

SUSTAINABILITY REPORT 2018

Key Facts

As at: Annual financial statements 2018

47.1%

of company employees
are women (not including
apprentices)*

613

thousand m²
living space

164

million € sales revenue

384

employees including
apprentices and staff in
passive phased retirement*

421

thousand m²
commercial space

100%

Wholly owned subsidiary
of Volkswagen AG

33.25

million € profit before tax

9,163

own residential properties

790

million € total assets

20.3%

pre-tax return on sales

*) Annual average for 2018

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VOLKSWAGEN IMMOBILIEN
COMPANY DETAILS



Letter from senior management

Dear Sir or Madam,

We informed you about our economic, environmental and social activities for the first time in a sustainability report last year. That was also the first time we systematically presented and documented our sustainability strategy, objectives and activities in a report. We intend to continue on that path and show you what contributions we already make to achieving sustainable development and where we believe there are potentials.

Sustainability is at the core of the VWI 2025 corporate strategy

Responsibility and integrity are key components of our corporate culture. Our VWI 2025 corporate strategy, which is geared towards the Volkswagen Group's strategy, defines "sustainability in practice" as one of four strategic target areas. Our goal is to make our activities compatible with economic, environmental and social requirements. We are committed to delivering attractive and sustainable living and working spaces and are continuously reducing the CO₂ emissions of our properties. In order to achieve those objectives, we have forged ahead with measures such as further development of our own building standard BLUE BUILDING for real estate projects and development of "Green Lease Agreements" for commercial and residential properties based on clear criteria for eco-friendly, resource-conserving implementation and operation. Another focus was to increase transparency in our sustainability reporting.

Awards for excellence

Our mission is to take responsibility for our actions on a sustainable basis. And we are making good progress in that, as evidenced by the latest awards we have won: We have gained the "FaMi Seal of Quality" for the attractive general conditions we offer to enable our employees to strike a good work-life balance, as well as the "Lower Saxony Seal of Quality for Secure Living" in acknowledgement of our efforts to achieve a high quality of life and active work in a social context. We are pleased to say, we picked up the

title "Germany's best tenant magazine" presented by the Federal Association of German Housing and Real Estate Companies (GdW). We just recently won the prestigious Immobilienmanager Award 2019 for our pioneering role in the field of financing with our own green bond programme. Those accolades fill us with pride and spur us on to keep up our work and pursue our goals vigorously and unswervingly.

Outlook

The foundations have been laid. And we have big plans for the future. Sustainability means change and versatility. That requires courage and an ethos. Sustainable activity can only be successful if we operate responsibly throughout the value chain and our corporate governance is sustainable and transparent to the core. We as the senior management team will continue to instil and encourage that awareness – in the interests of our company and the social responsibility we frequently assume here at the location, but also on behalf of the Volkswagen Group in global real estate projects. We have created a clear structure with an internal Sustainability Committee to coordinate issues relating to sustainability.

We have resolved to create greater biodiversity at our properties in the coming year. We will also continue reducing CO₂ by expanding our consumption data management system and deriving further measures. Another focus is on constantly expanding responsibility and integrity as fundamental components of our corporate culture. We will keep you up to date on our current activities.

We now wish you a stimulating and exciting read.

The Volkswagen Immobilien senior management team



Meno Requardt

Dr. Ralph Sawalsky

Michael Leipelt

Volkswagen Immobilien at a glance

Since it was founded in 1953, Volkswagen Immobilien has been part of Wolfsburg and has not only seen the city grow, but also played a key role in shaping its growth. With 9,163 residential units, Volkswagen Immobilien is now one of the biggest housing providers in Wolfsburg and a leading provider of real estate services to the Volkswagen Group worldwide.

Originally established to provide housing for Volkswagen's workforce, we have also offered properties on the free housing market since 1994.

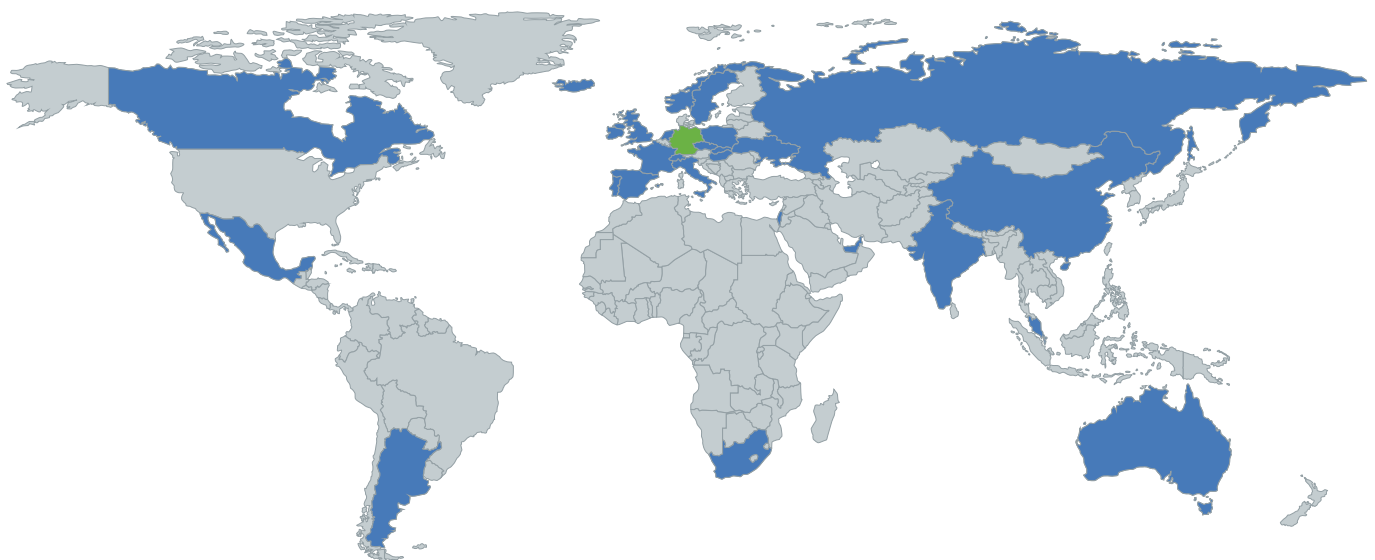
In the commercial real estate arena, we assist Volkswagen AG, its brands and its subsidiary companies by providing a range of property management services. These services

include anything from planning and turnkey construction to operation with project management, facility management, tenancy agreement and leasing management and asset management. Volkswagen Immobilien also acts as an investor and general contractor and advises the Volkswagen Group around the world regarding construction and real estate projects.

Whether it be in Germany, the surrounding European countries or on all six continents, the property experts from Volkswagen Immobilien in Wolfsburg are not just active in Wolfsburg – they assist the Volkswagen Group with real estate projects round the globe, for virtually all group brands. To enable that, we have our own local subsidiaries in Poland, the Czech Republic and Slovakia.

Our areas of activity

Countries where our organisation operates



Application of the precautionary principle at Volkswagen Immobilien

Climate change is one of the biggest challenges of our time and is already reflected in the extreme weather to which our properties are exposed. If we do not heed the warning signals early on, the capital costs for maintaining properties and repairing the resulting damage will rise and revenue will fall or disappear if properties cannot be used.

A business which is profitable in the long term is very important for us because we need a sound economic basis if we are to get involved in environmentally-friendly and social

projects. In order to manage our business sustainably, we must have precise knowledge of what environmental impact our activities have.

Our sustainability strategy is further developed on an ongoing basis, taking into account ecological, economic and social aspects and developments. In our Sustainability Report, we show how we shape our corporate strategy on the basis of the precautionary principle.

Obligations

Volkswagen Immobilien is a member of the following Group-wide voluntary initiatives and supports the following charters and principles in its sustainability management processes:



Further initiatives, charters and principles:

You can find a list of the further initiatives, charters and principles, which Volkswagen Immobilien has undertaken to comply with as a subsidiary of the Volkswagen Group at <https://www.volkswagenag.com/de/sustainability/policy.html>

Membership of associations

Our organisation is a member of the following associations (such as industry associations) and national or international interest groups:



ready4work

cut

cre.net



GEFMA



Our products and services

Our main brands, products, and services

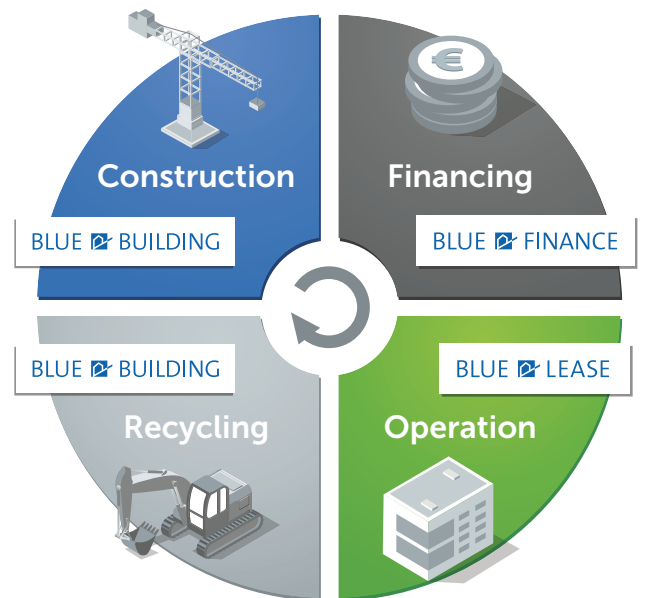
Megatrends, such as urbanisation, individualisation, New Work or digitalisation, are transforming entire industries. Changing user requirements and technical progress mean that the economic useful life of properties is growing shorter. Flexible building structures, products and construction materials with greater durability, alternative usage concepts and potential regulatory requirements relating to building efficiency are topical issues in the real estate sector.

