

VOLKSWAGEN
AKTIENGESELLSCHAFT

zero  CO₂

Sustainability at Volkswagen Group

Ralf Pfitzner, Head of Sustainability Volkswagen AG
SG SRI Conference, 19 November 2020

Vertraulichkeitsklasse: öffentlich

Disclaimer

The following presentations contain forward-looking statements and information on the business development of the Volkswagen Group. These statements may be spoken or written and can be recognized by terms such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “will” or words with similar meaning. These statements are based on assumptions, 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. These assumptions relate in particular to the development of the economies of individual countries and markets, the regulatory framework and the development of the automotive industry. Therefore the estimates given involve a degree of risk, and the actual developments may differ from those forecast. The Volkswagen Group currently faces additional risks and uncertainty related to pending claims and investigations in a number of jurisdictions in connection with findings of irregularities relating to exhaust emissions from diesel engines in certain Volkswagen Group vehicles. The degree to which the Volkswagen Group may be negatively affected by these ongoing claims and investigations remains uncertain.

The recent outbreak of COVID-19 (commonly referred to as coronavirus) has negatively impacted and may continue to impact economic and social conditions in some of Volkswagen's primary markets, including China and Europe, as public, private, and government entities implement containment and quarantine measures. The continued spread of COVID-19 may cause shortages of necessary materials and parts from suppliers directly or indirectly affected by the outbreak and may cause operational disruptions and interruptions at Volkswagen's production facilities, leading to significant production downtimes

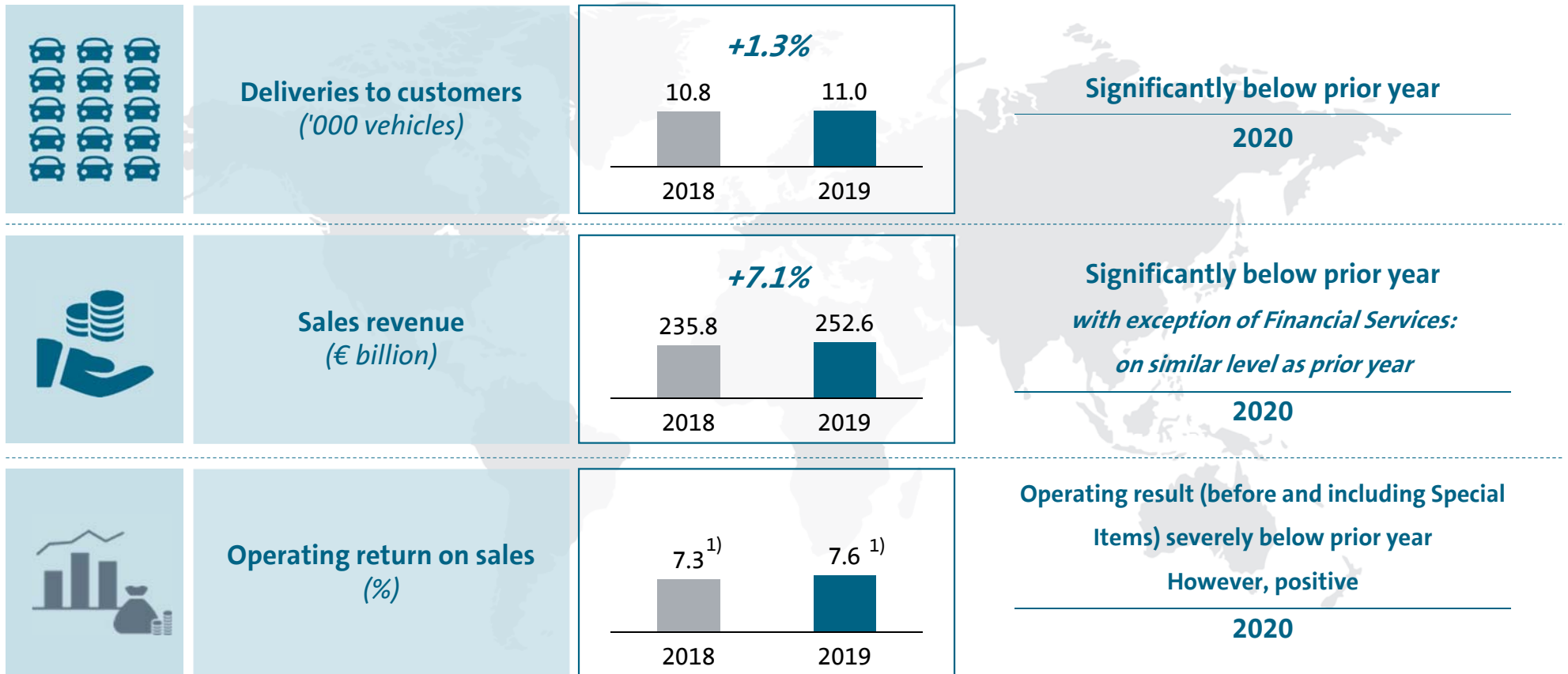
A negative development relating to ongoing claims or investigations, the continuation of COVID-19, an unexpected fall in demand or economic stagnation in our key sales markets, such as in Western Europe (and especially Germany) or in the USA, Brazil or China, and trade disputes among major trading partners will have a corresponding impact on the development of our business. The same applies in the event of a significant shift in current exchange rates in particular relative to the US dollar, sterling, yen, Brazilian real, Chinese renminbi and Czech koruna.

If any of these or other risks occur, or if the assumptions underlying any of these statements prove incorrect, the actual results may significantly differ from those expressed or implied by such statements.

We do not update forward-looking statements retrospectively. Such statements are valid on the date of publication and can be superseded.

This information does not constitute an offer to exchange or sell or an offer to exchange or buy any securities.

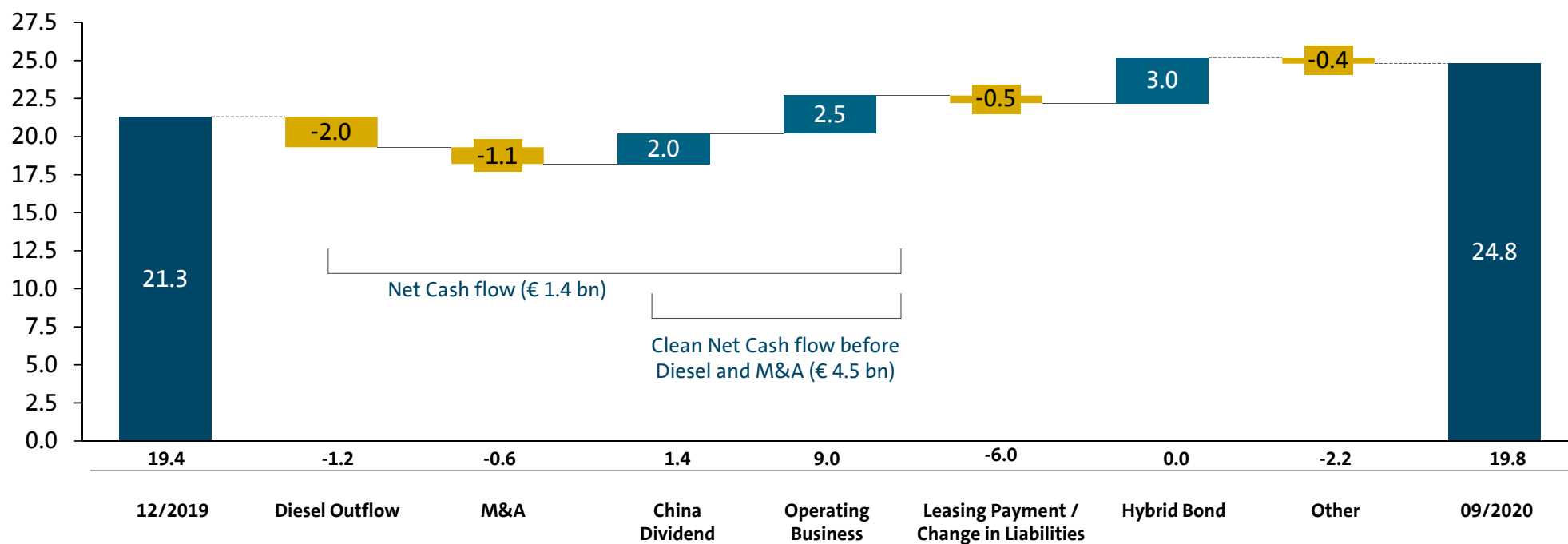
Volkswagen Group – Outlook for 2020



¹⁾ Before Special Items.

