

Report of the Supervisory Board

(in accordance with section 171(2) of the AktG)

Ladies and gentlemen,

In fiscal year 2018, the work of the Supervisory Board of Volkswagen AG and its committees focused on the enhancement of the Volkswagen Group management structure. The efforts to address the diesel issue remained another area of emphasis. The Supervisory Board regularly deliberated on the Company's position and development in the reporting period. We supervised and supported the Board of Management in its running of the business and advised it on issues relating to the management of the Company in accordance with our duties under the law, the Articles of Association and the rules of procedure. We also observed the relevant recommendations and suggestions of the German Corporate Governance Code (the Code) at all times. The Supervisory Board was directly involved in all decisions of fundamental importance to the Group. Additionally, we discussed strategic considerations with the Board of Management at regular intervals.

The Board of Management regularly, promptly and comprehensively informed us in writing or in person on all matters of relevance to the Company relating to its strategy, the business development and the Company's planning and position. This also included the risk situation and risk management. In this respect, the Board of Management also informed the Supervisory Board of further improvements to the risk and compliance management system. In addition, the Supervisory Board received information about compliance-related topics and other topical issues by the Board of Management on an ongoing basis. In all cases, we received

the documents relevant to our decisions in good time for our meetings. At regular intervals, we also received a detailed report from the Board of Management on the current business position and the forecast for the current year. Any deviations in performance from the plans and targets previously drawn up were explained in detail by the Board of Management, either in person or in writing. Together with the Board of Management we analyzed the reasons for the deviations so as to enable countermeasures to be derived. At the meetings of the Special Committee on Diesel Engines, the Board of Management presented regular reports on current developments in connection with the diesel issue.

In addition, the Chairman of the Supervisory Board consulted with the Chairman of the Board of Management at regular intervals between meetings to discuss important current issues. Apart from the diesel issue, they included the Volkswagen Group's strategy and planning, its business development, and the risk situation and risk management, including integrity and compliance issues in the Volkswagen Group.

The Supervisory Board held a total of 14 meetings in fiscal year 2018. The average attendance rate was 90.0%. In addition, resolutions on urgent matters were adopted in writing or using electronic communications media. All of the members of the Supervisory Board attended over half of the meetings of the Supervisory Board and the committees of which they are members.

COMMITTEE ACTIVITIES

In order to discharge the duties entrusted to it, the Supervisory Board has established five committees: the Executive Committee, the Nomination Committee, the Mediation Committee established in accordance with section 27(3) of the Mitbestimmungsgesetz (MitbestG – German Codetermination Act), the Audit Committee and, since October 2015, the Special Committee on Diesel Engines. The Executive Committee and the Special Committee on Diesel Engines each consist of three shareholder representatives and three employee representatives. The shareholder representatives on the Executive Committee make up the Nomination Committee. The remaining two committees are each composed of two shareholder representatives and two employee representatives. The members of these committees as of December 31, 2018 are given on page 89 of this annual report.

The Executive Committee met 13 times in the reporting period. At its meetings, the Executive Committee prepared the resolutions of the Supervisory Board in detail, dealt with the composition of the Board of Management and took decisions on, among other things, contractual issues concerning the Board of Management other than remuneration and on consenting to ancillary activities by members of the Board of Management.

The Nomination Committee is responsible for proposing suitable candidates for the Supervisory Board to recommend for election to the Annual General Meeting. This committee met on one occasion in 2018.

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

The Audit Committee held five meetings in the past fiscal year. It focused on the annual and consolidated financial statements, the risk management system including the effectiveness of the internal control system and the internal audit system, and the work performed by the Company's Compliance organization. In addition, the Audit Committee concerned itself with the Volkswagen Group's quarterly reports and the half-yearly financial report, as well as with current issues and the supervision of financial reporting and the financial reporting process, and the examination thereof by the auditors. Moreover, the Audit Committee completed the call for bids for audits and other audit-related services in

the Volkswagen Group from fiscal year 2020. In this process, Volkswagen AG and other public-interest entities of the Volkswagen Group follow the selection procedure within the meaning of Article 16(3) of Regulation (EU) No 537/2014.

The Special Committee on Diesel Engines is responsible for coordinating all activities relating to the diesel issue and preparing resolutions by the Supervisory Board. To this end, the Special Committee on Diesel Engines is also provided with regular information by the Board of Management. This Special Committee is also entrusted with examining any consequences of the findings. The Chairman of the Special Committee on Diesel Engines reports regularly on its work to the Supervisory Board. In 2018, the Special Committee on Diesel Engines met on four occasions to discuss, among other topics, the regulatory offense proceedings terminated by administrative fine orders issued by the public prosecutor's offices in Braunschweig and Munich II and the Supervisory Board's proposed resolutions regarding formal approval of the actions of the members of the Board of Management and Supervisory Board incumbent in fiscal year 2017.

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

TOPICS DISCUSSED BY THE SUPERVISORY BOARD

The Supervisory Board's first meeting in the reporting period was held on February 23, 2018. Following a detailed examination, we approved the consolidated financial statements and the annual financial statements of Volkswagen AG for 2017 prepared by the Board of Management. We examined the combined management report, the combined separate nonfinancial report for 2017 and the Report by the Board of Management on Relationships of Volkswagen AG with Affiliated Companies in Accordance with Section 312 of the AktG (dependent company report). Upon completion of our examination of the dependent company report, we came to the conclusion that there were no objections to be raised to the concluding declaration by the Board of Management in the dependent company report. Other agenda items included the current state of affairs with respect to the diesel issue and the agenda for the 58th Annual General Meeting of Volkswagen AG, particularly the Supervisory Board's proposed resolutions.