

Corporate Governance Report

Corporate governance is defined as responsible, transparent corporate management and supervision that aim to add long-term value. For us, good corporate governance not only forms the basis for lasting success; it is also an important prerequisite for strengthening the trust of our stakeholders in our work.

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

Corporate governance provides the regulatory framework for corporate management and supervision. This includes a company's organization and values, and the principles and guidelines for its business policy. The German Corporate Governance Code (the Code) contains recommendations and suggestions for sound, responsible corporate management and supervision. It was prepared by a dedicated government commission on the basis of the material provisions and nationally and internationally accepted standards of corporate governance. The government commission regularly reviews the Code in light of current developments 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 good corporate governance to be a key prerequisite for achieving a lasting increase in the Company's value. It helps strengthen the trust of our shareholders, customers, employees, business partners and investors in our work and enables us to meet the steadily increasing demand for information from national and international stakeholders.

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

The Board of Management and the Supervisory Board of Volkswagen AG issued the annual declaration of conformity with the Code as required by section 161 of the Aktiengesetz (AktG – German Stock Corporation Act) on November 16, 2018 with the following wording:

"The Board of Management and the Supervisory Board declare the following:

The recommendations of the Government Commission of the German Corporate Governance Code in the version dated 7 February 2017 (the Code) that was published by the German Ministry of Justice in the official section of the Federal

Gazette (Bundesanzeiger) on 24 April 2017 was complied with in the period from the last Declaration of Conformity dated 17 November 2017 and will continue to be complied with, with the exception of the numbers listed below and their stated reasons listed below.

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

A severance payment cap will be included in new contracts concluded with members of the Board of Management, but not in contracts concluded with Board of Management members entering their third term of office or beyond, provided a cap did not form part of the initial contract. Grandfather rights have been applied accordingly.

> b) 5.3.2(3) sentence 2 (independence of the chair of the Audit Committee)

It is unclear from the wording of this recommendation whether the Chairman of the Audit Committee is "independent" within the meaning of number 5.3.2(3) sentence 2 of the Code. Such independence could be considered lacking in view of his seat on the Supervisory Board of Porsche Automobil Holding SE, 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 business relations with other members of the Porsche and Piëch families who also have an indirect interest in Porsche Automobil Holding SE. However, in the opinion of the Supervisory Board and the Board of Management, these relationships do not constitute a conflict of interest nor do they interfere with his duties as the Chairman of the Audit Committee. This deviation is therefore being declared purely as a precautionary measure.

> c) 5.4.1(6 to 8) (disclosure regarding election recommendations)

With regard to the recommendation under number 5.4.1(6-8) of the Code stating that certain circumstances disclosed by the Supervisory Board when making election recommendations to the Annual General Meeting, the stipula-

tions of the Code are vague and the definitions unclear. Purely as a precautionary measure, the Board of Management and the Supervisory Board therefore declare a deviation from the Code in this respect. Notwithstanding this, the Supervisory Board will make every effort to satisfy the requirements of the recommendation.”

The current declaration of conformity is also published on our website, <http://www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html>.

With the exception of number 4.2.3(2) sentence 9 (no early disbursements of variable remuneration components) and number 5.1.2(2) sentence 1 (duration of first-time appointments to the Board of Management), the suggestions in the current version of the Code have been complied with. The general compensation clauses in the contracts with members of the Board of Management may, if applied accordingly, result in early disbursement of multi-year variable remuneration components. The Supervisory Board will decide the duration of each first-time appointment to the Board of Management on an individual basis, taking the best interests of the Company into account. The suggestion made in number 2.3.2 sentence 2 (accessibility of the voting proxy during the Annual General Meeting) was implemented at the 2018 Annual General Meeting in such a manner that the shareholders were able to reach the voting proxies named by the Company to exercise their voting rights until 1:00 pm, also by electronic means. The suggestion made in number 2.3.3 (broadcast of the Annual General Meeting) was implemented at the 2018 Annual General Meeting so that the introductory remarks by the Chairman of the Supervisory Board and the speech of the Chairman of the Board of Management were broadcast.