We are tackling those issues by developing sustainable buildings: They have a positive impact on productivity – thanks to better air quality and a more pleasant room temperature (and so greater comfort) – and lower management costs. Risks from growing regulatory requirements are mitigated. A longer service life, greater functionality and flexibility, and lower maintenance and repair risks mean lower costs and greater economic efficiency over the entire life cycle.

However, even the most sustainable real estate concept can only have an impact if it is accompanied by responsible and sustainable operation. Waste, water and energy consumption, and the air quality are influenced in this phase of a property's life cycle. Tracking and monitoring of that consumption and identification of cost-cutting potential are core issues here. However, we have an owner/user dilemma here – after all, the owner is not responsible for the tenant's consumption. Nevertheless, the tenant and property owner can conclude informational and binding arrangements that result in a common understanding of sustainability and provide incentives for protecting the climate as part of use and management of the building.

We also set trends when it comes to financing. For example, the Climate Bonds Initiative (CBI) has recently devoted a separate category to low-carbon buildings. The CBI is geared primary to CO₂ emissions and less to the existence of sustainability certificates. The baseline represents the top 15% cluster of the properties in a region with the lowest carbon intensity. The energy-related requirements for the cluster increase with the selected date of issue and term of the bonds.

We recognise our responsibility as a leading real estate partner to the Volkswagen Group and its employees in Wolfsburg and around the world. We have developed a holistic sustainability approach that covers a property's entire life cycle.



BLUE BUILDING

Our wealth of experience when it comes to energy-efficient, sustainable construction is the basis for continually enhancing our own BLUE BUILDING standard. As far as the overall life cycle of properties is concerned, the dismantling and recycling of a building are closely linked to the planning of subsequent use.

Scientifically proven, tried and tested and based on the systems used for well-known property certification schemes, BLUE BUILDING focuses on the criteria for efficient energy use which are relevant not only to commercial properties but also when building new residential properties to let. In addition to BLUE BUILDING for efficient energy use, BLUE BUILDING^{plus} integrates ecological and social requirements for sustainable planning and management.

BLUE FINANCE

While the real estate industry has focused its sustainability efforts on the construction, operation and commercial exploitation of properties, to date, little attention has been paid to the green or sustainable financing, although the financial sector has a crucial role to play in progress towards sustainable development. This role requires patient capital with a long-term horizon for investors. In order to finance EU climate and energy policy alone, additional annual investments of some €170 billion are required in the fields of refurbishment, energy-efficient buildings, renewable energy sources, infrastructure and many other areas.

Therefore, we regard financing as a natural part of any sustainability concept: Properties that are built sustainably should also be financed sustainably. In this context, we are the first German real estate company (and the first company in the Volkswagen Group) to issue green bonds.

BLUE LEASE

In the commercial sector, the majority of our lessees are certified in accordance with DIN 14 001 (environmental management) and/or DIN 50 001 (energy management). Our customers are therefore committed to environmentally-friendly, climate-neutral processes and are willing to have these processes verified. In 2018, we rounded out our product range by introducing "Green Lease Agreements" for commercial properties setting out criteria for saving resources. In 2019, we plan to roll out a green supplement for tenancy agreements for the new housing project Steimker Gardens.

Strategy and analysis

VWI 2025 strategy



We adopted our VWI 2025 corporate strategy in 2018 and are tackling new strategic target areas. Guided by the vision of being the leading real estate partner to the Volkswagen Group and its employees in Wolfsburg and around the world, our mission is to:

- Inspire our customers with tailor-made, innovative and competitive real estate solutions
- Practice a corporate culture founded on trust, a strong team spirit and short decision paths
- Support the Group on its path towards becoming a mobility provider with our real estate expertise
- Ensure that sustainability, a sense of responsibility and creative drive define our actions.

<p>Enthusiastic customers</p> <p>We inspire our customers with tailor-made, attractive and innovative real estate solutions.</p> <p>The diverse needs of customers are the focus of our activity.</p> <p>With our real estate expertise, we support the Volkswagen Group on its path to becoming a mobility provider and as a top employer.</p>	<p>Competitiveness to secure future viability</p> <p>We create attractive terms and conditions for our residential and commercial spaces with smart solutions and a high level of motivation.</p> <p>Our structures and processes are streamlined and ensure sustainable economic efficiency.</p> <p>We invest in securing the value and future of our real estate portfolio.</p> <p>We use our real estate to tap alternative sources of financing.</p>	<p>Sustainability in practice</p> <p>We reconcile economic, ecological and social demands through our activity.</p> <p>We are committed to attractive and sustainable living and working spaces.</p> <p>We keep on reducing the CO₂ emissions of our real estate.</p> <p>Responsibility and integrity are key components of our corporate culture.</p>	<p>Excellent employer</p> <p>We deliver fast, high-quality results in a powerful team of motivated, high-performing employees.</p> <p>In our modern work organisation, we offer people freedom to assume responsibility and treat each other on equal terms.</p> <p>Our flexible work models promote a good work-life balance.</p>
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Sustainability: current measures and successes

Sustainability highlights in 2018

Issue of the first green bond in the Group's history

In 2018, Volkswagen Immobilien was the first company in the real estate industry – and also in the Volkswagen Group – to issue a green bond and so is a pioneer in the industry in this regard. It captured the Immobilienmanager Award in the category "Financing" for the green bond in February 2019.



Sustainability made visible

March 2018: publication of the first-ever Sustainability Report by Volkswagen Immobilien



Award of the "FaMi Seal of Quality"

Volkswagen Immobilien was presented with the award by the supra-company association Frau + Wirtschaft Lüneburg-Uelzen e. V. It attests that we offer attractive general conditions for employees to strike a good life-work balance.





VWI has “Germany’s best tenant magazine”

The jury of the Federal Association of German Housing and Real Estate Companies (GdW) bestowed that award on our “Zuhause” magazine for its diverse range of information and strong commitment to the concept of service. Additional digital content delivers added benefits for readers.



Award for quality of life

The host, Minister of Justice Barbara Havliza, presented the “Lower Saxony Seal of Quality for Secure Living” to Volkswagen Immobilien.



VWI donates €4,000 to HEIDI e.V.

As part of the 12th VWI Stair Run in 2018, Volkswagen Immobilien donated €12 for every starter below the age of 14 to the Wolfsburg initiative for children with cancer. The total proceeds were €4,000.



Our sustainability agenda in 2019

Sustainable activity

Formulation of social, economic and ecological corporate KPIs in work groups by experts from the departments

Green Lease Agreements

Heightening of awareness as regards responsible use of resources; implementation for commercial and residential properties (new letting)

Reduced CO₂ emissions

Continuous reduction in CO₂ emissions by means of consumption data management and switching from grey energy to green power.

Biodiversity

We are committed to attractive and sustainable living and working spaces – for example by integrating the Heinz Sielmann Foundation in exterior design of the Steimker Gardens (a pilot project to increase the biodiversity potential)

Compliance and integrity

Rollout of a compliance check; strengthening of compliance structures

Sustainability at Volkswagen Immobilien

Assessment of the importance of sustainability for our organisation

As a real estate company and a subsidiary of the Volkswagen Group, we are aware of our social responsibility. Breaching sustainability standards can reduce the attractiveness of our properties. This in turn makes them more difficult to let and is detrimental to our company's earnings and economic status.

To ensure our company's long-term success, it is vital for us to be aware of the opportunities and risks in our operational activities, identify them in good time and control them proactively.

VWI 2025 strategy

We formulated our objectives in a new corporate strategy in 2018 and defined "sustainability in practice" as one of four strategic target areas.

We aim to reconcile economic, ecological and social demands through our activity. We are committed to delivering attractive and sustainable living and working spaces and are continuously reducing the CO₂ emissions of our properties.



External rating

In its Corporate Rating, the ratings agency ISS-oekom assessed Volkswagen Immobilien GmbH's sustainability activities and awarded the company "PRIME" quality status. Of 243 real estate companies rated worldwide, Volkswagen Immobilien is in eighth place (as at 12 March 2018) and so is one of the absolute leaders when it comes to social sustainability.

In order to make our sustainability activities transparent and measurable, we have defined the rating as a key performance indicator (KPI) for the area of "sustainability in practice" and aim to keep on improving our initial rating.

Organisation of sustainability at Volkswagen Immobilien

In order for us to operate responsibly throughout the value chain, our corporate governance must be sustainable and transparent to the core.

