VOLKSWAGEN

AKTIENGESELLSCHAFT

GREEN FINANCE FRAMEWORK

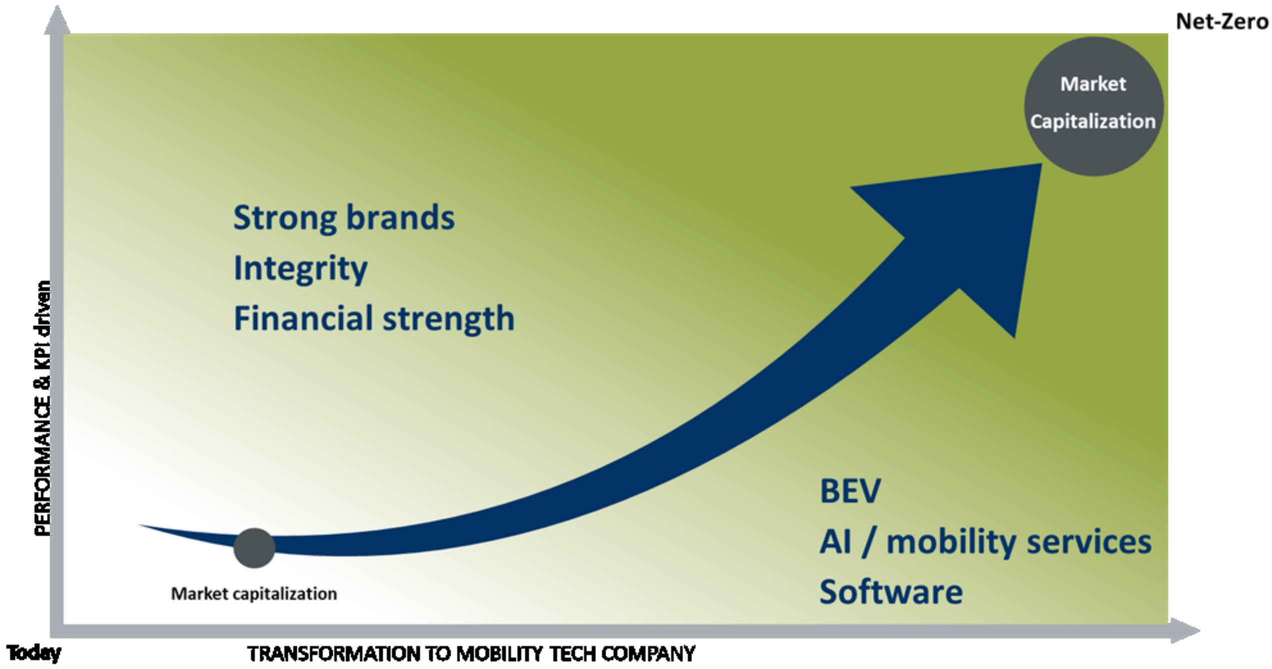
Volkswagen ID. Buzz: Power consumption combined: 18.9 kWh/100km (NEDC), CO_2 emissions combined: 0g/km, CO_2 efficiency class: A+++

Content

Introduction

Volkswagen Group ("the Group"), founded in 1937 as the people's car company in Germany, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. Volkswagen Group comprises the following brands: Volkswagen Passenger Cars, Volkswagen Commercial Vehicles, ŠKODA, SEAT/CUPRA, Audi, Lamborghini, Bentley, Ducati, Porsche, MAN, Scania, Navistar and others.[1] In addition, the Volkswagen Group offers a wide range of financial services, including dealer and customer financing, vehicle leasing, direct banking and insurance activities, fleet management and mobility offerings[2].

Transforming the business, increasing value and becoming net carbon neutral



The Volkswagen Group is committed to the Paris Climate Agreement, which aims to limit the increase of global temperature to well below two degrees Celsius above pre-industrial levels, and preferably limit the increase to 1.5 degrees Celsius. By 2050, Volkswagen Group wants to go become net carbon neutral. This requires the transformation of the transport sector, based on electric drive and fully networked, self-driving transportation. At Volkswagen Group, the goal is to embrace this change and sustainably shape mobility for present and future generations to come. Building on the heritage as the people's car company, it is at the heart of Volkswagen to make e-mobility and new technologies accessible for everyone.

The Group focuses on realigning the businesses from being one of the best carmakers to become a globally leading provider of sustainable mobility by transforming the automobile business,

[1] Only consolidated Volkswagen Group brands without their own Framework will be included under this Framework.
[2] Volkswagen Group is operating in 19 European countries and a further 10 countries in the Americas, Asia and Africa with 120 production plants across the globe, selling cars in 153 countries worldwide. Please see Portrait & Locations | Volkswagen Group (volkswagenag.com) for more information

expanding into battery technology, software and autonomous driving. By doing so the Group not only serves the environment but is also creating value for its stakeholders.

Sustainability in the Group's DNA

For Volkswagen Group, sustainability means pursuing economic, social, and ecological objectives simultaneously and with equal energy. It is the aim to create lasting values, offer good working conditions, and conserve resources and the environment.

