

Progress Report Volkswagen AG 2011/2012

On the Leadership Declaration of the 'Biodiversity in Good Company' Initiative

The Leadership Declaration:

The undersigned recognise and support the three aims of the international "Biodiversity in Good Company" initiative:

- Preservation of biodiversity
- Sustainable usage of components
- Fair distribution of the benefits resulting from the use of genetic resources

and pledge to:

1. analyse the effects of the company's activities on biodiversity;
2. protect biodiversity and ensure sustainable usage as part of the environmental management system;
3. establish a responsible authority within the company to control all activities in the field of biodiversity and report to management;
4. define measurable and realistic aims to improve protection of biodiversity and the sustainable usage thereof; these aims are re-examined and modified accordingly every two to three years;
5. publish information on all activities and successes within the area of biodiversity in an annual report, environmental report or sustainability report;
6. inform suppliers of the biodiversity aims and gradually integrate them;
7. seek out cooperative ventures with potential partners such as nature conservation organisations and scientific or government institutions in order to expand specialist knowledge via dialogue and further develop the management system.

As proof of this ongoing commitment, a progress report will be presented to the initiative every two years.

Volkswagen AG Motivation and Commitment

Biodiversity and the capacity of the ecosystems are the basis of life and the economy. This certainty is facing a dramatic loss of species, ecosystems and genetic diversity. The causes for this are manifold; scientists regard the destruction of habitats, depletion and over-exploitation of resources, excessive fertilisation, alien species and, increasingly, climate change as the most pertinent.

As such, protection of biodiversity is considered to be one of the most pressing issues of our time. The economy is also called upon to assume responsibility for the protection and sustainable usage of natural capital. Companies from various industrial sectors contribute primarily by reducing greenhouse gas emissions (GGE) and introducing classic environmental management at their sites to reduce or prevent waste, exhaust air, waste water or noise. Compared with this, depending on the use of space, measures for the direct protection of nature and

species on site or in industrial areas play a secondary, but by no means insignificant, role.

At Volkswagen, biodiversity protection is one of the company's stated objectives, and has been since Volkswagen AG formulated its own Mission Statement in 2007 ("Conserve Biodiversity"). It states:

"As a global industrial company with a duty to lead by example, the Volkswagen Group recognises its responsibility towards species protection. In the interests of sustainable development, we aim to demonstrate how the necessary requirements for material production can be combined with biodiversity preservation. We have a wealth of experience in this field: environmental protection has been both an objective and good practice at Volkswagen for many years. The company's environmental management is recognised as a benchmark within the industry.

Volkswagen believes that safeguarding biodiversity depends significantly upon the reduction in gases responsible for climate change, and has thus intensified its commitment to climate protection. This involves the development and marketing of vehicles optimised for low fuel consumption, commitment to alternative drive and fuel concepts, and projects to promote eco-friendly driving styles.

As a global company, the Volkswagen Group is dedicated to addressing matters concerning species protection at all of its sites in equal measure. We respect the intent and purpose of protected biotopes. Designated nature conservation sites and national parks may not be used for industrial purposes.

Volkswagen maintains lasting partnerships and cooperative ventures with social groups, in particular NGOs who are experienced and competent in the protection of nature and species.

Volkswagen participates in a number of initiatives introduced in the surroundings of its sites, including the following prominent examples:

- Measures for the direct protection of endangered species
- The innovative promotion of biotopes as a compensatory measure
- Programmes for environmental education and training
- Support for research projects.

(http://www.volkswagen.de/content/medialib/vwd4/de/Volkswagen/Nachhaltigkeit/service/download/artenschutz/mission_statementbiodiv/jcr_content/renditions/rendition.file/artenschutz_par_0001_file.pdf)

As a founding member of the international initiative "Biodiversity in Good Company", whose continuation as a registered association under its own management was facilitated by a donation from Volkswagen in 2012, Volkswagen signed the Leadership Declaration and thus pledged to apply important management principles. Volkswagen substantiated the seven points of this Leadership Declaration for the Group as follows:

