding the right contact persons in cases of doubt. This creates the basis for compliance with the rules within the Company. The CoC is a component of the Group's employment contracts and is mandatory for all the Group's employees. It is also addressed in annual employee appraisals based on the criterion of "living integrity". In the reporting year, as scheduled, the Volkswagen Group reviewed its Code of Conduct for fundamental, previously unaddressed compliance risks and for whether it was up to date. No fundamental risks were identified.

3) Integrity program: The integrity program aims to anchor integrity as a strategic lever and a control variable for decision-making processes in all the brands and companies and contribute to strengthening the culture of integrity. The most important instruments in this program include dialog-oriented communication measures and event formats. The aim is to communicate the key importance of integrity to employees, to make integrity visible and tangible in day-to-day work and to support employees in acting with integrity in their day-to-day work. Employees from various parts of the company who want to advance the topic due to their own personal motivation – so-called integrity ambassadors – carry the topic into the structures of the company and aim to promote lively discussion in this way.

One focus of the program is training for the ability to make decisions with integrity. Specific training modules for all levels of management (including foremen) have been developed for this. Since the end of the reporting year, these have been integrated into all Volkswagen AG's obligatory management training programs. The brands and companies that do not use these programs are required to include corresponding modules in their own development programs for managers.

An additional initiative in the reporting year aimed to further empower employees and managers to demonstrate integrity by exercising their decision-making leeway, thinking entrepreneurially and acting in a solution-oriented manner and thereby

advance the transformation of the Group from a cultural perspective as well.

4) Risk management and internal control processes: Our business activities entail risks. Binding structures and processes are intended to create transparency and help manage risk. These include the quarterly risk process, which is focused on acute risks, the standard internal control system (ICS), which is intended to protect key processes, business continuity management, which identifies business-critical processes and protects them with contingency plans, and root cause analysis.

5) Internal compliance risk assessment (ICRA) and compliance organization: The ICRA determines the compliance risks in the Group. Based on their risk profile, measures are defined for each company and their implementation is tracked. The compliance risks particularly address corruption, money laundering, embezzlement and business and human rights risks. The ICRA also defines implementation standards for the Code of Conduct, whistleblower system and compliance training. The Group Chief Compliance Officer reports to the K-VAC on a regular basis, but at least annually, on the implementation status of the measures. In the reporting year, the risk assessment was revised, the topic of business and human rights was integrated and the risk exposure of 782 companies was reassessed. The catalog of measures was also revised and updated.

6) Whistleblower system: The whistleblower system is the central point of contact for reporting cases of rule-breaking by Group employees, such as white collar crimes, acts of corruption, tax offenses, environmental offenses, human rights violations, infringements of antitrust and competition legislation, money laundering and terrorism financing, breaches of product safety and licensing regulations, and serious breaches of privacy.

7) M&A and NCS compliance: Where mergers & acquisitions transactions (M&A) requiring the involvement of the Compliance team are planned, the relevant companies and transactions are audited in respect of white collar crime risks, like corruption, embezzlement or fraud, for instance as part of a due diligence audit. Based on this, the business units are given recommendations for measures to reduce the risks identified. This also applies to joint ventures and industrialization projects, such as the construction of new foreign production sites with external partners, and is now binding for cooperation projects with external partners. Furthermore, Group Compliance deals with compliance management at noncontrolled shareholdings (NCSs), i.e. companies that are not controlled by a Volkswagen Group company as a majority shareholder. This also applies to Chinese joint ventures. Strategic, economic and ethical decision-making parameters are essential for the sustainability of investment decisions in M&A transactions and when supporting NCS.

- 8) Business partner due diligence: In the business partner due diligence (BPDD) process, the integrity, and especially the corruption risks, of business partners and suppliers are reviewed. The process comprises an audit, and further, the constant monitoring of the business partners in respect of compliance with laws and ethical standards.
- 9) Product compliance: The product compliance management system (PCMS) supports our products in meeting the statutory and regulatory requirements of the exporting and importing countries, internal and external standards, contractually agreed customer requirements and externally communicated commitments over their entire service life. The PCMS defines roles and responsibilities for design, implementation and monitoring. We train employees and managers on product compliance and have central points of contact to which our employees can address their questions.
- 10) Environmental compliance: The Group's environmental policy and the environmental compliance management system (ECMS) stipulate that environmentally relevant aspects and requirements must be taken into account in all strategy, planning and decision-making processes of the brands and Group companies. This includes a KPI system that measures progress on the achievement of environmental targets. In addition to actual environmental risks, we take potential environmental risks into account as well. We also extrapolate opportunities that arise for our business model from changes in environmental conditions and regulations. In addition, we prepare for dangerous situations in order to protect employees, customers, society and the environment. Our employees receive training on climate and environmental requirements to improve awareness of these topics.
- 11) Anti-corruption program: The Volkswagen Group has a zero-tolerance policy on active or passive corruption. This is anchored in both the Code of Conduct for Employees and in the Code of Conduct for Business Partners. Further Group policies set out how to deal with conflicts of interest, gifts, invitations, donations and sponsorship. In addition, there are operating guidelines addressing approval procedures and record-keeping. Reported breaches of the code are pursued and processed by our investigation offices, and sanctions are imposed on the employees concerned.

#### The T4I Program's Implementation Status

For each key initiative, including associated measures, there is a responsible department at Group level. This department determines the design of the measures from the perspective of content and advises the brands and companies during implementation. A consistent, structured plan supports uniform implementation. By 2025, T4I will be implemented in around 850 Group companies.

The T4I toolbox forms the basis for the implementation of the key initiatives that have not already been implemented through their own organization structures and management systems –

for example, the compliance management system. The toolbox contains all the specific deliverables that each Group or brand company needs to achieve within agreed timing and milestone planning.

In the 2021 reporting year, T4I was rolled out in another 95 companies. A total of 707 companies had thus started implementation by the end of the reporting year. These companies together employ more than 90% of all employees in companies majority-owned by the Volkswagen Group.

The managing directors of the relevant company are responsible for successful implementation in the companies. Local adaptation and implementation status of individual measures may differ from entity to entity. The implementation time will also vary. In order to safeguard implementation quality in the individual companies, independent effectiveness assurance testing has been established since the end of 2020. As part of the effectiveness assurance testing, content and processes of the 11 key initiatives regarding design and operational effectiveness derived from the U.S. Monitorship will be reviewed for their sustainability anchoring; implementation of the minimum requirements by the T4I program will also be reviewed on the basis of a risk-based testing approach.

#### CULTURE CHANGE: INSPIRE AND MOTIVATE

T4I not only aims to strengthen uniform corporate governance on integrity and compliance across the Group, the program also wants to further develop the culture of integrity. T4I is intended to inspire and motivate employees and strengthen their own incentive to act with integrity in all situations. Communication plays a key role here. This is how our senior executives regularly spell out in their "Tones from the top" format how important integrity and compliance are for both the company and every single employee.

Volkswagen's corporate culture is founded on the seven Group Essentials. They define how we want to work together and thus supplement the Code of Conduct. The Group Essentials also form the frame of reference for the role model program, in which managers are to be equipped to set an example of an open discussion culture and contribute to allowing questions, risks or conflicting targets to be discussed without fear of sanctions.

As part of T4I, we want to inspire and motivate employees, particularly through launch events and perception workshops. These events form part of every local T4I implementation strategy. They involve representatively selected employees and managers across hierarchies as players in the change process. This should increase awareness of each individual's valuable contribution. There is also an opportunity to ask questions, name problems and discuss solutions. The events focus on the everyday practice of integrity and compliance, in relation to employee perception.

Since the start of the T4I program in 2018, 573 events have been initiated at 634 companies, of which 115 were recurring perception workshops. More than 33,500 managers and employees have already taken part. By repeating the events, it is possible to measure the progress of the company in question. Discussions can thus be deepened and awareness of the importance of the change process can be strengthened. This has enabled us to make further progress: more than 80% of those surveyed saw the anchoring of I&C as part of the T4I program in the companies as progressing successfully. This represents a further increase compared with the previous year (78%) and a significant increase compared with the first measurement point in 2019 (71%).

### Further Increasing the Measurability of Integrity

Methods of monitoring impact and measuring progress are an integral part of the Volkswagen Group's integrity and compliance management system. For example, the central planning and reporting system of the T4I program provides continuous transparency on the implementation status of the key initiatives. This serves both internal Board of Management reporting and effective project management.

