

Volkswagen Financial Services AG Group

Type of Engagement: Annual Review

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Engagement Team:

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Introduction

Volkswagen Financial Services AG Group (“VW FS AG”)¹ has issued 17 green bonds (collectively, the “VW Green Bonds”) since September 2023, to refinance projects to facilitate the transition towards zero-emission vehicles. The VW Green Bonds were issued under the VW FS AG Green Finance Framework of August 2023 (the “Framework”).² In 2024, VW FS AG engaged Sustainalytics to review the projects refinanced with proceeds from the VW Green Bonds (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether VW FS AG complied with the reporting commitments in the Framework.

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and VW FS AG’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Clean Transportation	Financing any vehicles with zero-tailpipe emissions ³	<ol style="list-style-type: none"> i. Estimated avoided tailpipe emissions (tCO₂/year) ii. Number of BEVs used for the calculation of avoided tailpipe emissions iii. When and where feasible, examples of Life Cycle Assessments (“LCA”) which observe the environmental performance of a vehicle over its complete life cycle.

¹ Volkswagen Financial Services AG Group consists of Volkswagen Financial Services Aktiengesellschaft and its subsidiaries. Different entities within the VW FS AG Group, including consolidated subsidiaries and special-purpose vehicles, are eligible to issue securities under the VW FS AG Green Finance Framework.

² VW FS AG, “VW FS AG Green Finance Framework”, (2023), at: https://www.vwfs.com/content/dam/bluelabel/valid/www-vwfs-com/investor-relations/vwfs-ag/green-finance-framework/VWFSAG_GFF_2023.pdf

³ Example projects include acquisitions of vehicles for the purpose of leasing and loans to customers.

Issuer’s Responsibility

VW FS AG is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from the VW Green Bonds. The work undertaken as part of this engagement included collection of documentation from VW FS AG and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by VW FS AG. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by VW FS AG.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁴ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework. VW FS AG has disclosed to Sustainalytics that the proceeds from the VW Green Bonds were fully allocated as of July 2024.

Detailed Findings

Table 2: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of projects to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria.	None
Reporting Criteria	Verification of projects or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	VW FS AG reported on at least one KPI per use of proceeds category.	None

⁴ Sustainalytics’ limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendix

Since September 2023, VW FS AG issued 17 green bonds and raised EUR 7,956.54 million; 100% of the proceeds were used to refinance the following Nominated Expenditures.

Table 4: Allocation and reported impact from the VW Green Bonds

Use of Proceeds Category	Reported Impact	Net Proceeds Allocation (EUR million)
Clean Transportation	i. VW FS AG has shared life cycle assessment (LCA) samples for some of the vehicles refinanced in confidentiality. The LCAs include the environmental performance of a vehicle over its complete life cycle. ^{5,6} Refer to table 5.	7,956.54
Total Net Proceeds Allocated		7,956.54

Table 5: Examples of reported GHG emissions from the LCAs for two car models

Type of car	Energy source	GHG emissions in production phase, including logistics (tCO ₂ e)		GHG emissions in use phase and maintenance (tCO ₂ e)		GHG emissions in end-of-life phase (tCO ₂ e)	
		Standard	Maximum	Standard	Maximum	Standard	Maximum
Model 1	Grid mix	20.9	21.7	10.1	11.6	<0.1	<0.1
	Green energy			1.4	1.5		
Model 2	Grid mix	19	20.2	11.4	13.1	<0.1	<0.1
	Green energy			2.0	2.3		

⁵ VW FS AG has communicated to Sustainalytics that the sample LCAs will form part of a green finance report that will be publicly available on its website.

⁶ VW FS AG commissioned an independent external third party to conduct the LCAs according to DIN EN ISO 14040 and DIN EN ISO 14044. The LCA framework covers the manufacturing phase from raw material extraction, the use phase involving 200,000 km of passenger transportation under the WLTP driving cycle, and the dismantling for recycling (excluding the battery system).

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