

# VOLKSWAGEN

AKTIENGESELLSCHAFT

## 5. Resolution on approval of the remuneration system for the Board of Management

The Supervisory Board of Volkswagen Aktiengesellschaft has resolved to adjust the remuneration system of the Board of Management with effect from January 1, 2017. The adjustment, in which the Supervisory Board was assisted by renowned, independent external remuneration and legal consultants, results in an alignment with the new Group strategy TOGETHER 2025 and fully implements the requirements of the Aktiengesetz (AktG – German Stock Corporation Act) and the recommendations of the German Corporate Governance Code (the Code).

The Supervisory Board and the Board of Management propose to the Annual General Meeting to approve the remuneration system for members of the Board of Management.

### *Overview*

The new remuneration system for the Board of Management consists of a fixed and two variable components, comprising an annual bonus with a one-year assessment period and a long-term incentive (“LTI”) in the form of a so-called performance share plan with a three-year term extending into the future.

If the respectively agreed targets are achieved 100 percent, the annual target remuneration for each member of the Board of Management shall amount to a total of EUR 4,500,000 (corresponding to an annual fixed remuneration of EUR 1,350,000, a target amount for the annual bonus of EUR 1,350,000 and a target amount for the performance share plan of EUR 1,800,000) and to a total of EUR 9,000,000 for the Chairman of the Board of Management (fixed remuneration of EUR 2,125,000 / a target amount for the annual bonus of EUR 3,045,000 / a target amount for the performance share plan of EUR 3,830,000).

### *Annual bonus*

The annual bonus is based upon the result for the respective fiscal year. The target amount for the annual bonus shall depend, in each case for 50 percent, on the operating profit (Operatives Ergebnis) achieved by the Volkswagen Group plus the proportionate operating profit of the Volkswagen Group in China, as well as on the operating return on sales (operative Umsatzrendite) achieved by the Volkswagen Group. The portion of the annual bonus shall only be payable if certain respective thresholds are exceeded. For the calculation of the bonus amount, both components are taken into account by 50 percent each.

The calculated payment amount may be individually increased or reduced by up to 20 percent by the Supervisory Board, taking into account the degree of achievement of individual targets agreed between the Supervisory Board and the respective member of the Board of Management, as well as the success of the entire Board of Management in achieving the transformation of the Volkswagen Group’s staff into new areas of activity.

The payment amount for the annual bonus shall be capped at 180 percent of the target amount for the annual bonus.

### *Performance share plan*

In the future, the LTI shall be granted to the Board of Management in the form of a so-called performance share plan. Each performance period of the performance share plan shall have a term of three years. At the time the LTI is granted, the annual target amount under the LTI shall be converted, on the basis of the initial price of the Volkswagen preferred share, into phantom preferred shares of Volkswagen Aktiengesellschaft, which shall be allocated to the respective member of the Board of Management as a pure calculation position. The final determination of the number of phantom Volkswagen preferred shares occurs for one-third at the end of each year of the three-year performance period, in accordance with the degree of target achievement for the annual earnings per Volkswagen preferred share.

After the end of the three-year term of the performance share plan, a cash settlement shall take place. The payment amount corresponds to the final number of determined phantom Volkswagen preferred shares, multiplied by the amount resulting from the closing price at the end of the three-year period plus the dividend equivalent for the relevant term.

The payment amount under the performance share plan shall be limited to 200 percent of the target amount.

#### *Total Remuneration Cap*

Beyond the cap for the individual variable components of the remuneration for the members of the Board of Management, the annual benefits received according to the Code, consisting of the fixed remuneration and the variable remuneration components (i.e., annual bonus and performance share plan) for one fiscal year, shall not exceed an amount of EUR 10,000,000 for the Chairman of the Board of Management and of EUR 5,500,000 for each member of the Board of Management.

#### *Further Remuneration Regulations*

With regard to the existing defined contribution pension schemes for the current members of the Board of Management of Volkswagen Aktiengesellschaft, the basis to determine the pension contributions shall in each case be increased by the difference between the previous fixed remuneration and the newly determined fixed remuneration (at an unchanged contribution rate of 50 percent of the fixed remuneration).

The increase of the fixed remuneration shall not be taken into account for the currently incumbent members of the Board of Management of Volkswagen Aktiengesellschaft with an existing occupational pension based on the final remuneration.

