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**SUSTAINABLE MANAGEMENT AND SUSTAINABILITY AT
VOLKSWAGEN**

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1 Introduction

Sustainability has become a major competitive advantage where companies shift their awareness to the global perspective (Elliot and Webster, 2017). The main challenge in achieving sustainability is a failure by the management of the organisation to link their operations to sustainability approaches. Sustainability can be linked to analysing the external environment, responding to external factors by aligning the internal components, and communicating with stakeholders (David et al., 2020). The objective of sustainable management is to achieve economic prosperity, social well-being, and environmental protection. This will result in better job satisfaction among employees, organizational commitment to sustainability, and improved financial and environmental performance (Asrar-ul-Haq et al., 2017). Strategic management is achieved through formulating goals, identifying capabilities and resources, and implementing measures that will result in measurable outcomes (Galpin et al., 2015). This report provides an analysis of Volkswagen's (VW) strategic management and sustainability to determine its direction and recommend a strategy that will guide then in the future.

1.1 Company Background

VW is a leading automobile based in Wolfsburg, Germany, that has achieved a revenue of £255.97 and enjoys a large market share in Europe (Volkswagen, 2021). Established in 1937, the company has grown from a single product to a diversified range with 12 brands and operates in over 117 nations with an employee population of 662 575 (Volkswagen, 2021). The Mission of VW is to incorporate its "TOGETHER 2025" approach to guide its strategic management to achieve sustainability of future mobility. The vision is to shape mobility for the future. To achieve its mission and vision, VW strives to manufacture clean and safe electric drives by incorporating digital technologies that give an interesting driving experience. Specifically, VW is committed to ensuring they implement the Paris Agreement of contributing zero-emission before 2050.

The main competitors for VW are automobiles in Europe like Ford, Chrysler, Daimler, Toyota, Honda, Bayerische, Nissan, Tata, and Tesla. Annually, VW produces over a million cars, and it has the largest global market second after Toyota in 2021 (Volkswagen, 2021). Its sustainability is focused on a diversified product portfolio and it has successfully established its market in China. Recently, VW has faced threats to its sustainability management because of the dieselgate scandal that has dented its brand image and negatively affected its sales revenue (Hotten, 2015).

2 Business Strategies

Volkswagen's 2015 annual report identified its 10-year strategic plan up to 2025. The central vision behind this strategic development was attaining global leadership in the provision of sustainable approach to mobility. The company founded 19 initiatives with the aim of transforming various areas in its core businesses, establishing mobility solutions, strengthening its innovativeness, and securing investments for boosting its financial viability (Zhang et al. 2021). The most significant consideration for Volkswagen is its decision to increase development and production of electric and fuel-efficient vehicles (Allam et al. 2020). Apparently, this is an initiative aimed at reversing the bad press that is associated with its diesel-gate scandal through positioning itself as an environmentally friendly organization in the face of its consumers. According to its 2025 strategy, Volkswagen plans to invest over a billion pounds in electric automobiles with the aim of developing over 30 different types of electric automobiles in the year 2025. While the electric vehicle market accounts for less than one percent of global passenger automobiles, it has been growing significantly in the recent past (Turna, 2022).

