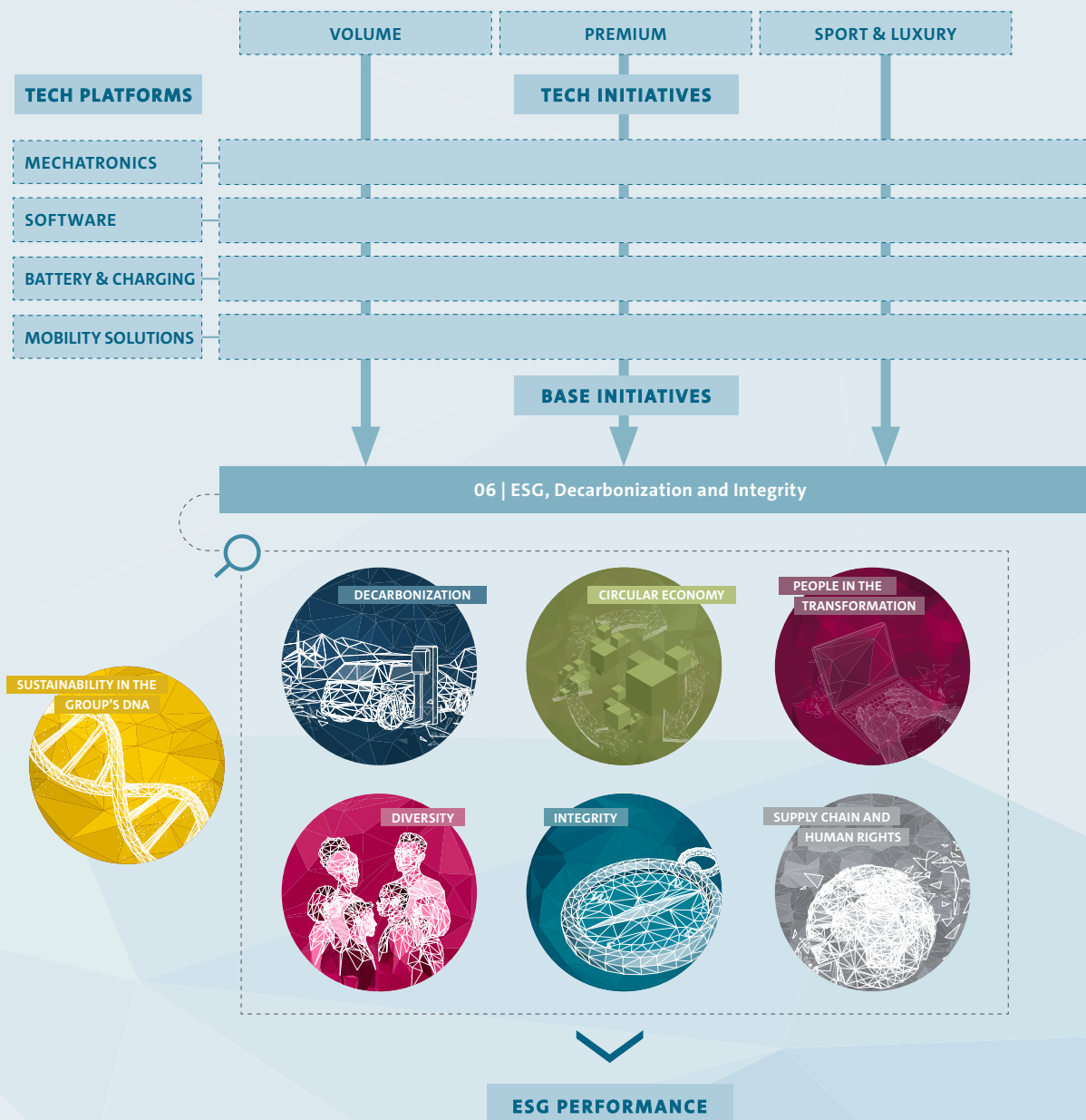


SUSTAINABILITY AND ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE) ARE PART OF THE NEW AUTO GROUP STRATEGY



The aim is to improve performance in the capital market's ESG ratings and rankings so as to increase the ability to invest and optimize the cost of capital.

As we transition from automotive manufacturer to mobility group, we are resetting our priorities with the NEW AUTO Group strategy and positioning ourselves for the future. We are keeping our aim of being a world-leading provider of sustainable mobility firmly in our sights and making the Group more focused, efficient, innovative, customer-oriented and sustainable, as well as systematically gearing it toward profitable growth.

The NEW AUTO Group strategy defines the six key focus issues shown above for the area of sustainability and ESG in Group initiative 6. This Sustainability Report including nonfinancial report is structured in accordance with these.

In addition, the Sustainability in the Group's DNA chapter provides a definition of sustainability for the Group and an insight into topics such as risk management, environmental management, stakeholder management and corporate citizenship.

2022 HIGHLIGHTS¹

CIRCULAR ECONOMY

633,881
metric tons

of CO₂ saved through the Aluminum Closed Loop process since 2017.

Reconditioning a gearbox reduces CO₂ emissions

by 54%

and reduces the primary energy requirement by 52% compared with the new part.

DECARBONIZATION

+26% BEVs

572,100 all-electric vehicles delivered to customers worldwide.

1.5 °C
as goal

SBTi confirms tightened climate targets in production.

DIVERSITY

Proportion of women in management worldwide and internationality of top management increased.

94%

of managers have taken part in the Diversity Wins@Volkswagen program.

PEOPLE IN THE TRANSFORMATION

Training costs in the Volkswagen Group:

€398.6 m

12.8 m

training hours in the Volkswagen Group.

SUPPLY CHAIN AND

HUMAN RIGHTS

Development and implementation of a new management approach for responsible supply chains.

> 2,900

suppliers were trained on sustainability.

INTEGRITY

The T4I program has been rolled out in **784** controlled companies to date.

1,517

inquiries were processed at the compliance information point.

¹ Further information on the figures on this page, such as definitions and scope, can be found in the relevant chapters.

SUSTAINABILITY MANAGEMENT

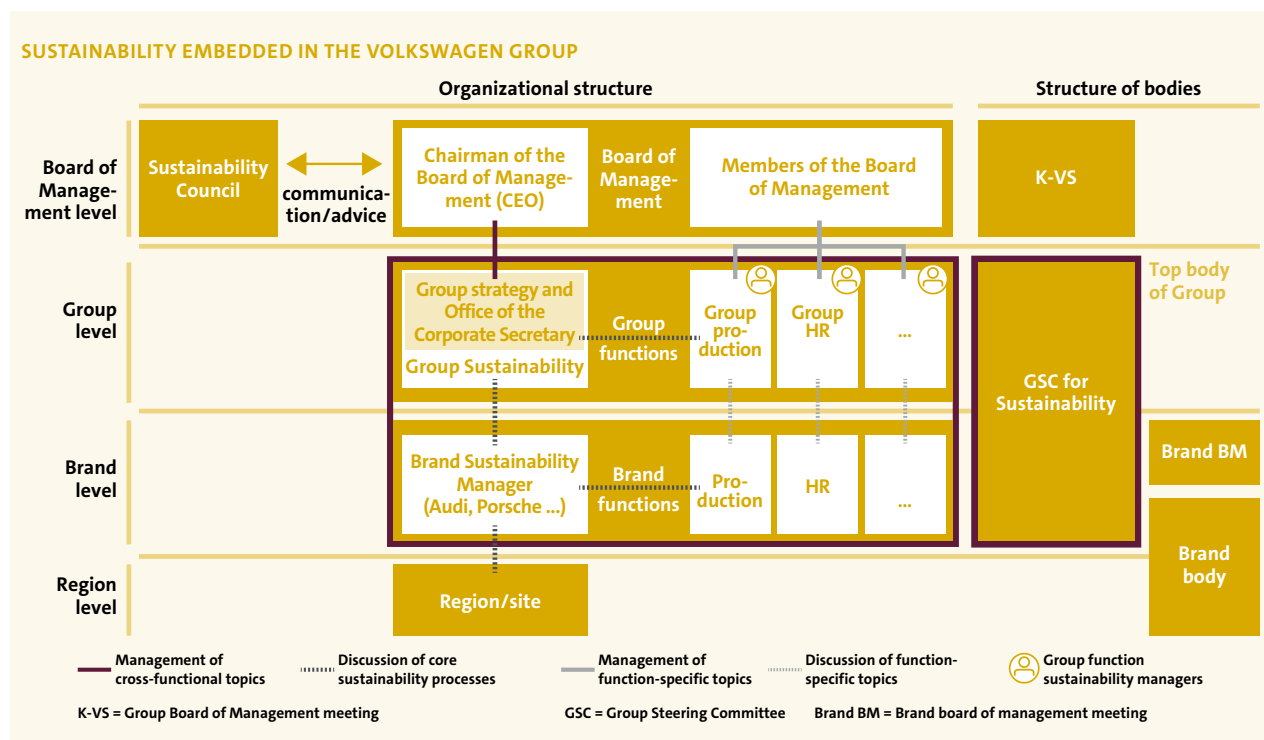
STRUCTURE AND TASKS OF THE SUSTAINABILITY ORGANIZATION

Sustainability means maintaining intact environmental, social and economic systems with long-term viability at global, regional and local level. The Volkswagen Group can influence these systems in various ways and actively takes responsibility to make a contribution to preserving their sustainability. An extensive sustainability management system was set up for this purpose. The related structures, processes and responsibilities are codified in a specific Group policy. We view sustainability management as a continuous improvement process.