With regard to new members of the Board of Management appointed in the future with a defined contribution pension scheme, a contribution rate of 40 percent of the fixed remuneration will be credited to the pension account.

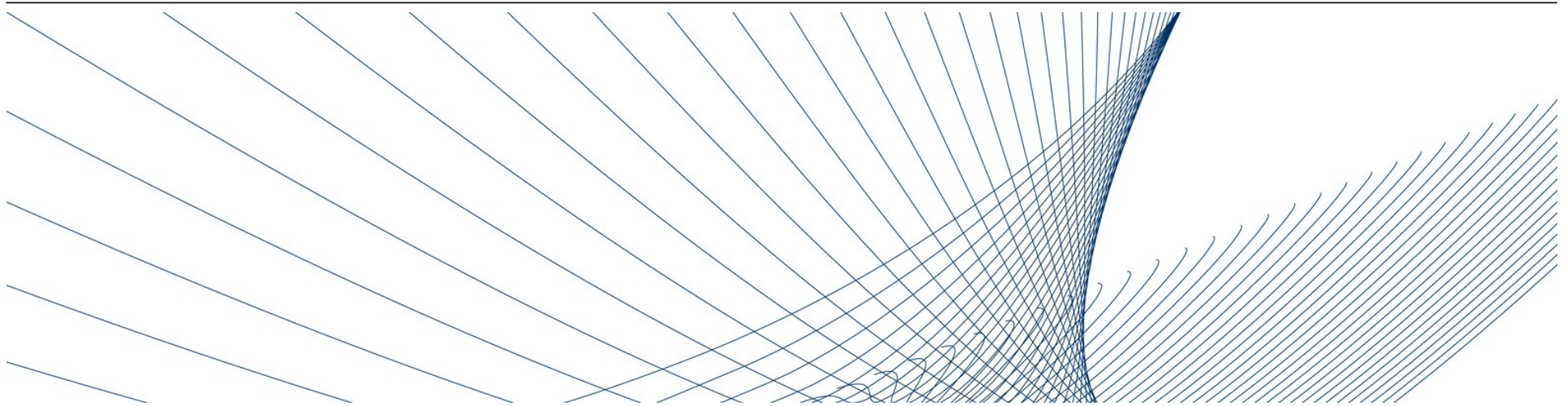
#### *Regular review and adjustment*

The Supervisory Board shall regularly review and, if necessary, increase or adjust the level of the total remuneration cap and the individual targets.

A presentation (“New remuneration system of the Board of Management – Presentation of essential principles”) containing further details of the remuneration for the Board of Management is available for download from the Company’s website (<https://www.volkswagenag.com/ir/hv.html>).