1. *Volkswagen will prepare ecological reports for its German sites which document the status quo of the species worthy of protection in the vicinity of the plants, as well as plant emissions.*
2. *In formulating its report on sustainability, Volkswagen meets the requirements of the Global Reporting Initiative (GRI) and will continue to recognise the performance indicators for biodiversity defined therein as the standard. A system for key figures shall be developed specifically for Volkswagen.*
3. *Responsibility for all activities within the area of biodiversity lies with Volkswagen AG's Environment Management Officer.*
4. *As part of its environmental management system, Volkswagen also intends to integrate species protection into its environmental action plans at its sites over the coming years. Furthermore, nature-related objectives and measures shall be established within the site-specific environmental action plans as part of regular international regional conferences.*
5. *Volkswagen shall increasingly report information on all activities and successes within the area of biodiversity and make this known in other publications.*
6. *Volkswagen shall inform its partners of the company's biodiversity policy via the B2B supplier platform on the internet (www.vwgroupsupply.com) and thus integrate them into said policy.*
7. *Volkswagen shall improve its expertise with regard to biodiversity in discourse with competent partners and continue to make further meaningful developments to its joint projects in the field of nature and species protection.*

In the following, Volkswagen shall report in detail on the progress made by the company in implementing the fundamental principles of the Leadership Declaration and on projects at the Group's sites worldwide:

1. Analysis of the effects of the company's activities on biodiversity

Since 2010, Volkswagen and its partners in scientific disciplines and the insurance industry have been conducting short assessments of the ecological risks at its production locations. This involves the analysis and evaluation of emissions risks (exhaust air, waste water, waste) with regard to bodies of water, soil and biodiversity. The surveys were conducted by Professor Richard Pott from the Institute of Geobotany at the Leibniz Universität Hannover.

Following the analysis of ten German Volkswagen and Audi plants in 2010 and plants in Osnabrück, Brussels and Palmela (Portugal) in 2011, Leipzig, Zuffenhausen and Weissach were analysed in 2012.

2. Inclusion of the sustainable usage and protection of biodiversity in the environmental management system.

The ecological aspects of sustainability with regard to energy, environment, climate, raw materials and water are strategically integrated in Volkswagen Management. Key elements of the environmental policy are the "Group Product and Production Environmental Principles".

In both departments – Product and Production – bodies responsible for biodiversity have been created. The protection of biodiversity was a subject of discussion at the 2012 Group Environmental Conference in Wolfsburg as well as at the 2011 Regional Conference in Puebla, Mexico.

Furthermore, Volkswagen participates in the EU eco-audit and the environmental certification process in accordance with ISO 14001. The company welcomes the fact that EMAS III recognises land use as a – certainly inadequate – indicator for biodiversity.

In formulating its report on sustainability, Volkswagen orients itself around the requirements of the Global Reporting Initiative (GRI) and reports either partially or fully in accordance with the two main indicators and four additional indicators defined therein.

GRI Content Index

Reporting of biodiversity-related indicators in 2010 and 2011

GRI indicator	Explanation	2010	2011
EN11	Location and size of land owned in or adjacent to protected areas. Location and size of land owned in areas with a high biodiversity value outside or adjacent to protected areas. Provisions must be made for land owned, leased, or managed by the reporting organisation.	Reported in part	Reported in part
EN12	Description of significant impact of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	Reported in part	Fully reported
EN13	Habitats protected or restored	Fully reported	Fully reported
EN14	Strategies, current actions and future plans for managing impact on biodiversity.	Reported in part	Fully reported
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Reported in part	Reported in part
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and run-off.	Reported in part	Reported in part

3. Establish a responsible authority within the company to control all activities within the area of biodiversity and report to management;

Responsibility for all activities within the area of biodiversity continued to lie with Volkswagen AG's Environment Management Officer. An employee from Group External and Government Relations and an expert from the environmental department represented the company in the "Biodiversity in Good Company" initiative. A Volkswagen AG employee was elected to the initiative's Board of Management in 2011.

4. Define measurable and realistic aims to improve the protection of biodiversity and the sustainable usage thereof; these aims are re-examined and modified accordingly every two to three years;

Volkswagen aims to be the world's leading ecological automobile manufacturer by 2018. As such, the company has set itself increasingly ambitious environmental aims and has substantiated these for Products and Production. By 2015, the Volkswagen Group EU fleet should be less than 120 gr/km. The following basic principles apply: each new vehicle generation should be 10 to 15% more efficient than its predecessor.