With the sustainability concept, the Group wants to ensure that opportunities and risks associated with its environmental, social and governance (ESG) activities are identified as early as possible at every stage of the value creation process. In keeping with this aim, the Group determines that the corporate social responsibility (CSR) activities will have a lasting, positive impact on the Group's value and reputation.

Sustainability Governance

Volkswagen Group reset its compliance and integrity policy in 2016 with the commitment to sustainable, transparent and responsible management. In line with the recommendations of the German Corporate Governance Code, it practices a Group-wide sustainability coordination and forward-looking risk management and provides a clear framework for the future-oriented handling of environmental issues, with responsibility towards its employees and social engagement by its brands and in the various regions.

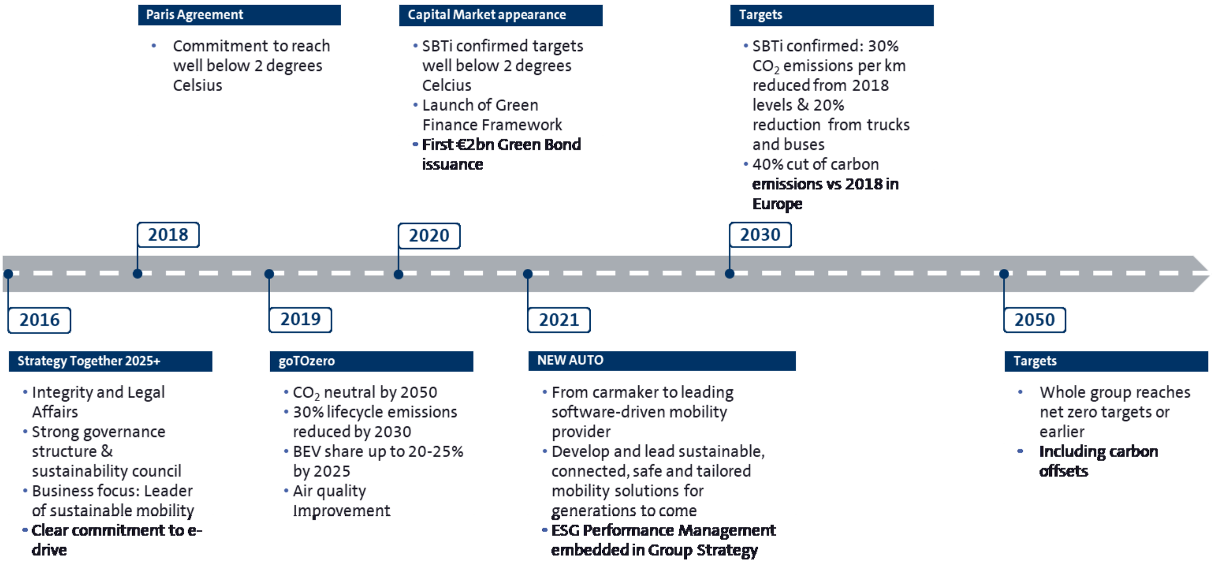
The Group sees its re-admission in 2021 to the UN Global Compact, the world's largest corporate management initiative, as a sign of growing trust of its stakeholders in its sustainability strategy.

To embed sustainability further, Volkswagen Group has linked the remuneration of its board members to the development of the decarbonization index, the core climate-protection-related key indicators in the Group.

The Sustainability Council was established in 2016 and is an independent advisory committee to the Group, consisting of internationally renowned experts from academia, politics and society. It establishes its own working methods, focus areas and consults regularly with the Group Board of Management, top management and employee representatives, supporting the Group with important strategic sustainability topics such as new sustainability strategies and materiality risk analysis.

Integration of Sustainability into the Business Model

Volkswagen Group Mission Statements and Strategies



The development of the Group's strategy "TOGETHER - Strategy 2025" in 2016 and the further revised strategy "TOGETHER 2025+"paves the way that its business focus going forward is to be a leader of sustainable mobility. This warranted, not only that it implemented a strong governance structure and sustainability council, but that it also set targets on electric mobility: 30 EV models by 2025 and 75 by 2029. Three years on, in 2019, the Group had evolved not only its understanding of sustainable mobility but also its ambitions with the "goTOzero" strategy, where being net carbon neutral by 2050 was the overarching objective.

The "NEW AUTO" strategy is the next step in the Group's evolution as it transitions itself from a carmaker to a leading software-driven sustainable mobility provider. The Group wants to develop and lead sustainable, connected, safe and tailored mobility solutions for generations to come.

Sustainability Strategy

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 six focus areas have been confirmed by the Group Steering Committee for Sustainability in 2022: decarbonization, circular economy, responsibility for supply chains and business, diversity & inclusion, people in the transformation and integrity. These six focus areas, in turn, cover most of the requirements formulated from the ESG ratings for assessment criteria applied:

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 Groups' Board of Management.

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 also 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.