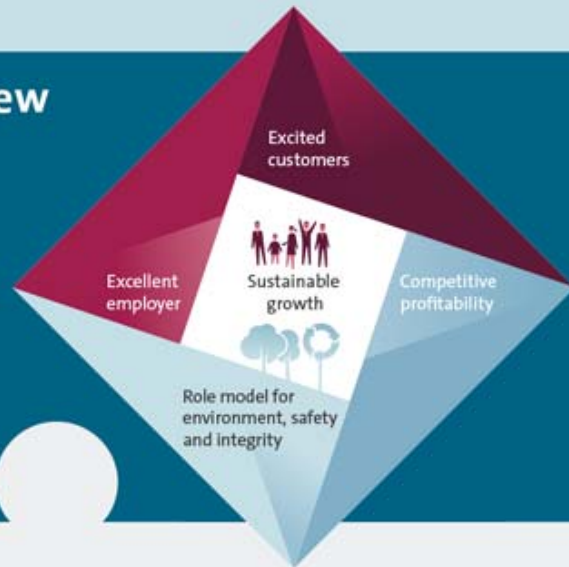
Automotive Division – Analysis of Net Liquidity ¹⁾ (January to September 2020)

[€ billion]



¹⁾ All figures shown are rounded, minor discrepancies may arise from addition of these amounts. Volkswagen Nachhaltigkeit – Ralf Pfitzner K-GGS | KSU-Klasse: öffentlich

Our new vision



Shaping mobility – for generations to come.

Our updated action plan



Best
Governance



Best
Performance



Best Brand
Equity



Software-
enabled
car company



Excellent
Leadership



Our belief

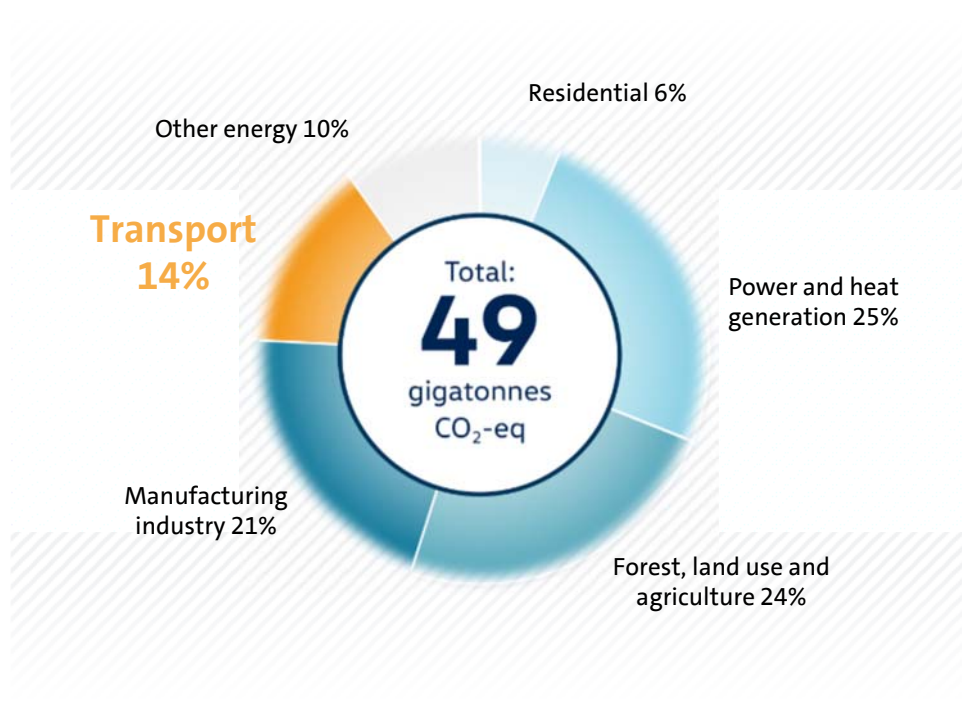
Values and integrity

Sustainability@Volkswagen covers a broad range of topics - Decarbonization, Integrity, Sustainable Supply Chains, Transforming the Workforce are among most material ones

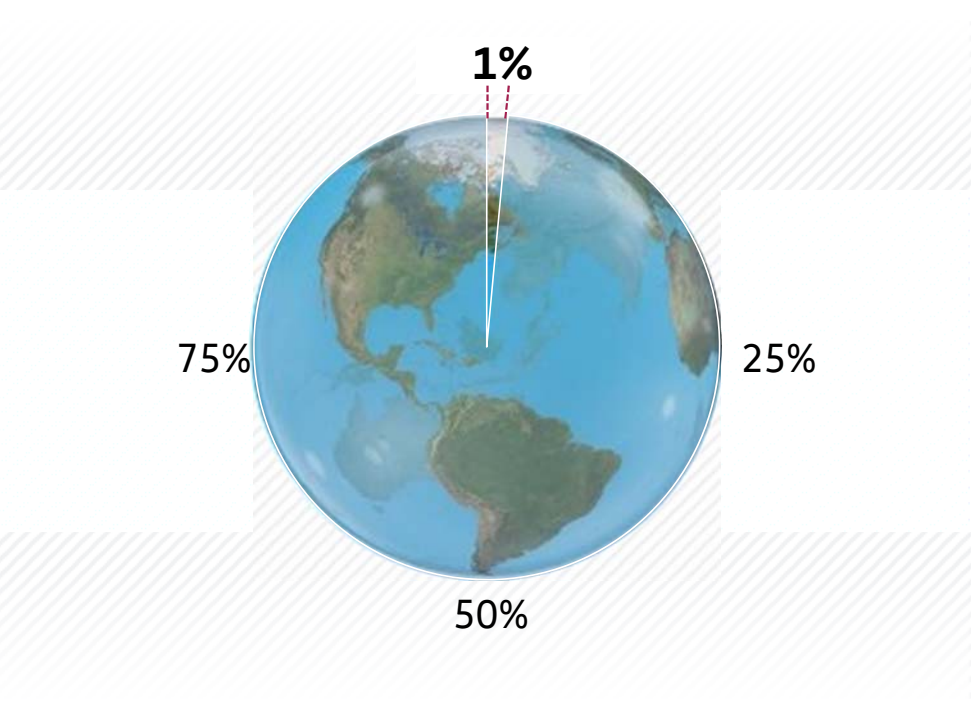


The reason why: Transport sector accounts for 14% of global GHG emissions. Volkswagen AG with significant share in sector emissions over product lifecycle.

