Volkswagen Case Study

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Volkswagen's Dieselgate: corporate governance and sustainability

Of the many companies representing German industry, Volkswagen AG (VW) has long been one of the most recognised, and iconic, brands of "Deutschland AG". As an automotive conglomerate with a long, and, at times dubious, history, VW is one of the world's largest auto producers, typically running neck and neck with Japanese rival Toyota for global market dominance.

As a publicly listed company, VW is widely held by institutional investors, even though its ownership structure—and voting control-- is dominated by ownership from the Germany's Porsche/Piëch family, the German Federal State of Lower Saxony and the Qatari sovereign wealth fund. It is included in the German "blue chip" DAX 30 index, which ensures VW's inclusion in passive investment strategies indices based on the DAX 30, as well as other global equity indices.

In 2014 Volkswagen was the world's largest auto producer by volume– a goal articulated by Piëch in 2005. It produced 10.2 million vehicles, with 12 brands and had an employment base in excess of 600,000—45% from Germany. While Germany itself represented 12% of VW sales, 26% of its production came from Germany—a high cost production base by global standards. It was, and remains, an important source of employment (and tax revenue) for the city of Wolfsburg and the German state of Lower Saxony. VW's deep ties to its community are reflected in its ownership of the local football (soccer) team, VfL Wolfsburg, which competes in the world renown German "Bundesliga", in a stadium named Volkswagen Arena.

In its 2014 Annual Report, VW CEO Martin Winterkorn reported to its shareholders that despite challenging economic headwinds "we successfully kept your Company on a strong, stable trajectory." Though its profitability still lagged 2012 levels, he praised the achievements of many strategic targets, including surpassing 10 million cars per year and by achieving record revenues in 2014 exceeding € 200 billion. The letter went on to provide highlights of new model introductions across the various VW brands, as well as its geographic expansion, particularly in China and North America.

Winterkorn's 2014 letter also focused on the challenges the auto industry is facing with regard to growing pressures related to climate change and clean energy, while stressing that VW offers the widest range of electric vehicles and plug-in hybrids—as part of its "Strategy 2018" to achieve sustainable growth. He noted that dealing with stringent CO2 legislation "costs us a great deal of energy, and money, too. But at Volkswagen we do not see this transition as a threat, but rather as a tremendous opportunity—one that we must and will take advantage of." Winterkorn concludes with the optimistic tone of one leading a company that is firing positively on all cylinders: “As you can see, Volkswagen is making itself future-proof in every area.” His handsome 2014 pay packet of € 15.9 million (mostly performance based), also suggested that the company’s board shared his sense of confidence and positive achievement.

But not everyone was impressed. Apart from the positive milestones noted in Winterkorn’s letter, VW was also known to be facing several financial and strategic challenges, such as chronic low profitability and difficulties in gaining traction in key markets such as the United States. In April 2015 the chairman of VW’s supervisory board, Ferdinand Piëch— a substantial shareholder and a former VW CEO – had just lost a power struggle to Winterkorn.

Piëch, grandson of Wolfgang Porsche, was a prominent member of VW’s founding family, known for his business acumen, his excellence as an automotive engineer, as well as his autocratic management style. Piëch had been on the VW Supervisory Board since 2002 – longer than any other VW board member. His public criticism of Winterkorn, his former friend and protégé, was seen in Germany as a sensational boardroom drama, evocative of a Wagnerian opera.[1] Piëch had originally appointed Winterkorn, as a protégé of sorts, to be the CEO of VW in 2007, as the two shared a vision of VW becoming the world’s largest and most successful automotive company. But by 2015 Piëch thought it was time to change leaders to address VW’s strategic challenges. However, his attempts to win over the Supervisory Board failed, with the Supervisory Board representatives from Lower Saxony and VW’s trade unions rallying to support Winterkorn. Consequently, Piëch stepped down as Supervisory Board chairman in April 2015.

Dieselgate

Yet this titillating soap opera was soon to become a sideshow. Even as Winterkorn’s upbeat message was presented at VW’s AGM in May 2015 storm clouds were looming on the horizon. By April 2015 VW staff had already received a report from the US International Council on Clean Transportation (ICCT) which indicated that some VW cars were emitting NOx at 40 times the permitted levels. VW initially denied the existence of a “defeat device” which allowed these higher emissions to pass undetected in normal testing. But on 18 September 2015 the US Environmental Protection Agency (EPA) published a Notice of Violation outlining its complaints against the company, and by 23 September 2015 Winterkorn stepped down as VW CEO.

This DieselGate saga set into motion a series of events that has severely impacted both the company’s value and reputation. Immediately following the announcement in 2015 VW’s market value dropped almost 50%, from €84 billion to €46 billion. Since then over €30 billion has been set aside to cover legal liabilities relating to class action suits, mainly from the US.[2] Though VW senior management initially claimed to be unaware of these “defeat devices” the US Department of Justice indicted Winterkorn and other VW executives in

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[1] Kate Connolly, “VW boss Martin Winterkorn defeats chairman Ferdinand Piëch”, The Guardian, 17 April 2015

[2] The class action suits were product liability actions brought on behalf of purchasers of VW cars and securities law class actions on behalf of the holders of the company’s American Depository Receipts.

2018 for conspiring to rig emission test results. In April 2019 German prosecutors filed aggravated criminal fraud charges against Winterkorn.

VW's minority investors – for the most part asset managers investing on behalf of asset owners -- including pension funds-- have a right to feel unhappy, as well as disenfranchised. Important questions are raised:

- Should they have seen this coming? If so, how?
- Is there any relationship between VW's governance structure and its emission scandals?
- What expectations should investors now put to the VW management and supervisory boards in their engagement?

Ownership

Starting from its origins in the 1930s as creation of German industrial policy by the Nazi government VW has had a unique ownership structure, reflecting a mixed strategic agenda as an agent of German industrial policy and as a publicly listed private sector company. As of 2019, the Federal German state of Lower Saxony maintains a 20% stake in VW, with the blocking rights of a 25% shareholder; it also has two delegated representatives on VW's 20 member supervisory board. The Qatari sovereign wealth fund held a significant 17% stake, and also two members on the VW supervisory board.

