

VOLKSWAGEN

AKTIENGESELLSCHAFT



**5th Annual Volkswagen Group ESG
Conference for Investors & Analysts**

“Risk Management & Internal Controls”

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6th October 2022

Disclaimer

The following presentations as well as remarks/comments and explanations in this context contain forward-looking statements on the business development of the Volkswagen Group. These statements are based on assumptions relating to the development of the economic, political and legal environment in individual countries, economic regions and markets, and in particular for the automotive industry, which we have made on the basis of the information available to us and which we consider to be realistic at the time of going to press. The estimates given entail a degree of risk, and actual developments may differ from those forecast. At the time of preparing these presentations, it is not yet possible to conclusively assess the specific effects of the latest developments in the Russia-Ukraine conflict on the Volkswagen Group's business, nor is it possible to predict with sufficient certainty to what extent further escalation of the Russia-Ukraine conflict will impact on the global economy and growth in the industry in fiscal year 2022.

Any changes in significant parameters relating to our key sales markets, or any significant shifts in exchange rates, energy and other commodities or commodities relevant to the Volkswagen Group or the supply with parts, or deviations in the actual effects of the Covid-19 pandemic from the scenario presented will have a corresponding effect on the development of our business. In addition, there may be departures from our expected business development if the assessments of the factors influencing sustainable value enhancement and of risks and opportunities presented develop in a way other than we are currently expecting, or if additional risks and opportunities or other factors emerge that affect the development of our business.

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Active management & control of ESG-risks are being integrated into Volkswagen Group's Risk Management & Internal Control System

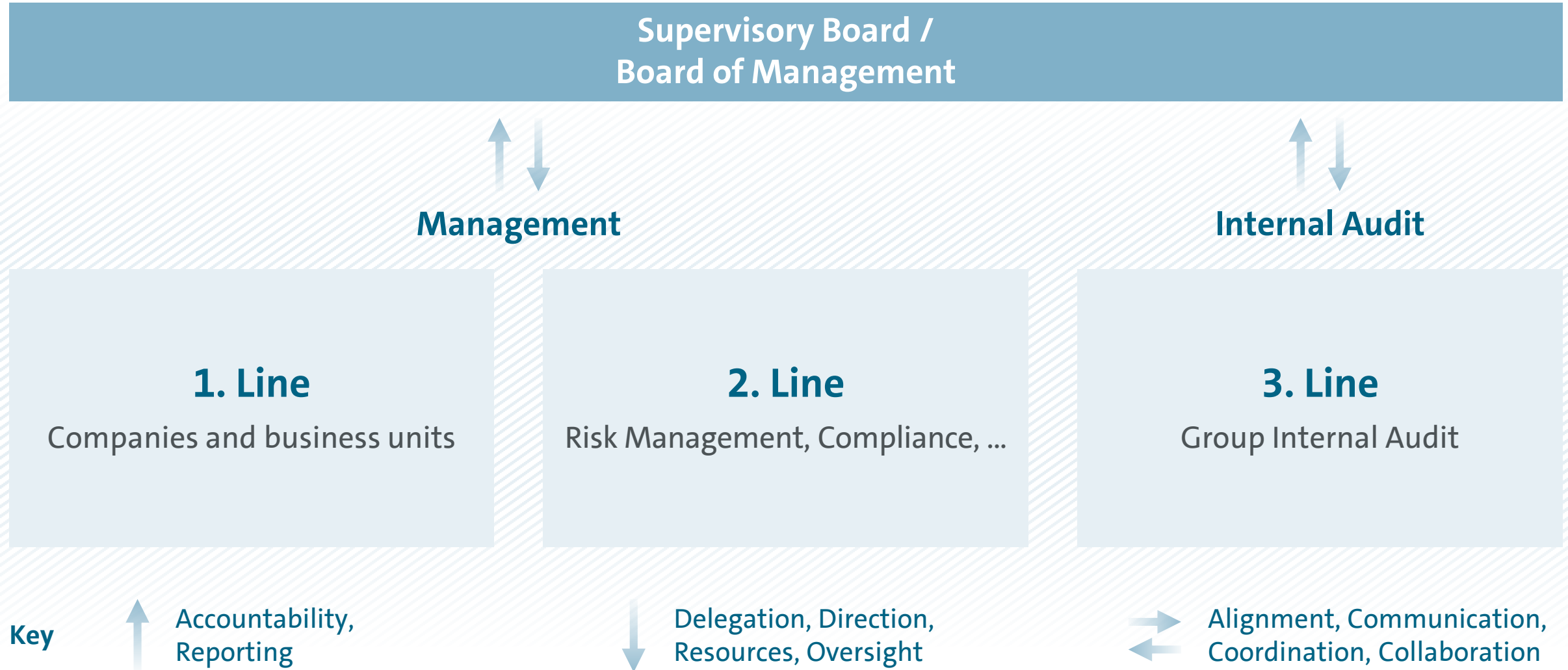
The diagram consists of three overlapping circles. The left circle is labeled 'Risk Management System', the middle circle is labeled 'ESG-Steering & Reporting', and the right circle is labeled 'Internal Control System'. The circles overlap in a central area, indicating that ESG is integrated into both the Risk Management and Internal Control systems.

