

Volkswagen Financial Services AG

Consumer Finance Germany

ESG Risk Rating

12.4

Updated Feb 16, 2023

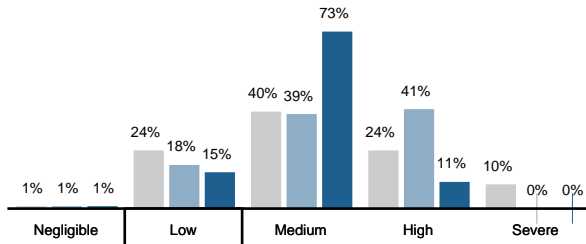
-11.9

Momentum

Low Risk



ESG Risk Rating Distribution



ESG Risk Rating Ranking

UNIVERSE	RANK	PERCENTILE
	(1 st = lowest risk) (1 st = Top Score)	
Global Universe	662/15130	5th
Diversified Financials INDUSTRY	36/852	5th
Consumer Finance SUBINDUSTRY	6/215	3rd

Peers Table

Peers (Market cap \$0.0 - \$0.0bn)

Peers (Market cap \$0.0 - \$0.0bn)	Exposure	Management	ESG Risk Rating
1. RCI Banque SA	33.0 Low	72.2 Strong	10.6 Low
2. Santander Consumer Finance SA	33.0 Low	70.7 Strong	11.0 Low
3. Volkswagen Financial Services AG	33.6 Low	66.9 Strong	12.4 Low
4. CNH Industrial Capital Australia Pty Ltd.	33.0 Low	61.1 Strong	13.8 Low
5. CNH Industrial Capital Canada Ltd.	33.0 Low	61.1 Strong	13.8 Low

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ESG Risk Analysis

Exposure refers to the extent to which a company is exposed to different material ESG Issues. The exposure score takes into consideration subindustry and company-specific factors such as its business model.

ESG Risk Exposure

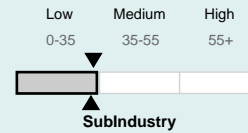
33.6

0.0

Low

Momentum

Beta = 1.02



VW FS AG provides financial services to private, corporate and fleet customers. Due to the diversity of its offering and client base, it is exposed to issues related to the quality of its financial products. Involvement in discriminatory or predatory lending practices could result in a loss of client trust and regulatory scrutiny, possibly resulting in financial penalties. In addition, the company collects and processes a high amount of sensitive data from its customers, which makes it susceptible to misuse of confidential information. Failure to safeguard such data from unauthorized access could lead to investigations and reputational damage. Moreover, as a financial company, VW FS AG is subject to stringent regulations regarding ethical business dealings. Involvement in conflicts of interest could lead to prolonged investigations and reputational damage.

The company's overall exposure is low and is similar to subindustry average. Product Governance, Data Privacy and Security and Business Ethics are notable material ESG issues.

Management refers to how well a company is managing its relevant ESG issues. The management score assesses the robustness of a company's ESG programs, practices, and policies.

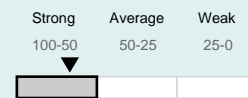
ESG Risk Management

66.9

+37.7

Strong

Momentum



VW FS AG's ESG-related disclosure follows best practice, signaling strong accountability to investors and the public. Furthermore, the company has assigned board-level responsibility for sustainability issues, suggesting that these are integrated in core business strategy. Moreover, VW FS AG discloses a strong environmental policy and a strong whistleblower programme. Nevertheless, while the company has evidence of ESG targets being used to evaluate executive performance, details are not mentioned within the remuneration policy.

The company's overall management of material ESG issues is strong.

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Material ESG Issues

These are the Material ESG Issues driving the ESG Risk Rating.

Issue Name	ESG Risk Exposure	ESG Risk Management	ESG Risk Rating	Contribution to ESG Risk Rating
	Score Category	Score Category	Score Category	
Product Governance	10.0 High	58.8 Strong	4.1 Medium	33.2%
Data Privacy and Security	7.0 Medium	75.0 Strong	2.8 Low	22.5%
Business Ethics	6.3 Medium	68.8 Strong	2.2 Low	17.6%
Human Capital	5.3 Medium	68.7 Strong	1.8 Negligible	14.6%
Corporate Governance	5.0 Medium	70.0 Strong	1.5 Negligible	12.1%
Overall	33.6 Low	66.9 Strong	12.4 Low	100.0%

Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

5 Severe (0)

4 High (0)

3 Significant (0)

2 Moderate (0)

1 Low (0)

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Events Overview

Identify events that may negatively impact stakeholders, the environment, or the company's operations.

