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June 2018

<CUSTOMER NAME>
<CUSTOMER ADDRESS>
<CUSTOMER CITY PROVINCE POSTAL CODE>

This notice applies to your vehicle: <VIN>

**Subject: Emissions Recall 23Y9
Emissions Modification – Phase 2 Available for 2015 Model Year Audi A3 2.0L TDI**

Dear Audi Owner or Lessee,

This notice is sent to you in accordance with the requirements of the *Canadian Environmental Protection Act, 1999*. In early 2017, we notified you that Volkswagen Group had received approval from U.S. regulators, including the Environmental Protection Agency (EPA), for a two-part emissions modification for your 2015 Model Year 2.0L TDI Audi A3 vehicle. At that time, Phase 1 was available to you. In Phase 1, we removed the software that reduced the effectiveness of your TDI's emissions control system and replaced it with software that directs your vehicle's emissions controls to function effectively in all normal driving conditions. In Phase 2, we will install updated emissions control system hardware – specifically a new Diesel Particulate Filter, Diesel Oxidation Catalyst and Selective Catalytic Reduction Converter – that is needed to maintain emissions performance for the full useful life (240,000 km) of your vehicle. As part of the Phase 2 modification, we will also install a second NOx sensor and corresponding software to improve the performance of the OBD system.

We are now informing you that the Phase 2 emissions modification is available for 2015 Model Year 2.0L TDI Audi A3 vehicles. Phase 2 is being offered to the Canadian market free of charge. Our records show that you are the owner or lessee of a vehicle affected by this action. The Phase 2 emissions modification for your vehicle has been approved by U.S. regulators, including the EPA.

The purpose of this letter is to inform you of that approval and provide you with information on how you can take the next steps. If you are subject to this recall, it does not prevent you from participating in the nationwide Class Action Settlement in Canada for 2.0L Volkswagen and Audi TDI vehicles (the "Settlement"), if you are eligible.

The following pages outline the emissions system updates that are now available for your 2015 Model Year Audi A3 2.0L TDI and the extended emissions warranty coverage that will be provided for vehicles that receive the modification. You can also read about the impact these updates will have on your driving experience as well as instructions on maintaining your vehicle post-modification.

We encourage you to carefully review the information in this letter, and if we can be of further assistance, please let us know.

IMPORTANT INFORMATION

If you are eligible for the Settlement, you may qualify under the Settlement to choose a buyback, trade-in or early lease termination as an alternative benefit to the approved emissions modification.

The Settlement has received court approval and its implementation started on April 28, 2017. Claimants have until September 1, 2018 to submit a claim for benefits under the Settlement and until at least December 30, 2018 to receive benefits.

However, if a vehicle received Phase 1 after the Settlement program began on April 28, 2017, or if a vehicle receives Phase 2, it will eliminate any rights that you may have to choose a buyback, trade-in or early lease termination under the Settlement. Eligible owners and lessees (as defined by the Settlement) who obtain the modification may receive a cash payment under the Settlement.

Please note that by participating in the recall for the emissions modification, you are not making a claim for benefits under the Settlement. Please visit www.VWCanadaSettlement.ca or call the Canadian Settlement Claims Centre at 1-888-670-4773 for more information.

What is the issue?

U.S. regulators have determined that Audi A3 vehicles equipped with a 2.0L 4-cylinder TDI engine do not comply with prescribed emissions standards in the U.S. These standards also apply in Canada. The emissions control systems in affected vehicles allow nitrogen oxide (NOx) emissions to exceed legal limits during typical driving conditions.

What will we do as part of this recall?

U.S. regulators, including the EPA, have approved a two-part emissions modification plan. **Both phases of the plan need to be completed for the emissions control system to operate properly throughout your vehicle's full useful life. Therefore, owners and lessees are expected to complete both phases if they keep their vehicle.**

Note: If you are eligible for the Settlement, you may qualify to choose a buyback, trade-in or early lease termination as an alternative to the approved emissions modification. Please visit www.VWCanadaSettlement.ca to learn more.

Phase 1 was approved by U.S. regulators in early 2017 and has been available in Canada since then, so you may already have had the Phase 1 update performed on your vehicle. Phase 2 is available now. If you have not received the Phase 1 update, your dealer will perform the elements of both phases when you bring your vehicle for the Phase 2 emissions modification.

