

Corporate Governance Report (Part of the Management Report)

Responsible, transparent and value-enhancing corporate governance

How successful we are at continually increasing our Company's value is crucial for the future of the Volkswagen Group. The trust of our customers and investors is a fundamental requirement. We foster this trust through transparent and responsible corporate governance, which takes the highest priority in our daily work. That's why the Board of Management and the Supervisory Board of Volkswagen AG comply with the recommendations of the current German Corporate Governance Code as issued on May 26, 2010 with only one limited exception.

SUCCESSFUL CORPORATE GOVERNANCE IN ACCORDANCE WITH THE RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance. The content of the Code was prepared by the responsible government commission on the basis of the material statutory provisions and nationally and internationally recognized standards of corporate governance. This government commission reviews the German Corporate Governance Code on an annual basis and arranges for any necessary amendments or updates. The recommendations and suggestions of the Code form the basis for the work of the Board of Management and the Supervisory Board of Volkswagen AG, as responsible and transparent corporate governance allows us to strengthen the trust of our customers and investors in our work. It also allows us to meet the steadily increasing demand for information from national and international stakeholders. These are fundamental conditions for increasing our Company's value.

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

The annual declaration of conformity with the German Corporate Governance Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) was issued by the Board of Management and the Supervisory Board of Volkswagen AG on November 18, 2011. In this document, the two Boards declare that, since the last declaration of conformity was submitted on December 3, 2010, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 have been

and will continue to be fully complied with, with the exception of article 4.2.3 (4) (severance payment cap).

The severance payment cap has been and will continue to be included in new contracts entered into with members of the Board of Management, with the exception of contracts entered into with Board of Management members who are commencing their third or later term of office, provided a cap did not form part of the initial contract. In this respect, grandfathering arrangements have been and will continue to be preserved.

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".

The Volkswagen Group will also largely comply with the suggestions of the Code. However, there are no plans to take long-term performance into account in determining Supervisory Board compensation (article 5.4.6(2), sentence 2). In this regard, we will continue tracking in particular court judgments and the debate on this matter in professional circles.

In their declaration of conformity with the German Corporate Governance Code of November 23, 2011, the Board of Management and Supervisory Board of AUDI AG declared that the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 have been complied with since the submission of the last declaration of conformity on November 29, 2010. However, there were and are qualifications: the Supervisory Board has not formed a Nomination Committee (article 5.3.3) and members are not elected to the Supervisory

Board on an individual basis (article 5.4.3, sentence 1). The Supervisory Board believes that a Nomination Committee would merely increase the number of committees without noticeably improving the Supervisory Board's work. List-based elections are quite common in democratic voting processes. Since November 23, 2009, a cap on severance payments has been agreed when entering into new Board of Management contracts, which means that article 4.2.3(3) and (4) has been complied with for new contracts since that date. Because of the grandfathering arrangements, contracts entered into before that date remain unaffected by this new rule. The declaration of conformity of AUDI AG is published at www.audi.com.

The following applies to AUDI AG with regard to the suggestions contained in the Code: AUDI AG will broadcast the Annual General Meeting on the Internet until the start of the plenary discussions. This will strike an acceptable balance between the individual investors' need for information and their general personal rights. By following this procedure, the Board of Management and Supervisory Board of AUDI AG consider that there is no need to enable absent shareholders to contact the company's proxies (article 2.3.3, sentence 3, 2nd half-sentence) during the Annual General Meeting. Moreover, the performance-related remuneration of members of the Supervisory Board does not include any components based on long-term performance (article 5.4.6(2), sentence 2). AUDI AG will continue tracking the debate on this matter in professional circles.

In their declaration of conformity with the German Corporate Governance Code in December 2011, the Executive Board and Supervisory Board of MAN SE declared that MAN SE complied with the recommendations of the Code in accordance with its declaration of conformity of December 2010, the supplement issued in May 2011 and the notice regarding this supplement issued in July 2011, and will comply with the recommendations of the Code as amended on May 26, 2010. The declaration of conformity of MAN SE is published at www.man.eu/MAN/en/Investor_Relations under the heading "Corporate Governance at MAN", menu item "Declaration of Conformity". The Executive Board and Supervisory Board of Renk Aktiengesellschaft, a listed subsidiary of MAN SE, have also issued a declaration of conformity, which is published on the company's website at www.renk.eu.

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 to be complied with, 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/corporate-governance-report.

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 intends to achieve a composition of this body that takes the following criteria into account:

- At least three members of the Supervisory Board should be persons who embody in particular the characteristic of internationality.
- Among the shareholder representatives, at least four members of the Supervisory Board should be persons who are neither consultants or members of governing bodies of customers, suppliers, lenders, or other business partners of the Volkswagen Group nor have a business or personal relationship with Volkswagen AG or its Board of Management that could constitute a conflict of interest.
- At least two Supervisory Board members should be women, and at least one female member should represent the shareholders.
- In addition, proposals for elections should not normally include persons who will have reached the age of 70 by the time the election takes place.

The first three objectives have already been met. As a rule, individuals will also not be proposed for election to the Supervisory Board if they are 70 years old at the time of the election.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

The Board of Management and Supervisory Board have agreed the strategic orientation of the Volkswagen Group in close consultation. At regular intervals, the two Boards jointly determine progress on the implementation of the strategy and discuss additional measures. The Board of Management provides the Supervisory Board with regular, complete and prompt written and verbal reports on all relevant issues concerning business development, planning and the Company's situation, including the risk situation, risk management and compliance.