Importantly, the majority of VW ownership has been held in the hands of the Porsche and Piëch families-- whose roots date back to VW's founding father Walter Porsche. Collectively the families as of 2019 control 52% of the company's equity (through their sole voting shareholding in Porsche Automobil Holding AG), though this holding is dispersed through various Piëch and Porsche family members.

In spite of VW's status as a German "blue chip" in the DAX 30 index institutional shareholders and other minorities represented only 11% of the company's ownership in 2014.

VW strategy and competitive position

Strategy

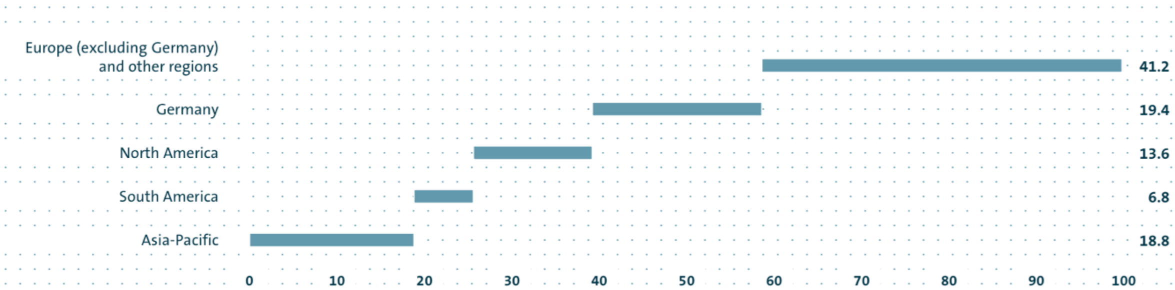
- "Our goal is world leadership": Ferdinand Piëch, 2005. This vision was shared by Piëch's protégé, Martin Winterkorn, who in 2007 became VW CEO – and, over time, a rival to Piëch.
- Multibrands: 12 automotive brands, multiple customer segments
- Geographic diversity: critical mass in key markets
- Focus on technology, innovation and customer satisfaction
- Strategy 2018: "most sustainable automotive company in the world"
- "Preserve German jobs" (CEO Matthias Müller, 2017). An implicit, if not explicit, component to this strategy is to rely on German employees and production. Of VW's

600,000 employees, 45% are from Germany. Note that in a global context Germany is a relatively high cost labour market.

Competitive position

- **Market share/stable customer base.** VW benefits from a strong European customer base, particularly in Germany. However, its market presence is less strong outside Europe, where VW faces considerable competition. China and the US are important markets for VW if it is to establish its global leadership goals, but its market positions are less established in these markets, and VW has had historical difficulties gaining traction in the US.

- **Scale and diversity of product lines: brands and geographies**. VW is well-diversified geographically, though its market positions are generally stronger in Europe and still developing in other global markets. Its upscale models, such as Audi and Porsche, are lower volume, but much more profitable than VW branded models.



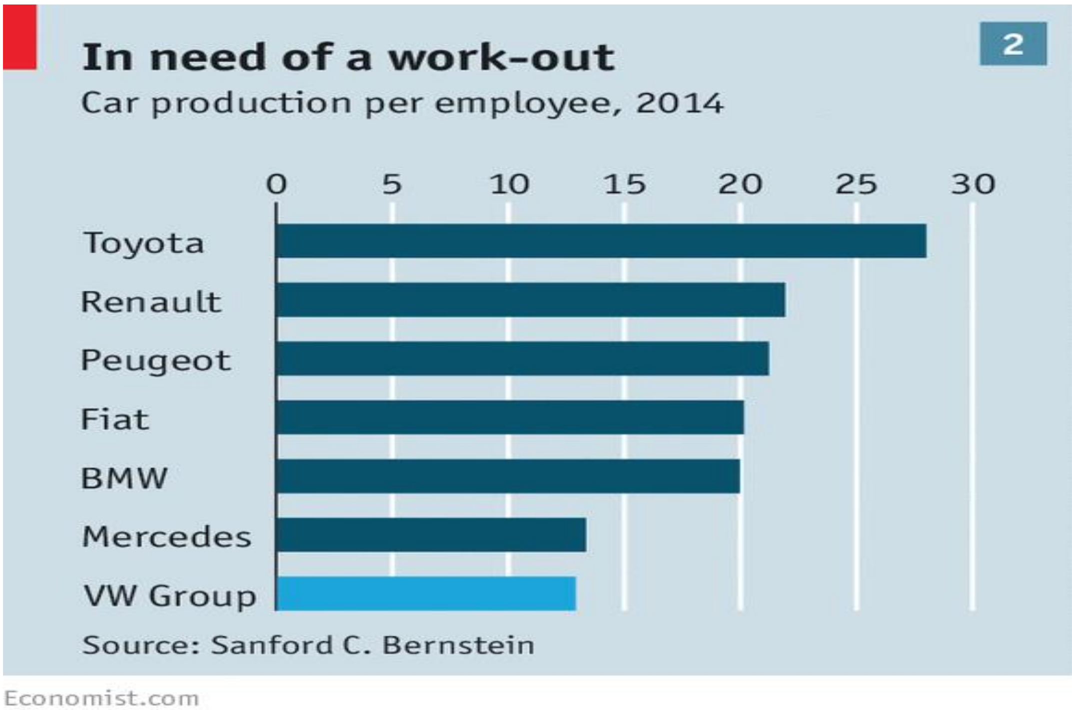
Source: VW Annual Report 2014

While VW's disclosures break down its profitability by its automotive, commercial vehicle and financial services units, it did not break out the contribution of the individual VW brands to overall profit. But an article in the Economist in 2016 indicated that the VW models themselves accounted for over 40% of revenues, but only around 20% of operating profits.[3] Perhaps more importantly, VW does not provide a geographical report on its sources of earnings. Investors are not made aware of VW's commercial success and profitability in key growth markets such as the US and China.

- **Reputation for technical quality, innovation and customer satisfaction.** This has been a traditional strength of VW and other German automakers, and has enabled VW to place a pricing premium on its top brands and compete successfully in other mass markets outside Germany.

