

Driving the Transformation

Volkswagen's approach to Sustainability

Ralf Pfitzner, Head of Sustainability Volkswagen AG
Exane BNP Paribas ESG Conference - Fireside Chat
September 7, 2021

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.

The Strategy 2030 considers all relevant automotive and mobility trends



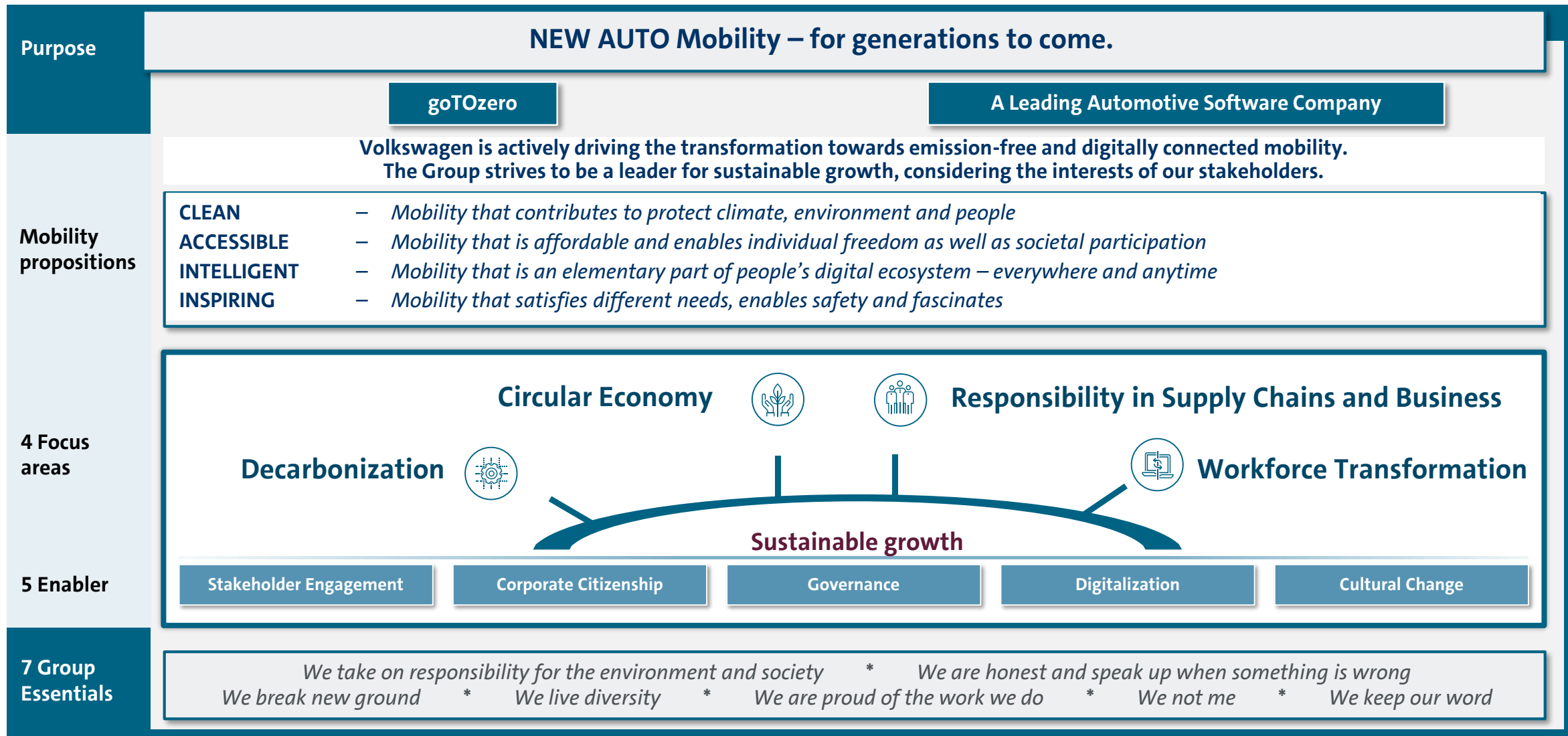
* Europe, China, North America

The VW Group lays foundation tap into future profit pools

Profitability 



Decarbonization, Circular Economy, Responsibility in Supply Chains & Business and Workforce Transformation are our current Sustainability focus areas