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

 **DECLARATION OF CONFORMITY OF AUDI AG**
www.audi.com

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

 **DECLARATION OF CONFORMITY OF SCANIA AB**
www.scania.com/scania-group/corporate-governance

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 14 to 19 of this annual report. Information on the membership of the Board of Management and Supervisory Board, as well as its committees, may be found on pages 147 to 150.

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 139 to 142 of this annual report.

CORPORATE GOVERNANCE DECLARATION

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

COMPLIANCE

In accordance with the requirements of the German Corporate Governance Code, the Board of Management of the Volkswagen Group ensures that the statutory requirements and the Company's internal policies are complied with and respected throughout the Group. Volkswagen's sense of duty has always gone beyond statutory and internal requirements; obligations undertaken and ethical principles accepted voluntarily also form an integral part of our corporate culture and are at the same time the guiding principle on which we base our decisions. Our compliance activities are based on a Group-wide strategy, which embraces a preventive approach. These activities were driven forward in the Volkswagen Group during the reporting period.

The Code of Conduct introduced by the Volkswagen Group in 2010 was not only successfully integrated into many existing processes in the past year, but also implemented in a large number of companies. At the same time, the comprehensive, Group-wide compliance organization was further developed to support Group companies, locations and business units in promoting and ensuring compliance. We have appointed further chief compliance officers, compliance officers and compliance representatives at the brands and companies worldwide who are responsible for the implementation of measures and thus support the Group Chief Compliance Officer in his task of initiating, controlling and supervising preventive measures and ensuring that the rules are complied with. The Group Chief Compliance Officer reports directly to the Chairman of the Board of Management of Volkswagen AG.

Our compliance work is further supported by the existing compliance expertise in our corporate units: the Core Compliance Team, which comprises experts from Group Internal Audit, Security and Data Protection among others, meets regularly, and the Compliance Board started its work as a committee of opinion leaders at senior executive level during the reporting period.

In 2011, the compliance program activities were largely focused on preventive measures in the area of competition and anti trust law. Key measures included the direct call by the Chairman of the Board of Management, Prof. Dr. Martin Winterkorn, on management to internalize compliance, as well as the preparation of a large number of written information documents distributed to the senior managers and Group senior executives of Volkswagen AG, among others. During the second half of the year, target group-specific information events were held at which more than 1,800 employees in key areas received training. The compliance program was reinforced through the simultaneous use of internal communication channels.

In addition, information on compliance was provided to around 6,000 employees at close to 200 in-depth, on-site seminars in 2011. Participants ranged from new hires through vocational trainees, employees in direct and indirect areas of the Group and management trainees, up to members of senior management. In addition to these events, employees also regularly receive the latest information on all compliance-relevant issues through the internal communication channels. The information can also be downloaded from the intranet at any time.

Our compliance activities during the reporting period also focused on the implementation of measures to prevent corruption. The e-learning offering to help avoid conflicts of interest and corruption was made available to additional employee groups, after being offered to members of the senior management in an initial stage. More than 40,000 employees of Volkswagen AG and the Group brands have so far received training in this way. The implementation of online training programs to provide targeted education to employees is progressing in many Group companies and is a core component of our compliance work.

To ensure that persons wishing to provide information on suspected instances of corruption within the Group have a point of contact, in January 2006 Volkswagen AG established a global anti-corruption system with independent lawyers as ombudsmen and an internal Anti-Corruption Officer. In 2011, the ombudsmen passed on information provided by persons, whose details remained confidential, to Volkswagen AG's internal Anti-Corruption Officer in 36 cases. All information is followed up.

Moreover, employees have the option to contact the compliance organization via an e-mail address. In addition to the line managers and contacts in the individual departments, this e-mail address is a further point of contact for all issues relating to compliance. This facility has been used to obtain advice and assistance more than 400 times.

The assessment and early identification of risks are part of the Group-wide, integrated approach consisting of governance, risk & compliance. As in the previous years, all relevant and current compliance issues underwent an internal risk assessment in 2011 in order to determine the themes for the 2012 compliance program. In view of the Group's global growth, preventing corruption will be the key issue. A variety of preventive measures will be implemented, a cornerstone of which will remain employee education and information.

RISK MANAGEMENT

Carefully managing potential risks to the Company plays a significant role in our daily work. We have therefore implemented a risk management system that helps us to identify risks and optimize existing risk positions. We continually adapt this system to changes in the operating environment. Extensive details of the risk management system and a description of our accounting-related internal control system may be found in the Risk Report on pages 220 to 221 of this annual report.

The Audit Committee established by the Supervisory Board deals in particular with accounting and risk management issues, including the internal control system, and compliance. Its tasks also include supervising the required independence of the auditors, the engagement of the auditors, the definition of areas of emphasis of the audit and the agreed fee. As recommended in article 5.3.2 of the German Corporate Governance Code, the Chairman of the Audit Committee, Dr. Ferdinand Oliver Porsche, has particular expertise and experience in the application of financial reporting principles and internal control systems.

COMMUNICATION AND TRANSPARENCY

In its annual report, in the interim reports and on its website at www.volkswagenag.com/ir, the Volkswagen Group publishes a financial calendar listing all the important dates for its shareholders. The invitations to and the agendas for the shareholders' meetings and any counter motions 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 granted power of attorney, or by 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 Meeting on the Internet until the end of the general debate.

News and information about the Volkswagen Group can be downloaded from our website at www.volkswagenag.com/ir. All 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".

A detailed list of all communications published in 2011 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 the above website under the heading "Mandatory Publications".

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 21 ff. 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 offices held by Board of Management members and Supervisory Board members can be found on pages 147 to 150 of this annual report.