

Remuneration Report

(Part of the Management Report)

The Remuneration Report details the individualized remuneration of the Board of Management and the Supervisory Board of Volkswagen AG, broken down into components, as well as individualized pension provision disclosures for the members of the Board of Management. In addition, we explain in this chapter the main elements of the variable remuneration system for the Board of Management.

BOARD OF MANAGEMENT REMUNERATION

The remuneration of the members of the Board of Management conforms to the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and to most of the recommendations set out in the German Corporate Governance Code. In particular, the remuneration structure is focused on ensuring sustainable business growth in accordance with the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) (section 87(1) of the AktG). The recommendations in article 4.2.3(2) sentences 2 and 3 (comparison parameters for variable compensation) of the current version of the Code are being implemented. The remuneration system of the members of

the Board of Management was approved by the Annual General Meeting on April 22, 2010 by 99.44% of the votes cast.

The remuneration of the Board of Management comprises fixed and variable components. The fixed components of the package ensure firstly a basic level of remuneration enabling the individual members of the Board of Management to perform their duties in the interests of the Company and to fulfill their obligation to act with proper business prudence without needing to focus on merely short-term performance targets. On the other hand, variable components, dependent among other criteria on the financial performance of the Company, serve to ensure the long-term impact of behavioral incentives.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2011 (PRIOR-YEAR FIGURES IN BRACKETS)*

€	Fixed	Bonus	LTI	LTI additional payment 2010	Total
Martin Winterkorn	1,886,206 (1,730,210)	11,040,000 (4,800,000)	3,670,000 (2,800,000)	860,000 –	17,456,206 (9,330,210)
Francisco Javier Garcia Sanz	1,093,154 (1,109,693)	4,600,000 (2,250,000)	1,630,000 (1,250,000)	380,000 –	7,703,154 (4,609,693)
Jochem Heizmann	1,101,878 (969,155)	4,100,000 (2,000,000)	1,630,000 (1,250,000)	380,000 –	7,211,878 (4,219,155)
Christian Klingler	964,336 (888,407)	4,600,000 (2,250,000)	1,630,000 (1,250,000)	380,000 –	7,574,336 (4,388,407)
Michael Macht	958,878 (215,625)	4,600,000 (500,000)	1,630,000 (312,500)	95,000 –	7,283,878 (1,028,125)
Horst Neumann	1,042,151 (998,077)	4,600,000 (2,250,000)	1,630,000 (1,250,000)	380,000 –	7,652,151 (4,498,077)
Hans Dieter Pötsch	1,015,613 (962,902)	5,100,000 (2,000,000)	1,630,000 (1,250,000)	380,000 –	8,125,613 (4,212,902)
Rupert Stadler	969,273 (885,408)	4,600,000 (2,250,000)	1,630,000 (1,250,000)	380,000 –	7,579,273 (4,385,408)
Total	9,031,491 (7,759,479)	43,240,000 (18,300,000)	15,080,000 (10,612,500)	3,235,000 –	70,586,491 (36,671,979)

* All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

In fiscal year 2011, the members of the Board of Management received fixed remuneration totaling €9,031,491 (previous year: €7,759,479). The fixed remuneration also includes differing levels of remuneration for the assumption of appointments at Group companies as well as noncash benefits, particularly the use of company cars and the grant of insurance cover. Taxes due on the noncash benefits were mainly borne by Volkswagen AG.

The variable remuneration comprises a bonus, which relates to business performance over the previous two years, and, since 2010, a Long-Term Incentive (LTI) plan, which is based on the previous four fiscal years, subject to an introductory phase.

The bonus amount is primarily oriented on the results achieved and the financial position of the Company.

The amount of the LTI depends on the achievement of the targets laid down in the Strategy 2018. The target areas are:

- › Top customer satisfaction, measured using the Customer Satisfaction Index,
- › Top employer, measured using the Employee Index,
- › Unit sales growth, measured using the Growth Index and
- › Increase in the return on sales, measured using the Return Index.

The Customer Satisfaction Index is calculated using indicators that quantify the overall satisfaction of our customers with the delivering dealers, new vehicles and the service operations based on the previous workshop visit.

The Employee Index is determined using the “employment” and “productivity” indicators as well as the participation rate and results of employee surveys (“opinion surveys”, see also the Employees section on page 208 of this report).

The Growth Index is calculated using the “deliveries to customers” and “market share” indicators.