Furthermore, the Group has made a commitment to sustainable, transparent and responsible management. In line with the recommendations of the German Corporate Governance Code, the Group practices Group-wide sustainability coordination and forward-looking risk management and ensures a clear framework for the future-oriented handling of environmental issues, responsibility towards its employees and social engagement by its brands and in the various regions. Voluntary undertakings and principles that apply across the Group form the basis and backbone of the strategic sustainability objectives. These can be found on the Group's website.[3]

The Volkswagen Group generates significant negative effects with regard to the environment and with its business and products due to CO_2 emissions across the entire life cycle. To this end, decarbonization has been firmly anchored as a focus issue in the NEW AUTO Group strategy and the core focus of this new Green Finance Framework (the "Framework").
For more in depth information on Decarbonization, as well as the five other focus areas of the NEW AUTO strategy please refer to the Group's latest Sustainability Report.

Decarbonization

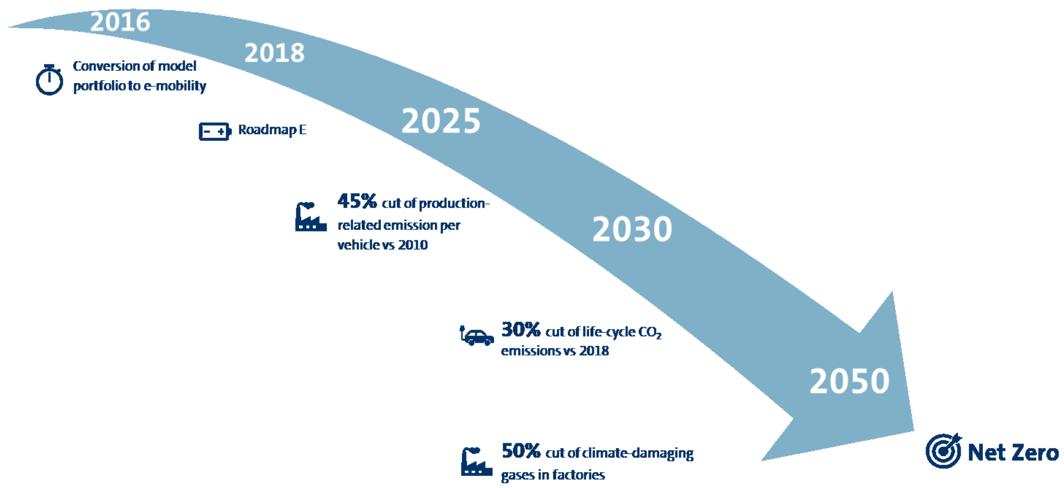
The Volkswagen Group is committed to the Paris Climate Agreement, which aims to limit the increase of global temperature to well below two degrees Celsius above pre-industrial levels, and

[3] https://www.volkswagenag.com/en/sustainability/strategy-policy-engagement/policy.html

preferably limit the increase to 1.5 degrees Celsius. By 2050, the whole Group would become net carbon neutral. Therefore, important milestones and intermediate goals have been set along the way: by 2030, the CO_2 emissions of the Groups passenger cars and light commercial vehicles should be reduced by 30% per vehicle over their entire life cycles, compared with the base year of 2018. Alongside the Group's electric offensive, focus is to a greater extent on integrating renewably generated electricity in the use phase and switching production plants' external power supply to renewable energy.

In order to achieve these targets, the Volkswagen Group is implementing a comprehensive and holistic decarbonization program that covers the whole life cycle of the passenger cars and light duty vehicles. It is built on three key principles, which at the same time represent a setting of priorities: the top priority is measures with which CO_2 emissions can be avoided or reduced. In second place follow measures with a gradual shift of the energy supply in the entire value chain to renewable energy. Finally, offsetting unavoidable CO_2 emissions through climate protection projects that meet the high international standards.

Decarbonization Pathway to net carbon neutrality in 2050



E-mobility

Compared to vehicles with an internal combustion engine, electric vehicles have less of an impact on the environment, as they produce no local emissions during the use phase of the life cycle. The consistent electrification of the Group's vehicle fleet opens up the path to sustainable, emission-neutral mobility for the customers. The Volkswagen Group plans to invest around €52bn in electric mobility across the Group by 2026.

Renewable Energy for Vehicle Use

On average, around 60% of a today's car's CO_2 emissions arise in the use phase ("well to tank" and "tank to wheel"). A key factor in achieving carbon-neutral e-mobility is consistently charging vehicles with 100% renewably generated electricity. Volkswagen Group is the first car maker to directly support the expansion of renewable energy on an industrial scale in the future. It is planned that new wind farms and solar parks will be constructed in several regions of Europe by 2025.

Climate Protection in Manufacturing

Since 2010, Volkswagen Group has increased annual vehicle production from 7.3 million to 8.0 million vehicles (a 10% increase). Although annual absolute energy consumption increased by 6% during the same period, absolute annual greenhouse gas emissions decreased 27%. Volkswagen wants to continue this trend and reduce greenhouse gas emissions in production by 50.4% in absolute terms compared to 2018 by 2030, which corresponds to a 1.5 degrees Celsius trajectory. By 2021, absolute greenhouse gas emissions have already decreased by 20.7%. Key to this is to increase energy efficiency and switching to a renewable power supply.

Circular Economy

The finite nature of natural resources and the social and environmental consequences of mining raw materials make uncoupling economic growth from resource consumption and the development of a circular economy key sustainability topics. Against this background, businesses such as Volkswagen Group face tighter legal regulation and increasing pressure from their stakeholders' expectations. One important driver of the circular economy is the ongoing decarbonization of Volkswagen Group. The growing use of secondary materials and the establishment of closed loops of materials help to significantly reduce the CO_2 emissions.