**Risk
Management
System**

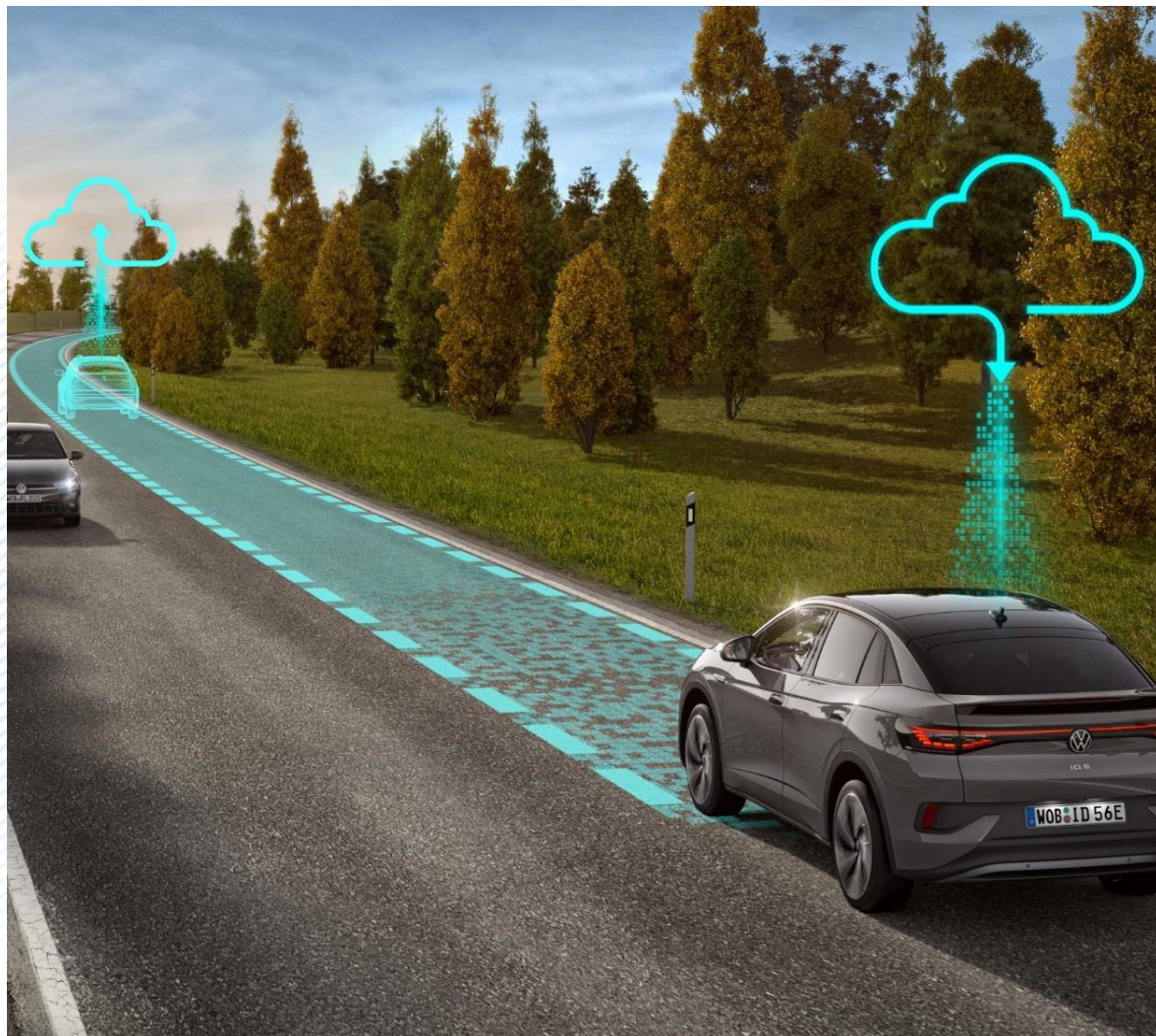
**ESG-Steering &
Reporting**

**Internal
Control
System**

Volkswagen Group follows the well accepted „3-lines model“ for its internal Governance with a clear separation of roles & responsibilities



ESG-Risks affecting Volkswagen Group have long been part of our Risk Management System - Integrating the „inside-out view“ is one focus area going forward