By 2018, Volkswagen aims to have reduced its environmental impact at all plants by a quarter – this applies to the use of energy and water as well as waste generated and airborne pollutants. And by 2020, greenhouse gas emissions in Production should be reduced by 40%.

Biodiversity is, however, still a new topic and an extremely complex one at that. As such, incorporating the protection and sustainable use of biodiversity into business decision-making and integrating this into systems and processes should be regarded as highly important. The company – and also scientific institutions and non-government organisations – are finding it difficult to develop suitable indicators and key figures. Volkswagen is no exception to this.

The company therefore supports initiatives which aim to add to the knowledge relating to biodiversity and ecosystem services. In this regard, Volkswagen has been involved in the "Development of ecological balance sheets by means of integration of the impact of products on biodiversity" since 2012; this R+D project is supported by the German Federal Agency for Nature Conservation (BfN) and is being managed by Fraunhofer IBP.

5. Publish information on all activities and successes within the area of biodiversity in an annual report, environmental report or sustainability report;

Volkswagen has made itself publicly accountable for its activities in protecting biodiversity both in the Annual Report and the Sustainability Report; an entire chapter was devoted to this issue in both reports in 2011.

The company has also made public on the internet – both on its own platform (www.volkswagen-ag.com, www.volkswagen.de) and on third-party platforms (e.g. umweltdialog.de) information regarding its biodiversity protection activities. Volkswagen informed employees via the intranet or invited them to participate.

In December 2011, an interactive website, www.mobil-für-mensch-und-natur.de, was launched which acts as an information and communication platform for projects implemented in cooperation with the German Conservation Society (NABU).

Volkswagen also publicised its activities and successes in the field of biodiversity by means of press releases, articles in specialist magazines and lectures and exhibitions at conferences, trade fairs and other events.

6. Inform suppliers of Volkswagen's biodiversity aims and gradually integrate them

Via the internet Business-to-Business platform www.vwgroupsupply.com, Volkswagen AG's suppliers have continued to be informed of the company's biodiversity policy and the expectations it places on a partner's parallel policy.

7. Seek out cooperative ventures with potential partners such as nature conservation organisations and scientific or government institutions in order to expand specialist knowledge via dialogue and further develop the management system.

Volkswagen has availed of further cooperative ventures with government agencies, scientific institutions and NGOs in order to continuously expand the company's expertise regarding biodiversity. Its most important partner was the German Conservation Society, which regularly advised Volkswagen on all important questions to do with the environment, climate, and biodiversity.

The Group's other project partners in German include Friends of the Earth Germany (BUND), the Fraunhofer Society, TU München and the German Federal Agency for Nature Conservation (BfN). As part of its numerous projects in many countries worldwide, Volkswagen cooperates with just as many ministries and government agencies, NGOs and institutions for education and science, including the Center for Environmental Education and Communication in China, the University of Puebla in Mexico and the Wilderness Foundation in South Africa.

Fruitful discussion and exchange processes were conducted as part of joint projects and workshops for the "Biodiversity in Good Company" initiative and the biodiversity project group at ecosense. These also involved the participation of several other environmental NGOs.

Projects and information campaigns

In its sustainability report, Volkswagen offers a detailed report on its projects and initiatives in the field of energy, environment, climate, raw materials and water (see 2011 Sustainability Report, pg. 56-76) Here, the focus is primarily on projects which are especially relevant for the protection of species and ecosystems.

Volkswagen de Mexico and its suppliers are implementing extensive reforestation measures in the mountain region of Izta-Popo. The project serves to combat soil erosion and retain groundwater. Planting native pine trees ensures that approximately 900,000 m³ of water is now infiltrated annually. Upon finishing the fourth development stage of this project, a total of 420,000 trees and 47,000 soakaways should provide the regional supply with an additional 2.62 million cubic metres of water.

A comparable initiative aimed at water catchment has been launched in the vicinity of an engine factory in the Sierra de Lobos National Park (see 2011 Sustainability Report, pg. 71f Water, including examples of resource-efficient water management in Production and Administration).

