

**STICHTING
VOLKSWAGEN CAR CLAIM**

Annual Report 2016

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Report of the Supervisory Board

Performance

During 2016, the Supervisory Board has particularly monitored the foundation's governance, legal strategy, financial policy, and general affairs. The Supervisory Board has provided its findings to the Management Board and its legal advisors. These findings concerned the following subjects:

- the appointment of Management/Supervisory Board members;
- the remuneration schemes of the Management Board and Supervisory Board;
- the funding (structure) of the foundation;
- the book building efforts of the foundation;
- the foundation's cooperation with other European initiatives;
- the foundation's media policy;
- the legal proceedings and other endeavors initiated by the foundation;
- the foundation's political strategy;

Composition and compliance

For the year 2016, the Supervisory Board consisted of Ms. Ulrike Wolf. She was appointed chairwoman on May 11, 2016. Ms. Wolf has been actively involved with the Volkswagen emission scandal from the beginning. She is a senior legal counsel and is working for *Verein für Konsumenteninformation* (VKI) since 2001, where she is the head of the department concerned with collective redress actions. VKI is one of the European consumer organizations that actively support the initiative of the foundation in its effort to seek redress for all European car owners.

Meetings

The Supervisory Board, the Management Board and the legal advisors of the foundation regularly consulted each other via email and phone. A joint meeting with the Management Board was held on February 24, 2016 in Rotterdam. The conversations and messages focused on the general course of affairs, the foundation strategy, organizational changes and the findings as mentioned above. Furthermore, the Supervisory Board attended and participated on behalf of in the foundation in the ZDF Documentary "*Überlebt Volkswagen?*" which was filmed on February 24, 2016 in Rotterdam and broadcasted on April 6, 2016.

The Supervisory Board recognizes the achievements of the foundation's management and legal counsel in 2016 and hereby expresses its appreciation to them.

Rotterdam, [REDACTED] November 2017

[REDACTED]
The Supervisory Board
Ulrike Wolf

Directors' Statement

Mission

Stichting Volkswagen Car Claim is a non-profit organization, which is duly incorporated under Dutch law on October 2, 2015. It has its registered seat in Rotterdam, the Netherlands.

The foundation represents the interests of Volkswagen AG group car owners, such as consumers and (leasing) companies, whose cars are being equipped with defeat devices. The foundation aims to achieve recovery for these car owners from Volkswagen AG Group, its local car traders in the Netherlands and Robert Bosch GmbH for the damages suffered as a result of the Volkswagen scandal.

The articles of the foundation are drafted in light of the principle to reach a fair and reasonable solution for all parties which are involved in the scandal. The Boards of the foundation have instructed their legal counsel to work with the abovementioned parties in a spirit of mutual respect in order to find a reasonable and fair solution to this multifaceted and multinational problem. This primarily implies negotiations which ultimately could result in entering in a voluntary settlement. The Dutch 'Class Action (Financial Settlement) Act' (WCAM) offers a unique opportunity in Europe to achieve such a solution.

The pan-European approach of the foundation is also advocated by the European Parliament and the European Commission.

Governance

Management Board

The foundation is governed and represented by a professional Management Board. The Management Board is responsible for the strategy, financial policy and day-to-day business of the foundation. The Management Board is appointed by the Supervisory Board.

In 2016, the Management Board consisted of Mr. Fausto Pocar (former president of the International Criminal Tribunal for the former Yugoslavia (ICTY)) and Mr. Arie van der Steen (accountant and former CFO of a number of private companies). As per April 6, 2017 Mr. Guido van Woerkom (former director of the Royal Dutch Touring Club (ANWB)) also joined the foundation as a Management Board member.

Supervisory Board

The foundation's Supervisory Board supervises the foundation's Management Board and the general course of affairs and business of the Foundation. This includes, but is not limited to, the supervision of the foundation's strategy, the foundation's financial affairs and the realization of the foundation's objectives. The members of the Supervisory Board perform their duties independently.

In 2016, the Supervisory board consisted of Ms. Ulrike Wolf (senior legal counsel at the Austrian Consumer Association (VKI)). During 2017, Mr. Marten Oosting (former National Ombudsman and former member of the Council of State) was appointed as a Supervisory Board Member. The articles of the foundation require three Supervisory Board Members. Therefore, there the Supervisory Board has currently one vacancy. The foundation expects to fill the remaining position with an expert in the field of corporate social responsibility.

Advisory Board

Members of the Advisory Board have special knowledge and/or experience which will be useful to the objects of the Foundation. The duties and powers of the Advisory Board are included in the by-laws (*huishoudelijk reglement*) of the foundation.

During the financial year 2016, the Advisory Board was chaired by Mr. Gerhart Baum, former German Minister of Interior.

Claim Code 2011

The foundation complies with the rules of the so-called Claim Code 2011, a code of conduct drawn up by experts operating in the Dutch collective redress market. The compliance table included in the Annual report provides specific insights on the compliance with the Claim Code 2011.

