

FINANCIAL REPORT

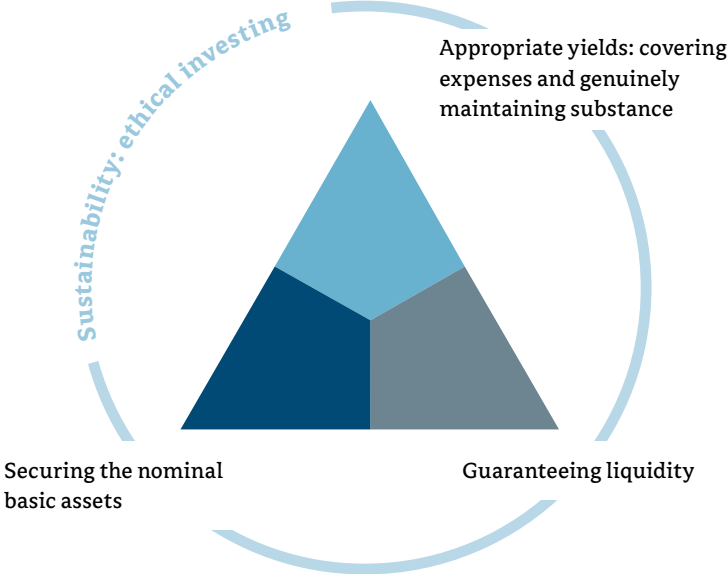
The Foundation EVZ was founded in 2000 with a total of 10.1 billion DM. Of this, 9.4 billion DM (4.8 billion euros) and interest accumulated were used to compensate former forced labourers and other victims of the Nazi regime and to cover the costs of organizing these payments; 700 million DM (358 million euros) represented the capital basis for the long-term funding of Foundation EVZ. After concluding payments in 2007, the main task of the foundation is to promote international projects in the foundation's three fields of activity. These activities are funded exclusively from the yields of the foundation's capital and occasionally financed using additional donations.

The capital investments of the foundation follow ethical criteria that are derived from the purpose of the foundation. Thematically speaking, the foundation focuses here on modern forms of forced labour and human rights violations in the working world. At companies where the foundation is invested in stocks or bonds, at issue are human rights violations in the realms of child labour, forced labour, and discrimination. To the extent possible, the supply chain as well is investigated. The concept follows the criteria of the International Labour Organisation (ILO), a sub-organisation of the United Nations.

Once a year, the Foundation has its investments examined for violations of the exclusion criteria human rights violations and "modern forced labour". The Foundation EVZ commissioned a rating agency with developing a negative list that is especially catered to the specifications of the foundation. On the basis of this screening, all companies where violations of the defined exclusion criteria are found are confronted with the accusations and in writing asked to respond. Those companies that do not respond are removed from the investments. The answers submitted are subjected to further analysis until a decision can be made. In addition, the foundation's financial service providers are examined under ethical criteria and, if necessary, collaboration is ended. In recent years, a number of companies were removed from the investments due to various controversies, including Royal Dutch Shell, Apple, Walmart Stores, Barrick Gold, Exxon Mobil, Mitsubishi, Seven & I Holdings, Sony and Tepco.

The foundation's assets were worth 511.8 million euros on 31 December 2016.