With the programme "Por amor al planeta", Volkswagen de Mexico also supports scientific research into biodiversity and third party projects regarding its protection. In this regard, 2011 and 2012 saw both a research grant and a generously funded "Conservation Biology Research Award" allocated to one of the country's most renowned scientists.

Volkswagen do Brazil is backing the construction of two hydroelectric power plants with a host of nature conservation projects within the region. In order to protect native animal species within the region, the "Fauna Monitoring and Preservation Program" has also been created. This has enabled, for example, the first small hydroelectric power plant to be set up in a tree nursery in the area, from which up to 300,000 saplings are taken from native tree species each year and are then planted in conservation areas. Approximately 450,000 saplings have been catalogued and planted in order to protect the riverbed. The shoreline woodland covers an area of 116 ha, and is undergoing reforestation around the water reservoir.

Furthermore, a monitoring centre has been established for animals living in the wild, in which species living in the vicinity of the small Anhanguera hydroelectric power plant can be examined under quarantine conditions. Thanks to the "Programme for the conservation of land vertebrates", changes in the region's ecosystem could also be minimised. The reforested corridor, in which the animals are free to move, is home to a wide variety of species and contributes to the ecological balance.

A study was conducted of the flora present at a total of three Brazilian plants (Curitiba, Taubaté und Sao Carlos). Reforestation and the creation of green spaces in certain areas was then carried out based on this study. A remarkable number of employees participated in the programme – some of these took part in the planting of trees, whilst others were involved in accompanying measures such as environmental education and communication.

Volkswagen of South Africa was a sponsor partner of the Wilderness Foundation's Rhino Protection Initiative in South Africa and promoted the

protection of dolphins and penguins by supporting the Dyer Island Conservation Trust.

As part of its Green Future Environmental Education Initiative (GFEEI), a project in which the company has been involved alongside the Chinese Center for Environmental Education and Communication for the last five years, Volkswagen Group China has this year received advice and experience-oriented environmental training on site from the German Youth Association for the Protection of Nature (NAJU), the youth association of the German Conservation Society (NABU).

In Slovakia, Volkswagen supported the EU-led creation of a species inventory in the national parks, whilst Lamborghini has also begun a study on biodiversity in cooperation with universities in Bologna, Bozen and Munich.

A huge number of trees have been planted at various locations worldwide (the Czech Republic, USA, India, Spain, Brazil, South Africa, Germany).

Volkswagen has also implemented numerous projects to improve the protection of biodiversity in Germany:

Following a cooperative venture between the company and the city of Wolfsburg to regenerate the Aller, the largest tributary of the Weser, at the Group headquarters in Wolfsburg, it was then possible to transform a silty section of the Weesener stream into a natural gravel bed, thus making it negotiable for sensitive fish species once more. At the same time, Volkswagen enabled *Aktion Fischottererschutz e.V.*, an association for the protection of otters based in Hankensbüttel in Lower Saxony, to produce a register of all implemented or planned measures aimed at integrating water-related habitats in the wider drainage area of the Aller.

On the basis of this preliminary work, a project was initiated at the end of 2012 which was supported by the German Federal Agency for Nature Conservation as part of the Federal Programme for Biodiversity. The six year project aims not only to network watercourses and provide environmental education, but also to attract other parties and additional financial resources for practical nature conservation in the vicinity of the Aller glacial valley.

Volkswagen has also supported the renaturalisation of the Lower Havel in a range of ways, for example by using the proceeds obtained from an extensive collection of old mobile phones at the factory gates in Wolfsburg, Emden and Hannover. A sponsoring contract concluded with the German Conservation Society provided further financial support which also benefits Europe's largest river restoration project.

In Germany, Volkswagen is involved not only in water conservation, but also in the protection of marshlands. In this context, an environmental programme developed together with NABU contributed to climate protection and nature and species conservation. The leasing programme led to a rapid increase in demand for particularly economical vehicles – approx. 200,000 by the end of 2012 – and thus to significantly reduced greenhouse gas emissions. A special mechanism meant that the programme was able to ensure that Volkswagen Leasing GmbH could continue to provide the necessary financial support for the renaturalisation of marshland which had run dry. The "Grüne Flotten Awards" (Green Fleets Awards) in 2011 and 2012 each resulted in special services in the range of €50,000.