The Return Index is derived from the return on sales and the dividend per ordinary share.

The indices on customer satisfaction, employees and unit sales are aggregated and the result is multiplied by the Return Index. This method ensures that the LTI is only paid out if the Group is also financially successful. If the 1.5% threshold for the return on sales is not exceeded, the Return Index is zero. This would mean that the overall index for the fiscal year concerned is also zero.

Each fiscal year, the Supervisory Board sets the LTI target on the basis of the four-year average of the overall indices. The LTI was calculated and paid to the Board of Management for the first time in 2011 for fiscal year 2010 using an introductory scenario and on the basis of the likely performance for 2011. As the actual figure for 2011 was higher than forecasted, an appropriate additional payment resulted for 2010, which will be taken into account when paying out the LTI in 2012. The performance

for fiscal years 2010 and 2011 will be reflected in the calculation in 2012, and the performance for 2010 to 2012 will be reflected in the calculation in 2013. From 2014 onwards, the previous four years will be used as a basis for analysis.

The Supervisory Board may cap the total of variable remuneration components in the event of extraordinary business developments.

Since the declaration of conformity with the German Corporate Governance Code was issued on November 20, 2009, a severance payment cap has been agreed when entering into new Board of Management contracts in accordance with the German Corporate Governance Code, although this does not apply to contracts with members of the Board for their third term of office and beyond. Existing rights are protected in such cases.

There were no changes to existing contracts in fiscal year 2011.

POST-EMPLOYMENT BENEFITS

In the event of termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension and to a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension.

The following rule applies to Board of Management contracts entered into for the first term of office before August 5, 2009: the retirement pension to be granted after leaving the Company is payable immediately if their membership of the Board of Management is terminated by the Company, and in other cases on reaching the age of 63. Any remuneration received from other sources until the age of 63 is deductible from the benefit entitlement up to a certain fixed amount.

The following rule applies to contracts for the first term of office of members of the Board of Management entered into after August 5, 2009: the retirement pension to be granted after leaving the Company is payable on reaching the age of 63.

The retirement pension is calculated as a percentage of the fixed basic salary, which accounts for most of the fixed individual remuneration of the Board of Management shown in the table on page 139. Starting at 50%, the individual percentage increases by two percentage points for each year of service. In specific cases, credit is given for previous employment periods and retirement pensions earned. The Presidium of the Supervisory Board has defined a maximum of 70%. These benefits are not broken down any further into performance-related components and long-term incentive components. Mr. Winterkorn, Mr. Garcia Sanz, Mr. Heizmann and Mr. Macht have a retirement pension entitlement of 70%, Mr. Neumann and Mr. Pötsch of 68%, and Mr. Klingler and Mr. Stadler of 54% of their fixed basic salaries as of the end of 2011.

Members of the Board of Management with contracts entered into on or after January 1, 2010 are entitled to payment of their normal remuneration for twelve months in the event of illness. Contracts entered into before that date grant remuneration for six months. In the event of disability, they are entitled to the retirement pension. Surviving dependents receive a widows' pension of 66 2/3% and orphans' benefits of 20% of the former member of the Board of Management's pension.

On December 31, 2011 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €78,627,844 (previous year: €63,824,850); €7,945,505 (previous year: €5,611,836) was added to the provision in the reporting period in accordance with IAS 19. The pension obligations measured in accordance with German GAAP amounted to €71,818,192 (previous year: €61,157,564); €16,970,145 (previous year: €24,804,582) was added to the provision in the reporting period in accordance with German GAAP. Current pensions are index-linked in accordance with the index-linking of the highest collectively agreed salary insofar as the application of section 16 of the Gesetz zur Verbesserung der betrieblichen Altersversorgung (BetrAVG –

German Company Pension Act) does not lead to a larger increase.

Retired members of the Board of Management and their surviving dependents received €8,618,915 in 2011 (previous year: €8,562,867). Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €109,452,277 (previous year: €109,898,944), or €104,212,838 (previous year: €107,392,431) measured in accordance with German GAAP.