People in the transformation

The changes Volkswagen Group has made in its production strategy are also impacting the qualifications needed and the composition of the workforce. This is becoming particularly evident in the continued retrofitting of further plants in the reporting year, a process which started in 2020, for instance in Emden, Salzgitter and Hanover as well as in Chattanooga in the USA. Electric vehicles are now being built at several Volkswagen Group sites. In contrast to cars with internal combustion engines, the production of e-vehicles is less complex, whereas new fields of employment for highly qualified workers are emerging as a result of new digital functionalities in the vehicle.

The responsibilities for "people in the transformation" is therefore at the core of the Groups current and future activities in human resources. This responsibility extends beyond HR: for the entire Volkswagen Group, the transformation of the workforce as part of its NEW AUTO Group strategy is defined as one of the central focus topics and in connection with this has been launched as a separate Group initiative.

Diversity

The Volkswagen Group's HR policy's core tasks include creating a working environment in which talent of any age or gender, irrespective of original and cultural background can optimally contribute skills and viewpoints. Volkswagen Group not only wants to establish processes geared to equal opportunities but also aim to set targets for measures and programs at all levels of management. The Group's diversity approach centres around quotas for women in managerial positions and targets for the internationality of the top management. These two figures are combined in the diversity index, which has been in force since the beginning of 2017. The particular importance of this action area is further underpinned in the Group by the fact that the diversity index as a strategic KPI has acquired direct remuneration relevance at Group Board of Management level. In 2021, the proportion of women in management – comprising managers, senior managers and top managers – was 16.3% and significantly higher than the previous year's level. The aim is to raise this figure to 20.2% by 2025.

Integrity

Acting with integrity and in compliance with the rules are of key importance for the success and resilience of the Volkswagen Group. This is why integrity and compliance are a key element of the Groups NEW AUTO Strategy. The objective is to act as a role model in this area and thus deepen the trust of existing and future stakeholders. The aim is to gear the rules, processes and corporate culture to enabling every employee to act with integrity and in compliance with the rules at all times. At the same time, the Volkswagen Group wants to ensure that integrity and compliance permanently have the same strategic and operational priority as, for example, sales revenue, profit, product quality or employer attractiveness.

Responsibility for Supply Chains and Business

The Volkswagen Group is pursuing a vision of enabling sustainable mobility for future generations: live up to the legal, social and environmental responsibility not only within the own business but also in the supply chains as well. The ambition, which should translate into lived corporate practice by 2030, is: fully and entirely committed to corporate human rights responsibility in the business relationships, in the business units and at the sites. For this reason, business and human rights are integrated in the compliance management system. This ambition results in concrete objectives in the field of human rights: in the supply chain, ESG-related risks should be avoided, including human rights risks, to achieve a situation where 85% of the direct business partners obtain an A in the Group's sustainability rating (S rating) by 2025. All other business partners need to achieve a B rating and thus at least meet the Group's requirements, e.g. the Volkswagen code of conduct for business partners. All entities within the scope of Group Compliance are tasked with incorporating business and human rights in their compliance management system by 2023. The Group will tie suitable measures and programs to the achievement of each target and manage this by means of KPIs.

External Alignment

Disclosure and Reporting

Volkswagen Group is reporting its activities on climate protection in detail in accordance with the guidelines of the Task Force on Climate related Financial Disclosures TCFD Recommendations since 2020. Further, Volkswagen Group discloses according to the Standards of the Global Reporting Standard (GRI) with limited assurance from an independent auditor as part of the non-financial report of Volkswagen Group.

Science-Based Targets initiative (SBTi)

Volkswagen is fully committed to becoming net carbon neutral by 2050. In 2020 SBTi confirmed that the Group is fulfilling the conditions for limited global warming to "well below 2 degrees Celsius" with the target that the whole Group's CO_2 emissions to be reduced globally by 30% of 2018 levels by 2030 - in production and from vehicle emissions.

In 2022 the ambition was further strengthened by aiming to reduce the CO_2 emissions in internal operations (scope 1) and energy supply (scope 2) between 2018 and 2030 by 50%. This intermediate target has been confirmed by SBTi to be in line with the 1.5 degrees Celsius path.

- Intermediate target: 30% reduction of CO_2 emissions on average per vehicle (passenger cars and light commercial vehicles) over the lifecycle and 50% reduction in internal operations and energy supply, both between 2018 – 2030
- Long-term targets: Making the entire Group net carbon neutral in 2050

ESG Ratings

Volkswagen Group has started an initiative to significantly improve the ESG ratings by 2025 by focussing on 4 different pillars:

- ESG performance measurements
- ESG engagement in capital markets
- Management of controversies
- Establishing internal infrastructure for ESG data

Those actions have already shown good progress and in 2021, ratings from MSCI and Sustainalytics have improved.