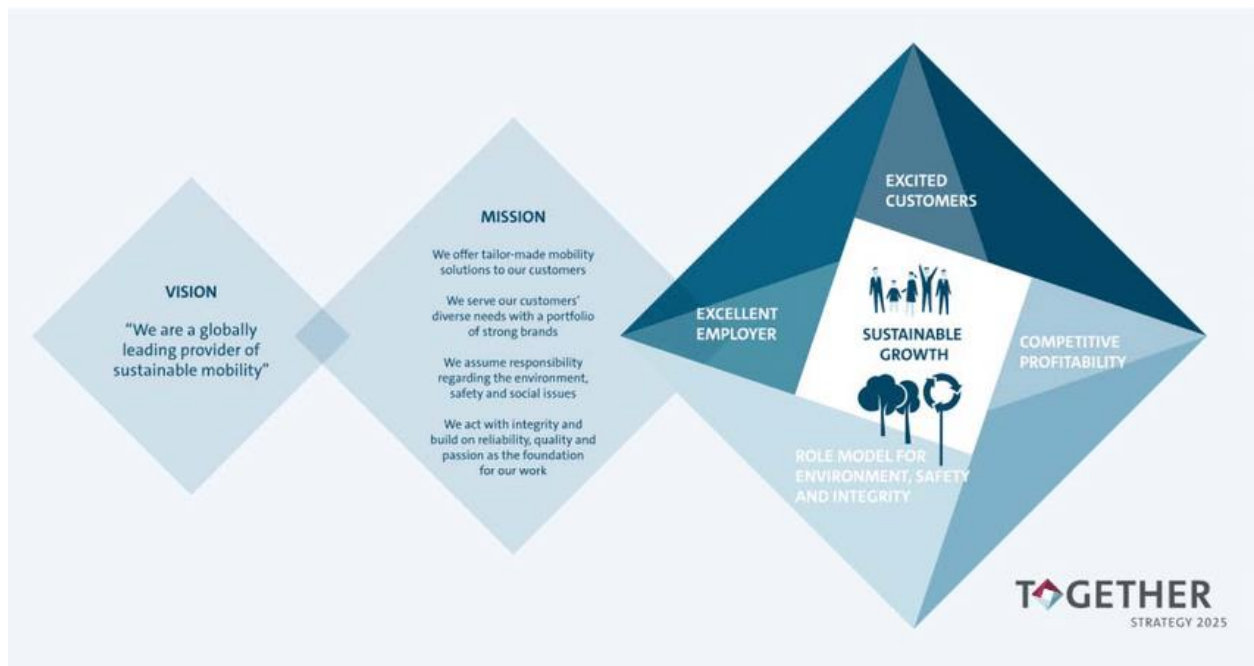


Figure 1: Together Strategy 2025 (Sergio & Rylova, 2018)

Moreover, to enhance its approach to positioning the company as an environmentally friendly one, Volkswagen established a leadership structure for managing sustainability as well as Corporate Social Responsibility (CSR) (Allam et al. 2020). This structure functions under the leadership of the sustainability board and a sustainability steering unit. This sustainability functional unit regularly meets with suppliers, investors, and sustainability analysts with the aim of engaging them in deliberations about the shift of the industry towards value chain digitization (Turna, 2022). Superlatively, Volkswagen believes that this approach to engagement with its key stakeholders will create synergy and increase efficiencies as well as develop effective plans for emerging issues (BBC, 2022).

3 Volkswagen's Resource and Capabilities

Key Volkswagen's resources include brands, distribution networks, location, plant and equipment, finance and technology. Its main capabilities include engineering, purchasing, product development, financial management, manufacturing, research and development,

government relations, strategic management, and sales and marketing. Considering Volkswagen's competitive position and the rapid and continuous changes taking place in its institutional and industry environments, the relative significance and strengths of these resources as well as capabilities have undergone significant changes (Turna, 2022). Volkswagen will therefore be expected to effectively and efficiently utilize its resources to realize its 2025 strategy. Strategic management, government relations, research and development, and product development are becoming increasingly meaningful capabilities that Volkswagen is expected to constantly develop and nurture in order to sustain its initiative of overcoming the effects of recent emission scandal and re-establish its image and brand (Zhang et al. 2021).



Figure 2: Key Elements of New Volkswagen Strategy (Volkswagen, 2021)

Volkswagen operates with three major competencies which have influenced its sustained competitiveness in the global automobile market. Firstly, Volkswagen is highly experienced in dealing with multiple product lines. Specifically, Volkswagen operates with 12 major brands including various luxury brands such as Porsche, Bentley, and Lamborghini. Currently, there is no any other car manufacturer with many brands as is Volkswagen with Toyota and GM

only having 4 and 10 brands respectively. This expansive portfolio exposes Volkswagen to a wider variety of customers on a global scale. On a similar note, Volkswagen operates with a very resilient diversification strategy. Its revenue is sourced from multiple global markets with its income being further diversified by recent introduction of the commercial, electric vehicles, and financial services (Allam et al. 2020). In unique markets such as China, Volkswagen has managed to position joint venture which are among the largest automakers in the country.

With respect to Volkswagen's 2025 strategy, it plans to shift its core automotive business into autonomous driving and battery technology as its novel core competencies. While a steep learning curve is expected due to limited experience in the company regarding these two areas, their well-established research and development sector will be instrumental in the commercialization of these new technologies (BBC, 2022).

In addition, Volkswagen is an engrained pioneer and leader in innovation which has enabled the company to globally provide innovative technologies and ideas since mid-20th century ranging from active suspension technologies to highly efficient car engines. Therefore, Volkswagen's 2025 vision is founded on positioning most aspects of the company in promoting high levels of electrification with the aim of becoming a significant producer of electric automobiles on a global scale (Zhang et al. 2021).

