

DIVERSITY



CRUCIAL IMPORTANCE OF DIVERSITY AND INCLUSION

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

INTEGRATION INTO GROUP STRATEGY

Diversity was defined as a focus topic for sustainability as part of the NEW AUTO Group strategy and the Group initiative derived from it. The particular importance of this action area is further underpinned in the Volkswagen Group by the fact that the diversity index¹ as a strategic KPI has acquired direct remuneration relevance at Group Board of Management level.

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

DIVERSITY MANAGEMENT ESTABLISHED ACROSS THE GROUP

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

TRAINING AS A SUCCESS FACTOR FOR DIVERSITY WINS@VOLKSWAGEN

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

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

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

ENCOURAGEMENT OF NETWORKS

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

STAKEHOLDER ENGAGEMENT THROUGH THE DIVERSITY PANEL AND DIVERSITY CHARTER

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

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

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

OBJECTIVES AND KPIS

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

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

DIVERSITY INDEX

	Unit	2019	2020	2021
Proportion of women in management^{1 2}				
Target for proportion of women in management	in %	14.7	14.7	16.0
Actual proportion of women in management	in %	14.3	15.1 ³	16.3
Actual level of proportion of women sub-index weighting 0.50		118	125 ³	135
Internationalization in top management²				
Target for internationalization in top management	in %	19.7	19.7	21.4
Actual level of internationalization in top management	in %	18.4	18.7	20.3
Actual level of internationalization sub-index weighting 0.50		108	110	119
Cumulative diversity index figure				
Target cumulative diversity index figure	Value	119	119	129
Actual cumulative diversity index figure	Value	113	117	127

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

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

Pursuing Goals for Increasing the Proportion of Women

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

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

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

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

³ Adjustment of figure for 2020.

Programs for Greater Equality of Opportunity in Career Development

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

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

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

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

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

WORK/LIFE BALANCE

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

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

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

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

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

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

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

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

ANTI-DISCRIMINATION

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

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

INCLUSION AT THE WORKPLACE

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

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

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

DIVERSITY KPIS

KPI	Unit	2021	2020	Notes and comments
Diversity index				Total Group, active workforce ¹
Proportion of women in management				Data collected from 2021 onwards, not including employees in the withdrawal phase of the Time Asset scheme ²
Target for proportion of women in management	in %	16.0	14.7	
Actual proportion of women in management	in %	16.3	15.1 ³	
Actual level of proportion of women sub-index weighting 0.50		135	125 ³	
Internationalization in top management				
Target figure for internationalization in top management	in %	21.4	19.7	
Actual figure for internationalization in top management	in %	20.3	18.7	
Actual level of proportion of women sub-index weighting 0.50		119	110	
Cumulative diversity index figure				
Target cumulative diversity index figure	Value	129	119	
Actual cumulative diversity index figure	Value	127	117 ³	
Proportion of women (as per legal situation in Germany: Executive Positions Act)				Data collected from 2021 onwards, not including employees in the withdrawal phase of the Time Asset scheme ²
Proportion of women in first management level⁴				Volkswagen AG, active workforce
Target figure for women at first management level	in %	13.0	13.0	
Actual figure for women at first management level	in %	13.5	10.9	
Proportion of women in second management level⁵				Volkswagen AG, active workforce
Target figure for women at second management level	in %	16.9	16.9	
Actual figure for women at second management level	in %	18.3	16.7	
Discrimination				
Dismissals due to breaches in the area of discrimination ⁶	Number	15		7 Total Group, basis: 111 companies, each with more than 500 employees (previous year: 62 companies, each with more than 1,000 employees)

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

² Time Asset scheme: time credits arising from deferred compensation.

³ Adjustment of figure for 2020.

⁴ Senior managers, top managers and brand board of management members.

⁵ Line managers.

⁶ Subject to approval by the Group Board of Management.