

Corporate Governance Report

Transparent and responsible corporate governance takes the highest priority in our daily work. We regard it as one of the key conditions for strengthening the trust of our customers and investors, continually increasing the Company's value and securing the future of the Volkswagen Group.

A BLUEPRINT FOR SUCCESSFUL CORPORATE GOVERNANCE: THE GERMAN CORPORATE GOVERNANCE CODE

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 Board of Management and the Supervisory Board of Volkswagen AG base their work on the recommendations and suggestions of the German Corporate Governance Code. We consider transparent and responsible corporate governance to be a key condition 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)

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 Aktiengesetz (AktG - German Stock Corporation Act) on November 21, 2014 with the following wording:

"The Board of Management and the Supervisory Board hereby declare that, in the period since the last declaration of conformity dated November 22, 2013 was issued, the recommendations by the Government Commission on the German Corporate Governance Code dated May 13, 2013 published by the German Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger) on June 10, 2013 and the identical recommendations dated June 24, 2014 (German Corporate Governance Code) published in the official section of the Federal Gazette on September 30, 2014 have been complied with and will continue to

be complied with, with the exception of the following articles for the reasons stated below.

> a) 4.2.3(4) (severance payment cap)

A severance payment cap is included in new Board of Management contracts. However, this is not the case for contracts entered into with members of the Board of Management commencing their third or subsequent term of office – provided that no cap was set in the first contract. Existing rights were protected in this respect.

> b) 5.1.2(2) sentence 3 (age limit for members of the Board of Management)

An age limit for members of the Board of Management is not deemed appropriate, as the ability to successfully lead the Company does not generally cease when a certain age is reached. A fixed age limit could also have a discriminatory effect. In the interests of the Company, it may be necessary to appoint someone beyond the age of 65. A fixed age limit therefore does not seem reasonable.

> c) 5.3.2 sentence 3 (independence of the Audit Committee Chairman)

Based on the wording of the German Corporate Governance Code, it is unclear whether the Audit Committee Chairman is "independent" as defined by article 5.3.2 sentence 3 of the German Corporate Governance Code. Any absence of "independence" could result from the Audit Committee Chairman's membership of the Supervisory Board of Porsche Automobil Holding SE, his kinship with other members of the Supervisory Board of the Company and of Porsche Automobil Holding SE, his indirect minority interest in Porsche Automobil Holding SE and his business relationships with other members of the Porsche and Piëch families, who also hold an indirect interest in Porsche Automobil Holding SE. However, according to the Supervisory Board and the Board of Management, these relationships do not constitute a conflict of interest or impair the Audit Committee Chairman's ability to perform his duties. As a precautionary measure, however, this exception is declared here.

- > d) 5.4.1(4 to 6) (disclosure regarding election recommendations)
With regard to the recommendation in article 5.4.1(4 to 6) of the German Corporate Governance Code on the disclosure of particular circumstances for election recommendations of the Supervisory Board to the Annual General Meeting, the requirements of the Code are vague and their boundaries unclear. To this extent, the Board of Management and the Supervisory Board therefore declare a departure from the Code as a precautionary measure. Nevertheless, the Supervisory Board will endeavor to meet the requirements of article 5.4.1(4 to 6).
- > e) 5.4.6(2) sentence 2 (performance-related remuneration of members of the Supervisory Board)
The remuneration of the Supervisory Board is determined by the shareholders in Article 17(1) of the Volkswagen AG Articles of Association by means of a link to the dividend, among other things. To this extent, we assume that the variable compensation component is linked to the “sustainable growth of the enterprise” in line with the provisions of article 5.4.6(2) sentence 2 of the German Corporate Governance Code. However, as differing interpretations of this cannot be ruled out, a departure from this recommendation of the Code is declared as a precautionary measure.”

The current declaration of conformity is also 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, with the exception of the suggestion in article 5.1.2(2) sentence 1 (Appointment period for first-time appointments to the Board of Management), are complied with in full. The Supervisory Board decides the appointment period for each first-time appointment to the Board of Management on an individual basis, taking the best interests of the Company into account.

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

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 and other laws and regulations.

The declarations of conformity of our listed subsidiaries can be accessed at the websites below. In addition, further information on corporate governance at Scania AB can be found at the address provided.

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 above criteria have been met.

i DECLARATION OF CONFORMITY OF VOLKSWAGEN AG
www.volkswagenag.com/ir

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

i DECLARATION OF CONFORMITY OF MAN SE
www.man.eu/corporate

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

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

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 70 to 73.

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 59 to 69 of the management report, in the notes to the consolidated financial statements on page 302 and on page 55 of the notes to the annual financial statements of Volkswagen AG.