Actions of the foundation during the year 2016

Communication with Volkswagen

The year 2016 has been the first financial year since the incorporation of the foundation on October 2, 2015. On November 10, 2015 the foundation served its first claim letter to Volkswagen AG. We have invited the company to discuss the impact and the (legal) consequences of the scandal and to start investigating the possibility of a collective settlement to obtain redress for the car owners that are affected by the scandal.

Support base

The efforts of the foundation lead to broad support from multiple directions. Over 2016, we have received support of more than 120,000 car owners from 28 countries. In addition, a number of consumer right protection associations, including organizations from Austria (*Verein für Konsumenteninformation*), Germany (*VW Verhandlung*) and Switzerland (*Stiftung für Konsumentenschutz*), actively support and have concluded Partner Agreements with the foundation. We will aim to further expand our partnerships in 2017. Talks with other consumer initiatives are already pending.

In order to provide an opportunity for full and final closure of the scandal we also consider it important to maintain a close dialogue with other stakeholders, such as environmental and public health organizations. We have made contact with these patient organizations and

communicated on a regular basis. We will continuously investigate opportunities to cooperate in endeavors that are mutually beneficial.

Legal Proceedings

Unfortunately, the claim letter and multiple other attempts to communicate with Volkswagen remained without positive answer. With the absence of Volkswagen's cooperation, it became clear that further action was needed to bring the company to the table. In that light we decided in the course of 2016 to initiate discovery proceedings in the US (see below under 'US Discovery Proceedings'). Furthermore we have developed a strategy to initiate further legal actions in the Netherlands (see below under 'Dutch proceedings'). This strategy will be finalized and executed in the course of 2017.

US Discovery Proceedings – in September 2016, the foundation filed an application for an order pursuant to 28 U.S.C. § 1782 to obtain discovery for the use in foreign proceedings.

The foundation sought discovery of documents in the United States as these documents would help to demonstrate Volkswagen's in-depth knowledge of the manipulation practices, the technical implications of the manipulation and the impact on car performance, emission values, fuel consumption, etc. The request was filed with the Californian court that was also dealing with the US class action. The foundation has asked to get access to all documents submitted by Volkswagen in those proceedings. The request has been denied by the district court. The main reason for denial was that Volkswagen (and the other defendants) could not be found in the district of California.

Dutch proceedings – we have instructed our legal counsel to start making preparations for declaratory proceedings in the Netherlands in accordance with article 3:305a DCC. The question at the heart of this case will be whether an affected Dutch car owner would be entitled to annul his purchase contract with his local trader. The potential magnitude of the Dutch case is so far unprecedented in Europe.

An alternative decision which will be requested at the Dutch court is to determine that Volkswagen (along with its subsidiaries and Bosch) is liable to pay damages to car owners that are harmed by the scandal.

Since the declaratory proceedings relate to issues of liability only, no actual damage amounts will be claimed by the foundation.

Political Strategy

A last element of our strategy is to further mobilize political support for the foundation's endeavour. The foundation has retained the services of a political consultant in Brussels who assists us by collecting the required support.

On 17 December 2015, the European Parliament decided to set up a Committee of Inquiry (EMIS) to investigate emission measurements in the automotive sector. The political strategy of the foundation is closely linked to the recommendations in the EMIS report and

corresponding enforcement possibilities. After the publication of the interim EMIS report of on July 20, 2016, the legal counsel of the foundation visited the European Commission in November 2016 to explore a mutually beneficial cooperation. The foundation presented itself as the best alternative for privately enforcement of damages as a result of the scandal. It is the ultimate goal to receive the full political support of important members of the European Parliament and/or other EMIS Committee members. We expect further developments in the course in 2017.

Financials

The foundation follows a strict “no-cure-no-pay” arrangement with its participants. Car owners can join the foundation completely free of charge. All costs (including legal costs) will be borne by the foundation, for which we have obtained external funding. Only in the event that the foundation is successful in its endeavors (i.e. as a result of a settlement or through successful litigation) it will seek a reasonable percentage of such amount, which will be in the range between eighteen to twenty five percent.

The foundation was initially funded by one funder, which is an American law firm. In the course of 2016, a second funder came on board to expand the financial possibilities of the foundation. The second funder is not a professional party but a net worth individual. We expect that the foundation will require additional funding in the course of 2017.

The foundation has regularly corresponded with the tax authorities regarding its tax obligations. So far the tax authorities concluded that the Foundation is not liable to pay any taxes. Mr. Van der Steen – being the treasurer of the foundation – took care of the day-to-day financial administration of the foundation.

Meetings

The Management Board, Supervisory Board and the legal counsel of the foundation regularly consulted each other via email and phone. A joint meeting with the Supervisory Board was held on February 24, 2016 in Rotterdam. The conversations and messages focused on the foundation’s strategy, the governance, the financial affairs of the foundation, and the general course of affairs around the Volkswagen emission scandal.

Information and communication

The foundation keeps all its participants informed on any developments through periodical newsletters and updates on the website: www.stichtingvolkswagencarclaim.com.