Category (Events)

⚠ None (11)

Access to Basic Services

Accounting and Taxation

Anti-Competitive Practices

Bribery and Corruption

Business Ethics

Data Privacy and Security

Labour Relations

Lobbying and Public Policy

Marketing Practices

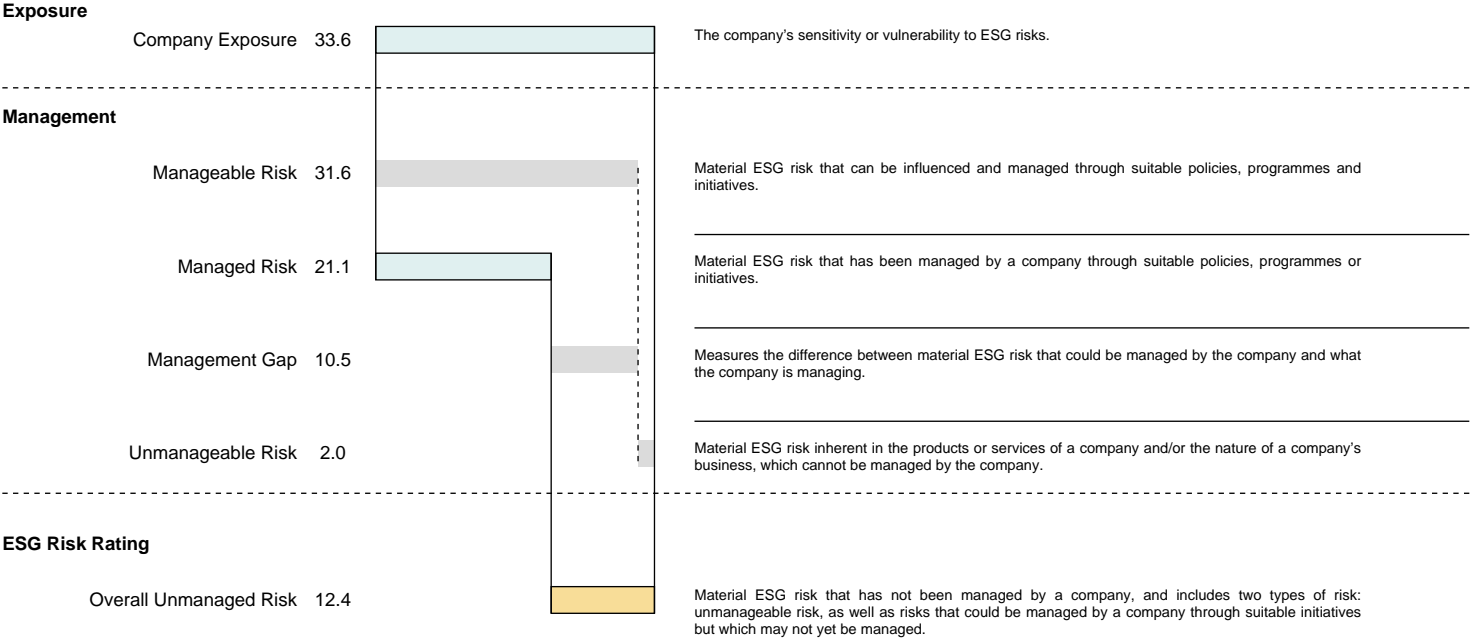
Quality and Safety

Sanctions

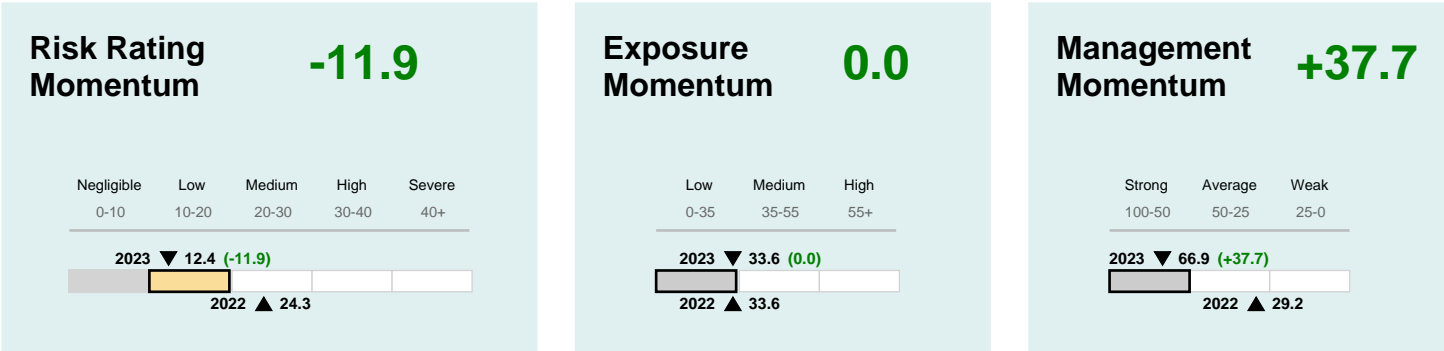
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Risk Decomposition



Momentum Details



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GLOSSARY OF TERMS

Beta (Beta, β)






A factor that assesses the degree to which a company's exposure deviates from its **subindustry's** exposure on a **material ESG issue**. It is used to derive a company-specific issue exposure score for a material ESG issue. It ranges from 0 to 10, with 0 indicating no exposure, 1 indicating the subindustry average, and 10 indicating exposure that is ten times the subindustry average.

Corporate Governance Pillar

A pillar provides a signal about a company's management of a specific Corporate Governance issue.

ESG Risk Category

Companies' **ESG Risk Rating scores** are assigned to five ESG risk categories in the **ESG Risk Rating**:

-  **Negligible risk:** enterprise value is considered to have a negligible risk of material financial impacts driven by ESG factors
-  **Low risk:** enterprise value is considered to have a low risk of material financial impacts driven by ESG factors
-  **Medium risk:** enterprise value is considered to have a medium risk of material financial impacts driven by ESG factors
-  **High risk:** enterprise value is considered to have a high risk of material financial impacts driven by ESG factors
-  **Severe risk:** enterprise value is considered to have a severe risk of material financial impacts driven by ESG factors

Note that because ESG risks materialize at an unknown time in the future and depend on a variety of unpredictable conditions, no predictions on financial or share price impacts, or on the time horizon of such impacts, are intended or implied by these risk categories.

ESG Risk Rating Score (Unmanaged Risk Score)

The company's final score in the **ESG Risk Rating**; it applies the concept of **risk decomposition** to derive the level of **unmanaged risk** for a company.

Event Category