DISTRIBUTION OF GLOBAL GHG EMISSIONS



VOLKSWAGEN PRODUCT EMISSIONS OVER THE LIFE CYCLE² ARE RESPONSIBLE FOR > 1% OF GLOBAL CO₂ EMISSIONS



1) GHG = greenhouse gas emissions 2) Basis: Group portfolio mix 2015 (light duty vehicles only)
Source: Intergovernmental Panel on Climate Change (IPCC), based on 2014 data

Volkswagen is fully committed to the Paris agreement – our goals are derived from it. Our decarbonisation program covers the entire product life cycle

PARIS CLIMATE AGREEMENT 2015



- Global warming well below 2° Celsius
- Radically reduce CO_{2e}-emissions by 2050
- Defines remaining global carbon budget

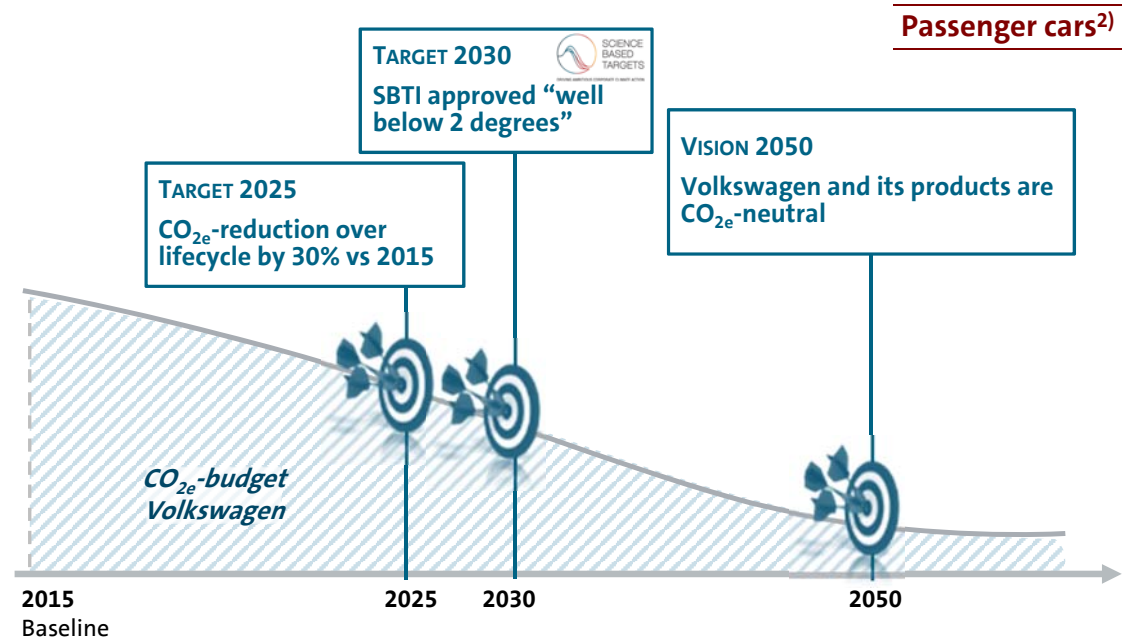
POSITION BY VOLKSWAGEN



Dr. Diess

„The targets of the Paris Agreement are our yardstick. We will be systematically aligning production and other stages in the value chain to CO₂ neutrality in the coming years”¹⁾

VOLKSWAGEN GROUP DECARBONISATION PATH UNTIL 2050



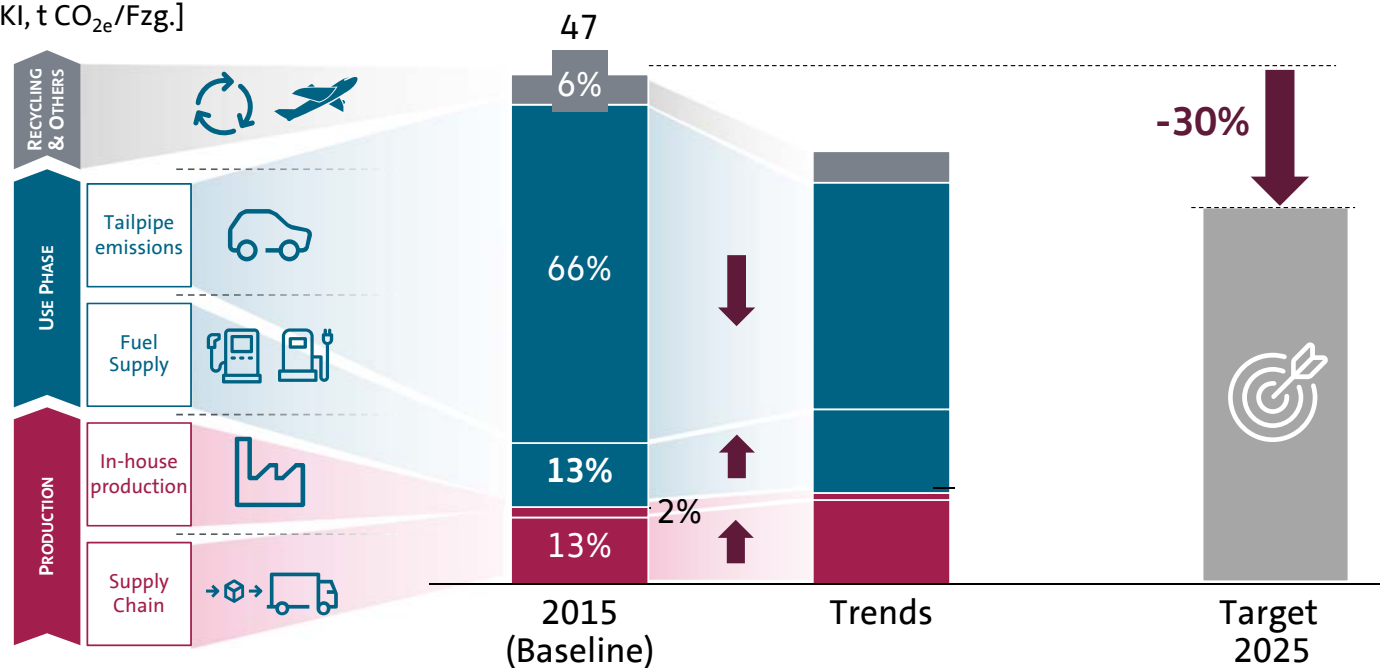
1) Annual Group Press Conference March 12, 2019 in Wolfsburg

2) Passenger cars including light duty vehicles

Our goal: reducing 30% CO_{2e}/vehicle over the life cycle by 2025 vs. 2015
Only 2% of life cycle emissions come from production in our factories, 98% is Scope 3

GROUP TARGET 2025/VEH. (LIFECYCLE)

[DKI, t CO_{2e}/Fzg.]



Passenger cars¹⁾

Main trends initiated by the electrification strategy:

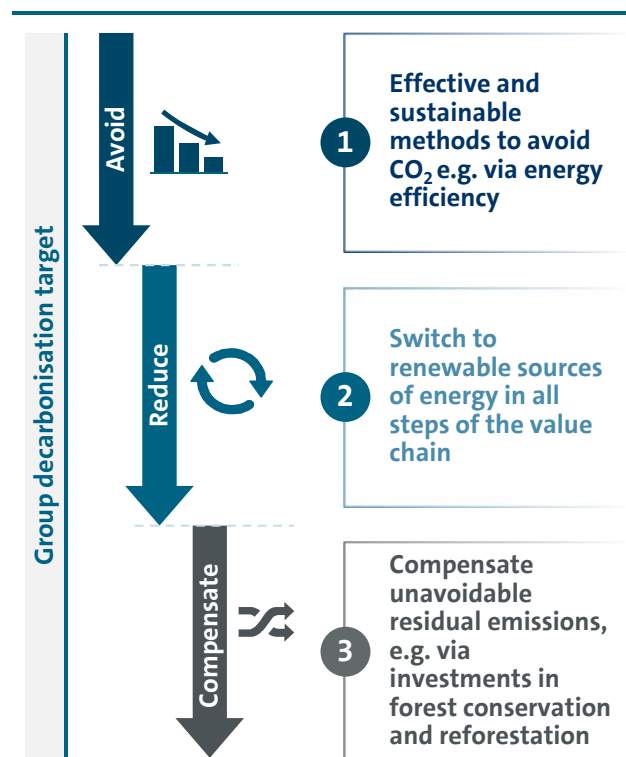
- Significant reduction of tailpipe emissions
- Increase of emissions in the fields of supply chain and fuel supply