We have created a clear structure with an internal Sustainability Committee to coordinate issues relating to sustainability and it regularly addresses the strategic issues of holistic sustainability management. The senior management team is informed regularly about issues relating to sustainability by the Chairman of the Sustainability Committee. Managers from the central divisions of Housing, CREM and Finance. Concrete strategic objectives, measures, action fields and statements on sustainability are defined at regular meetings in dialogue with work groups from the departments.

The Sustainability Committee is flanked by the Sustainability business unit. The latter acts as an interface for all activities related to sustainability and is responsible for supporting and coordinating sustainability ratings. The business unit bears responsibility for preparing the Sustainability Report and provides assistance for the Sustainability Committee and its working meetings.

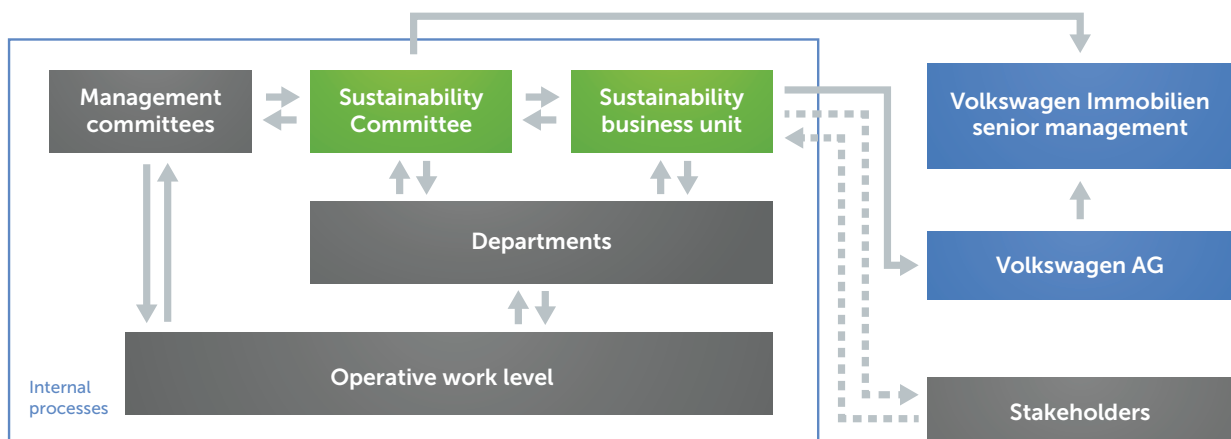
Global goals of the United Nations

We are committed to the Sustainable Development Goals (SDGs) of the United Nations and the related Agenda 2030 as the blueprint for a more sustainable and just world.

This agenda declares 17 overarching goals (SDGs) relating to combating poverty, protecting the planet, and ensuring prosperity for all. These objectives are to be fully accomplished by 2030 through cooperation between a wide range of different players from politics, civil society, science, academia and the business community. The following SDGs are of particular importance for us:



Organisation of sustainability at Volkswagen Immobilien



The main risks and opportunities for our organisation from global sustainability trends

Climate protection targets

Since buildings are some of the largest energy consumers, the real estate industry is currently the focus of climate policy – with in some cases far-reaching consequences. Ordinances and laws (the German Energy Saving Ordinance – EnEV), Renewable Energy Sources Act (EEG), Renewable Energies Heat Act (EEWärmeG), etc.) contain mandatory stipulations.

At the end of 2015, the EU member states also agreed in the Paris Climate Agreement to cap CO₂ emissions by four-fifths by 2050 compared to 1990 levels and even by 90% in Germany. That ambitious goal also poses challenges for the building sector – and it, after all, is responsible for up to 40% of CO₂ emissions in Germany. By 2030 alone, the greenhouse gases produced by buildings must therefore be reduced from their current level of 119 million tonnes to a maximum of 72 million tonnes. In purely mathematical terms, that means every building will then be allowed to produce or need just 14 kilograms of CO₂ and 100 kilowatt hours of final energy per square meter and year in 2050. That is a Herculean task in view of the current figures (94 kg/196 kWh).

It is therefore already foreseeable that some non-sustainable buildings will only be able to be sold at a marked-down priced, since they cannot fulfil future statutory energy efficiency requirements and/or simply no longer meet people's expectations.

Change in the use of buildings

There is a strong trend towards urbanisation globally. Six out of ten people worldwide now live and work in cities and conurbations. According to a research initiative by the Association of German Engineers (VDI), more than three-quarters of the planet's population will make their life in cities by the year 2050 – although Germany has a level of urbanisation of 74% and so has already reached that figure.

Increasing individualisation produces a growing diversity of lifestyles, family models and forms of housing. The desire for self-realisation and uniqueness also results in new communities, forms of work, and family and living models beyond normal conventions.

New Work, the "office of the future", "generation Y": The world of work is also undergoing radical change. Modern technologies mean work is no longer confined to a single location. Innovative office concepts are replacing the obsolete "nine to five" regime in a rigid individual room. Flexible and smart solutions unite to enable efficient work processes coupled with an improvement in the quality of the working climate.

As a real estate provider, Volkswagen Immobilien is tackling these challenges to ensure existing space can be used more efficiently and to make the city of the future smart thanks to innovative living and working space. Building structures must respond faster and more flexibly to social changes moving ahead; ground plans, buildings and quarters must be increasingly designed to be multi-functional and multi-purpose.

We have no doubt that increasing digitalisation will help optimise resource consumption with the aid of new technologies. Technology already allows users to make more efficient use of space. Nevertheless, the pace of technological developments means we face extra expenditure to keep properties right up-to-date, so we have to weigh up cost and benefit here.

Modern mobility solutions are of great interest to Volkswagen Immobilien, not least because of our links to the Volkswagen Group. We follow developments in the field of e-mobility very closely as the electrification of personal transport is likely to increase, particularly in urban areas. The charging infrastructure will play an essential role here – that is why we are already taking it into account nowadays when planning new developments.

Ethics and integrity

The values, principles and standards our organisation stands for

Our brand mission statement

Our "Innovative, dedicated and fair" slogan is the basis for all strategic decisions and the yardstick for our success.

Innovative: With innovative real estate solutions, we adapt to the changing needs of our customers when it comes to living and working. By further developing our skills on an ongoing basis, we can provide property services geared to the future – in every property segment and throughout the life cycle of the property. This is also reflected in our active work to shape the future of Wolfsburg as a city for mobility.

Dedicated: We are dedicated to finding the best solution for every real estate project. With our flexible, creative approach, we provide inspirational results for our customers. The growing international challenges are what drives us to develop even further. In Wolfsburg, we take on social responsibility and help to create an attractive city worth living in.

**That is what we stand for,
this is the standard that we set ourselves.
Every day.**

**Volkswagen Immobilien,
the leading real estate partner
to the Volkswagen Group**

Innovative

Dedicated

Fair

Fair: Volkswagen Immobilien is always a reliable partner. We deal with our tenants, customers, project partners and service providers on equal terms, thus ensuring a trusting partnership. We act responsibly and humanely towards our employees. Our close-knit corporate culture is our strength. We show respect for each other and help each other.

Volkswagen Group Code of Conduct

At Volkswagen Immobilien, the Volkswagen Group Code of Conduct applies.

The aims of the Code of Conduct:

- Summarising the main principles of our conduct
- Encouraging correct conduct
- Avoiding inappropriate conduct
- Giving guidance and assistance for employees in their day-to-day work
- Binding principles for everyday work
- Encouraging the personal integrity of every individual

Shared values are the basis for decision-making and for dealing with one another and third parties. Through our attitude and conduct, we all bear responsibility for the reputation and success of the company. Our reputation and trust in companies, employees, products and services are our greatest assets.

Our success depends largely on whether we conduct ourselves with honesty and integrity and in an ethically correct manner. This also means that our internal and external reporting and communication must be truthful, comprehensive and timely.

Sustainability requires of us an awareness of our responsibility for the economic, social and ecological impact of our actions.

The Code of Conduct serves as binding guidelines for our day-to-day work. It is supplemented by internal guidelines, regulations and employment contracts. It also goes without saying that we comply with national and international statutory provisions.

Dealing with compliance violations

Flat hierarchies mean that employees' line manager is the first point of contact if they have questions or are unsure about the principles they need to apply. A further instance is the employee representative body, which is there to assist every employee. Our company's own Compliance Officer and a special compliance contact person who can be reached by e-mail are available to deal with more far-reaching questions.

Under the existing company regulations, grievances and information can also be addressed directly to the responsible offices.

Information on misconduct can be reported in all the major Group languages and is treated confidentially. Whistleblowers need fear no sanctions from the company. If employees suspect a violation of the Code of Conduct or any other misconduct in their work environment, they can use the Volkswagen Group whistleblower system to report this – anonymously, if they wish. Experienced external lawyers are engaged here as neutral intermediaries (ombudspersons), receive information and pass it on to the whistleblower system so that it can be dealt with.

The Volkswagen Group's whistleblower system is committed to protecting the whistleblower and the individual affected. We do not tolerate any bullying or discrimination against whistleblowers. The suspected person is presumed innocent until convicted of a violation.

Employees are informed about ways of obtaining advice and reporting information by means of online compliance training, in the Compliance Manual, by the Compliance Officer, through messages on the intranet and at works meetings.