[3] The Economist, "Emission impossible", 5 March 2016

- **Operating efficiency/ cost base**. This is one of VW's key strategic challenges, given its strong presence in high-cost Germany. While Germany accounted for around 12% of its sales in 2014, 26% of its production was in Germany, and 45% of its entire labor force was German. While this may have real or perceived benefits in terms of product quality (*Standort Deutschland*), it also puts VW at a competitive cost disadvantage vis-à-vis its competitors – particularly in the mass market segment.



- **Ability to adapt business model to accommodate industry "disruptions", such as more eco-friendly vehicles** The "Strategy 2018" that was guiding VW in 2014 clearly established its ambition to be the most sustainable automotive company in the world, and at least until the DieselGate scandal came public VW was regarded positively compared to peers in the Robeco/SAM benchmarking of its environmental and social performance. But in many ways the scandal was catalysed by VW's inability to adapt its auto production to US emissions standards in a profitable way. So it had to either suffer losses in the US, give up trying to build share in the US market – or cheat. VW ultimately chose to cheat.

- **Financial stability to withstand cyclical downturns.** Prior to 2014, VW's financial performance and financial strength was satisfactory, though not highly profitable. Its credit ratings by Moody's (A-2 long-term, P-1 short-term) reflected a strong financial position and ready access to global capital markets. Of note is that rival Toyota maintained the highest possible AAA long term rating—a rarity in industrial company ratings, particularly for such a risky sector as the automotive industry. This reflects

Toyota's strong market share, particularly in Japan, its operating efficiency and a very conservative balance sheet, with limited debt.

- **Stakeholder relations: employees, customers, communities.** The employee voice is strongly represented at VW, reflecting in part that 50% of its Supervisory Board is elected by its employees, including two members of VW's four person audit committee. It is worth noting that all these employee-elected Supervisory Board members are German, which is understandable for reasons including logistics and language. However, given the fact that 60% of VW's workforce is based outside of Germany, some critics of the Co-determination system express the concern that the labour representation on the VW board may be advocating more on behalf of the German workforce (e.g., not exporting too many jobs) than on behalf of the workforce generally.

  With a 20% stake in VW the Federal State of Lower Saxony brings a broader public policy perspective to VW as a hugely important employer and source of tax revenues. This relates not only to the operations of VW as a legal entity, but also to the broader supply chain network supporting VW—and which provides a broader base of economic activity that benefits Lower Saxony directly, and Germany more generally. VW's ownership of the Bundesliga football team Vfl Wolfsburg clearly reinforces its links with its local community, but it also raises questions of capital allocation and strategic fit.

  As VW recognised the importance of customer satisfaction and brand loyalty, it was positioning itself in late 2014 as customer friendly, particularly in the new era of eco-friendly cars. Its promotion of diesel engines as an environmentally solution increased customer sales. But this environmental positioning was severely discredited as a result of the emissions scandal, with the effect of VW customers suffering the consequences of making an important consumer spend on false pretences. The long-term implications of this on VW's brand and customer loyalty are challenging to assess or measure.

VW sustainability performance

In 2014 VW presented itself very credibly to its shareholders and stakeholders with regard to its strategy for industry leadership as a producer of environmentally friendly vehicles.

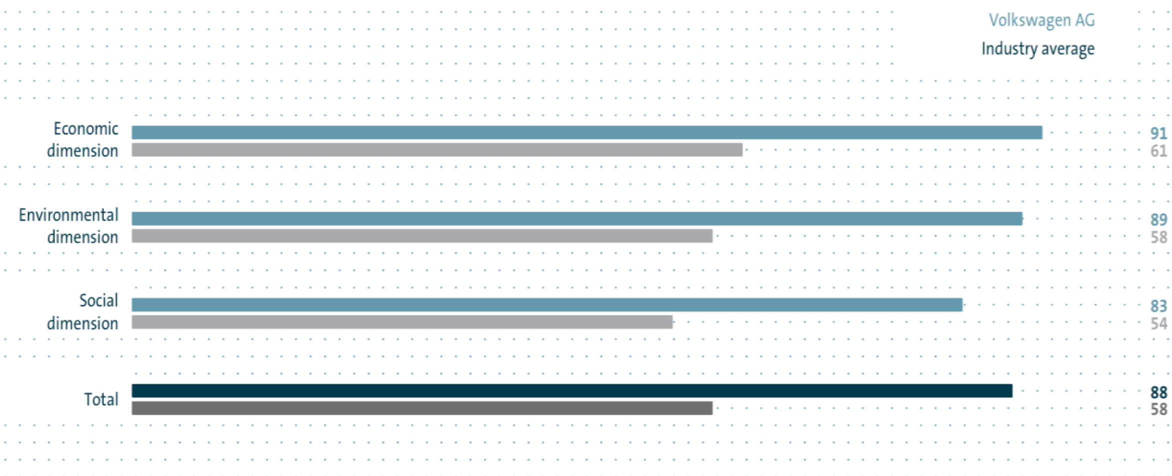
From VW's 2014 Annual Report
"Our pursuit of innovation and perfection and our responsible approach will help to make us the world's leading automaker by 2018 – both economically and ecologically."
"The automotive industry is currently experiencing fundamental change. Look no further than the increasingly stringent CO_2 legislation.... This costs us a great deal of energy and money, too. But at Volkswagen, we do not see this transition as a threat, but rather as a tremendous opportunity – one that we must and will take advantage of."

"As you can see, Volkswagen is making itself future-proof in every area."
PROF. DR. MARTIN WINTERKORN,
CHAIRMAN OF THE BOARD OF MANAGEMENT OF VOLKSWAGEN AKTIENGESELLSCHAFT

From VW's 2014 report cited the company's following recognitions with regard to sustainability:

- Dow Jones Sustainability Index
- Carbon Disclosure Project: 99/100 on disclosure, "A-" on environmental activities
- Global Compact and STOXX Global ESG Environmental Leaders Index
- ECPI Ethical Index
- Ethibel Sustainability Index Excellence Europe

The 2014 Annual Report also published an impressive benchmarking of VW's sustainability performance vis-à-vis its peers, conducted by the independent data firm RobecoSAM.



