

REMUNERATION SYSTEM FOR MEMBERS OF THE BOARD OF MANAGEMENT OF VOLKSWAGEN AKTIENGESELLSCHAFT

A Key Features of the remuneration system for members of the Board of Management of Volkswagen Aktiengesellschaft

Volkswagen Aktiengesellschaft has set itself the goal of making the future of mobility even more sustainable and, in doing so, meeting the diverse needs of its customers and achieving sustainable growth. These strategic goals are also supported by a remuneration system for the Board of Management members of Volkswagen Aktiengesellschaft, whose design pays particular attention to, among other things, the choice of the performance targets and remuneration structure.

The annual bonus is based on the economic performance targets of the operating profit of the Volkswagen Group plus the proportionate operating profit of the Chinese joint ventures (“**Operating Profit including Chinese Joint Ventures (pro rata)**”) and the Operating Return on Sales of the Volkswagen Group (Return on Sales, “**ROS**”) (“**Operating Return on Sales**”) as well as the achievement of sustainability targets (environment, social and governance, “**ESG Targets**”). The economic performance targets promote the strategic goal of competitive profitability. The integration of the sustainability targets also reflects the importance of the environment, social and governance factors. The selection of one or more targets per ESG dimension (decarbonization index, opinion and diversity index as well as compliance and integrity factor) ensures that a wide range of sustainability components that are of great strategic relevance to Volkswagen Aktiengesellschaft are comprehensively covered.

In order to ensure that the remuneration of the Board of Management members is linked to the long-term development of the Volkswagen Group, the long-term variable remuneration constitutes a significant portion of the total remuneration. The long-term variable remuneration (long-term incentive, “**LTI**”) is granted in the form of a performance share plan with a four-year performance period. The economic performance target is the earnings per Volkswagen preference share (earnings per share, “**EPS**”) during the performance period. In addition, the payout depends on the development of the price of the Volkswagen preference share and the dividends paid out during the performance period. Using the EPS economic performance target in conjunction with the development in the share price and the dividends paid out, measured over four years, ensures that the incentives have a long-term effect and promotes the strategic goal of competitive profitability. Since this is an important indicator for valuing shares, the interests of investors have also been taken into account.

The remuneration system for Board of Management members is clear and understandable. It complies with the requirements of the German Stock Corporation Act in the version

of the Act Implementing the Second Shareholders' Rights Directive of December 12, 2019 and takes into account the recommendations of the German Corporate Governance Code (GCGC) in the version that came into force on March 20, 2020.

The new remuneration system applies as from January 1, 2021 to all Board of Management members with whom a new service agreement is concluded or whose service agreement is extended after the Supervisory Board's resolution of December 14, 2020. To Board of Management members who had already been appointed prior to the Supervisory Board's resolution of December 14, 2020, the new remuneration system likewise applies in principle as from January 1, 2021. However, the following exceptions apply until the respective agreement has been extended: The performance share plan of the Board of Management members already appointed will continue to have a three-year performance period, but will in all other respects comply with the performance share plan described in this remuneration system. Penalty and clawback provisions are likewise only to apply to the already appointed Board of Management members as from the time at which their agreements are extended.

B Details of the remuneration system

I. Remuneration components

1. Overview of the remuneration components and their relative percentages

The Board of Management members' remuneration consists of fixed and variable components. The base salary, fringe benefits and company pension are the fixed components of the Board of Management members' remuneration. The variable components are the annual bonus with a one-year assessment period and the performance share plan with a four-year assessment period.