Control bodies

Structure of senior management and the supervisory and control bodies

In order for us to operate responsibly throughout the value chain, our corporate governance must be sustainable and transparent. Our top priority is to comply with all prevailing statutory requirements and ethical standards. We encourage our business partners to abide by these principles.

Beneath the three-member senior management team, all decisions for the three company divisions (residential properties, commercial properties and finance / IT) are handled by the departments and staff functions.

In accordance with the company's articles of association, the decisions made by senior management are regularly presented to the Supervisory Board.



The senior management team of Volkswagen Immobilien GmbH (from left to right): Michael Leipelt, Head of Residential Property; Meno Requardt, Managing Director (spokesman) of Volkswagen Immobilien GmbH and Head of Central Real Estate Management at Volkswagen AG; Dr Ralph Sawalsky, Head of Finance and IT

Stakeholders

Our stakeholders

In its complex role as a subsidiary of Volkswagen AG, as a provider of a wide range of real estate services for the Group and as one of the biggest landlords for residential properties in Wolfsburg, Volkswagen Immobilien has complex relations with various stakeholders with a variety of interests and influences. Actively seeking close contact with our stakeholders on an ongoing basis helps us to understand their expectations, to identify potential improvements early on and to carry out specific measures successfully.



Areas of activity

The most important issues and concerns our stakeholders have raised:

ECONOMY

- Creating low-cost, competitive sites
- Long-term growth of the company
- Stable earnings and an economically secure future

ECOLOGY

- Energy efficiency, reducing CO₂ and primary energy
- Sustainable usage concepts

SOCIAL

- Balancing work and family life
- High level of customer satisfaction
- Community work in the region
- Fair treatment of customers, long-lasting partnerships
- Employee development through basic and further training
- Ensuring equal opportunities
- Affordable rents, moderate prices
- Ensuring open dialogue
- Transparency and integrity
- Reliability and dedication

Our customers

We have enshrined the importance of our customers for our company in our VWI 2025 strategy and declared "enthusiastic customers" to be a strategic target area.

It is our firm intention to continue inspiring our customers with attractive and innovative real estate solutions. The diverse needs of customers are at the heart of what we do. With our real estate expertise, we support the Volkswagen Group on its path to becoming a mobility provider and as a top employer.



Customer satisfaction

Residential properties, results of the tenants' survey 2016



ECONOMIC SUSTAINABILITY



Economic performance

Economic stability

With our residential property activities at Wolfsburg and our global commercial operations, we make a contribution to the overall economy and regional development. As part of that, we strive not only to ensure our own long-term profitability, but also to include ecological and social factors in our decisions.

Economic stability is necessary in order to pursue strategies and activities in the area of sustainability. We believe profits should be made responsibly and we take into account all potential consequences of our actions in achieving that goal.

Our real estate offers thousands of people space to live and work every day. Our goal is to improve the quality of our buildings constantly through our operational activity. In modernising and planning our buildings, we therefore pay attention to keeping energy consumption and operating costs for our customers as low as possible. We also support our tenants by providing them with information on topical subjects. We foster our employees' development through training and with initiatives as part of rollout of sustainable ways of working.

The life cycle of our real estate is underpinned by a holistic sustainability approach. We are aware that a significant part of our impact on the environment and much of our social responsibility are the result of processes that are not directly part of our business activity, but are either upstream or downstream of it. Our sustainability performance therefore depends to a vital extent on our contractors, service providers, consultants, construction companies and customers. Efficient integration of these groups is the only way to ensure that their actions are not detrimental, but instead benefit our company.

Assessment of opportunities, risks and impacts

Extreme weather, changes due to digitalisation, and new statutory regulations will fundamentally change how urban landscapes are designed. The long-term orientation of the real estate industry and the fact that our properties are immovable compel us to take those factors into account and include them in our forecasts for the future. We believe it is our duty to help solve the global challenge of climate change.

We as a company always face the risk of numerous constantly changing regulations, whether within the Group or from lawmakers. That may entail surprising restrictions and costs with regard to the environment or energy efficiency: Examples that can be mentioned here are the German Energy Saving Ordinance (EnEV) or the possibility of a national CO₂ tax.

Violation of new environmental laws and regulations may significantly impair the attractiveness of our real estate and make it more difficult to let or entail higher compliance costs, which in turn means lower annual revenue. We address those risks by carefully monitoring changes in the law in relation to acquisition, conversion or management of our real estate and by informing ourselves about developments and deepening our knowledge at training courses, seminars and conferences. We ensure strict compliance with all regulations with our own Legal department, which also enlists the services of external advisers if and when necessary.

Extreme weather events, such as periods of severe heat, storms and flooding, will occur more frequently in the future as a result of climate change. Our company's real estate is therefore exposed to potential damage that may restrict its operation or service life. It is therefore necessary to factor in these risks at an early stage so that the costs for maintenance and repairing the resultant damage or the potential loss of revenue as a result of interruption to operation can be planned for. We are aware of that threat and so insure our buildings appropriately.

Our customers' view of climate change has changed sharply over the past years. We see that more and more tenants want to minimise their carbon footprint and are asking about their buildings' energy efficiency. If we do not respond to this growing trend towards greater sustainability orientation, we risk a situation where our real estate becomes less attractive, which in turn will be reflected in its being more difficult to let and in lower income.

We minimise these risks by contributing our expertise in designing space and planning the financing required to improve and modernise buildings at an early stage.

Findings and future adjustment of the objectives

We have defined "competitiveness to secure future viability" as one of the four strategic target areas for the future:

- We create attractive terms and conditions for our residential and commercial spaces with smart solutions and a high level of motivation
- Our structures and processes are lean and ensure sustainable economic efficiency
- We invest in securing the value and future of our real estate portfolio
- We use our real estate to tap alternative sources of financing, such as with green bonds



Investments

Our motivation

A high-quality standard of buildings at a fair rent, tight-knit communities and surroundings where people can feel at home: Our sound economic basis allows us to invest in environmentally-friendly and social projects.

Where possible, we are committed to procuring renewable energies and use innovative technologies. We work on innovative ideas that meet the needs of our customers and a dynamically developing environment and so create value added for our real estate. We help reduce incidental costs and deliver competitiveness to secure future viability.

Our maintenance and modernisation measures are always geared towards improving the energy efficiency of our buildings and reducing water consumption. We also carry out work on our existing housing stock to make properties more attractive, for example by adding balconies or modernising bathrooms and kitchens.

We are also aware of our responsibility as regards the great influence we exert on the external environment and biodiversity through the exterior design of our real estate. We therefore endeavour to give our properties an exterior design that is in harmony with nature and develop that further.

Assessment of opportunities, risks and impacts

Breaching sustainability standards can reduce the attractiveness of our properties. This in turn makes them more difficult to let and is detrimental to our company's earnings and economic status. We actively counter this risk by thinking about tomorrow's needs today.

Climate change is one of the biggest challenges of our time and is already reflected in the extreme weather to which our properties are exposed. If we do not heed the warning signals early on, the capital costs for maintaining properties and repairing the resulting damage will rise and revenue will fall or disappear if properties cannot be used.

To maintain and improve the quality of our stock, we carry out a wide range of maintenance and modernisation work. This protects the fabric of our buildings and helps to make them even more versatile. These measures are planned on a long-term basis and are carried out regularly in order to avoid peak workloads and make optimum use of resources and capacities.

Greater building density makes the exterior of buildings an important social and cultural issue. Recreational opportunities in the local area, identification with the surroundings and social communication improve quality of life for users. Through appealing exterior design, negative effects such as vandalism, neglect and low biodiversity can be minimised.

Innovations that help improve our products and services

In order to enhance our sustainability and support the Volkswagen Group on its path to becoming a sustainable mobility provider, we are increasingly offering a forward-looking charging infrastructure.

Measures to improve the sustainable use of resources

The environmental effects of buildings are influenced by many factors: urban development and architecture trends, the materials used, infrastructure links, changes in user behaviour and the usage itself. In practice, we therefore look for solutions which support our customers, ease the burden on the environment and at the same time meet our social needs.

When delivering our products, we try to minimise our impact on the natural environment. We do this through densification and using brownfield sites wherever possible, thus reducing the number of greenfield sites that we need to use.

We are revising our own building standard BLUE BUILDING so that it reflects not only energy efficiency, but also the aspect of sustainability in a far-reaching way.

We intend to evaluate, optimise and document the materials used in future construction projects with a project-specific ecological balance sheet in the future.

In 2018, we drew up a standardised supplement for lease agreements for our commercial properties to enable sustainable use of the real estate in the usage phase ("Green Lease Agreement") and started rolling it out for some properties. We aim to develop the lease agreement further and adapt it to customers of our residential properties in 2019.

Investments and impacts

The three main investments our organisation made in infrastructure and/or services in the reporting period are:

- CO₂-neutral charging infrastructure for electric mobility
- Implementation of a "Green Lease Agreement"
- Revision of our own BLUE BUILDING standard

Investments in research

In cooperation with the Volkswagen Group, Volkswagen Immobilien is carrying out research into the topic of "blue service hubs", among other things, in order to help establish the infrastructure for the new mobility services such as "shuttle on demand" (which is operated by MOIA). That comprises the fast-charging station structure, facilities to wash and service the fleet, and parking spaces for idle times at night.

