

VOLKSWAGEN

GROUP UNITED KINGDOM LTD

Ms Lilian Greenwood MP
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30 November 2017

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Dear Ms Greenwood

I write in response to your letter dated 1 November 2017, which we received on 6 November, in which you request an update on Volkswagen Group UK's recent activities on a number of issues relating to the emissions issue. I respond to each of those issues in turn.

1. I can confirm that it remains our Group position that there is no basis for compensation for customers within the European Union arising out of this issue.

The situation regarding the issue is materially different in the US compared to the situation in Europe.

We have explained the reasons for our position at prior appearances, which you confirm that you have reviewed. We do not consider that our customers have suffered any loss as a result of the issue.

2. With regard to the progress of the implementation of the technical measures in the UK, I can confirm that we have made excellent progress since the final technical measures were released in May 2017. As of 21 November 2017, we have implemented the technical measures in 819,599 Škoda, SEAT, Audi and Volkswagen vehicles affected by the issue. This is the highest return in Europe outside Germany.

A further 74,003 affected vehicles have either been scrapped, stolen, exported or the registered keeper has written to us expressly declining the technical measures.

The remainder have been contacted multiple times leading to a current run rate of 3,500 per week. For this service action the ultimate decision remains with the registered keeper of the vehicle. We will continue to offer the service action to our customers in 2018.

3. You reference the Committee's receipt of "*representations from VW owners*" who claim that the technical measures have impaired the performance of their vehicle. In this regard, it is important to bear in mind that the technical measures have been implemented in over six million vehicles across Europe and as noted above, in over 819,000 vehicles in the UK. The vast majority of customers have been satisfied

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with the technical measures. No systemic issue in respect of impaired performance has been identified.

You have asked for the number of complaints of impaired performance that have been made to Volkswagen Group UK as a result of the application of the technical measures. As I am sure you will appreciate, it is our position that the application of the technical measures does not cause impaired performance. I would like to assure you that the German Federal Motor Transport Authority (KBA) and the UK Vehicle Certification Agency (VCA) have performed independent tests of the implementation of the technical measures in the affected vehicles, to ensure that the measures have no adverse impact on the MPG figures, CO2 emissions figures, engine output, maximum torque and noise emissions.

Nevertheless, some complaints have been made to Volkswagen Group UK by individual customers who report concerns or potential concerns of some kind about the possible impact of the technical measures (noting that the validity or substance of those reports has not been established). The customers falling into this category are a very small proportion of those customers whose vehicles have had the technical measures implemented in their vehicle (and some of these customers have made multiple complaints).

The Volkswagen Group UK continues to monitor customer complaints regarding the performance of their vehicles following the technical measures and considers carefully every complaint on an individual basis.

As you may be aware, we offer a dedicated Customer Services Centre team for this emissions issue who have handled 16,904 cases for customers who have complained of an apparent issue (irrespective of its validity) following the technical measures. Those cases will include a diverse range of customer issues, some of which relate to purely subjective impressions of the vehicle, with many such complaints following articles reported in the UK media or prompted by template mailings by action groups. Even with this context the number of cases reported to the UK Customer Services Centre represents less than 2% of those customers who have received the technical measures. As at today, there are only 547 of these cases that remain open and under investigation, the rest having been investigated fully with no further action required. Further, the number of reported technical issues following the technical measures submitted via Volkswagen Group UK's dedicated DISS reporting system (which allows retailers to raise technical reports to Volkswagen Group UK for investigation) remains at approximately 1% of the total number of vehicles which have received the technical measure.

You will appreciate that the basis on which Volkswagen Group UK provides individual and discretionary goodwill to its customers in order to increase customer satisfaction is of the upmost commercial sensitivity. Providing specific information of the detail would result in the public disclosure of competitively sensitive information. The basis on which any support has been offered to any customers is individual and discretionary based on their unique individual circumstances.

Such goodwill is not limited to alleged issues which are reported following the technical measures, but may also include mobility support, fuel costs and providing mobile options for the implementation of the technical measures at a location convenient to the customer or just goodwill to reinforce customer loyalty irrespective of the issue raised. We take all individual customer complaints seriously and decide on any goodwill payment on its own merits to try to satisfy the customer. It is, after all, our responsibility and priority as a consumer focused business to ensure customer satisfaction.

4. I note your reference to a "scheme" announced by the Volkswagen Group in June 2017. I can confirm that in June 2017, the "Trust Building Measure" was announced by the Volkswagen Group.

The conditions of the Trust Building Measure are that the Volkswagen Group will consider any complaints that are established to have arisen as a result of the implementation of the technical measure on vehicles with EA189 diesel engines and that relate to certain parts of the engine and exhaust treatment system (in total 11 components are covered within the exhaust gas recirculation system, the fuel injection system and the emissions after treatment system: lambda probe, temperature sensor, EGR changeover valve, EGR valve, EGR pressure differential sensor, injector, high pressure pump, fuel rail, pressure control valve, pressure sensor, high pressure pipelines). The Trust Building Measure applies for a period of 24 months from when the vehicle receives the technical measure and only to vehicles with mileage of under 160,000 miles at the time the Trust Building Measure is implemented (whichever comes earlier).