Remuneration component	Assessment basis / parameters
Fixed remuneration components	
Base salary	At the end of each month
Fringe benefits	Fringe benefit lump sum that covers certain benefits, e.g.: <ul style="list-style-type: none"> - company cars - medical check-up - allowances toward health and nursing care insurance - accident insurance
Company pension	<ul style="list-style-type: none"> - defined contribution pension commitment – by way of a direct commitment – in respect of old-age and surviving dependants' benefits and benefits based on a reduction in earning capacity - in principle upon reaching the age of 63 or 65 - annual pension contribution of 40% or 50% of the contractually agreed base salary

Remuneration component	Assessment basis / parameters	
Variable remuneration components		
Annual bonus	Type of plan:	Target bonus
	Cap:	180% of the target amount
	Performance criteria:	<ul style="list-style-type: none"> - Operating Profit including Chinese Joint Ventures (pro rata) (50%), - Operating Return on Sales (50%) - ESG-targets (multiplier 0.63-1.43)
	Assessment period:	Respective financial year
	Disbursement:	In cash in the month following the approval of the consolidated financial statement for the respective financial year
Long-term incentive (LTI)	Type of plan:	Performance share plan
	Cap:	200% of the target amount
	Performance criterion:	EPS (100%)
	Performance period:	Four years, future-oriented
	Disbursement:	In cash in the month following the approval of the consolidated financial statement for the last year of the performance period
Other benefits		
Special payment	If applicable, on the basis of a separate agreement with the Board of Management member	
Benefits that are temporary or that have been agreed for the entire term of the service agreement for new Board of Management members	<ul style="list-style-type: none"> - If applicable, payments to compensate for forfeited variable remuneration or other financial disadvantages - If applicable, benefits in connection with relocation - If applicable, minimum remuneration guarantee 	

Based on the remuneration system, the Supervisory Board sets a specific target total remuneration for every Board of Management member that is commensurate with the duties and performance of the Board of Management member and the situation of the Company and does not exceed the usual remuneration without special reasons. The target total remuneration is made up of the sum of the remuneration components relevant for the total remuneration. The total remuneration includes the base salary, the annual bonus and the performance share plan as well as the fringe benefits and the company pension. As regards the annual bonus and LTI, the target amount is based on 100% target achievement in each case. The fixed and variable remuneration components are shown below as percentages of the target total remuneration.

	Fixed remuneration (base salary + fringe benefits + company pension)	Variable remuneration	
		Annual bonus	LTI
Chairman of the Board of Management	approx. 30-40%	approx. 25-35%	approx. 30-40%
Board of Management members	approx. 40-50%	approx. 20-30%	approx. 30-40%

In the case of the Chairman of the Board of Management, the fixed remuneration (base salary, service cost in connection with the company pension and fringe benefits) currently represents approximately 36% of the target total remuneration and the variable remuneration approximately 64% of the target total remuneration. The annual bonus (target amount) represents approximately 28% of the target total remuneration and the LTI (target amount) approximately 36% of the target total remuneration.

In the case of the members of the Board of Management, the fixed remuneration (base salary, service cost in connection with the company pension and fringe benefits) currently represents approximately 44% of the target total remuneration and the variable remuneration approximately 56% of the target total remuneration. The annual bonus (target amount) represents approximately 24% of the target total remuneration and the LTI (target amount) approximately 32% of the target total remuneration.

The said percentages may differ in future financial years, for example due to the granting of a special payment or benefits that are temporary or that have been agreed for the entire term of the service agreement to new Board of Management members pursuant to section B.I.4. or due to changes in the costs of the contractually promised fringe benefits and company pension and for any new appointments.

2. Fixed remuneration components

2.1 Base salary

The Board of Management members receive a base salary in twelve equal installments paid at the end of each month.

2.2 Company pension

Members of the Board of Management have a contribution-based pension commitment – by way of a direct commitment – from Volkswagen Aktiengesellschaft in respect of old-age and surviving dependants' benefits and benefits based on a reduction in earning capacity. The agreed pension benefits are paid once the Board of Management member reaches the age of 65. In the case of Board of Management members who took office prior to January 1, 2020, the agreed pension benefits are already paid once the Board of Management member reaches the age of 63. The annual pension contribution amounts to 40% of the contractually agreed base salary. In the case of Board of Management members who took office prior to January 1, 2018, the annual pension contribution amounts to 50% of the contractually agreed base salary.