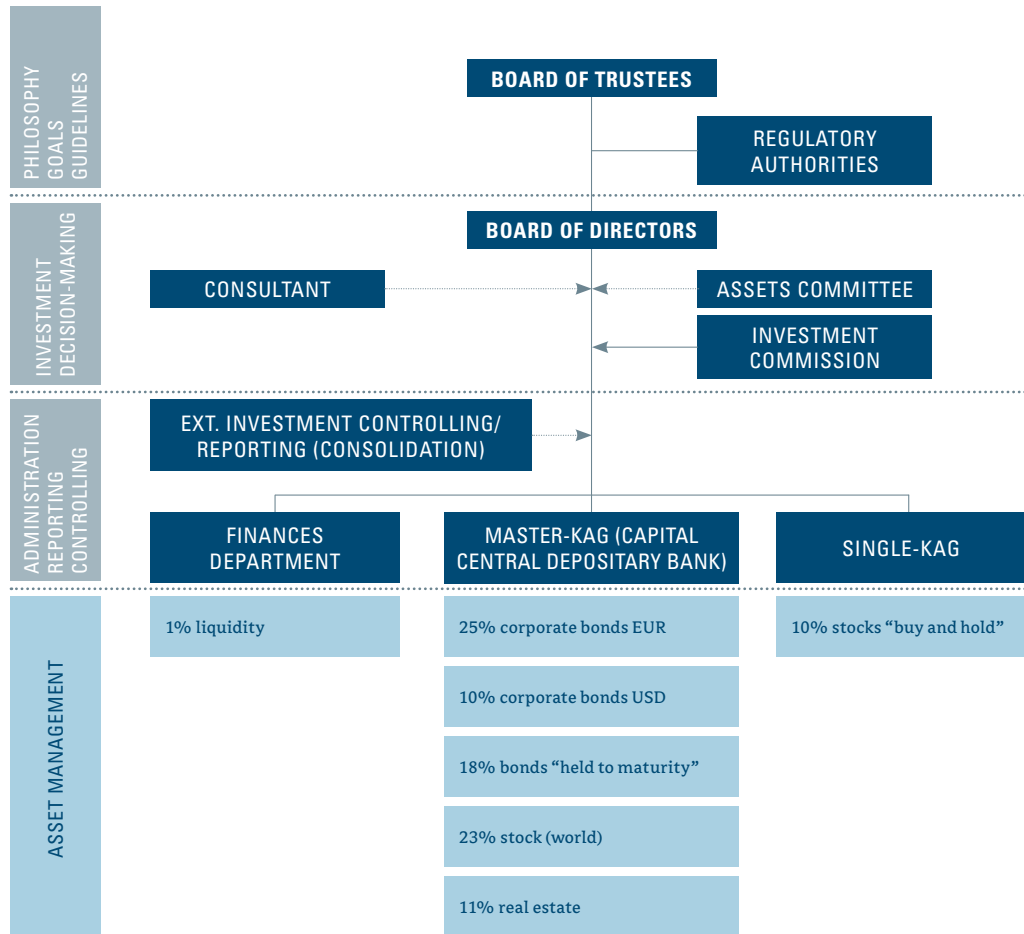
INVESTMENT PRINCIPLES



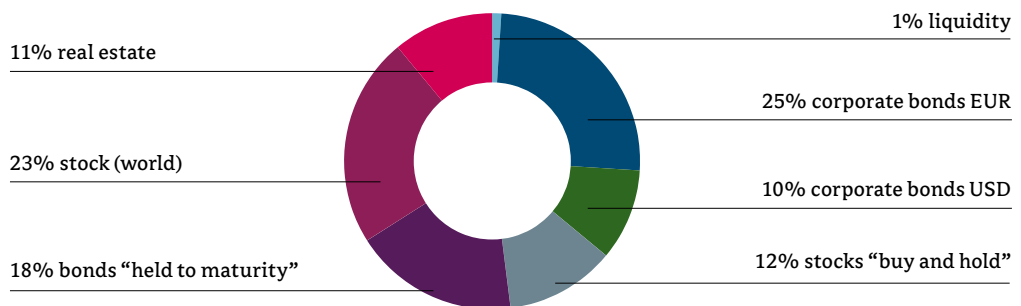
PHILOSOPHY

The Foundation EVZ pursues three main objectives in investing its assets. First, sufficient funds are to be generated in the sense of ordinary net income to cover the funding activities and the administrative costs at a manageable level of risk. The aim is thereby to avoid deriving current expenditures from the risky reallocation of assets. Second, the capital is to be preserved in its real, i.e. value-protected, value. Third, it must be ensured that adequate liquidity is available at all times for ongoing business operations. All three objectives were met in fiscal year 2016.