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

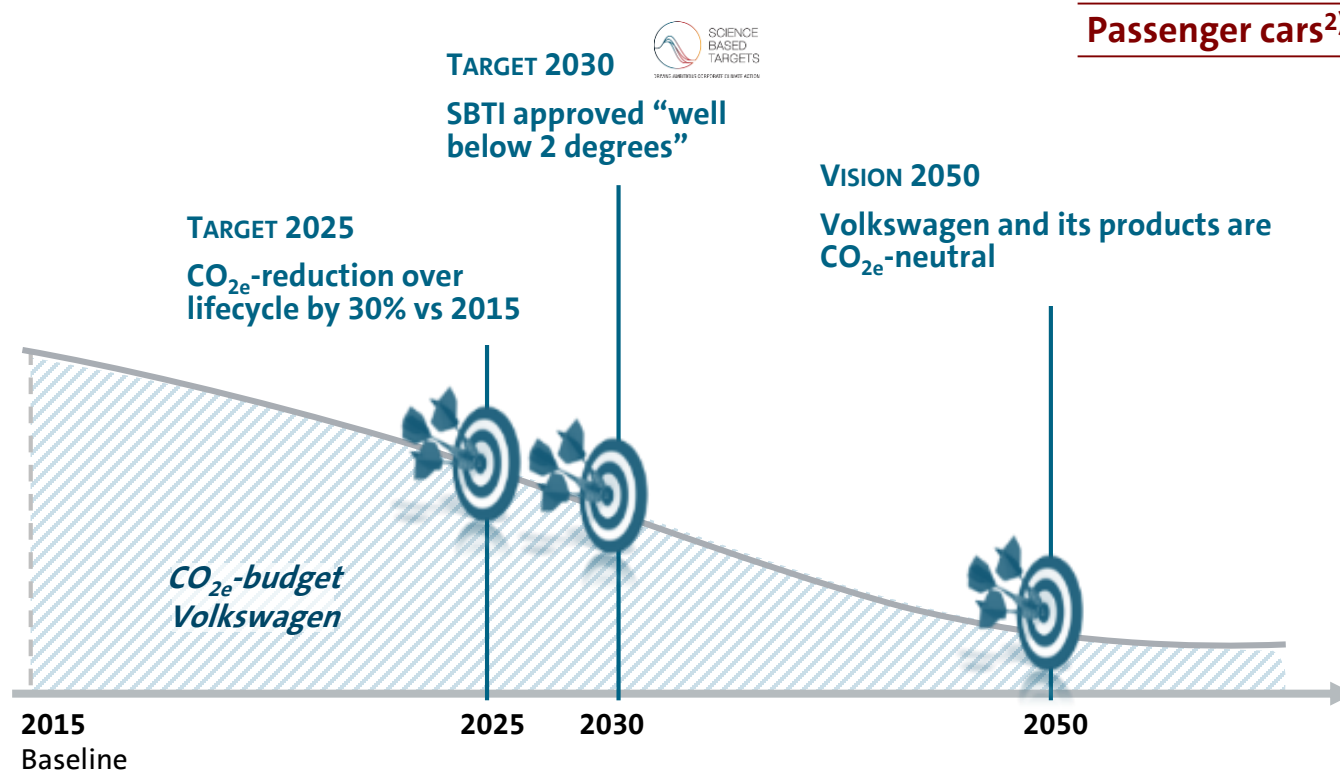
POSITION BY VOLKSWAGEN



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

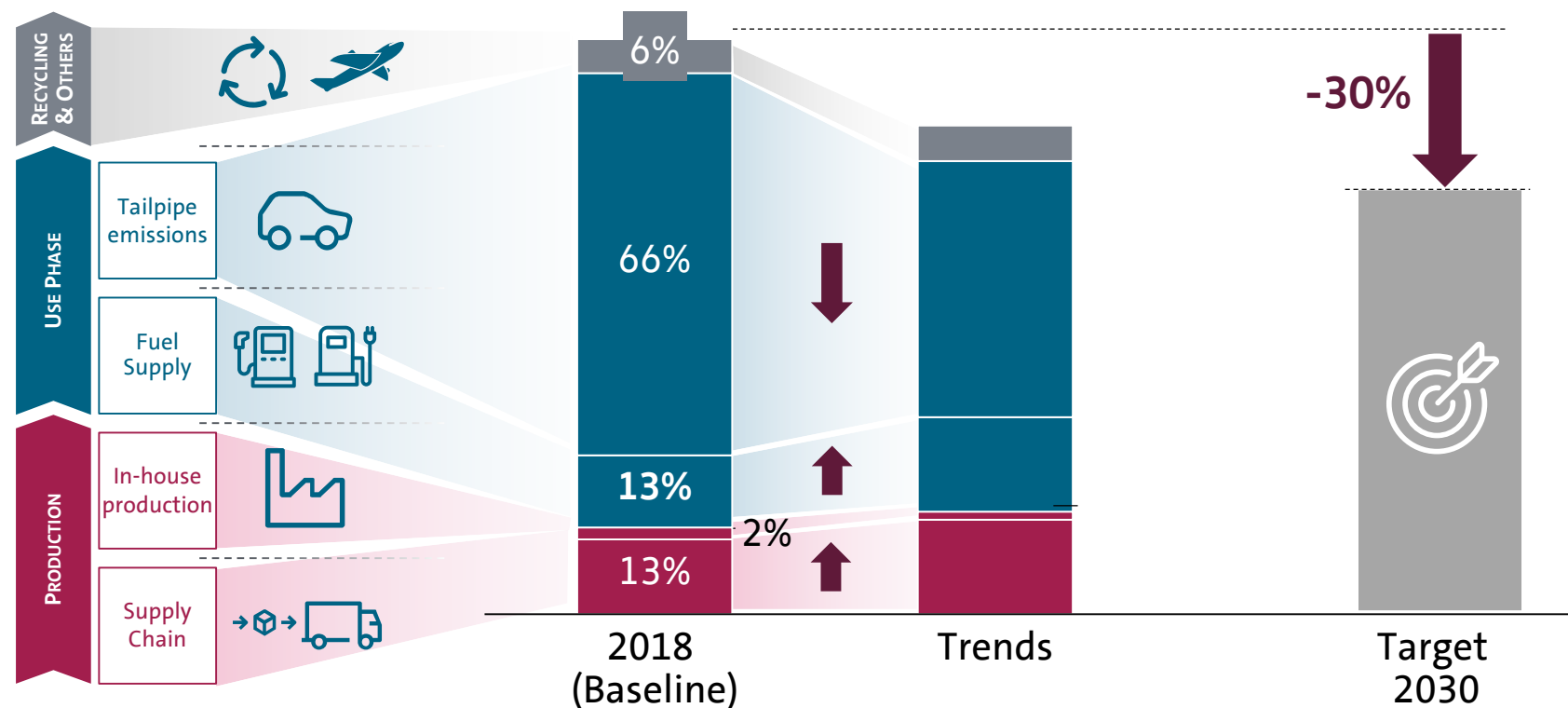
2) Passenger cars including light duty vehicles

Our goal by 2030: reducing 30% CO_{2e}/vehicle over the life cycle vs. 2018

DCI 2020: 43 t CO₂/ vehicle – portfolio transformation will further accelerate reduction

GROUP TARGET 2030/VEH. (LIFECYCLE)

[Decarbonization Index (DCI), t CO_{2e}/car]



Passenger cars¹⁾

Portfolio transformation as key lever:

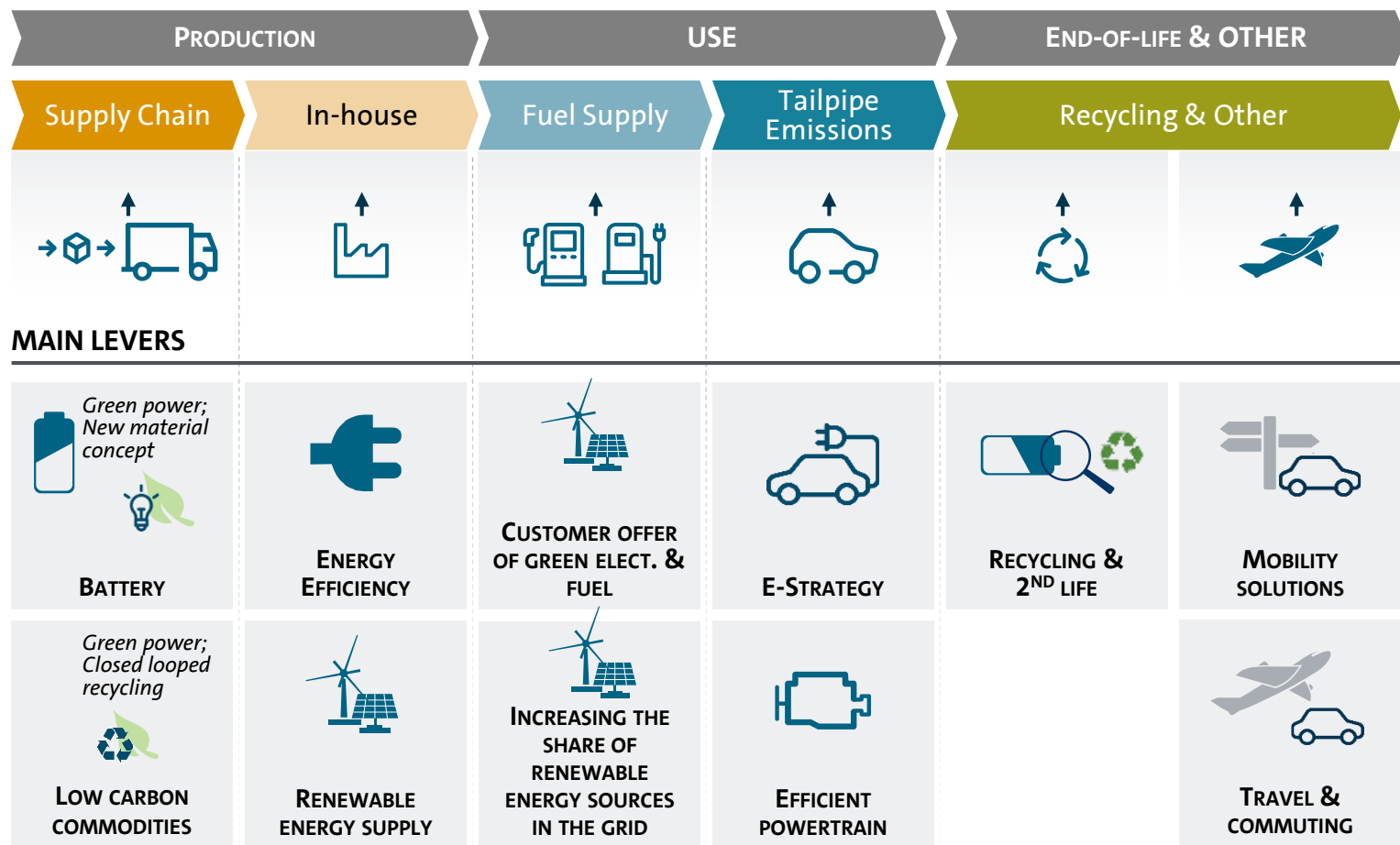
- Significant reduction of tailpipe emissions
- However, relative increase of emissions in the fields of supply chain and fuel supply

→ Decarbonization program addresses measures in all life cycle stages

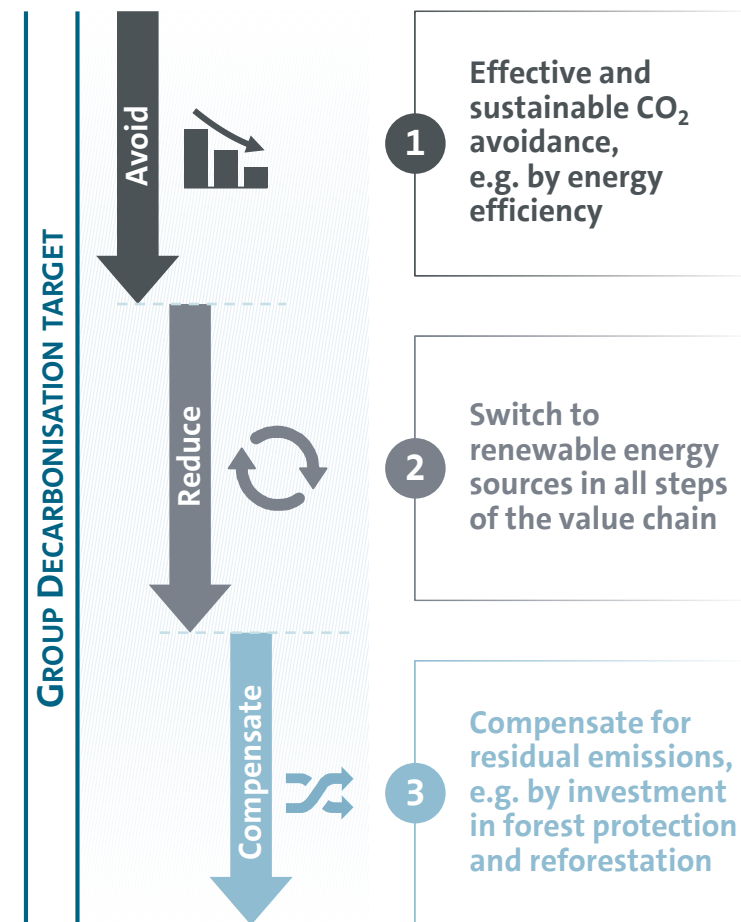
1) Passenger cars including light duty vehicles, WLTP cycle

The decarbonisation program covers measures in all areas of the life cycle. We follow a clear priority: Avoid, reduce and compensate non avoidable emissions