2.3 Fringe benefits

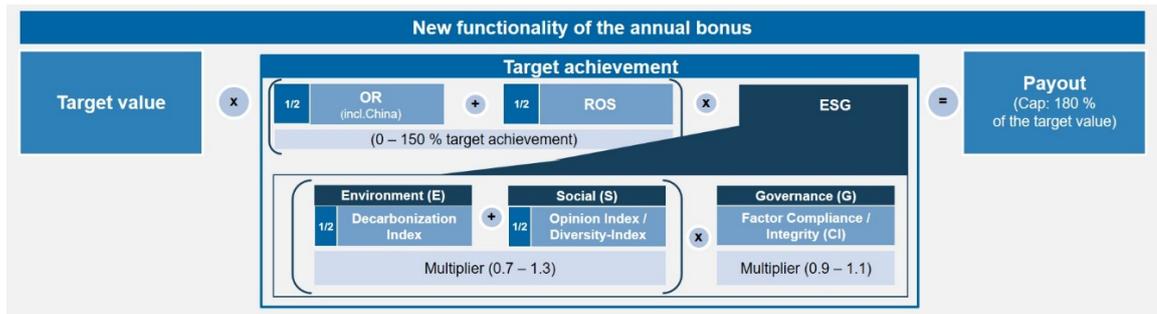
Volkswagen Aktiengesellschaft grants the Board of Management members fringe benefits within the scope of a fringe benefit lump sum per financial year. The members of the Board of Management have the choice of certain benefits, such as company cars, a medical check-up per financial year, health and nursing-care insurance contribution allowances and accident insurance. Fringe benefits that are taken up are counted towards the fringe benefit lump sum insofar as they are subject to wage tax. If Board of Management members do not make full use of the fringe benefit lump sum during a fiscal year, the remaining amount of the fringe benefit lump sum will be paid out to them after the end of the financial year.

3. Variable remuneration components

In the following, the variable remuneration components will be described in detail. It will be explained how the fulfilment of the performance criteria and the amounts disbursed as part of the variable remuneration are connected. It will also be explained in what form and when Board of Management members will have the granted variable remuneration amounts at their disposal.

3.1 Annual bonus

The annual bonus is a performance-based bonus with a one-year assessment period. Target achievement is assessed based, on the one hand, on the development of the financial performance targets of the Operating Profit of the Volkswagen Group including Chinese Joint Ventures (pro rata) and the Operating Return on Sales (together the “**Financial Sub-targets**”). On the other hand, the annual bonus depends on changes in the environment, social and governance targets that are taken into account through a multiplying factor (“**ESG Factor**”).



3.1.1 Financial Sub-targets

The Financial Sub-targets of the Operating Profit including Chinese Joint Ventures (pro rata) and Operating Return on Sales are each weighted at 50%. The Supervisory Board is entitled to adjust the weighting of the Financial Sub-targets for future financial years at its reasonable discretion.

The Supervisory Board determines the values for the Financial Sub-targets for each financial year. In doing so, the Supervisory Board determines the following:

- For the Operating Profit including Chinese Joint Ventures (pro rata):
 - a threshold value corresponding to a sub-target achievement level of 0%,
 - a target value corresponding to a sub-target achievement level of 100%,
 - a maximum value corresponding to a sub-target achievement level of 150%.
- For the Operating Return on Sales:
 - a threshold value corresponding to a sub-target achievement level of 50%,
 - a target value corresponding to a sub-target achievement level of 100%,
 - a maximum value corresponding to a sub-target achievement level of 150%.

Linear interpolation is used to determine values between the threshold value and target value and between the target value and maximum value.

The overall financial target achievement level is calculated by adding the weighted sub-target achievement levels together according to the following formula:

Overall financial target achievement level

= sub-target achievement level of Operating Profit including Chinese Joint Ventures (pro rata) x 50% + sub-target achievement level of Operating Return on Sales x 50%

3.1.2 ESG-Factor

The relevant sub-targets for calculating the ESG factor are the environment sub-target, the social sub-target and the governance factor (together the “**ESG Sub-targets**”). The environment sub-target takes into account the criterion of the decarbonization index, the social sub-target takes into account the criteria of the opinion and diversity index, and the governance factor takes into account the criteria of compliance and integrity (the “**ESG Criteria**”).