Our listed subsidiaries AUDI AG, MAN SE and RENK AG have also each issued declarations of conformity with the German Corporate Governance Code. The declarations of conformity of our listed subsidiaries can be accessed at the websites shown on this page.

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 Com-

pany and is directly involved in decisions of fundamental importance to the Company. The Board of Management and the Supervisory Board of Volkswagen AG consult closely on the strategic orientation of the Volkswagen Group. The two bodies jointly assess, at regular intervals, the progress made in implementing the corporate strategy. The Board of Management reports to the Supervisory Board regularly, promptly and comprehensively in both written and oral form on all issues of relevance for the Company with regard to strategy, planning and the situation of the Company, 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 12 to 17 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 86 to 89.

OBJECTIVES FOR THE COMPOSITION OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT AS WELL AS THE SENIOR EXECUTIVE POSITIONS

In view of the Company's specific situation, its purpose, its size and the extent of its international activities, the Supervisory Board of Volkswagen AG strives to achieve a composition that takes the Company's ownership structure and the following aspects into account:

- › At least three members of the Supervisory Board should be persons who embody the criterion of internationality to a particularly high degree.
- › At least four members of the Supervisory Board should be shareholder representatives with no potential conflicts of interest, particularly conflicts of interest that could arise from an advisory or board position at customers, suppliers, lenders, or other third parties.
- › In addition, at least four of the shareholder representatives on the Supervisory Board must be persons who are independent as defined in number 5.4.2 of the Code.
- › At least three of the seats on the Supervisory Board should be held by people who make a special contribution to the diversity of the Board.
- › Furthermore, proposals for elections should not normally include persons who will have reached the age of 75 on the date of the election or who will have been members of the Supervisory Board for more than 15 years on the date of the election.

The above criteria have been met. The independent members of the Supervisory Board within the meaning of number 5.4.2 of the Code are or were as follows: Ms. Hessa Sultan Al-Jaber, Ms. Louise Kiesling, Mr. Hussain Ali Al-Abdulla, Mr. Bernd Althusmann and Mr. Stephan Weil, as well as Ms. Annika

■ **DECLARATION OF CONFORMITY OF VOLKSWAGEN AG**
www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html

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

■ **DECLARATION OF CONFORMITY OF MAN SE**
www.corporate.man.eu/en/investor-relations/corporate-governance/corporate-governance-at-man/Corporate-Governance-at-MAN.html

■ **DECLARATION OF CONFORMITY OF RENK AG**
www.renk-ag.com/en/investor-relations/financial-reports

Falkengren, who left the Supervisory Board during the reporting year.

In addition, the Supervisory Board has decided on the following profile of skills and expertise for the full Board:

The Supervisory Board as a whole must collectively have the knowledge, skills and professional expertise required to properly perform its supervisory function and assess and monitor the business that the Company conducts. For this, the members of the Supervisory Board must collectively be familiar with the sector in which the Company operates. The key skills and requirements of the Supervisory Board as a whole include, in particular:

- › Knowledge of or experience in the manufacture and sale of all types of vehicles and engines or other technical products,
- › Knowledge of the automotive industry, the business model and the market, as well as product expertise,
- › Knowledge in the field of research and development, particularly of technologies with relevance for the Company,
- › Experience in corporate leadership positions or in the supervisory bodies of large companies,
- › Knowledge in the areas of governance, law or compliance,
- › detailed knowledge in the areas of finance, accounting, or auditing,
- › Knowledge of the capital markets,
- › Knowledge in the areas of controlling/risk management and the internal control system,
- › Human resources expertise (particularly the search for and selection of members of the Board of Management, and the succession process) and knowledge of incentive and remuneration systems for the Board of Management,
- › detailed knowledge or experience in the areas of codetermination, employee matters and the working environment in the Company.

