ASSESSMENT

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Send Your Feedback

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Volkswagen Aktiengesellschaft

Second Party Opinion – Green Finance Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 sustainability quality score (excellent) to Volkswagen Aktiengesellschaft's (VW) green finance framework dated August 2026. VW has established its use-of-proceeds framework to finance one eligible green category, namely clean transportation. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025, and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2025, and the issuer has incorporated all Moody's Ratings identified best practices. The framework demonstrates a high contribution to sustainability.

Sustainability quality score

SQS5 Weak | SQS4 Intermediate | SQS3 Good | SQS2 Very good | SQS1 Excellent

SQS1

Alignment with principles
USE OF PROCEEDS

Overall alignment

Not aligned | Partially aligned | Aligned | Best practices

FACTORS	ALIGNMENT
Use of proceeds	Best practices
Evaluation and selection	Best practices
Management of proceeds	Best practices
Reporting	Best practices

Contribution to sustainability

Final contribution to sustainability

Poor | Limited | Moderate | Significant | High

Preliminary contribution to sustainability
Relevance and magnitude

Additional considerations **No adjustment**

POINT-IN-TIME ASSESSMENT

Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of VW's green finance framework, including the framework's alignment with the four core components of the ICMA's GBP 2025, and the LMA/APLMA/LSTA's GLP 2025. Under its use-of-proceeds framework, the company plans to issue sustainable finance instruments to finance projects in one eligible green category, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 10 August 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

Volkswagen Aktiengesellschaft (VW), headquartered in Wolfsburg, Germany, is Europe's largest automotive manufacturer by passenger car unit sales, with a market share of 27.6% in 2025 across the EU, EFTA and the UK, according to ACEA. According to company disclosures, VW held a 27% share of the European battery electric vehicle (BEV) market in 2025, making it the market leader in BEVs in its core region. In 2025, Volkswagen delivered approximately 9.0 million vehicles to customers worldwide, unchanged from 2024. The group's sales are geographically diversified, with Europe accounting for 38% of unit deliveries in 2025, followed by China with 30%. North America represented 11% of deliveries, while South America contributed 7%.

VW has been an established issuer in the green bond market since 2020. The company aims to increase the share of green bonds in its overall bond portfolio to 30% by 2030 and to 50% by 2040. VW faces a high exposure to environmental risks mostly relating to carbon transition risks stemming from stricter environmental regulation and the trend towards low and zero emission vehicles, in line with most automakers. VW has, however, taken mitigating actions by developing and launching electrified vehicles and investing sizeable amounts into future technologies, including its own battery production under its subsidiary PowerCo. Since 2021, Volkswagen Group fleet CO_2 emissions have complied with EU targets but have remained broadly flat, indicating that further reductions may be required to comply with the 2025-2027 EU CO_2 regulation.

Strengths

- Eligible expenditures are expected to generate a highly positive impact on the decarbonization of road transportation via financing of zero tailpipe emission vehicles.
- Addressing climate change mitigation via supporting the electrification of road transport is highly coherent with the company's overall strategy and highly relevant for the sector overall.
- The decision-making and proceeds allocation processes are clearly defined and disclosed in the framework.
- The company's reporting on the generated environmental benefits is robust and extensive, and externally verified at the level of the eligible vehicle model.

Challenges

- Despite adequate ESG risk management, VW was subject to diesel-related issues in the past, leading the company to implement a comprehensive set of measures to strengthen its compliance and governance architecture.

Alignment with principles

VW's green finance framework is aligned with the four core components of the ICMA's GBP 2025, and the LMA/APLMA/LSTA's GLP 2025. For a summary alignment with principles scorecard, please see Appendix 1.

- [x] Green Bond Principles (GBP)
- [x] Green Loan Principles (GLP)
- [ ] Social Bond Principles (SBP)
- [ ] Social Loan Principles (SLP)
- [ ] Sustainability-Linked Bond Principles (SLBP)
- [ ] Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned | Partially aligned | Aligned | Best practices

Clarity of the eligible categories – BEST PRACTICES

VW has clearly communicated the nature of the expenditures, with all bond proceeds to be used for refinancing of capital expenditures (capex). In its publicly available framework, the issuer has provided clear definitions and thresholds for the single eligible category, as well as explicit exclusion criteria that preclude the financing of any non-electric vehicles. The framework establishes eligibility criteria by referencing EU Taxonomy's criteria under the economic activity 3.3 – Manufacture of low-carbon technologies for transport. Eligible assets will be assembled in selected production plants in Germany, Slovakia, Spain, the Czech Republic, the United States, and China.

