

Structure and Business Activities

This chapter describes the legal and organizational structure of the Volkswagen Group and explains the material changes in 2020 with respect to equity investments.

OUTLINE OF THE LEGAL STRUCTURE OF THE GROUP

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the Group's brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. In its capacity as parent company, Volkswagen AG holds direct or indirect interests in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and a large number of other companies in Germany and abroad. More detailed disclosures are contained in the list of shareholdings in accordance with sections 285 and 313 of the Handelsgesetzbuch (HGB – German Commercial Code), which can be accessed at www.volkswagenag.com/en/InvestorRelations.html and is part of the annual financial statements.

Volkswagen AG is a vertically integrated energy supply company as defined by section 3 no. 38 of the Energiewirtschaftsgesetz (EnWG – German Energy Industry Act) and is therefore subject to the provisions of the EnWG. In the electricity sector, Volkswagen AG generates, sells and distributes electricity as a group together with its subsidiaries.

The Volkswagen AG Board of Management has sole responsibility for managing the Company. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that are of fundamental significance for the Company.

ORGANIZATIONAL STRUCTURE OF THE GROUP

The Volkswagen Group is one of the leading multibrand groups in the automotive industry. The Company's business activities comprise the Automotive and Financial Services divisions. All brands within the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volks-

wagen Commercial Vehicles brands – are independent legal entities.

The Automotive Division comprises the Passenger Cars, Commercial Vehicles and Power Engineering business areas.

The Passenger Cars Business Area essentially consolidates the Volkswagen Group's passenger car brands and the Volkswagen Commercial Vehicles brand. Activities focus on the development of vehicles, engines and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business. The product portfolio ranges from compact cars to luxury vehicles and also includes motorcycles, and is supplemented by mobility solutions.

The Commercial Vehicles Business Area primarily comprises the development, production and sale of trucks and buses from the Scania and MAN brands, the corresponding genuine parts business and related services. The commercial vehicles portfolio ranges from light vans to heavy trucks and buses. The collaboration between the two commercial vehicle brands is coordinated within TRATON SE, which is listed on the stock exchange.

The Power Engineering Business Area combines the large-bore diesel engines, turbomachinery, special gear units, and propulsion components businesses. Until October 2020, it also included the business of Renk.

The activities of the Financial Services Division comprise dealer and customer financing, vehicle leasing, direct banking and insurance activities, as well as fleet management and mobility offerings.

With its brands, the Volkswagen Group is present in all relevant markets around the world. The key sales markets currently include Western Europe, China, the USA, Brazil, Russia, Poland, Turkey and Mexico.

Volkswagen AG and the Volkswagen Group are managed by the Volkswagen AG Board of Management in accordance with the Volkswagen AG Articles of Association and the rules of procedure for Volkswagen AG's Board of Management issued by the Supervisory Board.

Accordingly, responsibilities were divided between eight Board of Management positions until December 31, 2020. In addition to the Chairman of the Board of Management, which also includes the Volume brand group, the other Board positions were: Components and Procurement, Finance and IT, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury as well as China. As of December 31, 2020, the board member for Finance and IT was also responsible for Components and Procurement on a temporary basis, and the Chairman of the Board of Management was also responsible for China.

In December 2020, the Supervisory Board decided to split up the responsibility for Components and Procurement from January 1, 2021, replacing it with two new Board positions: Purchasing and Technology. The new Technology Board position will be responsible for all Group Components activities worldwide, the marketing of the Volkswagen platforms to third parties, the development and manufacturing of battery cells as well as the associated procurement, the areas of charging and charging systems and the corresponding joint ventures worldwide.

The Volume brand group comprises the Volkswagen Passenger Cars, SEAT, ŠKODA and Volkswagen Commercial Vehicles brands. The Audi, Lamborghini and Ducati brands are brought together in the Premium brand group. Sport & Luxury is comprised of the Porsche, Bentley and Bugatti brands. Bentley will be allocated to the Premium brand group as of March 1, 2021. The Truck & Bus brand group is the umbrella for the Scania and MAN brands.

We are convinced that this management model will allow better use of existing expertise and economies of scale, boost synergy effects more systematically and accelerate decision making. In addition, it will prepare the Volkswagen Group for a management structure that is simpler, leaner and more effective, and strengthen the brands, giving them more autonomy. In line with the principle of subsidiarity, decisions will be taken at the lowest competent level, close to business operations, improving collaboration between the brands and the Group as a whole, leveraging synergies and ensuring that management of the Group is a shared undertaking.

Each brand within the Volkswagen Group is managed by a brand board of management, which ensures the brand's independent and self-contained development and business operations. To the extent permitted by law, the board adheres to the Group targets and requirements laid down by the

Board of Management of Volkswagen AG, as well as with the agreements in the brand groups. This allows Group-wide interests to be pursued, while at the same time safeguarding and reinforcing each brand's specific characteristics. Matters that are of importance to the Group as a whole are submitted to the Group Board of Management to be agreed upon, to the extent permitted by law. The rights and obligations of the statutory bodies of the relevant brand company remain unaffected.

The Volkswagen Group companies are managed solely by their respective managements. The management of each individual company takes into account not only the interest of its own company but also the interests of the Group, the relevant brand group and the individual brands in accordance with the framework laid down by law.

In addition, at Group level, Board of Management committees address key strategic issues relating to products, technologies, investments, digital transformation, integrity and compliance, risk management, human resources and management issues. We constantly revise and optimize the committees in order to review their relevance and further increase the efficiency of their decision making. This reduces complexity and reinforces governance within the Group.

The Best Governance module of our future program TOGETHER 2025+ is fostering our Company's transformation. One of its aims is to further improve manageability of the Group and to make even better use of synergy effects. The establishment of the Car.Software Organisation was just one way of further enhancing management of the Group in the reporting year.

MATERIAL CHANGES IN EQUITY INVESTMENTS

As part of the planned squeeze-out at AUDI AG under the German Stock Corporation Act, Volkswagen AG announced on June 16, 2020 that the cash settlement for the transfer of shares held by minority shareholders had been set at €1,551.53 per share. On July 31, 2020, the Annual General Meeting of AUDI AG approved the squeeze-out under stock corporation law at AUDI AG and thus the transfer of all outstanding Audi shares to Volkswagen AG. This resolution took effect upon its entry in the commercial register on November 16, 2020. In December 2020, a former shareholder of AUDI AG initiated award proceedings against Volkswagen AG at the Munich I Regional Court, asking the court to review the amount of the cash settlement offered by Volkswagen AG.

On October 6, 2020, the Volkswagen Group completed the sale of its 76% interest in Renk AG following the required regulatory approvals. The sale price was €0.5 billion.

LEGAL FACTORS INFLUENCING BUSINESS

Like other international companies, the business of Volkswagen companies is affected by numerous laws in Germany and abroad. In particular, there are legal requirements relating to development, products, production and distribution, as well as supervisory, data protection, financial, company, commercial, capital market, anti-trust and tax regulations and regulations relating to labor, banking, state aid, energy, environmental and insurance law.

GROUP CORPORATE GOVERNANCE DECLARATION

The Group Corporate Governance Declaration can be found in this annual report and is permanently available on our website at www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html.

I VOLKSWAGEN AG SHAREHOLDINGS

www.volkswagenag.com/en/InvestorRelations/news-and-publications/Financial_Statements.html

I GROUP CORPORATE GOVERNANCE DECLARATION

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