As you note, the Trust Building Measure may extend to all customers whose eligible vehicles have already received the technical measure, from the date they received it and in this regard I can confirm that we wrote to all of the registered keepers of the approximately 640,000 vehicles which had the technical measures implemented prior to June 2017 with information about the Trust Building Measure. The relevant information is also available on our website www.volkswagen.co.uk/owners/emissionsinfo.

Of those customers who have contacted us to seek reimbursement of the costs of repair work to their vehicles, approximately 75% of those customers whose request has been processed by Volkswagen Group UK have been repaid or have had cheques raised in respect of their request which are due to be sent. Volkswagen Group UK has considered each request on an individual basis and has reimbursed customers as a gesture of goodwill in line with our aim of building customer satisfaction and incentivising other customers to have the technical measure implemented. There have been a number of cases

where repayments were not offered, for example because the reimbursement request related to a fault prior to the implementation of the technical measures or where supporting paperwork is still required.

5. I note your request for information on the measures that Volkswagen Group UK is taking to address NOx emissions in the UK.

It remains our position that in real world driving, the emissions issue has not increased the level of NOx emissions. Several studies (including the study carried out at the request of the Department for Transport) regarding the NOx emissions measured from affected EU5 vehicles in real world driving tests found that despite this issue, the NOx emissions released by our EA189 vehicles were in line with or better than other vehicles across the market. Nevertheless, the Volkswagen Group is extremely conscious of the challenges faced in tackling air pollution and is fully committed to do its part in meeting those challenges.

As you may have noted, Volkswagen Group EU6 diesel vehicles perform extremely well in "real world" conditions. The recent EQUA index demonstrates that many Volkswagen Group EU6 diesel vehicles significantly outperformed the industry. For instance, the Volkswagen Golf SV 2.0l diesel vehicle, Passat 1.6l diesel vehicle, Touran 1.6l diesel vehicle, Audi Q2 2.0l diesel vehicle and SEAT Alhambra 2.0l diesel vehicle each achieved an "A+" rating on the index, demonstrating that these modern diesel vehicles meet the Euro 5/6 limit for petrol vehicles whilst maintaining their excellent fuel economy results. This demonstrates that modern diesel engines can function well and appropriately in the current market, a fact which is particularly true of the EU6 Volkswagen Group vehicles which account for 10 of the 17 "A+" or "A" rated diesel vehicles in the EQUA index.

In addition, the September 2017 ICCT White Paper found that the average NOx conformity factor for an EU6 Volkswagen Group vehicle was less than 2, considerably outperforming the vast majority of other manufacturers vehicles, noting that Volkswagen "achieved a significant improvement in conformity factors." This is due to our long lasting investment in R&D and further highlights our commitment to tackle air pollution.

I am happy to confirm the implementation in the UK of further measures to seek to improve air quality. A diesel scrappage upgrade scheme is not only being implemented in Germany but has also been implemented by Volkswagen Group UK in the UK since September 2017. In the UK, we are offering Scrappage Upgrade Savings from £1,800 to £6,000 for any make or model diesel vehicle first registered in the UK on or before 31st December 2009 featuring a Euro 1 – 4 emissions standard engine.

As part of the Diesel National Forum held in Germany in August 2017, the Volkswagen Group will also be implementing widespread voluntary software updates. These will be offered to customers in the European market (including in the UK) owning certain Euro 5 diesel vehicles and, in some limited cases, Euro 6 diesel vehicles. This scheme will cover a

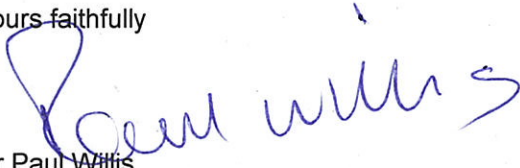
total of four million Volkswagen Group vehicles, including the 2.5 million vehicles across Europe that have already received the EA189 update.

Regarding the sustainable mobility fund in Germany, this is not specific to Volkswagen, but rather an agreement reached between members of the German Association of the Automotive Industry (VDA) and the German Government. This German specific sustainable mobility fund is not being applied elsewhere in Europe and to date there has been no similar industry-wide discussion on this topic in the UK.

As a core part of our commitment to tackle air pollution, the Volkswagen Group is accelerating the launching of electric and hybrid models to the market. Our ambitious target is to become a global leader in the supply of sustainable mobility. On the subject of vehicles and drivetrains, special emphasis is now being placed on e-mobility, and this will become even more visible to the market as we go forward. The Volkswagen Group has earmarked €20 billion for direct investment in e-mobility until 2030. In particular, the Group brands will bring a total of over 80 new electrified models to customers by 2025, including some 50 purely battery-powered vehicles and 30 plug-in hybrids. This figure will then increase by leaps and bounds over subsequent years until there is at least one electrified version for each of the Group's 300 or so models across all vehicle classes worldwide by 2030 at the latest, in line with Volkswagen Group's commitment.

I very much hope that this further information is of assistance to the Committee.

Yours faithfully



Mr Paul Willis

Managing Director
Volkswagen Group United Kingdom Limited