

# *Report of the Supervisory Board*

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(IN ACCORDANCE WITH SECTION 171(2) OF THE AKTG)

Ladies and Gentlemen,

In fiscal year 2014, the Supervisory Board of Volkswagen AG addressed the Company's position and development regularly and in detail. In compliance with the recommendations and suggestions of the German Corporate Governance Code and the legal requirements, we supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. In addition, we discussed current strategic considerations with the Board of Management at regular intervals.

The Board of Management regularly, promptly and comprehensively informed the Supervisory Board in writing or orally on the development of the business and the Company's planning and position, including the risk situation and risk management. In addition, the Board of Management reported to the Supervisory Board on an ongoing basis on compliance-related topics and other topical issues. In all cases we received the documents relevant to our decisions in good time for our meetings. We also received a detailed monthly report from the Board of Management on the current business position and the forecast for the current year. Any variances in performance as against the plans and targets previously drawn up were explained by the Board of Management in detail, either orally or in writing. We analyzed the reasons for the variances together with the Board of Management so as to enable countermeasures to be derived.

The Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings, among other things about the Volkswagen Group's strategy and planning, the development of the business, the Group's risk situation and risk management, and compliance issues.

The Supervisory Board held a total of six meetings in fiscal year 2014. The average attendance ratio was 97.5%; no member of the Supervisory Board took part in fewer than half of the meetings. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media.

## **COMMITTEE ACTIVITIES**

The Supervisory Board has established a total of four committees in order to perform the duties entrusted to it: the Executive Committee, the Nomination Committee, the Mediation Committee in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act) and the Audit Committee. The Executive Committee consists of three shareholder representatives and three employee representatives. The members of the Nomination

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Committee are the shareholder representatives on the Executive Committee; the remaining two committees are each composed of two shareholder representatives and two employee representatives. The members of the committees as of December 31, 2014 are given on page 73 of this annual report.

The Executive Committee met seven times during the past fiscal year. These meetings primarily served to prepare in detail the resolutions by the Supervisory Board and to deal with contractual issues concerning the Board of Management other than remuneration.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. The Committee met once during 2014.

The Mediation Committee did not have to be convened in the reporting period.

The Audit Committee held four meetings in fiscal year 2014. It focused primarily on the consolidated financial statements, risk management (including the internal control system), and the work performed by the Company's compliance organization. In addition, the Audit Committee addressed the Group's quarterly reports and the half-yearly financial report as well as current financial reporting issues and their examination by the auditors.

Furthermore, the shareholder and employee representatives generally met for separate preliminary discussions before each of the Supervisory Board meetings.

**TOPICS DISCUSSED BY THE SUPERVISORY BOARD**

At the Supervisory Board meeting on February 21, 2014, following a detailed examination we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2013 prepared by the Board of Management, as well as the combined management report. We also examined the dependent company report submitted by the Board of Management and came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the report. In connection with the creation of the integrated commercial vehicles group, we approved the Board of Management's plans to make a voluntary tender offer to Scania AB's shareholders for all Scania shares outstanding, we authorized the capitalization measures to part-fund this transaction, and we appointed Mr. Andreas Renschler as member of the Board of Management of Volkswagen AG with responsibility for Commercial Vehicles, effective February 1, 2015. The agenda also covered the remuneration of Board of Management members – in particular their variable remuneration – and strategic financing measures within the Volkswagen Group.

A total of three Supervisory Board meetings took place on May 12 and 13, 2014 as part of Volkswagen AG's 2014 Annual General Meeting. These meetings focused on preparation for and post-completion analysis of the 54th Annual General Meeting and the 12th Special Meeting of Preferred Shareholders of Volkswagen AG on May 13, 2014. In addition, the Board of Management updated us on the status of the voluntary tender offer to Scania AB's shareholders to purchase all outstanding Scania shares and the extension of the acceptance period. We also renewed three Board of Management members' contracts and noted the Board of Management's plans for new production locations in China.

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We mainly dealt with strategic issues at the Supervisory Board meeting on September 19, 2014. We approved the Board of Management's plans to establish two further production sites in China, among other things.

At the Supervisory Board meeting on November 21, 2014 we discussed in detail the Volkswagen Group's investment and financial planning for the period from 2015 to 2019. In addition, the meeting focused in particular on issuing the annual declaration of conformity with the German Corporate Governance Code.

Among other things, we decided on the location for the production site to manufacture the replacement for the Crafter, the production of a SUV for the North American market, Dr. Michael Macht's further activity as a member of the Board of Management, and the appointment of Dr. Herbert Diess as member of the Board of Management responsible for the newly established function as "Chairman of the brand board of management of Volkswagen Passenger Cars", effective October 1, 2015, in resolutions that were adopted by circulating written documents in March, June, July and December 2014.

**CONFLICTS OF INTEREST**

The Chairman of the Supervisory Board of Volkswagen AG, who is also a member of the Supervisory Board of Scania AB and Chairman of the Supervisory Board of MAN SE, participated in the resolution dated February 21, 2014 that voted to make the voluntary tender offer for all Scania shares outstanding and to implement the capitalization measures to fund this transaction.

Member of the Supervisory Board of Volkswagen AG Ms. Annika Falkengren, who is also President and CEO of Skandinaviska Enskilda Banken AB, Sweden, abstained from voting on the above resolution relating to the Scania tender offer on February 21, 2014.