The current composition of the Supervisory Board is also in line with this profile of skills and expertise. The curriculum vitae of the members of the Supervisory Board are available online at www.volkswagenag.com/en/group/executive-bodies.html.

The statutory quota of at least 30% women and at least 30% men has applied to new appointments to the Supervisory Board of Volkswagen AG since January 1, 2016 as required by the Gesetz für die gleichberechtigte Teilhabe von Frauen und Männern an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst (FührposGleichberG – German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors). Share-

holder and employee representatives have resolved that each side will meet this quota separately. The shareholder representatives have met the quota of at least 30% women and at least 30% men since the 56th Annual General Meeting on June 22, 2016. The employee representatives have met the quota since the end of the 57th Annual General Meeting on May 10, 2017. Both the shareholder and the employee representatives fulfilled the quota on December 31, 2018.

The Supervisory Board set a target quota of 11.1% for the period after December 31, 2016 for the proportion of female members on the Board of Management as required in accordance with the FührposGleichberG. The new deadline set for achievement of this target is December 31, 2021. The proportion of female members on the Group Board of Management as of December 31, 2018 was 12.5%, thus meeting the target quota.

For the proportion of women in management in accordance with the FührposGleichberG, Volkswagen AG has set itself the target of 13.0% women in the first level of management and 16.9% women in the second level of management for the period up to the end of 2021. As of December 31, 2018, the proportion of women in the active workforce at the first level of management was 10.7 (10.4)% and at the second level of management it was 15.4 (14.0)%.

REMUNERATION REPORT

Extensive explanations of the remuneration system and the individual remuneration of the members of the Board of Management and Supervisory Board can be found in the Remuneration Report starting on page 68 of the combined management report, in the notes to Volkswagen's consolidated financial statements on page 329, and on page 62 of the notes to the annual financial statements of Volkswagen AG.

GROUP CORPORATE GOVERNANCE DECLARATION

The Group corporate governance declaration forms part of the combined management report and is permanently available at www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html. It also contains the description of the diversity concepts for the Board of Management and Supervisory Board of Volkswagen AG.

GROUP CORPORATE GOVERNANCE DECLARATION

www.volkswagenag.com/en/InvestorRelations/corporate-governance/declaration-of-conformity.html

TOGETHER4INTEGRITY



INTEGRITY

Volkswagen is undergoing one of the furthest-reaching processes of change in the Company's history. A strategic objective as part of TOGETHER – Strategy 2025 is to make Volkswagen a role model of a modern, transparent and successful company when it comes to integrity.

With the Board of Management position for Integrity and Legal Affairs, the Group has put in place the organizational prerequisites for centralized integrity management. This Group function is responsible for planning, preparing and implementing programs and projects aimed at raising awareness, providing information and reinforcing a shared awareness of integrity.

Integrity at Volkswagen is defined as acting out of conviction, with responsibility and steadfastness. Integrity is an inner disposition that acts as an internal moral compass for doing the right thing in gray areas, in the absence of explicit rules or in the event of conflicting objectives. This means complying with our Group principles and the ethical principles established therein and behaving correctly in accordance with rules. This also includes the steadfastness needed to adhere to these principles – regardless of economic and social pressure.

Already in 2016, we launched a comprehensive integrity program with information campaigns, opportunities for dialog and initiatives aimed at all employees. This encompasses measures such as international get-togethers for managers and integrity workshops for team spokespeople in production. In addition, we have launched an ambassador program that helps multipliers to make integrity a visible and practical part of everyday working life. We have also worked intensively to create an integrity index. This is due to be piloted in 2019 at the German locations of the Volkswagen

Passenger Cars and Audi brands as a joined-up approach to measuring integrity.