In addition to the recurring perception workshops, the annual employee survey – the Opinion Survey – in particular provides information about the progress of our culture of integrity. The Group-wide survey includes a question on whether it is possible for each individual to act with integrity. If employees have any doubts about this, the relevant manager needs to identify and clear possible obstacles together with their team. The question was first asked in the Opinion Survey in 2017 and since then, including in the reporting period, has been one of the three questions with the highest level of agreement in the Volkswagen Group – and the level of agreement has been improving.

In addition, an integrity and compliance survey was run for the first time in the reporting year, and more than 47,000 employees anonymously and voluntarily took part in it. Based on the overall approval rate of 86%, the result shows there is great personal willingness to take responsibility among employees. They know how important integrity and compliance are, know the negative consequences of misconduct and are willing to report such conduct. In addition, the majority emphasize that there is room for open discussion and constructive criticism. However, the survey also shows the differences between the departments, brands and companies. The action areas identified are now being dealt with. The survey will be repeated in 2023.

The brands that manufacture passenger cars use the “compliance, culture of dealing openly with mistakes and acting with integrity” strategic indicator as an additional metric. This is also based on the Opinion Survey and asks about compliance with regulations and processes, dealing with risks and errors, and whether it is possible to act with integrity. The key performance indicator has continuously improved through to 2021 from an already good starting point: since compilation of this indicator began, employee agreement has always been in the highest

category of the underlying five-point scale. Compared to the baseline value, the index rose by 4.1 points, as against a rise in the previous year of 0.2 points. We also use the integrity index. It measures the Group's integrity and functions as a structural early warning system. The index was started in 2019 as a pilot project for the Volkswagen Passenger Cars and Audi brands. Independent business ethicists collect more than 100 measuring points in the categories of compliance & infrastructure, working atmosphere & integrity culture, products & customers, society, and partners & markets. The assessments conducted in the reporting year show an index improvement both at Volkswagen Passenger Cars Germany and at Audi Germany. Gains at both brands in the categories of compliance & infrastructure, working atmosphere & integrity culture, products & customers and society contributed to this.

### COMPLIANCE: CLEAR RULES IN THE VOLKSWAGEN GROUP

Sustainable economic success can only be achieved if each individual complies with laws, internal regulations and voluntary commitments. Compliant behavior should be a matter of course for all Group employees. The compliance organization provides support through programs, guidelines for action, processes and practical advice in the Group-wide compliance management system. All compliance measures to be implemented in the companies are set by Group Compliance on the basis of internal risk assessment and defined through a standardized catalog of measures (see ICRA, KI5, p. 86).

In light of the transformation the Group is currently undergoing and international legislative initiatives – including on whistleblower systems and supply chains – the Compliance department constantly updates and monitors its own objectives and implementation in the companies. Group Compliance worked on additional focus points and future-oriented action areas in the reporting year with an action package of 13 initiatives. These included projects for cross-Group cooperation in the markets, further development of IT-based compliance tools and exchange formats with internal and external compliance experts.

### Compliance Organization established across the Group

The Group Chief Compliance Officer heads the global compliance organization. They report directly to the member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board of Volkswagen AG. The compliance organization is structured by division, which is intended to strengthen communication and enable harmonized processes across all relevant Group companies.

The divisional compliance officers are generally responsible for several brands and implement compliance measures in their area of responsibility. One exception is Porsche AG; the Divisional Compliance Officer there is only responsible for one brand. One regional compliance officer is responsible for the activities



of the Volkswagen-controlled entities in China. In the reporting year, Group Compliance appointed an additional regional compliance officer for the Asia region. The officer's area of responsibility covers entities in, for example, Korea, Malaysia and Japan.

Group Compliance helps the respective Group and brand companies to carry out their business activities in compliance with the rules and comply with the relevant laws and internal regulations. Focuses include anti-corruption, preventing embezzlement, preventing money laundering, and business and human rights. In addition, compliance must be bindingly included in M&A transactions. Furthermore, Group Legal is conducting corresponding risk assessments in relevant company units and Group companies on antitrust and anti-competitive risks.

#### **Clear Standards for Business Partners**

Group Compliance supports the entities with operational responsibility (first line) in conducting business partner due diligence. The aim is to identify risks for breaches of the law such as corruption and disregard of ethical standards at an early stage, avoid high-risk business partners and define measures to minimize risk and implement these with business partners. If this is not possible, the business relationship will be terminated or not commenced in the first place. The business partner in question may be blacklisted from doing business with the Volkswagen Group and blocked from all its brands and companies. The BPDD process is conducted in cooperation with the commissioning department, for example Procurement or Sales. More than 8,600 BPDD reviews were carried out in 2021. As of December 31, 2021, we had identified around 400 cases that led to terminating or not commencing business relationships.

#### **Integration of the Topic of Business and Human Rights**

The Volkswagen Group has integrated the topic of business and human rights into the compliance management system and given this area of responsibility key strategic importance. The compliance management system for business and human rights (CMS BHR) is geared to the UN's requirements and specifications regarding business and human rights due diligence.

#### **Continuous Improvement**

Internal and external auditors regularly scrutinize the compliance management system. Particularly in the context of the monitoring and improvement process, external auditors regularly audit the effectiveness of the compliance measures in the Group on the basis of risk. In addition, continuous improvement processes support the development of the compliance management system. This system also has Group-wide hot-topic reporting, which serves to rapidly process compliance incidents.

#### **Extensive Compliance and Anti-Corruption Training**

Across the Group, all employees are required to complete regular Code of Conduct training (CoC training) in accordance with uniform standards. The content is updated every two years and made available to the brands and companies. The last update was in the reporting year, including on the topics of business and

human rights, environmental compliance, product conformity and product safety, and occupational safety. Employees who underwent their mandatory Code of Conduct training in the reporting year after the training update either for the first time or as part of the regular repeat cycle have therefore been trained in these topics.

Employees have to complete the training and final test in the form of a web-based training (WBT) and repeat it every two years. Passing is documented in their training history. Interns, student workers and doctoral candidates are excluded from the training for technical and process reasons. Production employees regularly receive mandatory Code of Conduct training from their direct managers. This is repeated every four years. Members of the higher levels of management are annually certified on the CoC. They confirm that they will comply with the requirements and undertake to report any serious regulatory violations. Not only are internal staff made aware of and trained on the CoC, business partners from sales and procurement are also made aware of and trained on it on a risk-based basis. The basis for this is the Code of Conduct for Business Partners, which has been a component of the agreements with suppliers and service providers since 2020. The focus of the training is on combating corruption.

Volkswagen AG systematically records the number of permanent staff (employees and management, including full-time and part-time staff) who have a valid qualification for the mandatory Code of Conduct web-based training. In Volkswagen AG, 48,017 employees in the relevant target group had a valid Code of Conduct qualification as of the end of December 2021. This equates to 98.2% of the permanent workforce (employees and management) in Volkswagen AG who need to be qualified with the web-based training on the Code of Conduct.

In addition, Group Compliance develops and implements target-group-specific training for employees in areas or companies with high risk exposure. Anti-corruption training with an in-depth module on dealing with officeholders and mandate holders is mandatory for white-collar employees. Companies with high risk exposure must implement this training in a mandatory way. Volkswagen AG systematically records the number of permanent staff subject to mandatory qualification who have a valid qualification for the mandatory web-based training on the topic of anti-corruption. In Volkswagen AG, 36,565 employees in the relevant target group had a valid anti-corruption qualification as of December 31, 2021. This equates to 74.8% of the permanent workforce (employees and management) in Volkswagen AG who need to be qualified with the web-based training on the topic of anti-corruption, including full-time and part-time employees. The periodic update of the training and the associated repeat cycle in the reporting year led to a reduction in the rate compared with the previous year. The rate is expected to increase again next year once the repeat qualification cycle has been completed. Group Legal also continuously provides antitrust training on a risk-based basis, and the Group Board of Management is also trained on its content.



Training for employees who are employed to key positions in companies with high risk exposure – for example, as a managing director or a financial officer – was continued in the reporting year. This training is implemented across the Group by the respective companies' compliance and personnel managers.

In addition to the aforementioned training, Volkswagen AG's compliance departments offer target-group-specific training formats and communication formats, including management discussions and training courses for disseminators of information. Moreover, compliance content is an established component of all career development paths, from the trainee induction program through programs for leadership and management development to the senior management program. The measures are supplemented by information and communication activities such as awareness campaigns, film and dialog formats, newsletters and interactive games. Based on risk, the Compliance department regularly addresses employees that are exposed to particular compliance risks due to their role or their area of work, e.g. in Sales or Procurement.

