

## Volkswagen AG (VOW3)

### Annual General Meeting: Thursday 12 May 2022

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*Resolutions are being highlighted by a Climate Action 100+ initiative signatory for the attention of other signatories.*

#### Organization requesting a 'flag' on a resolution:

[Clare Richards](#), Church of England Pensions Board

Supporting investors: AP7, AkademikerPension, AP3, AP4, Schroders, EOS at Federated Hermes<sup>1</sup>

Investor statements relating to Volkswagen AG available [here](#) and [here](#).

#### Resolution text:

The signatory is flagging two resolutions and stating they are intending to vote AGAINST them:

Resolution #3: RESOLUTION ON THE FORMAL APPROVAL FOR FISCAL YEAR 2021 OF THE ACTIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT WHO HELD OFFICE IN FISCAL YEAR 2021 The Supervisory Board and the Board of Management propose that the actions of the members of the Board of Management who held office in fiscal year 2021 be formally approved for fiscal year 2021

Resolution #4: RESOLUTION ON THE FORMAL APPROVAL FOR FISCAL YEAR 2021 OF THE ACTIONS OF THE MEMBERS OF THE SUPERVISORY BOARD WHO HELD OFFICE IN FISCAL YEAR 2021 The Supervisory Board and the Board of Management propose that the actions of the members of the Supervisory Board who held office in fiscal year 2021 be formally approved for fiscal year 2021

[Notice of Meeting](#)

#### Summary of why the resolution is being flagged

- Volkswagen (VW) has rejected a recent shareholder proposal from seven European investors that urged the company to explain how its lobbying activities help to address climate risks. The shareholders' proposal came after more than three years of dialogue on this issue with VW. The continued rejection of this investor request is in contrast to many of its German peers including Mercedes-Benz and BMW, which have both made recent public commitments

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<sup>1</sup> EOS at Federated Hermes, as co-lead for the CA100+ collaborative engagement at VW, supports the flagging of these resolutions for consideration by investors, although it has not yet formally determined its voting recommendations to clients for this year's VW annual shareholding meeting.

to include a review of climate lobbying policies and positions as part of their annual disclosures.

- VW has been assessed positively on only 1 of the 6 sub-indicators under section 7 of the [Climate Action 100+ Net Zero Benchmark 2022](#), 'Climate policy engagement'. The one that it does address (7.2b) relates only to disclosure of its trade association memberships.
- This is the second shareholder proposal on climate lobbying that has been put to VW, with the first being rejected in 2019. The company rejected this latest shareholder proposal on the basis that they deem it beyond the competence of the general meeting: 'The Board of Management alone is responsible for deciding on the content of the non-financial report in accordance with the interests of the company.'
- The annual formal discharge of the boards represents shareholder approval of actions taken during the year. Discharge is a tacit vote of confidence in the company's management and policies. In the case of VW's long-term and ongoing resistance to addressing to shareholder concerns by enhancing its disclosure on climate lobbying governance and impact, the Church of England Pensions Board does not feel this is warranted.

## Background

- Responsible climate lobbying is crucial to the attainment of the Paris temperature goal: without ambitious, consistent and predictable application of climate policies and incentives in all markets, transition plans will falter.
- VW were first contacted about this issue in October 2018 by a group of investors, led by the Church of England Pensions Board and AP7, seeking to draw the Board's attention to the newly published [Investor Expectations on Corporate Climate Change Lobbying](#).
- In addition to AP7 and the Church of England Pensions Board – who first initiated dialogue with Volkswagen about the issue of climate lobbying in late 2018 – the 2022 filing group included asset manager Schroders, Swedish pension funds AP2, AP3 and AP4, plus Denmark's AkademikerPension. The AGM escalation was also supported by Climate Action 100+ engagement lead EOS at Federated Hermes, who were not part of the co-filing group, but engaged actively with VW on the issue of climate policy engagement since early 2019.
- Throughout the engagement with VW from 2018 to 2022 the company has been provided with support and guidance on improving their climate lobbying disclosure and practice.
- In February 2022 a group of shareholders presented VW with a draft amendment to their Articles of Association, as a means of embedding a commitment to annual disclosure on their climate policy engagement and governance into their sustainability reporting cycle. VW verbally declined to do so.
- In April 2022, shareholders submitted the proposed amendment to VW's Articles of Association for inclusion in this year's AGM. VW rejected it, with their lawyers stating that in their interpretation of German commercial code: 'The Board of Management alone is responsible for deciding on the content of the non-financial report in accordance with the interests of the company.'
- **Clare Richards, Senior Engagement Manager at the Church of England Pensions Board said:** "Volkswagen has the potential to be a leader on responsible climate lobbying. VW says it wants to play a leading role in a world of zero-emission and autonomous mobility, but then it fails to make, let alone deliver, on a public commitment to greater transparency on how it supports ambitious climate policies. This calls into question the sincerity of the company's

intentions as well as the Board's leadership in overseeing company management, which is why we will be voting against agenda items 3 and 4 at this year's AGM."