Corporate Governance at Volkswagen in 2014

VW's Supervisory Board (Aufsichtsrat) and the Management Board (Vorstand) as of December 2014 are presented in Appendix 2 and 3 below. Typical of a large German company, the Supervisory Board had 20 members, half investor-elected, half employee-elected. Three of the 10 employee representatives, including VW's Deputy Chairman were representatives of employee councils or unions. VW's management board was comprised of 10 executive directors, chaired by the CEO, Martin Winterkorn in 2014. As with a Management Board structure, all the Management Board members are subordinate to Winterkorn.

The distribution of investor-elected directors on the Supervisory Board reflects VW's ownership blocks. As of December 2014, members of the Porsche/Piëch family held 5 of the 10 investor board seats, and controlled the Nomination Committee with 2 of the 3 seats. Being a member of the Porsche/Piëch bloc did not ensure that family members were consistently in accord with one another on every issue facing VW. But one unifying feature between family measures is the preservation of Porsche/Piëch family control.

Two of the 10 investor seats were taken by Qatari representatives, given the State's 17% holding in VW. Reflecting VW's ownership stake of 20% by the German Federal State of Lower Saxony, two positions on VW's board were taken by the Prime Minister and the Minister of Economics of Lower Saxony.

The two-tier board structure in Germany results in different interpretations of independence. In an Anglo Saxon unitary board structure, any employees on the board would be regarded as non-independent. Similarly, family members with controlling ownership stakes would also not be regarded as independent. However, VW considers all its Supervisory Board members as independent, including five members of the Porsche/Piëch family, two representatives of the State of Lower Saxony, and the two representatives from Qatar.

In contrast, the 2014 Proxy Alert by the leading proxy advisor ISS stated that only one of the 20 members on VW's board (Anna Falkengren, CEO of SE Banken) was to be regarded as independent. All others were linked to either the work force or investors with control blocks.

A Porsche family member (Ferdinand Oliver Porsche) was also chairman of the four person audit committee—a committee that calls for 100% independence in many leading corporate governance codes. Two of the seats were held by employee representatives, whose main experience is in works councils, and not accounting and the audit of financial statements. The fourth audit committee member, Anna Falkengren, is the only audit committee member who could be regarded as independent from an institutional investor perspective.

Ferdinand Piëch—former VW CEO—was chairman of VW's board at December 2014, and was known for his forceful management style. In addition to VW' Piëch also sat on 7 other corporate boards, some of which were within the overall VW group.

Questions: VW's Governance ecosystem

a. **Sector dynamics:** What are the key characteristics of the automotive sector? What are the keys to success in the sector and where are the key risks?

b. **Competitive position**: How would you characterise VW's competitive position? What are its key strengths and weaknesses?

c. **Governance influencers:**

- **Controlling ownership**: Are there private benefits of control apply to Piëch and the Porsche family?

- **Family dominance**: What are the implications of ex-CEO and controlling owner Piëch chairing VW's supervisory board?

- **State ownership:** Does VW's 20% ownership by the State of Lower Saxony, with board representation, commit the company to a social agenda in Lower Saxony and Germany more generally that might conflict with the company's long-term commercial development and sustainable value creation?

- **Employees:** Given the 50% representation of employee elected directors on VW's Supervisory Board, how will this influence the company's strategy, particularly vis-à-vis its high cost German workforce? How are the interests of VW's employee-representatives linked to the interests of the State of Lower Saxony? Are VW's stakeholder relations with its employees a source of strength or weakness?

- **Minority shareholders:** Where did minority shareholders/institutional investors sit in this pecking order?

4. Strategy:

- How was VW's strategy in 2014 influenced by its governance structure?

- How does VW's strategy relate to its competitive position?

- Do you perceive any disconnects**?**

- How might competitive pressures for VW to establish itself profitably in the US have catalysed the emissions scandal?

5. **VW sustainability performance**

- What are the key ESG issues facing VW?
- How strong is VW's sustainability performance?

- Governance
- Environmental
- Social

- How did ESG factors influence the Dieselgate scandal?

6. Corporate governance and board effectiveness

- Is Dieselgate a failure of board oversight?
  - What does it say about the company's culture and values?
  - What does it say about the company's internal controls?
- What might have prevented the scandal from occurring in the first place?
- Are there changes to VW's governance system that minority investors might recommend?

Appendix I

Auto Sector

The automotive sector includes both passenger cars and commercial vehicles. Demand is typically correlated with economic growth. In 2014 the global economy was gradually showing recovery from the Financial Crisis in 2008/9. Linking this to the auto sector, the Economist Intelligence Unit's 2014 forecast was for medium term global growth of 4-5%. Emerging markets, China in particular, grew as sources of demand.

World automotive industry[a]

	2009[b]	2010[b]	2011[b]	2012[c]	2013[c]	2014[c]	2015[c]	2016[c]	2017[c]	2018[c]
Passenger car registrations (m)	51.4	57.8	60.2	64.2	67.2	69.6	73.0	76.1	79.4	82.8
% change	-3.6	12.5	4.1	6.6	4.8	3.5	4.9	4.2	4.3	4.3
Stock of passenger cars per 1,000 population	135.5	139.5	142.0	146.2	149.6	152.8	156.9	161.1	165.6	170.3
Commercial vehicle registrations (m)	10.1	12.4	12.9	13.2	13.5	13.8	14.5	15.1	15.7	16.4

% change	-7.9	22.1	4.2	2.6	1.9	2.5	5.1	4.1	4.1	4.1
Petrol consumption (m tonnes)	860.8	891.5	889.5	884.9	887.7	894.3	902.6	913.0	923.0	943.8
% change	0.3	3.6	-0.2	-0.5	0.3	0.7	0.9	1.1	1.1	2.2

[a] Sum of 60 countries covered by The Economist Intelligence Unit's industry service. [b] Economist Intelligence Unit estimates. [c] Economist Intelligence Unit forecasts.