#### **Communication and Advice: Options for Employees**

The compliance information point has been established as the central advisory office for compliance matters within the Volkswagen Group. The team gives a direct recommendation on the situation or passes the question on to a competent body. Dialog events in the departments supplement the advice offered. Tasks and example cases from the advisory work are regularly included in compliance communication.

In the reporting year, the information point handled 1,335 inquiries (previous year: 1,482, in each case Volkswagen AG). The contact options have been further expanded. Employees can now directly contact the information point in the Volkswagen 360° app. This mainly benefits employees who do not have their own computer connection in the office.

The content of the continuous compliance communication includes the prevention of corruption, conduct in the event of conflicts of interest and correctly dealing with officeholders and mandate holders. The practical "Anti-corruption" guidelines can be accessed at any time. Employees and managers' awareness of the issue is regularly raised with information documents, documentation, films, example cases and extensive communication.

#### **Risk Prevention through the Whistleblower System**

The whistleblower system is intended to avert damage to the Group, the workforce and other stakeholders with binding principles and clearly regulated procedures. Employees, business partners and their employees, customers and other third parties can report information on potential breaches of the rules at any time and in any language – including anonymously if they so choose. The whistleblower system offers six different reporting channels for this, which each enable a report to be made anonymously if desired. These include an online reporting channel, through which information is accepted in all languages. This

online channel allows whistleblowers to set up a protected mailbox in the system through which messages can be exchanged with the Central Investigation Office, Audi Investigation Office or Traton Investigation Office including anonymously, for the purpose of processing the whistleblower information – for example, in the event of further questions. Here, anonymity is additionally ensured through special technical protection. In other words, in addition to a voluntary commitment by the Group, it is not possible, for example, to identify the source of the information due to the IT infrastructure used. The other channels include an international 24-hour telephone hotline, through which information can be reported in a total of 16 languages, and external attorneys, who are available as ombudsmen.

The Volkswagen Group assures all whistleblowers and people who support the whistleblowers or the investigations of protection from any reprisals they could experience due to their reports and their efforts to investigate breaches. This is anchored in a Group policy that applies worldwide and described in the Code of Conduct. The terms stated in the Group policy show that the Volkswagen Group complies with the provisions of international whistleblower protection laws. Breaches of the ban on discrimination are treated as serious breaches of the rules.

Strict confidentiality and secrecy apply throughout the investigation process. An investigation is only initiated after a thorough review and in the event of concrete indications of rule-breaking. The presumption of innocence is applied to those concerned. Their response is heard as soon as possible, and, if necessary, their names are cleared if they have been wrongly accused. Sanctions are applied where misconduct is proven. This can comprise a warning, a reprimand or termination. Following serious breaches of rules to which sanctions are applied, structured root cause analyses are conducted and, if necessary, measures to be taken are determined in order to prevent similar incidents in the future.

The task and functioning of the whistleblower system are addressed in the compliance trainings. In addition, in-depth training has been introduced for those target groups that may come into contact with serious breaches of rules due to their work – e.g. employees of the audit functions or in security, human resources, legal or compliance departments. In addition, the whistleblower system is regularly part of the compliance communication – for example, in articles, sharing best practice, example cases, dialog events or film and audio contributions.

The whistleblower system is coordinated by the Central Investigation Office in Wolfsburg. The employees there are processing whistleblower information concerning Volkswagen AG and its subsidiaries. They also process whistleblower information relevant to the Volkswagen Group.

In the event of the investigation of an operational case, the investigation office is supported by Group Internal Audit, Group Security and Group Legal. The experience and expertise

necessary and relevant for this are available in the departments in question. The aim is to ensure the investigation of an operational case as well as possible with internal resources. In addition, the investigation office can also arrange for an investigation by independent and external third parties, such as law firms or auditors. This may occur especially when the accusations concern members of the Group Board of Management or the cases are exceptionally complex legally – particularly with imminent legal impacts (e.g. in the event of particularly serious corruption or possible breaches of antitrust and anti-competitive law). In addition, this approach may be used in cases that include very high risk potential for the Volkswagen Group.

AUDI AG, Dr. Ing. h.c. F. Porsche AG and TRATON SE each have separate investigation offices for themselves and their subsidiaries. There is also a regional investigation office at Volkswagen (China) Investment Company Ltd. This processes whistleblower information concerning Volkswagen AG's Chinese subsidiaries. Cooperation between the investigation offices and uniform processing of whistleblower information are centrally monitored and coordinated in Wolfsburg.

An IT system, internal controls and multiple-party verification support the processing of suspicious activity reports. Reports on the use of the whistleblower system are also made to the Board of Management and the Supervisory Board at regular intervals. The workforce is also regularly informed about the whistleblower system so as to create more transparency and encourage a positive change in the culture.

In 2021, 3,219 pieces of whistleblower information were registered with the aforementioned investigation offices (2020: approx. 2,873). Of this total, around 20% of the whistleblower information was reported anonymously, but with the option of contacting the whistleblower, and around 10% was reported anonymously without the option of making contact. Around 90% of whistleblowers thus permitted the investigation offices to contact them (2020: around 88%).

In 714 cases, the Central Investigation Office accepted an initial suspicion of breaches of rules, particularly breaches of the Code of Conduct, in several cases also of laws and/or specific internal regulations at the same time, with the result that an internal investigation was initiated. Of these, 205 cases involved potentially serious breaches of rules.

In the reporting year, due to relevant whistleblower information the investigation offices investigated individual suspected cases in connection with breaches of rules for the avoidance of corruption.

In ten cases, significant sanctions such as warning notices or severance were imposed. In six cases, these sanctions resulted from the contravention of rules governing the acceptance of gifts as well as governing the avoidance of conflicts of interest in contract award decisions. In three cases, employees did not comply with rules relating to extending invitations to business partners and officials. In one case, so-called facilitation payments by a service provider to customs officials were tolerated, which resulted in one case of employee dismissal.

Eleven investigations due to suspicion of serious breaches of rules in relation to antitrust or anti-competitive law were completed. Of these, the suspicion of a serious breach of the rules was confirmed in one case.

An independent external auditor regularly audits the effectiveness and functionality of the whistleblower system. The audit is currently conducted annually. The Audit Committee of the Supervisory Board, the Group Board of Management and the boards of management of companies concerned are informed of the result and possible suggestions for improvement. Volkswagen AG's Group Compliance department regularly engages in dialog with experts from other companies with the digital ComplianceXChange workshop format to discuss various approaches and solutions together in interactive talks and workshops.

#### **Protection of Customer Data**

To meet the requirements of the EU-wide General Data Protection Regulation, Volkswagen AG has created a data protection management system (DPMS) and a data protection management organization. The DPMS ensures that the data protection processes set up are regularly analyzed, are up to date and are further developed. One component of the DPMS is the process for reporting data protection violations (reporting process). It is connected with Volkswagen AG's whistleblower system and IT Security.

In fiscal year 2021, there were two reportable data protection breaches pursuant to Art. 33 EU GDPR in the processing of personal customer data. In addition, reportable data protection breaches outside of the processing of personal customer data were also reported to the competent supervisory authority in due time.

## INTEGRITY KPIS

KPI	Unit	2021	2020	Notes and comments
<b>T4I</b>				
T4I rollout in controlled companies	Number	707	639	Since the start of the program
Approval rate from T4I perception workshops	in %	82.7	78	Definition, see p. 88
Overall approval rate from integrity and compliance survey	in %	86	–	Second survey planned for 2023
<b>Information point</b>				
Inquiries processed at the compliance information point	Number	1,335	1,482	Volkswagen AG
Change in inquiries to the compliance information point	in %	–10	–16	
<b>Code of Conduct</b>				
Employees of Volkswagen AG who have a valid qualification on the Code of Conduct	Number	48,017	46,356	Web-based training; scope definition, see p. 88
Proportion of the workforce of Volkswagen AG to be qualified	in %	98.2	98.9	Web-based training; scope definition, see p. 88
<b>Anti-corruption</b>				
Employees of Volkswagen AG who have a valid qualification on the topic of anti-corruption	Number	36,565	45,717	Web-based training; scope definition, see p. 88
Proportion of the workforce of Volkswagen AG to be qualified on the topic of anti-corruption	in %	74.8	97.5	Web-based training; scope definition, see p. 88
<b>Pieces of whistleblower information</b>				
Pieces of whistleblower information	Number	3,219	2,873	In all investigation offices
of which anonymous and without any possibility of contact	in %	10	11	
BPDD reviews	Number	> 8,600	> 6,000	
<b>Culture of rules</b>				
Compliance, a culture of dealing openly with mistakes and acting with integrity		86.3	86.1	Volkswagen Group

# RESPONSIBILITY FOR SUPPLY CHAINS AND BUSINESS




The Volkswagen Group is pursuing a vision of enabling sustainable mobility for future generations: we want to live up to our legal, social and environmental responsibility not only within our own business but also in our supply chains as well. In 2021, the Volkswagen Group anchored the focus topic of “Responsibility for supply chains and business” in the key Group initiatives.