We firmly believe: only with lasting, dependable integrity will our Company gain and strengthen the trust of its staff, customers, shareholders, business partners and the general public. The Group Board of Management therefore resolved in April 2018 to combine the programs and initiatives on integrity, compliance, risk management and culture under the umbrella program "Together4Integrity", and thus to reinforce them.

With "Together4Integrity" (T4I), the Board of Management of Volkswagen AG has initiated an umbrella program with which to embed excellence in integrity and compliance throughout the Group – in all brands, regions and companies and in respect of processes, structures, attitudes and behavior. The program plays an integral and central role at Volkswagen. It consolidates, combines and coordinates the Group-wide initiatives that are led by the responsible divisions. It also encourages discussion and mutual learning, thus ensuring continuous improvement. Uniform and consistent implementation according to a firm schedule is planned for all Group companies, prioritized by their size and risk profile.

T4I is based on the five principles of the internationally recognized Ethics & Compliance Initiative (ECI). These principles relate to strategy, risk management, culture of integrity, speak-up environment and resolute accountability. They are codified as the Group's aspiration level and are implemented through T4I. The Board of Management positions for Integrity and Legal Affairs and for Human Resources are responsible for the program. The other Board of Management positions act as sponsors, thus ensuring that T4I is successfully implemented in their area of responsibility.

COMPLIANCE

Acting with integrity, compliance and honesty is an essential prerequisite for the success of the Volkswagen Group. For this reason, compliance with national and international laws and regulations, internal rules and voluntary commitments is among our Company's most important principles. We are striving to strengthen the trust of our customers, our business partners and stakeholders in our Group through fair treatment. Compliant behavior is the basis for this and must be a matter of course for all Group employees. One of our Company's main tasks is to further enhance awareness of this.

Commitment to compliance at the highest level

At the Global Management Meeting in June 2018, Herbert Diess, Chairman of the Board of Management of Volkswagen AG, underlined that integrity and compliant behavior are the responsibility of each individual in the Group: "We need dependable structures and work processes that ensure impeccable, compliant behavior. But we also need a firmly rooted sense of right and wrong, a better way of handling mistakes, a culture of constructive dissent and a stronger sense of responsibility in the management team."

In an interview in August 2018, Hiltrud Dorothea Werner, member of the Board of Management responsible for Integrity and Legal Affairs, explained the importance of dealing thoroughly and quickly with cases of suspicion and compliance violations in the Company: "The nearer Compliance is to people and processes, the better, because preventing a problem from becoming a scandal also means acting with speed and investigating thoroughly."

Compliance organization

The Group Compliance Committee at top management level is chaired by the member of the Board of Management responsible for Integrity and Legal Affairs and met regularly in the reporting year. This committee ensures that compliance and integrity standards are uniformly developed, applied and communicated on a cross-divisional and cross-brand basis.

Central divisions within the Group are supported and advised by their own compliance contacts. Additional centers of competence are responsible for the overall direction of compliance work and develop compliance instruments and program components with which the companies can implement the compliance requirements themselves across the Group. During the reporting period, additional resources are set aside for these tasks.

The global compliance organization at the Volkswagen Group comprises divisional and regional compliance offices. It supports and advises the respective Group and brand companies with an effective, risk-based, Group-wide compliance management system, helping them to conduct their business activities in accordance with the rules and to consistently adhere to relevant laws and internal regulations. It also helps companies to identify, evaluate, manage and monitor potential compliance risks. Additional compliance resources were provided across the Group on a risk-oriented basis in the reporting year. Higher-level compliance functions are involved in the appointment of new compliance officers and conduct a standardized appointment and induction process.

In the reporting period, there was direct communication on compliance issues at meetings of the Supervisory Board, the Board of Management and the Works Council, particularly by the member of the Board of Management responsible for Integrity and Legal Affairs and the Group Chief Compliance Officer.

The Group Chief Compliance Officer reports directly to the member of the Board of Management responsible for Integrity and Legal Affairs and also to the Audit Committee of the Supervisory Board of Volkswagen AG.