Group-wide quarterly process to identify, assess and mitigate material risks well established

Process includes ESG-risks, e.g. CO₂-Fleet emission risks, supply chain & raw material risks

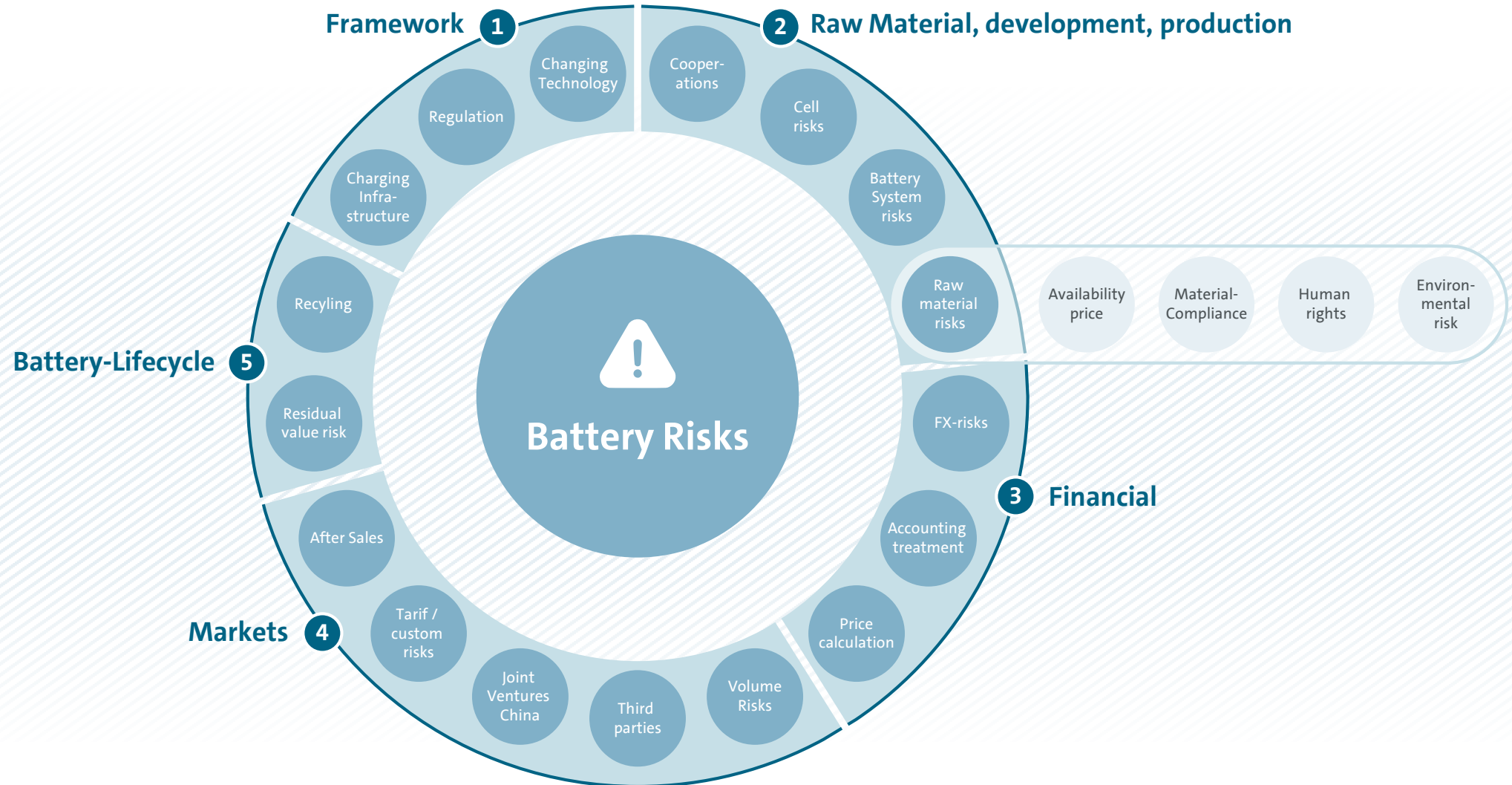
Additional tailored risk assessments established, e.g. corruption risks, money laundering risk, supply chain risks, environmental risks