- **Charlotta Dawidowski Sydstrand, Sustainability Strategist at AP7:** "As long-term shareholders we would have preferred Volkswagen to make this commitment voluntarily. We filed the amendment as we are determined to ensure that the company registers the importance of this issue at the highest level. It speaks volumes that they have rejected the amendment on the basis of saying the Board knows best, yet the Board is still failing to deliver transparent oversight of the company's climate lobbying."
- **Mark Lacey (Head of Global Resource Equities and Fund Manager) and Carol Storey (Active Ownership Manager), Schroders Investment Management, said:** "We are disappointed that a company leading on so many areas of the low-carbon transition has fallen behind on climate lobbying disclosures. Our decision to co-file reflected our belief that looking at the details of the transition matters. In the last few years, we recognise that Volkswagen has significantly improved its leadership capability in so many areas, which is why we encourage Volkswagen to show leadership on this particular issue, and demonstrate how it is lobbying responsibly in support of ambitious climate policy."
- **Lisa Lange, Lead Engager – Germany, EOS at Federated Hermes said:** "EOS at Federated Hermes, as co-lead for the CA100+ collaborative engagement at VW, supports the flagging of these resolutions for consideration by investors, although it has not yet formally determined its voting recommendations to clients for this year's VW annual shareholding meeting. Since the start of our engagement with Volkswagen on this issue in early 2019, nearly half of the European companies in scope for the Climate Action 100+ initiative have published at least one climate lobbying review, the majority committed to repeat this disclosure annually. Even at this late stage, we strongly encourage Volkswagen to take up this clear opportunity to position itself as a true leader on the path to a low-carbon transition by aligning itself with the new [Global Standard on Responsible Climate Lobbying](#)."

### Rationale details

- Whilst VW does disclose its trade association memberships, the company lacks a comprehensive disclosure of how those associations' lobbying positions and activities align with either its own or the Paris climate goals. Without that assessment VW risks impeding progress on its climate transition strategy and reputational damage. By embedding this commitment within its Articles of Association, which the Board has so far declined to do, VW could position itself as a true leader on the path to a low-carbon transition.
- Volkswagen's performance on climate lobbying is inconsistent, for instance they [actively declined to provide support to the following COP26 statement](#) in [contrast to peer automotive manufacturers](#) on several continents (November 2021): "*D. As automotive manufacturers, we will work towards reaching 100% zero emission new car and van sales in leading markets by 2035 or earlier, supported by a business strategy that is in line with achieving this ambition, as we help build customer demand*"
- Comparative analysis
  - There are 10 German-listed companies within scope for the Climate Action 100+ engagement initiative, of which 7 have already either published or committed to publish a review of their climate lobbying policies and practices (BASF, RWE, HeidelbergCement, Bayer, Mercedes-Benz, E.ON, BMW). Of those 10 German

companies, only Volkswagen, Siemens-Energy and Uniper are yet to make a public commitment to improve their annual disclosure on climate lobbying. The two most recent public commitments to enhanced disclosure on climate lobbying come from two of VW's local competitors:

- **Mercedes-Benz** acknowledged climate lobbying as a matter requiring board oversight and made a public commitment within their March [2022 Chair's Letter](#) to publish such a disclosure and Mercedes-Benz have already delivered that [publication](#)
- **BMW** made a public commitment in early April 2022 to publish an annual [climate lobbying disclosure](#), which BMW intend to do for the first time ahead of their May 2022 AGM.
- Looking at the Auto sector globally, during the past year **Ford, GM** and **Toyota** are among the companies that have all published a climate lobbying disclosure for the first time. For further information on the global situation see indicator 7 of the [Climate Action 100+ Net Zero Benchmark](#).

## Conclusion

Over the course of more than three years, VW and its Board have been asked repeatedly by shareholders to demonstrate leadership by enhancing their disclosure, governance and practice on climate lobbying. Without this, shareholders cannot be assured that VW's lobbying (whether through directly influencing the political process or through public influence activities), is serving to reduce risks for the group companies from climate change, and that these efforts contribute to the fulfilment of the temperature goal of the Paris Climate Agreement.

The Church of England Pensions Board and AP7 are pre-declaring a vote against discharge of both VW's Management Board and Supervisory Board. We believe this is warranted on the basis of poor supervision of management, which is demonstrated not just in 2021 but since our engagement on climate lobbying began in 2018. In contrast to many its local and sector peers, this has resulted in no public commitment to undertake an annual review of their climate lobbying positions and practices, and no improvement in VW's assessment under the Climate Action 100+ Net Zero Benchmark.<sup>i</sup>

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