In this way, NABU was able to re-wet the *Theikenmeer* marsh (240 ha) in Emsland, the *Große Moor* marsh (2,720 ha) in south-east Lower Saxony, and, since 2012, the *Lichtenmoor* marsh (13 ha) near Nienburg/Weser. The latter is one of only four international breeding grounds for cranes. In re-wetting these areas, it was not only possible to reduce CO₂ (without re-wetting, over the next 20 years 180,000 CO₂ would be released via oxidation in the *Lichtenmoor* alone), but also retain a biotope for endangered animal and plant species (e.g. the European adder, marsh lizards, the scarce large blue butterfly, the golden plover, the sundew and cotton grass).

As leverage for the mobilisation of further funds, Volkswagen Leasing GmbH also founded the *Deutschen Moorschutzfonds* (German Marsh Protection Fund) and provided it with an initial €1.6 million. Towards the end of the reporting period, Volkswagen facilitated the commissioning of a feasibility study into possibilities for the renaturalisation of large marshlands in Nischni Nowgorod.

A further, and in all probability far more effective, catalyst for marshland protection in Germany is the Green IT IDOMP project, which incorporates the voluntary compensation of CO₂ emissions produced by the Volkswagen printer fleet – still the world's largest in the industry – into climate protection projects. This means that in addition to international projects (e.g. Gold Standard), NABU shall be able to implement further marsh renaturalisation projects to a significant extent in Germany.

Moreover, Volkswagen has renewed its support of a wildcat programme being carried out by the Lower Saxony state association of Friends of the Earth in Germany (BUND). As part of this project, additional landscape corridors were set up for endangered species.

Furthermore, towards the end of 2012 Volkswagen began planning and preparing a new, global project under the name of "Volkswagen Connects Habitats", which aims to initiate additional projects for the protection of ecosystems and cross-linking of biotopes in all Group locations.

Volkswagen and NABU also developed new activities under the motto of the "Wolves welcome" project introduced in 2004. 2011 and 2012 saw this "Tour de Wolf" interactive exhibition travel to forty zoos and zoological gardens in which wolf enclosures offered experiential pedagogical information events. A competition for young media representatives also took place under the title "Wanted – Games, Apps, Clips"; the best entries were honoured at a festive event at Schloss Wolfsburg. Information brochures, booklets, posters, and CDs and DVDs with texts, films and songs developed especially for this purpose were also produced and extensively distributed in order to explain everything and promote public acceptance for the wolves returning to Germany.

Having taken part in the two preceding conferences for the convention on Biological Diversity (CBD) – Bonn, Germany in 2008 and Nagoya, Japan in 2010 – the Group also supported the 11th Nature Conservation Conference of the CBD contracting states (COP11), which was held in October 2012 in Hyderabad, India. At COP11, Volkswagen India presented issues such as the founding of factories which respect nature, ThinkBlue.Factory, water conservation, biogas, species inventories and environmental education on its very own multimedia trade fair stand. At the German Business stand, which was hosted by the "Biodiversity in good Company" Initiative on behalf of the German Federal Ministry for the

Environment, Volkswagen was also able to communicate issues such as ThinkBlue.factory, environmental balance sheets, risk analysis and the environmental programme developed by Volkswagen Leasing GmbH and NABU ("*Grüne Flotten*" – Green Fleets).

In May 2012, Volkswagen organised a conference in the Museum of Natural History in Berlin together with ecosense – Forum for Sustainable Development of German Business under the name "*Abenteuer Biodiversität*" (Adventures in Biodiversity) with representatives from the fields of politics and science. Volkswagen also became a partner of the museum.

Finally, in its fifth year, the Audi Environmental Foundation promoted "*Projekt Eichenwald*" (the Oak Forest Project), which was carried out in cooperation with TU München in the vicinity of the company's headquarters in Ingolstadt, and which calls for optimum growth conditions for trees it has planted itself. At the same time, Audi supports a reaction kinetics project conducted by the same technical university in Berlin with older city trees. The Audi Environmental Foundation has also facilitated a bionics competition for school children and a project involving bees.

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