


SUSTAINABILITY IN THE GROUP'S DNA



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.

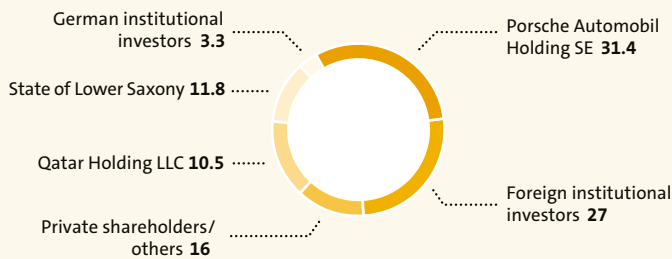
 > www.volkswagenag.com > Investor Relations

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.

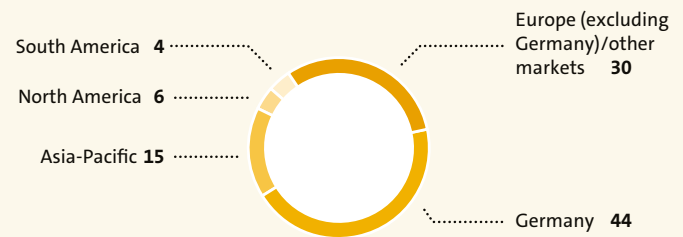
VOLKSWAGEN AG SHAREHOLDER STRUCTURE

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:


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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 > 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 > 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.

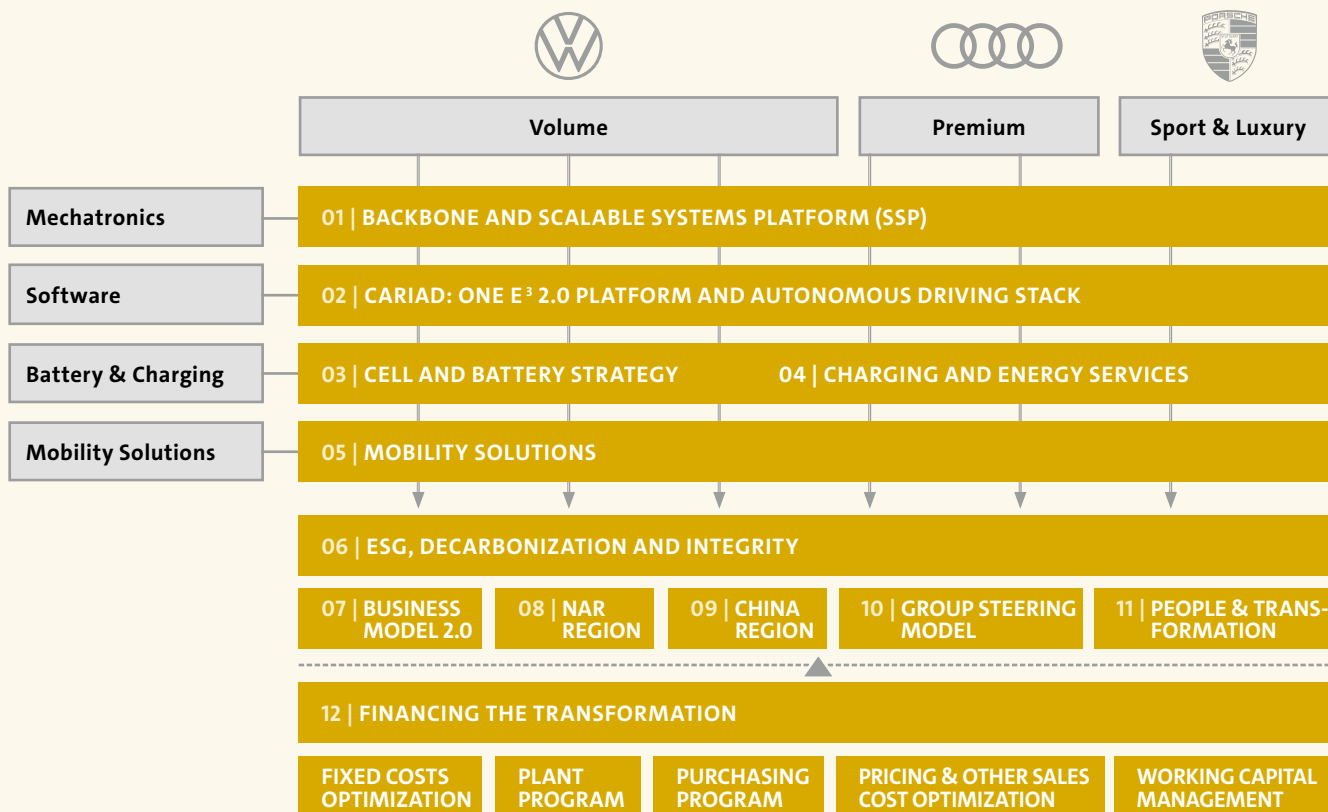
FINANCING THE TRANSFORMATION

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, CO₂ 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%

¹ 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 > 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 > 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	
 MSCI	CCC	CCC	B	
 SUSTAINALYTICS <small>a Morningstar company</small>	41.4 (severe risk)	41.7 (severe risk)	29.6 (medium risk)	
 ISS ESG	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.