INVESTMENT ORGANISATION



INVESTMENT CLASSES



MEMBERS, ASSETS COMMITTEE (AS OF DECEMBER 2016)

Dr. Wolfgang Weiler (*chair*), *chair of the board of directors, HUK-COBURG Versicherungsgruppe*
Dieter Lehmann, *co-managing director and head of the Assets Department, Volkswagen Stiftung*
Dr. Michael Leinwand, *chief investment officer, Zurich Gruppe Deutschland*
Gerhard Schleif, *former managing director, Bundesrepublik Deutschland Finanzagentur GmbH*
Martin Wieland, *head, Market Analysis and Portfolio Division, Deutsche Bundesbank*
Prof. Uwe Wystup, *Frankfurt School of Finance and Management –
Centre for Practical Quantitative Finance*
Yair Hamburger, *chairman of Harel Insurance Investments & Financial Services Ltd.*

MEMBERS, INVESTMENT COMMISSION

Dr. Andreas Eberhardt, *chairman, Board of Directors, Foundation EVZ*
Dr. Harald Schneider, *head of finances, Foundation EVZ*
Dieter Lehmann, *co-managing director and head of the Assets Department, Volkswagen Stiftung*

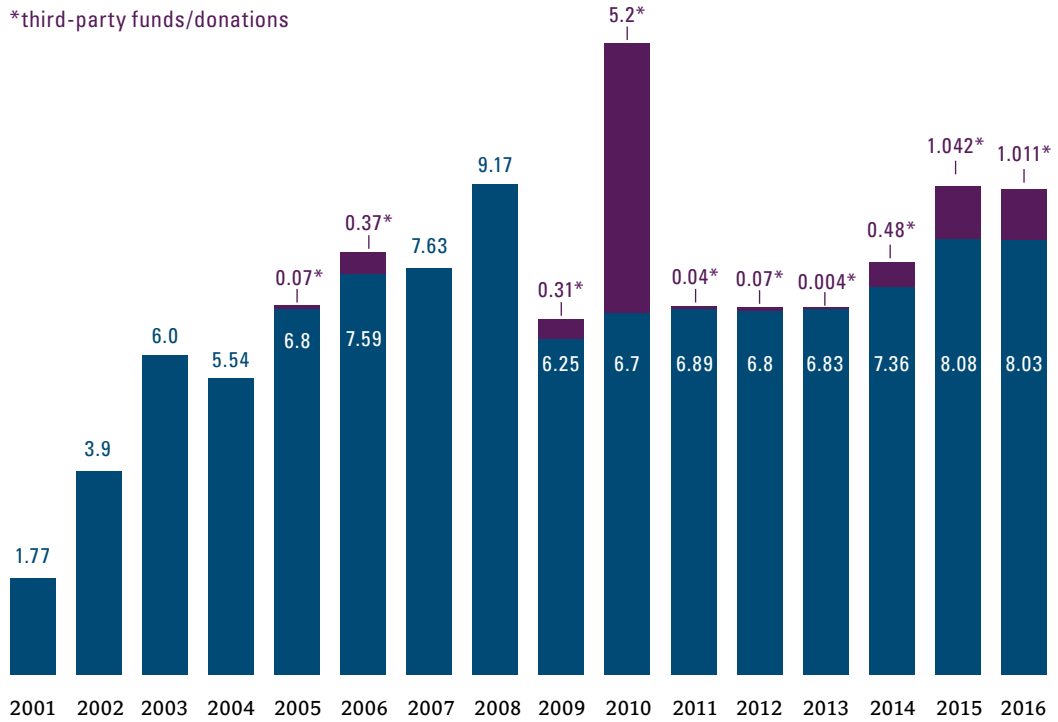
The illustration on p. 96 depicts the structure of financial administration at the Foundation. The financial goals, derived from the charter, statutes, and directives from the Board of Trustees, are implemented by the Foundation's Board of Directors. The Board in turn consults with various committees to assist in decision-making. The Assets Committee advises the Foundation's Board of Directors in strategic questions of capital investment, and the Investment Commission is responsible for tactical investment decisions. In addition, specialised consultants also support the decisionmaking process. In daily operations, assets management is handled by two capital management companies with a central deposit. The key part of assets management is handled by specialised investment managers. The investment class liquidity is held directly by the finances division and administered accordingly. The consolidation of both realms to ascertain performance and other key variables takes place by way of external reporting. This specialized service provider also has the task of managing running investment controlling. The admissible decision-making framework is stipulated in detail, e.g. for all those involved in the form of investment guidelines, contracts, and internal process descriptions decided by the Board of Directors.