The level of digitalization at the hubs is very low at the moment so operating them involves a lot of manpower. That is to change when a fleet that enables autonomous driving comes on the road from 2023 onward: It is then expected that the hubs will be able to operate completely autonomously as a result of the increased use of automation technology.

Capital investment

Sustainable investment products

Our aim is to provide green capital for green assets. In this context, we aim to enable transparency and measurability as regards our hard target of reducing CO₂ emissions for all new and existing residential and commercial buildings by at least 25%.

Our long-term goal is to establish Volkswagen Immobilien as a sustainable investor and green issuer on the capital market, enabling us to live up to our social and corporate responsibility. Green bonds show the capital market how sustainable a company actually is, what specific environmental measures are being implemented and what impact these measures have. All that is disclosed in the obligatory Green Bond Report.

An innovative product

As a subsidiary of Volkswagen AG, Volkswagen Immobilien is the first company in the German real estate industry – and also in the Volkswagen Group – to offer green bonds in the form of borrower’s note loans and registered bonds. We are thus playing a pioneering role in the real estate industry. We adopted new, innovative approaches, in particular in the selection and evaluation of projects, and defined criteria that are easy for investors, issuers and other stakeholders to understand.

We also supported the Climate Bonds Initiative in its efforts to establish a globally valid standard for residential real estate and a baseline for green bonds for energy-efficient residential buildings in Germany. Given its simplicity and transparency, we believe that these criteria will prevail as market standards in the future.

Another goal of the green bond programme is to diversify our investor base and develop a new source of financing. In preliminary discussions with classic green bond investors, it is clear to us that a standard that is transparent and easy for all capital market participants to understand is necessary, especially when determining the level of “greenness”. We therefore endeavoured to set such a standard, which would also be valid under the EU sustainability taxonomy to be defined and for the entire term of our bonds.

Collection of data and performance measurement

The green bond market is a relatively young market characterised by strong growth, a lack of standards and a frequent lack of transparency when it comes to project selection and use, as well as external reviews. Neither the ICMA Green Bond Principles nor the Climate Bonds Initiative – both firmly established guidelines in the green bond market – provide clear criteria in the “low carbon building” category.

When reviewing the green bond frameworks of existing issuers in the financial services sector, it quickly became clear to us that many criteria were ambiguous and could be based on primary energy, final energy or CO₂ emissions. The market is also indifferent to the question of “consumption versus demand” and tolerates energy and CO₂ data of varying degrees of stringency, meaning that the “greenness” of some real estate and its funding must be questioned.



Although we have very strict statutory energy requirements in Germany with the Energy Saving Ordinance (EnEV), the Energy Savings Act (EnEG), the Renewable Energies Heating Act (EEWärmG) (and, in the future, the Building Energy Act (GEG)), we see a major challenge when it comes to determining the position of Germany's real estate portfolio and its energy data. Unlike in other countries, there are no public registers of energy data in Germany. Given the limited amount of data available, it is therefore not possible to make any statements on the energy properties of one's own real estate portfolio compared with the regional or national market.

A new, sound approach

Volkswagen Immobilien has therefore opted for a two-stage process based on the ESG rating. We believe that green bonds should only be issued by companies that actually behave in a sustainable manner and have established appropriate sustainability governance systems within their organisation.

In a first step, we submitted ourselves to the ESG rating process of ISS-oekom, a leading sustainability rating agency. Of 243 real estate companies rated worldwide, Volkswagen Immobilien is in eighth place (as at 12 March 2018) and has been awarded the label "PRIME". "PRIME" certifies that we meet the strict sustainability requirements of ISS-oekom to a very high standard. Indeed, when it comes to social sustainability, we are among the very best.

In a second step, we followed and implemented the guidelines of the ICMA Green Bond Principles and the Climate Bond Initiative. When selecting and evaluating projects, we commissioned an external independent energy consultant (Drees & Sommer) to analyse the energy efficiency of the German real estate portfolio for residential, office and logistics uses.

We used the Drees & Sommer assessment to create a data basis that did not exist in this form before. With this data Volkswagen Immobilien supported the Climate Bonds Initiative in its plan to establish a globally valid standard for residential real estate and green bonds for energy-efficient residential buildings in Germany.

Selection of properties

We attach great importance to our properties being some of the most energy-efficient buildings in their market – even across the entire term of the bond, in which the required CO₂ targets will likely become stricter from year to year.

When determining the correct selection criteria, we asked ourselves the following question: Do we want to indiscriminately set maximum targets on the basis of the energy certificate or do we want to draw on the legal requirements of the Energy Saving Ordinance (EnEV)? Since we did not want to discuss the exact level of emissions or energy requirements or consumption, we deliberately decided to avoid establishing an energy classification model with rigid target values.



You can find the 2018 Green Bond Report on the homepage of Volkswagen Immobilien.



Using this matrix, we have clustered our own real estate portfolio into a “green” and a “non-green” portfolio. The funds from the bonds are used solely to finance and refinance our “green” portfolio – as presented transparently in our green bond framework.

We deliberately opted for a second party opinion from ISS-oekom and certification by the Climate Bonds Initiative to serve as the external review, thereby underscoring the credibility of our approach as the first issuer and explicitly ruling out any kind of “green washing”.

Instead, we have created a matrix according to EnEV standards and type of use, thereby making us highly transparent to investors.

We feel sure that this simple and easy-to-understand approach is welcomed by investors and future issuers. We advise issuers who, unlike us, do not have detailed energy-related information on their properties to adopt the EnEV standards as well.

ECOLOGICAL SUSTAINABILITY



Materials

Material flows in the real estate industry

A large part of the material flows are to the building sector. The real estate industry therefore has the responsibility to develop resource-conserving building concepts proactively so as to minimise the use of materials and space and to be able to respond flexibly to changes in needs.

By choosing a functional, flexible design and using secondary raw materials (such as recycled material), the material flows in the building’s overall footprint – from construction, the usage phase to dismantling – can be slashed, which reduces resource depletion and cuts material costs.

Volkswagen Immobilien will evaluate, optimise and document the materials used in future construction projects with a project-specific ecological balance sheet. In principle, we already attach great importance to material efficiency in the building structure, as well as great flexibility in properties so that the portfolio can be made fit to cater for changing usage requirements without the need for any major constructional measures, dismantling or new building work.

The issue of the circular economy will also play a greater role in planning and constructing buildings in the future. Even though properties in Germany are usually erected for a usage period of at least 50 years, we as a building constructor are responsible for ensuring that the materials can be reused and so for the sparing use of new resources. To enable that, the focus in the early construction planning phase is on solutions with materials that can be separated and recycled. That is achieved by, among other things, choosing curtain wall façades that permit sorted separation of the materials used in the support structure, insulation and cladding.

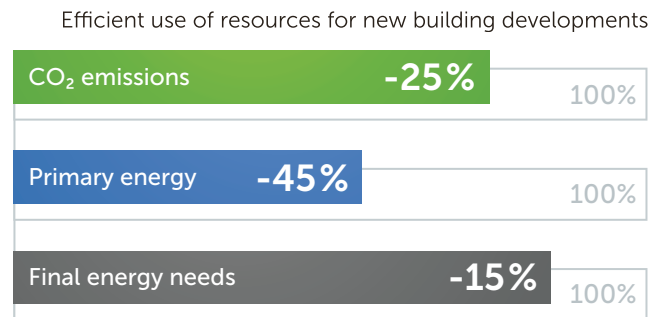
Not only reducing the use of resources, but also extraction of raw materials in an ecologically and socially responsible matter is very important to us. That is why we only use wood certified by the FSC or PEFC in the buildings we construct using wood and only products with the CE sign for those we build using natural stone.

Assessment of opportunities, risks and impacts

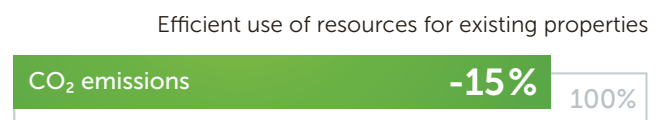
An ecological balance sheet can help us measure the impact of our real estate on the global environment in quantitative terms and define optimisation targets in the future. As a result, we undertake not only to apply design and economic criteria, but also to take into account the ecological impact as a decision-making factor in our building concepts. That requires a rethink in the investment focus towards an analysis of our properties’ life cycle: In particular dismantling of a property will assume new importance in the building concept.

The design of many commercial projects is defined by the corporate identity (CI) of the Group brands. The existing concepts are assessed from new perspectives by the ecological balance sheet and possibly called into question from an ecological standpoint. That will also necessitate a rethink of the CI concept here. Further development into a holistic and sustainable CI offers great potential for comprehensive application and presentation of the Group’s sustainability objectives. We are addressing that task and providing the Group brands with the best-possible support as part of that.

Our objectives to reduce resource consumption



Compared to EnEV reference building



Compared to 2013

Energy

Our energy situation and coming requirements

The energy needs of buildings in Germany account for more than 40% of total energy consumption. The quality of buildings and their technical equipment are therefore a key lever in achieving national energy savings targets. Apart from the quality of buildings, however, the nature of the energy supply – in particular substitution of fossil fuels by renewable sources – is a vital aspect in conserving non-renewable energy resources. Reducing or even avoiding fossil fuels can also slash CO₂ emissions.