The Chairman of the Board of Management of Volkswagen AG has cross-functional overall responsibility for sustainability. Additional responsibility is taken by members of the Board of Management with their responsibility for specific management systems relating to sustainability and by the Group Steering Committee for Sustainability. The members of this steering committee include managers from central Board of Management business areas and Group functions, representatives of the brands and the Group Works Council. The steering committee defines concrete strategic targets and programs, sets out measures for uniform cross-business-area, cross-brand and cross-regional development of sustainability management and makes decisions on sustainability-related basic issues and positions in the Volkswagen Group. In addition, topic-specific questions on sustainability are addressed in Group initiative 6 of the NEW AUTO Group strategy.

The Group's sustainability function (Group Sustainability) coordinates all sustainability-related activities and the Group-wide and cross-functional network for sustainability. Communication with Group functions, brands and companies is structured via defined core processes. They serve to create transparency on external requirements and translate these into corporate action. The core processes include the sustainability strategy and materiality analysis, stakeholder management, ESG ratings and rankings, sustainability policies and sustainability reporting. Group Sustainability is allocated to Group strategy and the Office of the Corporate Secretary in order to ensure that sustainability is closely linked with the strategic corporate goals and the core business. It is also responsible for the office of the Group Steering Committee for Sustainability.

In addition to the Group Steering Committee for Sustainability, regular discussions within the Group-wide sustainability network take place through various formats. One example of this is the Group Sustainability Summit. In 2022, this was held in Berlin, and its focus areas were ESG, mobility of the future, community engagement and business models. The participants included managers from the Group and from the brands and regions. The Sustainability Manager Core Team is another central communication platform, where representatives from the Group and the brands regularly address current sustainability issues. In addition, there are specific steering models for individual topics, such as ESG performance management.




At brand level, the brand sustainability managers carry out the cross-functional coordination of sustainability topics, develop the sustainability strategy, are responsible for content and reporting on sustainability topics within the brand, represent the brand on sustainability topics externally and coordinate with Group Sustainability.

THE SUSTAINABILITY COMMITTEE AS AN INDEPENDENT DRIVING FORCE AND PARTNER

At Group level, the Sustainability Council has a prominent position. The advisory committee created in 2016 supports the Volkswagen Group with important strategic sustainability topics and is made up of internationally renowned experts from the academic world, politics and society. The Council establishes its own working methods and areas of focus independently, has extensive rights for the purposes of exchanging information, consultation and initiating action, and consults regularly with the Board of Management, top management and the employee representatives.

In 2022, the dialog between the Group and the Sustainability Council focused on comprehensively enshrining sustainability topics in the NEW AUTO Group strategy, the future alignment of mobility solutions in this strategy and the impact of the war in Ukraine on the Volkswagen Group. In addition, in connection with various projects the Council dealt with the following topics, among others: Dealing with the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz – LkSG*), digital technologies as enablers for sustainability, the Zero Impact Factory concept, workforce transformation, training staff and decarbonization of the Group.

Further information on the letters of recommendation to the Group Board of Management and the results of the Council projects are provided on the Sustainability Council web page.

 > www.volkswagenag.com > Sustainability > Strategy, Policy & Engagement > Engagement > Sustainability Council

UN GLOBAL COMPACT

Since 2021, after a five-year hiatus, the Volkswagen Group has officially been reinstated as a participant of the UN Global Compact, the world's largest corporate sustainability initiative, and participates in national and international initiatives. AUDI AG has also been reinstated as a participant in the UN Global Compact. Porsche AG and Traton SE have been new participants of the UN Global Compact since 2022. In addition, the brands MAN Truck & Bus and Scania are also signatories of the UN Global Compact.

For investors and asset managers in the capital market, membership of the UN Global Compact is an important criterion for investability in Volkswagen AG shares and bonds. Sustainability-oriented funds


have grown significantly in the last few years and have become indispensable as stakeholders. The Volkswagen Group and its brands report on their progress in implementing the Ten Principles of the UN Global Compact and their activities for promoting sustainable development in the annual Communication on Progress, which can be viewed on the UN Global Compact website.

 > United Nations Global Compact

GREEN FINANCE FRAMEWORK FOR INVESTMENTS IN SUSTAINABILITY

Massive investment is needed to transform the Volkswagen Group. At the same time, investors are looking for sustainable investment options. Volkswagen AG has had a Green Finance Framework for various forms of financing such as green bonds since 2020. This document defines the framework for financial instruments geared to sustainability. In the reporting year, we refinanced fiscal year 2021 capital expenditure aligned with the EU Taxonomy on the basis of the Green Finance Framework newly published in 2022 by issuing €2.5 billion in green bonds. The Volkswagen Group has thus issued a total of €6.0 billion in green bonds to refinance capital expenditure for BEVs since 2020. In 2022, the Volkswagen Group published a new Green Finance Framework that was further developed in particular through the integration of the EU Taxonomy. As was the case in the previous Green Finance Framework, the Volkswagen Group continues to focus on the exclusive inclusion of all-electric vehicle models (BEVs) in sustainable financing. Under the new Green Finance Framework, the only investments that will be considered are investments for BEVs produced by the Volkswagen Group that are aligned with the EU Taxonomy. This systematically links our corporate objective of net carbon neutrality by 2050 with our financing strategy. The funds raised under the Green Finance Framework are specifically used on environmentally friendly projects such as e-mobility. This both fulfills the clean transportation category of the Green Bond Principles of the International Capital Market Association (ICMA) and is in line with the goals of the United Nations and the European Union for sustainable development. Sustainalytics has confirmed again for the new Green Finance Framework that the framework complies with the ICMA's Green Bond Principles and the Green Loan Principles of the Loan Market Association (LMA).

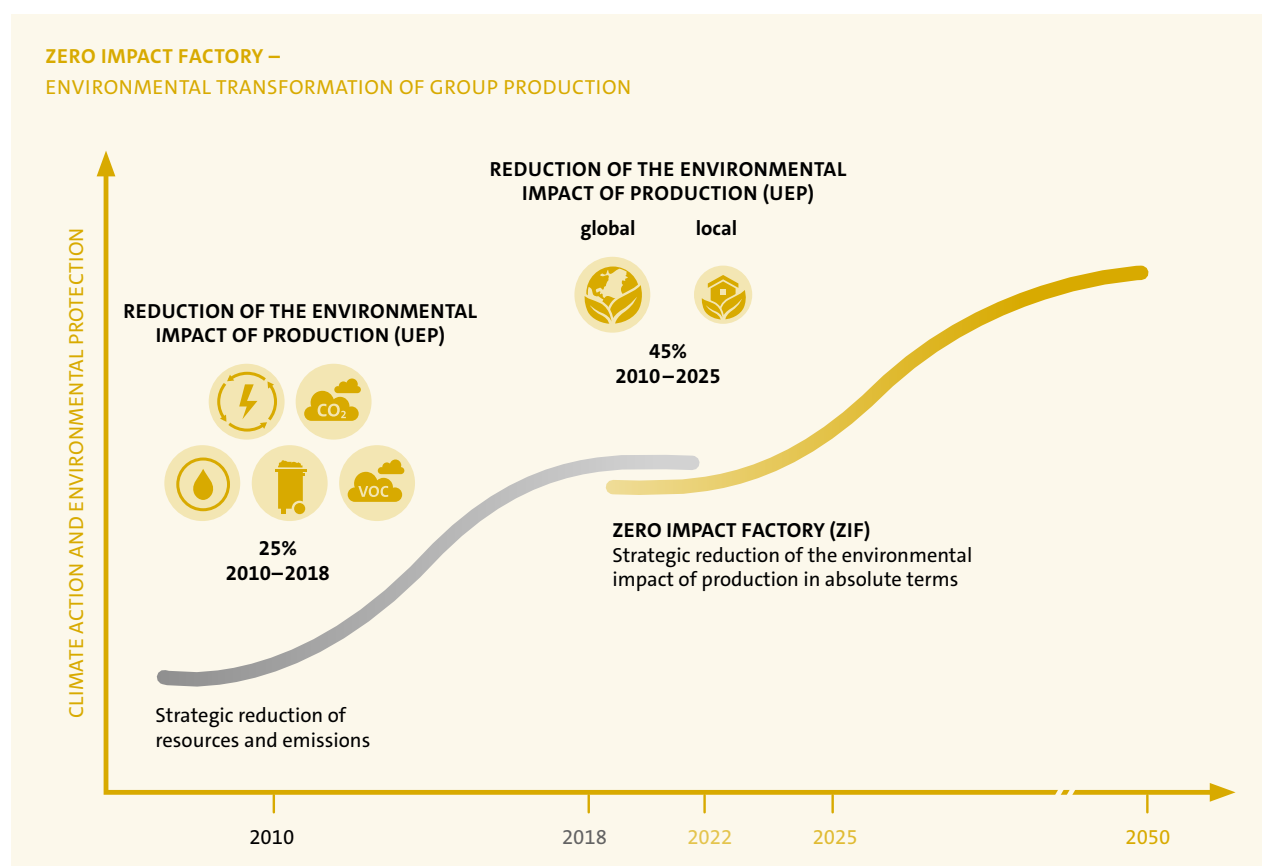
Volkswagen published the second Green Finance Report, which contains the Allocation Report and the Impact Report, during the reporting year. More information is available on our corporate website.