→ **Additional measures are necessary**

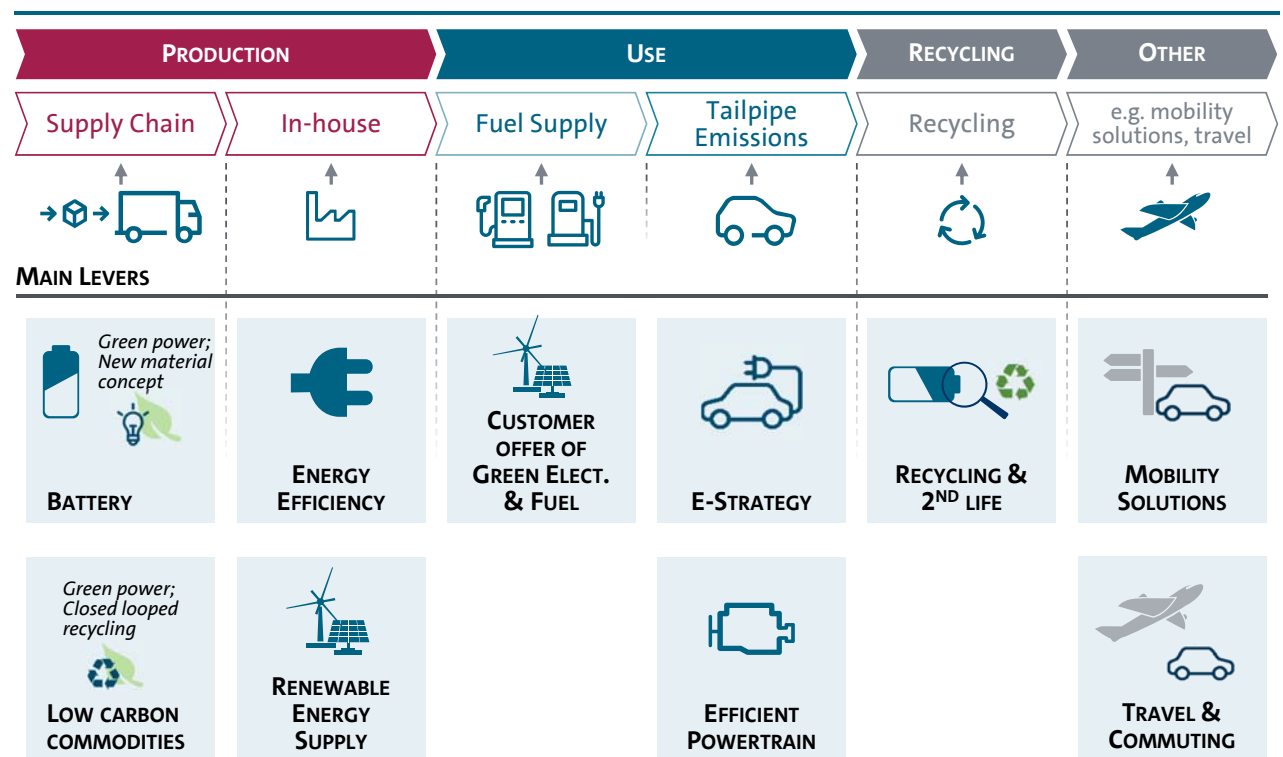
1) Passenger cars including light duty vehicles, WLTP cycle

Priority is to avoid and reduce CO₂. Compensation covers unavoidable emissions.
The decarbonisation program covers measures in all areas of the life cycle.