Phase 2 of the emissions modification will involve outfitting your car with new emissions control parts to ensure system reliability and durability over time. We will install a second NOx sensor and corresponding software to improve the performance of the On-Board Diagnostic (OBD) system. In addition, the Phase 2 update will include installation of a new Diesel Particulate Filter, Diesel Oxidation Catalyst and Selective Catalytic Reduction Converter. These components are needed to maintain emissions performance for the full useful life (240,000 km) of your vehicle. If your vehicle has accumulated less than 64,000 km (for automatic transmissions) or 112,000 km (for manual transmissions) at the time of your Phase 2 update, your car may need to have the Diesel Oxidation Catalyst replaced a second time before it reaches 240,000 km.

If you purchased your vehicle with the Phase 1 emissions modification already applied and your vehicle has accumulated fewer than 64,000 km (for automatic transmissions) or 112,000 km (for manual transmissions) at the time of your Phase 2 update, we will not replace the Diesel Particulate Filter, Diesel Oxidation Catalyst or Selective Catalytic Reduction Converter in your vehicle at that time and we request that you return at a future date for its replacement once your vehicle has accumulated at least 112,000 km. You will have the aforementioned hardware installed at that time.

Phase 2 will take approximately 9 hours to complete. If you come in for the modification, Audi will provide you with a loaner vehicle at zero cost to you.

There are occasionally outstanding recalls that your vehicle may be subject to, which are not related to the emissions modification. Any such open items will be completed at the time of Phase 2 and may require increased time at the dealer. You will be notified of any additional expected recalls and the duration of the service action when

calling in to schedule your appointment.

Will this affect my vehicle performance?

If you already received the Phase 1 modification, the Phase 2 modification is not expected to have any further impact on reliability, durability, fuel economy, engine sound, vehicle performance or drivability.

If you have not yet received the Phase 1 modification and you get the emissions modification, your dealer will now install new hardware and software to address all elements of the emissions modification. The updates will affect your vehicle in the following ways:

- Engine sound may differ from your vehicle's prior operation. Although unlikely, the engine tone may vary slightly after the emissions modification is complete. This will not result in any noticeable change in the driving characteristics of your vehicle.
- An update to the engine cooling fan operation will allow your vehicle to cool more efficiently and may alter the sound that the vehicle fan makes once the engine has been turned off. This update is not related to the emissions issue and is addressed in the spirit of continued vehicle performance improvement.
- Sport Mode Changes – While driving in Sport mode, the **automatic transmission** will shift earlier at low accelerator positions for improved driving comfort, resulting in lower engine speeds at constant driving.
- Improved Vehicle Drivability – Vehicles with **automatic transmissions** will exhibit improvement in throttle response, a smoother acceleration and an improved driving experience.
- Diesel Exhaust Fluid (DEF) Consumption – DEF consumption for your vehicle may increase. The amount of the increase will vary. Some drivers will experience no change, but others will use 1% - 14% more DEF on average (also known as AdBlue®). The amount of the impact will depend on driving style and other factors. This means some drivers will need to refill the DEF tank more frequently.
- On-Board Diagnostic (OBD) System Changes – Your vehicle's OBD system operations will be modified and certain emissions thresholds within the OBD system will be adjusted. These thresholds set new malfunction detection limits that may reduce the effectiveness of the OBD system in detecting malfunctions. We do not expect you will have any issues with the ability of your modified vehicle to pass any periodic provincial emissions tests to which it may be subject. The extended emissions warranty coverage outlined in this letter offers additional protection if your vehicle is still covered under warranty at the time of the emissions test. These OBD system changes should not be noticeable to a driver and do not impact driving characteristics.

Will this affect my vehicle maintenance intervals?

Phase 2 will not affect vehicle maintenance intervals.

We do not anticipate that the modification will affect the OBD system in a manner that would make identification and repair of any components difficult, compromise warranty coverage or compromise your vehicle's ability to pass any periodic provincial emissions tests to which it may be subject. Furthermore, the extended warranty coverage outlined in this letter offers additional protection for any OBD-related issues. These changes should not be noticeable to you and do not have any impact upon driving characteristics.

How will the modification affect emissions?

As explained in the previous notification, your vehicle's emissions will be reduced but will still be higher than the standards to which the vehicle was originally certified.

How do I receive the modification?

To receive the emissions modification, please contact an authorized Audi dealer in Canada to book an appointment. Dealers' contact and location information is available at: <http://promotions.audi.ca/en/locate/>.

