

TAX STRATEGY 2019

The following document sets out Volkswagen Group UK's position in relation to tax in the UK and represents how tax is undertaken within the business. The strategy applies to Volkswagen Group United Kingdom Limited

The company manages its tax affairs based on 5 core principles:

1. Compliance

The fundamental principle underlying all the tax decisions within the Volkswagen Group businesses in the UK is that of paying the right amount of tax in the right place at the right time. This is mandated at a global level by the Board of Management of our ultimate parent company, Volkswagen AG. It involves disclosing all relevant facts and circumstances to the tax authorities and claiming reliefs and incentives where these are made available by tax legislation.

2. Open and transparent approach to engaging with HMRC

Volkswagen Group businesses in the UK seeks to build transparent and collaborative relationships with the UK Tax Authorities to create and maintain "Good Corporate Citizenship". We aim to achieve this by engaging with HMRC with honesty, integrity, respect and fairness.

HMRC is kept informed about business developments to the extent they have a tax impact, at regular face-to-face meetings. These meetings are also used by both parties to discuss matters relating to the companies' tax affairs at the earliest opportunity.

In the event that a disclosure is required, these are made voluntarily or with full co-operation from the business.

3. Management of Tax

Ultimate responsibility for the tax affairs of each company sits with its Board of Directors. Each Board has assigned a director with overall responsibility for its ongoing tax affairs. This director is the nominated Senior Accounting Officer for Tax Purposes.

The company has a dedicated professionally qualified tax team covering direct and indirect tax matters. The organisation supports the team in maintaining their Continuing Professional Development requirements. The team also complies with the ethical standards set out by the Chartered Institute of Taxation.

The tax team are active members of various tax fora, both those with an industry specific focus and those with a tax technical base. This assists with understanding current best practice and developments.

4. Risk Management

Given the size and global nature of our business, tax risks will arise. The in house tax team is appropriately skilled to handle these matters and receive regular tax training and updates to ensure knowledge is always up to date. This enables the team to identify, monitor and manage tax risks within the business. It also enables the team to identify where specialist external advice is required to ensure the business can remain compliant. External advisors are used to assist the business in achieving its core tax principles as outlined in this document.

5. Attitude to arranging our tax affairs

The primary tax objective of the company is to pay the correct amount of tax at the point at which it is properly due. The company will utilise exemptions and reliefs that are legitimately available and in accordance with the wording and spirit of the law.

The Volkswagen Group (The Group) is mindful of its reputation in the marketplace and seeks to operate in the manner of a responsible taxpayer.

Transactions between The Group companies are conducted on an arm's-length basis and in accordance with OECD principles. The Group does not undertake profit allocation on the basis of tax rates, and profit follows the business activities of The Group.

Where tax incentives are implemented by the Government to support investment, employment and economic development, The Group will only ever seek to implement these in the manner intended.

Engagement in artificial tax arrangements (those without commercial substance) is not undertaken. Where a point is unclear or uncertain, the companies may seek clarification from HMRC, external advisors or the judiciary as appropriate. This is done in order to ensure that the companies comply with their primary tax objective. Tax is not the commercial driver for decision making within the group nor is it a key performance indicator.

11 December 2019

Volkswagen Group UK Limited regards the publication of this tax strategy as compliant with the duty under paragraph 22(2) Schedule 19 Finance Act 2016.