Clarity of the environmental or social objectives – BEST PRACTICES

The issuer has set a clear and relevant environmental objective as climate change mitigation, which is coherent with recognized international standards, including the EU Taxonomy and United Nations' (UN) Sustainable Development Goals (SDGs).

Clarity of expected benefits – BEST PRACTICES

VW has identified clear and relevant environmental benefits for the single eligible category, including avoided emissions and number of BEVs sold. These benefits are measurable, and the issuer will report on them in its post-issuance reporting. VW has indicated that the estimated refinancing share is 100%, which is disclosed to investors prior to issuance. The look-back period is set to two preceding full fiscal years from the year of issuance.

Process for project evaluation and selection

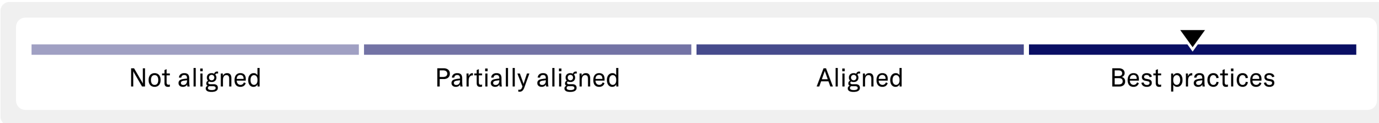
Not aligned | Partially aligned | Aligned | Best practices

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

The issuer has established a clear decision-making process for determining the eligibility of capex, detailed in its publicly available framework. The Green Finance Committee (GFC), comprising senior management representatives from Group Treasury, the Sustainability Department, Group Accounting, and Group Legal, is tasked with evaluating, selecting, and monitoring projects financed under the Green Finance Framework. This cross-departmental committee meets annually, while compliance monitoring is ongoing and integrated into the EU Taxonomy eligible expenditures reporting.

In the event that capex cease to meet eligibility criteria because of an activity's non-alignment, liquidation or divestment, the GFC will reallocate allocations to ensure that all outstanding green finance instruments remain fully allocated to qualifying capex. The process for identifying and managing environmental and social risks (E&S) is outlined in VW's most recent publicly available sustainability report.

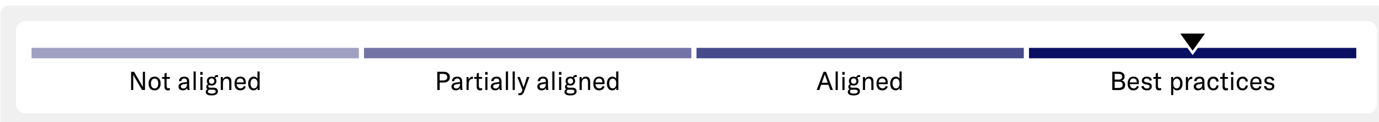
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The issuer has outlined a clear process for managing and allocating proceeds within its publicly available framework. The proceeds will be allocated to refinance eligible expenditures using a bond-by-bond approach. The balance will be adjusted annually. VW anticipates that proceeds will be allocated immediately upon issuance. If any proceeds remain unallocated, they will be temporarily managed according to standard treasury operations. The issuer intends to fully allocate the proceeds within 12 months, adhering to market best practices.