 > www.volkswagenag.com > Investor Relations > Fixed Income & Ratings > Green Finance

ANCHORING ENVIRONMENTAL PROTECTION IN MANUFACTURING: ZERO IMPACT FACTORY

We are planning the production of tomorrow with our one.PRO-DUCTION Group production strategy. Emissions levels and the use of resources at Volkswagen Group locations require particular attention. The “goTOzero – Zero Impact Factory” program is developing specific steps for more sustainable production. It is guided by the vision of creating a factory that has no adverse environmental impact.

In the 2022 reporting year, we achieved an important milestone on the way to the Zero Impact Factory. The Production Group Committee confirmed the visionary aim of “Zero Impact” for 2050 as well as the measurement methods and management tools developed for this. The aim is to record and reduce the absolute environmental impact, particularly in the areas for action of climate protection and energy, emissions, water and waste. However, the focus will also be on qualitative aspects such as the appearance of the factory, commitment to biodiversity, protection of soil, avoidance of operational



disruptions, functioning environmental compliance management, improvement of resource efficiency towards a circular economy, and environmentally neutral mobility management for employee and goods transport.

From 2023, as part of an internal test phase, we will start collecting the following data and information at all sites where we produce passenger cars and light commercial vehicles:

- 22 quantitative environmental indicators (for example, CO₂ emissions, solvent emissions, freshwater requirements, wastewater loads or different types of waste) are measured locally and con-

verted into impact points. This makes the absolute environmental impacts comparable with one another and means we can implement reduction measures targeted precisely at the areas where greatest impact can be achieved.

- We use the site checklist to continuously review the implementation status of 143 predefined environmental criteria that cannot be easily quantified. Examples of this include specific projects for retaining biodiversity, creating conditions for environmentally friendly employee mobility or measures for promoting the circular economy.

From 2025, the Zero Impact Factory method will replace the existing KPI system measuring the UEP. This represents a shift away from steering based on purely performance-based indicators to a reduction in the environmental impact of our production processes in absolute terms. Our goal is to achieve zero-impact status for all of our manufacturing plants for passenger cars and light commercial vehicles by 2050.

Group-wide Communication and Dialog on Environmental Issues

We also held the environmental weeks – “goTOzero weeks” – in many brand and regions in the current reporting year. The aim of the Group-wide campaign was to exchange knowledge and facilitate employee networking in the Volkswagen Group so as to advance environmental protection activities across the Group. The program included participatory events, talks by experts, and many digital workshops and information programs on the topics of decarbonization, energy, environmental compliance, biodiversity, water, waste and circular economy.

We have been presenting the Zero Impact Factory Award to recognize particularly innovative environmental projects and increase awareness of the Zero Impact Factory initiative since 2021. In the first year, the focus was on measures with measurable success in the areas of avoiding plastic and recycling. In the current year, the sites are being asked to contribute the best measures for saving water to the competition.


Furthermore, we record environmental measures in the IT-supported “Massnahmen@web” system, thus encouraging the Group-wide exchange of best practices. In the reporting year, 1,431 implemented measures relating to the environment and energy were documented. They are aimed at improving infrastructure and production processes for passenger cars and light commercial vehicles.

COMMITMENT TO BIODIVERSITY

The manufacture and operation of our vehicles impacts biodiversity through immissions, land use and transportation – from raw material extraction through the use phase to recycling. Volkswagen is aware of its responsibility and has been involved in protecting and retaining biological diversity through conservation projects since 2007. As a founding member of the Biodiversity in Good Company e. V. initiative, we acknowledge the three goals of the international Convention on Biological Diversity (CBD). Moreover, we have defined corresponding action areas to make our contribution to achieving these goals within the framework of our business activities. This is documented every two years in our progress report on the initiative.


 > Business and Biodiversity > Volkswagen AG Progress Report

With a view to the CBD and the Conference of the Parties (COP 15), the areas for action in the reporting year were updated and extended and published in the Volkswagen Group's Biodiversity Commitment. This highlights our commitment to protecting and preserving biodiversity.

 > www.volkswagenag.com > Sustainability > Strategy, Policy & Engagement > Biodiversity Commitment

Furthermore, we support CBD's Action Agenda for Nature and People initiative by publishing our commitment on the CBD page of the German Business for Biodiversity platform set up by the German Federal Ministry for the Environment.

In addition to supporting conservation projects around the world, we have set ourselves the target of increasing biodiversity at our production sites as well. Local measures include creating wildflower meadows, planting trees and shrubs and installing nesting aids for bats, birds and insects. In order to increase biodiversity at the production sites, we have developed an internal assessment tool. The tool assesses both direct measures to increase biodiversity at the site and also indirect measures, such as integrating biodiversity into the strategy or communication. The comparison of measures with the tool also gives brands a basis for making decisions on the implementation of projects. Another step is introducing a biodiversity KPI at site and brand level to allow us to track the development of biodiversity at our production sites. Examples of the conservation projects we support around the world can be found on our website.

 > www.volkswagenag.com > Sustainability > Strategy, Policy & Engagement > Engagement

We use the environmental compliance management system to regularly check the effectiveness of biodiversity measures. Another component of our commitment is raising employees' awareness by informing and training them on the topic of biodiversity and involving them in the projects.

RISK MANAGEMENT

RISK MANAGEMENT AS AN EARLY WARNING SYSTEM

Promptly identifying the risks and opportunities arising from our operating activities and taking a forward-looking approach to managing them is crucial to our Company's long-term success. A foresighted risk management process and effective internal control systems are therefore vitally important to us.

RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

A comprehensive risk management and internal control system (RMS and ICS) helps us to handle risks responsibly. It defines the primary principles and elements of our Group, forming the basis for the appropriate and effective management and control of material risks. This applies to risks with consequences for the Volkswagen Group and/or for the environment and society. It is thus also directly applicable to the assessment of nonfinancial risks. These could arise when pursuing goals and implementing measures in our Group strategy's focus areas.

> ESG Performance Management and Materiality Analysis

The organizational design of the Volkswagen Group's RMS and ICS is based on the internationally recognized COSO Enterprise Risk Management framework (COSO = Committee of Sponsoring Organizations of the Treadway Commission). Through a Group risk management policy, all business divisions and units are obliged to implement an RMS and ICS. The Board of Management receives ad-hoc and quarterly risk reports.

The focus of our RMS and ICS is the three lines model, which is designed to protect us from the occurrence of material risks. The model is a basic element required by, among others, the European Confederation of Institutes of Internal Auditing (ECHIA).

The first line comprises the operational risk management and internal control systems at the Group companies and business units. The RMS and ICS is an integral part of the Volkswagen Group's structure and workflows. Incidents that could constitute a risk are first identified and then assessed on the basis of multiple criteria with regard to the likelihood of occurrence, financial loss and reputational damage and the potential threat to adherence to external legal requirements. Countermeasures are introduced, the remaining potential impact is assessed, and the information incorporated into

the planning in a timely manner. Material risks are reported to the relevant committees on an ad-hoc basis. The results of the operational risk management process are incorporated into budget planning and financial control on an ongoing basis. The targets agreed in the budget planning rounds are continually reviewed in revolving planning updates. At the same time, the results of risk mitigation measures are promptly incorporated into the monthly forecasts regarding further business development. This means that the Board of Management also has access to an overall picture of the current risk situation via the documented reporting channels during the year.

The second line is the Group risk management organization, which, among other things, sets standards for the RMS/ICS, provides support to the divisions in the form of relevant training and coordinates the quarterly risk survey. It reports quarterly to the Group Board of Management on any material risks, which are defined using quantitative and qualitative assessment criteria and given probability ratings. The additional annual governance, risk and compliance (GRC) control process, with a focus on internal control activities, will be gradually replaced by a standardized ICS by 2025. In the standardized ICS, standardized control targets are now set for the key Group companies to cover process risks. The documented control activities are regularly tested for their effectiveness and the ICS is thus improved.

The third line of defense is Group Internal Audit, which carries out regular checks on the structure and implementation of the RMS and ICS as part of its independent audit activities.

The Volkswagen Group continuously develops its risk management in order to take account of constantly increasing internal and external requirements in the field of corporate responsibility.

RISKS RELATING TO THE FOCUS ISSUES

Risks relating to our focus issues are taken into account in both the methodology and the content of our RMS and ICS. The standardized ICS uses master control catalogs. These contain standardized process risks and associated control targets as a specification for internal controls to be carried out in the Group companies. Risks and requirements in relation to product or environmental compliance are addressed in various master control catalogs, e.g., for production. We check whether the master control catalogs are up to date each year and adjust them if necessary. In the quarterly risk process, the risks are classified into risk clusters.

The focus areas are addressed in both the master control catalogs in the standardized ICS and the risk clusters of the quarterly risk process. For example, the content of the focus issue of decarbonization is taken into account in the environment and sustainability master control catalog via the risk that “the material environmental and sustainability risks of our products, production and services along the entire life cycle are not/insufficiently identified.” In the compliance master control catalog, the risk that “compliance breaches and risks (whistleblower information) are not addressed or not sufficiently addressed or not promptly/correctly dealt with” serves to take account of the focus issue of integrity. As part of the quarterly risk process, risk clusters involving environmental risks, emission risks, compliance risks or CO₂ risks, or product-related risks, for example, that address these focus issues are specified.

