

Volkswagen AG

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: January 2020

Approved verifier: Sustainalytics

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Scope and Objectives

Volkswagen AG ("VW" or "the company") has engaged Sustainalytics to review and verify that VW's green bond meets the requirements under the Low Carbon Transport criteria of the Climate Bonds Standard.

VW is an automobile company based in Wolfsburg, Germany. Its services mainly include the development and production of vehicles and components, as well as the sale of vehicles globally. The product segments consist of passenger cars, light commercial vehicles, trucks and busses, power engineering and financial services that are related to mobility services. VW commits to a 50% reduction of CO₂ emissions in total from all its production plants by 2025 compared to 2010, 30% CO₂ footprint reduction for its vehicle fleet across the lifecycle, compared to 2015, and to achieve CO₂-neutrality throughout the group by 2050.

To demonstrate its commitment towards its sustainability goal, it intends to issue green bonds and use the proceeds to finance or refinance, in whole or in part, existing and future expenses that contribute to clean mobility, specifically through the development of the Modular -Electrification Toolkit (MEB) technology, which has been developed to make the manufacture of electric vehicles more efficient.

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Transport Criteria
 - Criterion 2: Components for private vehicles: Assets related to the manufacture of components for private vehicles if it can be demonstrated they are exclusively destined for the manufacture of electric and fuel cell vehicles.

Issuing Entity's Responsibility

VW was responsible for providing information and documents relating to:

- The details concerning the selection process for the Eligible Green Projects
- The details of the Eligible Green Projects
- The management systems for internal processes and controls for Eligible Green Projects, including: tracking of proceeds, managing unallocated proceeds and Earmarking funds to Eligible Green Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of VW's green bond, issued to finance Eligible Green Projects, and provided an

independent opinion informing VW as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Transport Criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by VW. Sustainalytics is not responsible if any aspect of the Eligible Green Projects referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by VW management and used as a basis for this assessment were not correct or complete.

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

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant VW employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of VW's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Transport Criteria
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give limited assurance that the Volkswagen's Green Finance Framework meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that VW will ensure compliance with Climate Bond Standard requirements.

Conclusion

VW's green bond will finance and refinance projects related to Low Carbon Transport (Clean transportation). Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, VW's green bond is not in conformance with the Low Carbon Transport Criteria of the Climate Bond Standard Pre-Issuance Requirements.

Schedule 2A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	1.1 Statement on the environmental objectives of the bond 1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria 1.3 Document a list of Nominated Projects and Assets 1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds 1.5 Confirmation that Net Proceeds of the Green Bond shall not be greater than the value of the Nominated Projects and Assets
Internal Processes and Controls	2.1.1 Tracking of proceeds 2.1.2 Managing of unallocated proceeds 2.1.3 Earmarking funds to Nominated Projects and Assets
Reporting Prior to Issuance	3.1.1 Investment area of Nominated Projects and Assets 3.1.2 Intended types of temporary investments for the management of unallocated proceeds 3.1.3 Approach of Verifier 3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	1.1 The objective of the bond is to primarily use proceeds to finance or refinance Eligible Green Projects related to the development and manufacturing of electric vehicle, and e-charging infrastructure. 1.2 The Eligible Green Projects and Assets meet the Low Carbon Transport Criteria of the Climate Bond Standard. 1.3 The Eligible Green Projects and Assets include Eligible Green expenditures related to: • The development of the Modular -Electrification Toolkit (MEB) • E-charging infrastructure 1.4 VW's management confirms that the projects shall not be nominated to other Climate Bonds. 1.5 VW's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.	None
Verification of requirements specified under Internal Processes and Controls	2.1.1 VW's management confirms that proceeds will be tracked using internal reporting systems and will be exclusively used to finance Nominated Projects/Expenditures. 2.1.2 VW confirmed that pending allocation, the unallocated net proceeds from the sale of the notes may be invested in cash, cash equivalents and/or liquid marketable securities, and to be reported in annual reporting until full allocation. 2.1.3 VW has confirmed that the proceeds from the bond will be reviewed and selected by the VW Green Finance Committee. In addition, VW commits to have an auditor conduct a verification of its allocation reporting.	None
Verification of requirements specified under Reporting Prior to Issuance	3.1.1 VW's management confirms that the proceeds of the transaction will primarily be used to develop and manufacture the MEB and e-charging-related infrastructure for electric vehicles. 3.1.2 VW confirmed that it will have 100% allocation of proceeds on issuance. In case of any assets becoming unallocated, VW confirmed that these will be invested in cash, cash equivalents and/or liquid marketable securities. 3.1.3 The bond's offer letter confirms that an approved third-party verifier has been appointed to confirm the bond's	None

	conformance with pre-issuance requirements of the Low Carbon Transport Criteria of the Climate Bonds Standard. 3.1.4 VW confirms that it seeks to obtain an approved third-party verifier to conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Transport Criteria of the Climate Bonds Standard.	
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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

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