Where we act

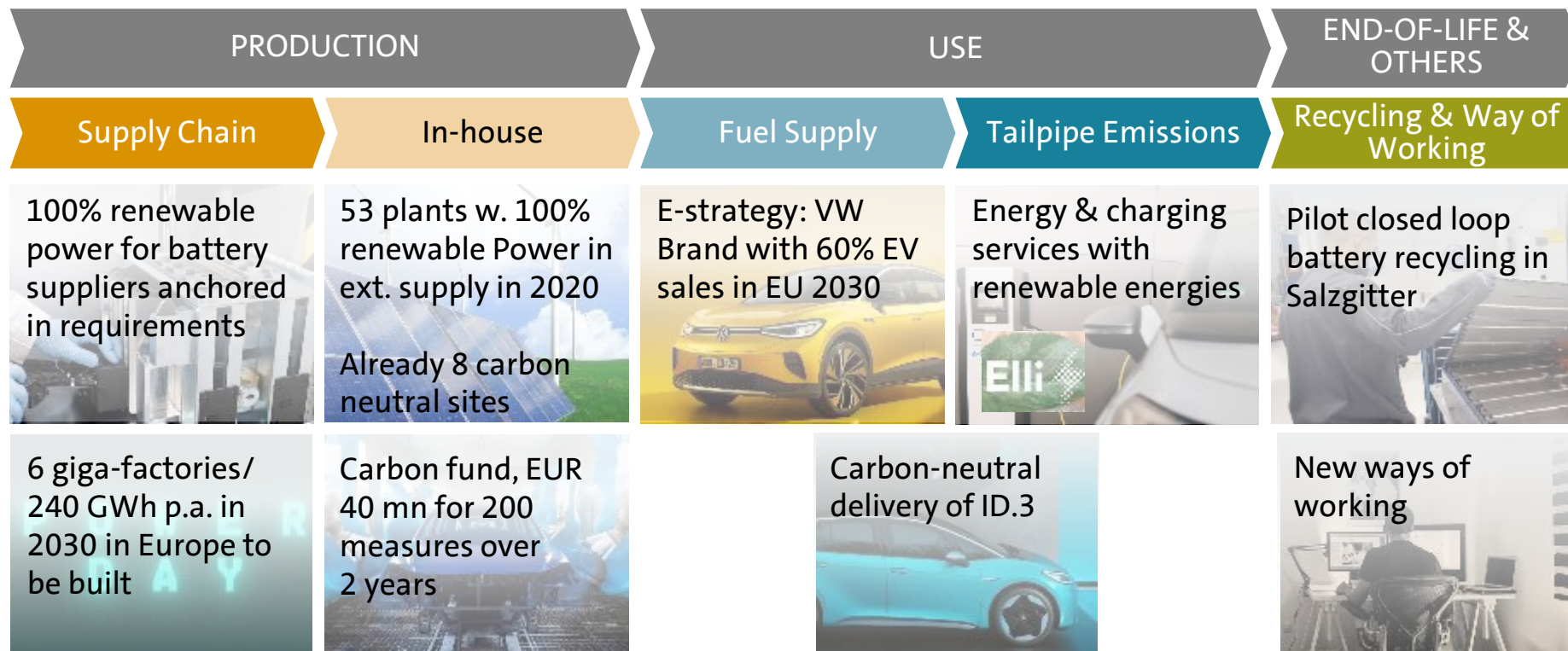


How we act



Volkswagen takes leadership in decarbonization along our value chain and beyond

Automotive value chain



Volkswagen leadership across industries

Scania partnering on low carbon steel with **H2green steel**

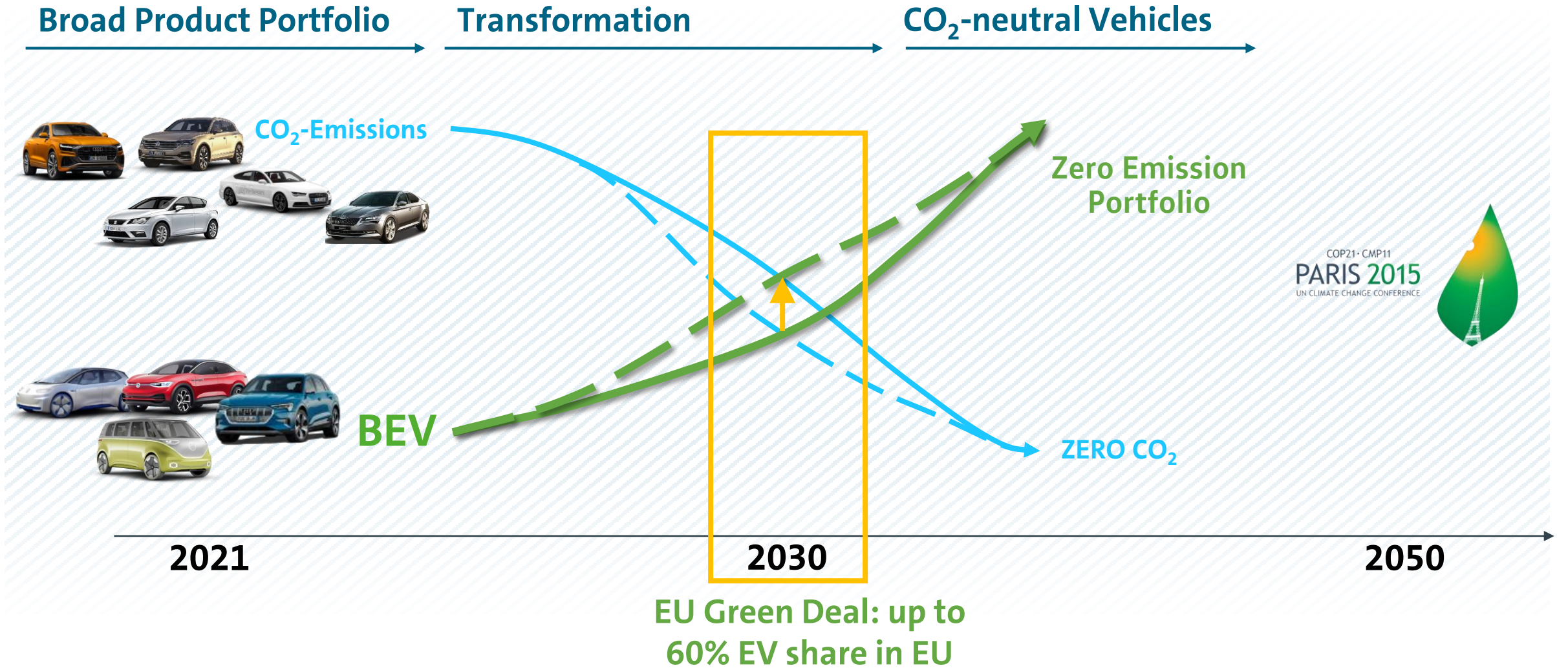
CEO Alliance for Europe's Recovery, Reform & Resilience



