

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.

PRINCIPLES OF AND CHANGES TO BOARD OF MANAGEMENT REMUNERATION

The full Supervisory Board resolves on the remuneration system and the total remuneration for each individual member of the Board of Management on the basis of the Executive Committee's recommendations. The remuneration of current members of the Board of Management complies with the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and, subject to any retroactive effect for 2012, the recommendations of 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 remuneration system of the members of the Board of Management applicable to date was approved by the 50th Annual General Meeting on April 22, 2010 by 99.44% of the votes cast. At the same time, the Volkswagen Group's positive business performance over the past two years in particular made it necessary to modify and realign Board of Management remuneration and the comparative parameters on which it is based. The remuneration of the Board of Management was modified with the assistance of a remuneration consultant, whose independence was assured by the Board of Management and by the Company.

Material changes to the remuneration system relate to the bonus, the calculation of which will be realigned to reflect business development. It now also explicitly takes into account the individual performance of members of the Board of Management.

The retroactive adjustment of the comparative parameters for the bonus requires a departure from the recommendation in article 4.2.3(3) sentence 3 of the German Corporate Governance Code, which precludes the retroactive adjustment of performance targets or comparative parameters. This recommendation will be complied with again in the future.

The level of Board of Management remuneration should be appropriate and attractive in the context of the Company's national and international peer group. Criteria include the tasks of the individual Board of Management member, their personal performance, the economic situation, the performance of and outlook for the Company, as well as how customary the remuneration is when measured against its peer group and the remuneration structure that applies to other areas of Volkswagen. In this context, comparative studies on remuneration are conducted on a regular basis.

COMPONENTS OF BOARD OF MANAGEMENT REMUNERATION

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.

FIXED REMUNERATION

In fiscal year 2012, the members of the Board of Management received fixed remuneration totaling €9,506,343 (previous year: €9,031,491). The fixed remuneration also includes differing levels of remuneration for appointments assumed at Group companies as well as the cost or cash equivalent of noncash and other benefits, such as the use of company cars and the payment of insurance premiums. Taxes due on the noncash benefits were mainly borne by Volkswagen AG.

The basic remuneration is reviewed regularly and adjusted if necessary.

VARIABLE REMUNERATION

The variable remuneration comprises a bonus, which relates to business performance over the preceding 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. Both components of variable remuneration are therefore calculated on a multiyear basis and reflect both positive and negative developments.

Bonus

The bonus rewards the positive business development of the Volkswagen Group. The basis for calculating the bonus is adjusted to reflect the positive business development in recent years in connection with the changes to Board of

Management remuneration. The bonus is calculated on the basis of the average operating profit, including the share of the operating profit in China, over a period of two years. A significant change was the introduction of a calculation floor below which no bonus will be paid. This floor was set at €5.0 billion for 2012 and 2013. In addition, a cap for extraordinary developments is explicitly provided for by limiting the maximum theoretical bonus. The theoretical cap for 2012 and 2013 is €6.75 million for the Chairman of the Board of Management and €2.5 million for the other members of the Board of Management. The system and the cap are regularly reviewed by the Supervisory Board to establish whether any adjustments are necessary.