Our ambition, which we want to translate into lived corporate practice by 2030, is: we are fully and entirely committed to our corporate human rights responsibility in our business relationships, in our business units and at our sites. For this reason, we are integrating business and human rights in the compliance management system.

This ambition results in concrete objectives in the field of human rights: in our supply chain, we want to avoid ESG-related risks, including human rights risks, to achieve a situation where 85% of our direct business partners obtain an A in our sustainability rating (S rating) by 2025. All other business partners need to achieve a B rating and thus at least meet our requirements. All entities within the scope of Group Compliance are tasked with incorporating business and human rights in their compliance management system by 2023. We will tie suitable measures and programs to the achievement of each target and manage this by means of KPIs.


#### RESPONSIBILITY IN OUR GROUP

Politicians and civil society increasingly demand that companies respect their duties of human rights due diligence. In numerous countries, these demands are leading to legislation. The latest example is the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichten-Gesetz – LkSG*), which was passed in July 2021. At the same time, investors and analysts are subjecting corporate actions with regard to human rights duties to a systematic and increasingly strict assessment through the use of sustainability ratings. Volkswagen acknowledges its human rights due diligence duties and codifies these in the Social Charter.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy > Declaration on Social Rights

#### Acting on the Basis of Firm Values and Principles

The work in our factories and sales companies around the world is based on our principles, such as respect for minorities and compliance with labor standards. We continuously assess social and labor standards and the human rights risk in the countries where we operate. The basis for this is, in particular, the publicly available reports of the United Nations and specific analyses and indices. We explore critical topics internally and communicate about these as needed and on a target-group-specific basis. For example, our investor relations website has an area for controversial ESG topics.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Investor Relations > Corporate Governance > ESG Controversies

The Volkswagen Group respects international policies and conventions, particularly:

- The UN Universal Declaration of Human Rights, which is codified in the International Covenant on Civil and Political Rights and in the International Covenant on Economic, Social and Cultural Rights
- The Core Labor Standards of the International Labour Organization (ILO)
- The UN Guiding Principles on Business and Human Rights
- The OECD Guidelines for Multinational Enterprises
- The principles of the UN Global Compact

The Volkswagen Group has anchored the topic of business and human rights in its processes and policies independently from external expectations and legislation. For example, the Group and employee representatives have signed the “Declaration by the Volkswagen Group on social rights, industrial relations and business & human rights” – the Social Charter. This declaration provides a binding basis for social and industrial relations within the Volkswagen Group. It also serves as a benchmark for shaping relationships with suppliers and other business partners. The specific expectations regarding suppliers arising from this declaration are defined in the Code of Conduct for Business Partners. This Code of Conduct must be recognized by all suppliers prior to the commencement of the business relationship.

#### Focal Points: Business and Human Rights

We have compared the above international human rights frameworks with our business-specific activities, worked out the aspects that are relevant for us and defined these as focal points. These “salient business & human rights issues” refer to:

#### Labor rights

- Freedom of association and the right to collective bargaining
- No slavery and trafficking
- No child labor
- Good working conditions

#### Safety

- No involvement in any unlawful activities
- Guarantee of people's safety

#### Tolerance

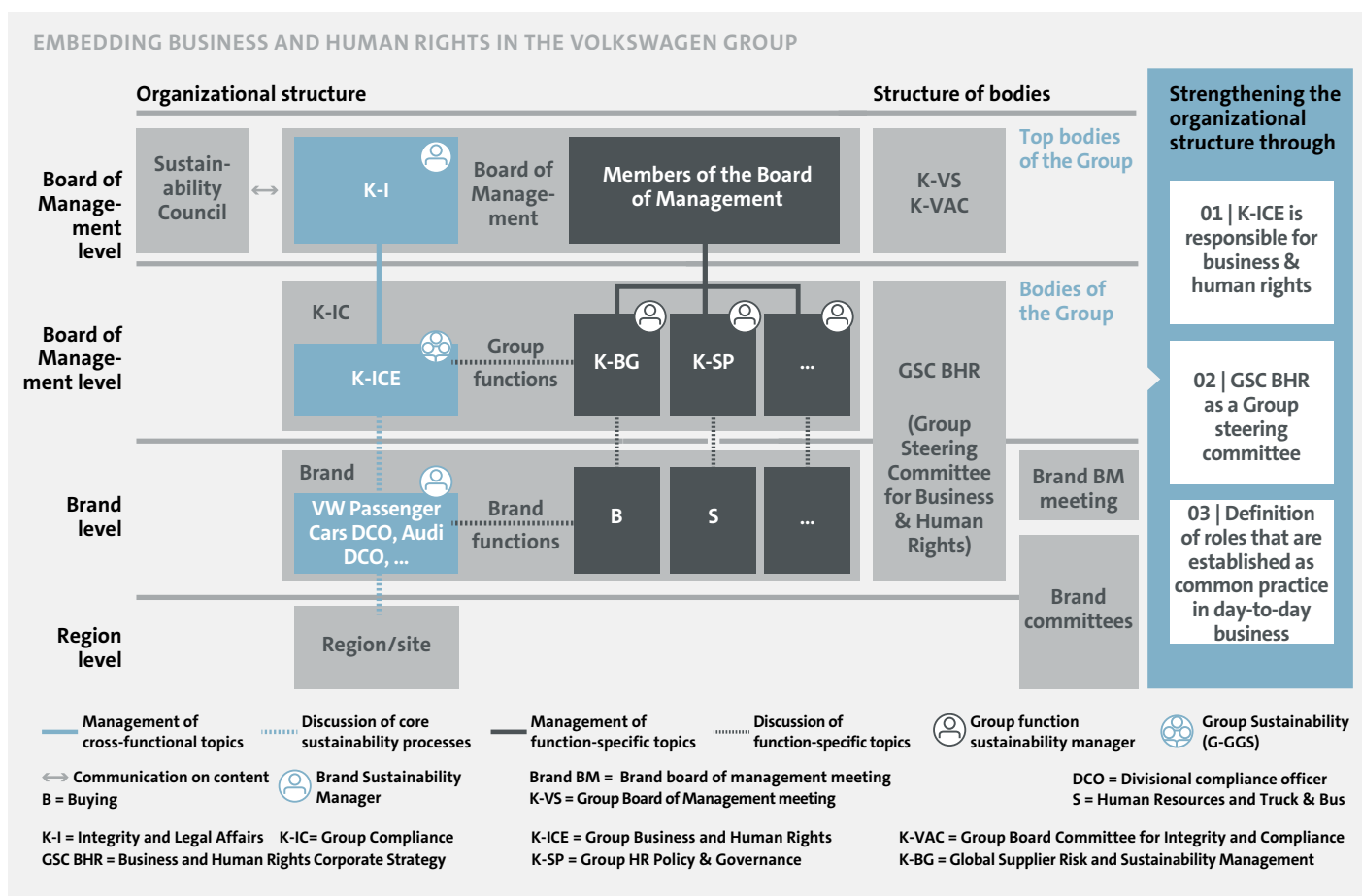
- Tolerance towards different ideological and religious opinions and respectful expression of them
- No discrimination
- Diversity and protection of disadvantaged, especially indigenous groups



## Clear Responsibilities Defined

Since 2019, the Volkswagen Group has had a coordinator for the business and human rights action area. The coordinator is appointed by the Group Board of Management and also manages the

collaboration with the brands and regions. In addition, we have established committee structures for steering the topic of business and human rights from the Group Board of Management through to regional level in the Group's brands.



## Code of Conduct and Group Policies as a Framework for Action

Expectations of our employees and our Group-wide understanding of the observance of universal human rights are also set out in our Code of Conduct. The issue of human rights is covered in the chapter on “Our responsibilities as a member of society”. Our Code of Conduct and additional topic-related Group policies apply to all the Volkswagen Group’s employees around the world. Employees of the Volkswagen Group’s controlled companies are trained to this end as part of the mandatory Code of Conduct training. The training on the Code of Conduct was updated in the reporting year. As part of this, the training focal points of business and human rights, the environmental compliance management system, product conformity and product safety, and occupational safety were further strengthened. Employees who took their mandatory Code of Conduct training in the reporting year either for the first time or as part of the regular repeat cycle have therefore been trained on these topics.