EU taxonomy[4]

Doing business in an environmentally sustainable way is one of the central challenges of our time. The EU has defined the criteria for determining the corporate degree of environmental

[4] (Regulation (EU) 2020/852 and associated delegated acts) published in December 2021

sustainability. With EU taxonomy-aligned investments in development activities and in property, plant and equipment, today the Volkswagen Group is already working on shaping the future in an environmentally sustainable way as envisaged by the EU taxonomy.

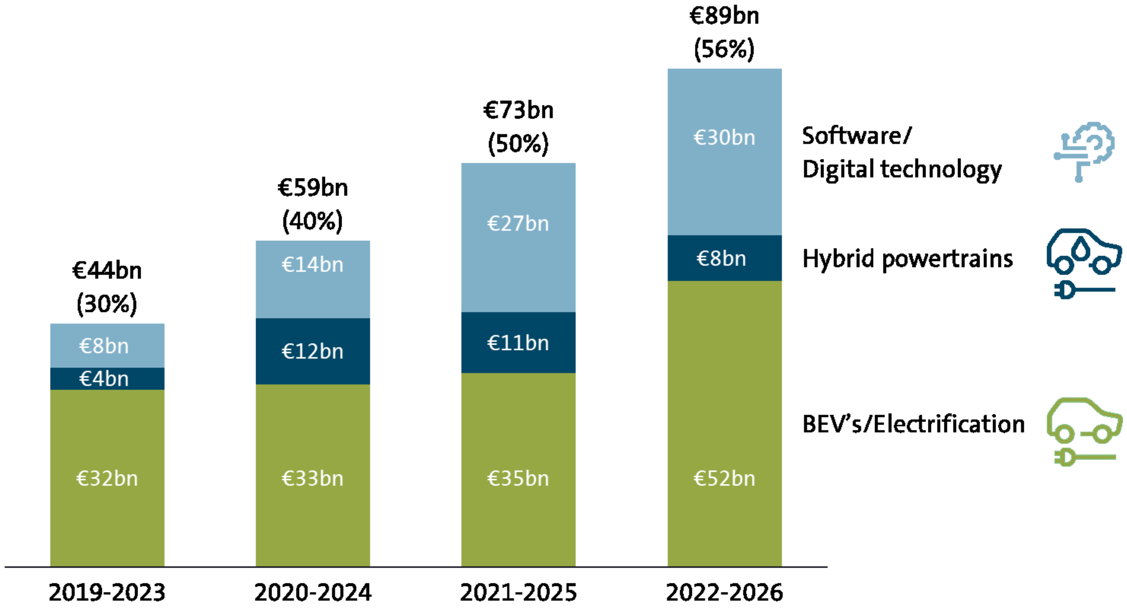
Volkswagen Group’s activities in vehicle-related business with passenger cars, light commercial vehicles, trucks, buses and motorcycles cover the development, production and sale of vehicles and extend to the financial services and other vehicle-related products and services. Activities in these areas are suited under the EU taxonomy to making a substantial contribution to the environmental objective of climate change mitigation by increasing clean or climate-neutral mobility. The Volkswagen Group ’s activities in the Power Engineering Business Area comprise the development, design, production, sale and servicing of machinery and equipment. These activities also fall under the environmental objective of climate change mitigation.

Economic activity in accordance with the EU taxonomy (climate change mitigation)	**Allocation in Volkswagen Group**
3.2 Manufacture of equipment for the production and use of hydrogen	Power Engineering
3.3 Manufacture of low-carbon technologies for transport	Vehicle-related business
3.6 Manufacture of other low-carbon technologies	Power Engineering
9.1 Close to market research, development and innovation	Power Engineering

Financing the Transformation

Financing the shift from a carmaker to a software driven mobility provider requires massive investments, totalling an estimated €89bn from 2022-2026 as well as strong regional brands and scalability.

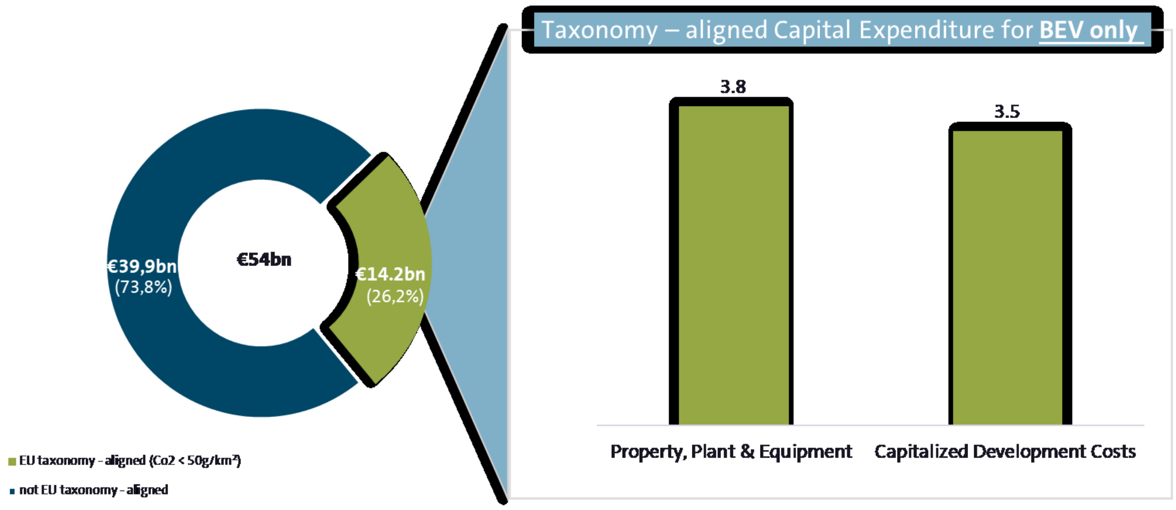
Volkswagen Group planned R&D and Capex investments in new technologies