The Supervisory Board is entitled, at its reasonable discretion, to replace individual ESG Sub-targets or the determined ESG Criteria for future financial years if, in its view, ESG Sub-targets or ESG Criteria other than those regulated in this section appear to be more suitable for reflecting developments in environment, social and governance issues and incentivizing the members of the Board of Management accordingly.

The Supervisory Board determines the following for the environment and social sub-targets for each financial year:

- a minimum value corresponding to a sub-target achievement level of 0.7,
- a target value corresponding to a sub-target achievement level of 1.0,
- a maximum value corresponding to a sub-target achievement level of 1.3.

Linear interpolation is used to determine values between the minimum value and the target value and between the target value and the maximum value. The environment and social sub-targets are each weighted at 50%. Within the social sub-target, the ESG Criteria are, for their part, each weighted at 50%. The Supervisory Board is entitled, at its reasonable discretion, to weight the ESG Sub-targets and the ESG Criteria within an ESG Sub-target differently for future financial years.

After the end of the financial year, the Supervisory Board determines a governance factor between 0.9 and 1.1. In this regard, the Supervisory Board evaluates the collective performance of the Board of Management as a whole and the individual performance of the respective Board of Management members with regard to integrity and compliance during the financial year.

The ESG Factor is calculated by multiplying the sum of the weighted target achievement of the environment sub-target and the social sub-target by the governance factor according to the following formula:

ESG Factor

$$= [\text{achievement level of the environment sub-target} \times 50\% + \text{achievement level of the social sub-target} \times 50\%] \times \text{governance factor (0.9-1.1)}$$

3.1.3 Calculation of the payout

The target achievement level is determined after the end of the financial year using the following formula:

Annual bonus

$$= \text{individual target amount} \times \text{overall financial target achievement level} \times \text{ESG Factor.}$$

The Supervisory Board then checks whether the payout is to be reduced on account of conduct meeting penalty criteria (see section B.I.3.3). The payout calculated in this way is due for payment in the month after the Company's consolidated financial statements are approved for the relevant financial year. The payout in respect of the annual bonus is capped at 180% of the target amount.

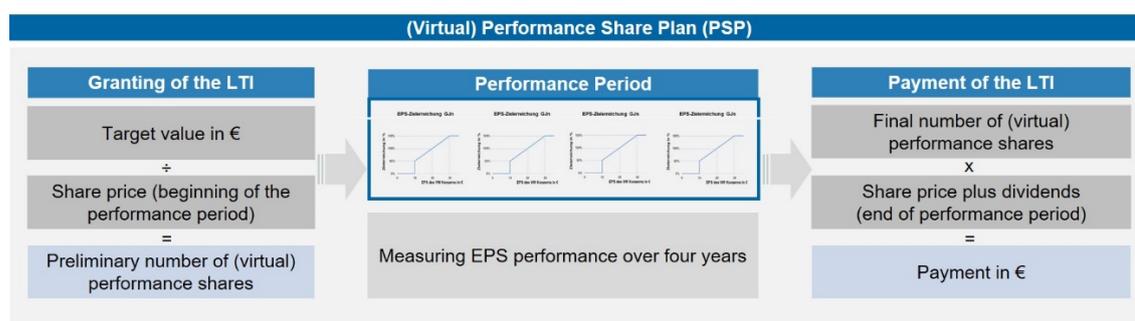
3.1.4 Board of Management members who join/leave the Company during a financial year and extraordinary events or developments

Should the service agreement start or end during the current financial year, the target amount will be reduced pro rata temporis in relation to the time of the beginning or end of the service agreement. The target amount will likewise be decreased pro rata temporis for periods during which the Board of Management member has no claim for remuneration under the existing service agreement (e.g., if the service relationship is suspended or if he/she is unable to work but has no claim for continued payment of his/her remuneration).

Should any extraordinary events or developments occur, Volkswagen Aktiengesellschaft will be entitled to adjust the terms of the annual bonus properly and at its reasonable discretion. Extraordinary events or developments can be, for example, an acquisition or sale of a company or parts thereof by an undertaking of the Volkswagen Group, material changes in the shareholder structure of Volkswagen Aktiengesellschaft or high inflation.

