

Corporate Governance Report

The future of the Volkswagen Group depends on our ability to continually increase the Company's value. Strengthening the trust of our customers and investors is fundamental to this. Transparent and responsible corporate governance therefore takes the highest priority in our daily work.

GERMAN CORPORATE GOVERNANCE CODE – A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE

The German Corporate Governance Code contains recommendations and suggestions for good and responsible corporate governance. It was prepared by the government commission established for the purpose on the basis of the material statutory provisions and nationally and internationally accepted standards of corporate governance. The government commission reviews the German Corporate Governance Code in light of national and international developments on an annual basis and updates it as necessary. The work of the Board of Management and the Supervisory Board of Volkswagen AG is based on the recommendations and suggestions of the German Corporate Governance Code. We consider responsible and transparent corporate governance to be a key prerequisite for sustainably increasing the Company's value. It helps strengthen the trust of our customers and investors in our work and meet the steadily increasing demand for information from national and international stakeholders.

DECLARATIONS OF CONFORMITY (AS OF THE DATE OF THE RELEVANT DECLARATION)

On February 22, 2013, the Board of Management and the Supervisory Board of Volkswagen AG issued a supplement to the declaration of conformity with the recommendations of the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) dated November 23, 2012. This supplement became necessary due to changes in the application of the Code since the declaration of conformity was submitted. In this document, the Board of Management and Supervisory Board declare that the recommendations by the Government Commission on the German Corporate Governance Code of May 15, 2012 published by the German Federal Ministry of Justice on June 15, 2012 (2012 German Corporate Governance Code) have been complied with in full, with the exception of articles 4.2.3(4) (severance payment cap), 5.1.2(2) sentence 3 (age limit for members of the Board of Management), 5.3.2 sentence 3 (inde-

pendence of the Chairman of the Audit Committee), 5.4.1 (4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled). The Board of Management and Supervisory Board also declare that the declaration of conformity submitted on November 23, 2012 has been qualified to exclude compliance with the recommendation in article 4.2.3(3) sentence 3 (exclusion of retroactive changes to comparative parameters) for the 2012 bonus. The reason for this additional exception can be found in the supplement to the declaration of conformity issued on February 22, 2013, which is published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations".

The Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the German Corporate Governance Code as required by section 161 of the AktG on November 22, 2013. In this document, they declare that, in the period between the declaration of November 23, 2012 and the announcement of the new version of the German Corporate Governance Code dated May 13, 2013 on June 10, 2013, the recommendations of the 2012 German Corporate Governance Code were complied with, with the exception of articles 4.2.3(4) (severance payment cap), 5.1.2(2) sentence 3 (age limit for members of the Board of Management), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board), 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled) and 4.2.3(3) sentence 3 (exclusion of retroactive changes to comparative parameters).

From June 10, 2013 until submission of the declaration of November 22, 2013, the recommendations of the Government Commission on the German Corporate Governance Code of May 13, 2013 published by the German Federal Ministry of Justice on

June 10, 2013 (2013 German Corporate Governance Code) were complied with, with the following exceptions: articles 4.2.3(4) (severance payment cap), 5.1.2(2) sentence 3 (age limit for members of the Board of Management), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board), 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled) and 4.2.2(2) sentence 3 (vertical comparison of remuneration).

In this document, the Board of Management and Supervisory Board also declare that, as of the declaration of November 22, 2013, the recommendations of the 2013 German Corporate Governance Code have been and will continue to be complied with, with the exception of articles 4.2.3(4) (severance payment cap), 5.1.2(2) sentence 3 (age limit for members of the Board of Management), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions can be found in the declaration of conformity, which is published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations".

The suggestions of the current version of the German Corporate Governance Code are complied with in full.

Our listed subsidiaries AUDIAG, MAN SE and Renk AG have also issued declarations of conformity with the German Corporate Governance Code.