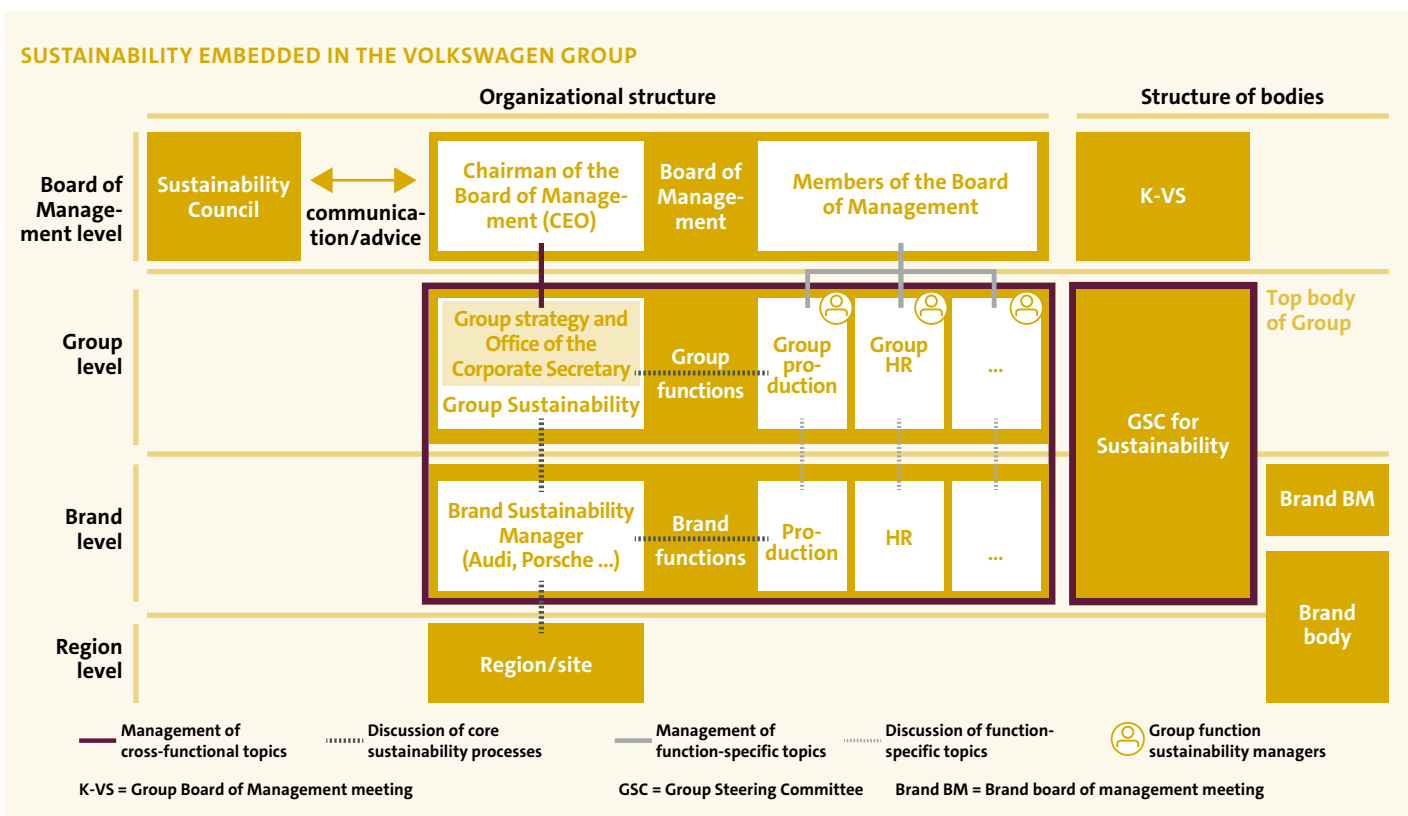
The Group's sustainability function (Group Sustainability) coordinates all sustainability-related activities and the Group-wide and cross-functional network for sustainability. Communication with Group functions, brands and companies is structured via

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 > 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 > 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 CO₂ 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.