In addition to the Code of Conduct training, there is also in-depth training on business and human rights for business divisions with medium risk exposure and interested employees.

In the reporting year, six of these in-depth training courses were held for Volkswagen AG employees. Further information on the implementation rates for the Code of Conduct training can be found in the “Integrity” chapter.

### > Integrity

Group policies create precise specifications. For example, it was stipulated in Group Policy 31 that business and human rights is a focal point of the Volkswagen Group’s Compliance department. With the revision of the “Participation Management of Non-Controlled Participations” Group policy and the adoption of the “Conducting Site Projects for Industrialization” Group policy, we also procedurally anchored the topic of business and human rights in site decisions and M&A projects.

## Compliance Management System for Human Rights

We implement our management approach throughout the Group: we have integrated the topic of business and human rights into the Group’s established compliance management system. This is intended to achieve integration of the topic along the



UN Elements of Human Rights Due Diligence. Our controlled companies are included using the standardized internal compliance risk management process (ICRA). In the case of noncontrolled companies (excluding Chinese joint ventures), an individual analysis is made with our respective company partners. We rely on the cooperation of these partners here.

In the reporting year, the introduction of the set of compliance measures on the topic of business & human rights was completed in the companies falling within the scope of compliance; the scope of compliance covers the Group's controlled companies that are

active and have their own staff (see "Internal Compliance Risk Assessment (ICRA)" section).

*Transparency through human rights risk management*  
The Volkswagen Group has 120 production sites worldwide, including the Chinese joint venture production facilities. These are mainly in countries with a medium or high human rights risk. Group Compliance made risk assessments for the field of human rights for 782 controlled Group companies around the world. This means that 100% of our controlled companies within the scope of compliance in a total of 82 countries were audited.

USE OF THE EXISTING COMPLIANCE MANAGEMENT SYSTEM TO PROMOTE HUMAN RIGHTS IN DAY-TO-DAY BUSINESS IN ACCORDANCE WITH UN GUIDELINES



- 1) Strategy: definition of our work priorities, “salient business and human rights issues”.
- 2) Policies: integration of the topic into strategic documents and Group policies, for example in the Code of Conduct and the Social Charter.
- 3) Processes and Structures: risk-based approach in the context of systematic analysis and uniform Group-wide measures. BHR risk assessment and implementation of risk-specific measures.
- 4) Communication: reporting in the sustainability report, raising awareness of the topic through internal and external communication measures.

- 5) Training: basic training for all employees and extended training for employees from business units with increased risk exposure in the Volkswagen Group's controlled companies.
- 6) Measuring Impact & Auditing: monitoring and continuous improvement.
- 7) Reporting: reporting and organizational feedback in the context of rankings.


This human rights risk assessment is largely based on a correlation of country and business-area risks. The country risks reference the Maplecroft index, a meta-index that draws on more than 30 individual indices of international organizations – for example, the UN or the Business & Human Rights Resource Centre. The specific business-area risks are based on corresponding publicly available, relevant, well-known information.

The completion of this analysis means that we have assessed our business units' gross human-rights risks and can allocate it to the low, medium and high categories. This means we are also aware of those with a high gross risk. We have had the companies audit and confirm the results. These companies were then given risk-specific measures to be implemented by the end of 2021. This will be audited by the Group from 2022.

In the next step, the companies with a high gross risk are to be assessed in respect of their net risks. To this end, we developed a self-assessment questionnaire in the reporting year and tested and finalized it in a pilot project. At the same time, starting with the publication of the first draft of the Supply Chain Due Diligence Act (LkSG) in the spring of the reporting year, we synchronized the content of the net risk assessment with the requirements of the act, which has now been passed.

#### *Implementing legal requirements for human rights protection*

In the last few years, a trend of also regulating the issue of business and human rights in national laws has emerged in leading economic powers. Volkswagen, as a global business, observes such national requirements that put international standards in concrete form. One example of this is the UK Modern Slavery Act 2015. We publish a corresponding Group statement on this on our website annually.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Policy > Slavery and Human Trafficking Statement

Since the first draft legislation on the LkSG came into existence, we have been addressing the corresponding requirements and comparing these with the structures and processes in the Volkswagen Group. We welcome the fact that the adoption of the Supply Chain Due Diligence Act means a long and important debate has reached a conclusion. The Volkswagen Group supports a binding legal framework that requires companies and their suppliers to respect human rights. We also welcome the EU's legislative initiative, particularly the associated level playing field for equal and fair competition conditions at international level.

#### **Engaged Dialog with Our Stakeholders**

We provide our workforce with information on business and human rights over a number of channels. This includes articles in internal media and newsletters and internal dialog and Q&A events. This is because it is important to us that our employees obtain information directly at first hand. We communicate our

positioning to the public and external stakeholders through interviews with top managers and in media reports.

In our view, continuous dialog between those involved about principles and implementation issues is needed in differentiating between the state's duty to protect human rights and corporate human rights responsibility. For businesses, it is often challenging to obtain concrete and objective information enabling a comprehensive assessment of human rights situations. In order to achieve further progress, we also seek cooperation with international organizations. For example, we are continuously in written and personal dialog with NGOs and human rights institutions. In this context, we gave, for example, the United Nations Commission on Human Rights (UNCHR) an insight into our activities upon request.

Institutional investors and investment banks also seek dialog with us on the topic of business and human rights. The corresponding activities are, for example, the subject of the Volkswagen ESG Conference. We also publish our standpoint, including on controversial aspects, on the Volkswagen Group's investor relations website.

Internationally, we continue to be the only carmaker to engage in the cross-sector initiative "Global Business Initiative for Business and Human Rights" (GBI).

Furthermore, our involvement with econsense, the sustainability association of German business, is key to our activities. In Germany, we also actively participate in the German automotive industry's sector dialog in the context of the National Action Plan for Business and Human Rights, in which manufacturers, suppliers, trade unions, NGOs and the German federal government are involved. Volkswagen AG, Audi and Porsche participate in the three working groups of the sector dialog. In its working groups on raw materials and on the introduction of overarching complaint mechanisms, we are promoting, among other things, the piloting of a cross-company complaint mechanism.

In the first Volkswagen Business and Human Rights Industry Dialog, in June 2021 we sought professional discussion with those responsible for the topic from other companies and also to share best practices. We plan to continue these events.

## RESPONSIBILITY IN OUR SUPPLY CHAIN

Due to the complexity of its products, the Volkswagen Group's supply chain is highly complex, globally distributed and subject to constant change. It comprises more than 60,000 supplier sites around the world in almost 100 countries. In the Sustainable Procurement 2025+ strategy, we set the following goals as an aspiration:

1. **Performance:** We improve our direct and indirect suppliers' sustainability performance through our activities.
2. **Partnership:** We work together with our suppliers and other stakeholders cooperatively, constructively and on an equal footing.
3. **Transparency:** We are committed to transparency in our activities and supply chains.

We will only be able to achieve these targets together with our suppliers. That is why we pursue systematic and continuous development of these suppliers founded on partnership-based cooperation. Long-term partnerships with strategic suppliers are at the forefront of our activities in purchasing. This is also reflected in the key figures by which we want to be measured by 2025. For example, 85% of direct suppliers (based on revenue) will have their awareness of sustainability topics raised and be trained on these. We also want to reach a point where 85% of suppliers audited (based on revenue) obtain a sustainability rating of A. In our own Group, we will train 100% of buyers around the world on sustainability topics.

### Management Approach with Three Dimensions of Action

We want to live up to our responsibility in our business relationships on a global level and want to act proactively beyond fulfilling legal requirements – for example, with regard to decarbonization or our sustainability rating. In procurement, we follow a three-pronged approach. This step requires transparency about the supply relationships that go beyond the first tier (tier 1).

- **Prevent:** Sustainability requirements are enshrined in contracts and specifications, particularly the Code of Conduct for Business Partners. Suppliers' awareness is raised and they receive training.
- **Detect:** The sustainability risks in the supply chain are systematically detected and prioritized. Sustainability is anchored in the material contract award decisions across the Group and a rating of potential suppliers' sustainability performance ("S rating") is used. The basis for this is self-assessment and risk-based on-site audits.
- **React:** Various measures are available to react to the risks and impacts identified. These include a process for reviewing breaches by individual suppliers and action plans derived from on-site audits.

Implementation of this management approach is mandatory worldwide and is enshrined in corresponding policies for the Group's brands and controlled companies. The Procurement Sustainability Management department conducts the operational management. To better bundle skills, the department was directly assigned to a division below the member of the Group Board of Management responsible for purchasing in a restructuring of procurement during the reporting year. In order to identify current developments and long-term challenges in the individual countries, we also encourage dialog between our brands and regions through the Sustainability Procurement Network, in which more than 50 experts from five continents work together.