- Estimates from the different planning rounds of Volkswagen Group
- Percentages in brackets represents the share of dedicated investments from total Capex spending of Volkswagen Group

The most material topic for the Volkswagen Group is decarbonization. In 2021, EU taxonomy aligned capital expenditures for the 'manufacturing of low-carbon technologies for transport' amounted to €14.2bn.

Volkswagen Group: EU taxonomy aligned capital expenditures in 2021[5]



[5] The amounts of EU taxonomy aligned capital expenditures in the graph represents the entire Volkswagen Group. This Framework, however, only includes eligible green capital expenditures by Group brands or Group companies without separate green finance engagements as specified further in each annual Green Finance Report. Therefore, the eligible green capital expenditures under this framework can be somewhat lower.

Rational for Green Finance Framework

The Group believes that Green Debt Instruments are effective tools to channel investments to projects that demonstrate climate benefits and thereby contribute to the achievement of the Paris Climate Agreement and the United Nations' Sustainable Development Goals ("UN SDGs").

The Group published its first Green Finance Framework in March 2020 which allowed it to successfully issue Green Debt instruments and finance battery electric vehicles (BEV) projects as they are core to the Group's business and sustainability strategy. Now, more than two years later, the Group continues to follow systematically and successfully its sustainable financing strategy and illustrates the strong progress it has made. This new Green Finance Framework ("Framework") was updated to reflect new best market practices, especially by including the EU taxonomy as a new measure to assess projects by their significant contribution to environmental objectives, specifically climate change mitigation, adherence to the do no significant harm principle and provision for minimum social safeguards of such projects. This demonstrates that Green Debt Instruments become more and more a core pillar of the funding strategy. At the same time, it gives the opportunity to attract the ever-increasing proportion of clearly sustainability focused investors in the financial markets and to further contribute to the development of the green finance market and to the growth of Socially Responsible Investments (SRI).

Green Finance Framework

This new Framework has been developed in accordance with the 2021 ICMA Green Bond Principles (GBP), including the updated appendix I of June 2022[6] as well as the 2021 APLMA, LSTA and LMA Green Loan Principles (GLP)[7]. Through this Framework, the Group may issue different Green Debt Instruments, including Green Senior Unsecured Bonds, Green Junior Subordinated Bonds, Green Schuldscheindarlehen, and obtain Green Loans. The Framework is aligned with the four core components of the GBP and GLP, as well as the recommended External Review components:

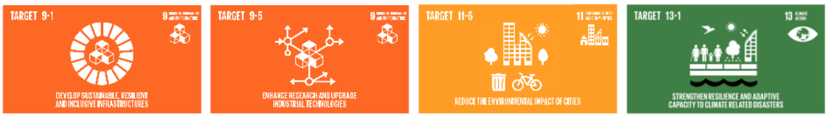
1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting
5. External Review

1. Use of Proceeds

According to this Framework, the proceeds from the issuance of Green Debt Instruments will be used to finance or refinance, in part or in whole, new or existing Eligible Green Capital Expenditures ("Eligible Green Portfolio") from various Volkswagen Group brands as described in

[6] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles_June-2022-280622.pdf
[7] https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

the table below[8]. Financing is defined as Eligible Green Capital Expenditures that are disbursed during the year of issuance whereas refinancing is defined as Eligible Green Capital Expenditures that were reported in the period of up to three preceding full fiscal years from the date of issuance. Together these Eligible Green Capital Expenditures form the Eligible Green Portfolio.

<table>
<tr><td colspan="3">Clean Transportation (all-electric)</td></tr>
<tr><td colspan="3">ICMA Green Bond Principles Eligible Green Project Category: Clean Transportation
Substantial contribution to Environmental Objective: Climate Change Mitigation
United Nation Sustainable Development Goals: 9.1, 9.5, 11.6, 13.1
</td></tr>
<tr><td>Economic activity EU taxonomy</td><td>Allocation in the Volkswagen Group</td><td>Additional criteria and information on the Eligible Green Portfolio</td></tr>
<tr><td>3.3 Manufacture of low-carbon technologies for transport</td><td>Vehicle-related business</td><td>IFRS accounted additions to capitalized development costs[9] for the BEVs (Battery Electric Vehicles) and, the IFRS accounted additions to property, plant and equipment[10] for BEVs</td></tr>
</table>

Exclusions

The Group will not use Green Debt Instruments to finance or refinance capital expenditures in relation to plug-in hybrid electric vehicles (PHEVs) or to vehicles with combustion engines.

Sustainable Development Goals

In this Framework, the Eligible Green Portfolio has broadly been mapped to the SDGs in accordance with the High-Level Mapping to the Sustainable Development Goals published by the ICMA 2022.