HOW WE ACT

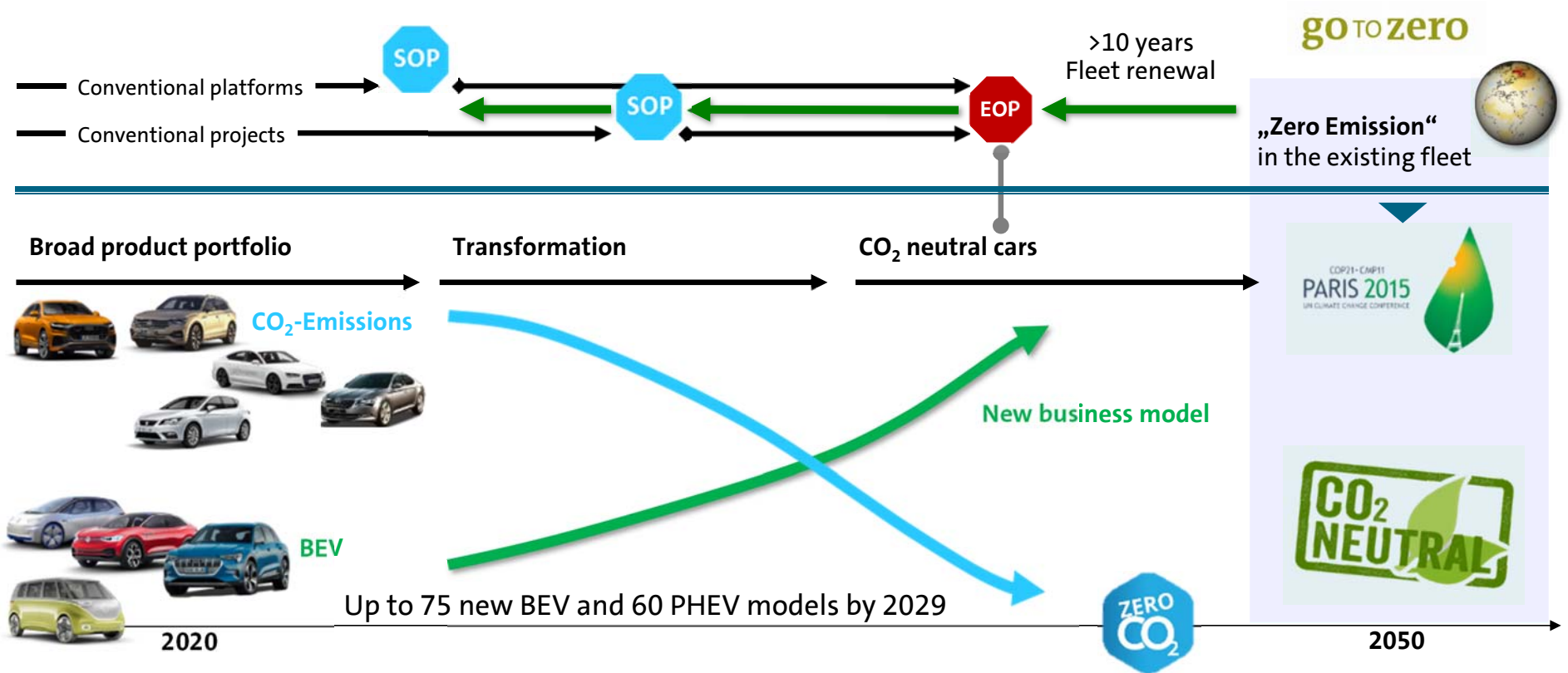


WHERE WE ACT



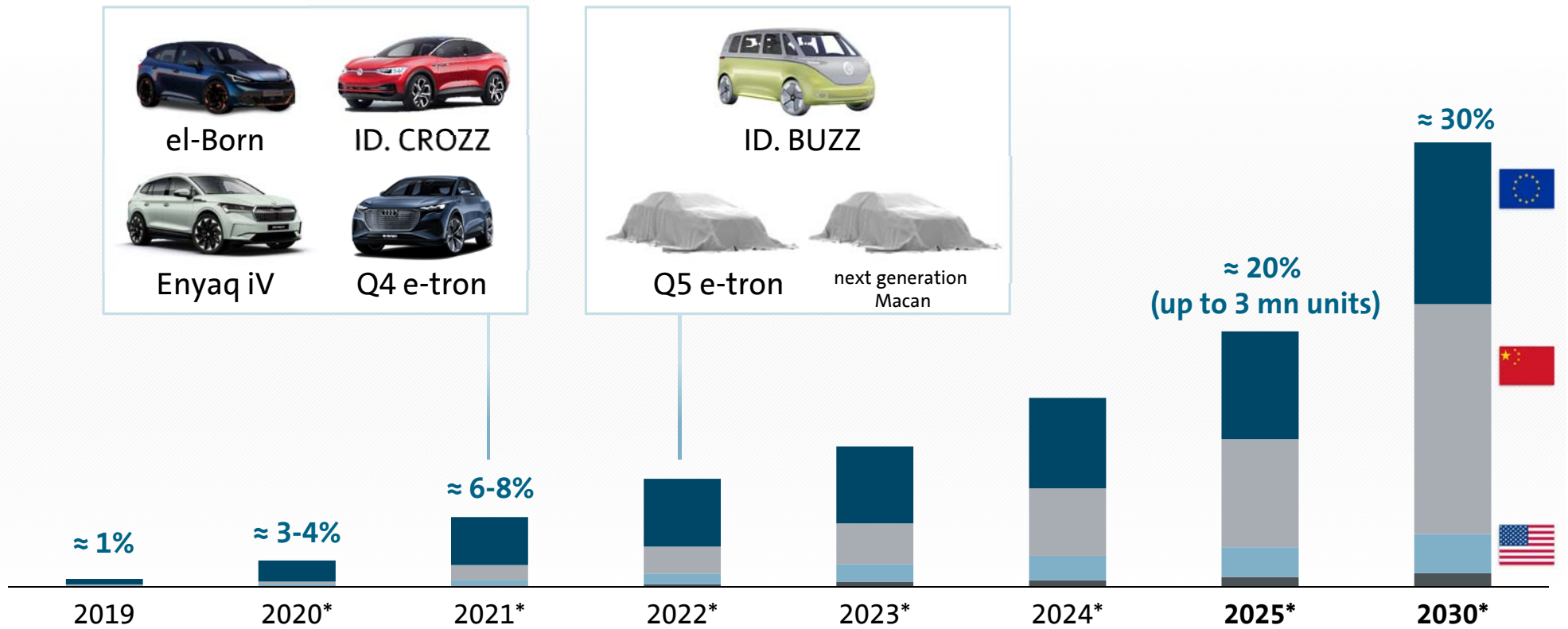
“Go to zero” Transformation of portfolio underway – in 2030 ~30% BEV share of Group deliveries

PARIS IMPLICATIONS AND TRANSFORMATIONS PATH



Significant increase in BEV deliveries will support our CO₂ compliance

Volkswagen Group – BEV volume by regions 2019 – 2030 | (BEV share of total Group deliveries in %)



Europe China NAR RoW

* Target

Starting in Zwickau – the MEB factories scale up world wide



North America



Europe



China



Chattanooga:
SOP 2022



Zwickau:
SOP 2019



Dresden:
SOP 2020



Emden:
SOP 2023



Hannover:
SOP 2022



Anting:
SOP 2020



Foshan:
SOP 2020

SOP = Start of Production

Holistic Battery-Strategy: Building competencies and further cooperations

SUPPLIER



- The Group maintains strategic relations with several producers to secure its battery supplies in all world regions:
 - Europe: LG Chem, Samsung, SKI and CATL
 - China: CATL
 - US: SKI
- In Europe and NAR, Volkswagen expects annual demand of over 150 gigawatt hours from 2025, with demand in Asia at a similar level



- Joint venture with **Northvolt** established in 2019
- Initial investment of some €450 mn for joint battery factory
- Large-scale **production of lithium-ion batteries** in Salzgitter, Germany
- Battery cell production is scheduled to commence in early 2024
- Initial production capacity of 16 gigawatt hours



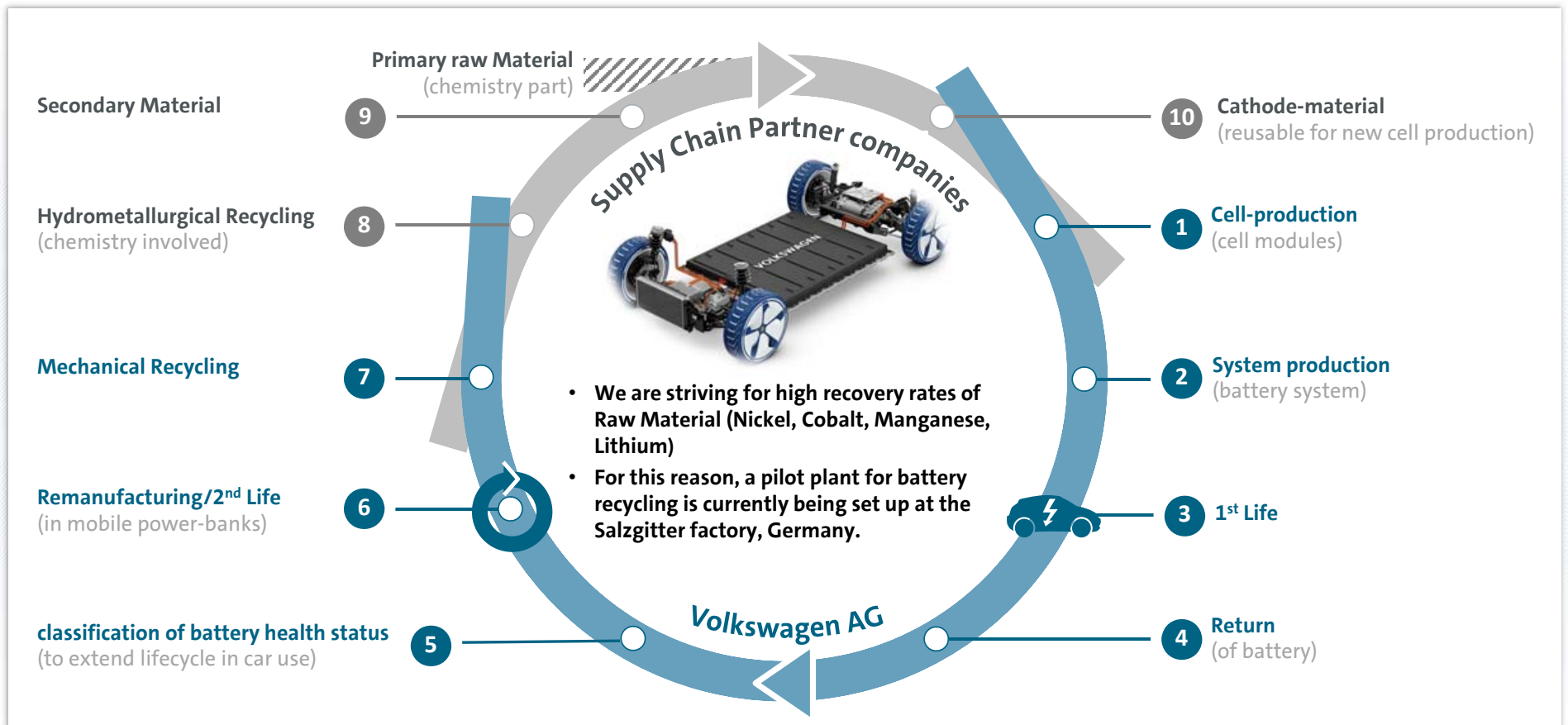
- Volkswagen will acquire a 26% stake of **Gotion High-Tech** for around €1 bn
- Secure future demand for **batteries for Chinese e-models**
- Planned to complete the deal by the end of 2020



- Non-exclusive relationship with Volkswagen dates back to 2012
- Volkswagen is committed of more than 300 million dollars in funding, and committed of additional dollars to help fund the manufacturing joint venture
- Goal is industrial-level production of solid-state batteries, start of production is targeted in mid 2020's

JOINT VENTURES

Principle of Closed Loop Battery Materials



We increase our efforts to increase energy efficiency in manufacturing while reducing resource usage.