4 Internal Analysis – SWOT

Strength	Weakness
A wide product portfolio is a major strength of VW because it has twelve brands, which is more than any of its competitors. Secondly, the "TOGETHER 2025" strategy is aligned with addressing the concerns demonstrated	There is a weakness of negative publicity of its brand because of the dieselgate scandal because of a non-existent software code to control emissions. This resulted in a loss of £14.01 in fines for failure to control

in the emission scandal by manufacturing electric cars, improving their battery technology, and enhancing research and development. Thirdly, the diversification strategy permits VW to target a wide range of consumer segments and obtain sustainable profits. According to the 2021 annual report, no single market segment for VW generates over 20% of its sales revenue. Fourthly, VW had synergy between its brands, which allows them to share research and development technologies to reduce costs. Lastly, VW has formed joint partnerships with SAIC and FAW in China that have enabled the company to offer about 150 new models and sell over 3.5 million units annually. Partnerships have enabled VW to increase its market by 14% of the Chinese market and be able to compete with other automobiles.	emissions in different countries. Secondly, VW has a higher recall rate, estimated at 1805 in every 1000 in the US market (Volkswagen, 2021). This results in additional manufacturing costs, unsatisfied customers, and the creation of negative publicity for the brand.
Opportunities VW has an opportunity to increase its sales because of low fuel prices, and this will boost its SUV and small vehicle brands. Secondly, VW is set to benefit from partnerships with other companies like Ford in building their skills and competencies in battery	Threats Increasing competition from other automobiles has saturated the market for VW by offering low prices for high-quality vehicles. Secondly, lawsuits, fines for faults, and recalls reduce the profit of VW. Lastly, new government regulations are a threat

technology and digitization. Thirdly, there is an opportunity for autonomous vehicles in the future that VW should exploit by 2025. Fourthly focusing on sustainability is an opportunity for improving its brand reputation created by the emissions scandal.	because they require VW to ensure its products reduce greenhouse emissions and fuel efficiency, which increases production costs and is inconsistent with the price-sensitive market (Laurenti et al., 2016).
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5 External analysis – PESTLE

Political The management's decision to apply defective devices to cheat on the emissions has resulted in a negative political environment for VW, particularly in the US market (Ewing, 2017). This is a major problem because governments set tough environmental standards for VW products.	Economical The global recessions and the Covid-19 pandemic have affected the economic performance of many countries, and VW is likely to experience high costs in acquiring raw materials. Also, the high tariffs imposed by the US government have increased auto prices and there is a need to adopt cost reduction strategies like layoffs to survive (Evanoff, 2018).	Social VW lost consumers and workforce because of the dieselgate scandal and it is important to improve its integrity level (Volkswagen, 2021). Its recent sustainability strategies have gained social support from its consumers, and this is a positive thing going forward.
Technology Self-driving cars and electric cars are new technologies that VW must adopt and allocate enough funds to support research and development in these areas. Also, the use of big data and digitization is another technology area that VW	Legal VW must ensure it works within the requirements of reducing carbon-dioxide emissions to at least 130gm/km so that it can be able to explore the European market and others without paying for excess gas emissions.	Environment Climate change and global warming are environmental issues that VW must focus on to become sustainable according to the Kyoto Protocol. The production of hybrid and electric cars is an important strategy by VW in ensuring environmental

needs to invest in to compete with other automobiles.		protection.
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6 Strategic choice as opportunity, generic strategy, Ansoff matrix

The TOGETHER 2025 strategy has enabled VW to achieve its objective of becoming a leading sustainable automobile organization. In this strategy, VW intends to increase its sales and sustainability approaches by incorporating innovations and digitization (Lynch, 2018). For example, big data was identified as an important technological aspect that VW could adopt to boost its brand image and sustainability in the global market. Big data will ensure that VW uses the information to advance its objectives so that it is consistent with the sustainability management requirements (Ning and Nagaash, 2018). The strategic choice for VW is based on the Ansoff matrix so that it can develop its generic strategy by focusing on internal and external environmental analysis. The SWOT and PESTE analysis have shown market penetration and development, product development, and diversification as the ideal generic strategies for VW.