Reporting



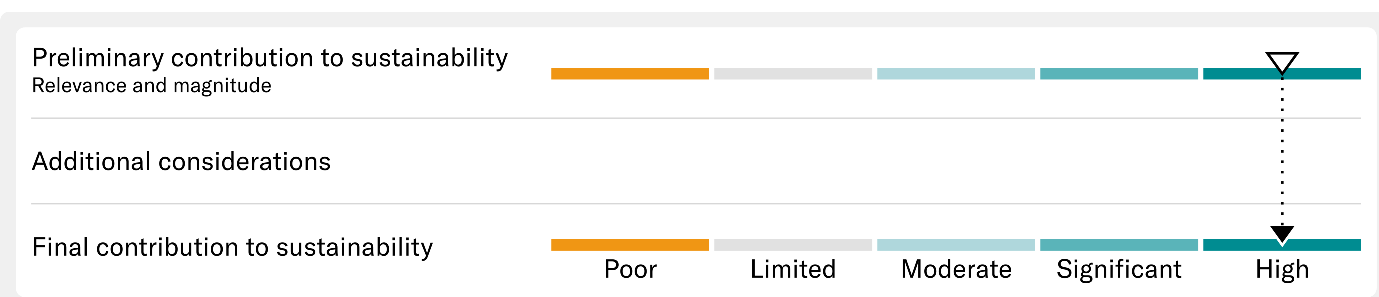
Reporting transparency – BEST PRACTICES

VW will provide annual allocation reports until all proceeds have been fully allocated, and it will continue to provide impact reports until all bonds reach maturity. The reporting will be made publicly available on the issuer's website. It will cover exhaustive information about the allocation of proceeds and will present clear and relevant environmental indicators related to the single eligible category. VW commits to updating the impact report whenever changes occur. Since all financings are refinancings, if no new issuances happen in a given year, the reported impact may remain unchanged and thus not be updated. The methodologies used to evaluate environmental impact, which draw on relevant external sources, are detailed in the impact report.

VW will allocate proceeds exclusively to EU Taxonomy-aligned capex, which is independently verified in the company's audited Annual Report. Although the allocation report isn't externally reviewed, the portfolio of eligible expenditures is based on these verified amounts. Similarly, TÜV NORD CERT, a recognized German institution, verifies the impact reporting at the asset level for each vehicle model. While the overall impact report isn't externally verified, the numbers are derived from verified asset-level data, ensuring their reliability. Consequently, both the allocation and impact reports benefit from independent verification, thereby aligning with market best practices.

Contribution to sustainability

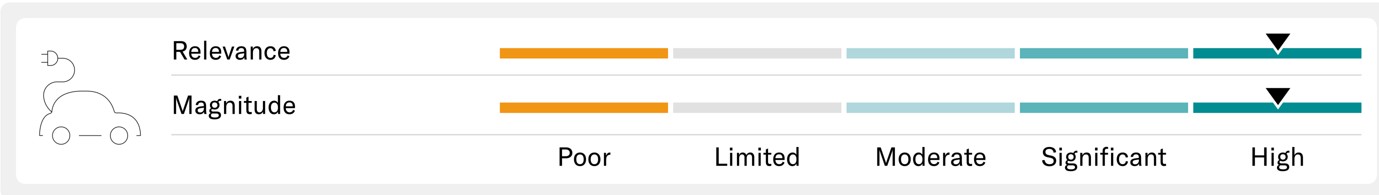
The framework demonstrates a high overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of high, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is high, based on the relevance and magnitude of the single eligible project category. A detailed assessment by eligible category has been provided below.

Clean transportation (all-electric)



Expenditures for the design, development and manufacturing of battery electric vehicles (BEVs) support climate change mitigation, a highly relevant sustainability objective for Volkswagen, the transportation sector and the European Union context. The category covers investments across several of Volkswagen's core brands, including Volkswagen Passenger Cars, Audi, Porsche, Škoda, CUPRA and Volkswagen Commercial Vehicles, with production concentrated in Europe and supplemented by facilities in the United States and China. As Europe's largest automotive manufacturer by passenger car sales, Volkswagen is well positioned to contribute to the decarbonization of road transport, which accounts for approximately 73% of transport-related greenhouse gas emissions in the European Union[2]. Transport decarbonization is central to the EU's climate strategy, reflected in its objective of climate neutrality by 2050 and the Fit for 55 package's emissions reduction targets for 2030. The widespread adoption of electric vehicles is widely regarded as essential to achieving the EU's climate goals. The relevance of the category is further reinforced by increasingly stringent vehicle emissions regulations, which require automakers to progressively reduce fleet emissions and support continued investment in electric vehicle technologies and manufacturing capacity. While Europe remains Volkswagen's primary market, the United States and China are also advancing transport electrification as part of their long-term decarbonization strategies.