REMUNERATION OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2012 (PRIOR-YEAR FIGURES IN BRACKETS)*

€	BONUS				LTI additional payment 2010	Total
	Fixed remuneration	Special remuneration	Individual performance-related bonus	LTI		
Martin Winterkorn	1,916,276 (1,886,206)	5,770,000 (11,040,000)	2,885,000	3,940,000 (3,670,000)	– (860,000)	14,511,276 (17,456,206)
Francisco Javier Garcia Sanz	1,102,278 (1,093,154)	2,150,000 (4,600,000)	860,000	1,750,000 (1,630,000)	– (380,000)	5,862,278 (7,703,154)
Jochem Heizmann	1,100,204 (1,101,878)	2,150,000 (4,100,000)	645,000	1,750,000 (1,630,000)	– (380,000)	5,645,204 (7,211,878)
Christian Klingler	999,756 (964,336)	2,150,000 (4,600,000)	860,000	1,750,000 (1,630,000)	– (380,000)	5,759,756 (7,574,336)
Michael Macht	995,277 (958,878)	2,150,000 (4,600,000)	430,000	1,750,000 (1,630,000)	– (95,000)	5,325,277 (7,283,878)
Horst Neumann	1,062,771 (1,042,151)	2,150,000 (4,600,000)	860,000	1,750,000 (1,630,000)	– (380,000)	5,822,771 (7,652,151)
Leif Östling	319,952 –	716,667 –	215,000	583,333 –	– –	1,834,952 –
Hans Dieter Pötsch	1,025,047 (1,015,613)	2,150,000 (5,100,000)	1,075,000	1,750,000 (1,630,000)	– (380,000)	6,000,047 (8,125,613)
Rupert Stadler	984,782 (969,273)	2,150,000 (4,600,000)	860,000	1,750,000 (1,630,000)	– (380,000)	5,744,782 (7,579,273)
Total	9,506,343 (9,031,491)	21,536,667 (43,240,000)	8,690,000	16,773,333 (15,080,000)	– (3,235,000)	56,506,343 (70,586,491)

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

Another material change relates to the Supervisory Board's ability to increase the theoretical bonus, which is calculated on the basis of average operating profit, by up to 50% by applying individual adjustment factors that are not linked to the theoretical cap so as to reward members of the Board of Management for extraordinary individual performance. This can be adjusted by the Supervisory Board in the event of extraordinary individual performance by a member of the Board of Management that strengthens the Company's long-term growth. This may take into account extraordinary performance in the area of integration, or the successful implementation of special projects, for example.

Long-Term Incentive (LTI)

The existing Long-Term Incentive plan, which is still in the introductory phase, was not adjusted in connection with changes to the Board of Management remuneration. 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 215 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 can set a new LTI target on the basis of the four-year average of the overall indices. During the reporting period, the LTI target was €2.25 million for the Chairman of the Board of Management and €1.0 million for each of the other members of the Board of Management. The maximum amounts payable to the Chairman of the Board of Management and the other members are €4.5 million and €2.0 million each respectively.

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. The performance for fiscal years 2010 and 2011 was 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.

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.

There were no changes to existing contracts in fiscal year 2012.

POST-EMPLOYMENT BENEFITS

In the event of regular termination of their service on the Board of Management, the members of the Board of Management are entitled to a pension, including a surviving dependents' pension as well as the use of company cars for the period in which they receive their pension. The agreed benefits are paid or made available 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 138. 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 Executive Committee 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, Mr. Macht, Mr. Neumann and Mr. Pötsch have a retirement pension entitlement of 70%, and Mr. Klingler and Mr. Stadler of 56% of their fixed basic salaries as of the end of 2012.

Mr. Östling has a pension entitlement based on the deferred compensation regulations administered by Volkswagen Pension Trust e.V. The benefits include a retirement pension on reaching the age of 70 and a surviving dependents' pension. Volkswagen AG provides an annual remuneration-linked company contribution for Mr. Östling,

which goes toward a pension module at the end of each year.

On December 31, 2012 the pension obligations for members of the Board of Management in accordance with IAS 19 amounted to €103,535,287 (previous year: €78,627,844); €7,870,299 (previous year: €7,945,505) was added to the provision in the reporting period in accordance with IAS 19. Other benefits such as surviving dependents' pension and the use of company cars are also factored into the measurement of pension provisions. The pension obligations measured in accordance with German GAAP amounted to €75,445,501 (previous year: 71,818,192); €3,627,309 (previous year: €16,970,145) 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 €8,797,230 in 2012 (previous year: €8,618,915). Obligations for pensions for this group of persons measured in accordance with IAS 19 amounted to €146,501,307 (previous year: €109,452,277), or €122,324,853 (previous year: €104,212,838) measured in accordance with German GAAP.