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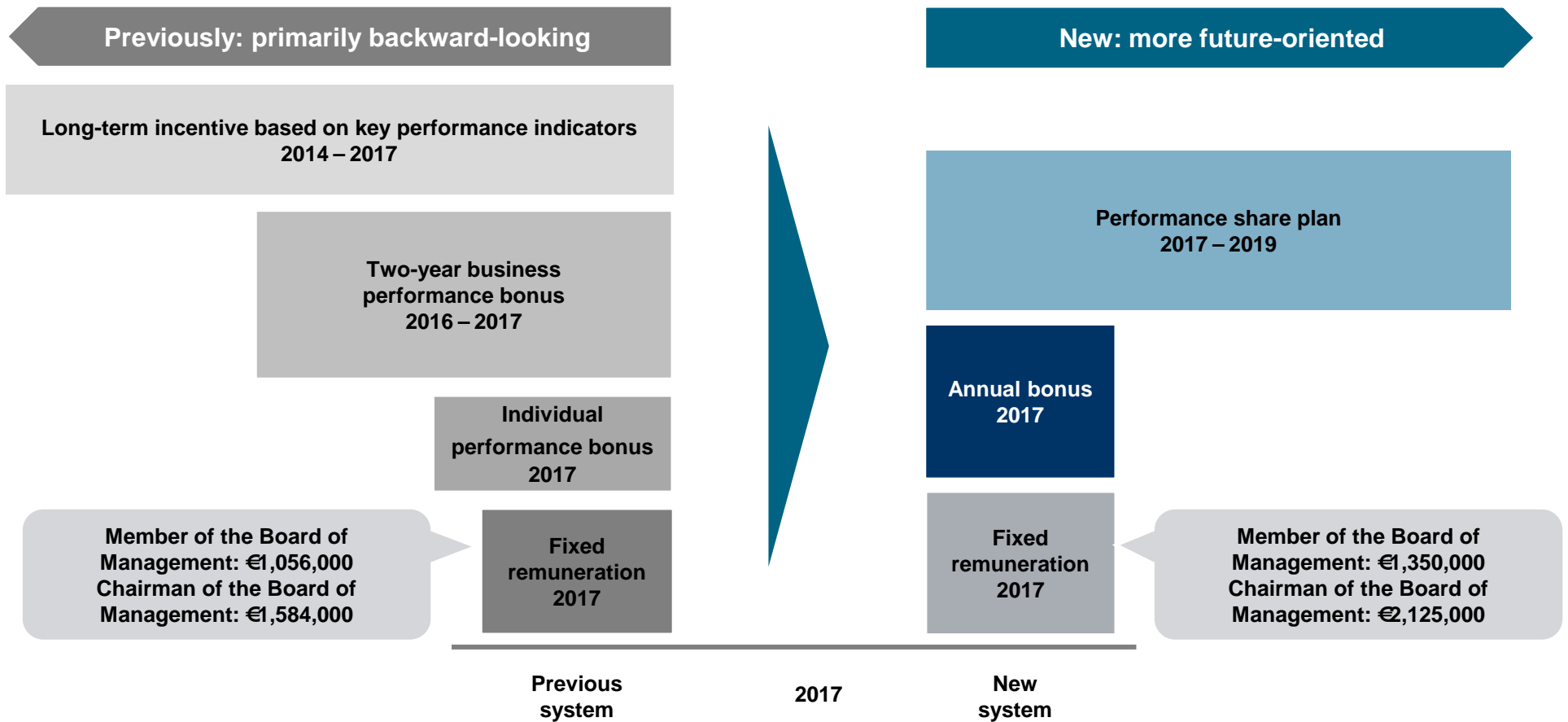


# **New remuneration system of the Board of Management – Presentation of essential principles**

March 2017

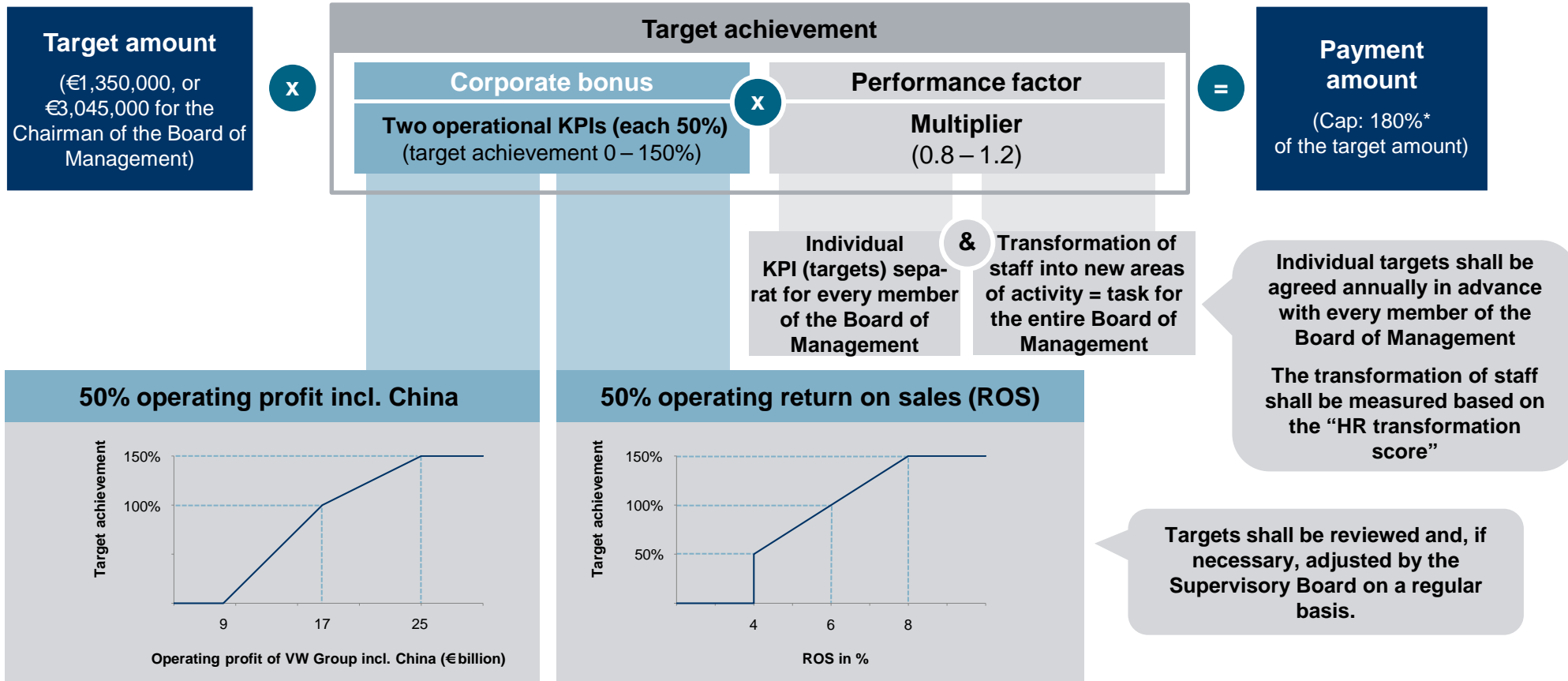
# New remuneration system for the Board of Management 2017