Projects financed under this category are expected to highly contribute to climate change mitigation. Eligible capital expenditures must comply with the technical screening criteria for EU Taxonomy activity 3.3, Manufacture of low-carbon technologies for transport, aligning the category with a recognized international standard. Eligible projects and assets are anticipated to deliver substantial environmental benefits through avoided CO_2 emissions and support the decarbonization of the transport sector by promoting zero-emission vehicle technologies that are not associated with carbon lock-in risks. The framework further strengthens the environmental integrity of the category by explicitly excluding plug-in hybrid electric vehicles, extended-range electric vehicles and vehicles powered by combustion engines. In addition, financed projects are not expected to generate material adverse environmental externalities, supporting the potential for sustained positive environmental outcomes.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations. VW's environmental, social and governance (ESG) risk management framework is comprehensive and integrates sustainability considerations into broader risk management processes. ESG risks are assessed using qualitative and quantitative approaches, with mitigation measures including compliance controls, investment in sustainable technologies and stakeholder engagement. On the environmental side, the Group's Environmental Compliance Management System covers decarbonization, pollution prevention, sustainable water management, biodiversity, resource use and circular economy. This is complemented by the Code of Conduct, the sustainability strategy regenerate+, the environmental mission statement goTOzero, and dedicated decarbonization and biodiversity policies. The 2015 diesel emissions scandal remains an important governance and compliance consideration in assessments of Volkswagen's ESG risk management practices, following findings by the U.S. Environmental Protection Agency that certain Volkswagen diesel vehicles used software designed to circumvent emissions testing requirements. In response, Volkswagen strengthened its compliance and governance architecture, including its Compliance Management System, whistleblower framework, reporting channels, training and speak-up culture. On the social side, VW has established management systems to identify human rights risks in its supply chain and promote workforce protection beyond its own production sites.

The framework is coherent with VW's overall sustainability strategy. VW has defined decarbonization targets that it states are aligned with the Paris Agreement, including climate neutrality by 2050. It also targets a reduction of at least 30% in Life Cycle Assessment (LCA) use-phase CO_2 emissions from passenger cars and light commercial vehicles by 2030 versus a 2018 baseline, directly supported by the battery electric vehicles financed under the framework. At company level, VW aims to reduce absolute Scope 1 and 2 production emissions by 50.4% by 2030 versus 2018. By the end of 2025, emissions had already declined by 60%, indicating potential overachievement of this target.

Appendix 1 - Alignment with principles scorecard for VW's green finance framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	**Best practices**
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	**Best practices**
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	**Best practices**
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	**Best practices**
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
				Overall alignment with principles score:	**Best practices**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible category to the United Nations' Sustainable Development Goals

The single eligible category included in VW's framework is likely to contribute to three of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 9: Industry, Innovation and Infrastructure	*Clean transportation (all-electric)*	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 11: Sustainable Cities and Communities		11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 13: Climate Action		Measures to reduce GHG emissions contribute to climate action under SDG 13

The UN' SDGs mapping in this SPO considers the eligible project category and associated sustainability objectives/benefits documented in the issuer's green finance framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in VW's green finance framework

Eligible Category	Description	Sustainability Objective	Impact Reporting Metrics
Clean transportation (all-electric)	**EU Taxonomy economic activity:** 3.3 - Manufacture of low-carbon technologies for transport **Eligible green capex - detailed definition:** EU taxonomy-aligned capex directly attributable to the design, development and manufacturing of Battery Electric Vehicles (BEVs): (i) IFRS-accounted additions to capitalized development costs for BEVs; and (ii) IFRS-accounted additions to property, plant and equipment for BEVs.	Climate Change Mitigation	– Number of BEVs sold within relevant countries and for which comparative LCA figures are available – Estimated annual avoided emissions (tCO_2e/year) based on results from LCAs of BEVs (where a comparable vehicle is available)

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 European Environment Agency, Greenhouse gas emissions from transport in Europe, November 2025

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