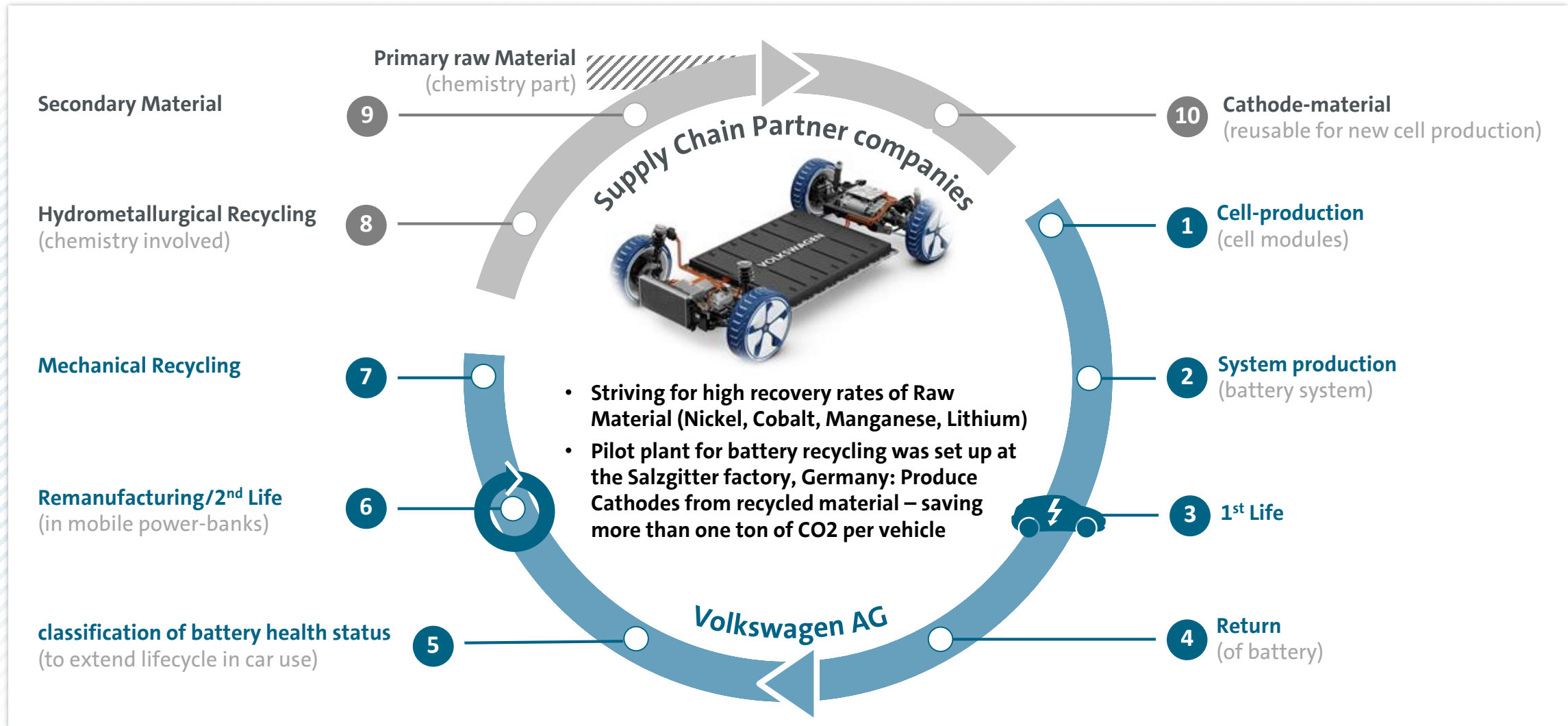
Additional renewable power generation and public charging infrastructure: partnerships with Enel, Iberdrola and BP



“Go to zero” Transformation of portfolio underway



Circular Economy – Batteries: We are targeting 95% recycling rate of materials, first pilot battery recycling plant opened in 01/2021