Risks that could impact on our bottom line also include general environmental risks and climate-change risks. These include risks that could result from different CO₂ and emissions regulations, but also extreme weather, storms or floods with effects on production, infrastructure and supply chains. The risks relevant from the Volkswagen Group's perspective are presented in the report on risks and opportunities in the Group management report. In fiscal year 2022, risks continued to be identified with regard to compliance with regulations on fleet CO₂ emissions in individual brands and markets that may result in charges for the Volkswagen Group.

A more detailed description is available in the report on risks and opportunities in the Annual Report under the heading “Environmental Protection Regulations.” Further risks can arise from the assertion of what are actually civil-law environmental policy objectives.

The Volkswagen Group produces CO₂ emissions with its business and products. We wish to make our contribution to limiting global warming to well below two degrees Celsius in accordance with the Paris Agreement by making our entire Group net carbon neutral by 2050. To this end, decarbonization has been firmly anchored as a focus area in the NEW AUTO Group strategy. More information on the effects, targets and measures can be found in the Decarbonization chapter.

> Decarbonization

In addition, no further material risks within the meaning of section 289c (3) no. 4 of the German Commercial Code (*Handelsgesetzbuch – HGB*) relating to the focus issues have been identified.

> 2022 Annual Report > Group Management Report > Report on Risks and Opportunities

Degreed, the innovative learning platform that we have established, will open up a wide range of further training opportunities for our employees. The platform creates a simple, individual learning experience and will be progressively rolled out in the Group. Degreed is aimed at supporting the results of strategic HR planning with appropriate training programs. Another focus is developing important skills – for example, in areas such as data analytics, software development, leadership, machine learning and artificial intelligence. The “Individual career orientation” (ICO) module offers all Volkswagen AG employees the opportunity to reflect on career goals, interests and

personal skills and compare these with the development opportunities in the Group. Various methods of self-reflection or assessment by others, practical exercises, literature recommendations and podcasts are also offered in a toolkit.

In our extensive training measures, we set store by an overarching system and uniform standards. This also applies to the leadership and management programs we currently use, which are summarized in the following overview.

Program	Participating brands and companies ¹	Target audience
Foreman base training (FBT) The FBT teaches the basic skills necessary for performing the work of a foreman. The participants optimize the management of their own foremanship, are strengthened in their foreman role and expand their leadership skills. They experience their own behavior in real management situations and learn to reflect on themselves even better.	VW AG, MAN Truck & Bus	Foreman
Manager base training (MBT) In the MBT, participants get to know the relevant management tools and successfully use them situationally within Volkswagen AG's value system. The MBT also includes content on reflection on your own management style.	VW AG	Subsection manager
Management development program The management development program for prospective managers focuses on diversity, business management and personal responsibility. Two new modules train prospective managers on agility in management and on day-to-day management.	VW AG, CARIAD	Management candidates
Senior management program The Group-wide senior management program provides experienced managers with knowledge from research and practice with focuses on customer focus, innovation and leadership, supplemented by learning content including design thinking methods, tools such as Triple Impact and Lean Canvas, and decision biases.	VW AG, VW Commercial Vehicles, AUDI AG, Porsche AG, Bentley Motors, CARIAD, ŠKODA	Newly appointed members of senior management
Group training catalog A decentralized catalog of training and qualifications that have been conceptually designed by the individual brands and can be used by other brands. For example, the Group Leadership Academy provides seminars that support and inspire management in the transformation of the Group with the Group Training Catalog for Leadership and Transformation. For example, the “Building a sustainable organization. Together.” training teaches how sustainability can be factored into operational management decisions.	Audi, Porsche, Bentley, CARIAD, SEAT, MAN, Scania, TRATON SE, VW AG, VW Commercial Vehicles	Management, senior management, top management
Transform Leadership 2030 program The Transform Leadership 2030 program provides the opportunity to explore all the aspects of the transformation in dialog with experts and members of the Board of Management in eight core modules and, in particular, to deepen technology-specific knowledge.	VW AG and guests from other brands and companies	Management, senior management, top management

¹ To improve readability, subsidiaries and microenterprises have not been mentioned.

Opinion Survey Measures Employee Satisfaction

We attach great importance to actively involving our employees in processes and to ensuring that their opinions, assessments and criticism are heard. That is why we conduct the Opinion Survey each year. In this employee survey, in which 159 companies of the Group took part in 2022, we measure the status of our internal employer attractiveness with a targeted question. In addition, we are also interested in our employees' views on the questions of where the

Group stands on the topic of integrity and how they assess working relationships in the Group. The results of the Opinion Survey help us to identify possible improvements and inform managers of where action needs to be taken in their organizational units. In defined follow-up processes, managers take suitable measures in dialog with their employees. The Opinion Survey's Group team supports them in this with various tools – such as a method toolbox.

The regular communication with managers on the measures derived and their implementation status takes place using a top-down approach, beginning with the respective division manager/Board member and proceeding to the lowest management level. The aim is to ensure the implementation of the measures derived from the organizational units in a lasting manner.

In 2022, the survey covered 159 companies in 49 countries. Of the 614,142 employees in the companies surveyed, 475,778 participated. This is equivalent to a response rate of 77%. The employee satisfaction index, which is calculated from 22 questions, is the principal indicator of the Opinion Survey. It is calculated from the total of all the related answers in the survey and, in 2022, stood at 82.4 out of a possible total of 100 index points in the Volkswagen Group (2021: 82.3 index points) and at 76.2 index points in Volkswagen AG (2021: 76.2 index points). The result of the employee satisfaction index influences the level of the annual bonus as part of the variable remuneration for the Board of Management.

In 2022, the score on the employee satisfaction index in the Volkswagen Group was
82.4 out of 100
possible index points and thus slightly above the score in the previous year.

Successfully Contributing Their Own Ideas

Through their creativity, knowledge and initiative, employees take on responsibility for improving processes and products and ultimately help us to achieve our sustainability goals. In 2022, 13,953 ideas were submitted as part of idea management, and savings of around €38 million were achieved at Volkswagen AG's sites.

In addition, Volkswagen AG supports the development of business ideas fit for the future with its own separate innovation fund. The associated "intrapreneurship" program offers employees the opportunity to implement their own business ideas at Volkswagen and expand the existing portfolio of services and products. It consists of an incubator phase for developing a business plan and an accelerator phase for constructing prototypes and customer tests. Under an agreement between IG Metall and Volkswagen AG, the Group makes €20 million available to the fund each year for projects in new areas of business.

2. INITIATIVES IN THE TEAMS@VOLKSWAGEN DIMENSION

High-performance teams in the Volkswagen Group are groups that trust each other, have a common goal and can rely on each other, yet also discuss matters critically and speak their minds. As our transformation takes shape, the way in which teams in the Volkswagen Group collaborate is fundamentally changing. Hybrid digital forms of collaboration are becoming more important. They require modern office environments that simplify collaborative, flexible work. The same applies to opportunities for digital collaboration – an aspect that the Covid-19 pandemic has reinforced.


Transition to Hybrid Work Formats

Hybrid working – a combination of remote working and working on-site – gives employees greater flexibility in terms of when and where they work and is increasingly becoming the norm for the Volkswagen Group. In the reporting period, we again refined and expanded virtual and hybrid communication and collaboration, as well as new formats of knowledge transfer and **training**. Major topics included:

- Drafting and expanding the company agreements on remote working at AUDI AG and Volkswagen AG
- Maintaining mental health and strengthening the management culture and culture of trust (Culture and Change Factory) in light of the changing world of work

In addition, we continued developing the Guide for Digital and Hybrid Collaboration, which is intended to provide guidance on successful communication and organization for employees, managers and teams. We also continued working on the Office 2025 initiative, which is to be used to advance the modernization of the office and working environment within Volkswagen AG. Office 2025 pursues a holistic perspective and takes the categories of people, space and technology into consideration. In addition we promote the modernization of digital infrastructure, opportunities for collaboration and social spaces within Volkswagen AG's production areas through the modernization fund, which distributes an average of €25 million per year at the request of the plants and departments. The size of the fund is €125 million over a term of five years.

The flexibility that new forms of working bring has a positive impact on work/life balance. Information on strategies, measures and programs on this topic is summarized in the chapter on the focus topic of diversity.

 > Diversity

Promoting Agility and Cultural Change

The Volkswagen Group attaches particular importance to its employees being able to act with agility and entrepreneurial drive. Together with 30 publicly traded large companies from Germany, Austria and Switzerland, we developed a skills matrix for **training** and professional development in the area of agile business processes under the umbrella of the DACH30 initiative. In the course of this, the Volkswagen Group Academy established a training portfolio on agility.

In order to actively support divisions, departments and project teams with implementing strategic realignments, the Culture & Change Factory was founded at Volkswagen in 2021. This area, which is under the umbrella of the Group Academy, supports and steers various transformation projects with around 40 experts. The team's expertise includes change management, culture change, agile training, coaching, process design and continuing training.

3. INITIATIVES IN THE ALL OF US@VOLKSWAGEN DIMENSION

The Volkswagen Group Essentials define the shared underlying values across all of the Group's brands and companies. Seven simple "We" statements describe what the Group stands for: "We take on responsibility for the environment and society," "We are honest and speak up when something is wrong," "We break new ground," "We live diversity," "We are proud of the work we do," "We not me," "We keep our word."

We want our corporate culture to create a feeling of belonging for our workforce – a feeling that increases in importance in particular in times of change and in an environment that is becoming increasingly diverse. We see fair remuneration as an important part of our self-image. It is intended to motivate and express our appreciation for the performance of each individual. And last but not least, we need to empower our leaders to contribute to a successful transformation and act as role models.