Sustainalytics categorizes events that have resulted in negative ESG impacts into five event categories: Category 1 (low impact); Category 2 (moderate impact); Category 3 (significant impact); Category 4 (high impact); and Category 5 (severe impact).

Event Indicator

An indicator that provides a signal about a potential failure of management through involvement in controversies.

Excess Exposure

The difference between the company's **exposure** and its **subindustry** exposure.

Exposure

A company or **subindustry's** sensitivity or vulnerability to ESG risks.

Idiosyncratic Issue

An issue that was not deemed material at the **subindustry** level during the **consultation process** but becomes a **material ESG issue** for a company based on the occurrence of a Category 4 or 5 event.

Manageable Risk

Material ESG risk that can be influenced and managed through suitable policies, programmes and initiatives.

Managed Risk

Material ESG Risk that has been managed by a company through suitable policies, programmes and initiatives.

Management

A company's handling of ESG risks.

Management Gap

Refers to the difference between what a company has managed and what a company could possibly manage. It indicates how far the company's performance is from best practice.

Management Indicator

An indicator that provides a signal about a company's management of an ESG issue through policies, programmes or quantitative performance.

Material ESG Issue

A core building block of the **ESG Risk Rating**. An ESG issue is considered to be material within the rating if it is likely to have a significant effect on the enterprise value of a typical company within a given **subindustry**.

Subindustry

Subindustries are defined as part of Sustainalytics' own classification system.

Unmanageable Risk

Material ESG Risk inherent from the intrinsic nature of the products or services of a company and/or the nature of a company's business, which cannot be managed by the company if the company continues to offer the same type of products or services and remains in the same line of business.

Unmanaged Risk

Material ESG risk that has not been managed by a company, and includes two types of risk: **unmanageable risk**, as well as risks that could be managed by a company through suitable initiatives, but which may not yet be managed (**management gap**).

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