

## Volkswagen (VOW3) ESG Report

### Profile:

Volkswagen is the world's second-largest auto manufacturer, controlling roughly 10% of the global market in the first half of 2022 (in unit terms). Toyota has a leading 13% of the global market, while the Renault-Nissan-Mitsubishi alliance ranks third with almost 8% of the market (figures are according to Statista).

### What Volkswagen Does Well:

Since “dieselgate,” Volkswagen has worked hard to become an environmental leader. After being asked in 2015 to leave the United Nations’ Global Compact, the world’s largest corporate sustainability initiative, it was readmitted in 2021. It also received a grade of A- on Climate Change issues from the Carbon Disclosure Project in 2021. Volkswagen also reports to SASB, GRI, and TCFD.

Volkswagen has focused on electrification of the automotive industry. The company has ambitions to be the largest electric auto company in the world by 2025. At the end of 2021, the company had 25% of the electric vehicle market in Europe and 7.5% share in the U.S.

By 2025, Volkswagen plans to reduce the total life cycle Greenhouse Gas Emissions of passenger car and light duty vehicles by 30% compared to 2015. It also has a goal of being carbon neutral by 2050. It is targeting that 20-25% of sales in 2025 will be electric vehicles. This aggressive climate protection program and the appointment of an independent Sustainability Council were key reasons the company was accepted back by the U.N. Global Compact.

Volkswagen also supports a large union workforce. More than 90% of the company’s employees are unionized. VW workers elect representatives for almost half of the company’s supervisory board of directors.

### Concerns:

In September 2015, the United States EPA issued a notice of to VW that it was violating the Clean Air Act. The company had installed software on its diesel cars that allowed them to pass emission testing even though they might emit up to 40 times the regulatory limit of nitrogen oxide output (the precursor to smog) in real-world driving. This software had been deployed in about 11 million cars worldwide over the previous six years.

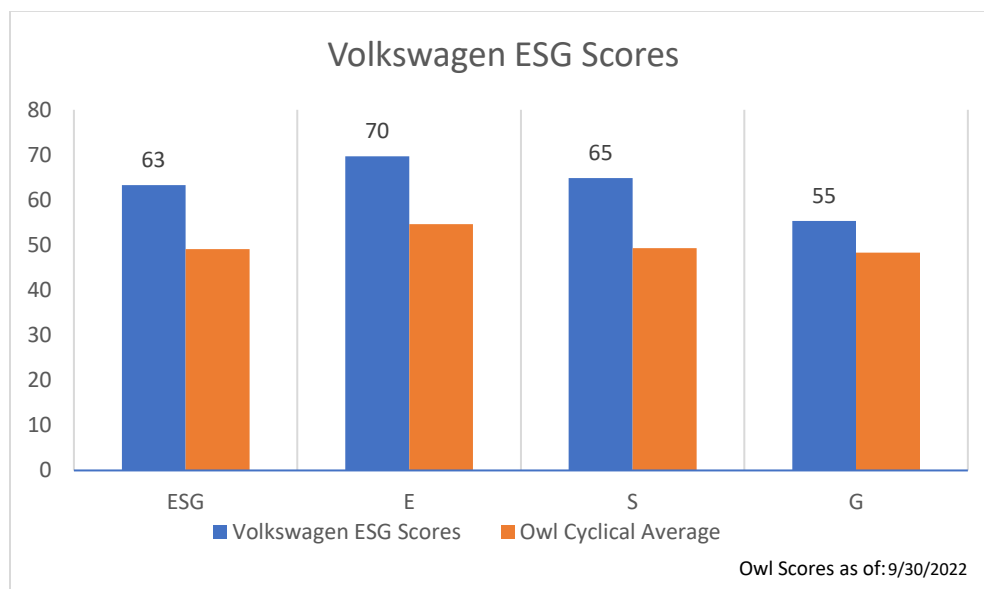
The company pled guilty to conspiracy to violate the Clean Air Act, the obstruction of justice, and entry of goods by false statement. It paid a \$4.3 billion fine to settle federal and criminal charges and some executives went to jail. Total costs to settle with consumers has been over \$33 billion. Part of the settlement required VW to invest \$2 billion to establish an electric vehicle charging network called Electrify America.

Volkswagen’s history also includes being founded during the National Socialist period in Germany. Thus the company was engaged in forced compensation and other condemnable acts during World War II. Although the company cannot escape their founding roots, Volkswagen does work with and support the [International Auschwitz Committee](#) and other institutions like the [Anti-Defamation League](#) to advance the culture of the company (and world) as well as ensure remembrance.

## **Shareholder Engagement:**

There have been no significant shareholder engagements recently.

## **ESG Scores:**



## **Conclusion:**

Overall, Volkswagen has a poor track record on environmental and social matters. Our firm, however, believes that the company has learned from past mistakes and will provide material environment and societal benefits in the future. With prioritization on electrification via EVs and battery charging stations, our firm considers Volkswagen a leading sustainable automotive investment.

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