

Corporate Governance Report (Part of the Management Report)

Responsible, transparent and value-enhancing corporate governance

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. 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 15, 2012 with a few justified exceptions.

SUCCESSFUL CORPORATE GOVERNANCE BASED ON THE RECOMMENDATIONS AND SUGGESTIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance. It was prepared by the responsible government commission on the basis of the material statutory provisions and nationally and internationally recognized standards of corporate governance. The government commission reviews the German Corporate Governance Code on an annual basis and amends or updates it as necessary. The recommendations and suggestions of the Code underpin the work of the Board of Management and Supervisory Board of Volkswagen AG, as responsible and transparent corporate governance helps 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 continuously increasing our Company's value.

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

On February 27, 2012 the Board of Management and the Supervisory Board of Volkswagen AG issued a declaration of conformity with the German Corporate Governance Code. This became necessary due to changes in its application since the previous declaration of conformity was submitted on November 18, 2011. In this document, the Board of Management and Supervisory Board declare that, since the last declaration of conformity was submitted on November 18, 2011, the recommendations of the Government Commission on the German Corporate Governance Code in the version dated May 26, 2010 published by the German Federal Ministry of Justice on July 2, 2010 have

been complied with, with the exception of article 4.2.3(4) (severance payment cap). They further state that, as of the declaration of February 27, 2012, all recommendations were fully complied with, with the exception of article 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management) 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 declarations of conformity, which are published on our website, www.volkswagenag.com/ir, under the heading "Corporate Governance", menu item "Declarations".

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 23, 2012. In this document, they declare that, since the last declaration of conformity was submitted on February 27, 2012, the recommendations in the version dated May 26, 2010 published on July 2, 2010 were complied with, with the exception of article 4.2.3(4) (severance payment cap), 5.1.2 (age limit for members of the Board of Management) 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), up to the publication of the new version dated May 15, 2012 published on June 15, 2012.

From June 15, 2012 until the current declaration of conformity was submitted on November 23, 2012, the recommendations of May 15, 2012 published on June 15, 2012 were complied with, with the following exceptions: articles 4.2.3(4) (severance payment cap), 5.1.2 (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(2) (specification of concrete objectives regarding the composition of the Supervisory Board), 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).

In this document, the Board of Management and Supervisory Board also declare that, as of the declaration of November 23, 2012, the recommendations of May 15, 2012 published on June 15, 2012 have been and will continue to be complied with, with the exception of articles 4.2.3(4) (severance payment cap), 5.1.2 (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 declarations of conformity, which are 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 have been complied with in full since June 15, 2012. With regard to the previous version of the Code, a deviation from the recommendation in article 5.4.6(2) sentence 2 was declared as a precautionary measure until June 15, 2012. It was unclear whether the remuneration of members of the Supervisory Board, which is regulated by the shareholders in article 17(1) of the Volkswagen AG Articles of Association by means of a link to dividend distribution among other things, represented a variable compensation component in line with the provisions of article 5.4.6(2) of the German Corporate Governance Code.

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

The annual declaration of conformity with the German Corporate Governance Code was issued by the Board of Management and the Supervisory Board of AUDI AG on November 29, 2012. In this document, the two Boards declare 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 were complied with up to the publication of the new version dated May 15, 2012 on June 15, 2012. However, there were qualifications: the Supervisory Board has not formed a Nomination Committee (article 5.3.3 of the Code) and members are not elected to the Supervisory Board on an individual basis (article 5.4.3 sentence 1 of the Code).

The two Boards furthermore declared that the recommendations of the version dated May 15, 2012 published on June 15, 2012 were and will continue to be complied with, with the exception of 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 Audit Committee Chairman), 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), 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 German Corporate Governance Code without exception.

In their declaration of conformity with the German Corporate Governance Code in December 2012, the Executive Board and Supervisory Board of MAN SE declared that the recommendations of the German Corporate Governance Code in the version dated May 26, 2010 published on July 2, 2010 were complied with up to June 15, 2012 in accordance with MAN SE's declaration of conformity of December 2011.