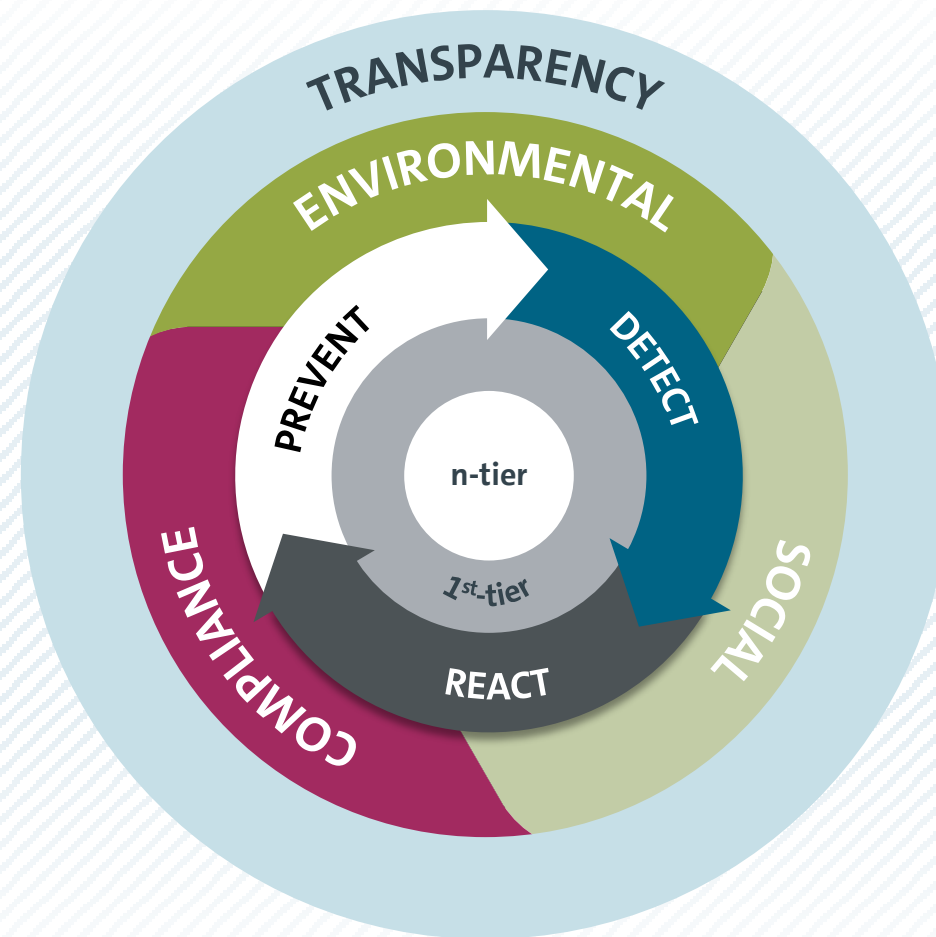


Supply chain sustainability becomes even more important with e-mobility

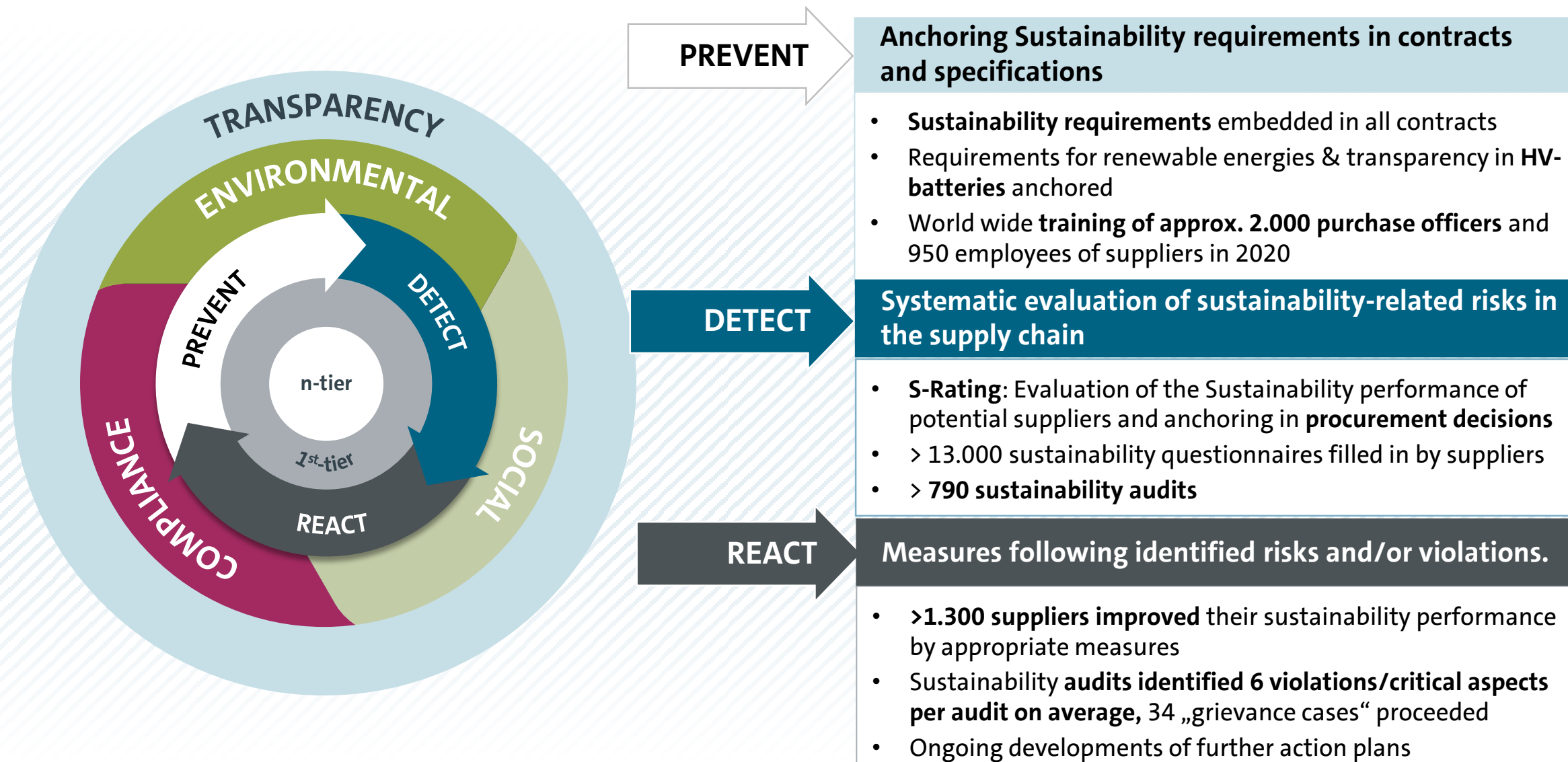
Supply chains are global, diverse & volatile - 65,000+ supplier locations, up to 9 tiers

Create transparency – and set clear standards

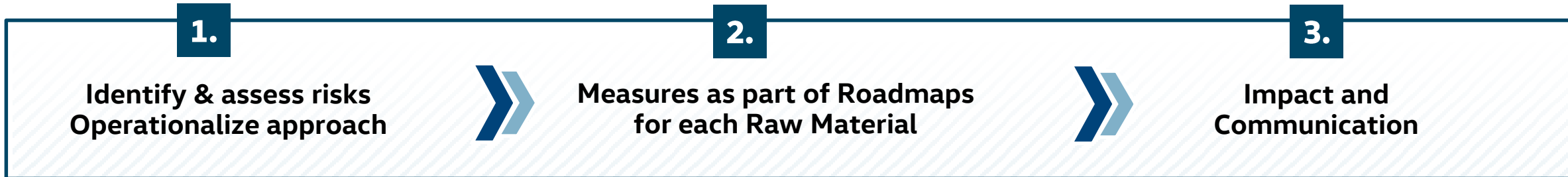
- **S-Rating:** evaluation of the sustainability performance of our suppliers
- **Three step-plan:** Prevent, Detect, React
- **Initiatives with partners across sectors** for sustainable supply chains, e.g.
 - DRIVE Sustainability
 - Responsible Minerals Initiative
 - Global Battery Alliance



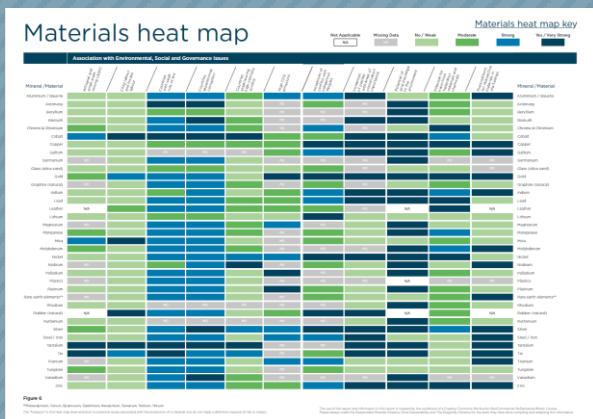
Selected results 2020: Increased sustainability requirements for our suppliers, S-Rating roll-out and 1.300 suppliers improved their sustainability performance



