

Volkswagen Green Finance Report

May 2021

Disclaimer

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

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

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

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

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

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

Decarbonisation Strategy

Based on the Paris climate target, Volkswagen has set itself the goal of being CO₂ neutral as a company in balance sheet terms by 2050



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The e-vehicle already has a superior CO₂ balance on average across Europe today



With energy efficiency and the use of green electricity, Volkswagen is therefore systematically reducing CO₂ emissions in production and its supply chain

02

Volkswagen offers a CO₂ neutral green electricity for the use phase

03

With the increase of renewable energies the CO₂ balance of BEV increases automatically in the use phase go to zero

04

01

Decarbonisation program targets whole life cycle

In order to achieve its targets, the Volkswagen Group is implementing a comprehensive and holistic decarbonization program, which includes the whole life cycle of the vehicles. It is based on three key principles, which at the same time represent a setting of priorities: the top priority is measures with which CO₂ emissions can be avoided or reduced. In second place follow measures with which we can gradually shift the energy supply in the entire value chain to renewable energy. Finally, we offset unavoidable CO₂ emissions through climate protection projects that meet the highest international standards.

RENEWABLE ENERGY IS A KEY LEVER FOR GROUP'S DECARBONIZATION TARGET

The decarbonization of the Group not only means we are living up to our responsibility as one of the world's leading mobility businesses but also opens up new business potential and competitive advantages for us. In this way, we meet the growing requirements of a wide variety of stakeholders and lay the foundation for a product portfolio fit for the future.

Decarbonization thus strengthens the value of our Group and is an important instrument for providing for climate-related risks that could threaten our business model.

Decarbonization target by 2025 [DCI, tonnes of CO₂e per vehicle] Affordable and clean energy Affordable and -30% clean energy 2015 Portfolio 2025 Decarbonization 2025 effects starting point forecast target measures Provision of fuel Driving Recycling Supply chain Production and other and electricity emissions Source: Volkswagen AG

> Please click for more information which can be found in our sustainability report – Decarbonisation

Schematic illustration

Allocation Report

Eligible Green Project Portfolio	ICMA GBP Category	UN SDGs	Contribution to EU's Environmental Objectives	Second-Party Opinion Volkswagen Green Finance			
Projects related to the manufacture of electric vehicles Investments in, expenditures for and/or costs for conception, infrastructure, development and construction of the Modular Electrification Toolkit (MEB) itself, of electric vehicles and their production equipment and	Clean Transportation	11 Instandard offens Instandard offense Instandard offense Inst	The activities substantially contribute to the following EU environmental objective: Climate Change Mitigation -	Evaluation Sustainalytics credible and i	ework a Summary is of the opinion that the Volkswagen Green Finance Framework is mpactful and aligns with the four core components of the ICMA Green	Evaluation date March 2020 Issuer Location Wolfsburg,	
tools, supplier tools and systems and their key components, such as batteries, all related to the MEB.			Increasing clean or climate- neutral mobility	Bond Principle on the followin	Is 2018 and LMA Green Loan Principles 2018. This assessment is based g: USE OF PROCEEDS The eligible category for the use of proceeds is aligned with those recognized by the Green Bond Principles and Green Loan Principles. Sustainalytics considers that Clean Transportation will lead to positive environmental impacts and context of the Development Conto Section 2014.	Report Sections Introduction 2 Sustainal/tics' Opinion 3	
(when separable from fossil fuel filling stations and garages)	Clean Transportation	9 NUSTRI NOMIDI ANIVASTRICIAE	Climate Change Mitigation	ø	PROJECT EVALUATION / SELECTION Volkswagen's Green Finance Committee (GFC) will evaluate and select the eligible green projects to approve whether the projects are aligned with the Framework. The GFC is comprised of cross-functional representatives from Group Treasury, Sustainability Department, Group Accounting Group Long Group Lead and pusiness	Appendices	
	····· V ·····		units developing eligible projects. This process is in line with market practice.	Project Manager lili.hocke@sustainalytics.com (+31) 20 205 00 40			
The Volkswagen Group believes that Green De projects that have demonstrated climate bene	ebt Instruments are efits and thereby co	(J)	proceeds to an Eligible Green Project Portfolio. Volkswagen will track expenditure and development costs using internal reporting systems. Pending full allocation or reallocation, the unallocated proceeds will be invested in cash or other liquid marketable instruments. This	Evan Bruner (Amsterdam) Project Support evan.bruner@sustainalytics.com (+31) 20 205 0027			
Climate Agreement and the United Nations' S from the issuance of each Green Debt Instrum new or existing green projects ("Eligible Greer	ustainable Develop Ient will be used to I Projects") from va	REPORTING Volkswagen intends to annually publish allocation and impact reporting of proceeds on the Volkswagen Group's website until full allocation. Allocation reporting will include the balance of allocated and unallocated proceeds as well as the number of new and existing		Jean-Claude Berthelot (Amsterdam) Client Relations susfinance emea@sustainalytics.com +44 20 3880 0193			
the eligible categories detailed above. Volksw Projects as "Eligibility Criteria".	agen defines the individual elements of the Eligible Green				projects. In addition, impact reporting will disclose data of CO2 emissions avoided in the use and production phases, along with the description of the green projects and results of Life Cycle Assessment. Sustainalytics views Volkswagen's allocation and impact reporting plans to be aligned with market practice.		