CORPORATE GOVERNANCE DECLARATION

The corporate governance declaration is part of the combined management report and 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 over 12,000 participants from more than 145 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. In the reporting period, the Group Board of Management member for marketing

and sales and the Group Board of Management member for procurement, among others, stressed the importance of compliance to employees, both for their own departments and for the Company as a whole.

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 160). 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 activities, 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. Nevertheless, we are aware that even the best compliance management system can never entirely prevent the criminal actions of individuals.

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 2014

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 2014 focused on further developing compliance standards for the sales organization and dealings with suppliers, among other things. The subject of “human rights and the Code of Conduct in the supplier chain” was driven forward in close cooperation with Group Procurement.

The Group Chief Compliance Officer is supported by 14 Chief Compliance Officers or compliance contact persons (staff who are responsible at the brands, the Financial Services Division and Porsche Holding GmbH, Salzburg). They are supported by compliance officers in the Group companies. In total, staff in 66 countries are employed in the GRC function.

Communicating compliance

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. Digital media such as intranet portals, smartphone apps and tablets, blogs and newsletters are also frequently used to provide compliance information. On Inter-

national Anti-Corruption Day in early December 2014, a global internal communications campaign was launched in the Volkswagen Passenger Cars brand with a compliance film produced specially for Volkswagen. At the same time, poster campaigns also highlighted the topic of preventing corruption.

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.

Directives on dealing with gifts and invitations, as well as on making donations apply across the Group.

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.

Learning programs, training and advice

Providing information to employees at all levels continues to be a core component of our compliance work. In 2014, over 185,000 employees across the Group participated in a variety of different events on the topics of compliance, the Code of Conduct, anti-corruption, human rights, anti-money laundering, and competition and antitrust law in 2014. In addition to traditional lectures and e-learning programs, case studies, role playing formats and a GRC board game form an integral part of the training provided to employees. A compliance app for smartphones and tablets, among other things, is available for employee information. 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 for specific target groups. For example, it is a core component of the training provided to sales and procurement employees.

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. An IT-based information and advisory tool is available at Volkswagen AG's German locations.

Business partner check

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) in a risk-oriented approach. 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.

Ombudsman system

The Group-wide ombudsman system can be used to report any breaches or suspicions (particularly regarding corruption) in ten different languages to two external lawyers appointed by the Group. Since 2014, employees providing information have had the option of communicating with the ombudsmen via another online channel; any breaches can be reported using a technically highly secure electronic mailbox. Naturally, the people providing the information need not fear being sanctioned by the Company for doing this. In 2014, the ombudsmen passed on 51 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 89 cases directly. During local internal audits of the brands and Group companies, 365 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 corporate units and the regular exchange of information with external bodies, for example.

RISK MANAGEMENT

Carefully managing potential risks to the Company is a key component of our daily work. Volkswagen Group's risk management system is oriented toward identifying, assessing, communicating and managing risks at an early stage. This system is reviewed on an ongoing basis and adjusted in line with new conditions as necessary. A detailed description of the risk management system and our accounting-related internal control system can be found in the Risk Report on pages 160 to 163 of this annual report.

The Supervisory Board has established an Audit Committee, which monitors the financial accounting and reporting processes and the effectiveness of the internal control system, risk management, the internal audit system and compliance, in particular. It also supervises the audit of financial statements, particularly the independence of the auditors, the additional services provided by the auditors, the audit engagement, the definition of the areas of emphasis for the audit and the agreed fee.

COMMUNICATION AND TRANSPARENCY

The Volkswagen Group publishes a financial calendar listing all the relevant dates for its shareholders in its annual report and interim reports and on its website at www.volkswagenag.com/ir. The invitations to and the agendas for the shareholders' meetings and any countermotions received are also available on this website. At the shareholders' meetings, shareholders may exercise their voting rights themselves, have this right exercised on their behalf by a

third-party proxy whom they have appointed, or use a proxy designated by the Company who will vote on their behalf in accordance with their voting instructions. In addition, we offer our shareholders the opportunity to watch the Annual General Meetings in full on the Internet.

News and information on the Volkswagen Group are available on our website at www.volkswagenag.com/ir. The releases and other information are published in both English and German.

Immediately after their publication in line with legal requirements, the Company's ad hoc releases are also published on our website at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Ad-hoc releases".

We publish directors' dealings (section 15a of the WpHG) at www.volkswagenag.com/ir under the heading "Mandatory Publications", menu item "Directors' Dealings".

In addition, details of the notifications filed in compliance with sections 21ff. of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) during the reporting period can be found on this website under the heading "Mandatory Publications", menu item "Reporting of voting rights according to WpHG". Notifications relating to other legal issues may be downloaded there under the heading "Mandatory Publications", menu item "Other legal issues".

The supervisory body appointments held by Board of Management members and Supervisory Board members can be found on pages 70 to 73 of this annual report.