Strong management system for responsible raw material supply chains developed



Activities



Results

16 Raw Materials identified with **high sustainability risks**

1 **Group-wide Raw materials human rights due diligence management system** developed and deployed

>60 Raw **material-specific measures** identified and partially decided

>5 Branch and/or **sector initiatives joined** regarding different high-risk raw materials

>> First **responsible raw materials report** published

>> **Local projects** in raw material production / extraction regions (Chile, DRC)

>> Externally **certified responsible supply chains** (ongoing)



Workforce Transformation: „Employment 2030“ Study of Fraunhofer IAO Institute shows limited negative employment effects by E-mobility for car manufacturing

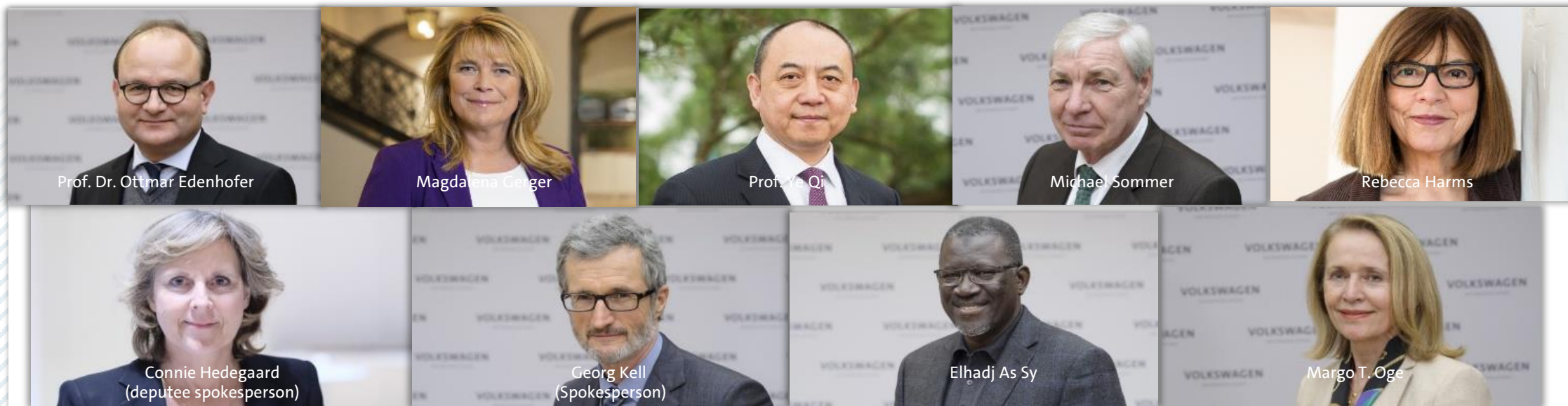
“Employment 2030 - Effects of electric mobility and digitalization of the quality and quantity of employment at Volkswagen”



[Fraunhofer study: Employment at Volkswagen in 2030 \(volkswagenag.com\)](https://www.volkswagenag.com)

- **Fundamental change of sector within 10-year transformation corridor including new definition of value chains**
- **Employment losses by E-Mobility in car manufacturing much lower than previously forecasted in other global studies;**
- **Bigger impact in component manufacturing, Volkswagen is proactively acting on strategic shift (new businesses, e.g. CoC batteries)**
- **E-mobility as catalyst for further automation and digitalization leading to less employment, primary effects by 2030 in activities closely related to production and logistics.**
- **By 2030, adaptation of competencies is dominating factor over net losses in work volume.**
- **Securing skilled workforce/competencies in Digitalization as key challenge**

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



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

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

STRATEGY

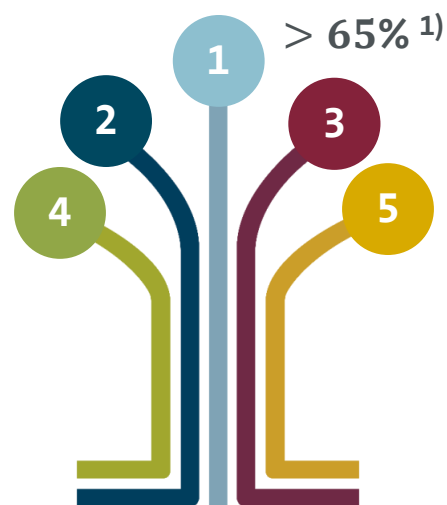
Ethics and compliance is central to business strategy

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



INTEGRITY & COMPLIANCE
PROGRAM
TOGETHER FOR INTEGRITY

CULTURE OF INTEGRITY

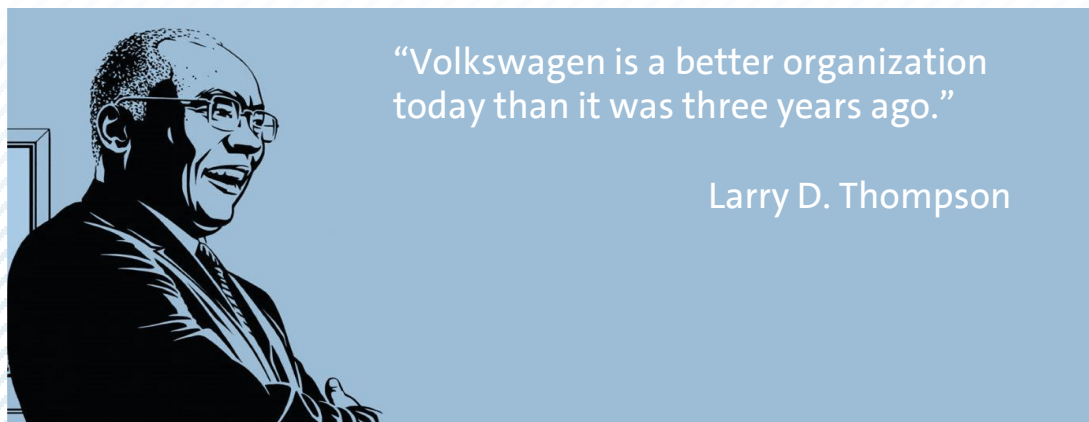
Leaders at all levels across the organization build and sustain a culture of integrity