### *Prevent: requirements for our suppliers*

The core element of our supplier management is the "Volkswagen requirements for sustainability in relations with business partners" – the Code of Conduct for Business Partners". The Code of Conduct is agreed with all the Volkswagen Group's suppliers. It embeds our expectations of our business partners' conduct with respect to key environmental, social and compliance standards in our contractual agreements. The requirements are based, among other things, on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant International Labour Organization (ILO) conventions. The Code of Conduct is, however, not just based on international standards, but also objectives, rules and policies of the Volkswagen Group.

Before submitting a quote, our suppliers must confirm that they acknowledge our sustainability requirements in the Code of Conduct; this explicit acknowledgment must be repeated after 12 months have elapsed if they wish to submit new quotes. We also call on our tier 1 suppliers to pass our requirements set out in the Code of Conduct for Business Partners down along the supply chain. The Code of Conduct is currently being revised and further requirements arising, for example from the Supply Chain Due Diligence Act, are being added. We plan to publish the revised Code of Conduct in the first quarter of 2022.

In addition to the Code of Conduct for Business Partners, there are additional product-specific requirements for suppliers. These are set out in the specifications and stipulate the way in which certain products must be manufactured. The guidelines include, for example, only manufacturing battery cells with renewable energy and cooperating on full supplier disclosure for the cobalt supply chain. These requirements are also binding for the suppliers in question.

### *Detect: systematic detection of sustainability risks*

Our aim is to know and effectively address the material sustainability risks in our supply chain. A sustainability rating (S rating) was introduced as a key measure for all relevant companies and suppliers in 2019, and its implementation was completed by the end of 2021. The S rating is used to audit the sustainability

performance of relevant suppliers<sup>1</sup> and reveal opportunities for continuous improvement. It assesses the environmental performance of suppliers and their social sustainability and integrity. The S rating is directly relevant to awarding contracts. If a supplier does not meet our requirements for compliance with sustainability standards, it is fundamentally not eligible for the award of contracts. There is thus a direct incentive for suppliers to improve their sustainability performance.

The check for the S rating takes place via a multistage process. In an initial step, the risk exposure is identified from a combination of country risk and the supplier's corporate processes and policies. A specialist service provider is used for the identification of the country risk. The Group's sustainability performance is analyzed by means of a standardized questionnaire for self-assessment. We developed the "SAQ" questionnaire in a joint project with other automotive corporations involved in the DRIVE Sustainability Working Group organized by CSR Europe. The information and documents in the SAQ are checked and validated by a service provider via a central platform. If a supplier states that it has appropriate processes and policies, it must prove this with documents. Minimum requirements were drafted for the questionnaire. Every supplier that the S rating applies to must meet the requirements enshrined in the questionnaire in the areas of corporate governance, the environment, social issues, human rights, compliance and supplier management.

A total of more than 15,532 active suppliers submitted a sustainability questionnaire by the end of the reporting period. In the reporting period, 6,353 suppliers improved their sustainability performance through taking appropriate steps. Based on sales revenue, more than 78% of our production suppliers have documented that they have a certified environmental management system in accordance with ISO 14001 and/or EMAS. Our objective is for 100% of direct, revenue-generating suppliers with a production site and more than 100 employees to have a certified environmental management system by 2025.

Following an initial analysis of the supplier data, in-depth audits are carried out on site, based on risk. 654 on-site audits were conducted around the world in 2021 (2020: 790). On average, five breaches of our sustainability requirements were identified.<sup>2</sup> Clear differences can be seen depending on the region.

#### NUMBER OF BREACHES IDENTIFIED WORLDWIDE PER ON-SITE AUDIT BY REGION AND IDENTIFIED TOP RISKS BY REGION<sup>3</sup>

Geographic region	Average breaches per region	The region's top 3 risks
Africa	4	Unions, emergency exits, emergency lighting
Asia <sup>4</sup>	7	Supply chain management, payment, emergency exits
Europe	5	Supply chain management, license to operate, evacuation drills
Latin America	6	Organization (social facilities), organization (fire safety), supply chain management
North America	5	Supply chain management, first aid, grievance mechanism

<sup>3</sup> Excluding on-site checks at logistics service providers.

<sup>4</sup> In terms of geographical distribution, Russia and Turkey are allocated to Asia.

In the reporting period, we further developed and used a special approach for the on-site check of logistics service providers, which, in addition to checking whether environmental criteria have been met, in particular also checks observance of minimum social standards when deploying driving staff.

We are also working continuously on avoiding duplication when auditing and, to achieve broader coverage of the supply chain, are partnering with original equipment manufacturers (OEM) and suppliers in a German Association of the Automotive Industry (VDA) task force to create a common standard for on-site audits. To this end, major Group companies founded the Responsible Supply Chain Initiative e. V. in October 2021 together with 11 additional partners; the initiative plans to share initial audit findings next year. The Volkswagen Group supports the continuous growth of the initiative with a Board of Management mandate.

By the end of the reporting year, we had 12,483 S ratings for suppliers, accounting for around 85% of total procurement expenditure. Of these suppliers, 3,524 have an A rating, which equates to 54% of suppliers based on revenue. 91 were rated C and are thus not currently eligible for the award of contracts.

**3,524**  
suppliers have  
an A rating.

<sup>1</sup> The relevance of a business partner for the S rating results from factors including the size of the company or the risk exposure derived from the type of service.

<sup>2</sup> Excluding on-site checks at logistics service providers.

**React: make improvements on site**

A series of measures are available to react to risks identified in the supply chain and concrete breaches by suppliers, and thus to actively bring about improvements.

Our supply chain grievance mechanism is an important component of sustainable supply chain management. We use it to investigate any suspected breaches of our sustainability requirements that occur. The corresponding channel is accessible via our website, an email address and an anonymized channel and is open to anyone potentially affected and stakeholders, e.g. employees of suppliers, civil society players or representatives of communities in the immediate vicinity of our production locations. The processing of cases is uniformly described in a binding policy and is managed by the Group. Cases are processed together with the brands and regions of the Volkswagen Group. If violations are identified, measures are introduced immediately. If there are particularly serious breaches, termination of the business relationship is also possible.

In the reporting period, 111 reports of breaches were dealt with. This concerned suppliers where behavior contravening the rules or contracts was identified as a result of information provided. Collaboration was ended or suppliers were blocked for the award of new contracts in the case of four suppliers as a result of activities by Procurement.

**CASES FROM THE COMPLAINT MECHANISM WORLDWIDE**

Geographical distribution	Context	Direct supplier
Europe	74 Social	26 Yes 70
Asia <sup>1</sup>	9 Compliance	66 No 41
Africa	2 Environment	12
North America	17 Cross-topic	7
Latin America	3	
No classification possible	6	

<sup>1</sup> In terms of geographical distribution, Russia and Turkey are allocated to Asia.

**Sustainability Training for Employees and Partners**

Systematic training of our employees and suppliers is a central component of our strategy and essential for the improvement of sustainability in the supply chain. For this purpose we are currently using two different formats: live online training, as the pandemic continues to make in-person training impossible, and e-learning courses, which can be accessed and conducted online at any time.

For all Procurement employees, the topic of sustainability is an established part of the skills profile. Worldwide, more than 1,900 Procurement staff were trained in this issue in 2021. Our training measures continue also to be geared to specific target groups.

In 2021, more than

**1,900**

buyers were trained on sustainability globally.

For example, buyers of components associated with higher sustainability risks were given an intensive training program in a separate format. Since 2017, we have trained our Procurement employees to deal with the special challenges found in battery supply chains. In-depth human rights training has been available since 2020 and was held again in 2021.

To enable continuous supplier development, we usually conduct issue-specific sustainability training courses and workshops with our suppliers at selected sites. In fiscal year 2020, this was not possible due to worldwide restrictions. We therefore developed an online training option in order to train suppliers on our requirements and their implementation in shorter sessions. During the reporting period, more than 1,000 participants took advantage of this opportunity. As part of the DRIVE Sustainability initiative, online training was also provided for suppliers in India, Argentina, France and Russia, involving 84 participants.

In addition to the trainings, we make an e-learning module on sustainability available to current suppliers in the nine languages of defined risk countries. By the end of the reporting year, more than 18,000 suppliers had completed the e-learning course, which equates to around 36% of the sales revenue generated by suppliers of our procurement expenditure.

**Content Focus of Supply Chain Management**

For the way we responsibly organize supply chain, the thematic focus areas of compliance, decarbonization and human rights are an indispensable part of our sustainability activities across the entire value creation process in the Volkswagen Group.