6.1 Ansoff Matrix

Market Penetration	Market Development
The biggest market share for VW is Europe and this has remained constant for several years without dropping (Volkswagen, 2021). VW has a global share value of about 11.9%, and its sustainability strategy is to attract new customers by using its already existing consumer base (Volkswagen, 2021). This requires the production of quality services to increase the satisfaction rate so that they can recommend to new customers (Paschek and Winterhagen, 2016). VW can improve its	The ideal market development strategy for VW is to explore the international market and partner with complementary companies to increase their sales volumes (Kotler and Armstrong, 2017). The SWOT analysis has shown that the development of hybrid cars is an opportunity for VW to achieve its environmental sustainability and e-mobility objectives (Volkswagen, 2021). Another opportunity is the development of autonomous cars by 2025, which will

market penetration by increasing the sales touch points, joint ventures, and partnerships, enhancing the dealer networks and improving customer value and spending basket.	increase its market development exponentially according to VW sustainability report 2021.
Product Development It is important for VW to add new features to its brand portfolio to make its products unique in the existing market (Kotler and Armstrong, 2017). For example, it can develop new software codes for its emissions that use accurate technologies to ensure that it measures the accurate number of emissions to the environment. This is important in sustainability because it will give VW confidence in products that are environmentally friendly and with reduced emission rates.	Product Diversification Diversifying in financial services is an important diversification strategy for VW because it can provide financial solutions for its customers. However, this requires a new distribution and revenue model so that it can achieve the desired sustainable objectives. VW has four main ways it can achieve its diversification strategy using big data horizontal, vertical, concentric, and conglomerate diversification. In horizontal diversification, VW can develop new products and introduce them to the market that targets existing consumers. Vertical diversification requires VW to explore its supplier's business segment and use its brand portfolio products as end products. Concentric diversification involves the development of related products, while conglomerate involves the introduction of new and technologically unrelated products (Kotler and Armstrong, 2017).

7 Strategy Implementation

VW has a chain of socially committed suppliers that is a major competitive advantage in achieving its sustainability objectives. Sustainable management of VW should implement a strategy for decarbonization and increase its awareness creation about environmental concerns in the height of climate change and globalization. It is important to evaluate the risks within its supply chain that can contribute to increased environmental degradation by rating the sustainability levels of its suppliers and identifying where environmental protocols have been violated. The PESTLE analysis has shown that VW has a positive social environment with its consumers and suppliers, and it is important that the strategy implementation should focus on promoting human and employee rights. On environmental strategies, VW must work on reducing emissions by proper selection of suppliers and consumers who do not contribute to increased carbon emissions (Ülkü and Hsuan, 2017). An important opportunity for VW to achieve this implementation strategy is through focusing on renewable energy opportunities and improving its HV battery technologies.

The strategy evolution should focus on maintaining its competitive position in the automobile segment. Intense competition is a major threat to this strategy evolution, but the main focus should be on sustainability so that VW can get an edge (Hay, 2020). For example, the Lexus has recently been ranked better than VW because of its reduced environmental impact and this creates a need for additional sustainability approaches. Production of e-mobility and hybrid cars is an important strategy evolution that VW has implemented to address this competition.

Supporting education and community is a pillar of sustainability because it forms an important element of its CSR (Calveras and Ganuza, 2016). For instance, VW has allocated £36.49 million to supporting NGO activities and £34.59 million to mitigate its consumers from the effects of Covid-19 (Volkswagen, 2021). Increased joint ventures and partnerships are important in developing the social and political environment that was affected by the

dieselgate scandal. For example, a partnership with Microsoft has enabled VW to provide its consumers with a digital platform where many can access education and critical technologies (Singh, 2020).

Profitability is important for VW's sustainability strategy implementation because it provides a basis for making financial decisions. In order to protect the environment (Galpin and Hebard, 2018). VW established the "Green Finance Committee" that is focused on the identification and support of sustainable projects. Another strategy is through the "Impact Valuation at VW Group," which focuses on identifying sustainable initiatives for its economy and environment. Thirdly, implementing a triple bottom line gives VW an accurate account of determining its costs and benefits accruing from sustainability projects. For example, using the decarbonization index is important in defining the operations of VW in mitigating climate change issues (Johnson et al., 2019). Also, this strategy gives VW an opportunity to estimate the accident frequency and its suitable biodiversity ratio for its employees.