Leading by Example As a Manager

Role models motivate, give people courage for change and create trust. These are key factors for successfully working together. The role model program supports managers in strengthening these factors. Concise catalogs give managers suggestions and instructions for different activities that can be implemented easily and without any additional budget. The binding framework with minimum requirements for managers supports implementation of this program to improve the corporate culture.

Social Compatibility of the Transformation in Focus

Collective job security agreements play an important role in the transformation. In Volkswagen AG in Germany, the job security applies until 2029 as a result of the Digital Transformation Roadmap, which underlines our appreciation for industrial work.

We also strive to act in a socially responsible way anywhere we have to cut jobs for economic reasons. For example, as it did many other companies, the coronavirus pandemic also challenged Volkswagen do Brasil to reduce fixed costs. Volkswagen do Brasil, metalworker trade unions and employee representatives of all four plants came together to negotiate a restructuring agreement. In addition to cost-cutting, it was also a matter of applying flexibility measures and adjusting the headcount through a program of voluntary resignations.

At MAN Truck & Bus SE, partial retirement contracts, termination agreements, a change of Group and the establishment of a transfer company were used as tools for the socially responsible headcount reduction that was also necessary there. The basis for this was the negotiation of a joint key issues paper between the company's management and the employee representatives. The corresponding rules and programs that were implemented in 2021 continue to apply until 2023.

We provide the HR answers to various challenges at a national or international level with future-proofing programs that we have concluded as part of codetermination. For example, Germany and other parts of Western Europe face not only risks resulting from demographic changes but continue to face shortages of skilled workers who we will need for cutting-edge areas of work.

Fair and Transparent Pay

A fair and transparent pay system and payment of fair remuneration make a significant contribution to employees' work satisfaction. In accordance with our Social Charter, the remuneration and fringe benefits for our employees correspond at least to the legally required minimum level which is to be guaranteed in the particular country. As they are collectively agreed with trade unions, our rates of pay are usually higher than the prevailing minimum levels. Our employees are generally selected, hired and promoted on the basis of their qualifications, experience and abilities. Individual pay is generally based on the job performed.

T4I Initiatives and Packages of measures

The T4I packages of measures are grouped in 11 core initiatives:

1) HR compliance policies and procedures: I&C is integrated into standard HR processes such as recruitment, training, promotion and remuneration. It is also a compulsory topic in annual employee appraisals and is part of training measures for employees. Volkswagen AG and other defined companies keep anonymized statistics on misconduct and the resulting sanctions. These are regularly communicated to employees.

2) Code of Conduct: The Code of Conduct (CoC) lays the foundations for compliance in the Volkswagen Group. It acts as the key element for reinforcing awareness of responsible conduct and decision-making within the workforce, providing help, and finding the right contact persons in cases of doubt. The CoC is a component of the Group's employment contracts and is mandatory for all the Group's employees. The CoC is also part of employee appraisals as a measurement criterion for "setting an example of integrity and compliance."

3) Integrity program: The integrity program aims to anchor integrity as a strategic success lever and a control variable for decision-making processes. The objective is to communicate the importance of integrity to employees, to support them in acting with integrity in their day-to-day work and to make integrity visible and tangible. The most important tools included dialog-oriented communication measures, event formats and so-called integrity ambassadors, who carry the topic into the structures of the Group and promote dialog.

One focus of the program is raising awareness of making decisions with integrity. Specific training modules for all levels of management, including foremen, have been developed for this. These are integrated into all Volkswagen AG's obligatory management training programs. Brands and companies that do not use these programs are required to include corresponding modules in their own development programs.

4) Risk management and internal control processes: Binding structures and processes are intended to create transparency and help manage risk from our business activities. These include the quarterly risk process, which is focused on acute risks, the standard internal control system (ICS), which is intended to protect key processes, business continuity management, which identifies business-critical processes and protects them with contingency plans, and root cause analysis.

5) Internal compliance risk assessment (ICRA) and compliance organization: The ICRA determines the compliance risks in the Group. Based on their risk profile, measures are defined for each company and their implementation is tracked. The ICRA also defines implementation standards for the CoC, the whistleblower system, compliance training and communication. The Group Chief Compliance Officer reports to the K-VAC on an ad hoc basis, but at

least annually, on the implementation status of the measures. In the reporting period, the ICRA process was brought into line with the requirements of the German Supply Chain Due Diligence Act (*Lieferkettensorgfaltspflichtengesetz*). These changes will be applied in 2023.

6) Whistleblower system: The whistleblower system is the central point of contact for reporting cases of rule-breaking by Group employees, direct and indirect suppliers, and selected other business partners. These include, for example, economic crimes, corruption, tax offenses and breaches of the CoC. A detailed description of the whistleblower system follows on p. 101.

7) **M&A and NCS compliance: In the case of planned mergers and acquisitions (M&A) requiring the involvement of the Compliance team, the companies and transactions are audited for human rights risks and for integrity and reputation risks, including corruption, money laundering and fraud – for example, in a due diligence. This also applies to joint ventures, industrialization projects such as the construction of new foreign production sites with external partners, and collaborations with third parties. The business units are then given recommendations for risk-reducing measures. Furthermore, Group Compliance deals with compliance management at noncontrolled shareholdings (NCSs), i.e., companies that are not controlled by a Volkswagen Group company as a majority shareholder. This also includes the Chinese joint ventures.**

8) **Business partner due diligence: The business partner due diligence process reviews the integrity of business partners and suppliers on the procurement side and the sales side, particularly for corruption risks. This also encompasses constantly monitoring the business partners for whether they are complying with laws and ethical standards.**

9) Product compliance: The product compliance management system (PCMS) supports our products in meeting the statutory and regulatory requirements of the exporting and importing countries, internal and external standards, contractually agreed customer requirements and externally communicated commitments over their entire service life. The PCMS defines roles and responsibilities for design, implementation and monitoring. We train employees and managers on product compliance and have central points of contact to which our employees can address their questions.

10) Environmental compliance: The Group's environmental policy and the environmental compliance management system stipulate that environmentally relevant aspects and requirements must be taken into account in all strategy, planning and decision-making processes of the brands and Group companies. This includes a KPI system that measures progress on environmental targets.

 > Environmental Compliance Management

- 11) **Anti-corruption:** The Volkswagen Group has a zero-tolerance policy toward active or passive corruption. This is anchored in both the Code of Conduct for Employees and in the Code of Conduct for Business Partners. Further Group policies set out how to deal with conflicts of interest, donations and sponsorship or benefits in the form of gifts or invitations. In addition, there are operating guidelines addressing approval procedures, record-keeping and appropriate behavior. Reported breaches of the code are pursued and investigated by managers and HR, and in serious cases also by our investigation offices. If personal misconduct is found, the HR department in question takes the appropriate disciplinary action.

Further Increasing the Measurability of Integrity

In addition to the perception workshops, the annual employee survey – the Opinion Survey – in particular provides information about the progress of our culture of integrity. The Group-wide survey includes a question on whether it is possible for each individual to act with integrity. If employees have any doubts about this, the relevant manager needs to identify and clear possible obstacles together with their team.

The brands that manufacture passenger cars use the “compliance, culture of dealing openly with mistakes and acting with integrity” strategic indicator as an additional metric. This is also based on the Opinion Survey and asks about compliance with regulations and processes, dealing with risks and errors, and whether it is possible to act with integrity. The key performance indicator has continuously improved through to 2022 from an already good starting point: since compilation of this indicator began, employee agreement has always been in the highest category of the underlying five-point scale.

COMPLIANCE: CLEAR RULES IN THE VOLKSWAGEN GROUP

Sustainable economic success can only be achieved if each individual complies with laws, internal regulations and voluntary commitments. Compliant behavior should be a matter of course for all Group employees. The compliance organization provides support through programs, guidelines for action, processes and practical advice in the Group-wide, risk-oriented compliance management system (CMS).

COMPLIANCE ORGANIZATION: ESTABLISHED ACROSS THE GROUP

Group Compliance supports the Group and brand companies in carrying out their business activities in compliance with the rules and complying with the relevant laws and internal regulations. Focuses of the work include anti-corruption and preventing embezzlement, fraud and money laundering. In addition, the Compliance department and Group Legal must be included in M&A transactions, which includes joint ventures, industrialization projects and cooperation projects with external partners. Group Legal also conducts risk assessments on antitrust and anti-competitive risks in relevant Group departments and companies.

The Group Chief Compliance Officer heads the global compliance organization. They report directly to the member of the Board of Management for Integrity and Legal Affairs and to the Audit Committee of the Supervisory Board of Volkswagen AG. The compliance organization is structured by division, which is intended to strengthen communication and enable harmonized processes across all relevant Group companies.

The divisional compliance officers are generally responsible for several brands and implement compliance measures in their area of responsibility. Porsche AG and Traton SE are exceptions from this. They have their own, independent compliance structure. One regional compliance officer is responsible for the activities of the Volkswagen-controlled entities in China. The controlled companies in Australia, Korea, Japan, Malaysia and Taiwan are overseen by a single regional compliance officer for the Asia region. In the reporting year, Group Compliance also created the new Group Technology divisional compliance office (DCO). It oversees the Board of Management's Group Technology business area and the Volkswagen Group Components brand together with affiliated companies. The DCO deals with compliance matters relating to the traditional component business and also with new fields of business such as the topics of batteries, charging and energy, or the sale of our individual components, modular toolkits and platforms to third parties.

