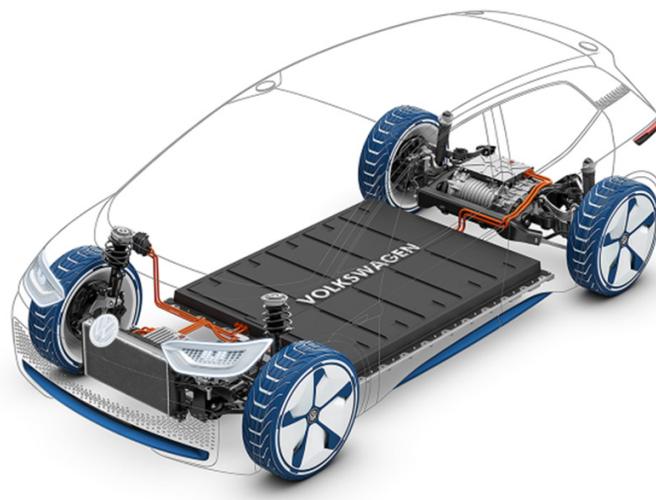


Volkswagen Green Finance Framework

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1. Introduction

Volkswagen Green Finance Framework

This document sets out the framework for Volkswagen's green financing program, under which Volkswagen intends to issue debt instruments for the purpose of financing or refinancing projects which promote progress in the field of sustainable mobility and clean transportation and that are otherwise in accordance with Volkswagen Group's core business and sustainability strategy ("Green Debt Instruments"). Green Debt Instruments may include Green Bonds, Green Schuldscheindarlehen, Green Private Placements and Green Loans.

Volkswagen Group Mission and Sustainability Vision

The Volkswagen Group – based in Wolfsburg, Germany – is one of the world's leading automobile manufacturers and is the largest in Europe. Volkswagen AG is the parent company of the Volkswagen Group. In 2019, the Group – along with its Chinese joint ventures – delivered over 10 million cars and commercial vehicles to customers.

In 2019 the Group operated over 120 production plants in 31 countries. Over 600 thousand employees worldwide produce vehicles, and work in vehicle-related services or other fields of business. The Volkswagen Group sells its vehicles in 153 countries.

Under the new vision "Shaping mobility - for generations to come." the Volkswagen Group with its sharpened TOGETHER 2025+ strategy¹ provides answers to the challenges of today and tomorrow. The goal is to make mobility sustainable for now and for future generations. With electric drive, digital networking and autonomous driving, the Volkswagen Group is making automobiles clean, quiet, intelligent and safe. At the same time, the core product becomes even more emotional and offers a completely new driving experience. It is also becoming part of the solution when it comes to climate and environmental protection. In this way, the car can continue to be a cornerstone of contemporary, individual and affordable mobility in the future. In fact, the Volkswagen Group sees sustainable mobility as a sustainability priority. To achieve such priority, the Volkswagen Group is heavily investing in mobility solutions that are efficient, sustainable, customer-oriented and easily accessible.

The Volkswagen Group intends to launch about 75 new full electric car models by 2029. Developing battery technology has also been defined as a core competency of the Volkswagen Group.

Every day, the Volkswagen Group assumes and exercises responsibility in relation to the environment, safety and society. This is reflected in the thoughts and actions and in all the decisions in equal measure. The Volkswagen Group pays particular attention to the use of resources and the emissions of the product portfolio as well as those of its sites and plants, with the goal of continuously improving the carbon footprint and lowering pollutant emissions.

On December 12, 2015, the Paris Climate Agreement was approved, in which 196 countries have undertaken to keep global warming to below two degrees Celsius. The Volkswagen Group feels committed to sharing this

¹ For more information please visit <https://www.volkswagenag.com/en/group/strategy.html>

joint responsibility for our planet. Environmental and climate protection are guiding principles of the Volkswagen Group's actions. At the current point in time, around 14 percent of CO₂ emissions worldwide stem from the transport sector – this includes airplanes and ships as well as passenger cars and trucks². Through the use of their vehicles, Volkswagen Group's passenger car brands alone are responsible for 1 percent of global CO₂ emissions.³ The Volkswagen Group aims to reduce this to zero. That is the goal, and the contribution to climate protection.