The recommendations of the German Corporate Governance Code in the version dated May 15, 2012 published on June 15, 2012 were complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee) and 5.4.6(2) (performance-related remuneration of members of the Supervisory Board), from June 15, 2012 until the date of submission of the current declaration of conformity. Following the necessary consultations and the corresponding decision by the Supervisory Board, article 5.4.1(2) (specification of concrete objectives regarding the composition of the Supervisory Board) has been complied with since December 12, 2012.

■ 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.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

The Executive Board and Supervisory Board of MAN SE also declare that, from the date of issue of the current declaration in December 2012, the recommendations of the German Corporate Governance Code in the version of May 15, 2012 published on June 15, 2012 have been complied with, with the exception of articles 5.3.2 sentence 3 (independence of the Chairman of the Audit Committee), 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 are explained in the declaration of conformity, which is available at www.man.eu/en under the heading "Company".

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.

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.
- › Among the shareholder representatives, at least four members of the Supervisory Board should be persons who do not represent potential conflicts of interest, particularly those 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, and at least two female members 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 four 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 of Volkswagen AG decide on the strategic orientation of the Volkswagen Group in close consultation. The two Boards discuss the progress of the strategy implementation at regular intervals. 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.

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 21 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 137 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

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 sense of commitment has always gone beyond statutory and internal requirements; obligations undertaken and ethical principles accepted voluntarily also form an integral part of our corporate culture.

The Volkswagen Group also endeavors to fight 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 7,000 participating companies in more than 135 countries to create a more sustainable and fair global economy.

Consciously implementing core values like integrity and fairness, rather than simply defining them, has been and will continue to be actively promoted by our corporate governance. Speaking to more than 3,900 managers in March 2012, Chairman of the Board of Management of Volkswagen AG, Prof. Dr. Martin Winterkorn, stressed that there is no leeway when it comes to the issue of compliance to safeguard the Company's reputation. Clear declarations of commitment to compliance were also made to the workforce by other members of the Group Board of Management and brand boards of management during the year.

Volkswagen embraces a preventive compliance approach and aims to create a corporate culture that stops potential breaches before they occur, through raising awareness and educating employees. The necessary investigative measures are regularly performed by Group Internal Audit and Group Security. Both departments systematically monitor compliance and perform reviews on a test basis irrespective of whether any breaches are suspected, as well as investigating specific suspected breaches. Responses are implemented by the Human Resources and Group Legal departments. These processes are closely interrelated as part of a comprehensive compliance management system. In addition, a large number of governing bodies belong to the compliance organization at Group and brand level. These include the Compliance Board at senior executive level and other expert committees, such as the Core Compliance Team.

The Group Chief Compliance Officer is currently supported by 13 Chief Compliance Officers, who are responsible for the brands. The number of Compliance Officers in the Group companies has risen by 35 to 100. In total, more than 400 employees are involved in the Governance, Risk and Compliance organization in some 39 countries.

The organization provided information on various compliance issues to the brands and companies over the year, using a wide range of traditional communication channels, such as reports in different employee magazines produced by the brands, companies and locations. Websites, smart-phone applications, blogs and electronic newsletters are also frequently used to provide compliance information. The Compliance intranet site registered more than 17,000 clicks in the space of just three days following a works meeting at the Wolfsburg site, which clearly shows that initiatives like the series of films on compliance are generating a favorable response. The communication measures also include speaking to employees personally at information stands at works and other employee meetings. Our compliance communication has not only been well received internally, as the Volkswagen Group's communication campaigns and media received numerous external awards during the year.

The prevention of active corruption was the main focus in 2012. In particular, we pushed ahead integration with the compliance organization in key strategic markets such as Brazil, Russia, India, China, Malaysia, Argentina and Mexico.