We audit the integrity and compliance systems of selected suppliers and service providers through our Business Partner Due Diligence (BPDD). This review of existing and potentially new business partners is carried out as part of a risk-based, transparent, documented process that is implemented worldwide using an IT-based tool. Business partners who we have identified as having an increased corruption risk due to their business and region are also subjected to a more in-depth corruption risk audit. All relevant business partners will then be continuously checked for any change in general conditions through a risk and news screening. For the period from the start of the process in 2019 to December 31, 2021, our database contains 1,513 Business Partner Due Diligence audits.

To achieve our climate-protection targets, we also continuously develop the procurement processes within the Group's



organizational structures and processes. This systematically anchors the criterion of CO<sub>2</sub> reduction in the Group's product development processes. In order to encourage measures among suppliers, the Group systematically identifies the biggest sources of emissions along the supply chain in a component-related way by means of life cycle assessments and extends the responsibility for the environmental impact of the vehicles to its suppliers along the whole value chain. For example, all new suppliers of high-voltage batteries are contractually obliged to use certified energy from renewable sources in their production. When the Group awards new contracts, it now also requires the tier 2 suppliers of relevant intermediate products for battery production to exclusively use renewably generated electricity.

### Particular Duty of Due Diligence for Human Rights in the Supply Chain

As part of our sustainable supplier management measures, we pay particular attention to protecting those groups of people who, along our supply chain, are at particularly high risk of human rights abuses. In order to comply with international frameworks and requirements, we piloted a human rights due diligence management system in 2021, which we use to systematically analyze, prioritize and reduce our supply chain's human rights risks. The management system is based on two process steps. First, aggregated assessments are performed for risk analysis based on the S rating data. Through this quantitative approach, we identify 15 high-risk countries for negative impacts on human rights and implement prevention and mitigation measures with our brands and regions. To this end, a total of 575 employees of suppliers were trained in the implementation of human rights-related due diligence in these 15 countries in 2021. In the second step, in addition to the data from the S rating, aggregated data from our grievance mechanism and information from studies, NGO reports and stakeholder conversations are evaluated to determine focus activities. In 2021, we prioritized and worked on the topics of forced labor, risks in service sectors and the revision of our Code of Conduct for Business Partners.


### Raw material due diligence management system and reporting

With regard to responsible sourcing of raw materials, the Volkswagen Group implements the fifth step of the OECD Due Diligence Guidance for Responsible Business Conduct and the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In 2020, we implemented an OECD-oriented raw material due diligence management system in the Group. It serves to identify, assess and avoid actual and potential human rights risks in our upstream raw material supply chains. The risk scope of the management system goes beyond Annex 2 of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and currently covers 16 particularly high-risk raw materials. These include the battery raw materials cobalt, lithium, nickel and graphite, the conflict minerals tin, tungsten, tantalum and gold (3TG), and

aluminum, copper, leather, mica, steel, natural rubber, platinum group metals and rare earths.

With this risk-based approach, we prioritize our activities on the basis of the severity and probability of breaches of the law and on the basis of the Group's influence. We also systematically use our Group structure for developing and implementing specific mitigation measures, whose effectiveness we audit. New report structures and toolkits have been developed, and existing tools, such as the complaint mechanism, have been integrated in the management system. Depending on the results of the due diligence process, the measures are adapted and improved on an ongoing basis.

Since 2021 the Volkswagen Group has also reported on the observation of its human rights due diligence obligations in the raw material supply chain – including reporting on the status, progress and goals of the raw material due diligence management system – in an annual Responsible Raw Materials Report. The Group's specific activities and measures regarding the 16 raw materials are also set out there.

 > [www.volkswagenag.com](http://www.volkswagenag.com) > Sustainability > Responsibility for Supply Chains and Business > Sustainability in the Supply Chain

### Collaboration with suppliers and digital innovations for more transparency in the supply chain

Increasing transparency is an important prerequisite for identifying, avoiding and mitigating human rights risks in the upstream supply chain. To this end, the Volkswagen Group works in the context of the raw materials due diligence management system closely with its direct suppliers and business partners.

For battery raw materials, especially cobalt, we pursue the objective of creating supply chain transparency from mining the raw materials to manufacturing the finished product. We have been passing the requirement for full transparency on to our direct battery suppliers in our contracts since 2020. Volkswagen has the data received audited and verified by partner companies through second-party supply chain mapping audits.


With respect to digital innovations, Volkswagen also relies on blockchain technology and is working on developing corresponding solutions. This tamper-proof type of data processing allows complete and fraud-proof documentation of supply streams. We also cooperate with service providers that enable suppliers to be competitively audited using artificial intelligence. Here, permanent real-time monitoring of freely available internet sources, including social media, provides us with indications of possible breaches by suppliers.

### Certification of raw materials

Because the human-rights-related risks are often highest at the start of the supply chain and these can be countered most effectively here, direct collaboration with mine operators on the certification of mines is an additional part of our strategy. In this way,



we intend to audit, assess and improve the sustainability performance of the mines in our supply chain in the medium term.

 > [www.volkswagenag.com](https://www.volkswagenag.com) > Sustainability > Strategy & Reporting > Policy > Responsible Raw Materials Report

#### **Involvement in International and Cross-Industry Initiatives**

In addition to close collaboration with our direct suppliers and (sub)suppliers, we get involved in initiatives and local projects to address human rights risks in the upstream supply chain and beyond our contractual relationships. These cross-industry and, in some cases, raw-material-specific initiatives are listed in our Responsible Raw Materials Report 2020. The Responsible Raw Materials Report 2021 is going to include additional information on the initiatives' goals and the progress of our local projects. One example of our approach is Volkswagen AG's membership of the Global Platform for Sustainable Natural Rubber (GPSNR), under the umbrella of which we work towards a sustainable natural rubber supply chain.

In the case of the battery raw material cobalt, the Volkswagen Group is working together with other partners in the Cobalt for Development project for improved working and living

conditions for small-scale cobalt miners and their communities in the Democratic Republic of the Congo. The pilot project aims to strengthen compliance with laws and improve health and safety conditions and social well-being for people locally. Additional information is available on the project website.

In the case of the battery raw material lithium, the Volkswagen Group, together with other partners, has created the Responsible Lithium Partnership initiative, which works towards responsible use of resources and sustainable lithium production in Salar de Atacama in Chile. This is to be achieved through a multi-stakeholder platform comprising all the relevant players in the Salar watershed – from civil society groups, including indigenous communities, through government institutions to local mining companies.

Beyond raw material activities, our involvement in the industry-led initiative DRIVE Sustainability under the umbrella of CSR Europe remains key. The development of the common questionnaire standard for auditing sustainability aspects of suppliers was a milestone in this respect, as was the training approach for suppliers pursued jointly with other OEMs via training events in selected countries.

## RESPONSIBILITY FOR SUPPLY CHAINS AND BUSINESS KPIS

KPI	Unit	2021	2020	Notes and comments
Direct suppliers	Number	> 60,000	> 65,000	
Countries in which Volkswagen has direct suppliers	Number	almost 100	> 100	
Experts in the Sustainability Procurement Network	Number	> 50	> 50	
Suppliers with completed SAQ	Number	15,532	13,041	
Improvements in suppliers based on the SAQ	Number	6,353	1,369	
<b>Human rights checks</b>				
Companies for which a risk assessment has been conducted in the area of human rights	Number	782	744	
For sites, associated number of countries for which a risk assessment has been conducted in the area of human rights	Number	82	83	
<b>Training and certification</b>				
Suppliers with certified environmental management system pursuant to ISO 14001 and/or EMAS	in %	78	65	
Procurement staff who have participated in training measures on the topic of sustainability	Number	1,900	> 2,000	
Suppliers who have received training on the topic of sustainability	Number	> 1,000	950	
<b>On-site audits (checks)</b>	Number	654	790	
<b>Average breaches of sustainability requirements by region</b>				Excluding on-site checks at logistics service providers
Africa	Number	4	4	The region's top 3 risks: unions, emergency exits, emergency lighting
Asia <sup>1</sup>	Number	7	6	The region's top 3 risks: supply chain management, payment, emergency exits
Europe	Number	5	5	The region's top 3 risks: supply chain management, license to operate, evacuation drills
North America	Number	6	4	The region's top 3 risks: supply chain management, first aid, grievance mechanism
Latin America	Number	5	6	The region's top 3 risks: organization (social facilities), organization (fire safety), supply chain management
Business partner due diligence audits	Number	1,513	1,136	
Suppliers that have completed the e-learning module on sustainability	Number	more than 18,000	11,992	
Corresponding total sales coverage	in %	around 36	17.4	
<b>Existing supplier ratings</b>	Number	12,483	13,041	
of which suppliers with an A rating	Number	3,524	4,093	
of which suppliers with a C rating	Number	91	220	
Revenue percentage of suppliers with S rating in total purchasing volume	in %	around 85	75	

<sup>1</sup> In terms of geographical distribution, Russia and Turkey are allocated to Asia.