Implementing sustainability strategies is costly for VW because there is a need to protect the environment by reducing emissions within its product portfolio (Galpin et al., 2015). It is estimated that over £21.62 million is required to successfully implement the decarbonization strategy (Diess and Osteloh, 2021). In 2020, it was estimated that about £198.02 million was used for implementing environmental protection strategies (Volkswagen, 2021). The strategy implementation has focused on spending £63.13 billion on supporting its digitization and e-mobility strategy as an approach to boost environmental efficiency (Volkswagen, 2021). The profitability of VW has improved in the recent past and it is estimated that it will reach 14% as a return on investment by the end of 2025 (Diess and Osteloh, 2021).

The SWOT analysis has shown that VW faces threats based on the macro-environment, diesel-related concerns, and specific factors in the automobile industry (Volkswagen, 2021). For example, the continued production of diesel vehicles is a consequence of legal lawsuits and environmental concerns. Low market prices of similar products have reduced demand for VW

products and this is a threat to its financial growth in the future, which can hamper its sustainability implementation (Kajzer et al., 2017). The economic turbulence created by the Covid-19 pandemic is a threat to its global economy because many countries are increasing tariffs which will cause a decline in the economic growth level. VW has its main markets in Europe and China, and any activities that can result in a decline in sales in the region will have a negative impact on the sustainability level of VW (Volkswagen, 2021). Thus, VW can mitigate these risks by developing diesel-free cars, incorporating digitization, and minimizing its carbon footprint. The internal analysis shows that VW can rely on the new environmental and social standards as a leading opportunity to address the issues of environmental threats (Diess and Osteloh, 2021). Increasing the level of collaborative dialogue in its management structure and partnerships with technology companies like Microsoft give VW a competitive advantage in the future

8 Conclusion

The internal and external analysis of VW has shown that it has a strong growth strategy that is based on horizontal integration by focusing on electric cars and forming partnerships. It intends to explore new markets to increase its global share, but environmental regulations are a major challenge for its market development and penetration strategy. Reduction of costs is important for VW because it provides additional costs related to the dieselgate scandal. Secondly, the PESTLE analysis has shown that the sustainability of VW in the future is dependent on its capability in manufacturing electric cars and autonomous cars that have a higher environmentally friendly association. The Ansoff matrix has shown that market development and penetration are important for VW to achieve its sustainability objectives. Another important strategy implementation approaches for VW include decentralizing their group structure according to the principle of lean operations, strengthening leadership, and observing the Paris Agreement on emissions.

9 Recommendation

Reduction of costs is an important approach in achieving sustainability at VW for its TOGETHER 2025 strategy. We recommend reducing the number of car models being manufactured so that its annual spending is reduced. Secondly, we recommend the production of electric cars in its German plant and increasing its multi-brand so that it can boost efficiency and minimize complexities in the production process (Hitt et al., 2019). The multi-brand plant should be located in Eastern Europe so that it can address the estimated growth in the future due to low fuel prices. Thirdly, we recommend VW form a joint venture with Ford, which is a complementary manufacturer so that they can lower costs, boost performance and penetrate the market by offering products to commercial consumers (Rothaermel, 2020).

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11 Appendices

11.1 Appendix 1: Sustainability report 2020

THE CORPORATE GOVERNANCE CODE AS A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE

Corporate governance provides the regulatory framework for corporate management and supervision. This includes a company's organization and values, and the principles and guidelines for its business policy. The German Corporate Governance Code (the Code) contains principles, recommendations and suggestions for corporate management and supervision. Its recommendations and suggestions were prepared by a dedicated government commission on the basis of the material provisions and nationally and internationally accepted standards of sound, responsible corporate governance. In line with best practice, the government commission regularly reviews these for relevance in light of current developments and updates them as necessary. The Board of Management and the Supervisory Board of Volkswagen AG base their work on the Code's principles, recommendations and suggestions. The deviations from the recommendations can be found in our declaration of compliance. We consider good corporate governance to be a key prerequisite for achieving a lasting increase in the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and enables us to meet the steadily increasing demand for information from national and international stakeholders. You can find our published Declaration of Conformity with the German Corporate Governance Code here:

OUR FUTURE-ORIENTED PROGRAM TOGETHER 2025+

With the future-oriented program TOGETHER – Strategy 2025 announced in 2016, we are seeking to make the Volkswagen Group more focused, efficient, innovative, customer-oriented and sustainable, and systematically geared toward generating profitable growth. We at the Volkswagen Group have set ourselves the goal of continuing to excite our customers in future and meeting their diverse needs with an appealing product portfolio of impressive vehicles and forward-looking, tailor-made mobility solutions. Every day, we actively assume and exercise responsibility in relation to the environment, safety and society, and we aim to be a role model in these areas. Integrity, reliability, quality and passion thus form the basis for our work. Using this approach, we aim for technological leadership in the industry and competitive profitability while also striving to be an excellent employer.