RESOLUTE ACCOUNTABILITY

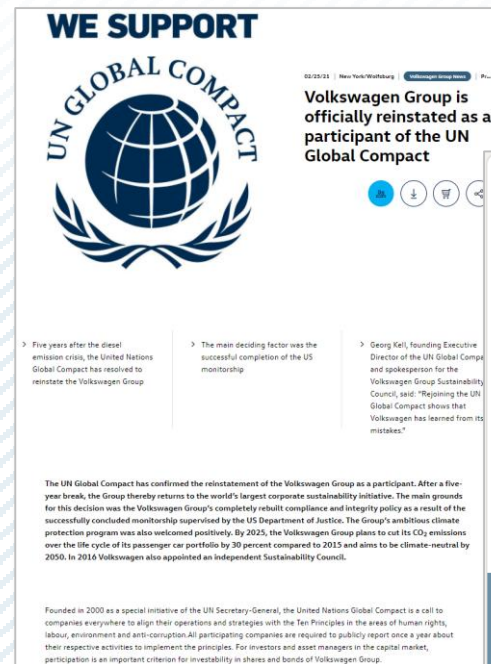
The organization takes action and holds itself accountable when wrongdoing occurs

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

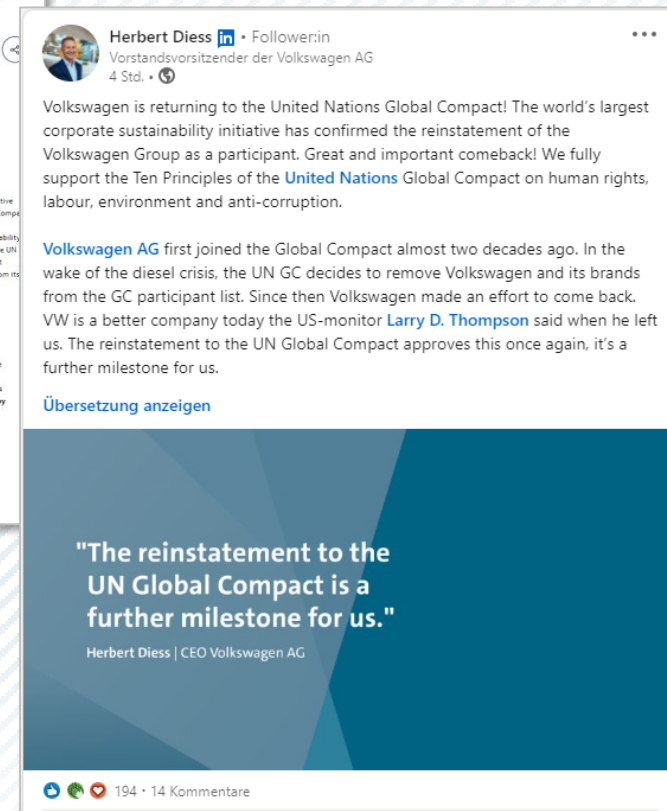
Regained trust five years after the Diesel crisis: Volkswagen' reinstatement to the UN Global Compact in February 2021



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



Official press release (Feb 25, 2021)

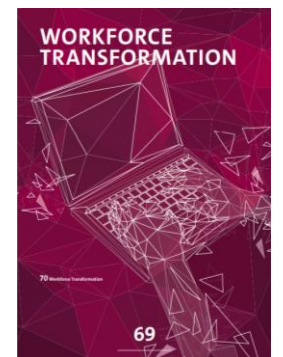
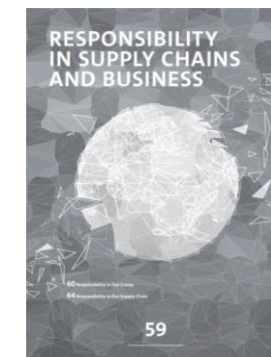


More information available in our Sustainability Report 2020 incl. Non-financial Report

Overview

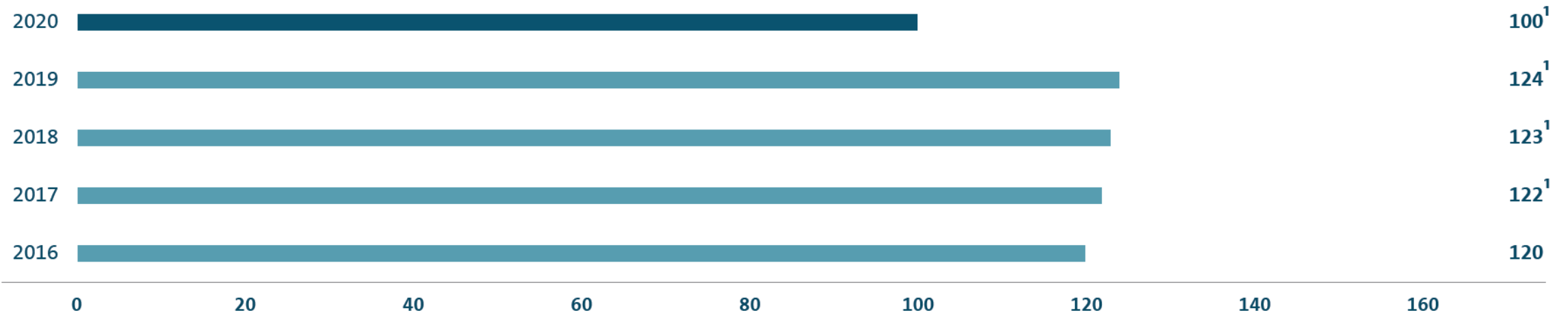
- Including the combined separate nonfinancial report that complies with sections 289b para. 3 and 315b para. 3 of (HGB – German Commercial Code)
- Limited assurance for the combined separate nonfinancial report
- Application of GRI Standards, “Core” option
- Structured by the Volkswagen sustainability narrative and the new focus areas of sustainability.

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



EV ramp-up drives reduced fleet emissions Well prepared for 2021 EU CO2 fleet targets

CO₂ EMISSIONS OF THE VOLKSWAGEN GROUP'S EUROPEAN (EU27+3) NEW PASSENGER CAR FLEET
in grams per kilometer (NEDC)



1 Subject to confirmation of CO₂ data within the scope of official publication by the European Commission.