EARLY TERMINATION BENEFITS

No severance payment is provided for in cases where membership of the Board of Management is terminated early without cause. Moreover, since November 20, 2009, the recommendation in article 4.2.3(4) of the German Corporate Governance Code (cap on severance payments) has been complied with when entering into new contracts with members of the Board of Management, unless these contracts relate to the third period of office of the member of the Board of Management concerned; existing rights are protected in such cases. Claims under the contract of employment are limited to a maximum of two years' remuneration.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2011 (PRIOR-YEAR FIGURES IN BRACKETS)¹

€	Additions to pension provisions	Present value at December 31 ²
Martin Winterkorn	875,002 (900,970)	19,669,807 (17,857,178)
Francisco Javier Garcia Sanz	724,514 (633,839)	8,453,909 (6,840,953)
Jochem Heizmann	1,130,354 (1,007,244)	9,515,593 (7,559,496)
Christian Klingler	470,933 –	1,522,411 (856,479)
Michael Macht	698,942 –	6,703,362 (5,195,764)
Horst Neumann	2,040,977 (1,781,918)	15,094,711 (11,735,728)
Hans Dieter Pötsch	1,460,569 (1,287,865)	10,831,395 (8,382,115)
Rupert Stadler	544,214 –	6,836,656 (5,397,137)
Total	7,945,505 (5,611,836)	78,627,844 (63,824,850)

¹ All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

² The amount is reported in the total amount for defined benefit plans contained in the balance sheet (see note 27 to the consolidated financial statements).

SUPERVISORY BOARD REMUNERATION

Under Article 17 of Volkswagen AG's Articles of Association, the remuneration of Volkswagen AG's Supervisory Board is composed of a fixed component (plus attendance fees) and a variable component that depends on the amount of the dividend paid. The duties performed by the respective member on the Supervisory Board are also taken into account. Several members of the Supervisory Board are also members of the supervisory boards of subsidiaries. The remuneration received there is based on the provisions

of the relevant Articles of Association and also comprises a fixed component and a variable component that is linked to the amount of the dividend paid. In fiscal year 2011, the members of the Supervisory Board received €7,376,151 (previous year: €5,348,561). €380,521 of this figure (previous year: €360,042) related to the fixed remuneration components (including attendance fees) and €6,995,630 (previous year: €4,988,520) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD¹

€	FIXED	VARIABLE	TOTAL	
			2011	2010
Ferdinand K. Piëch	60,500	789,722	850,222	592,800
Berthold Huber ²	38,000	551,000	589,000	278,785
Hussain Ali Al-Abdulla	11,000	237,500	248,500	126,064
Jassim Al Kuwari (since May 4, 2011)	6,958	156,684	163,642	–
Jörg Bode ³	14,000	356,250	370,250	208,376
Annika Falkengren (since May 4, 2011)	6,958	156,684	163,642	–
Michael Frenzel	15,000	356,250	371,250	249,146
Babette Fröhlich ²	15,000	356,250	371,250	271,250
Hans Michael Gaul (until May 3, 2011)	4,063	121,224	125,286	271,250
Jürgen Großmann (until May 3, 2011)	4,042	80,816	84,858	180,833
Peter Jacobs ²	12,000	237,500	249,500	182,833
David McAllister ³	15,000	356,250	371,250	133,643
Hartmut Meine ²	12,000	237,500	249,500	182,833
Peter Mosch ²	27,500	294,500	322,000	238,133
Bernd Osterloh ²	15,000	356,250	371,250	271,250
Hans Michel Piëch	23,000	275,500	298,500	221,033
Ferdinand Oliver Porsche	33,500	532,000	565,500	415,967
Wolfgang Porsche	13,000	356,250	369,250	271,250
Wolfgang Ritmeier	12,000	237,500	249,500	223,603
Jürgen Stumpf ²	15,000	356,250	371,250	207,376
Bernd Wehlauer ²	15,000	356,250	371,250	270,250
Thomas Zwiebler ²	12,000	237,500	249,500	113,766
Supervisory Board members who retired in the prior year	–	–	–	438,120
Total	380,521	6,995,630	7,376,151	5,348,561

¹ All figures shown are rounded, so minor discrepancies may arise from addition of these amounts.

² These employee representatives have stated that they will transfer their Supervisory Board remuneration to the Hans Böckler Foundation in accordance with the guidelines issued by the German Confederation of Trade Unions (DGB).

³ Under section 5(3) of the Niedersächsisches Ministergesetz (Act Governing Ministers of the State of Lower Saxony), these members of the Supervisory Board are obliged to transfer their Supervisory Board remuneration to the State of Lower Saxony as soon as and to the extent that it exceeds €6,200 per annum. Remuneration is defined for this purpose as Supervisory Board remuneration and attendance fees exceeding the amount of €200.