The TOGETHER 2025+ Group strategy, which we further developed in 2019, steps up the pace at which we will achieve our strategic objectives and sharpens our focus. To this end, the strategic vision of the Volkswagen Group was also revised. With “Shaping mobility – for generations to come”, we aim to more actively shape the future of mobility while safeguarding it sustainably – for present and future generations. With electric drives, digital connectivity and autonomous driving, we want to make the automobile cleaner, quieter, more intelligent and safer. At the same time, our core product will become more emotive and offer a completely new driving experience. In this way, the car can continue to be a cornerstone of sustainable, individual and affordable mobility in the future. In addition, we are committed to the Paris Agreement on climate protection and are one of the first companies in our industry to commit ourselves to becoming a company with a neutral carbon footprint by 2050. This includes our vehicles, our plants and all processes. The automotive industry is being shaped particularly by the transformation to e-mobility and digitalization. We have positioned ourselves to successfully tackle this radical change: the strategies of our brands and regions as well as those of our functional areas are consistently aligned with the TOGETHER 2025+ Group strategy. Under the umbrella of the TOGETHER 2025+ Group strategy, we have

defined five central modules that put the focus on corporate governance, improved performance, increased brand equity, software and excellence in employee management. Our Code of Collaboration, along with our integrity and compliance program Together4Integrity (T4I), is a central pillar of the Group strategy. This Code describes how collaboration is to take place within the Group and between individuals in their day-to-day work. Its core values are encapsulated in the terms “genuine”, “straightforward”, “open-minded”, “as equals” and “united”. T4I brings together all activities relating to integrity, culture, compliance, risk management and human resources, creating a common path toward a new corporate culture.

FIVE MODULES OF THE TOGETHER 2025+ STRATEGY

Our TOGETHER 2025+ Group strategy comprises consistent strategic decisions and specific modules aimed at safeguarding the longterm future of the Group and generating profitable growth. These modules are namely Best Governance, Best Performance, Best Brand Equity, Software-enabled Car Company and Excellent Leadership. We continuously review the status and progress of these initiatives in order to analyze the target achievement, importance and suitability of the measures defined. This enables us to tailor these modules to the transformation underway within our company. In the Best Governance module, we are working to create a focused, streamlined corporate structure to manage the brands, continually leverage synergies and accelerate decision-making processes. We want the Group to be perceived as efficiently managed, trustworthy, sustainable and transparent. To this end, we are intensifying the dialog with our key stakeholders and systematically reviewing whether we are still the best owner for our various brands and companies. In addition, we want to make our CO2 targets measurable and make our progress towards becoming carbon neutral in 2050 transparent. Within international ESG rankings (ESG = environment, social, governance), we strive for a leading position in our industry in the future. The aim of the Best Performance module is to achieve a sustainable value enhancement in our enterprise by increasing efficiency, productivity and profitability. As a global company, our size enables us to make increased use of economies of scale. We remain firmly committed to our ambitious targets, work consistently on achieving them and strive to exceed them. This will lay the foundations for extensive investment in our Company, in our employees and in mobility for present and future generations. In the Best Brand Equity module, the focus is on realigning and further refining the brand portfolio, making a significant increase in the value of our Group brands possible. We are defining the profiles, brand missions and core competitors of the Volkswagen Group brands in a more nuanced and distinctive way. This will enable the Group to better serve the market as a whole. Based on these optimizations, we will decide on the future design, product portfolio and services of each Group brand – using the needs of our customers as a starting point.

11.2 Appendix 2: Annual Report 2021

KEY FIGURES BY MARKET

The Covid-19 pandemic and the limited vehicle availability due to the semiconductor shortage had a negative impact on business at the Volkswagen Group and its brands in 2021. In the reporting year, the Volkswagen Group generated an operating result before special items of €20.0 (10.6) billion. Special items resulting from the diesel issue weighed on operating result in the amount of €–0.8 (–0.9) billion.

The Volkswagen Group’s unit sales in the reporting year stood at 8.6 (9.2) million vehicles. Sales revenue increased by 12.3% to €250.2 billion due to mix-related factors. In the Europe/Other markets region, unit sales decreased by 5.2% year-on-year to 3.7

million vehicles. However, positive mix effects helped to lift sales revenue to €145.6 (133.5) billion. Exchange rate movements had a negative effect.