1. Avoid



Example: Carbon Fund

-170.000
tons CO₂ / year achieved in 2019

Selected measures:

- LED lighting
- HVAC supply manufacturing sites
- Wet processes & dryers in paintshops

More and more sites convert power supply to renewable energies



2. Reduce



Green energy supply at manufacturing sites

> **40 %** share of
renewable energies

as part of total power consumption 2019

Our Goal: 100% renewable energy for external power supply in Europe by 2023, globally by 2030 (except China, currently under evaluation)

Volkswagen invests into credible CO₂ compensation projects to protect tropical forests



3. compensate

Example: Carbon Credits from Katingan Mataya Forest Protection Project. It protects

150.000 hectares of tropical forest

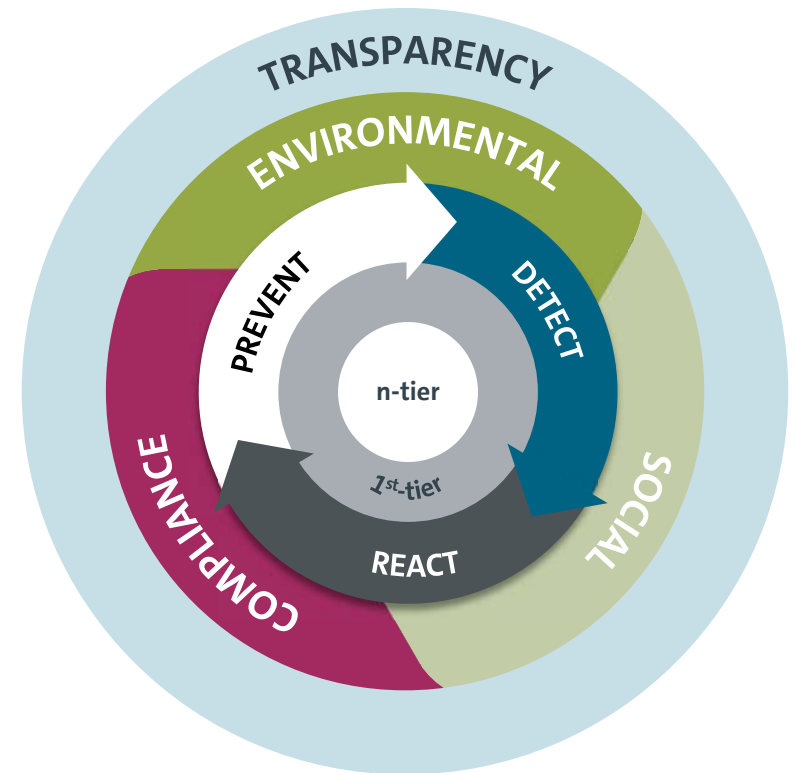
On the island of Borneo / Indonesia

- Protection and restoration of tropical forests
- Habitat of Orang-Utans,
- Certified according to highest standards (VCS & CCB)
- June 2020: Joint Development Agreement for climate protection projects with Permian Global signed

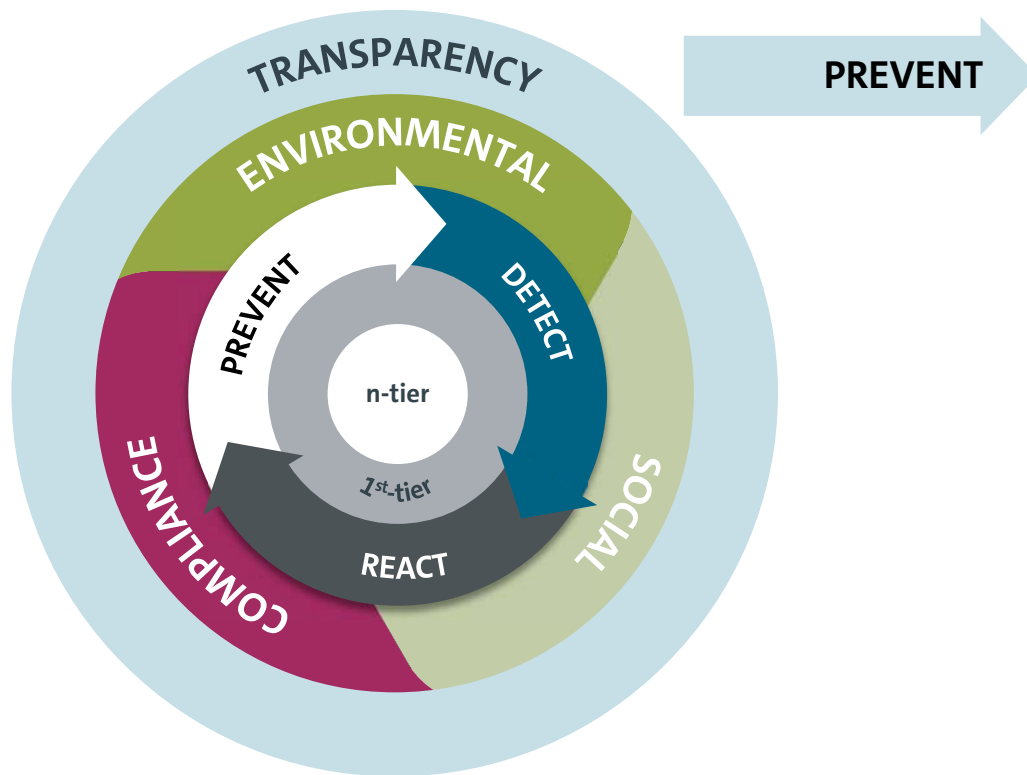
Supply chain sustainability becomes even more important with e-mobility

Create transparency – and set clear standards

- **S-Rating:** evaluation of the sustainability performance of our suppliers
- **Three step-plan:** Prevent, Detect, React
- **Initiatives with partners across sectors** for sustainable supply chains, e.g.
 - DRIVE Sustainability
 - Responsible Minerals Initiative
 - Global Battery Alliance



Increased sustainability requirements for our suppliers in 2019

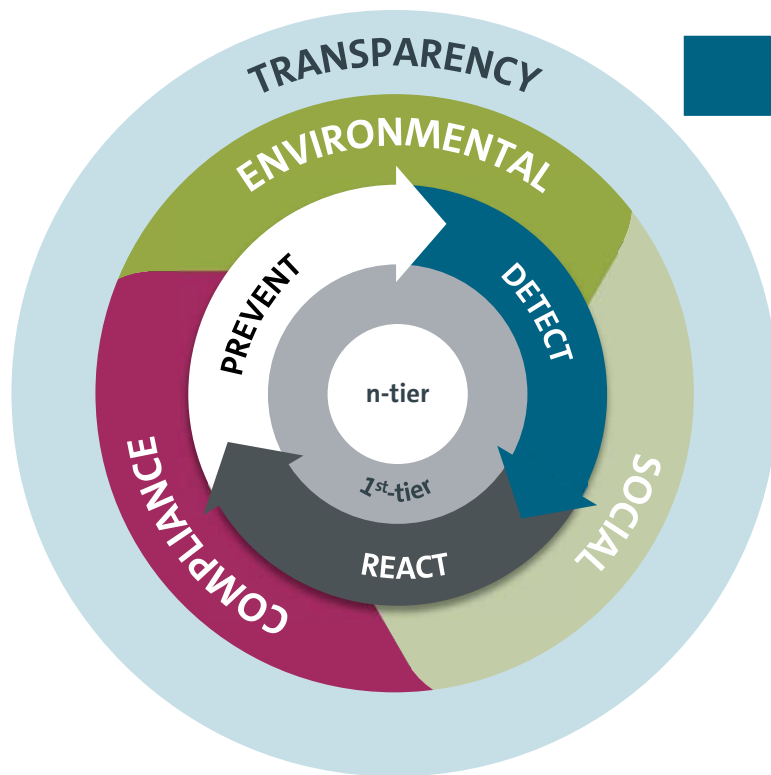


Anchoring Sustainability requirements in contracts and specifications

Selected results 2019:

- Strengthening of **Sustainability requirements** for our suppliers (revised code of conduct)
- Requirements for renewable energies in **HV-batteries** anchored
- Saving of approx. 8 mn t CO₂ (vs 2018) at our suppliers (according to CDP).
- World wide training of approx. 3.300 purchase officers and 1.500 employees of suppliers in 2019

The new S-Rating evaluates sustainability performance of our suppliers

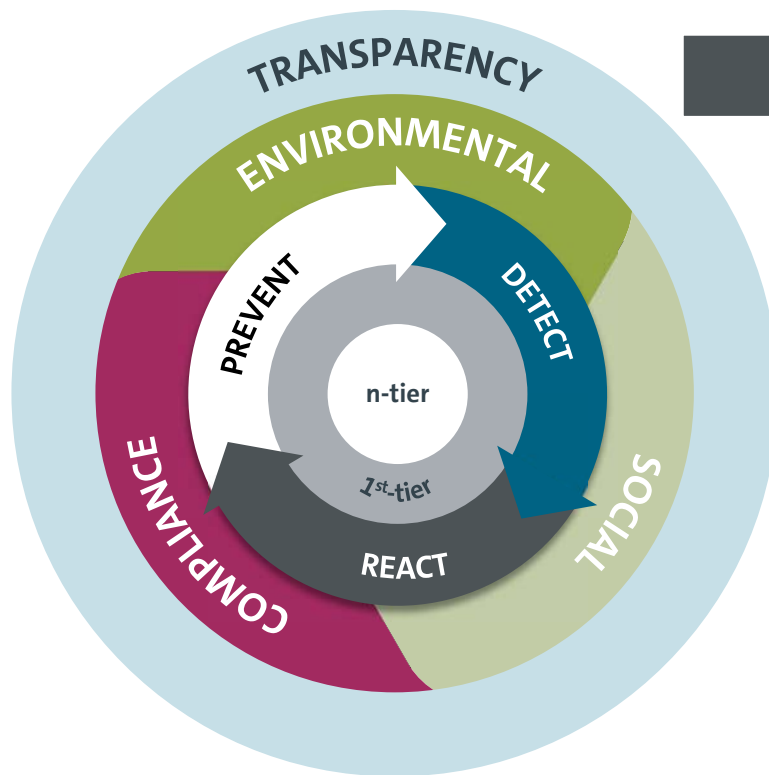


Systematic evaluation of sustainability-related risks in the supply chain

Selected results 2019:

- Introduction of **S-Rating**: Evaluation of the Sustainability performance of potential suppliers
- Anchoring S-Rating in **procurement decisions**
- > 12.000 sustainability questionnaires filled in by suppliers
- > **1.300 sustainability audits**
- Pilot projects: increase transparency via blockchain (pilot with IBM & Minespider)
- Enhanced supplier mapping for battery supply chain

In 2019, 5.900 suppliers improved their sustainability performance



Measures following identified risks and/or violations.

Selected results 2019:

- >5.900 suppliers improved their sustainability performance by appropriate measures
- Sustainability audits identified 3 violations/critical aspects per audit on average
- 27 „Ad-hoc cases“ proceeded
- Ongoing developments of further action plans

#WeNotMe



Volkswagen Group and brands providing support all over the world to help disaster response to the Covid-19 pandemic

Personal & Other Medical Protection Equipment Provision

Food Provision

Time Provision

Competency Provision

Mobility Provision

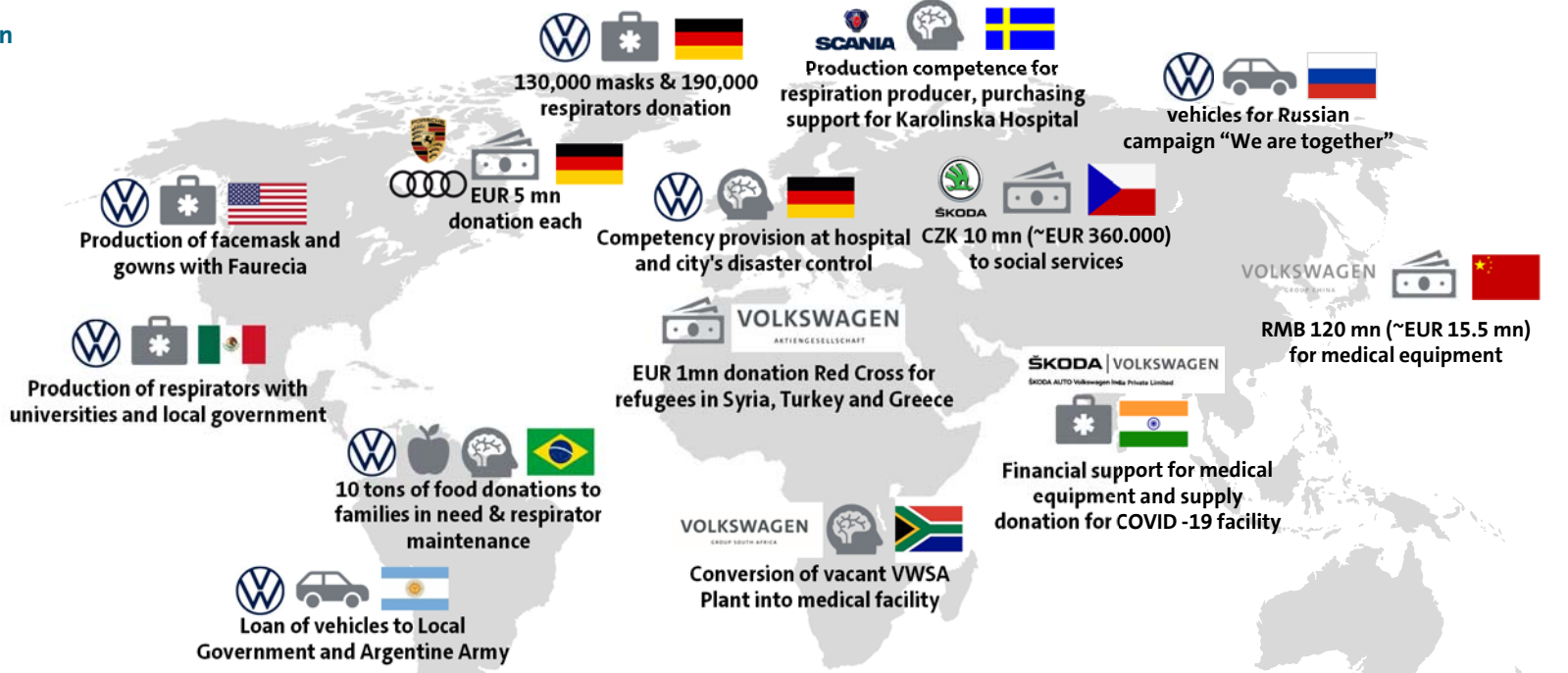
Money Provision

Volkswagen Group brands Medical equipment donations and production

Volkswagen Group brands Providing food to local charity – helping the most vulnerable

Volkswagen Group brands Volunteers support charities and esp. food delivery

Volkswagen Group brands Vehicle & driver provision – transporting food, medical supplies and people



Group coordination



Overview and updates on COVID-19 corporate citizenship measures



A platform for best practice sharing on Group Connect



Guidelines on corporate citizenship in coordination with other Group functions

Covid-19: Volkswagen South Africa converted plant to field hospital Cooperation of VW with GIZ, Eastern Cape Department of Health and Nelson Mandela Bay Municipality



- Conversion of a former production plant in less than two months
- Handed over in June to Eastern Cape Department of Health with more than 1400 beds, expansion to 3300 until end of 2020