The heads of the centers of competence report to the Group Chief Compliance Officer on disciplinary and functional matters. The compliance officers of the brand companies and the head of the regional compliance office for China report to the Group Chief Compliance Officer on functional matters. Meetings and conferences ensure that those responsible for compliance at Group and brand level are connected and communicate regularly.

Compliance management system

Our compliance management system is aligned with national and international laws and standards. Its objective is to encourage, reinforce and ensure compliant behavior in the Company in a lasting manner. The focus of our compliance organization is on preventing corruption, breaches of trust, embezzlement, fraud and money laundering and thereby on reducing the risk of unlawful actions. The Code of Conduct is the key element for raising awareness among staff of correct behavior and finding the right contact person in cases of doubt.

Where laws and regulations have been violated, our whistleblower system is a suitable tool for taking appropriate action. We enhanced the whistleblower system in 2018: members of management are obligated to report every indication

of serious rule-breaking. Failure to do so is itself a serious infringement. The accessibility of the whistleblower system has been further improved with a 24-hour hotline.

We place value on communication and training seminars to permanently anchor compliance-related content among the workforce.

Compliance work in the Volkswagen Group is based on a systematic process of risk identification and reporting in accordance with the IDW standard AsS 980. We used 2018 to review the content of and the process for the existing compliance risk analysis. The objective is to obtain transparency at Group level of the risk exposure of all Group companies included in the compliance scope.

However, we are also aware that even the best compliance management system can never entirely prevent the criminal actions of individuals.

Code of Conduct and guidelines

The Volkswagen Group's Code of Conduct is established throughout the Group. It is permanently available to all employees on the intranet and also to third parties on the internet and is continually communicated via digital and print media and at events within the Company.

The Code of Conduct is a significant part of the compliance training completed by all staff, from the Board of Management to employees. Both face-to-face and online training are used. The Code of Conduct is also integrated into operational processes. For example, employment contracts for employees of Volkswagen AG generally include a reference to the Code of Conduct and the obligation to comply with it. Furthermore, compliance with the Code of Conduct remained a component of our employees' annual reviews in the reporting period and was thus taken into account when calculating their variable, performance-related remuneration.

In addition to the Volkswagen Group Code of Conduct, there are various Group policies and guidelines on specific compliance issues. Organizational instructions on dealing with gifts and invitations as well as on making donations also apply across the Group.

Employees have access to the compliance rules and regulations in particular via the compliance pages on the Company intranet.

Whistleblower system

In the Volkswagen Group, the whistleblower system refers to the internal and external contact points where employees and third parties can report potential violations of laws and internal regulations by employees of the Volkswagen Group. It also refers to the committees that support and monitor the work of these contact points.

The Company has had a system for reporting breaches of the law or regulations since 2006. In 2017, the whistleblower system was improved and partially reorganized. Processes were further optimized to enable reports to be followed up on even more quickly, fairly and transparently. Among other things, a central investigative office has been set up in the Compliance department. It is responsible for coordinating the whistleblower system within the Volkswagen Group and for processing information concerning Volkswagen AG and its subsidiaries – with the exception of AUDI AG, Dr. Ing. h.c. F. Porsche AG and TRATON SE. These companies each have separate investigative offices for themselves and their subsidiaries.

The whistleblower system uses defined processes to investigate reports on breaches and to penalize misconduct where appropriate. Protection of both the whistleblower and the party affected has top priority in the applicable procedural principles and guarantees. In addition, a Group Guideline sets out the responsibilities in the Group and the specific procedure for the processing of reports. The aim of the whistleblower system is to protect our company and employees from harm using firm principles and a clearly governed, transparent and fair process. Moreover, experience with violations of laws and regulations also helps us to constantly enhance our compliance management and prevent similar incidents in future.