The objective is to make the entire Volkswagen Group CO₂-neutral by 2050. This applies not only to the vehicles, but also to the Volkswagen Group's CO₂ footprint.

The measures follow a clear three-step approach. Clear principles:

1. effective and sustainable CO₂ reduction
2. switch to renewable energy sources for power supply
3. compensation of remaining emissions that cannot be avoided

The 2025 target is to reduce the CO₂ footprint of the vehicle fleet by 30 percent across the lifecycle compared to 2015. At the same time, CO₂ emissions at all plants are planned to be cut 50 percent by 2025 compared with 2010.

Volkswagen Group's rationale for green financing

Becoming one of the world's leading providers of sustainable mobility calls for substantial capital expenditure.

The Volkswagen Group believes that Green Debt Instruments are effective tools to channel investments to projects that have demonstrated climate benefits and thereby contribute to the achievement of the Paris Climate Agreement and the United Nations' Sustainable Development Goals ("UN SDGs"). By issuing Green Debt Instruments, the Volkswagen Group intends to align its funding strategy with its mission, sustainability strategy and objectives and to reach the TOGETHER 2025+ targets described above.

In addition, the Volkswagen Group aims to contribute to the development of the green finance market and to the growth of Socially Responsible Investments while at the same time diversifying its investor base and broadening the financial options it offers existing investors.

Under this Green Finance Framework, Volkswagen has the ambition to issue Green Debt Instruments to finance and / or refinance projects related to Clean Transportation in accordance with Volkswagen Group's core business and sustainability strategy.

² Sims R. et al. (2014) Transport. In: Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change

³ IPCC, 2014: Climate Change 2014: Synthesis Report. Contribution of Working Groups I, II and III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, R.K. Pachauri and L.A. Meyer (eds.)]. IPCC, Geneva, Switzerland, 151 pp.; EEA, 2018: Environmental indicator report 2017

2. Basis of this Green Finance Framework

Following the 2018 ICMA Green Bond Principles (“ICMA GBP”), and the 2018 LMA Green Loan Principles (“LMA GLP”) Volkswagen’s Green Finance Framework is presented through the following key pillars:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

For each Green Debt Instrument issued, Volkswagen asserts that it will adopt (1) Use of Proceeds (2) Process for Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this Framework. Volkswagen’s Green Finance Framework follows the recommendations of the Green Bond Principles regarding External Review.

Volkswagen intends to update this Green Finance Framework periodically, at its sole discretion and on a best efforts basis, to reflect developments in the best practices of the Green Debt Markets.

3. Use of Proceeds

The proceeds from the issuance of each Green Debt Instrument will be used to finance or re-finance, in part or in full, new or existing green projects (“Eligible Green Projects”) from various group brands falling within one of the eligible categories detailed below.

Eligible Green Project Portfolio	ICMA GBP Category	UN SDGs	Contribution to EU’s Environmental Objectives
<p>Projects related to the manufacture of electric vehicles.</p> <p>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 tools, supplier tools and systems and their key components, such as batteries, all related to the MEB.</p>	Clean Transportation	 	<p>The activities substantially contribute to the following EU environmental objective:</p> <p>Climate Change Mitigation - Increasing clean or climate-neutral mobility</p>
<p>Dedicated e-charging infrastructure</p> <p>(when separable from fossil fuel filling stations and garages)</p>	Clean Transportation		<p>The activities substantially contribute to the following EU environmental objective:</p> <p>Climate Change Mitigation</p>

Volkswagen defines the individual elements of the Eligible Green Projects as "Eligibility Criteria".

Volkswagen may, at its discretion, add Eligible Green Projects to the list. Volkswagen will use its best efforts to update this Green Finance Framework to reflect any such changes.