In the North American markets, unit sales in the reporting period were 8.2% up on the prior-year figure at 805 thousand vehicles. Due in particular to higher volumes and mix effects, as well as the consolidation of Navistar as from July 1, 2021, sales revenue rose to €45.3 (36.8) billion, more than compensating for the unfavorable exchange rate trends.

We lifted our unit sales on markets in the South America region to 503 thousand vehicles in 2021, an increase of 6.8% compared with 2020. As a result, sales revenue climbed by 27.9% to €11.0 billion. Exchange rate movements had a negative effect.

In the Asia-Pacific region, the Volkswagen Group's unit sales – including the Chinese joint ventures – fell to (4.0) million vehicles in the reporting year. Driven by mix and exchange rate effects, sales revenue rose to

€48.7 (44.3) billion. This figure does not include the sales revenue of our equity-accounted Chinese joint ventures. Hedging transactions relating to sales revenue in foreign currency had a negative impact of €386 (345) million on the sales revenue of the Volkswagen Group in the reporting year.

KEY FIGURES BY BRAND AND BUSINESS FIELD

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE		OPERATING RESULT	
	2021	2020	2021	2020	2021	2020
Volkswagen Passenger Cars	2,719	2,835	76,127	71,076	2,503	454
ŠKODA	784	849	17,743	17,081	1,083	756
SEAT	494	484	9,614	9,198	-233	-339
Volkswagen Commercial Vehicles	326	345	9,909	9,358	73	-454
Audi	1,009	1,017	53,068	49,973	5,546	2,739
Bentley	15	11	2,845	2,049	389	20
Porsche Automotive ¹	297	265	30,289	26,086	5,006	4,021
Scania Vehicles and Services ²	91	73	13,927	11,521	903	748
MAN Commercial Vehicles	151	118	13,000	10,838	-276	-631
At equity accounted companies in China ³	3,042	3,577	-	-	-	-
Power Engineering ⁴	-	-	3,278	3,640	179	-268
Volkswagen Financial Services	-	-	41,662	38,637	5,672	2,803
Other ⁵	-353	-418	-21,263	-26,573	-818	759
Volkswagen Group before special items	-	-	-	-	20,026	10,607
Special items	-	-	-	-	-751	-931
Volkswagen Group	8,576	9,157	250,200	222,884	19,275	9,675
Automotive Division ⁶	8,576	9,157	206,237	182,106	13,230	6,664
of which: Passenger Cars Business Area	8,303	8,965	172,868	156,311	13,051	7,224
Commercial Vehicles Business Area	273	191	30,092	22,156	134	-79
Power Engineering Business Area	-	-	3,278	3,640	45	-482
Financial Services Division	-	-	43,963	40,778	6,045	3,012

¹ Porsche (including Financial Services): sales revenue €33,138 (28,695) million, operating result before special items €5,286 (4,176) million.

² Scania (including Financial Services): sales revenue €14,400 (11,950) million, operating result €1,119 (855) million.

³ The sales revenues and operating results of the joint venture companies in China are not included in the figures for the Group. These Chinese companies recorded a proportionate operating result of €3,026

(3,602) million.

4 Prior-year figure includes the business of Renk.

5 In operating result, mainly intragroup items recognized in profit or loss, in particular from the elimination of intercompany profits; the figure includes depreciation and amortization of identifiable assets as part of purchase price allocation, as well as companies not allocated to the brands. Includes Navistar from July 1, 2021.

6 Including allocation of consolidation adjustments between the Automotive and Financial Services divisions.

KEY FIGURES BY MARKET

Thousand vehicles/€ million	VEHICLE SALES		SALES REVENUE	
	2021	2020	2021	2020
Europe/Other Markets	3,727	3,929	145,570	133,499
North America	805	744	45,305	36,810
South America	503	471	11,039	8,632
Asia-Pacific ¹	3,540	4,012	48,672	44,288
Hedges on sales revenue	-	-	-386	-345
Volkswagen Group¹	8,576	9,157	250,200	222,884

¹ The sales revenue of the joint venture companies in China is not included in the figures for the Group and the Asia-Pacific market.

11.2.1.1 In the 2021 fiscal year, Volkswagen Passenger Cars celebrated the market debut of the ID.4, the brand's first all-electric SUV. The ID. family gained a new member with the ID.5, a modern symbiosis of SUV and coupé.