Source: The Economist Intelligence Unit, July 31st, 2014

Against this seemingly benign macroeconomic background, the auto industry itself is an intensely competitive sector, with a large number of manufacturers, including a number of "national champions". According to rating agency Standard & Poor's, the auto sector is regarded as a moderately high risk industry, with key macro risk factors as economic growth and cyclicality – which in turn reflects consumer confidence and their budgets. This sensitivity can be significant. For example, in the period 2007-9 auto companies' aggregate revenues dropped over 30%.[4]

Auto manufacturing is capital intensive, which results in high barriers to entry and generally low profit margins, particularly for mass market. More upscale models benefit from brand appeal, with established upmarket brands (Mercedes, BMW, Volvo, Audi) providing much stronger profit margins, albeit at lower production volumes; mass market cars, such as VW, Seat and Skoda are produced in greater volume and generally much less profitable per unit. While these national brands often benefit from local home loyalties, competition between brands for market share is intense – and can be price based.

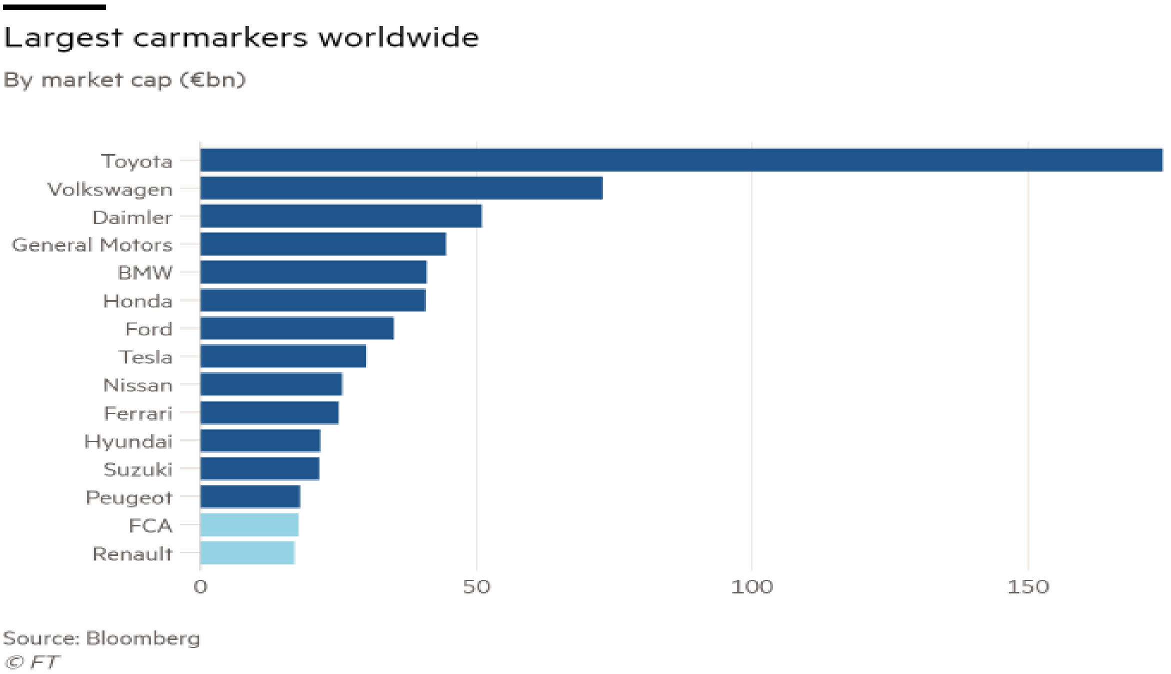
The risk of product substitution has not affected the auto market historically, as both personal and commercial demands for mobility has continued to grow. But the risks associated with climate change affect many sectors, including the automotive sector. In particular the shift from fossil fuels to hybrids and electrically powered vehicles is leading the industry to important changes, which could affect the competitive dynamics of its competitors. These climate dynamics have more generally led to a greater awareness of sustainability issues in the auto sector, particularly to the extent that sustainability factors might lead to product differentiation and competitive advantage within the sector.

As of 2017 Toyota and VW were neck and neck in world leadership, according to the OICA World Ranking of Auto Manufacturers.[5]

[4] Standard & Poor's, The Auto and Commercial Vehicle Manufacturing Industry, 19 November 2013.
[5] See OICA World Motor Vehicle production 2017: http://www.oica.net/wp-content/uploads/World-Ranking-of-Manufacturers-1.pdf

Rank	Group	Country	Vehicles
1	Toyota	Japan	10,466,051
2	Volkswagen Group	Germany	10,382,334
3	Hyundai	South Korea	7,218,391
4	General Motors	United States	6,856,880
5	Ford	United States	6,386,818
6	Nissan	Japan	5,769,277
7	Honda	Japan	5,236,842
8	Fiat Chrysler Automobiles	Italy / United States	4,600,847
9	Renault	France	4,153,589
10	PSA	France	3,649,742
11	Suzuki	Japan	3,302,336
12	SAIC	China	2,866,913
13	Daimler	Germany	2,549,142
14	BMW	Germany	2,505,741
15	Geely	China	1,950,382

But this world leadership by volume production contrasts significantly with the market values of the leading producers.