Internal and external auditors regularly scrutinize the compliance management system. Particularly in the context of the monitoring and improvement process, auditors regularly audit the effectiveness of compliance measures. In addition, continuous improvement processes support the development of the CMS. Hot-topic reporting is an important aspect here. This process is used to quickly pass on information on compliance-relevant systemic incidents and for immediate escalation in the whole organization.

Risks at a Glance

From a compliance perspective, our business activities entail risks, including in relation to corruption, money laundering and violations of human and environmental rights. The ramp-up of our battery business means we need to purchase significantly more raw materials whose mining must be strictly monitored for human rights compliance. There is generally a high risk of corruption in the countries concerned. Breaches of environmental protection requirements may also harm the environment and lead to reputational damage and financial losses. We use our responsible supply chain system to proactively prevent or minimize social or environmental risks and corruption along the supply chain. The system builds on a systemic risk analysis. More information can be found in the Supply Chain and Human Rights chapter.

☰ > Supply Chain and Human Rights

CLEAR STANDARDS AND COMPREHENSIVE OPTIONS

Clear Standards for Business Partners

Group Compliance supports the entities with operational responsibility in conducting business partner due diligence (BPDD). BPDD includes regular screenings, risk assessments, sanctions list checks and the identification of warning signs. We also check whether business partners (suppliers and sales partners) have a compliance management system or have implemented any compliance measures.

The aim is to identify risks for breaches of the law and disregard of ethical standards at an early stage, avoid high-risk business partners and define measures to minimize risk and implement these with business partners. In individual cases, selected business partners are contacted directly to resolve potential violations. If this is not possible, the business relationship will be terminated or not commenced in the first place. The business partner in question may be blacklisted from doing business with the Volkswagen Group and blocked from all its brands and companies.

The BPDD process is conducted together with the commissioning department – for example, Procurement or Sales. More than 4,300 BPDD reviews were carried out in 2022. As of December 31, 2022, we had identified around 400 cases that led to terminating or not commencing business relationships.

COMPLIANCE ALONG OUR SUPPLY CHAIN

CLEAR STANDARDS FOR BUSINESS PARTNERS AND SUPPLIERS

- Code of Conduct
- Business partner due diligence

TRAINING AND OPTIONS FOR EMPLOYEES

- Mandatory, regular CoC training for all employees
- Target-group-specific training (e.g., anti-corruption, antitrust, compliance)
- Compliance information point

DATA PROTECTION

- Data protection management system (DPMS) including reporting process
- Data protection management organization



WHISTLEBLOWER SYSTEM:

Business partners, employees, customers and other third parties can report information on potential breaches of the rules at any time and in many languages.



WHISTLEBLOWERS
Internal or external



EXTERNAL REPORTING CHANNEL
Ombudsmen (external attorneys)



REPORTING CHANNELS IN THE VW GROUP
Online reporting channel, 24/7 hotline, email, mail, in person

Extensive Compliance and Anti-Corruption Training

Group Compliance has implemented structures and measures to establish Group-wide, uniform standards for compliance training through the compliance management system – for example, on the Code of Conduct, on anti-corruption, the prohibition of money laundering and the whistleblower system. Implementation packages for the rollout of mandatory training describe the key aspects of the training in terms of content and process. These will enable brands and companies to train employees in a risk-based, target-group-specific manner with defined core content and hold training courses of equal quality. Members of senior management and above are certified on the CoC each year. They confirm that they comply with the requirements of knowing their own role of setting an example of compliance, raising the awareness of employees in their area of responsibility accordingly and giving them access to the CoC. Knowledge of the obligation to report serious breaches of regulations and the disclosure of any conflicts of interest are also part of the certification. Business partners and contractors from sales and procurement also receive training based on risk. The basis for this is the CoC for Business Partners. This has been a component of agreements with suppliers and service providers since 2020.

Across the Group, all employees are required to complete regular CoC training in accordance with uniform standards. It ensures basic awareness of integrity and compliance. The content of the training – including business and human rights, environmental compliance, product conformity, product safety, and occupational safety – is updated every two years. The next update will follow in 2023. The brands and companies regularly provide changing supplementary focus content from the Code of Conduct.

Here, employees have to complete the training and final test in the form of a web-based training (WBT) and repeat it every two years. Passing is documented in their training history. Interns, student workers and doctoral candidates are excluded from the training for technical and process reasons. Production employees receive mandatory CoC training every four years.

Volkswagen AG systemically records the number of permanent staff (employees and management, including full-time and part-time staff) who are required to take mandatory training and have a valid qualification from the web-based training on the CoC. In Volkswagen AG, 48,311 employees in the relevant target group had a valid CoC qualification as of the end of December 2022. This is equivalent to 98.4% of the permanent staff at Volkswagen AG who must be trained using the web-based training on the CoC.

In addition, Group Compliance develops and implements target-group-specific training for employees in areas or companies with high risk exposure. Anti-corruption training with an in-depth module on dealing with officeholders and mandate holders is mandatory for employees. Companies with high risk exposure must implement this training on a mandatory basis. Managers from senior management upwards also have their awareness raised regarding the parts of the CoC containing the prohibition on corruption as part of the annual certification on the CoC.

The number of permanent staff who are required to take mandatory training and have a valid qualification is systematically recorded for the mandatory web-based training on the topic of anti-corruption – for example, in Volkswagen AG. In Volkswagen AG, 45,808 employees in the relevant target group had the relevant valid qualification as of December 31, 2022. This equates to 93.0% of the permanent workforce (employees and management) to be trained, including full-time and part-time employees. The practical "Anti-corruption" guidelines can also be accessed at any time.

Group Legal introduced new web-based antitrust training in 2022. Depending on risk exposure, its completion may be mandatory. Group Legal also continuously provides antitrust training on a risk-based basis. The Group Board of Management is also trained on its content. In addition, employees who are employed in key positions with high risk exposure receive additional compliance training. This concerns, for example, managing directors or financial officers. This training is held across the Group by the respective companies' compliance and personnel managers.

In addition to the training, Volkswagen AG's compliance departments offer target-group-specific training formats and communication formats, including management discussions and training courses for disseminators of information. Moreover, compliance content is a component of all career development paths, from the trainee induction program through programs for leadership and management development to the senior management program. The measures are supplemented by information and communication activities such as awareness campaigns, film and dialog formats, newsletters and interactive games.

Communication and Advice: Options for Employees

The compliance information point has established itself as a central advisory office. It can be contacted in person, in the Volkswagen 360° app or by email. The team is responsible for specific compliance questions – for example, on sponsorships, memberships and collaborations and on questions relating to HR and labor law – interprets internal company guidelines and policies, and advises on process standards. If no direct recommendation is possible, the query will be passed on to a competent body. Dialog events in the departments supplement the services offered. Tasks and example cases from the practice of the advisory work are regularly included in compliance communication. The aim is to provide employees with concrete recommendations for future, similar questions and improve the internal control system.

In the reporting year, the information point handled 1,517 inquiries (previous year: 1,335, in each case Volkswagen AG). Around 18% relate to the acceptance or giving of gifts and invitations. Where gifts have been received that, for example, exceed value limits, and these cannot be given back – for instance, for cultural reasons – it is possible to hand these in to Compliance. The gifts collected in the past few years were sold at auction in the reporting year. The proceeds of around €10,200 Euro were donated to a non-profit climate and environmental protection association.

Data protection

To meet the requirements of the EU-wide General Data Protection Regulation (GDPR), Volkswagen AG has created a data protection management system (DPMS) and a data protection management organization. The DPMS ensures that the data protection processes set up are regularly analyzed, are up to date and are further developed. One component of the DPMS is the process for reporting data protection violations (reporting process). It is connected with Volkswagen AG's whistleblower system and IT Security. In fiscal year 2022, there were no reportable data protection breaches pursuant to Art. 33 EU GDPR in the processing of personal customer data. In addition, reportable data protection breaches outside of the processing of personal customer data were also reported to the competent supervisory authority in due time. In accordance with Group policy, Group companies are responsible for their own compliance with the applicable data protection requirements.

Risk Prevention through the Whistleblower System

The whistleblower system is intended to avert damage to the Group, the workforce and other stakeholders with binding principles and regulated procedures. Employees, business partners and their employees, customers and other third parties can report information on potential breaches of the rules at any time – including anonymously if they so choose. The whistleblower system offers six different reporting channels for this. These include an online channel, which accepts reports in many languages; an international 24-hour telephone hot-

line; and external attorneys, who act as ombudsmen. The processing of the reports and any follow-up questions can also be confidential and anonymous, if this is requested. Special IT infrastructure prevents the source of the information from being identified.

Strict confidentiality and secrecy apply throughout the investigation process. An investigation is only initiated after a thorough review and in the event of concrete indications of rule-breaking. There is a presumption of innocence. Those involved are heard as soon as possible, and their names are cleared if they have been wrongly accused. Sanctions are applied where misconduct is proven. This can comprise a warning, a reprimand or termination. Following serious breaches of rules, structured root cause analyses are conducted in order to prevent similar incidents in the future.

The Central Investigation Office in Wolfsburg coordinates the Group-wide whistleblower system. The employees there process whistleblower information concerning Volkswagen AG and those of its subsidiaries that do not have their own investigation office and also process reports with relevance for the Volkswagen Group.