4. Process for Project Evaluation and Selection

The Green Finance Committee

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 GFC is responsible for:

- On a best efforts basis, reviewing and updating the content of the Green Finance Framework and managing any future updates of this document to reflect relevant changes in the Group's corporate strategy, technology and market developments (e.g. the introduction of the EU GBS)
- On a best efforts basis, excluding or replacing projects that no longer comply with the Eligibility Criteria or which the GFC has otherwise determined should not be funded under this framework
- Designating, reviewing and updating the Eligible Green Project Portfolio
- As Green Debt Instruments mature, removing the oldest projects for an equivalent investment amount, to ensure that Green Debt Instruments continue to fund new projects
- Preparing allocation and impact reports associated with the Green Debt Instruments in accordance with the Framework

The Green Finance Committee is chaired by fixed members from Group Treasury, the Sustainability Department, Group Accounting, Group Controlling and Group Legal. The GFC will meet at least annually to review project submissions from Volkswagen's business units. Project submissions will be assessed to ensure they conform with the Eligibility Criteria, including aligning with the Eligible Categories, Use of Proceeds and the objective of making a positive impact on sustainable mobility.

Fundamentals and Guiding Principles

Volkswagen Group's actions are determined by the Volkswagen Group Essentials, which set out the values and foundations for the shared corporate culture. The Volkswagen Group's Code of Conduct helps managers and employees deal with legal and ethical challenges in their day-to-day work. The Volkswagen Group also gears the activities towards many internal guidelines on sustainability. They include the Social Charter, the Charter on Labor Relations, the Charter on Vocational Education as well as the Charter on Temporary Work. The objective with these fundamental principles is to ensure that the Volkswagen Group acts in compliance with international agreements and frameworks, such as the UN Sustainable Development Goals, the declarations of the International Labour Organization (ILO), the guidelines and agreements of the Organization for Economic Cooperation and Development (OECD), and the agreements of the United Nations on fundamental rights and freedoms.

In 2019, the Volkswagen Group developed “goTOZero”, the new Group environmental mission statement, which enshrines the goal of conducting business in an as environmentally friendly manner as possible and to become carbon-neutral by 2050. The four areas of activity – climate change, resources, air quality, and environmental compliance – are part of the mission statement.

Structure and Tasks of the Sustainability Organization

The organizational structures and organization of core processes as part of Group-wide sustainability management were defined in more precise detail in 2019. The resultant stipulations, structures and processes will subsequently be codified in a separate Group directive. The core elements of the recalibration include defining the overall responsibility of the Group’s Chairman of the Board of Management for sustainability, the responsibility of the divisional board members for specific management concepts relating to sustainability, and revision of the rules of procedure for the Group Sustainability Steering Committee. The members of this steering committee include executives from central Board of Management business areas and representatives of the brands and the Group Works Council. The Group Steering Committee defines specific strategic sustainability goals and position statements, identifies key action areas, and adopts key stipulations on the defined core sustainability processes, such as strategies and programs, guidelines, reporting, financial market ratings, and stakeholder management. The Group Steering Committee is part of the Group Sustainability Office, which bears responsibility for all sustainability-related activities within the Group and the brands.

In 2019 the Group Sustainability Office has been restructured and integrated in the General Secretariat and Group Strategy. One particular objective of this reorganization is to ensure a close link between sustainability, the strategic company goals and the core business. The Group Sustainability Office coordinates core processes in sustainability management and integrates the departments, brands and regions. In addition to the Group Sustainability Steering Committee, there is regular dialog at the annual Group Sustainability Summit.

The Volkswagen Group has institutionalized its stakeholder management work through external committees. At the Group level, these are the Sustainability Council and the Stakeholder Panel.

5. Management of Proceeds

Volkswagen intends to allocate an amount equal to the net proceeds from the issue of any Green Debt Instruments to an Eligible Green Project Portfolio, selected in accordance with the Eligibility Criteria and evaluation and selection process presented above. Additional Eligible Green Projects will be added over time to the Eligible Green Project Portfolio.

Volkswagen is able to track investments and or expenditures and or costs that are related to the Eligible Projects based on internal reporting systems.