Information on misconduct can be submitted in any of the major languages used by the Group and is treated confidentially. The people providing the information need not fear any sanctions from the Company for providing the information. In principle, they can decide for themselves whether they wish to give their names. For this reason, a specially protected online reporting channel was additionally set up in 2017, which whistleblowers can use anonymously. We also continue to rely on existing tried-and-tested channels such as ombudspersons (counsels of trust).

CODE OF CONDUCT OF THE VOLKSWAGEN GROUP

www.volkswagenag.com/presence/konzern/documents/Code_of_Conduct_2017_VW_Group_english.pdf

WHISTLEBLOWER SYSTEM

www.volkswagenag.com/en/group/compliance-and-risk-management/whistleblowersystem.html
Phone: +49 5361 9 46300
E-mail: io@volkswagen.de

Since August 1, 2018, information on possible rule-breaking has also been reportable via a telephone hotline in addition to the existing reporting channels. Employees, business partners and customers worldwide can submit information 24 hours a day, 365 days a year. Callers are put through to a specially trained contact person with access to an interpreter if required. In addition, a revised Group policy was adopted in August 2018. This enhances the whistleblower system, particularly with its expanded communication options. It was also decided to provide additional resources for the expansion of the whistleblower system.

The Compliance organization registered a total of 2,920 reports throughout the Group in 2018. All substantiated reports have been, or will be, investigated, and any misconduct penalized.

Communication, training and advice

Providing information to employees at all levels on compliance, raising their awareness of compliant behavior and offering them advice as partners within the Company is a core component of our compliance activities.

We use all of our internal communication channels to communicate compliance-related content. These include online and offline media as well as event and training formats.

Online communication is primarily via the compliance organization's own sites on the Volkswagen intranet and via the in-house, Group-wide communication platform "Group Connect", which is also used for direct dialog with the target groups. There are also articles, interviews and other publications in cross-brand and specific divisions' media. In the reporting year, compliance-related topics were also featured at various information events for employees and at works meetings at several locations. Communication regarding the whistleblower system was integrated into an event on corporate culture that took place across multiple locations.

Following a risk-based approach, mandatory compliance training is conducted for specific target groups. In addition to traditional lectures and online tutorials, case studies, role-playing games and other interactive formats form part of the training provided to employees and managers.

In the reporting year, the focus was on enhancing Code of Conduct training and, in particular, on commencing the intro-

duction of compulsory training regarding the Code of Conduct for all employees in the Group.

Employees can also use special e-mail addresses to solicit advice on compliance issues.

Compliance key performance indicators

To measure the level of target achievement, we defined a strategic indicator for the major brands that manufacture passenger cars:

> Compliance, a culture of error management and behaving with integrity. This is based on an evaluation of the answers to three questions in the opinion survey relating to compliance with regulations and processes, dealing with risks and errors and behaving with integrity. In the case of negative deviations, the affected departments develop and implement measures. In the reporting year, the figure further improved on the already good basis.

Strengthening compliance in company processes

The act implementing the Fourth EU Money Laundering Directive into German law presented new requirements for Volkswagen AG as a company that is bound by the Gesetz über das Aufspüren von Gewinnen aus schweren Straftaten (GWG – Law on Tracing Profits from Serious Criminal Offences). The Group policy adopted and published in this context by the Board of Management in 2018 defines the minimum standard to be implemented by all Group companies.

In 2018, we designed and developed a new IT tool for a risk-based business partner selection process at the Volkswagen Group. We began pilot testing of the tool at the end of the reporting year. This business partner selection process will be gradually introduced in the Group from 2019. A key objective of this new process is the creation of transparency within the Volkswagen Group to prevent Group companies from entering into business relationships with business partners which other Group companies have previously classified as not acting with integrity.