Scenario-analysis to enhance forward looking risk assessments and mitigation

Well established crisis management

360 degree risk maps - to run scenarios to better understand & manage (ESG)-risks

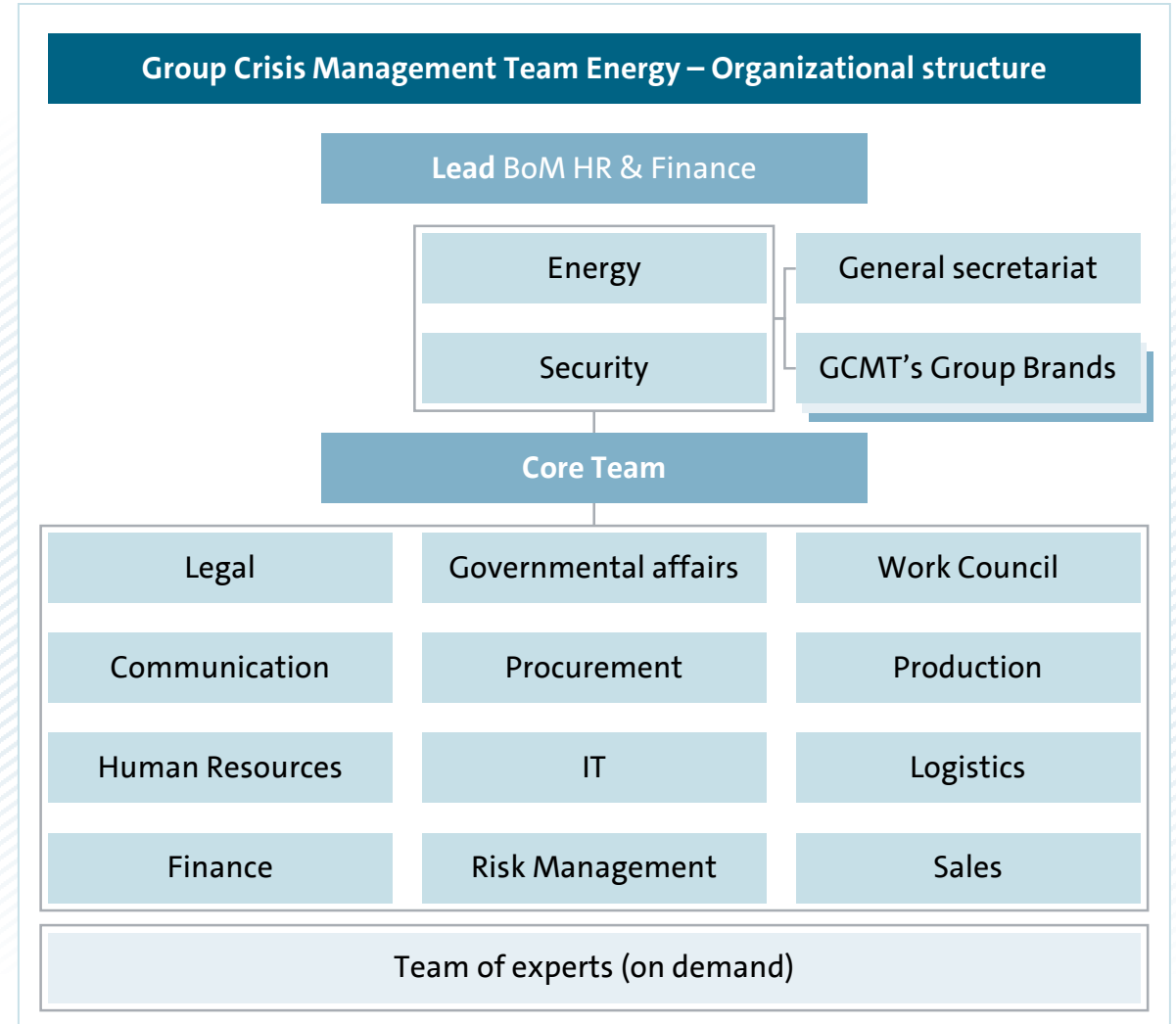
Used Case: Battery Risks



Crisis Management

Used Case: Ukraine war/Energy crisis

- **Monitoring of situation since 2021**
- **Scenario base risk analysis** before start of war
- **Early start of Group Crisis Management Team**
- **Cross function composition** attended by Executive Board members
- **Key objectives** of the Group Crisis Management Team: **fast information cascading, escalation and decision-making**
- Integrating COVID-19 China effects as well as semi-conductor shortages and energy shortages to **get holistic picture**



Crisis Management

Used Case: Ukraine war/Energy crisis

Active risk mitigation has helped to reduce the impact on Volkswagen Group significantly