Enhancing efficiency through the building design

Both the Volkswagen Group – with its production sites that require a lot of energy to manufacture vehicles – and Volkswagen Immobilien – a real estate service provider that requires energy to supply its buildings – have a significant impact on local CO₂ emissions. Since 2010, the Volkswagen Group has been pursuing an ambitious target to cut CO₂ – and Volkswagen Immobilien is adopting that target.

As a developer and constructor for new residential and commercial building projects, we can have a major influence on reducing energy requirements by delivering energy-efficient buildings of a high quality. The company therefore decided in 2017 that future new residential and commercial building projects should at least comply with the KfW 55 energy efficiency standard. As a result, we far exceed the requirements demanded by the currently applicable 2014 German Energy Saving Ordinance (EnEV), and the more stringent stipulations under the 2016 version. In addition, a high level of heat insulation (30% better than required under the EnEV) and optimised air tightness of the building envelope must be achieved. Volkswagen Immobilien constructed and planned buildings with a quality complying with KfW 55 in occasional projects before 2017, for example in the Wolfsburg quarter Steimker Gardens. The standard has been obligatory for every new building development since 2017.

Irrespective of the KfW 55 standard, Volkswagen Immobilien already demands a project-specific energy concept in the early planning stage, in which supply variants are formulated and at least one of those variants ensures the property is largely supplied by means of passive systems and renewable energies. Apart from a technical examination, the ecological and economic impacts over the property's life cycle are key decision-making criteria in the concept.

Volkswagen Naturstrom

By completely switching the electricity for common areas procured through us and for our own requirements to Volkswagen Naturstrom[®], which is supplied by VW Kraftwerk GmbH and is fully produced from regenerative sources, we increase demand for clean energy and also promote investments in this field.

Volkswagen Naturstrom[®] is green electricity that has been certified by TÜV (the German Association for Technical Inspection) and comes from hydropower plants of the Vienna-based utility Verbund AG in Germany, France, Switzerland and Austria. Proof of its origin is certified in the register of the German Environmental Protection Agency. Verbund AG has been cooperating with VW Kraftwerk GmbH since 2011; this collaboration was recently extended until 2025.

Heating energy

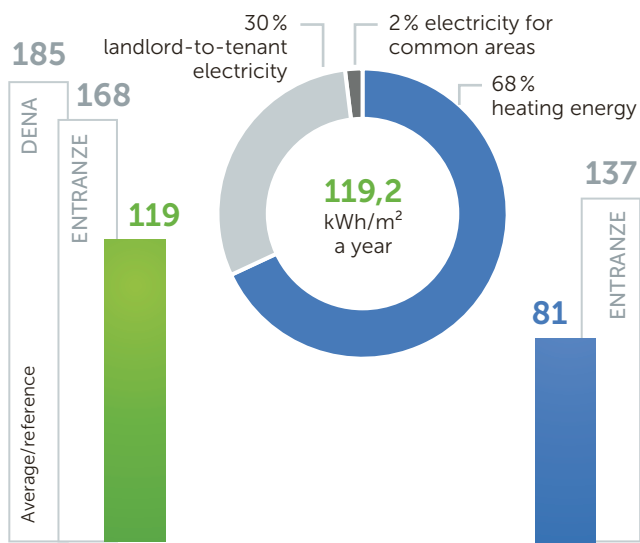
We prefer low-CO₂ heating systems in our portfolio and, where possible, opt for district heating.

Smart measurement enables optimisation

By installing smart measuring devices, we are able to monitor consumption in our portfolio in real time and so tap new potential to cut costs. We aim to roll out smart meters in 2019, which will enable us to gain a deeper insight into the behaviour of buildings in relation to internal and external influences such as climate fluctuations, room occupancy and utilisation level of the energy system.

Energy consumption

Residential properties

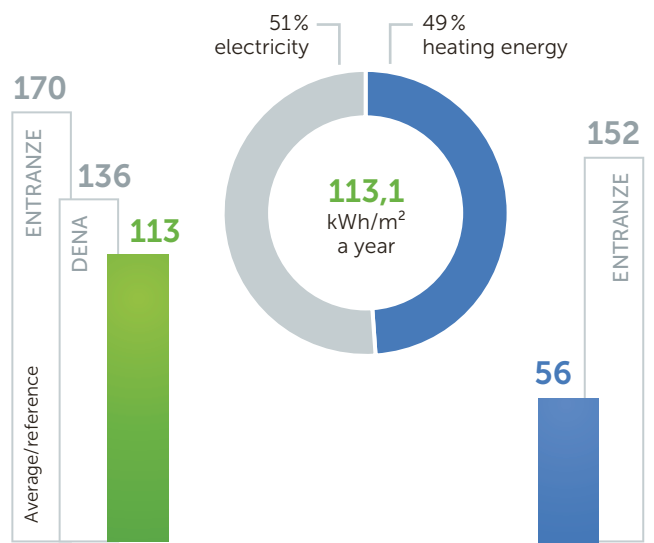


Most of the energy in our portfolio of residential properties is consumed by our tenants. Consumption is 119 kWh/m² a year, well below the average for German residential properties according to the studies by ENTRANZE (-29%) and the German Energy Agency dena (-36%).

Our housing stock is fully connected to Wolfsburg’s district heating network – and that has a positive impact on CO₂ emissions. Due to the high energy standards of our residential properties, average consumption of heating energy is 81 kWh/m², likewise well below the figure for Germany of 137 kWh/m² (-41% according to ENTRANZE).

Energy consumption

Volkswagen Immobilien’s office properties



Energy consumption at the office properties we ourselves use is 113 kWh/m² a year; 49% is used for heating, while electricity accounts for 51%. That is likewise far better than the average total consumption for German office properties according to the studies by ENTRANZE (-34%) and DENA (-17%).

The office properties we ourselves use are also connected to Wolfsburg’s district heating network and have a high energy efficiency – our average consumption of heating energy is 63% below that for German office properties according to ENTRANZE.

Thermal energy

Sources of energy relative to the total portfolio



Water

Sustainable use of water

Up to now, we have been able to assume that, in spite of climate change, there will be plenty of water in Germany in the future and that there is no need to fear water shortages or "water stress" in the medium term. According to the latest data material from the Federal Institute of Hydrology and the statements by the Federal Bureau of Statistics, there is currently no shortage of drinking water in Germany. Germany currently has around 188 billion cubic meters of water in its lakes, rivers and other water bodies, with less than 15% of that being used by agriculture, industry and households.

Nevertheless, the property industry faces challenges in this field. The use of land to build properties and soil sealing prevent rainwater draining away and disrupt the natural water balance in the ground. On top of this, biotope networks, biodiversity and movement in the animal world are all impaired by the containment of plant growth and interference in natural habitats.

Apart from protection of the ecosystem, responsible use of fresh water and reducing waste water also have economic aspects, since simple construction measures to save water and avoid waste water can help reduce operating costs in a building's usage phase.

Drinking water is the most important natural resource and is essential for people, animals and the environment. To ensure clean drinking water, water must be taken from the natural water cycle and carefully treated under strict controls. However, drinking water is not only used for drinking – it is used for cleaning too. As a result of continual contamination, waste water must be carefully treated before it can be returned to the natural water cycle.

The amount of fresh water required in buildings can be reduced to a large extent by water-saving fittings (flow limiters, WCs with flush stop) or by substitution with clean rain or grey water (for car washes and watering). That not only reduces the environmental impact (since less water is used) and means the amount of waste water produced is lower, but also cuts costs.

For its building projects, Volkswagen Immobilien requires not only the use of water-saving fittings, but also an examination of whether rain and grey water can be used to water the property and whether process water can be used (for example for car washes). Rainwater must largely be allowed to drain away on the property so as to prevent it from being fed into the waste water.

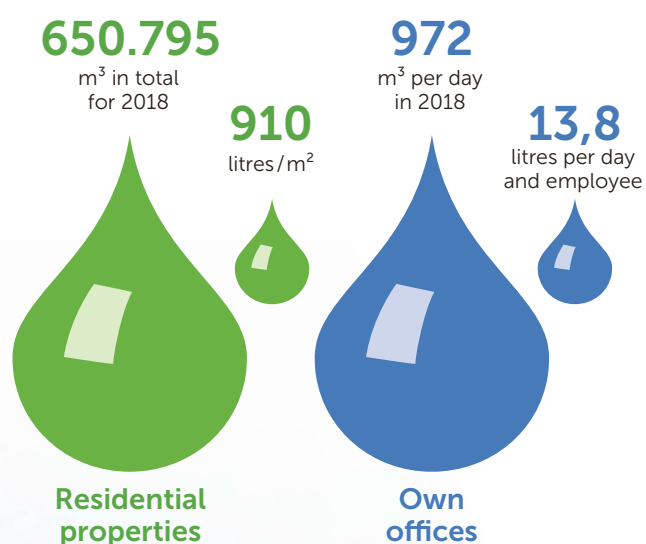
Objectives and measures

In order to reduce the negative effects of land use, we have set ourselves the goal of greening up at least 20% of the land used for building. We choose plants which are suitable for the location and easy to look after and use at least four native plant species.