After closing of this financial year, the foundation has launched an additional new website under the domain www.derclaim.com. Under the campaign “Der Claim” the foundation will initiate the Dutch legal proceedings. The webpage www.derclaim.nl is particularly focused on the Dutch market and allows an easy registration for Dutch car owners. After registration, participants are given a personal account. This allows registered participants to provide basic input on their ideal settlement, change their personal information, and keep in

touch with the foundation through frequent notifications.

Rotterdam, 23 November 2017



Fausto Pocar
Chairman

Annual Accounts 2016

A. Balance Sheet

31 December 2016

FIXED ASSETS

Intangible fixed assets	--
Tangible fixed assets	--

CURRENT ASSETS

Inventories	--
Receivables	--
Cash and bank balances	€ 11,758

CURRENT LIABILITIES

Creditors	--
Accrued liabilities	€ 11,758

Current assets minus current liabilities € 0

Assets minus current liabilities € 0

EQUITY € 0

B. Statement of Income and Expenses

	<u>2016</u>
<u>INCOME</u>	
Third Party Funding	€ 36,169
Total	€ 36,169
<u>EXPENSES</u>	
Notary	€ 5,862
ICT	€ 9,045
Call Center	€ 325
Tax Advice	€ 9,336
D&O Insurance	€ 4,008
Management/Remuneration Fees	€ 7,513
Other	€ 80
Total	€ 36,169
Operating Income	--
Non-operating income	--
<u>NET INCOME</u>	€ 0

Notes to the Annual Accounts 2016

A. Notes to the Balance Sheet

BALANCE SHEET VALUATION POLICIES

General

Valuation of assets and liabilities and determination of the result take place under the historical cost convention.

Unless mentioned otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at face value.

Receivables

Upon initial recognition the receivables are recorded at the fair value and subsequently valued at the amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value and, insofar as not stated otherwise, are at the free disposal of the company.

Current liabilities

Current liabilities concern debts with a term of less than one year. Upon initial recognition the current liabilities are recorded at the fair value and subsequently valued at the amortized cost.

B. Notes to the Statement of Income and Expenses

PRINCIPLES FOR THE DETERMINATION OF INCOME AND EXPENSES

Income

Net Income represents amounts invoiced for services rendered during the financial year reported on, net of discounts and value added taxes.

Expenses

Expenses are attributed to the financial year to which they relate.

LEGAL FEES

The foundation is funded by third party funders. The third party funders pay the operational expenses of the foundation. Fees of the legal counsel of the foundation are directly paid by the third party funders without involvement of the foundation.

Overview Legal Costs (2015/2016)

In the period 2015-2016 € 473.852 has been paid by the funders for legal fees and third parties costs.

Compliance Table Claim Code 2011

Principle		Provision in Articles of Association where principles are embedded	Explanation
Principle I		3.1-3.3	Compliance
Application 1		6.4, <i>factual</i>	<i>Publication information about governance structure</i>
Application 2		<i>factual</i>	<i>toegankelijkheid gepubliceerde informatie</i>
Application 3		6.5, <i>factual</i>	<i>substantial change</i>
Application 4	n.a.		<i>n.a.</i>
Principle II		2.3	Non-Profit
Application 1		4.3, <i>generally embedded in Articles</i>	
Application 2		17.3	
Application 3	n.a.		<i>n.a.</i>
Principle III		5-6	Management Board
Application 1		5.1	
Uitwerking 2		5.2	
Application 3		<i>factual</i>	<i>At least one lawyer</i>
Application 4		7.1	
Application 5		15.2, 15.7	
Application 6		5.4, 8.10, 8.11	
Application 7		<i>website</i>	<i>Information on website</i>
Application 8		<i>factual</i>	<i>other means of access to information</i>
Application 9	n.a.		<i>n.a.</i>
Principle IV		5.3	Independence
Application 1		<i>factual</i>	<i>no family or similar relationships</i>
Application 2		<i>factual</i>	<i>Involvement</i>
Principle V		9.1-9.3	Remuneration

			Management Board
Application 1		9.1	
Application 2		9.2, <i>factual</i>	<i>Remuneration of others</i>
Application 3		9.3, <i>factual</i>	<i>Explanation remuneration</i>
Principe VI		11.1	Supervision
Application 1		10.1	
Application 2		12.1, 14.1	
Application 3		10.2, 10.3, 12.12	
Application 4		<i>factual</i>	<i>At least one lawyer</i>
Application 5		<i>factual</i>	<i>At least one financial expert</i>
Application 6		11.2, 11.3	
Application 7		15.5, 15.6	
Application 8		11.6	
Application 9		13.1, 13.2	
Application 10	n.a.		<i>Small foundations</i>

Rotterdam, 23 November 2017,

Management Board

Fausto Pocar
Chairman

Guido van Weerkom

Supervisory Board

Ulrike Wolf
Chairwoman

Arie van der Steen

Marten Oosting