BUSINESS DEVELOPMENT

The Volkswagen Passenger Cars brand aims to move people. The centerpiece of the ACCELERATE 2030 strategy is a global initiative through which the brand aspires to transform itself into a technology and software business focused on customer needs.

In fiscal year 2021, the Volkswagen Passenger Cars brand launched the ID.4, the first all-electric SUV in the ID. family. Athletic proportions, a sleek design and a sculptured rear are the hallmarks of its exterior and give the all-rounder excellent aerodynamics. The impressive interior has generous space, puristic design, intuitive controls and sustainable upholstery materials. The recognition as "World Car of the Year 2021" underlines the brand's ambition to combine performance and everyday practicality with the ID.4. The ID.4 is currently built and sold in the core markets of Europe and China. This will be extended in future to include the United States. The ID.4 CROZZ, ID.4 X and ID.4 GTX are derivatives of the base model. In late autumn of the reporting year, Volkswagen Passenger Cars presented another model belonging to the ID. family. The new ID.5 is impressive with its futuristic form that combines the strengths of an SUV with the aerodynamic silhouette of a coupé, creating a modern symbiosis of the two. The popular Golf family celebrated the 45th anniversary of the Golf GTI in the reporting year. To mark the anniversary of the sporty icon, the Volkswagen Passenger Cars brand presented the special-edition Golf GTI "Clubsport 45". The exclusive anniversary model has 221 kW (300 PS) of power and pays homage to the first Golf GTI with its special GTI features.

The Volkswagen Passenger Cars brand delivered 4.9 million vehicles worldwide in fiscal year 2021. The decline of 8.1% was due chiefly to the limited vehicle availability as a result of the semiconductor shortage. In the USA, sales increased by 15.1%.

The Volkswagen Passenger Cars brand sold 2.7 (2.8) million vehicles in the reporting year. There was strong demand for the T-Roc, T-Cross and Atlas models, and the ID.3 and ID.4 models were also very popular. The difference

between deliveries and unit sales is due mainly to the fact that the vehicle-producing joint ventures in China are not attributed to the companies in the Volkswagen Passenger Cars brand.

The Volkswagen Passenger Cars brand produced 4.6 (5.1) million vehicles worldwide in 2021. In May 2021, Volkswagen Slovakia – consisting of the sites in Bratislava, Martin and Stupava – celebrated its 30th anniversary. The multi-brand plant in Bratislava currently produces eight models for five Group brands under one roof.

SALES REVENUE AND EARNINGS

The Volkswagen Passenger Cars brand increased its sales revenue by 7.1% year-on-year to €76.1 billion in 2021. The operating result before special items was influenced by margin-related factors and stood at €2.5 (0.5) billion. This was higher than the previous year's figure, which was particularly affected by the pandemic. Upfront expenditure for new products and technologies increased. The operating return on sales before special items amounted to 3.3 (0.6)%. The diesel issue gave rise to special items of €–0.7(–0.8) billion.

Units	2021	2020		2021	2020	%
Tiguan	598,656	754,276	Deliveries (thousand units)	4,897	5,328	-8.1
Polo/Virtus/Nivus/Taigo	453,479	467,765	Vehicle sales	2,719	2,835	-4.1
Lavida	394,222	416,209	Production	4,575	5,081	-9.9
Passat/Magotan	379,614	477,892	Sales revenue (€ million)	76,127	71,076	+7.1
Jetta/Sagitar	295,490	422,908	Operating result before special items	2,503	454	x
T-Cross/Tacqua/Taigun	295,101	285,824	Operating return on sales (%)	3.3	0.6	
T-Roc	282,748	285,299				
Golf	267,352	408,528				
Bora	242,022	329,263				
Tharu/Taos	206,789	149,781				
Atlas/Teramont	180,873	178,954				
JETTA	157,157	165,681				
Santana	138,232	174,966				
ID.4	134,319	6,487				
Gol	131,129	117,471				
up!	75,616	59,786				
ID.3	73,738	64,259				
Lamando	58,551	65,730				
Arteon/CC	42,508	55,899				
Saveiro	40,212	41,146				
Touareg	34,957	41,136				
Touran	30,603	56,833				
ID.6	20,461	–				
Fox/Suran	18,162	12,184				
Sharan/Viloran	16,806	32,142				
Phideon	6,618	10,344				

	4,575,415	5,080,763
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