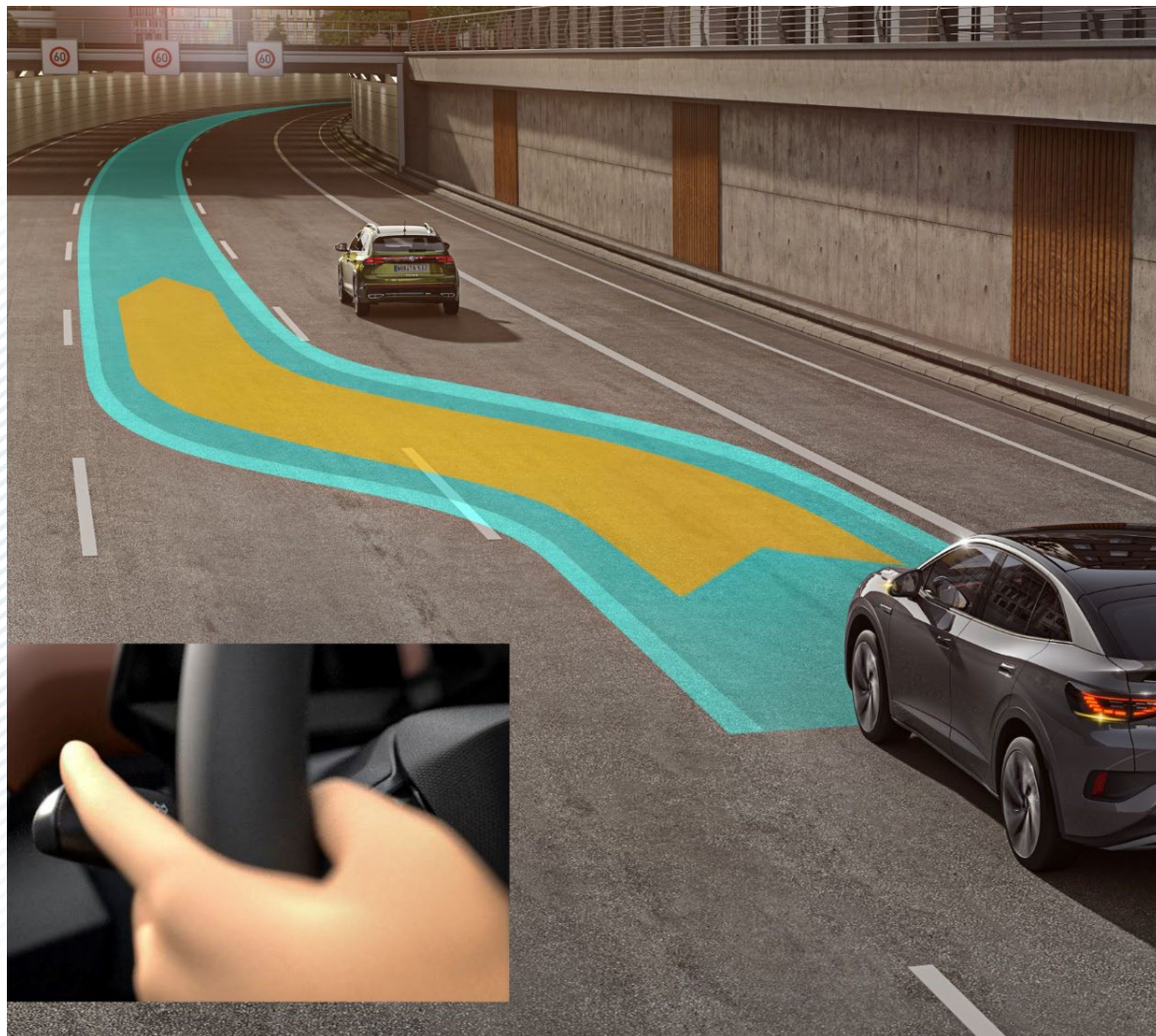
- Mitigating personal safety risks
- Deeply engaged in refugee support
- Ensure compliance with sanction
- Protecting production capability by duplicating wiring harness supply in other countries
- Reducing sales impact by re-routing cars, parts and semi-conductors
- Managing FX, liquidity and payment risks
- Monitoring and managing cyber threats
- Adjusting energy mix to respond to energy risks



Task Force Aid Ukraine



To measure & improve its overall resilience Volkswagen Group has introduced a quantitative risk appetite measurement, which is based on its risk bearing capacity



Risk-bearing capacity

(short and mid term)

Risk appetite

(short and mid term)

Total risk

(99% VaR short and mid term)

Volkswagen Group has upgraded its Internal Control System during the last few years covering the entire value chain & integrating more & more ESG-related controls