The several-eye principle and the requirements of corporate governance in the realm of capital investment are implemented across the board. All decision-making processes are recorded in writing and subject to external examination.

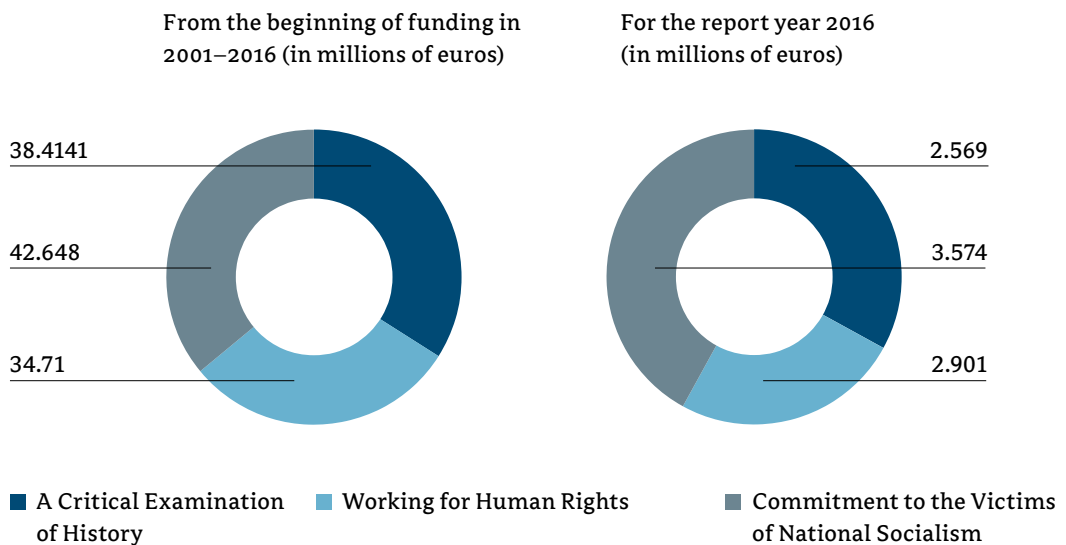
FUNDING ACTIVITIES

ANNUAL FUNDING (IN MILLIONS OF EUR)

*third-party funds/donations



FUNDING VOLUME ACCORDING TO FIELD OF ACTIVITY (INCLUDING THIRD-PARTY FUNDS AND DONATIONS)



KEY FIGURES, 2016

EXCERPT FROM THE BALANCE SHEET (IN COMPLIANCE WITH THE GERMAN COMMERCIAL CODE)

Assets	
Financial assets	436.9 million euros
Liabilities	
Foundation capital	357.9 million euros
Assets maintenance fund	71.5 million euros
Deferred liabilities	3.2 million euros
Liabilities due to project funding	6.4 million euros
Balance	443.9 million euros

EXCERPT, BALANCE OF YIELDS AND COSTS

Foundation management costs	9.05 million euros
Staffing costs	2.1 million euros
Public relations	0.09 million euros
Other administrative costs	0.71 million euros

COSTS OF ASSET MANAGEMENT

In 2016, the costs of asset management were 1.1 million euros, consisting of costs for the depot bank, capital management company, manager fees, costs of consulting and investment reporting and controlling. These costs are paid directly using the special fund of the foundation and calculated against running yields.

AUDITING

The annual balance sheet of the Foundation EVZ is calculated according to the principles of the German Commercial Code by an accounting firm. The Federal Office for Central Services and Unresolved Property Issues (BADV) audits annually the Foundation's calculations, budgeting and business management. Audits comply with the regulations of the German Commercial Code with the assistance of the Federal Central Tax Office. The auditing of budgeting and business management complies with the regulations of the Federal Budget Code. At irregular intervals, audits are performed by the Federal Audit Office.