When constructing parking facilities, we ensure that the surfaces are permeable to minimise surface sealing. If permitted by building regulations and technically possible (seepage capability of the ground), we try to create rainwater drainage systems to disrupt the natural water cycle as little as possible.

The use of clean rainwater for washing or watering could save a significant amount of fresh water. Water-saving fittings (flow limiters, WCs with flush stop) also help to reduce water consumption. This eases the burden on the environment, reduces the amount of waste water and at the same time reduces provision and treatment costs.

Water consumption



Water consumption by our portfolio of residential properties in 2018 totalled 650,795 m³ or 910 litres/m² per annum.

Water consumption by our commercial properties in 2018 averaged 972 m³ a day. Average daily consumption was 13.84 litres per employee and 12.45 litres per workplace.

Biodiversity

Diversity is vital to our future

Biodiversity means the variety and variability of life on Earth and includes diversity between species, within species, and of ecosystems. It secures the basis for our continued existence: healthy food, clean water, fertile soils and a balanced climate. A good quality of life for current and future generations is possible only if there are intact habitats with good biodiversity.

People feel better and happier when they are in natural environments. Well-being has a major impact on our health and capabilities. Likewise, plants in and around a building, as well as care and respect towards the animal world, help produce a positive perception and increase the value and worth of a property. Deciding in favour of plants that suit the location can also cut consequential costs since they are often more rugged, are less vulnerable and require less care.

A built environment has a major influence on the diversity of ecosystems. Volkswagen Immobilien therefore believes it is very important to make a positive contribution to creating, preserving and expanding biodiversity directly at buildings or adjacent outside areas. There is a general assessment that biodiversity has declined dramatically – and that can only be halted through joint action.



Challenges

The overuse of global ecosystems has meant that some 60% of all ecosystem services are used excessively or degraded – that is the core assertion by the Millennium Ecosystem Assessment, an international series of studies commissioned by the United Nations with the objective of systematically evaluating the status of the global ecosystem. Experts worldwide agree that the global loss of biodiversity is, alongside climate change, one of the greatest challenges of the future.

We regard that as an opportunity to make a sustainable and positive contribution by developing new building projects whose design is in harmony with nature. We can reduce the burden on our ecosystems at our properties by means of unused green areas and a near-natural design, without impacting the primary function of the grounds.

Findings and future adjustment of the objectives

In Wolfsburg, Volkswagen Immobilien is currently implementing one of the largest private housing projects, the Steimker Gardens, over an area of 22 hectares. As early as the project development stage, forward-looking community and mobility concepts were taken a step further so as to create a new district that will be an international trailblazer, as well as enable long-term profitability. This innovative real estate concept can additionally be enhanced stylishly and conveyed by means of the quarter's attractive and near-natural design.

Since the Steimker Gardens involves a complete redesign of the campus, the conditions for creating areas that are in harmony with nature there are very good.

Volkswagen Immobilien is cooperating in achieving that with the Heinz Sielmann Foundation, which has provided initial consulting on the potentials and possibilities of a near-nature design of the quarter on the basis of the available planning.

SOCIAL SUSTAINABILITY AND RESPONSIBILITY



Working conditions

Our goal is to be an excellent employer

For Volkswagen Immobilien, it is very important to offer all employees an atmosphere of well-being, fairness and recognition as well as development opportunities. Being an excellent employer is not an end in itself: We can ensure that employees stay motivated and keep on performing to the best of their abilities only if we live up to our promise of what it is actually like for them to work for our company.

Our motto is "More room for people". On this basis, we encourage our staff to develop by coming up with ideas and unlocking their potential. The knowledge, skills and commitment of our employees are the basis for our success.

We always listen to personal opinions, positive feedback and criticism from our employees. This helps us to improve our processes and the quality of our work.

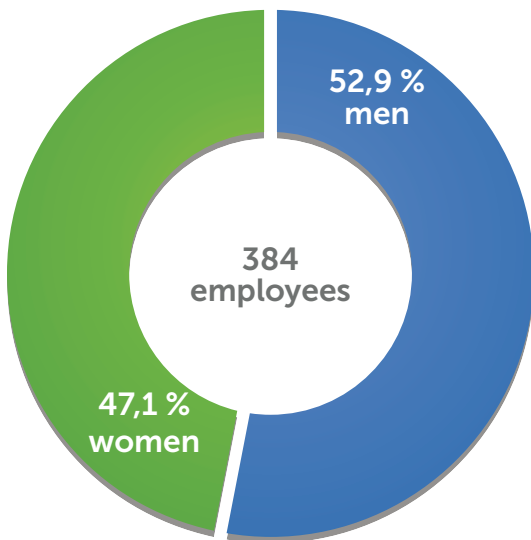
In a constantly changing competitive environment, we need to develop all the time. This applies not only to the company as a whole but also to its products and services and each individual employee. Our strategy lies in recruiting talented people for our company and winning their long-term loyalty. Participation, personal initiative and individual opportunities to organise their work are very important to us in living up to our employer promise.

We are focusing in particular on enhancing our attractiveness as an employer under our current VWI 2025 corporate strategy. As part of the strategic target area "excellent employer", we aim to adapt our company to the increasing pace at which the challenges we face in our environment are changing. We feel it is important to be regarded as an excellent employer in the age of digitalisation, too.



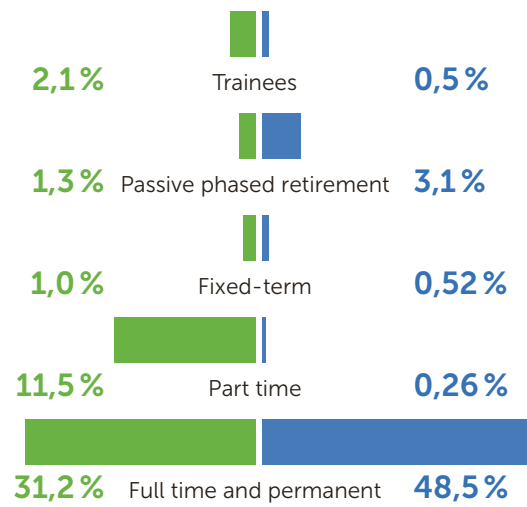
Total number of employees

By gender, at 31 December 2018



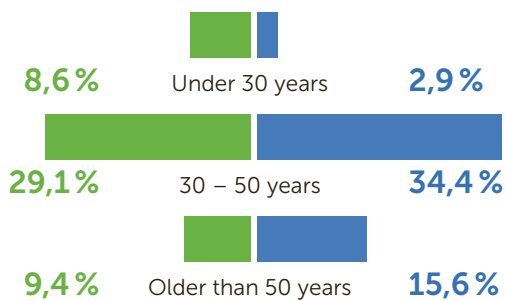
Employees

by type of employment and gender, at 31 December 2018 (including apprentices and staff in passive phased retirement)



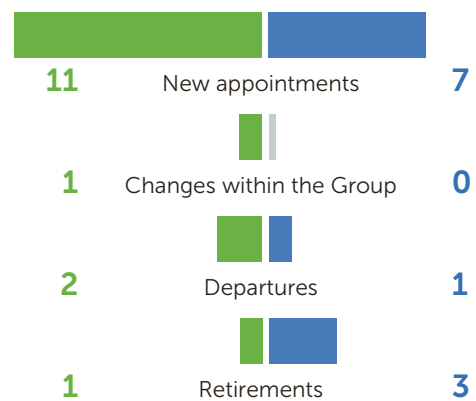
Age structure of employees

As at 31 December 2018



New appointments, changes and departures

Calendar year 2018



Change as means of initiating processes to optimise collaboration

We are aware that an excellent employer must win over its staff by offering more than good pay and secure, attractive jobs. That is why we are working intensively on forward-looking forms of work organisation and are developing new working time models that accommodate employees' wish for greater flexibility.

So that our employees are on board as we move to the digital future, we are keeping a very close eye on future trends and investing in qualification measures.

Different cultural factors in global markets and growing economic dynamism mean we require an ever-greater breadth of experience, world views, ideas on how to solve problems, and new products. We truly believe that progress, ingenuity and performance are driven primarily by diversity. Diversity therefore plays a key role in maintaining and boosting our competitiveness.

We recognise there is a great desire for flatter hierarchies and towards a more open form of collaboration. Consequently, our medium-sized structures should enable every single employee at the company to remain visible.

Positioning as an employer from the perspective of employees

Employees, managers and applicants were surveyed in an analysis phase so that we could obtain an extensive picture of how Volkswagen Immobilien is perceived as an employer.

Our employee positioning shows what makes Volkswagen Immobilien attractive (from an internal and external viewpoint), relevant (what candidates want from the company) and special (compared to the competition). Identified potentials are used as part of development of the company to optimise its structures and processes long term – and so further enhance its attractiveness as an employer.

Through the group-wide "Stimmungsbarometer" staff survey, we regularly assess the satisfaction of the workforce with a view to optimising working conditions.

At company meetings, we provide all staff with comprehensive, up-to-date information on a range of general issues. Our staff magazine is also designed to strengthen the bonds within the company. Published two to three times a year, it provides information about everything going on at the company, explains the backgrounds and offers the latest personnel information. The Volkswagen Immobilien Intranet portal also offers staff information on company issues and is updated on a daily basis.