KPI	Unit	2021	2020	Notes and comments
Cases from the complaint mechanism	Number	111	34	
Termination of collaboration with suppliers	Number	4	17	
<b>Cases from the complaint mechanism: number by region</b>				
Europe	Number	74	23	
Asia <sup>1</sup>	Number	9	4	
Africa	Number	2	1	
North America	Number	17	1	
Latin America	Number	3	5	
No classification possible	Number	6	–	
<b>Cases from the complaint mechanism: number by context</b>				
Social	Number	26	11	
Compliance	Number	66	16	
Environment	Number	12	1	
Cross-topic	Number	7	6	
<b>Cases from the complaint mechanism: direct supplier</b>				
Yes	Number	70	26	
No	Number	41	8	
<b>List of countries with increased human rights risks identified (top 15 list)</b>				
India				
China				
Turkey				
Russia				
Mexico				
Brazil				
Argentina				
Morocco				
Tunisia				
Bulgaria				
South Africa				
Romania				
Ukraine				
USA				
Serbia				

<sup>1</sup> In terms of geographical distribution, Russia and Turkey are allocated to Asia.



**TO VOLKSWAGEN AG, WOLFSBURG**

We have performed a limited assurance engagement on the separate nonfinancial report of Volkswagen AG, Wolfsburg, (hereinafter the "Company"), which is combined with the separate nonfinancial report of the Group (hereinafter the "combined nonfinancial report"), for the period from January 1 to December 31, 2021. The combined nonfinancial report is included in the Sustainability Report 2021.

Not included in the combined nonfinancial report are the paragraphs listed in chapter "About This Report" in section "Basis for Report" of the Sustainability Report (Interview, Value Chain, The German Corporate Governance Code and Further Information, Making the Social and Environmental Impact of Our Actions Measurable), references to disclosures made outside the combined nonfinancial report (e.g. references to disclosures in the Annual Report or to additional sustainability disclosures of the Company in the internet), disclosures next to chapter and section headings that reference the Standards of the Global Reporting Initiative (GRI) as well as the Company's disclosure that the Sustainability Report was prepared in compliance with the GRI Standards of the Global Reporting Initiative (GRI), applying the "Core" option. The aforementioned disclosures were therefore not subject to our assurance engagement.

**RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS**

The executive directors of the Company are responsible for the preparation of the combined nonfinancial report in accordance with §§ 315c in conjunction with 289c to 289e HGB (Handelsgesetzbuch: German Commercial Code) and Art. 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder as well as in accordance with their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as set out in the chapter "EU Taxonomy" of the combined nonfinancial report.

These responsibilities of the Company's executive directors include the selection and application of appropriate nonfinancial reporting methods and making assumptions and estimates about individual nonfinancial disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a combined nonfinancial report that is free from material misstatement, whether due to fraud (manipulation of the combined nonfinancial report) or error.

The EU Taxonomy Regulation and the Delegated Acts adopted thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which

clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in the chapter "EU Taxonomy" of the combined nonfinancial report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

**INDEPENDENCE AND QUALITY ASSURANCE OF THE AUDITOR'S FIRM**

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements – in particular the BS WP/vBP (Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer: Professional Charter for German Public Accountants/German Sworn Auditors) in the exercise of their profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

**RESPONSIBILITIES OF THE AUDITOR**

Our responsibility is to express a conclusion with limited assurance on the combined nonfinancial report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's combined nonfinancial report is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors disclosed in chapter "EU Taxonomy" of the combined nonfinancial report.

Not included in the combined nonfinancial report are the paragraphs listed in chapter "About this Report" in section "Basis for Report" of the Sustainability Report (Interview, Value Chain, The German Corporate Governance Code and Further Information, Making the Social and Environmental Impact of Our Actions Measurable), references to disclosures made outside the combined nonfinancial report (e.g. references to disclosures in

the Annual Report or to additional sustainability disclosures of the company in the internet), disclosures next to chapter and section headings that reference the Standards of the Global Reporting Initiative (GRI) as well as the Company's disclosure that the Sustainability Report was prepared in compliance with the GRI Standards of the Global Reporting Initiative (GRI), applying the "Core" option. The aforementioned disclosures were therefore not subject to our assurance engagement.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and, accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of relevant employees involved in the preparation of the combined nonfinancial report about the preparation process, about the internal control system related to this process, and about disclosures in the combined nonfinancial report,
- Inquiries of the employees regarding the selection of topics for the combined nonfinancial report, the risk assessment and the concepts of the Company and Group for the topics identified as material,
- Inquiries of employees of the Company and the Group responsible for data capture and consolidation as well as the preparation of the combined nonfinancial report, to evaluate the reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the disclosures in the combined nonfinancial report,
- Identification of likely risks of material misstatement in the combined nonfinancial report,
- Analytical procedures on selected disclosures in the combined nonfinancial report at the level of the Company and the Group,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the implementation of Group management requirements, processes and specifications regarding data capture through onsite visits at selected sites of the Volkswagen Group:
  - Audi AG (Ingolstadt, Germany)
  - Volkswagen Group of America Chattanooga Operations LLC (Chattanooga, USA)
  - FAW-Volkswagen Automotive Co. Ltd. (Chengdu, China)
  - SAIC Volkswagen Automotive Co. Ltd. Shanghai (Anting, China)
  - Volkswagen BR (São Carlos, Brazil)
  - SEAT S.A. (Martorell, Spain)
  - ŠKODA AUTO a.s. (Mladá Boleslav, Czech Republic)
  - Volkswagen AG (Wolfsburg, Germany)
  - Volkswagen AG (Emden, Germany)
  - SCANIA CV AB (Södertälje, Sweden)

- Reconciliation of selected disclosures with the corresponding data in the annual financial statements and management report,
- Evaluation of the presentation of the combined nonfinancial report,
- Evaluation of the process to collect the disclosures according to the EU Taxonomy Regulation in the combined nonfinancial report.

In determining the disclosures in accordance with Art. 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

## ASSURANCE CONCLUSION

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined nonfinancial report of the Company for the period from January 1 to December 31, 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts adopted thereunder as well as the interpretation by the executive directors as disclosed in the chapter "EU Taxonomy" of the combined nonfinancial report.

We do not express an assurance conclusion on the disclosures that are not part of the combined nonfinancial report and that were therefore not subject to our assurance engagement. These are the paragraphs listed in chapter "About this Report" in section "Basis for Report" of the Sustainability Report (Interview, Value Chain, The German Corporate Governance Code and Further Information, Making the Social and Environmental Impact of Our Actions Measurable), references to disclosures made outside the combined nonfinancial report (e.g. references to disclosures in the Annual Report or to additional sustainability disclosures of the Company in the internet), disclosures next to chapter and section headings that reference the Standards of the Global Reporting Initiative (GRI) as well as the company's disclosure that the Sustainability Report was prepared in compliance with the GRI Standards of the Global Reporting Initiative (GRI), applying the "Core" option.

## RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.



## GENERAL ENGAGEMENT TERMS AND LIABILITY

The “General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German Public Auditors and Public Audit Firms)” dated January 1, 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Hannover, March 11, 2022  
Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Nicole Richter  
Wirtschaftsprüferin  
(German Public Auditor)

Hans-Georg Welz  
Wirtschaftsprüfer  
(German Public Auditor)

## CONTACT INFORMATION

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### PUBLISHED BY

Volkswagen AG  
Group Sustainability  
Letterbox 011/1265  
38436 Wolfsburg  
Germany

### CONTACT

[info@volkswagen-nachhaltigkeit.de](mailto:info@volkswagen-nachhaltigkeit.de)

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### DISCLAIMER

At the brands of the Volkswagen Group, work on all types and models never ceases, so please allow for the fact that changes in design, equipment and technical specifications may be made at any time. Consequently, the data and descriptions in this report cannot give rise to claims of any kind.

The German version of the nonfinancial report is binding. The English version is a convenience translation for information purposes only.

### YOUR FEEDBACK

In the interests of improving and advancing our commitment to sustainability, we would be delighted to receive your feedback on our sustainability report. You can send us your views online under the email address mentioned on the left.

