

VOLKSWAGEN

AKTIENGESELLSCHAFT



INTEGRITY

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Challenging transformation in progress and ahead

Volkswagen's responsibility is to become an **upstanding corporate citizen**



"Volkswagen has to become more honest, more open, more truthful. In other words: an upstanding corporate citizen." Dr. Herbert Diess

Culture change

Integrity

Compliance

Risk Management

Diesel progress

Monitor

We are convinced that culture change is a crucial transformation driver

Moving forward on three interconnected fronts

Way of thinking

Way of working together

Way of assurance of complying fully with legal and regulatory standards



Expansion of advisory services and online training programs



Empowerment of lower-level executives by cutting number of top-level management to make decisions



Rotating managers



Autonomy to our brands and regions to speed up decisions and foster accountability

We are convinced that culture is a critical factor when it comes to our company's future success or failure

We defined seven essentials on which we base our actions



Seven Volkswagen Group Essentials

- 1 We take on responsibility for the environment and society
- 2 We believe in diversity
- 3 We break new ground
- 4 We are honest and speak up when something is wrong
- 5 We are proud of our work's results
- 6 WE not me
- 7 We keep our word

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Since 2017, we comprehensively enhanced the Integrity Program and achieved key successes

INTEGRITY

1

Implementation of an **Awareness Campaign** and soon a **“Speaking up” Campaign**.

2

Adoption of the **ECI Report** as **benchmark** and **benchmarking on measuring Integrity** by an Integrity Index.

3

Integration of **Integrity in HR processes**.

4

Rollout of the Integrity Program to all major entities of Volkswagen Passenger Cars and all brands of the Volkswagen Group.

5

Training of managers worldwide by the **Volkswagen Convention**, further Conventions in planning.

6

Integration of **Integrity in decision making processes**.

7

Commitment of the Board of Management towards a **Tone from the Top**.

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We teamed up with academia in order to develop an Integrity Index making Organizational Integrity measurable

5 Integrity Index dimensions cover all company's stakeholders

Dimension 1	Dimension 2	Dimension 3	Dimension 4	Dimension 5
Compliance & Infrastructure	Climate & Culture	Products & Customers	Society	Partners & Markets
				

- 1 The Integrity Index helps to **identifying weak points**, deriving needs for action and measuring progress
- 2 The Integrity Index will be **applicable not just at Volkswagen**, but rather at **every company which is willing to participate**
- 3 **Volkswagen sets a benchmark** in measuring Organizational Integrity (Pilot Assessment at VW Passenger Cars)

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We have also made important progress in the area of Compliance

COMPLIANCE

- 1 Implementation of **ONE Code of Conduct**.
- 2 Improvement of the **Whistleblower System** in order to increase awareness, transparency and confidence.
- 3 Implementation of **trainings** on Compliance issues and the Code of Conduct.
- 4 Almost doubling of the number of **Compliance staff** and strengthening **independence of divisional and regional compliance officers**.

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Risk Management and Internal Control are being strengthened as well

Risk Management

1

Governance:

Establishment of dedicated **Group Board of Management Committee** for overseeing and improving effectiveness of **Risk Management and Internal Control System**.

2

Controls:

Continuous strengthening and standardizing of **Internal Control System**.

3

Risk awareness:

Enhancement of group-wide **Risk Assessments Process**.



We are joining forces to achieve Integrity, Compliance / Culture excellence

Strategy

Principle 1
Integrity and compliance is central to business strategy



Risk Management

Principle 2
Integrity and compliance risks are identified, owned, managed and mitigated

Speak-up Environment

Principle 4
The organization encourages, protects and values the reporting of concerns and suspected wrong-doing

Culture of Integrity

Principle 3
Leaders at all levels across the organization build and sustain a culture of integrity

Resolute Accountability

Principle 5
The organization takes action and holds itself accountable when wrongdoing occurs



Together4Integrity
We keep our Word

Culture change

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Diesel progress

Monitor

Resolving the diesel crisis: substantial progress in all markets



Worldwide recall/service campaigns driven forward:

Software Flashes in Germany currently 95% complete; Substantial progress also in Europe (77%) and worldwide (70%)*

Major progress in modifications in North America:

On target for modifications/buybacks for 2.0 liter TDI engines; field fix started for 3.0 liter TDI engines

Group environmental incentive makes significant contribution to improving air quality in German cities:

More than 200,000 customers already decided to switch to environmentally friendly vehicles

Electrify America underway:

Investment plan for zero emissions vehicles (ZEV) approved by authorities

Timeframe of legal proceedings expected to be long

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Monitor

We periodically receive review reports by the Monitor that helps to classify our progress

Recommendation

A Monitor statement calling for action „**of mandatory nature**“:

„The Monitor has strived to ensure that the Recommendations made are **achievable within 150 days**, include reasonable **accommodations for the Company’s business realities**, and are **narrowly tailored to address key compliance risks or gaps**.“

Observation

A Monitor statement that **does not require action on the Company’s part**:

- **Inferences drawn by the Monitor** based on the Initial Review
- **Positive statements** about areas of progress
- Statements with **identified challenges, inconsistencies, or other issues** the Company should consider addressing

Observations may rise to the level of recommendations in future review periods.

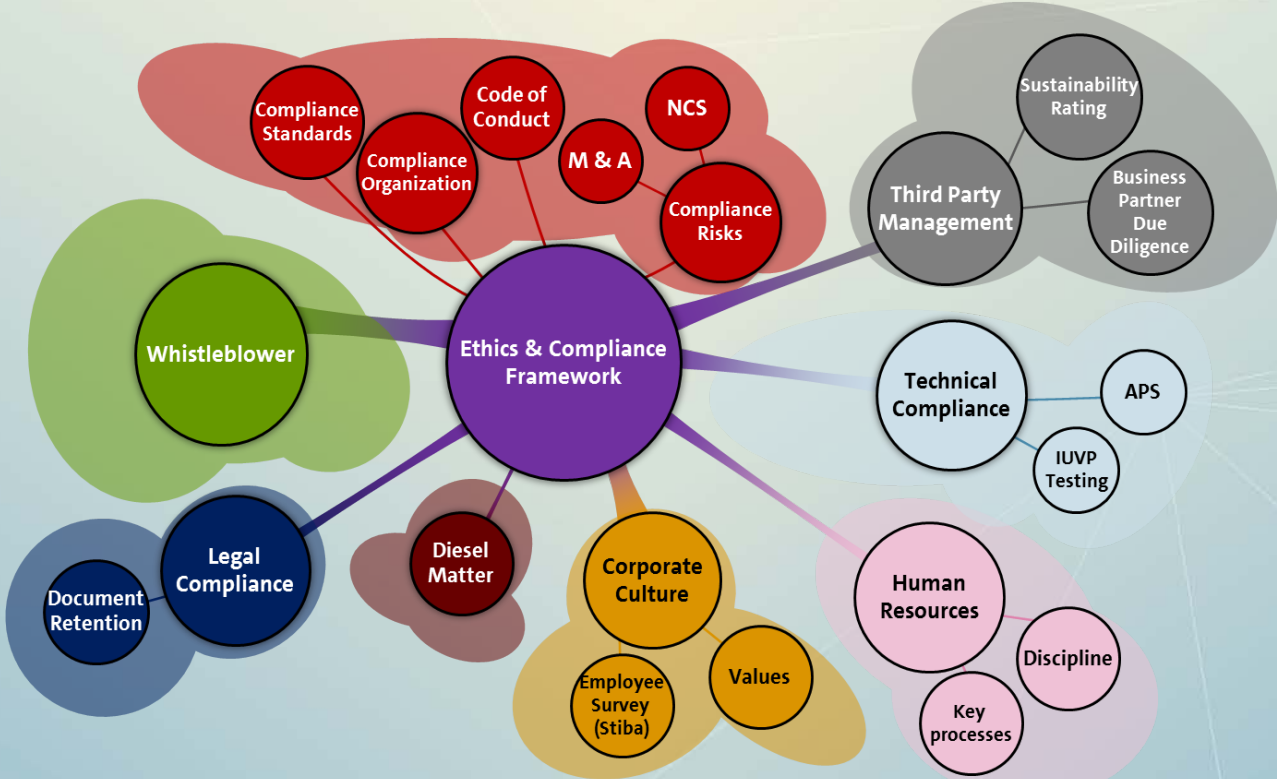
Detailed Plan

A written document prepared by the Company, expected to include:

- **Action Items**
- **Timeline**
- **Milestones**
- **Budget and Resources**



The first review report identifies and shows important areas of improvement



We still have challenges in front of us but we are on the right track to become an **upstanding corporate citizen.**