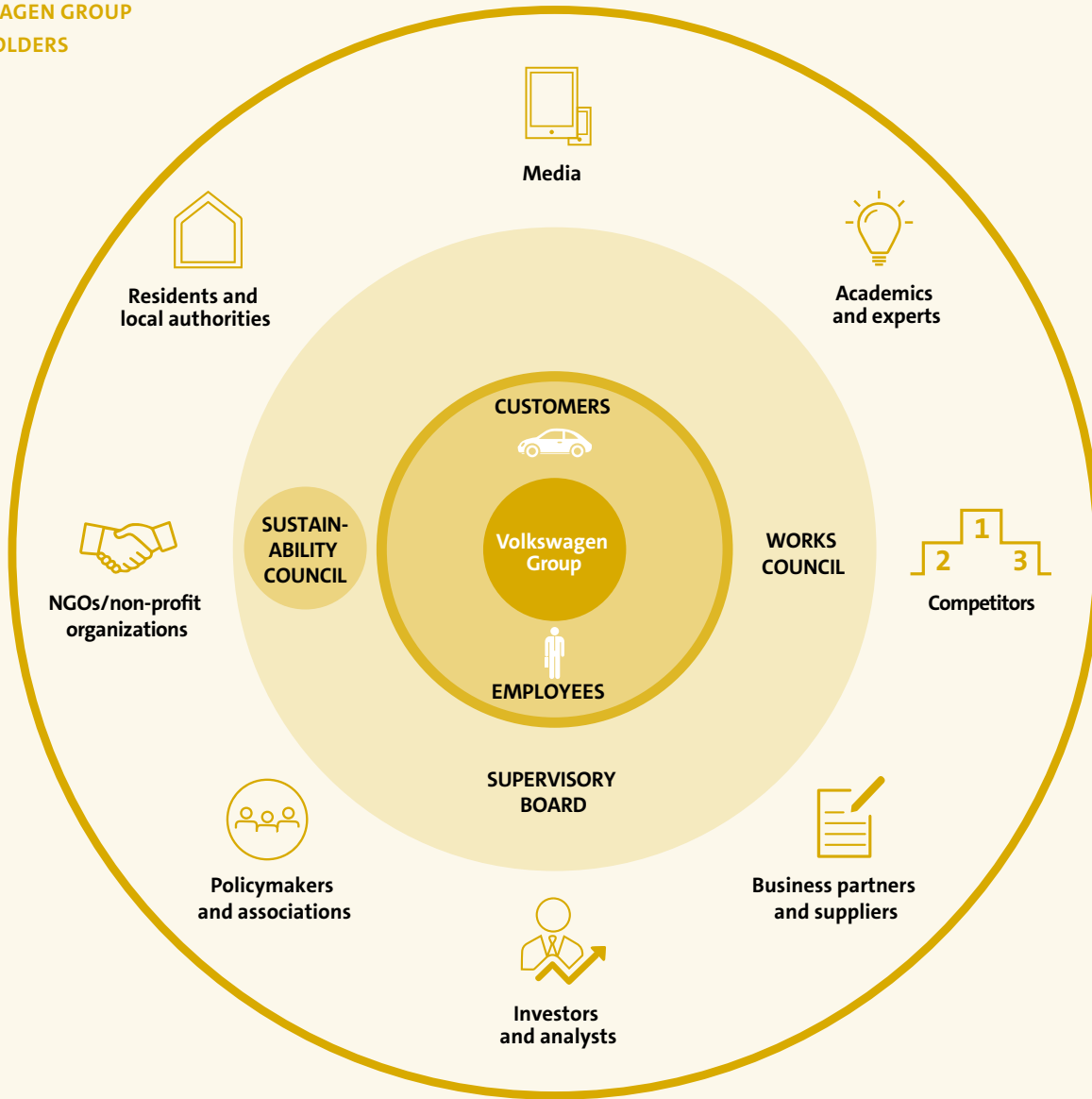
The Volkswagen Group sees itself as a close and reliable partner to cities. Various projects are already being developed, tested and implemented in collaborations around the world. The priority is the establishment of new technologies intended to reduce congestion and environmental pollution. Our Group 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 > 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 CO₂ and the Group Steering Committee for Fleet Compliance and Exhaust Emissions manage important individual aspects for our products – such as CO₂ 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 TSI 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. CO₂ and all other emissions relevant to the climate are recorded here and converted into CO₂ 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 CO₂, 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 CO₂.

REDUCTION OF THE ENVIRONMENTAL IMPACT OF PRODUCTION (UEP)

By 2025, the production-related environmental impact with respect to energy, CO₂, 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).¹

- UEP: -29.0% (2020: -32.4%)²

The following five indicators form the UEP KPI:

- Energy requirements per vehicle: -3.5% (2020: -12.4%)
- CO₂ 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%)³
- 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.

¹ 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.

² Passenger Cars and Light Commercial Vehicles division, Bugatti included pro rata.

³ 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 > 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 KPIS¹

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	
Specific emissions reduction (strategic KPIs)				
in the Volkswagen Group				
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 ₂ 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
in Volkswagen AG				
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 ₂ 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
Energy consumption				
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	

¹ 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	
VOC emissions	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	
VOC emissions	in kg/vehicle	1.57	1.58	Cars and light commercial vehicles
of which Volkswagen AG	in kg/vehicle	1.77	1.69	
Freshwater				
Freshwater volume	in million m ³ /a	39.69	41.77	
of which cars and light commercial vehicles	in million m ³ /a	32.07	32.65	
of which Volkswagen AG	in million m ³ /a	3.62	3.98	
of which other divisions	in million m ³ /a	7.62	9.12	
Freshwater volume	in m ³ /vehicle	4.02	3.77	Cars and light commercial vehicles
of which Volkswagen AG	in m ³ /vehicle	5.74	5.02	
Waste for disposal (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 – CSRRUG*) 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 CO₂ 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 CO₂ 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 CO₂ 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 CO₂ 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 > Sustainability > Strategy & Reporting > Engagement > CC Projects Worldwide