Training and further development

Volkswagen Immobilien attaches very great importance to encouraging and enhancing the skills of competent and dedicated employees. For us, commitment means participating actively in the value chain – but also adapting to changes and driving process improvements through personal initiative.

We have high expectations by vocational training based on the dual principle, which creates the foundation for great professional expertise and excellent performance with the high standards of competence and qualification it demands and with its blend of theory of practice.

At Volkswagen Immobilien, staff can take advantage of a HR policy tailored to the individual needs and talents of employees, for example regular contact between superiors and employees as part of staff appraisals or team/departmental meetings.

Increasing knowledge, sharing experiences and shaping the future together: Lifelong learning means developing all the time. The Volkswagen Group Academy provides a wide range of training measures for our employees. Some of these can be booked free of charge as online training sessions. This range of training measures is supplemented as necessary by in-house training provided by our own employees and external service providers.

Idea management as an established company process serves to boost the creativity, knowledge and initiative of our employees and encourages them to take on responsibility for improving processes and products.

Health and safety

Integrated health management

For us, the aim of integrated health management is to allow every employee to retire healthy if possible. In order for staff to cope with their workload in an appropriate manner, occupational health and safety as well as health promotion are more than just a social obligation and an expression of our corporate culture – they also play a prominent role in our personnel strategy.

Offerings and further development

At Volkswagen Immobilien, health management goes far beyond classic health care and established occupational health and safety issues. The overall concept also includes aspects of work organisation, prevention, integration, rehabilitation as well as management culture.

The Volkswagen Check-up helps to maintain and boost the health, fitness and performance of our employees – it is a comprehensive, voluntary check-up which is provided free of charge. Our employees value the high-quality diagnostic procedures and the wide range of preventive and training programmes available.

The Volkswagen Group is committed to continuously improving occupational health and safety. Back in 2004, a global occupational health and safety policy which is binding for all group companies was put in place.

Human rights

Equal treatment

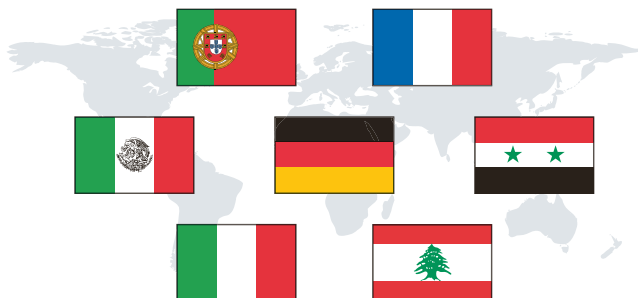
Volkswagen AG encourages respectful cooperation in a spirit of partnership, diversity and tolerance. Equal opportunities and equal treatment are the foundation for a fair, prejudice-free and open relationship.

We truly believe that progress, ingenuity and performance are driven primarily by diversity. Diversity therefore plays a key role in maintaining and boosting our competitiveness.

As a subsidiary of the Volkswagen Group, we are committed to its Code of Conduct and offer equal opportunities for all. We do not discriminate or tolerate discrimination on grounds of ethnic or national origin, gender, religion, views, age, disability, sexual orientation, skin colour, political views, social background or any other characteristics protected by law.

We value mixed teams made up of men and women, young and old, and welcome staff from various professions with qualifications in a wide range of areas. As a matter of principle, our employees are chosen, hired and supported based on their qualifications and skills.

Our employees at Volkswagen Immobilien come from a wide range of different nationalities. We believe integration is a vital part of equal treatment of people. Two percent of the workforce of Volkswagen Immobilien GmbH are severely disabled people.



Response to misconduct

If our employees observe violations of the principles of equal opportunities and equal treatment (such as discrimination, harassment or mobbing), our basic rules stipulate that such misconduct must be pointed out to the persons who have committed it.

If an employee is not able to directly influence what has happened, the incident can and should be reported to the HR department – or assistance should be requested from within our outside the company.

Child labour

We at Volkswagen Immobilien are aware of our social responsibility and respect, protect and uphold prevailing international regulations on the protection of human rights as fundamental and generally valid precepts.

In our global activities, we reject all forms of child, forced or compulsory labour, modern slavery and human trafficking. This applies not only to our company but also, as a matter of course, to the conduct of and towards business partners.

Risks of potential human rights violations

We see the risk of potential human rights violations primary in the upstream value chain and the resource extraction process, yet also realise that our company is not free of such risks.

We strive to achieve labour relations characterised by cooperation and social peace and the foundation for that is the charters and declarations agreed with the Volkswagen Group's European and global group works council. They offer our employees security that their labour and human rights are safeguarded, for example their right to freedom of assembly, collective bargaining and equal pay and the ban on discrimination at work and in their profession.

In upholding universal human rights, we are guided by various international, European and national agreements. They include:

- The United Nations Universal Declaration of Human Rights
- The United Nations Guiding Principles on Business and Human Rights
- The core labour standards of the International Labour Organisation (ILO)
- The European Convention for the Protection of Human Rights and Fundamental Freedoms
- The OECD Guidelines for Multinational Enterprises, and
- The German government's German National Action Plan on Business and Human Rights

Evaluation of contractors

We believe sustainability extends beyond the boundaries of our own company. In order to ensure compliance with our sustainability standards in our products' value chain, the concept "Sustainability in contractor relations" was implemented throughout the Volkswagen Group in 2006.

This concept is based on three pillars: requirements, monitoring and qualification. Our expectations of our contractors as regards the issue of sustainability are defined and applied as part of that concept. Compliance with these standards is examined by Group Procurement Services as part of the central contract award process using pinpointed monitoring instruments.

The "Sustainability in contractor relations" concept is based on the "Volkswagen Group requirements on sustainability in its relations with business associates" (Code of Conduct for Business Associates). Among other things, these requirements are based on the principles of the UN Global Compact, the ICC Business Charter for Sustainable Development and the pertinent conventions of the International Labour Organisation.

A country-specific risk analysis assesses the social or ecological risks or risks related to human rights at the respective locations even before a potential contractor is engaged. It incorporates data from third parties as well as internal analyses (Business Partner Check). For example, the press and Internet are screened for relevant issues relating to sustainability as part of an early warning system.

Proactive assessment to minimise risks

Group Procurement Services assesses the social or ecological risks or risks related to human rights even before potential service providers and contractors are engaged. We also subject potential business associates to an integrity check (Business Partner Check).

Freedom of assembly

The foundation for mutually satisfying labour relations at Volkswagen Immobilien is the universal human rights and standards of the International Labour Organisation. On the basis of them, the Volkswagen Group has worked with its European and global group works council to agree various charters and declarations that give employees security as regards their collective rights at the workplace and interpretation of their rights:

- Declaration on Social Rights and Industrial Relations at Volkswagen (Social Charter 2002, new version of 2012): Fundamental employee rights based on the pertinent conventions of the International Labour Organisation
- Charter on Labour Relations (autumn 2009):
- greater co-determination rights of the employee representative bodies with shared responsibility
- Charter on Temporary Work (November 2012): principles on temporary work

Involvement

Sport promotion

As one of the biggest property owners in Wolfsburg, Volkswagen Immobilien takes on responsibility for the region and supports activities, particularly those of a sporting nature, which improve people's health and the local community. We have sponsored the "Grizzlys Wolfsburg" DEL ice hockey team for nearly 20 years and hold numerous joint events as part of this. For 12 years, we have organised the annual "Volkswagen Immobilien Stair Run" in cooperation with the Lower Saxony Athletics Association. We also support established events including the local People's Triathlon and the Wolfsburg Marathon.

Commitment to education

Education is the foundation for participation in the information and knowledge society. We at Volkswagen Immobilien believe it is our duty to invest in young people. A key element of training and education at our company is to

foster awareness for personal social responsibility. We give our apprentices and students in vocational training combined with university studies the chance to participate actively in our social engagement. We promote up-and-coming academic talents by awarding scholarships and cooperating with universities.

Every year, Volkswagen Immobilien stages its Future Day for Girls and Boys as part of career guidance at general education schools to help make a lasting contribution to breaking down gender barriers when it comes to choosing vocations.

In our many years of cooperation with the "ready4work e. V." initiative, we have been committed to creating extra apprenticeship places in the region and thus to integrate in particular socially disadvantaged young people.

Our most important projects and partnerships:



ready4work

Legal notice

Sustainability report

Report period:

2018 financial year (1 January – 31 December 2018)

Date of the most recent preceding report:

Reporting period: 1 January 2017 to 31 December 2017

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Sustainability website:

<https://www.vwimmobilien.de/nachhaltigkeit>

Management

Senior management/Board of Management:

Meno Requardt (spokesman), Michael Leipelt,
Dr. Ralph Sawalsky

Chairman of the Supervisory Board:

Frank Witter

Control of sustainability reporting

Our continuous collection of data and sustainability reporting is formally controlled and approved, and it is ensured that all key aspects are included in it. The highest-level committee or post responsible for that is the Sustainability Committee.

Concept and design:

Kilovolt Werbeagentur, Braunschweig
www.kilovolt.net

Images:

Volkswagen Immobilien, iStockPhoto, IngImage

As at:

April 2019