In November 2012, we also published anti-corruption guidelines and distributed them throughout the compliance organization, sending them to more than 5,700 Volkswagen AG managers. Prof. Dr. Martin Winterkorn took this opportunity to again emphasize the importance of compliance. The guidelines use real examples to raise awareness, provide corruption risk checklists and demonstrate measures for successfully avoiding corruption. Among other things, the guidelines expressly forbid facilitation payments. They are available to all Volkswagen AG employees in electronic form via the Volkswagen portal.

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

We have now provided the Code of Conduct to all consolidated brand companies and established it as a fundamental part of our corporate culture. Brochures on the Code of Conduct have been widely distributed and are available to employees via the Volkswagen portal, for example. The Code of Conduct has also been further integrated into operational processes. Since 2010, new employment contracts with Volkswagen AG make reference to the Code of Conduct and the requirement to comply with it.

Further progress was also made in the area of competition and antitrust law – the focal point of the 2011 compliance program – during the reporting period.

Information events for employees at all levels are still a core component of our compliance work. Across the Group, a total of 45,000 employees worldwide attended events on the topics of compliance, the Code of Conduct, competition and antitrust law, and anti-corruption in 2012. E-learning programs are also an established means of providing employee training. Around 20,000 employees successfully completed the e-learning program on avoiding conflicts of interest and corruption in 2012. A training program on the Group's Code of Conduct was added to the e-learning offering in the year. Since July 1, 2012 participation has been compulsory for new Volkswagen AG employees. More than 70,000 employees have taken the opportunity to further their professional development by participating in e-learning programs on the subject of compliance since 2009.

For the Volkswagen Group, the excellent reputation enjoyed by the Company in the business world and among the public is a precious asset. To safeguard its reputation, Volkswagen verifies the integrity of new business partners. The aim is to find out about potential business partners before entering into a relationship with them, in order to reduce the risk of starting a cooperation that could be damaging to business or the Company.

In 2012, the compliance organization's advisory services were significantly expanded. All brands and a large number of companies now offer their employees the opportunity to receive personal advice, usually by contacting the compliance organization via an e-mail address. At Volkswagen AG's German sites, an IT-based information and advisory tool was launched in March 2012.

An anti-money laundering concept was also developed in 2012. This tool is based on the identified risks and is structured according to business area. It meets the new requirements of the Geldwäschegesetz (GwG – German Money Laundering Act) that came into force in the reporting period.

Any breaches or suspicions (particularly regarding corruption) can be reported to two external lawyers appointed by the Group via the ombudsman system in place since 2006. In 2012, the ombudsmen passed on 46 reports provided by persons, whose details remained confidential if requested, to Volkswagen AG's Anti-Corruption Officer. Information on a further 64 cases was provided directly to the Anti-Corruption Officer or the head of Group Internal Audit. 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.

We review the effectiveness of the compliance measures on an annual basis through an integrated survey of the Volkswagen Group's brands and companies. The effectiveness of selected management controls to manage compliance risks is also checked. Detailed compliance risk assessments were carried out across the Group in 2012. The findings were factored into the risk analyses of the Volkswagen Group, the brands and the companies and are therefore subject to a continuous improvement process. Based on the risk analysis, the compliance activities in 2013 will focus on expanding the compliance organization within the Volkswagen Group and preventing corruption in China, in addition to strengthening the existing structures.

During the reporting period, independent experts were engaged to assess the compliance management system concept. They concluded that Volkswagen has established “an effective and efficient compliance management system”.

RISK MANAGEMENT

We place great importance on carefully managing potential risks to the Company in our daily work. Our risk management system is oriented toward identifying risks and optimizing existing risk positions. We continually adapt this system to changes in the operating environment. A detailed description of the risk management system and our accounting-related internal control system may be found in the Risk Report on pages 226 to 228 of this annual report.

The Audit Committee established by the Supervisory Board monitors the financial reporting process, the effectiveness of the internal control and internal audit systems, and compliance, in particular. It also supervises the audit of financial statements, particularly the required independence of the auditors, the additional services performed by 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

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 who has been 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 in full on the Internet.

News and information on the Volkswagen Group is available on 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”.

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.