2. Process for Portfolio Evaluation and Selection

The Group has established a process to select capital expenditures that meet the before outlined Eligibility Criteria and positively contribute to the EU environmental objective of climate change mitigation in accordance with the EU taxonomy.

The cross-departmental Volkswagen Green Finance Committee ("GFC") is chaired by fixed senior management members from Group Treasury, the Sustainability Department, Group Accounting, Group Controlling and Group Legal. The GFC may allow permanent or temporary observers and invite internal and external experts, although none of these constituents will be present at a

[8] This Framework only includes eligible capital expenditures by Group brands or Group companies without separate green finance engagements as specified further in each annual Green Finance Report.

[9] Include all direct and indirect costs that are directly attributable to the development process in relation to vehicle models, powertrain technology or software development, excluding research activities (as defined in the notes to the Consolidated Financial Statements of the Annual Report). Example expenditure is the investment in the development and manufacture of the mechatronics platforms specifically for battery electric vehicles, or the bodies of the eligible vehicles that are built on these platforms, such as the VW ID. family, or Audi e-tron models.

[10] Such as buildings, site improvements, technical equipment and machinery or other equipment and operating equipment, including special tools (as defined in the notes to the Consolidated Financial Statements of the Annual Report), e.g. investments in relation to the platform, powertrain technology and modules of the eligible vehicles.

vote in the GFC. It will meet on an annual basis and decisions will always be made in consensus. Main responsibilities of the GFC include but are not limited to:

1. Reviewing the content of the Framework and updating it to reflect changes in corporate strategy, technology, market, regulatory developments, applicable laws and regulations as well as the Groups' policies and long-term goals for social and environmental sustainability on a best effort basis in the context of the objective of making a positive impact on sustainable mobility and avoiding carbon emissions.
2. Initiating the update of non-Group documents such as second party opinion ("SPO") and related documents from external consultants.
3. Evaluating and selecting the Eligible Green Portfolio in line with the Eligibility Criteria defined within the Framework, as well as validating the purpose of the financing and the environmental objectives they contribute to.
4. Overseeing the allocation of the proceeds from Green Debt Instruments to the Eligible Green Portfolio.
5. Overseeing, approving and publishing the allocation and impact reporting. The Group may rely on external consultants and their data sources, in addition to its own assessment.
6. Liaising with relevant business finance segments and other stakeholders on the above

The Group has also established processes for EU taxonomy reporting (Article 8). The process of preparing the EU taxonomy reporting is not part of the GFC's responsibilities. This report applies the EU Taxonomy Regulation (including the EU Environmental Objectives, the Technical Screening Criteria (TSC), the Do No Significant Harm (DNSH) criteria and Minimum Social Safeguard requirements). In the reporting year 2021, the DNSH criteria analysis in the vehicle-related business was performed for each vehicle production site where passenger cars, light commercial vehicles, trucks and buses are or will be produced that meet the screening criteria for the substantial contribution of economic activity 3.3 Manufacture of low-carbon technologies for transport, or that are to meet them in future according to the Groups five-year planning. Of the approximately 30 sites included, the majority are located in the EU, with some in the United Kingdom, Turkey, the USA, Mexico, Brazil and China. The minimum safeguards consist of the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the Fundamental Conventions of the International Labour Organisation (ILO) and the International Bill of Human Rights. A human rights risk assessments for 782 controlled Group companies worldwide was conducted; this included all sites that were also examined under the DNSH criteria.[11]

The EU Taxonomy Regulation and its Delegated Acts currently contain wording and terms that are still subject to interpretation uncertainties and for which clarifications have not yet been published in every case. The Group describes its interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in each annual report starting from 2021. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal

[11] Further information and more details can be found in the EU taxonomy section of the Annual Report

conformity of the interpretation is subject to uncertainties. The disclosures will be updated, if necessary. If such adjustments are affecting the Eligible Green Portfolio, the Group will communicate such adjustments in the Green Finance Report or through an updated version of the Framework depending on the scope of such adjustments. Further description on Volkswagen Group's procedure of the economic activities in the context of the EU taxonomy can be found in the annual report.

On a best efforts basis, the GFC will draw the share of the Groups' annual capital expenditures dedicated to Battery Electric Vehicles that are assessed as EU taxonomy aligned (Article 8) and which are not related to Group companies with separate green finance engagements. These Eligible Green Capital Expenditures will form the Eligible Green Portfolio.

Capital expenditures that no longer comply with the eligibility criteria (following divestment, liquidation, concerns regarding alignment of underlying activity with eligibility criteria etc.) will be removed from the Eligible Green Portfolio.

3. Management of Proceeds

Eligible Green Capital Expenditures of the Eligible Green Portfolio can be tracked via the established processes for EU taxonomy reporting (Article 8).
The Group will allocate the net proceeds from its outstanding Green Debt Instruments to finance the Eligible Green Portfolio.

The Eligible Green Portfolio consists of multi-year capital expenditures, with the intention to draw on those capital expenditures that are assessed as EU taxonomy aligned (Article 8) and are audited on a reasonable assurance from an independent auditor in the annual report. These include the IFRS accounted additions to capitalized development costs[12] for the BEVs (Battery Electric Vehicles) and, the IFRS accounted additions to property, plant and equipment[13] for BEVs. A look-back period of up to three preceding full fiscal years from the date of issuance will be applied.