## Board of Management remuneration components



# New remuneration system for the Board of Management 2017

## Functionality of determining the annual bonus amount:



\* Cap of 180% arises from 150% of the maximum financial target achievement and a performance factor up to a maximum of 1.2

# New remuneration system for the Board of Management 2017

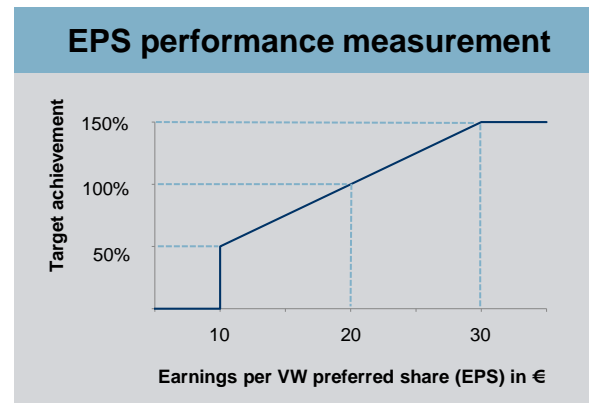
## Functionality of the performance share plan (“LTI”)

### Grant

- Grant effective from January 1 of the respective fiscal year.
- The annual target amount (€1,800,000, or €3,830,000 for the Chairman of the Board of Management) shall be converted into phantom VW preferred shares.
- The conversion is based on the unweighted average of the closing prices of the VW preferred share on the last 30 trading days before the grant date.
- The grant is entailed to a target value for the annual earnings per VW preferred share (EPS).

### Performance period

- In each year of the three-year term, one-third of the number of VW preferred shares initially granted shall be adjusted according to the degree of target achievement and subsequently be determined.
- Target shall be reviewed and, if necessary, adjusted by the Supervisory Board on a regular basis.



### Payment

- At the end of the three-year term, a cash settlement shall take place.
- The payment amount shall be calculated as the final number of determined phantom VW preferred shares, multiplied by the closing reference price at the end of the three-year period plus a dividend equivalent.
- The closing reference price shall be the unweighted average of the closing prices of the VW preferred share on the last 30 trading days before the expiry of the three-year term of the respective performance period.
- Cap: 150% target achievement, maximum payout 200% of the target amount.

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## New remuneration system for the Board of Management 2017

### Adjustment of the total remuneration cap

- Beyond the cap on the amount for the individual variable components, the annual benefits received according to the German Corporate Governance Code, consisting of the fixed remuneration and the variable remuneration components, shall not exceed an amount of €5,500,000, or €10,000,000 for the Chairman of the Board of Management.
- If the respective total cap amount is exceeded, the variable components shall be reduced proportionately.
- The amount of the total remuneration cap shall be reviewed annually by the Supervisory Board on the basis of market benchmarks to assess whether and to what extent an increase would be appropriate and necessary.