Use of proceeds Our Green Project Portfolio – purely electric



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Volkswagen's Green Finance Framework (GFF) describes Eligible Green Projects that meet Eligibility Criteria and therefore are selected to form the Eligible Green Project Portfolio. Herewith, Volkswagen demonstrates the ambition to issue Green Debt Instruments to finance or refinance these projects that are related to the category clean transportation in accordance with Volkswagen Group's core business and sustainability strategy. Volkswagen has established a cross-departmental Green Finance Committee (GFC). It is responsible for overseeing the process of selecting, evaluating and monitoring Eligible Green Projects for an Eligible Green Project Portfolio, including setting the Eligibility Criteria with a look-back period of up to three preceding full fiscal years from the date of issuance. The process of evaluating the Eligible Green Project Portfolio comprises various steps and is primarily based on internal project reporting. In consultation with the Sustainability Department, the Group Controlling Department derives a list of Eligible Green Projects and underlying costs, investments and expenditures in the category of clean transportation complying with Volkswagen's GFF. The GFC reviews these identified projects and respective costs, investments, expenditures and finally decides on their eligibility under Volkswagen's Green Finance Framework. The GFC is composed of members from Group Treasury, the Sustainability Department, Group Accounting, Group Controlling and Group Legal.

Currently, projects related to the manufacture of electric vehicles of Volkswagen's brand Volkswagen Passenger Cars are identified as eligible green projects and include the Modular Electrification Toolkit (MEB) itself and the Battery Electric Vehicle-models ID.3 and ID.4, which are both based on the MEB. It was considered to focus on those legal entities that spent the highest amounts of costs, investments, expenditures that comply with the eligibility criteria.

In order to clearly focus on eligibility, only development costs and capital expenditures, excluding any intercompany margins, are recognized in the Eligible Green Project Portfolio. Costs for research are excluded. Development costs consists of product-related and overhead costs relating to above stated projects, considering Volkswagen Group-internal as well as external services, e. g. labor costs, costs for used materials and cost for information systems and technology. Capital expenditures include overhead costs for investments and consist of capitalized and non-capitalized costs, e. g. for press tools, body construction, conveyer technology, assembly systems. The designation of these expenditures to the individual eligible projects follows the principle of the first usage of the underlying asset.