Group Internal Audit, Group Security and Group Legal assist with operational case investigation. In individual cases, the investigation office also commissions investigations by independent and external third parties, such as law firms or auditors. This may occur especially when the information concerns members of the Board of Management or cases are exceptionally complex – particularly with imminent legal consequences for Volkswagen AG (e.g., in the event of particularly serious corruption or possible breaches of antitrust and anti-competitive law).

AUDI AG, Porsche AG and TRATON SE each have separate investigation offices for themselves and their subsidiaries. There is also a regional investigation office at Volkswagen (China) Investment Company Ltd. It processes whistleblower information concerning Volkswagen AG's Chinese subsidiaries. Cooperation between the investigation offices and uniform processing of whistleblower information are centrally monitored and coordinated in Wolfsburg.

An IT system, internal controls and multiple-party verification support employees with the processing of suspicious activity reports. Figures on the whistleblower system are reported to the Board of Management and the Supervisory Board at regular intervals. The workforce is also regularly informed about the whistleblower system. In addition, numerous compliance training courses address the task of the whistleblower system and how it works. Employees who might frequently come into contact with serious breaches of rules due to their work receive in-depth training. This includes, for example, employees in the fields of audit, security, human resources, legal or compliance.

The Volkswagen Group assures all whistleblowers and people who support the whistleblowers or the investigations of protection from any reprisals they could experience due to their reports and their efforts to investigate breaches. This is anchored in Group policy 3, which applies worldwide, and is described in the Code of Conduct. The terms stated in the Group policy show that the Volkswagen Group complies with the provisions of international whistleblower protection laws – for example, the EU directive on whistleblower protection, its implementation acts and the German Supply Chain Due Diligence Act (LkSG). To prepare for the entry into force of these new legal regulations, the Central Investigation Office has carried out an information campaign to raise awareness in the relevant Group companies. Breaches of the ban on discrimination are treated as serious breaches of the rules.

Within the digital ComplianceXChange workshop format, the whistleblower system team communicates with experts from other DAX companies twice a year to share experiences and discuss current issues.

Suspected Cases and Compliance Breaches in the Reporting Year

In 2022, the investigation offices registered 3,073 whistleblower reports (2021: 3,219). Around 24% of these were anonymous but with the option to contact the whistleblower, and around 9% were anonymous without the option to make contact. In 754 cases, the Central Investigation Office accepted an initial suspicion of breaches of the Code of Conduct, in several cases also of laws and/or specific internal regulations at the same time, with the result that an internal investigation was initiated. Of these, 187 cases involved potentially serious breaches of rules.

In the reporting year, the investigation offices investigated individual cases of suspected serious infringements of rules to prevent corruption. In six cases this resulted in significant sanctions such as warnings or dismissals. In five cases this was due to violations of rules to avoid conflicts of interest and in one case to a violation of procurement guidelines. Five investigations into suspicions of serious infringements of antitrust or competition law were closed. In none of these cases was a serious violation of antitrust or competition law established.

An independent external auditor regularly audits the effectiveness and functionality of the whistleblower system. The audit is currently conducted annually. The Audit Committee of the Supervisory Board, the Group Board of Management and the boards of management of companies concerned are informed of the result and possible suggestions for improvement. The past audit showed that the Group whistleblower system's processes are suitable for efficiently and effectively processing whistleblower information. In the reporting year, the investigation offices of AUDI AG, Traton SE, Porsche AG and Volkswagen AG were audited.

INTEGRITY KPIS

KPI	Unit	2022	2021	Notes and comments
T4I				
T4I rollout in controlled companies	number	784	707	Since the start of the program
Approval rate from T4I perception workshops	in %	87.8	82.7	Definition, see p. 96
Information point				
Inquiries processed to the compliance information point	number	1,517	1,335	Volkswagen AG
Change in inquiries processed to the compliance information point	in %	14	-10	
Code of Conduct				
Employees of Volkswagen AG who have a valid qualification on the Code of Conduct	number	48,311	48,017	Web-based training; scope definition, see p. 100
Proportion of the workforce of Volkswagen AG to be qualified	in %	98.4	98.2	Web-based training; scope definition, see p. 100
Anti-corruption				
Employees of Volkswagen AG who have a valid qualification on the topic of anti-corruption	number	45,808	36,565	Web-based training; scope definition, see p. 100
Proportion of the workforce of Volkswagen AG to be qualified on the topic of anti-corruption	in %	93.0	74.8	Web-based training; scope definition, see p. 100
Pieces of whistleblower information				
Pieces of whistleblower information	number	3,073	3,219	In all investigation offices
of which anonymous and without any possibility of contact	in %	9	10	
BPDD reviews	number	> 4,300	> 8,600	Business partners in sales and procurement (suppliers)
Culture of rules				
Compliance, a culture of dealing openly with mistakes and acting with integrity		86.6	86.3	

- **Standard measures:** These proactive and reactive measures include the Code of Conduct for Business Partners, the supply chain grievance mechanism, media screenings, the sustainability rating and training suppliers and employees.
- **Deep Dive measures:** These encompass the human rights focus system in the supply chain, the raw material due diligence management system and collaboration with external partners to develop the concept of sustainability in the supply chain.

Implementation of the management approach is mandatory and is enshrined in corresponding policies for the Group's brands and controlled companies. The Volkswagen Group identifies the sustainability risks that may arise as a result of its business relationships. The processes for analyzing risk represent the first step of our ReSC system. Based on the risks identified, a package of measures for preventing and mitigating risks is assigned to the suppliers in the respective business models and countries.

STANDARD MEASURES: FOUNDATION OF OUR RESC SYSTEM

Code of Conduct for Business Partners

The core element of our supplier management is the "Volkswagen requirements for sustainability in relations with business partners" – the Code of Conduct for Business Partners. It sets out our expectations of our business partners' conduct with respect to key human-rights, environmental, social and compliance standards. The requirements are based, among other things, on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the relevant International Labour Organization (ILO) conventions. The Code of Conduct is, however, not just based on international standards, but also objectives, rules and policies of the Volkswagen Group.

Before submitting a quote, our suppliers must confirm that they accept our sustainability requirements in the Code of Conduct for Business Partners. They must consent to this again after 12 months if they wish to submit new quotes. We also call on our tier 1 suppliers to pass our requirements set out in the Code of Conduct for Business Partners down along the supply chain. In 2022, the Code of Conduct was revised and the requirements of the German Supply Chain Due Diligence Act (LkSG) were added. In addition to the Code of Conduct for Business Partners, there are additional product-specific requirements for suppliers. These are set out in the specifications and stipulate the way in which certain products must be manufactured. The requirements include, for example, achieving full disclosure of the cobalt supply chain for battery cells. These requirements are also binding for the suppliers in question.

Supply Chain Grievance Mechanism

The supply chain grievance mechanism is used to process information on human-rights and environmental risks and on breaches of human-rights or environmental obligations by the Volkswagen Group's direct or indirect suppliers.

The mechanism is accessible via the channels of the Volkswagen Group's whistleblower system and is open to all potentially affected stakeholders – e.g., employees of suppliers, civil society players or representatives of communities in the immediate vicinity of our production locations. The processing of cases is uniformly described in a binding manual and is managed by the Group. Cases are processed together with the brands and regions of the Volkswagen Group. Breaches identified are categorized by their severity to ensure adequate processing. Depending on the categorization of the breach, appropriate measures are then introduced. If there are serious breaches, it is possible to temporarily block suppliers from eligibility for the award of new contracts or to terminate the business relationship with them.

Media Screening

Group Procurement Sustainability carries out continuous and risk-based media screening of relevant suppliers² using a software tool. If the tool identifies indications of possible breaches of our Code of Conduct for Business Partners, these are reviewed and, if necessary, processed in the supply chain grievance mechanism.

Sustainability Rating

A sustainability rating (S rating) was introduced in 2019 as a key measure for all relevant companies and suppliers with a high sustainability risk. The S rating is used to audit the sustainability performance of relevant suppliers³ and reveal opportunities for continuous improvement. It assesses the environmental performance of suppliers and their social sustainability and integrity. The S rating is directly relevant to awarding contracts: If a supplier does not meet our requirements for compliance with sustainability standards, it is fundamentally not eligible for the award of contracts. There is thus a direct incentive for suppliers to improve their sustainability performance.

SUSTAINABILITY RATING

The S rating is a Group-wide tool used to assess the sustainability performance of relevant suppliers³ in the fields of the environment, social and integrity and to mitigate risks. It is directly relevant to awarding contracts.

² The relevance of a supplier for media screening results from factors including the procurement volume or the risk exposure derived from the type of product or service.

³ The relevance of a supplier for the S rating results from factors including the size of the company or the risk exposure derived from the type of product or service.

The check for the S rating takes place via a multistage process. In an initial step, the risk exposure is identified from a combination of country risk and the supplier's corporate processes and policies. In addition, the companies' sustainability performance is checked in on-site spot checks.

A specialist service provider is used for the identification of the country risk. We check whether suppliers' corporate processes and guidelines meet our requirements by means of a standardized questionnaire for self-assessment. We developed the self-assessment questionnaire (SAQ) in a joint project with other automotive corporations involved in the DRIVE Sustainability Working Group organized by CSR Europe. Relevant topics were added to the SAQ to prepare for the German Supply Chain Due Diligence Act (LkSG). The information and documents in the SAQ are checked and validated by a service provider via a central platform: If a supplier states that it has appropriate processes and guidelines, it must prove this with documents. Every supplier that the S rating applies to must meet the requirements enshrined in the questionnaire in the areas of corporate governance, the environment, social issues, human rights, compliance and supplier management. Since this reporting year, selected questions in the SAQ have been considered mandatory as minimum requirements for all suppliers from a site size of ten employees. As of this year, proof of a certified and/or validated environmental management system is also mandatory for all suppliers with a production site and a site size of 100 employees or more. Suppliers in the scope who do not have an existing environmental management certificate may submit a letter of commitment pledging the completion of certification in the near future during a transition phase. A supplier is not eligible for the award of contracts unless it meets the minimum requirements.