The Board of Management and the Supervisory Board of AUDIAG issued the declaration of conformity with the German Corporate Governance Code on November 28, 2013. In this document, they state that the recommendations of the 2012 German Corporate Governance Code were complied with until the announcement of the 2013 German Corporate Governance Code on June 10, 2013. However, there were qualifications to articles 5.1.2(2) sentence 3 and 5.4.1(2) sentence 1 (age limit for Board of Management and Supervisory Board members), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.3.3 (nomination committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.2 (no more than two former Board of Management members to sit on the Supervisory Board), 5.4.3 sentence 1 (election to the Supervisory Board on an individual basis), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled). The departure from article 5.4.3 sentence 1 (election to the Supervisory Board on an individual basis) applied until May 15, 2013, after which this recommendation was complied with.

In this document, the two Boards furthermore declared that, as of June 10, 2013, the recommendations of the 2013 German Corporate Governance Code were and will continue to be complied with, with the exception of articles 4.2.3(2) sentence 6 (caps on overall remuneration of the Board of Management and in respect of their variable remuneration components), 5.1.2(2) sentence 3 and 5.4.1(2) sentence 1 (age limit for Board of Management and Supervisory Board members), 5.3.2 sentence 3 (independence of the Audit Committee Chairman), 5.3.3 (nomination committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.2 sentence 3 (no more than two former Board of Management members to sit on the Supervisory Board), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board), 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions are explained in the declaration of conformity, which is published at www.audi.com/cgk-declaration.

AUDI AG complies with the suggestions of the current version of the German Corporate Governance Code without exception.

In their declaration of conformity with the German Corporate Governance Code of December 2013, the Executive Board and Supervisory Board of MAN SE declared that, in the period from December 2012 to June 10, 2013, the recommendations of the 2012 German Corporate Governance Code were complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

■ **DECLARATION OF CONFORMITY OF VOLKSWAGEN AG**
www.volkswagenag.com/ir

■ **DECLARATION OF CONFORMITY OF AUDI AG**
www.audi.com/cgk-declaration

■ **DECLARATION OF CONFORMITY OF MAN SE**
www.corporate.man.eu/en

■ **DECLARATION OF CONFORMITY OF RENK AG**
www.renk.biz/corporated-governance.html

■ **CORPORATE GOVERNANCE AT SCANIA AB**
www.scania.com/scania-group/corporate-governance

From June 10, 2013 until submission of the current declaration of conformity, the recommendations of the 2013 German Corporate Governance Code were complied with, with the exception of articles 4.2.2(2) sentence 3 (vertical comparison of remuneration), 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled). Following the necessary consultations and the corresponding decision by the Supervisory Board, article 4.2.2(2) sentence 3 (vertical comparison of remuneration) has also been complied with since November 15, 2013.

The Executive Board and Supervisory Board of MAN SE also declare that, as of the date of issue of the current declaration in December 2013, the recommendations of the 2013 German Corporate Governance Code have been complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 5.4.1(4 to 6) (disclosure regarding election recommendations), 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board) and 5.5.3 sentence 1 (report to the Annual General Meeting about conflicts of interest that have arisen and how they are being handled).

The reasons for these exceptions are explained in the declaration of conformity, which is available at www.corporate.man.eu/en under the heading "Investor Relations".

At Scania AB, the management and supervisory functions are split between the Annual General Meeting, the Board of Directors, and the President and CEO. They are governed by the articles of association, Swedish company law, the stock exchange admission criteria and other laws and regulations, such as the Swedish Corporate Governance Code. Additional details on Scania AB's corporate governance and the relevant declaration of conformity with the Swedish Corporate Governance Code are available at www.scania.com/scania-group/corporate-governance.

COMPOSITION OF THE SUPERVISORY BOARD

In view of the purpose of the Company, its size and the extent of its international activities, the Supervisory Board of Volkswagen AG strives to take the following criteria into account in its composition:

- > At least three members of the Supervisory Board should be persons who embody in particular the characteristic of internationality.
- > At least four shareholder representative members of the Supervisory Board should be persons who do not represent potential conflicts of interest, particularly conflicts of interest that could arise through a position as a consultant or member of the governing bodies of customers, suppliers, lenders, or other third parties.

- > In addition, at least four of the shareholder representatives must be persons who are independent as defined by article 5.4.2 of the German Corporate Governance Code.
- > At least three Supervisory Board members should be women, including at least two female shareholder representatives.
- > In addition, proposals for elections should not normally include persons who will have reached the age of 75 by the time the election takes place.