ID.3 – Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO₂ emissions combined 0g/km, efficiency class: A+ ID.4 – Electricity consumption combined 16.9-15.5 kWh/100 km; CO₂ emissions combined 0g/km, efficiency class: A+

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Use of proceeds In accordance with the portfolio approach

Eligible Green Project	Outstanding Green Debt Instruments ² (in EUR bn)							
ICMA Category ³	2017	2018	2019	2020	ISIN	Issuance Date	Due Date	Principal Amount
Clean Transportation	0.26	0.74	1.11	1.49	XS2234567233	09-23-2020	09-22-2028	1.25 J. Compared to the second
Thereof:					XS2234567662	09-23-2020	09-23-2032	0.75
Projects related to the manufacture of electric vehicles	0.26	0.74	1.11	1.49				
Dedicated e-charging infrastructure	-	-	-	-				
Total (2017-2020) ⁴				3.60 🗸	Total			2.00
Eligible Green Project Portfolio Unallocated								EUR 1.60bn
Percentage of Eligible Green Project Portfolio Al	located (cov	erage)						56%
Percentage of Proceeds of Green Finance Instru Portfolio	ments alloca	ted to Eligib	ole Green Pro	ject				100%
The amount or number of new versus existing in	nvestments	and/or proje	ects⁵					0% vs. 100%

All figures shown in the report are rounded, so minor discrepancies may arise from addition of these amounts ¹as defined in the Volkswagen Green Finance Framework, March 2020 ²per December 31, 2020, issued by Volkswagen International Finance N.V. and unconditionally and irrevocably guaranteed by Volkswagen AG ³International Capital Market Association: Green Bond Principles ⁴for the period from January 1, 2017 to December 31, 2020 ⁵New projects refer to the projects that have been disbursed in the year of issuance

To Volkswagen Aktiengesellschaft, Wolfsburg

We have been engaged to perform a limited assurance engagement on the disclosures related to the use of proceeds in accordance with the portfolio approach (hereafter the "**Use of Proceeds**") and denoted with " \checkmark " in the section "Allocation Report" of the Volkswagen Green Finance Report as of May, 2021 (hereinafter the "**Green Finance Report 2021**") of Volkswagen AG, Wolfsburg (hereinafter the "**Company**"), for the period from January 1, 2017 to December 31, 2020. Our engagement in this context relates solely to the disclosures related to the use of proceeds denoted with the symbol " \checkmark ".

Management's Responsibility for the Green Finance Report 2021 and the Use of Proceeds

Company's Management is responsible for the preparation and presentation of the Green Finance Report 2021 including the disclosures related to the Use of Proceeds as well as for the use of proceeds in accordance with the eligibility criteria as set out in section "3. Use of Proceeds" of the Volkswagen Green Finance Framework as of March 2020 of Volkswagen AG, Wolfsburg, and in section "Allocation Report" of the Green Finance Report 2021 (hereinafter the "**Eligibility Criteria**"). This responsibility includes: designing, implementing and maintaining internal controls relevant to the proper preparation and presentation of the Green Finance Report 2021 including the disclosures related to the Use of Proceeds as well as to the proper use of proceeds and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Audit Firm's Independence and Quality Control

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

The audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the disclosures related to the Use of Proceeds denoted with "√" in the section "Allocation Report" of the Green Finance Report 2021 based on our work performed.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that cause us to believe that, in all material respects, the total amount of the eligible green project portfolio disclosed in the section "Allocation Report" of the Green Finance Report 2021 and denoted with "√" has not been invested in accordance with the Eligibility Criteria and the total amount of proceeds from green debt instruments issued by Volkswagen International Finance N.V. as at December 31, 2020 disclosed in the section "Allocation Report" of the Green Finance Report 2021 (the "**Green Debt Instruments**") does not exceed the total amount of the eligible green project portfolio.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement of the disclosures related to the Use of Proceeds in the section "Allocation Report" of the Green Finance Report 2021 considering the Eligibility Criteria. Within the scope of our work we performed amongst others the following procedures:

Independent Practitioner's Limited Assurance Report

- We have obtained an understanding of (i) the Eligibility Criteria and of (ii) the projects for which the proceeds of the Green Finance Instruments have been used (hereinafter the "*Eligible Green Projects*").
- We have made enquiries of the Company's management, including the Green Finance Committee and those with responsibility for the preparation and presentation of the Green Finance Report 2021 regarding the management and the process of recording and reporting of the disclosures related to the Use of Proceeds in the section "Allocation Report" of the Green Finance Report 2021, the systems used in the process and the related internal control system.
- We have obtained a listing prepared by the Company of investments in, expenditures for and/or costs incurred in connection with the Eligible Green Projects and agreed the information on the listing with the respective disclosures related to the Use of Proceeds in the section "Allocation Report" of the Green Finance Report 2021.
- We have inspected minutes of the Green Finance Committee and other relevant meetings regarding the consideration and approval of investments in, expenditures for and/ or costs incurred in connection with the Eligible Green Projects.
- We have, on a sample basis,
 - agreed the disclosures related to the Use of Proceeds in the section "Allocation Report" of the Green Finance Report 2021 to the respective information in the Company's project accounting system and underlying documentation of the Company regarding the use of proceeds in the period from January 1, 2017 to December 31, 2020;
 - evaluated whether the investments in, expenditures for and/ or costs incurred in connection with the Eligible Green Projects were used in accordance with the Eligibility Criteria.
- We have considered the disclosures and presentation of the Use of Proceeds disclosed in the "Allocation Report" of Green Finance Report 2021.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that, in all material respects, the total amount of the eligible green project portfolio disclosed in section "Allocation Report" of the Green Finance Report 2021 and denoted with "√" has not been invested in accordance with the Eligibility Criteria and the total amount of proceeds from Green Debt Instruments as at December 31, 2020 does not exceed the total amount of the eligible green project portfolio.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility, duty of care or liability towards any third parties.

Düsseldorf, May 18, 2021 PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

Nadja Picard	Tina Bloos
Wirtschaftsprüferin	Wirtschaftsprüferin
German Public Auditor)	(German Public Auditor)

Impact Report

E-mobility as a key factor of decarbonization



The Volkswagen Group has launched one of the biggest e-offensives in the automotive sector. In order to achieve the statutory requirements for CO_2 fleet emissions, in 2025 the Volkswagen brand wants, for example, to sell more than one million e-cars per year globally. The plan is also to increase the proportion of the fleet that is electric to at least 40% by 2030. The market launch of the completely newly developed, all-electric ID. model family took place in 2020. We now have attractive products for e-mobility with the ID.3 and ID.4 models, the Audi e-tron and the Porsche Taycan.

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The new electric vehicles are manufactured at eight sites in Europe, China and the US. The modular electric drive matrix (MEB) serves as the technical backbone of the e-offensive and is used in many more of our electric models. Not only will the cost of e-mobility be significantly reduced with the associated economies of scale, the MEB will also enable the extensive decarbonization potential that is associated with this technology to be tapped for all brands and models. Compared to vehicles with an internal combustion engine, electric vehicles have the environmental advantage that they produce no local emissions during use. Our calculations show that the current carbon footprint of electric vehicles is already better on average in Europe in most markets than comparable gasoline or diesel vehicles over the entire life cycle too.

A meaningful carbon footprint requires robust data, methods and independent verification – Life Cycle Assessment for the ID.3



Life Cycle Assessment based on DIN EN ISO 14040 and DIN EN ISO 14044

We are currently particularly observing the climate effect in the impact categories. CO_2 and all other emissions relevant to the climate are recorded here and converted into CO_2 equivalents. Volkswagen AG commissioned TÜV NORD CERT Umweltgutachter GmbH as an independent external body to carry out the critical review of this life cycle assessment study in accordance with the applicable standards DIN EN ISO 14040 and DIN EN ISO 14044. In accordance with the standard, the manufacturing phase from raw material extraction, the use phase comprising use for transporting passengers over 200,000 km in the WLTP driving cycle to the recycling of the Golf 8 and the ID.3 were used as the framework.