In addition, suppliers who we have identified as having an increased corruption risk due to their business and region are also subjected to a more in-depth corruption risk audit. This process is called the business partner due diligence (BPDD) process and is carried out before any decision to award a contract. In addition, all relevant business partners will then also be continuously checked for any change in general conditions through risk and news screening. There were a total of 487 business partner due diligence reviews in the reporting year.

We are also working continuously on avoiding duplication when auditing and, to achieve broader coverage of the supply chain, are partnering with original equipment manufacturers (OEM) and suppliers in a German Association of the Automotive Industry (VDA) task force to create a common standard for on-site audits. To this end, major Volkswagen Group companies founded the Responsible Supply Chain Initiative e.V. in 2021 together with 11 additional partners, and this initiative continued to grow in the reporting year. First pilot projects of the on-site-check standard were run in connection with this in 2022.

Sustainability Training for Employees and Suppliers

Systematic training of our employees and suppliers is a central component of our strategy and essential for the improvement of sustainability in the supply chain.

For all Procurement employees, the topic of sustainability is an established part of the skills profile. The training course on sustainability for procurement was taken more than 2,000 times in total worldwide in 2022. Our training measures continue to also be geared to specific target groups. For example, buyers of components associated with higher sustainability risks were given an intensive training program in a separate format. Since 2017, we have trained our Procurement employees to deal with the special challenges found in battery supply chains.

In 2022,
more than **2,900**
suppliers were trained
on sustainability globally.

In order to facilitate continuous supplier development, we usually conduct issue-specific sustainability training courses and workshops with our suppliers at selected locations or online and offer web-based training. More than 2,900 suppliers were trained accordingly in the reporting period. This includes 245 suppliers who use the Drive Sustainability initiative's online training and e-learning options.⁴ Voluntary, in-depth human rights training for suppliers has been available since 2020 and was run again in 2022.

In addition to the trainings, we make an e-learning module on sustainability available to current suppliers in nine languages.

DEEP DIVE MEASURES: FURTHER ELEMENTS OF OUR RESC SYSTEM

Human Rights Focus System

In our sustainable supply management, we are also involved in protecting groups of people who may be subject to a high risk of potential human rights violations at any point in our supply chain. We implemented a human rights focus system (HRFS) in 2022 to comply with international frameworks and requirements and specifically the German Supply Chain Due Diligence Act (LkSG). The system aims to identify particularly high risks in our supply chain in connection with human rights violations and the environment and to manage these appropriately. To this end, we evaluated aggregated data from our supply chain grievance mechanism, the on-site checks and information from studies, NGO reports and stakeholder conversations in the reporting year in order to draw up a long list of relevant topics. For 2023, we plan to use this to

⁴ Change in methodology: scope expansion for training in 2022.


decide on focus activities, which will then be addressed during the year. A toolbox of measures will be developed to address these focus topics. This will be used from 2023 for mitigating the risks identified.

Raw Material Due Diligence Management System

With regard to the responsible sourcing of raw materials, the Volkswagen Group implements the five steps of the OECD Due Diligence Guidance for Responsible Business Conduct and the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In 2020, we implemented an OECD-oriented raw material due diligence management system. It serves to identify, assess and avoid actual and potential human rights risks in our upstream raw material supply chains and currently encompasses 16 particularly risky raw materials. These include the battery raw materials cobalt, lithium, nickel and graphite, the conflict minerals tin, tungsten, tantalum and gold (3TG), and aluminum, copper, leather, mica, steel, natural rubber, platinum group metals and rare earths.⁵

With this risk-based approach, we prioritize our activities on the basis of the severity and probability of breaches of the law and on the basis of the Group's influence. We also systematically use our Group structure for developing and implementing specific prevention and mitigation measures, whose effectiveness we audit. New report structures and toolkits have been developed and existing tools, such as the supply chain grievance mechanism, have been integrated in the management system. Depending on the results of the due diligence process, the measures are adapted and improved on an ongoing basis.

Since 2021, the Volkswagen Group has also reported on the observation of its human rights due diligence obligations in the raw material supply chain – including reporting on the status, progress and goals of the raw material due diligence management system – in an annual Responsible Raw Materials Report. The Group's specific activities and measures regarding the 16 particularly risky raw materials are also set out there.

 > www.volkswagenag.com > Sustainability > Reporting & ESG Performance > Sustainability Report

Increasing transparency is an important prerequisite for identifying, avoiding and mitigating human rights risks in the upstream supply chain. To this end, the Volkswagen Group works closely with its direct suppliers and business partners in the context of the raw material due diligence management system.

We cooperate with, among others, service providers who enable suppliers to be comprehensively audited using artificial intelligence. Here, permanent real-time monitoring of freely available internet sources, including social media, provides us with indications of possible breaches by suppliers.

Because the human-rights-related risks are often highest at the start of the supply chain and these can be countered most effectively here, direct collaboration with mine operators on the certification of mines is an additional part of our strategy. In this way, we intend to audit, assess and improve the sustainability performance of the mines in our supply chain in the medium term.

Collaboration with External Partners and Involvement in International Initiatives

In addition to close collaboration with our direct and indirect suppliers, we get involved in initiatives and local projects to address human rights risks in the upstream supply chain and beyond our contractual relationships. These cross-industry and, in some cases, raw-material-specific initiatives are listed in our Responsible Raw Materials Report. The aims of collaboration with partners in the automotive industry and along the value chain include knowledge transfer, the development of standardized tools for risk assessment and the introduction of standards for responsible raw material supply chains with respect to human rights, the environment and compliance.

In the reporting year, the Volkswagen Group and its brands joined additional important initiatives. For example, Volkswagen AG has been a member of the Initiative for Responsible Mining Assurance (IRMA) since February 2022. IRMA is a multi-stakeholder alliance that advocates for high standards in mining. The IRMA standards encompass the protection of human rights and the rights of local communities, the exclusion of corruption, health protection measures, occupational safety, and environmental protection. In the reporting year, the Volkswagen Group also became a member of the Leather Working Group. Porsche joined the Responsible Mica Initiative in 2022.

⁵ The risk scope of the management system goes beyond Annex 2 of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

For battery raw materials, especially cobalt, we pursue the objective of creating supply chain transparency from mining the raw materials to manufacturing the finished product. We have been passing the requirement for full transparency on to our direct battery suppliers in our contracts since 2020. Volkswagen has the data received audited and verified by partner companies through second-party supply chain mapping audits. In the Cobalt for Development project in the Democratic Republic of the Congo, we work together with partners for improved working and living conditions for small-scale cobalt miners and their communities. The pilot project aims to strengthen compliance with laws and improve health and safety conditions and social well-being for people locally. Additional information is available on the project website.

> Cobalt for Development (C4D)

For the battery raw material lithium, the Volkswagen Group, together with other partners, has created the Responsible Lithium Partnership initiative, which works towards responsible use of resources and sustainable lithium production in Salar de Atacama in Chile. This is to be achieved through a multi-stakeholder platform comprising all the relevant players in the Salar watershed – from civil society groups, including indigenous communities, through government institutions to local mining companies.

Beyond raw material activities, our involvement in the industry-led initiative DRIVE Sustainability under the umbrella of CSR Europe remains key. The development of the common questionnaire standard for auditing sustainability aspects of suppliers was a milestone in this respect, as was the training approach for suppliers pursued jointly with other OEMs via training events in selected countries.

PROGRESS AND DEVELOPMENTS AMONG OUR SUPPLIERS

A total of more than 16,029 active suppliers⁶ completed an SAQ in connection with the S rating. In the reporting period, 6,748 suppliers improved their sustainability performance through taking appropriate steps. Based on sales revenue, more than 85% of our suppliers with a production site and a site size of 100 employees or more have documented that they have a certified environmental management system in accordance with ISO 14001 or validation in accordance with EMAS or a letter of commitment.⁷

Following an initial analysis of the supplier data, in-depth audits are carried out on-site, based on risk. 252 on-site audits were carried out worldwide in 2022. On average, six breaches of our sustainability requirements were identified.⁸ Differences can be seen depending on the region.

By the end of the reporting year, we had 12,660 S ratings for suppliers, accounting for around 75% of total procurement expenditure. Of these suppliers, 6,618 have an A rating. 65 suppliers were rated C and are thus not currently eligible for the award of contracts. Suppliers who do not meet our requirements for compliance with our sustainability standards are also not eligible for the award of contracts.

6,618
suppliers have
an A rating.

In the reporting period, 145 reports of breaches from the supply chain grievance mechanism were dealt with. In total, four suppliers were blocked from eligibility for the award of new contracts due to serious breaches.

⁶ Change in methodology: in 2021, active SAQs from suppliers without revenue were also taken into account.

⁷ Change in methodology: Scope in the previous year took account of production sites of suppliers of production material (direct material). In this reporting year, the production sites of suppliers of general material (indirect material) were also taken into account.

⁸ Scope: excluding on-site checks at logistics service providers.