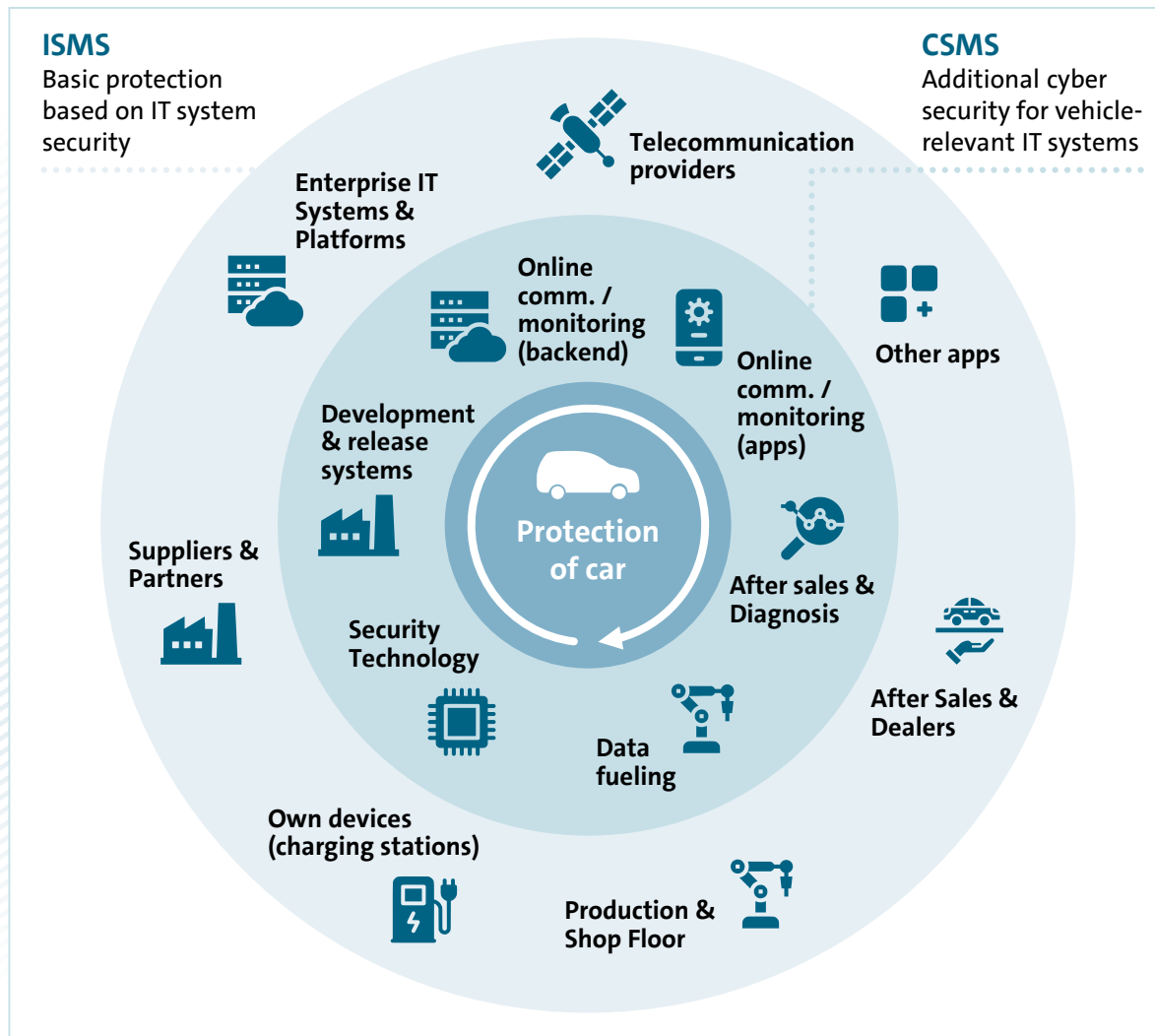


Used Lessons Learned from „Diesel“ to strengthen internal controls

High focus on appropriate controls for environmental compliance, product compliance, health & safety, diversity, product safety, data protection, cyber risks, fraud, etc.

Regular control-effectiveness-testing including management certification

Deep Dive: Volkswagen's Cyber Security Management system has been enhanced & certified to protect our cars & products from cyber security threats



- Holistic cyber security risk management approach to monitor and mitigate cyber security risks for vehicles and connected IT-Systems (incl. backends)
- Integration of cyber security risk management across effected business lines and product development
- Clear escalation and reporting system for cyber security risks
- Management system for cyber security certified according to **UNECE R155¹** by competent authority



1 Proposal for a new UN Regulation on uniform provisions concerning the approval of vehicles with regards to cyber security and cyber security management system

Volkswagen Compliance Management System further strengthened by constant improvement of its core elements

1

Compliance Organization

New Divisional Compliance Office
Group Technology



2

Whistleblower System

Successful external audit of Group
Whistleblower System



Protection



Fairness



Trust

3

Business & Human Rights

Project RESPECT to ensure the
Volkswagen AGs compliance with
Human Rights and Environmental
Duties

