

# Sustainability Council

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Dear Dr. Diess,  
Dear Members of the Board of Management,

We want to thank you for our recent open and constructive dialogue with you in Stuttgart. We are deeply impressed by how VW is moving forward with e-mobility and digitalization while becoming a driving force in the support of sustainable electricity. Following our meeting and exchanges with a number of VW colleagues, we wish to convey the following observations:

## 1. E-mobility and energy transformation

We greatly welcome VW's active support of the energy transition. Building up renewable energy production, distribution and storage capacities is at the heart of the climate challenge. We applaud new businesses, such as "Ellie", and new partnerships with utilities, and we encourage VW to make the smart and efficient use of energy a strong component of its strategy.

We believe that the EU is at a crucial moment that will shape its infrastructure for years to come. The time is now to encourage policy makers - including through the CEO Alliance - to make good use of the recovery plan and the Green Deal, so that the energy transformation can become a pillar of innovation and decarbonization.

In this context we also had a productive exchange with MAN Energy Solutions. We were very impressed to learn that one of VW Group's companies has transformed itself into a provider of technologies, such as electrolyzers and innovative energy storage systems, which are urgently needed for the transformation.

## 2. Phasing out ICEs

We understand that it is difficult for VW to set an end date to the phasing out of ICEs given its global reach and the different composition of energy sources in different countries. Nevertheless, we believe VW should set individual, target dates for phasing out its ICE vehicles in major markets where the share of electricity produced by sustainable sources is so high that e-mobility will lead to overall carbon reductions. Such a move would help push the argument that the future is electric, thus encouraging countries and regions to accelerate the energy transformation.

## 3. Climate ambition 1.5 degrees

We are convinced that in order to avert the worst consequences of a warming globe, governments and societies will have to take bolder actions in the months and years to come. We welcome VW's alignment with the Paris Agreement, but we believe that the level of ambition needs to be raised in accordance with the 1.5-degree goal. One quarter of all large, listed corporations worldwide are already aligning their strategies with this target and we hope that VW will follow suit. We are convinced that higher near-term efforts will eventually be offset by benefits over time, in terms of compliance with stricter regulations and required systemic resilience to deal with the consequences of climate change.

Regarding decarbonization as a Group strategy, we are very pleased with the good progress made using the “decarbonization index”, which takes into account the full spectrum of emissions throughout the lifecycle of products. We look forward to further updates in the near future. We also encourage VW to accelerate efforts to build closed-loop systems, especially for critical materials, and we hope that effective decarbonization partnerships around the globe, especially in China, will materialize.

4. Towards a Group Purpose and implications for employees

We want to encourage you to continue the effort to become a purpose-driven brand. As sustainability and technology are becoming firmly embedded across all corporate functions, the full potential of all employees to become champions of the transformation should be mobilized. Following our study with the Fraunhofer Institute on the employment effects of e-mobility and digitalization, we hope that our ongoing new study will help to identify relevant ways to incentivize and prepare employees for the future.

5. ESG data infrastructure, management and relationships with investors and other stakeholders

We appreciate our exchange on this topic and we are pleased that ESG issues are now considered relevant at the strategy level across all functions. We look forward to further exchanges, hoping that in addition to overcoming the past, VW will lead the way in terms of data infrastructure and management. Over time, ESG data needs to be treated on par with financial data and as such become integral to analysis and decision making.

6. Supply chain management, compliance and human rights

We had an opportunity to meet with relevant VW colleagues to take stock of VW's processes and systems to ensure compliance with new regulations and shifting expectations. We were very pleased to note that VW has state-of-the-art systems that are up and running. The massive modernization and update of VW policies and control systems, including its whistle blower system and its human rights and supply chain policies, should make the organization more transparent and less prone to missteps. We encourage you to further cultivate these systems and to continue updating them in order to stay ahead of regulations and to meet expectations.

VW is well positioned to act as a catalyst for the energy transformation and to be a leader in e-mobility based on sustainable electricity. We are aware that software and the data economy are rapidly becoming value drivers of the transformation. Decarbonization and digitalization must go hand in hand and reinforce each other. VW's success in the market will be everybody's gain.

We look forward to continuing our exchange.

Georg Kell

*on behalf of the Sustainability Council*