The first four criteria have already been met. As a rule, individuals will also not be proposed for election to the Supervisory Board if they are 75 or older at the time of the election.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Supervisory Board advises and monitors the Board of Management with regard to the management of the Company. It is directly involved in decisions of fundamental importance to the Group. The Board of Management and Supervisory Board of Volkswagen AG consult closely on the strategic orientation of the Volkswagen Group. The two boards jointly assess the progress made in implementing the strategy at regular intervals. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively in both written and oral form on all issues of relevance to strategy, planning, the development of the business, the risk situation, risk management and compliance.

More information on the cooperation between the Board of Management and the Supervisory Board of Volkswagen AG and on the work and structure of the committees of the Supervisory Board can be found in the Report of the Supervisory Board on pages 7 to 11 of this annual report. Information on the members of the Board of Management and Supervisory Board, as well as on the Supervisory Board committees, can be found on pages 65 to 68.

REMUNERATION REPORT

Extensive explanations of the remuneration system and the individual remuneration of the members of the Board of Management and the Supervisory Board may be found in the Remuneration Report on pages 60 to 64 of this annual report.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration, which is part of the combined management report, is permanently available on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications".

COMPLIANCE

Compliance with international rules and the fair treatment of our business partners and competitors are among the guiding principles followed by our Company. Volkswagen's commitment has always gone beyond statutory and internal requirements; voluntary obligations and ethical principles also form an integral part of our corporate culture.

The Volkswagen Group is also active in the fight against corruption and other illegal economic activity outside of the Company. Since 2002, we have been a member of the United Nations Global Compact, working with around 10,000 participating companies from more than 130 countries to create a more sustainable and fairer global economy.

Commitment to compliance at the highest level

Compliance is a cornerstone of sustainable business – a view expressly shared by the Company's management. Speaking to an audience of more than 5,000 at a management event in 2013, Chairman of the Board of Management of the Volkswagen Group, Prof. Dr. Martin Winterkorn, emphasized this point: "Operating a sustainable business means we continue to take the subject of compliance seriously. We do not break the law, or other rules and regulations! This applies to all our brands and in all regions. Volkswagen enjoys an excellent reputation internationally. It is our responsibility as managers to ensure that it is upheld." Other members of the Group Board of Management and brand boards of management also called on the workforce to comply with the rules during the past fiscal year.

Preventive compliance management system

Compliance is an important part of the Governance, Risk and Compliance (GRC) organization in the Volkswagen Group (see the Report on Risks and Opportunities starting on page 151). As part of this, Volkswagen adopts a preventive compliance approach and aims to create a corporate culture that stops potential breaches before they occur by raising awareness and educating employees. Group Internal Audit and Group Security regularly perform the necessary investigative measures, systematically monitor compliance and perform random checks regardless of any suspicion of infringements, as well as investigating specific suspected breaches. Responses are implemented by the Human Resources and Group Legal departments. These processes are closely interrelated, in line with the concept of a comprehensive compliance management system.

Various bodies support the work of the compliance organization at Group and brand company level. These include the Compliance Board at senior management level and the core Compliance team, which ensures coordination with the functional areas.

Focal points in 2013

Each year, detailed compliance risk assessments are carried out across the Group as part of the standard GRC process. The results are factored into the risk analyses performed by the Volkswagen Group, the brands and the companies, and into the Compliance Program planning.

Compliance activities in 2013 focused on anti-corruption measures in China and on expanding the GRC organization. The China Compliance conference was held in Beijing in May 2013 to prophylactically tackle the subject of preventing corruption in the Chinese Group companies. The Conference was sponsored by the member of the Group Board of Management responsible for the China function and President and CEO of Volkswagen Group China, as well as the CEOs of the Chinese joint ventures FAW-Volkswagen Automotive Company Ltd. and Shanghai-Volkswagen Automotive Company Ltd. All three stressed in their speeches that compliance is a key element of corporate responsibility, helps to safeguard a company's image, and has a direct positive impact on business growth. Among other things, the conference provided an opportunity to train the local management, assess the specific situation in China from a compliance perspective and develop future local compliance strategies in workshops.