On the basis of the ISO-standardized methodology, around 5,000 components were analyzed and 40,000 processes in all life cycle phases were carefully examined. For each process step of a component, its emissions were calculated with special software on the basis of standardized average values. For particularly energy-intensive manufacturing steps, such as battery-cell production, for the ID.3 we used our respective suppliers' specific data instead of average values.

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ID.3 carbon footprint over the entire life cycle



ID.3 Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO₂ emissions combined 0g/km; efficiency class: A+

Impact Reporting Based on the approach of the Harmonized Framework¹

Clean Transportation Portfolios	Signed Amount in EUR bn	Share of Total Project Financing	Eligibility for Green Finance Instruments	Allocated Amount in EUR bn	Saved CO ₂ emissions ID.3 vs Golf 8 TDI ² over life cycle (200,000km) in g CO2e/km	Saved CO ₂ emissions ID.3 vs Golf 8 TDI ² over life cycle (200,000km) in t CO2e	Number of ID.3 sold in EU including the UK, Norway and Iceland (#)	Calculated CO_2 emissions avoided ID.3 vs Golf 8 TDI ² over life cycle (200,000km) in t CO ₂ e
	a/	b/		с/	d/	d/		d/
Projects related to the manufacture of electric vehicles	3.60	100%	100%	2.00	25.00	5.00	56,500	282,500
Total	3.60	100%	100%	2.00	25.00	5.00	56,500	282,500

Portfolio date: 2017-2020

a/ Signed amount represents the amount legally committed by the issuer for the portfolio of projects or is eligible for green bond financing

b/ This is the share of the total project cost that is financed by the issuer.

c/ This represents the amount of green debt instruments proceeds that has been allocated for disbursements to the portfolio

d/ Eligible Categories impact indicators

Vehicle basis: Golf 8 and ID.3: Production, ultilization 200,000 km; Most representative engine-gearbox combination

standard equipment; ID.3 (1st Edition); Range: 440 km

Fuel and power consumption (Well-to-Tank): EU fuels; Energy mix EU-27

Consumption data (Tank-to-Wheel): WLTP

BEV: 62 kWh NMC 622 lithium-ion battery; one battery over the entire service life

¹https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Handbook-Harmonized-Framework-for-Impact-Reporting-December-2020-151220.pdf

²with similar equipment and performance

We give our ID.3 customers the delivery promise that we will deliver them a vehicle with a climate-neutral footprint



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ID.3 Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO₂ emissions combined 0g/km; efficiency class: A+

Outlook

LCA Hotspot analysis Impact of the battery in the carbon footprint



Analysis results

Battery cells	3.8*
Body steel	1.9
Battery housing (aluminum)	0.9
Electronics	0.7
Tires/wheels	0.7
Production and logistics	1.1**
Rest (>1,000 components and materials)	4.6
	Battery cells Body steel Battery housing (aluminum) Electronics Tires/wheels Production and logistics Rest (>1,000 components and materials)

** without taking into account the CO₂ neutrality of the site in Zwickau.

ID.3 Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO₂ emissions combined 0g/km, efficiency class A+

In the case of BEVs, the production of the Li-ion battery is the most decisive factor for the carbon footprint. Not only is the energy use in cell production important, but also the upstream processes in the supply chain are relevant: Raw material production, cathode material production and the graphite for the anode have a significant impact on the carbon footprint.

Compared with the battery used in the e-Golf, the new generation of batteries in the ID.3 mark an enormous advancement. With the new cathode material (6-2-2), the battery capacity has been increased at the same material cost compared with the previous generation (1-1-1). At the same time, we agreed with our battery cell suppliers to use electricity from renewable energies. These two measures have reduced the specific carbon footprint significantly.

Source: Volkswagen

e-Golf – Electricity consumption combined 13.8 - 12.9 kWh/100 km; CO_2 emission combined 0 g/km, efficiency class: A+ ID.3 – Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO_2 emissions combined 0g/km, efficiency class: A+

Significant improvement of the carbon footprint of the battery



Source: Volkswagen

ID.3 Electricity consumption combined 15.4 - 14.5 kWh/100 km; CO₂ emissions combined 0g/km, efficiency class A+