

Corporate Governance Report

Responsibility and Transparency

The trust of our customers and investors is crucial for a sustainable increase in the value of our Company. Transparent and responsible corporate governance is the highest priority in our daily work. This is why the Board of Management and the Supervisory Board comply with the recommendations of the current German Corporate Governance Code as issued on June 14, 2007 with only one qualification.

CORPORATE MANAGEMENT IN LINE WITH THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code incorporates significant statutory provisions, together with internationally and nationally recognized standards of corporate governance elaborated and revised by the responsible Government Commission. Compliance with the recommendations and suggestions set out in the Code is designed to ensure good corporate governance and supervision. The recommendations of the German Corporate Governance Code therefore provide an important basis for the activity of the Board of Management and Supervisory Board of Volkswagen AG.

Responsible corporate governance and the trust of all interest groups help to continuously increase the value of the Company. We strengthen this trust by creating transparency and thus meet national and international investors' steadily increasing demands for information.

DECLARATION OF CONFORMITY

On December 20, 2007, the Board of Management and Supervisory Board of Volkswagen AG issued the statutory declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act). They declared that they had complied without qualification with the recommendations of the Government Commission on the German Corporate Governance Code as issued on June 12, 2006 until the release of the revised version on July 20, 2007.

In the declaration, the Board of Management and Supervisory Board of Volkswagen AG also declared that they complied and continue to comply with the recommendations of the Government Commission on the German Corporate Governance Code as revised and issued on June 14, 2007 with one exception. The exception relates to the formation of a Nomination Committee (article 5.3.3 of the Code). Volkswagen AG has

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a Supervisory Board with a Presidium, a Mediation Committee and an Audit Committee, as well as a Shareholder Business Relationships Committee. The Presidium of the Supervisory Board, which consists of six members, is responsible in particular for the preparation of the Supervisory Board's resolutions. This also includes in particular the proposal of suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. In the opinion of the entire Supervisory Board, an additional Nomination Committee would only increase the number of committees without improving the work of the Supervisory Board.

The current joint declaration of conformity by the Board of Management and the Supervisory Board under section 161 of the AktG has been published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations of Conformity".

In addition, the Volkswagen Group will largely comply with the suggestions of the Code. However, it still has no plans to implement the suggestion made in the Code to the effect that one-time variable components tied to business performance should be taken into account in setting the remuneration of the Board of Management (article 4.2.3, clause 3 of the Code) and that long-term performance should be taken into account in setting the remuneration of the Supervisory Board (article 5.4.7, clause 5 of the Code). We intended to continue pursuing the debate on this matter in professional circles. The Company also does not intend to comply with the suggestion to provide for a cap on payments of no more than two years' remuneration when entering into Board of Management agreements, and a cap of no more than 150% on payments in the event of premature termination of membership of the Board of Management (article 4.2.3, clauses 9 to 11 of the Code). Doubt is cast in professional circles on the effectiveness of such contractual clauses and this reduces the ability of the Supervisory Board of Volkswagen AG to act without, on the other hand, offering significant advantages in view of the applicable legal situation.

In their declaration of conformity on December 5, 2007, the Board of Management and Supervisory Board of AUDI AG declared that they largely complied with the recommendations of the Code as issued on June 12, 2006 until the release of the revised version on July 20, 2007. However, they included the qualifications that the remuneration paid to members of the Supervisory Board (article 5.4.7, subsection 3, sentence 1 of the Code) is not disclosed individually and that members are not elected to the Supervisory Board on an individual basis (article 5.4.3, sentence 1 of the Code). The Board of Management and the Supervisory Board of AUDI AG also declared that they complied and continue to comply with the recommendations as revised on June 14, 2007 and issued on July 20, 2007. However, the above-mentioned qualifications continued and continue to apply, as is the case with qualification that the Supervisory Board has not formed a Nomination Committee (article 5.3.3 of the Code). The declaration of conformity is published at www.audi.com

Additionally, the following reservations apply at AUDI AG with regard to the suggestions contained in the Code: The Annual General Meeting of AUDI AG is not broadcast on the Internet (article 2.3.4 of the Code). There is therefore no need to enable absent shareholders to contact the company's proxies (article 2.3.3, clause 3, subclause 2 of the Code) during the Annual General Meeting. In addition, all qualifications stated with regard to Volkswagen AG also apply to AUDI AG.