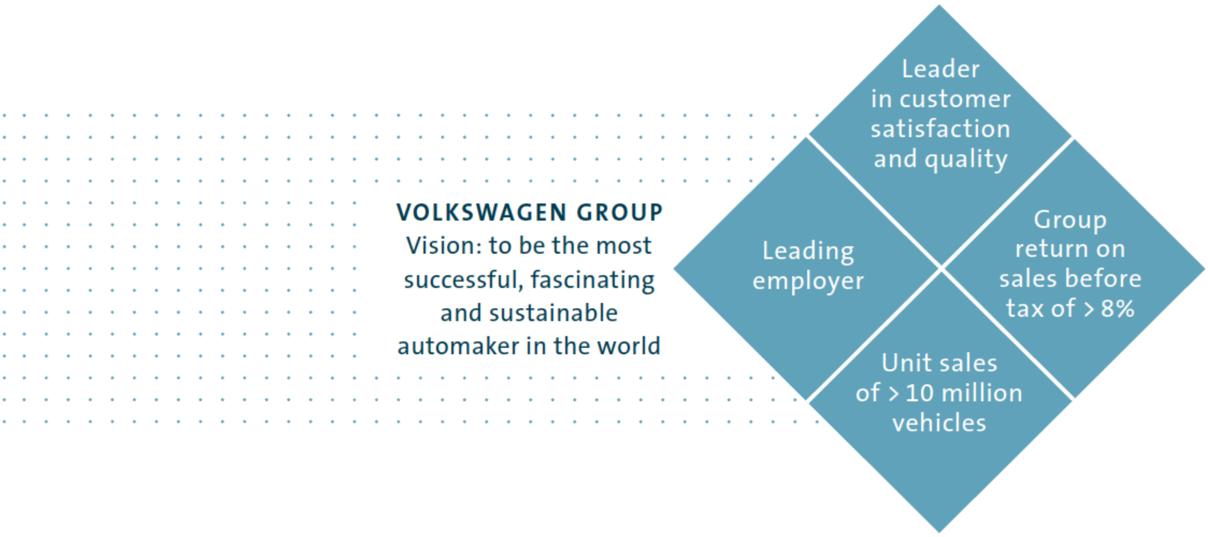
The Economist 2017

Competitive advantage: keys to success in the sector

- Market share/stable customer base
- Scale and diversity of product lines: brands and geographic markets (customers and manufacturing facilities)
- Strong design, engineering, technology, innovation and customer service
- Operating efficiency/low cost base
- Financial stability to withstand cyclical downturns
- Ability to adapt business model to accommodate industry “disruptions”, such as more eco-friendly vehicles
- Stakeholder relations: employees, customers, communities

Appendix II:

Statement of strategy from VW’s 2015 Annual Report



The Volkswagen Group sent a strong signal with the launch of its Strategy 2018 in 2008. The clear and ambitious goals triggered significant momentum within the Company, laying the foundation for the Group's significant success in recent years. In this context, and in light of the fundamental changes both in the automotive industry and within the Company itself, now is the time to realign the Volkswagen Group, both technologically and strategically. The basis for this realignment is our Strategy 2018, in which we defined four goals that are intended to make Volkswagen the most successful, fascinating and sustainable automaker in the world:

2. *Volkswagen intends to deploy intelligent innovations and technologies to become a world leader in customer satisfaction and quality. We see high customer satisfaction as one of the key requirements for the Company's long-term success.*

3. *The goal is to generate unit sales of more than 10 million vehicles a year; in particular, Volkswagen intends to capture an above-average share of growth in the major growth markets.*

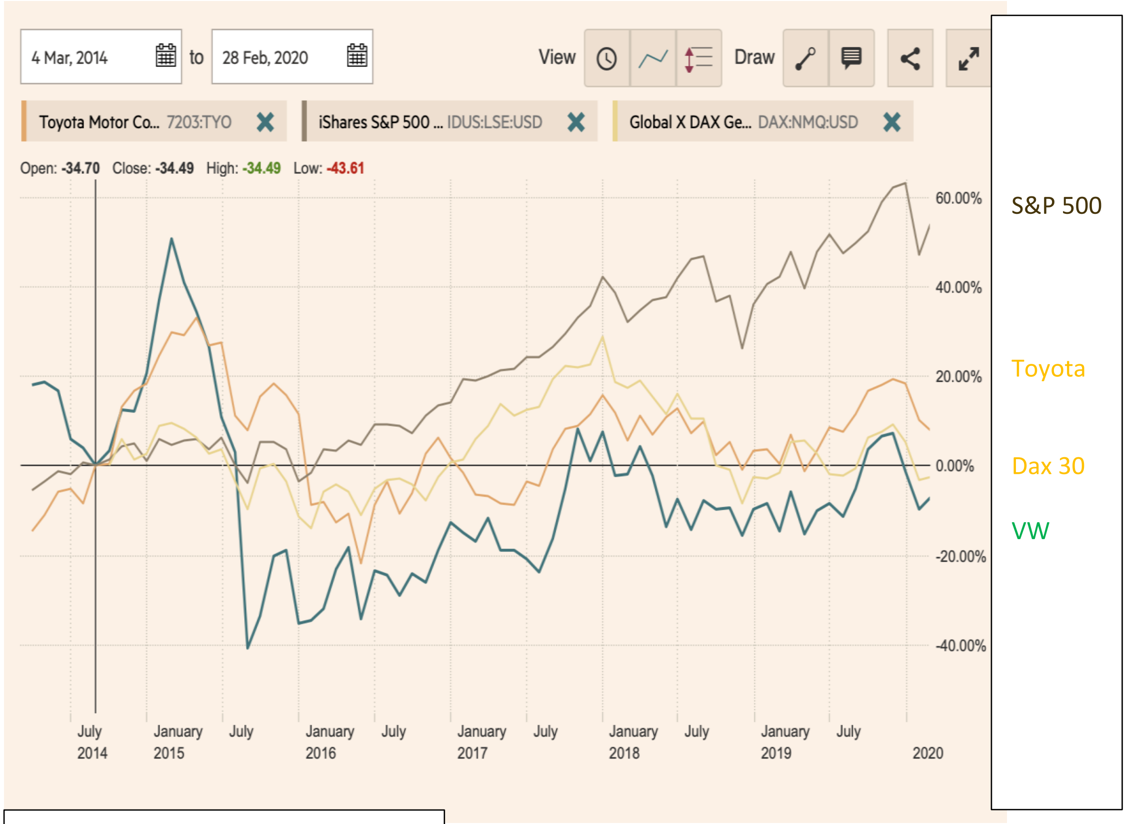
4. *Volkswagen's aim is a long-term return on sales before tax of at least 8% so as to ensure that the Group's solid financial position is guaranteed and that it retains the ability to act even in difficult market periods.*

5. *Volkswagen aims to be the most attractive employer in the automotive industry. The aim is to have the best team in the sector: highly qualified, fit and above all motivated.*

Appendix III

VW Share price performance 2014-20

Volkswagen (dark blue) comparative share performance vis-à-vis the S&P 500 (light blue), Toyota (yellow), DAX 30 (purple). Note the sharp fall in VW's share price in late 2015 after news of the emissions scandal became public. While its share price has recovered somewhat from its low point in 2016, its performance still lags the S&P 500 and DAX 30 indices – as well as Toyota—VW's arch-rival.