Phase 2 will take approximately 9 hours to complete. If you have not received the Phase 1 update, your dealer will perform the necessary elements of both phases when you bring your vehicle for the Phase 2 emissions modification. If you come in for the modification, Audi will provide you with a loaner vehicle at zero cost to you.

If you keep your vehicle but decline the emissions modification at this time, you should be aware that certain emissions-related replacement and repair parts may at some point no longer be available from Audi. Accordingly, in the future, if your unmodified vehicle requires maintenance and repairs of the emissions system we may need to install parts associated with the emissions modification, or, in some cases, install all aspects of the emissions modification. This may lead to changes to your vehicle's operation or performance resulting from those modifications as discussed in this letter.

If the vehicle has been modified by the customer prior to receiving the emissions modification in a manner that may yield a non-compliant emissions system (for example, removal of a catalyst, installation of parts that impact emissions or emissions-related parts, or modifications to the engine control unit (ECU) or computer software of the vehicle), Audi may not be able to perform the emissions modification until the customer corrects such modification.

Warranty extension for certain emissions-related components

Phase 2 does not affect the warranty. The warranty period for the "Extended Emissions Warranty" continues to be the **greater** of:

- 11 years or 261,000 km, whichever occurs first, from the vehicle's original in-service date; **OR**
- 5 years or 97,000 km, whichever occurs first, from the date and mileage of the completion of Phase 2.

The vehicle's original in-service date will be identified by an authorized Audi dealer and refers to the date that the vehicle was originally leased or sold to a retail customer, or, if the vehicle was first placed in service as a "demonstrator" or "company" car, the date that such vehicle was first placed in service.

The Extended Emissions Warranty covers all components which are replaced as part of the emissions modification and any component which can reasonably be impacted by effects of the emissions modification.

The Extended Emissions Warranty shall cover the following parts or systems:

- The entire exhaust after treatment system, including the Diesel Oxidation Catalyst (DOC), the Diesel Particulate Filter (DPF), the Selective Catalytic Reduction (SCR) Catalyst, the dosing injector and other Diesel Exhaust Fluid (DEF) system components, the exhaust flap, and all sensors and actuators;
- The entire fuel system, including fuel pumps, high pressure fuel rail, fuel injectors, vibration damper, pressure control valve and all sensors and actuators;
- The Exhaust Gas Recirculation (EGR) system, including EGR valves, EGR cooler, EGR filter, EGR temperature sensor, all related hoses and pipes, and all sensors and actuators;
- The turbocharger, including the turbocharger damper; and
- The On-Board Diagnostic (OBD) system, including SCR DEF quality sensor, and any malfunctions detected by the OBD systems other than those related to the transmission.

Additionally, the engine long block warranty shall cover the engine sub-assembly that consists of the assembled block, crankshaft, cylinder head, camshaft and valve train.

In our continuing efforts to assure proper performance of Audi vehicles, your dealer will diagnose and replace the emissions-related components listed in this section, if necessary, at no cost to you as long as the vehicle remains within the time and mileage limits of this warranty extension. Please keep this letter with your warranty booklet and deliver it to any new owner, along with the owner's manual.

This warranty extension covers only the diagnosis and replacement of the emissions-related components listed in this section. Should you ever sell the vehicle, this warranty extension is fully transferable to subsequent owners.

This warranty extension will not cover:

- Any damage or malfunctions caused by installation of emissions-related parts not certified by the U.S. EPA or California Air Resources Board (CARB), including such damage or malfunction to parts needed for proper diagnosis of a covered part; or
- Damage or malfunctions caused by outside influence, such as damage due to an accident, or vehicle misuse or neglect, but only if the damage or malfunction is causally related to the accident or vehicle misuse.

All normal warranty provisions remain in effect. The Extended Emissions Warranty includes parts, labour and applicable taxes. The Extended Emissions Warranty shall not void or supersede any existing warranty .

More information about your Extended Emissions Warranty coverage is available at www.audi.ca/tdiwarranty.

Leased vehicles and address changes

If you are the lessor and registered owner of the vehicle identified in this letter, please forward this letter to the lessee if you would like them to receive the emissions modification on your behalf.

If you have sold the vehicle identified in this letter or changed your address, please fill out the enclosed prepaid Owner Reply Card and mail it to us so we can update our records.

Can we assist you further?

If you have any questions regarding this recall please contact Audi Canada Customer CARE at 1-800-822-AUDI or audicarecanada@audi.ca.