EARLY TERMINATION BENEFITS

If membership of the Board of Management is terminated for cause through no fault of the Board of Management member, the claims under Board of Management contracts entered into since November 20, 2009 are limited to a maximum of two years' remuneration, in accordance with the recommendation in article 4.2.3(4) of the German Corporate Governance Code (cap on severance payments). For Board of Management members who are commencing their third or later term of office, existing rights under contracts entered into before November 20, 2009 are grandfathered.

No severance payment is made if membership of the Board of Management is terminated for a reason for which the Board of Management member is responsible.

The members of the Board of Management are also 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 in the event of early termination of their service on the Board of Management.

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.

PENSIONS OF THE MEMBERS OF THE BOARD OF MANAGEMENT IN 2012 (PRIOR-YEAR FIGURES IN BRACKETS)¹

€	Additions to pension provisions	Present value at December 31 ²
Martin Winterkorn	904,811 (875,002)	22,835,450 (19,669,807)
Francisco Javier Garcia Sanz	842,801 (724,514)	11,579,920 (8,453,909)
Jochem Heizmann	1,303,902 (1,130,354)	12,637,000 (9,515,593)
Christian Klingler	583,862 (470,933)	2,961,689 (1,522,411)
Michael Macht	836,249 (698,942)	10,029,668 (6,703,362)
Horst Neumann	694,357 (2,040,977)	18,244,557 (15,094,711)
Leif Östling	353,925 –	354,065 –
Hans Dieter Pötsch	1,699,477 (1,460,569)	14,775,553 (10,831,395)
Rupert Stadler	650,915 (544,214)	10,117,385 (6,836,656)
Total	7,870,299 (7,945,505)	103,535,287 (78,627,844)

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 29 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 2012, the members of the Supervisory Board received €8,777,511 (previous year: €7,376,151). €651,625 of this figure (previous year: €380,521) related to the fixed remuneration components (including attendance fees) and €8,125,886 (previous year: €6,995,630) to the variable remuneration components.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD¹

€	FIXED	VARIABLE	TOTAL	
			2012	2011
Ferdinand K. Piëch	179,500	928,600	1,108,100	850,222
Berthold Huber ²	36,000	647,133	683,133	589,000
Hussain Ali Al-Abdulla	9,000	279,167	288,167	248,500
Jassim Al Kuwari	10,000	279,167	289,167	163,642
Jörg Bode ³	14,175	380,365	394,540	370,250
Annika Falkengren	14,096	376,681	390,777	163,642
Michael Frenzel (until April 19, 2012)	3,713	126,207	129,919	371,250
Uwe Fritsch (since April 19, 2012) ²	8,192	195,029	203,221	–
Babette Fröhlich ²	15,000	418,750	433,750	371,250
Peter Jacobs (until April 19, 2012) ²	3,808	84,138	87,946	249,500
David McAllister ³	15,000	418,750	433,750	371,250
Hartmut Meine ²	12,000	279,167	291,167	249,500
Peter Mosch ²	25,500	345,767	371,267	322,000
Bernd Osterloh ²	15,000	418,750	433,750	371,250
Hans Michel Piëch	67,000	323,567	390,567	298,500
Ursula Piëch (since April 19, 2012)	8,192	195,029	203,221	–
Ferdinand Oliver Porsche	62,500	624,933	687,433	565,500
Wolfgang Porsche	100,775	447,240	548,015	369,250
Wolfgang Ritmeier	12,000	279,167	291,167	249,500
Jürgen Stumpf ²	13,175	380,365	393,540	371,250
Bernd Wehlauer ²	15,000	418,750	433,750	371,250
Thomas Zwiebler ²	12,000	279,167	291,167	249,500
Supervisory Board members who retired in the prior year	–	–	–	210,144
Total	651,625	8,125,886	8,777,511	7,376,151

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.