At its meeting on November 20, 2014, the Executive Committee of the Supervisory Board addressed major shareholder business relationships. In this context, the Executive Committee granted individual approvals to transactions with the State of Lower Saxony. Executive Committee member Mr. Stephan Weil is Minister-President of the State of Lower Saxony and took part in the votes. The Executive Committee members were guided exclusively by the interests of the Company when voting. No material conflicts of interest were discernible in this respect. All approvals were granted unanimously.

No other discernible conflicts of interest were reported or arose in the reporting period.

**CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY**

The Supervisory Board meeting on November 21, 2014 addressed the application of the German Corporate Governance Code at the Volkswagen Group. We discussed in detail the version of the German Corporate Governance Code dated June 24, 2014, as published by the relevant government commission on September 30, 2014, and issued the annual declaration of conformity with the recommendations of the German Corporate Governance Code in accordance with section 161 of the AktG together with the Board of Management.

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The joint declarations of conformity by the Board of Management and the Supervisory Board are permanently available on the Volkswagen AG website at [www.volkswagenag.com/ir](http://www.volkswagenag.com/ir). Additional information on the implementation of the recommendations and suggestions of the German Corporate Governance Code can be found in the corporate governance report starting on page 54 and in the notes to the consolidated financial statements on page 301 of this annual report.

**MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT**

The scheduled terms of office of Dr. Hans Michel Piëch and Dr. Ferdinand Oliver Porsche as members of Volkswagen AG's Supervisory Board expired at the end of the 53rd Annual General Meeting on May 13, 2014. The Annual General Meeting elected them both to the Supervisory Board for a further full term of office. In addition, Mr. Ahmad Al-Sayed, who was previously appointed to the Supervisory Board by the court for the period up to the Annual General Meeting on May 13, 2014, was elected to the Supervisory Board for a full term of office.

As of August 1, 2014 Dr. Michael Macht stepped down from his position as member of the Board of Management with responsibility for Production.

Mr. Andreas Renschler has been responsible for Commercial Vehicles since February 1, 2015. Dr. Leif Östling, who was previously responsible for Commercial Vehicles, stepped down from the Board of Management effective February 28, 2015.

**AUDIT OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS**

The Annual General Meeting on May 13, 2014 elected PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft as auditors for fiscal year 2014, in line with our proposal. The auditors audited the annual financial statements of Volkswagen AG, the consolidated financial statements of the Volkswagen Group and the combined management report, and issued unqualified audit reports on all of these documents. In addition, they analyzed the risk management and internal control systems, concluding that the Board of Management had taken the measures required by section 91(2) of the AktG to ensure early detection of any risks endangering the continued existence of the Company. The Report by Volkswagen AG on Relationships with Affiliated Companies in Accordance with Section 312 of the AktG for the period from January 1 to December 31, 2014 (dependent company report) submitted by the Board of Management was also audited by the auditors, who issued the following opinion: "In our opinion and in accordance with our statutory audit, we certify that the factual disclosures provided in the report are correct and that the Company's consideration concerning legal transactions referred to in the report was not unduly high."

The members of the Audit Committee and the members of the Supervisory Board were provided in each case with the documentation relating to the annual financial statements, including the dependent company report, and the audit reports prepared by the auditors in good time for their meetings on February 26, 2015 and February 27, 2015 respectively. The auditors reported extensively at both meetings on the material findings of their audit and were available to provide additional information.

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Taking into consideration the audit reports and the discussion with the auditors and based on its own conclusions, the Audit Committee prepared the documents for the Supervisory Board's examination of the consolidated financial statements, the annual financial statements of Volkswagen AG, the combined management report and the dependent company report and reported on these at the Supervisory Board meeting on February 27, 2015. Following this, the Audit Committee recommended that the Supervisory Board approve the annual financial statements. We examined the documents in depth in the knowledge and on the basis of the report by the Audit Committee and the audit report as well as in talks and discussions with the auditors. We came to the conclusion that they are due and proper and that the assessment of the position of the Company and the Group presented by the Board of Management in the management report corresponds to the assessment by the Supervisory Board. We therefore concurred with the auditors' findings and approved the annual financial statements prepared by the Board of Management and the consolidated financial statements at our meeting on February 27, 2015, at which the auditors also took part in discussions on the agenda items relating to the financial statements. The annual financial statements are thus adopted. Our examination of the dependent company report did not result in any objections to the concluding declaration by the Board of Management in the dependent company report. We reviewed the proposal on the appropriation of net profit submitted by the Board of Management, taking into account in particular the interests of the Company and its shareholders, and endorsed the proposal.

Our thanks and appreciation are owed to the members of the Board of Management, the Works Council, the management and all the employees of Volkswagen AG and its affiliated companies for their work in 2014. Their collective high level of personal commitment helped the Volkswagen Group to record a strong performance in the ongoing challenging market conditions and to continue pursuing the goals set out in its Strategy 2018 with confidence.

Wolfsburg, February 27, 2015

A handwritten signature in blue ink, appearing to read 'F. Piëch', with a long horizontal stroke extending to the right.

Prof. Dr. Ferdinand K. Piëch  
Chairman of the Supervisory Board