Volkswagen will strive, over time, to achieve a level of allocation for the Eligible Green Project Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Debt Instruments. Volkswagen intends to add Eligible Green Projects over time to the Eligible Green Project Portfolio to the extent required to ensure that the net proceeds from outstanding Green Debt Instruments will be allocated to Eligible Green Projects.

Pending the allocation or reallocation of the net proceeds, Volkswagen will invest the balance of the net proceeds, at its own discretion, in cash or other liquid marketable instruments.

6. Reporting

The ICMA Green Bond Principles require Green Bond issuers to provide information on the allocation of proceeds. In addition to the information to which projects Green Debt Instrument proceeds have been allocated, the Green Bond Principles recommend communicating on the expected impact of the projects.

Volkswagen will make and keep readily available reporting on the allocation of net proceeds to the Eligible Green Project Portfolio and wherever feasible reporting on the impact of the Eligible Green Project Portfolio, at least at the category level, after a year from the issuance of the applicable Green Debt Instruments to be renewed annually until full allocation of the Green Debt Instruments net proceeds. Volkswagen intends to provide aggregated reporting for all of Volkswagen's Green Debt Instruments outstanding.

Volkswagen intends to align, on a best effort basis, the reporting with the portfolio approach described in "Green Bonds - working towards a Harmonized Framework for Impact Reporting (June 2019)"⁴

Allocation Reporting

Volkswagen will, at least, report on an aggregated basis one year after the issuance and on an annual basis thereafter, until full allocation:

- The total amount of investments in, expenditures for and/ or costs in the Eligible Green Project Portfolio
- The amount or number of new versus existing investments and/or projects⁵ (financing versus refinancing)
- The year of investment and / or expenditure and / or costs
- The balance of unallocated proceeds

Impact Reporting

Where and when feasible, depending on selected asset types, Volkswagen may report on the environmental impacts resulting from the Eligible Green Project Portfolio. Subject to confidentiality agreements, competitive considerations, or a large number of underlying projects limiting the amount of detail that can be made available, the information may be presented on an aggregated portfolio basis.

The impact reporting may include a description of the Eligible Green Project Portfolio and Impact Metrics regarding projects' environmental impacts, such as Results from Life Cycle Assessment ("LCA") and the number of electric vehicles delivered to customers.

⁴ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

⁵ New projects refer to the projects that have been disbursed in the year of issuance

Volkswagen analyses its environmental impact over the entire life cycle and all stages of the value chain. This includes the extraction of raw materials, the production of materials, the processes at its suppliers and its own production at its sites, the use phase with vehicle emissions and the necessary provision of fuel and eventually the recycling of the vehicle at the end of its life cycle. For detailed LCA, Volkswagen uses special LCA software with its own LCA database LEAD (Life Cycle Environmental Assessment Database), which ensures the application of harmonized data throughout the Volkswagen Group and a standardized basis for calculating its environmental performance. In the next step, Volkswagen identifies hotspots within the life cycle and derive appropriate solutions with the greatest possible effects. Volkswagen calls this life cycle engineering.

7. External Review

Second Party Opinion

As per the ICMA GBP, Volkswagen's Green Finance Framework has been reviewed by Sustainalytics, an independent third party who has issued a Second Party Opinion ("SPO") to confirm the alignment of this Framework with the ICMA GBP and LMA GLP, and assessing its environmental added value. A link to the SPO along with the Green Finance Framework will be made publicly available on Volkswagen Group's website.

Verification

Volkswagen will seek to obtain Climate Bonds Initiative ("CBI") certification for the Green Debt Instruments that are planned to be issued under this Green Finance Framework.

Additionally Volkswagen will seek to obtain a limited assurance report from an independent auditor, which will be issued annually until all the net proceeds from the relevant Green Debt Instrument are fully allocated, confirming that an amount equal to the net proceeds of the relevant Green Debt Instrument has been allocated in compliance with all material respects of the criteria set forth in this Volkswagen Green Finance Framework.

The external auditor's report may be published on Volkswagen Group's website.

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