Source: Financial Times 2020

Appendix IV:

German Corporate Governance

German corporate governance

German corporate governance is noted for two distinctive features:

1. **Two-tier boards.** The Supervisory Board (Aufsichtsrat) consists entirely of external (non-executive) directors. The Supervisory Board of a typical large German company is large, usually 20 people. The company's Management Board (Vorstand) is typically much smaller and comprised of the company's senior executive team.
2. **Co-determination** (Mitbestimmung)**.** A key feature of a German Supervisory Board is that 50% of its members is elected by shareholders, and the other 50% is elected by the labour force, and trade union representatives are also elected to represent employees. This gives German governance a much stronger orientation to employees. This can be rewarded by positive employee/stakeholder relations, but can also result in higher labour costs, particularly for the German workforce.

While the ownership of large German companies had traditionally involved cross-shareholdings with other corporates – and significant ownership stakes by the leading German banks. This has largely disappeared, and many of Germany's largest corporates are widely held.

Germany's Corporate Governance Code (Kodex) was introduced in 2002 by a Government-appointed commission. It was last updated in 2017. Its statement of company purpose is not shareholder focused: "… obligation of the Management Board and Supervisory Board to ensure the continued existence of the enterprise and its sustainable creation of value in conformity with the principles of the social market economy."

Appendix V:

Supervisory Board (Aufsichtsrat) as of December 2014

Source: VW Annual Report 2014

1. **HON.-PROF. DR. TECHN. H.C. DIPL.-ING. ETH FERDINAND K. PIËCH (77)** (Chairman)

April 16, 2002*

Appointments:

○AUDI AG, Ingolstadt
○Dr. Ing. h.c. F. Porsche AG, Stuttgart
○MAN SE, Munich (Chairman)
○Porsche Automobil Holding SE, Stuttgart
⦿Ducati Motor Holding S.p.A., Bologna
⦿Porsche Holding Gesellschaft m.b.H., Salzburg ⦿Scania AB, Södertälje
⦿Scania CV AB, Södertälje

2. **BERTHOLD HUBER (64)** (Deputy Chairman)
IG Metall
May 25, 2010*

Appointments:
○AUDI AG, Ingolstadt (Deputy Chairman) ○Porsche Automobil Holding SE, Stuttgart ○Siemens AG, Munich (Deputy Chairman)

1. **DR. JUR. KLAUS LIESEN (83)**

July 2, 1987 – May 3, 2006*
Honorary Chairman of the Supervisory Board of Volkswagen AG (since May 3, 2006)

3. **DR. HUSSAIN ALI AL-ABDULLA (57)**

Board Member of Qatar Investment Authority and Board Member of Qatar Holding LLC
April 22, 2010*
Appointments:

⦿Gulf Investment Corporation, Safat/Kuwait ⦿Masraf Al Rayan, Doha (Chairman)
⦿Qatar Investment Authority, Doha
⦿Qatar Holding LLC, Doha

4. **AHMAD AL-SAYED (38)**

Minister of State, Qatar
June 28, 2013* **Appointments:**
⦿Qatar Exchange, Doha
⦿Qatar National Bank, Doha

5. **JÜRGEN DORN (48)**

Chairman of the Works Council at the
MAN Truck & Bus AG Munich plant, Chairman of the General Works Council of MAN Truck & Bus AG and Chairman of the Group Works Council and the SE Works Council of MAN SE
January 1, 2013*
Appointments:
○MAN SE, Munich
○MAN Truck & Bus AG, Munich (Deputy Chairman)

6. **ANNIKA FALKENGREN (52)**

President and Group Chief Executive of Skandinaviska Enskilda Banken AB May 3, 2011*
Appointments:

⦿ Securitas AB, Stockholm

7. **DR. JUR. HANS-PETER FISCHER (55)**

Chairman of the Board of Management of Volkswagen Management Association January 1, 2013*
Appointments:

⦿ Volkswagen Pension Trust e.V., Wolfsburg

8. **UWE FRITSCH (58)**

Chairman of the Works Council at the Volkswagen AG Braunschweig plant April 19, 2012*
Appointments:

⦿Eintracht Braunschweig GmbH & Co KGaA, Braunschweig

⦿Phantoms Basketball Braunschweig GmbH, Braunschweig

9. **BABETTE FRÖHLICH (49)**

IG Metall,
Department head for coordination of Executive Board duties and planning October 25, 2007*
Appointments:
○MTU Aero Engines AG, Munich

10. **OLAF LIES (47)**

Minister of Economic Affairs, Labor and Transport for the Federal State of Lower Saxony
February 19, 2013*
Appointments:

○Deutsche Messe AG, Hanover

- ⦿Demografieagentur für die niedersächsische

  Wirtschaft GmbH, Hanover (Chairman)

⦿JadeWeserPort Realisierungs GmbH Co. KG,

Wilhelmshaven (Chairman)

⦿Container Terminal Wilhelmshaven JadeWeserPort-

Marketing GmbH & Co. KG, Wilhelmshaven

⦿JadeWeserPort Realisierungs-Beteiligungs GmbH,

Wilhelmshaven (Chairman)

11. **HARTMUT MEINE (62)**

Director of the Lower Saxony and Saxony-Anhalt Regional Office of IG Metall
December 30, 2008*
Appointments:

○Continental AG, Hanover
○KME Germany GmbH, Osnabrück

12. **PETER MOSCH (42)**

Chairman of the General Works Council of AUDI AG
January 18, 2006*

Appointments:

○AUDI AG, Ingolstadt

○Porsche Automobil Holding SE, Stuttgart

○Audi Pensionskasse – Altersversorgung der

AUTO UNION GmbH, VVaG, Ingolstadt

13. **BERND OSTERLOH (58)**

Chairman of the General and Group Works Councils of Volkswagen AG
January 1, 2005*
Appointments:

○Autostadt GmbH, Wolfsburg
○Porsche Automobil Holding SE, Stuttgart
○Wolfsburg AG, Wolfsburg
⦿Allianz für die Region GmbH, Braunschweig ⦿Porsche Holding Gesellschaft m.b.H., Salzburg

⦿VfL Wolfsburg-Fußball GmbH, Wolfsburg
⦿Volkswagen Immobilien GmbH, Wolfsburg

14. **DR. JUR. HANS MICHEL PIËCH (72)**

Lawyer in private practice
August 7, 2009*
Appointments:
○AUDI AG, Ingolstadt
○Dr. Ing. h.c. F. Porsche AG, Stuttgart
○Porsche Automobil Holding SE, Stuttgart
⦿Porsche Cars Great Britain Ltd., Reading
⦿Porsche Cars North America Inc., Wilmington ⦿Porsche Holding Gesellschaft m.b.H., Salzburg ⦿Porsche Ibérica S.A., Madrid

⦿Porsche Italia S.p.A., Padua
⦿Schmittenhöhebahn AG, Zell am See ⦿Volksoper Wien GmbH, Vienna

15. **URSULA PIËCH (58)**

Supervisory Board member of AUDI AG April 19, 2012*
Appointments:
○AUDI AG, Ingolstadt

16. **DR. JUR. FERDINAND OLIVER PORSCHE (53)**

Member of the Board of Management of Familie Porsche AG Beteiligungsgesellschaft August 7, 2009*
Appointments:

○AUDI AG, Ingolstadt

○Dr. Ing. h.c. F. Porsche AG, Stuttgart

○Porsche Automobil Holding SE, Stuttgart

⦿PGA S.A., Paris

⦿Porsche Holding Gesellschaft m.b.H., Salzburg

⦿Porsche Lizenz- und

Handelsgesellschaft mbH & Co KG, Ludwigsburg

17. **DR. RER. COMM. WOLFGANG PORSCHE (71)**

Chairman of the Supervisory Board of Porsche Automobil Holding SE; Chairman of the Supervisory Board of Dr. Ing. h.c. F. Porsche AG

April 24, 2008*

Appointments:

○AUDI AG, Ingolstadt

○Dr. Ing. h.c. F. Porsche AG, Stuttgart (Chairman)

○Porsche Automobil Holding SE, Stuttgart (Chairman)

⦿Familie Porsche AG Beteiligungsgesellschaft,

Salzburg (Chairman)

⦿Porsche Cars Great Britain Ltd., Reading

⦿Porsche Cars North America Inc., Wilmington

⦿Porsche Holding Gesellschaft m.b.H., Salzburg

⦿Porsche Ibérica S.A., Madrid

⦿Porsche Italia S.p.A., Padua

⦿Schmittenhöhebahn AG, Zell am See

18. **STEPHAN WEIL (56)**
- Minister-President of the Federal State of Lower Saxony
  February 19, 2013*

19. **STEPHAN WOLF (48)**
- Deputy Chairman of the General and Group Works Councils of Volkswagen AG January 1, 2013*
  Appointments:
  ○Wolfsburg AG, Wolfsburg
  ⦿Sitech Sitztechnik GmbH, Wolfsburg ⦿Volkswagen Pension Trust e.V.,
- Wolfsburg

20. **THOMAS ZWIEBLER (49)**
- Chairman of the Works Council of Volkswagen Commercial Vehicles May 15, 2010*

○Membership of statutory supervisory boards in Germany.

⦿Comparable appointments in Germany and abroad.

* Beginning or period of membership of the Supervisory Board.

Members of the Audit Committee

Dr. Ferdinand Oliver Porsche (Chairman)

Peter Mosch (Deputy Chairman)

Annika Falkengren

Babette Fröhlich

Members of the Nomination Committee

Hon.-Prof. Dr. techn. h.c. Dipl.-Ing. ETH Ferdinand K. Piëch (Chairman)

Dr. Wolfgang Porsche

Stephan Weil

3. **VW Management Board (Vorstand) as of December 2014**
   Source: VW Annual Report 2014

1. **PROF. DR. DR. H.C. MULT. MARTIN WINTERKORN (67)** Chairman (since January 1, 2007), Research and Development

July 1, 2000*
Chairman of the Executive Board of Porsche Automobil Holding SE November 25, 2009* **Appointments:**
○FC Bayern München AG, Munich

2. **DR. RER. POL. H.C. FRANCISCO JAVIER GARCIA SANZ (57)**

Procurement
July 1, 2001*
Appointments:
○Hochtief AG, Essen
⦿Criteria CaixaHolding S.A., Barcelona

3. **PROF. DR. RER. POL. DR.-ING. E.H. JOCHEM HEIZMANN (62)**
China
January 11, 2007*

Appointments:

○Lufthansa Technik AG, Hamburg
⦿OBO Bettermann GmbH & Co. KG, Menden

4. **CHRISTIAN KLINGLER (46)**

Sales and Marketing
January 1, 2010*
Appointments:
⦿Messe Frankfurt GmbH, Frankfurt am Main

5. **DR.-ING. E.H. MICHAEL MACHT (54)**

Production
October 1, 2010 – July 31, 2014*

6. **PROF. H.C. DR. RER. POL.**
HORST NEUMANN (65)
Human Resources and Organization December 1, 2005*

7. **DR. H.C. LEIF ÖSTLING (69)**

Commercial Vehicles September 1, 2012* **Appointments:**
⦿SKF AB, Gothenburg
⦿EQT Holdings AB, Stockholm

8. **HANS DIETER PÖTSCH (63)**

Finance and Controlling
January 1, 2003*
Chief Financial Officer
of Porsche Automobil Holding SE November 25, 2009* **Appointments:**

○Bertelsmann Management SE, Gütersloh ○Bertelsmann SE & Co. KGaA, Gütersloh

9. **ANDREAS RENSCHLER (56)**

Commercial Vehicles
February 1, 2015*
Appointments (as of February 1, 2015): ○Deutsche Messe AG, Hanover

10. **PROF. RUPERT STADLER (51)**

Chairman of the Board of Management of AUDI AG January 1, 2010*
Appointments:
○FC Bayern München AG, Munich