Workforce Transformation as key theme for Volkswagen Group Stakeholder Dialog on February 13th 2020 – Study by Fraunhofer Institutes will finalized in November 2020



- **90 internal participants** out of key Group and brand functions: human resources, works council, strategy & sustainability
- **70 external stakeholders** out of NGOs, politics, academia, business partners & suppliers, investors & analysts
- **Focus topic: Social aspects of the automotive transformation** (e.g. securing employment, workforce qualification, corporate volunteering, human rights and transparency in the supply chain)



Our Sustainability Council acts as critical advisor to the Group Board of Management



Current members: Georg Kell (spokesperson), Connie Hedegaard (deputee spokesperson), Prof. Dr. Otmar Edenhofer, Magdalena Gerger, Rebecca Harms, Margo Oge, Prof. Ye Qi, Michael Sommer, Elhadj As Sy.
Former members: Prof. Gesche Jost, Yves Leterme

Topics

- Sustainable Mobility and Environmental Protection
- Social Responsibility and Integrity
- Future of Work and Digitalization

Tasks

- Strategic Counseling of the BoM
- Strengthening Sustainability Management
- Expertise and Initiatives

Projects

- Impacts of electrification and digitalization on employment
- Forecast-based Financing (Climate Change)
- Inclusive fiscal policies for sustainable mobility

Sustainable Finance: Volkswagen Green Finance Framework launched in spring 2020

First Green Bond of €2 bn successfully issued in September 2020

Use of Proceeds – Clean Transportation



- Projects related to the manufacture of electric vehicles
- Dedicated e-charging infrastructure

Project Evaluation and Selection



- cross-departmental Green Finance Committee responsible for overseeing the process of selecting, evaluating and monitoring Eligible Green Projects
- look-back period of up to three preceding full fiscal years from the date of issuance

Management of Proceeds



- Allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Debt Instruments
- Unallocated proceeds can be invested in cash or other liquid marketable instruments

Reporting



- Yearly updated reporting with limited assurance on use of proceeds
- Impact metrics such as Life Cycle Assessment

Second-Party Opinion

Volkswagen Green Finance Framework



Evaluation Summary

Sustainalytics is of the opinion that the Volkswagen Green Finance Framework is credible and impactful and aligns with the four core components of the ICMA Green Bond Principles 2018 and LMA Green Loan Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that Clean Transportation will lead to positive environmental impacts and advance the UN Sustainable Development Goals 9 and 11.



PROJECT EVALUATION / SELECTION Volkswagen's Green Finance Committee (GFC) will evaluate and select the eligible green projects to approve whether the projects are aligned with the Framework. The GFC is comprised of cross-functional representatives from Group Treasury, Sustainability Department, Group Accounting, Group Controlling, Group Legal and business units developing eligible projects. This process is in line with market practice.



MANAGEMENT OF PROCEEDS Volkswagen will allocate the proceeds to an Eligible Green Project Portfolio. Volkswagen will track expenditure and development costs using internal reporting systems. Pending full allocation or reallocation, the unallocated proceeds will be invested in cash or other liquid marketable instruments. This process is in line with market practice.



REPORTING Volkswagen intends to annually publish allocation and impact reporting of proceeds on the Volkswagen Group's website until full allocation. Allocation reporting will include the balance of allocated and unallocated proceeds as well as the number of new and existing projects. In addition, impact reporting will disclose data of CO2 emissions avoided in the use and production phases, along with the description of the green projects and results of Life Cycle Assessment. Sustainalytics views Volkswagen's allocation and impact reporting plans to be aligned with market practice.

Evaluation date	March 2020
Issuer Location	Wolfsburg, Germany

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For inquiries, contact the Sustainable Finance Solutions project team:

Lili Hocke (Amsterdam)
Project Manager
lili.hocke@sustainalytics.com
(+31) 20 205 00 40

Evan Bruner (Amsterdam)
Project Support
evan.bruner@sustainalytics.com
(+31) 20 205 0027

Jean-Claude Berthelot (Amsterdam)
Client Relations
susfinance.emea@sustainalytics.com
+44 20 3880 0193

Together4Integrity: Group-wide integrity and compliance program in full swing

STRATEGY

Ethics and compliance is central to business strategy

RISK MANAGEMENT

Ethics and compliance risks are identified, owned, managed and mitigated

SPEAK-UP ENVIRONMENT

The organization encourages, protects and values the reporting of concerns and suspected wrongdoing



CULTURE OF INTEGRITY

Leaders at all levels across the organization build and sustain a culture of integrity


RESOLUTE ACCOUNTABILITY

The organization takes action and holds itself accountable when wrongdoing occurs

1) Group entities covered; as of October 2020; Current coverage 71 countries, >55.000 employees reached through T4I dialogue formats

VOLKSWAGEN
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GROUP BRANDS & MODELS SUSTAINABILITY INVESTOR RELATIONS CAREER MEDIA



End of Monitorship

“Volkswagen is a better organization today than it was three years ago.”

Larry D. Thompson

Volkswagen AG successfully completes Independent Compliance Monitorship under Agreements with U.S. Authorities

- Conclusion of the Monitorship reflects successful work with Larry D. Thompson, the Independent Compliance Monitor appointed by the U.S. Department of Justice
- Board and Management team are committed to lasting cultural change

Communication on Sustainability: Sustainability Report and Sustainability Magazine Shift

Sustainability Report

Includes the combined separate non-financial report and fulfils the requirements of the HGB (German Commercial Code) and the German CSR Directive Implementation Act.

FOCUS:
ESG, facts, figures, regulation,
GRI / UN SDGs¹



<https://www.volkswagenag.com/en/sustainability/reporting.html>

Shift Magazine

How can Volkswagen – after the Diesel Crisis - talk about sustainability again without fear of ridicule?

Shift, which complements our traditional Sustainability Report, is an initial answer.

FOCUS:
conflicting goals, change /crisis,
outlook



<https://www.volkswagenag.com/en/sustainability/shift.html>

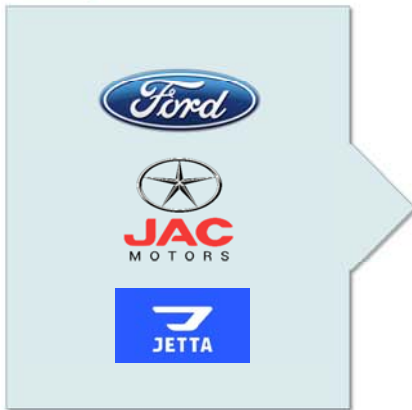
1) GRI = Global Reporting Initiative, SDG = Sustainable Development Goals

Backup

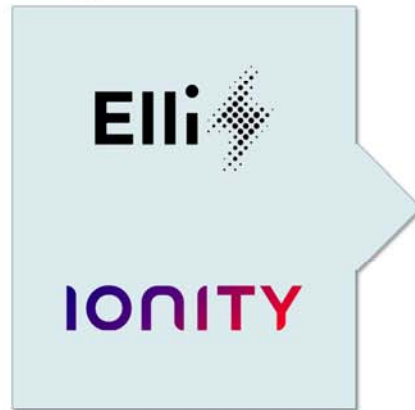


Driving forward Strategy: New collaborative approach

Market/ Product



E-Mobility services



Software



Technology



New Scale dimensions

Diesel issue: Special Items & payments

€ (bn)	Diesel special items	Payments	
2015	Legal	7.0	
	Other items	9.2	
		16.2	-
2016	Mainly legal risks	6.4	~3.0
2017	Buyback/retrofit program	2.2	
	Legal	1.0	
		3.2	~16.1
2018	Mainly legal risks	3.2	~5.3
2019	Mainly legal risks	2.3	~1.9
as of 9m 2020	Mainly legal risks	0.7	~2.0
Total		32.0	~28.3