It is the intention to fully allocate the proceeds of Green Debt Instruments at the time of issuance. Only in the event that proceeds cannot be allocated directly, they will temporarily be held in any form of cash or bank deposits until full allocation to Eligible Green Capital Expenditures of the Eligible Green Portfolio. The Group strives to invest unallocated proceeds 12 month after the date of issuance latest.

4. Reporting

To enable investors to follow the developments and to provide insight to prioritized areas, the Group will, at least, provide an aggregated Green Finance Report one year after the issuance and

[12] Include all direct and indirect costs that are directly attributable to the development process (as defined in the notes to the Consolidated Financial Statements of the Annual Report)
[13] Such as buildings, site improvements, technical equipment and machinery or other equipment and operating equipment, including special tools (as defined in the notes to the Consolidated Financial Statements of the Annual Report)

on an annual basis thereafter, until full allocation of the Green Debt Instruments. The Group intends to report on quantitative impact indicators, where feasible and relevant data information is available and maybe in an aggregated way due to confidentiality agreements or competitive considerations. The Green Finance Report will wherever feasible include:

4.1 Allocation Reporting

1. The total amount of the Eligible Green Portfolio. The allocation report is based on Volkswagen Groups EU taxonomy reporting of EU taxonomy aligned capital expenditure (Article 8)
2. The amount and / or percentage of new and Eligible Green Capital Expenditures (share of financing and refinancing)
3. Geographical distribution of Eligible Green Capital Expenditures by region
4. The balance of unallocated proceeds (if necessary)

4.2 Impact Reporting

The impact reporting aims to disclose the environmental impact of the Eligible Green Portfolio financed or refinanced under this Framework. As the Group can finance large and small Eligible Capital Expenditures, impact reporting may, to some extent, be aggregated. The impact reporting may also be aggregated due to confidentiality agreements or competitive considerations.

The impact assessment of such BEVs is provided with the reservation that not all related data can be covered and that calculations therefore will be on a best effort basis e.g., if an Eligible Project is under development but not yet operational or if parts of the Life Cycle Assessment ("LCA") are based on estimations since some data are still not available. The Group will provide best estimates of future environmental impacts. The impact assessment will, if applicable and wherever feasible, be based on the Key Performance Indicators (KPIs) presented in the table below.

ICMA Green Bond Principles Eligible Green Project Category: Clean Transportation	
Economic activity EU taxonomy	**Impact Reporting & Metrics**
3.3 Manufacture of low-carbon technologies for transport	Number of BEV's sold in alignment with EU taxonomy Estimated annual avoided tailpipe emissions (tCO_2/year) Results from Life Cycle Assessments (LCA) of BEV's

The Group analyses its environmental impact of BEVs over their entire life cycle and all stages of the value chain. This includes the extraction of raw materials, the production of materials, the processes at its suppliers and its own production at its sites, the use phase with vehicle emissions and the necessary provision of energy and eventually the recycling of the vehicle at the end of its life cycle. For detailed LCA, the Group uses special LCA software with its own LCA database LEAD (Life Cycle Environmental Assessment Database), which ensures the application of harmonized data throughout the Volkswagen Group.

In terms of the environmental impacts of the Eligible Green Portfolio, the Group intends to align the reporting, on a best effort basis, with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June 2021)[14] .

5. External Review

5.1 Second Party Opinion

To secure alignment with national and international principals and guidelines, in accordance with the Guidelines developed by the Green Bond Principles and Green Loan Principles from the ICMA, Volkswagen Group has engaged Sustainalytics to act as an independent external verifier of this Framework. The Second Party Opinion will be made publicly available on Volkswagen Group 's website (https://www.volkswagenag.com/en/InvestorRelations/fixed-income/green-finance.html).

5.2 Third-Party Review

Volkswagen Group's EU taxonomy reporting (Article 8) will be externally audited on a reasonable assurance basis, as it is part of the Group Management Report. Given that the Eligible Green Portfolio only consists of EU taxonomy aligned capital expenditures, it will have been subject to this audit process.

Publicly Available Documents

The Framework, the Second Party Opinion from Sustainalytics and any Green Finance Report will be publicly available on Volkswagen Group 's website[15].

[14] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf
[15] https://www.volkswagenag.com/en/InvestorRelations/fixed-income/green-finance.html

Appendix

Documentation of Environmental and Sustainability work at Volkswagen Group

#	Name	Public / Non-Public
	Reports	
1	Annual Report of Volkswagen Group	Public
2	Sustainability Report of Volkswagen Group	Public
3	Responsible Raw Materials Report of Volkswagen Group	Public
4	Volkswagen Group's ESG Figures on Decarbonization, Circular Economy, People in the transformation, Diversity, Integrity and Responsibility for supply chains and business	Public
	Policies	
5	Sustainability Model	Public
6	Environmental policy	Public
7	Stakeholder Guidelines	Public
8	Corporate Guidelines	Public
	Activities	
9	Sustainability Council activities and projects	Public

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