New business models are constantly being considered in the Volkswagen Group as part of the TOGETHER – Strategy 2025 program. These business models focus particularly on digitalization, automation and electrification, but also on the development of and involvement in mobility concepts. The

compliance organization helps the strategic business units to implement their forward-looking projects through individual risk assessments and recommendations based on these.

In addition, compliance will become more firmly embedded in mergers and acquisitions and real estate transactions.

Effectiveness review

Independent reviews by Group Internal Audit in the corporate units and the regular exchange of information with external bodies help ensure continuous improvement of the compliance management system. There are no indications that our current compliance management system was ineffective in 2018.

INDEPENDENT MONITOR

In June 2017, in connection with the diesel issue, Larry D. Thompson was appointed as the Independent Compliance Monitor at Volkswagen under the terms of the Plea Agreement with the United States Department of Justice announced on January 11, 2017 and confirmed by a US federal court on April 21, 2017. He also works as Independent Compliance Auditor under the Third Partial Consent Decree concluded separately with the US Department of Justice and the US Environmental Protection Agency (EPA) and the Third California Partial Consent Decree agreed with the US State of California and the environmental authority California Air Resources Board, CARB (for more information on these agreements, please see the Litigation section starting on page 177). Mr. Thompson will perform his duties under the Plea Agreement and Third Partial Consent Decrees for a period of three years, which also includes taking measures to further strengthen the Company's compliance, reporting and

monitoring mechanisms and the implementation of an enhanced compliance and ethics program.

Mr. Thompson submitted a report on March 30, 2018 in his capacity as the Independent Compliance Monitor on the basis of the Plea Agreement; in accordance with the provisions of the Plea Agreement, the report will not be published. In addition, in his capacity as the Independent Compliance Auditor under the terms of the Third Partial Consent Decrees, Mr. Thompson prepared his first annual report, published on August 27, 2018.

RISK MANAGEMENT, AUDIT

Carefully managing potential risks to the Company is a key component of our daily work. The 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 if and when conditions change. A detailed description of the risk management system and our accounting-related internal control system can be found in the Risk Report on pages 163 to 166 of this annual report.

The Supervisory Board has established an Audit Committee that in particular monitors the financial accounting, the financial accounting process, the effectiveness of the internal control system, the risk management system and the internal audit system, the audit of the financial statements and compliance. Furthermore, the Audit Committee makes a well-founded recommendation for the election of the auditor to the Supervisory Board, obtains a declaration of independence from the auditor, supervises the additional services provided by the auditor and prepares the audit engagement resolution. It also discusses the annual audit planning, the determination of areas of emphasis for the audit, the agreed fee and the auditor's obligation to provide information.

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 as well as on its website at www.volkswagenag.com/en/InvestorRelations.html. Among other things, invitations to the shareholders' meetings as well as agendas for these meetings and any motions to be added to the agenda or 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 votes on their behalf in accordance with their voting instructions. We also give our shareholders the opportunity to watch the introductory remarks of the Chairman of the Supervisory Board and the speech of the Chairman of the Board of Management on the internet. In addition, news and information on the Volkswagen Group are available on this website. The press releases and other information are published in both English and German.

Immediately after their publication in accordance with legal requirements, the Company's ad-hoc releases are also published on the same website under the heading "Financial News, Ad-hoc Releases & Publications".

We publish managers' transactions pursuant to Article 19 of the Market Abuse Regulation or section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) under the heading "Corporate Governance", menu item "Directors' Dealings". On the same web page – under the heading "Financial News, Ad-hoc Releases & Publications", menu item "Voting Rights" – you can also access details of the notifications filed in the reporting period in compliance with sections 33 ff. of the WpHG as well as notifications relating to other legal issues.

The supervisory body appointments held by Board of Management members and Supervisory Board members can be found on pages 86 to 89 of this annual report. The shareholder structure is presented on page 110.

■ **MANDATORY PUBLICATIONS OF VOLKSWAGEN AG**
www.volkswagenag.com/en/InvestorRelations/news-and-publications.html