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COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management provided the Supervisory Board with regular, complete and prompt verbal and written reports on all key issues for the Volkswagen Group relating to planning, the development of business, the position of the Group including the risk situation and risk management. In the future, the Audit Committee will look at compliance issues even more intensively, as provided for in article 3.4 of the Code. A corresponding clarification has been made to the Audit Committee's rules of procedure by way of a resolution by the Supervisory Board.

COMPLIANCE

Compliance is defined in article 4.1.3 of the German Corporate Governance Code as follows: The Management Board ensures that all provisions of law and the enterprise's internal policies are abided by and works to achieve their compliance by Group companies. The conformity of our actions with both legal and internal requirements and ethical principles forms an integral part of Volkswagen's corporate culture. In order to ensure compliance with statutory requirements, the Company's internal rules and voluntary obligations, in 2007 we also initiated the establishment of a compliance organization and appointed a Chief Compliance Officer. His task is to implement a Compliance Office, to integrate appropriate preventive measures into the existing management system, and to manage and control these measures to ensure compliance. Furthermore, the Chief Compliance Officer advises the Board of Management on all compliance issues.

RISK MANAGEMENT

We pay particular attention to managing potential risks to the Company. Risks are identified and risk positions optimized through systematic risk management. The Volkswagen Group's risk management system is continually adapted in a dynamic process to reflect the changing environment. Detailed information on risk management can be found in the Risk Report chapter on pages 162 to 169.

The Supervisory Board has established an Audit Committee, which deals in particular with accounting issues, compliance and risk management. As recommended by the German Corporate Governance Code, the Chairman of the Audit Committee, Mr. Holger P. Härter, Chief Financial Officer and Deputy President of the Executive Board of Porsche Automobil Holding SE and of Dr. Ing. h.c. F. Porsche AG, has particular expertise and experience in applying accounting standards and internal control systems.

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COMMUNICATION AND TRANSPARENCY

The Volkswagen Group publishes a financial calendar in its Annual Report, in the interim reports and on its website at www.volkswagenag.com/ir that also lists all important dates for our shareholders. At the Annual General Meeting, shareholders can exercise their voting rights in person, via an authorized Company proxy, or via a third-party proxy of their choice. Furthermore, we offer our shareholders the option of following the entire AGM on the Internet.

The Company's ad hoc releases are also published without delay on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Ad-hoc releases". The website also provides further information relating to Volkswagen. All releases and other information are published in both English and German. A detailed list of all communications published in 2007 relating to the capital markets is included in the annual document required by section 10 of the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), which can also be accessed on this page under the heading "Mandatory Publications".

In fiscal year 2007, one notification regarding directors' dealings (section 15a WpHG) was received; this can be viewed on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Directors' Dealings".

The notifications filed in accordance with sections 21 ff. of the WpHG in 2007 are also published on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Reporting of voting rights according to WpHG".

On May 11, 2007, the Board of Management and the Supervisory Board of Volkswagen AG separately published statements on the mandatory public bid by Dr. Ing. h.c. F. Porsche AG (now Porsche Automobil Holding SE) in accordance with section 27 of the Wertpapiererwerbs- und Übernahmegesetz (German Securities Acquisition and Takeover Act). The detailed documents can also be accessed on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Other legal issues".

The supervisory body offices held by Board of Management members and Supervisory Board members are presented on pages 108 to 111 of this Annual Report.

Since January 2006, Volkswagen AG has had a global anti-corruption system with independent lawyers as ombudsmen and an internal Anti-Corruption Officer. They can also be contacted by persons wishing to provide information on suspected instances of corruption within the Group. In 2007, the ombudsmen passed on information provided by persons who remained anonymous to Volkswagen AG's internal Anti-Corruption Officer in 46 cases. All information is followed up.



MANDATORY PUBLICATIONS OF VOLKSWAGEN AG
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