The Group Chief Compliance Officer is now supported by 14 Chief Compliance Officers, who are responsible for the brands, the Financial Services Division and Porsche Holding GmbH, Salzburg, as well as 175 compliance officers in the Group companies. In total, staff in 49 countries are employed in the GRC function.

Work of the Governance, Risk and Compliance organization

The GRC organization provided information on various compliance issues to the Group's brands and companies over the year, using a wide range of traditional communication channels. These include reports in various employee magazines produced by the brands, companies and locations and information stands at works meetings. Electronic media such as intranet portals, smartphone apps, blogs and newsletters are also frequently used to provide compliance information. For example, International Anti-Corruption Day in early December was used at Volkswagen AG as an opportunity to launch a poster campaign highlighting the topic of corruption. The campaign was accompanied by articles in employee magazines, as well as a short animated film on the intranet.

Building on its Code of Conduct, Volkswagen has produced guidelines on various compliance topics. These cover anti-corruption – including checklists and the express prohibition of facilitation payments – and competition and antitrust law. These information documents were provided to employees either in paper form or electronically (on the intranet and the employee portal, for example) and made available to all brands to be adapted to their respective specific requirements.

There are also Group-wide directives on dealing with gifts and invitations, as well as on making donations.

We have communicated the Code of Conduct to all consolidated brand companies and established it as a fundamental part of our corporate culture. It is also increasingly being integrated into our operational processes. For example, since 2010, all new employment contracts entered into between Volkswagen AG on the one part and both management staff and employees covered by collective agreements on the other have included a reference to the Code of Conduct and the obligation to comply with it. In addition, since 2012, all new Volkswagen AG employees have been required to complete an e-learning program on the Group's Code of Conduct. The subject of human rights is an integral part of this training program.

Training on competition and antitrust law is provided to specific target groups. For example, it is a core component of the training provided to sales and procurement employees.

Due to the new requirements of the Geldwäschegesetz (GwG – German Money Laundering Act), a money laundering prevention concept has also been rolled out at the Group companies based in Germany.

The Company considers the excellent reputation enjoyed by the Volkswagen Group in the business world and among the public to be a precious asset. To safeguard its reputation, Volkswagen verifies the integrity of its business partners (business partner check). This check allows us to find out about potential business partners before entering into a relationship with them, reducing the risk of starting a cooperation that could be damaging to the Company or its business.

Providing information to employees at all levels continues to be a core component of our compliance work. Across the Group, approximately 119,000 employees attended events on the topics of compliance, the Code of Conduct, anti-corruption, human rights, anti-money laundering, and competition and antitrust law in 2013. E-learning programs are also an established means of providing employee training. Around 31,600 employees successfully completed the e-learning program on avoiding conflicts of interest and corruption in 2013. Certain Group companies have special e-learning programs on topics such as anti-money laundering. Around 158,000 employees have taken the opportunity for professional development by participating in e-learning programs on compliance issues since 2009.

Employees of all brand companies and a large number of Group companies are able to obtain personal advice about compliance issues, usually by contacting the compliance organization via a dedicated e-mail address. In 2013, employees made extensive use of the IT-based information and advisory tool launched at Volkswagen AG's German locations in 2012.

The Group-wide ombudsman system can be used to report any breaches or suspicions (particularly regarding corruption) in nine different languages to two external lawyers appointed by the Group. Naturally, the people providing the information need not fear being sanctioned by the Company for doing this. In 2013, the ombudsmen passed on 30 reports by people – whose details remained confidential if requested – to Volkswagen AG's Anti-Corruption Officer. In addition, the Anti-Corruption Officer and the head of Group Internal Audit received information on a further 65 cases directly. During local internal audits of the brands and Group companies, 251 reports of suspected fraud were submitted. All information is followed up. All breaches of the law or internal regulations are appropriately punished and may lead to consequences under employment law, including dismissal.

Effectiveness review

We review the effectiveness of the compliance measures taken at the Volkswagen Group's brands and companies annually using an integrated survey, which forms part of the standardized GRC process. We check the effectiveness of selected countermeasures as well as management controls used to manage compliance risks. In addition, the continuous improvement of the compliance management system is ensured through independent reviews by the Group Internal Audit function at the units and the regular exchange of information with external bodies, for example.