3.2 Long-term incentive (LTI)

The LTI is granted in the form of a performance share plan with a four-year performance period. The relevant economic performance target is the EPS of Volkswagen Aktiengesellschaft as reported in the annual report as the audited, fully diluted earnings per Volkswagen preference share from continuing and discontinued operations.



At the beginning of each financial year, the Board of Management members are allocated a tranche of performance shares of Volkswagen Aktiengesellschaft for the financial year; the performance shares serve purely for calculation purposes. The tranche starts on January 1 of the first financial year of the performance period (“Grant Year”) and ends on December 31 of the third financial year following the Grant Year. The number of performance shares to be conditionally allocated is calculated based on the relevant target amount agreed at the time of the allocation divided by the arithmetic mean of the closing prices of the Volkswagen preference share (securities identification number: 766403) in the XETRA trading system of Deutsche Börse AG (or the trading system that replaces it) on the last 30 trading days prior to January 1 of the respective performance period.

One quarter of the allocated performance shares is determined at the end of each financial year during the performance period. The number of performance shares to be determined depends on the EPS, the audited, fully diluted earnings per Volkswagen preference share from the Company's continuing and discontinued operations. For this purpose, the Supervisory Board stipulates the following at the beginning of the performance period:

- an EPS minimum value that corresponds to a target achievement level of 50%,
- an EPS target value that corresponds to a target achievement level of 100% and
- an EPS maximum value that corresponds to a target achievement level of 150%.

If the EPS target value is precisely reached in a financial year, 100% of one quarter of the allocated performance shares will be determined. If the EPS minimum value is precisely reached, 50% of one quarter of the allocated performance shares will be determined and if the EPS minimum value is not reached, one quarter of the allocated performance shares will be forfeited. If the EPS maximum value is reached or exceeded, 150% of one quarter of the allocated performance shares will be determined. Linear interpolation will be used to determine values between the EPS minimum value and the EPS target value and between the EPS target value and the EPS maximum value.

At the end of the performance period, the payout under the performance share plan is calculated by multiplying the performance shares determined by the arithmetic mean of the closing prices of the Volkswagen preference share (securities identification number: 766403) in the XETRA trading system of Deutsche Börse AG (or the trading system that replaces it) on the last 30 trading days prior to the end of the performance period and the dividends paid out per Volkswagen preference share during the performance period. Dividends will not accrue interest or be reinvested.

The Supervisory Board then assesses whether the calculated amount is to be reduced due to conduct meeting penalty criteria (see section B.I.3.3). The payout calculated in this way is due for payment in the month after the Company's consolidated financial statements are approved for the last year of the performance period. The payout is capped at 200% of the target amount.

Should the service relationship or the entitlement to participate in the performance share plan start or end during the Grant Year, the target amount – and thus the number of performance shares allocated – will be reduced *pro rata temporis*. The same applies to periods during which the participant, in the Grant Year, has no claim for remuneration even though the service relationship still continues (e.g., if the service relationship is suspended or if the participant is unable to work but has no claim for continued payment of his/her remuneration). Should the service relationship end due to the permanent disability or death of the participant, all of the allocated performance shares for which the performance period has not yet ended will be disbursed without delay.

All of the performance shares of an ongoing performance period – regardless of whether they have merely been allocated or already determined – will be forfeited and not replaced or compensated in the following cases (“bad leaver cases”):

- The service relationship ends prior to the end of the performance period on the grounds of dismissal by the Company for cause pursuant to section 626 of the Bürgerliches Gesetzbuch (BGB - German Civil Code).
- The Board of Management member, prior to the end of the performance period, violates the non-compete covenant which is in force during the service relationship or – where this has been agreed upon – a post-contractual non-compete covenant.

Should any extraordinary events or developments occur, Volkswagen Aktiengesellschaft will be entitled to adjust the terms of the performance share plan properly and at its reasonable discretion. Extraordinary events or developments can be, for example, an acquisition or sale of a company or parts thereof by an undertaking of the Volkswagen Group, material changes in the shareholder structure of Volkswagen Aktiengesellschaft or high inflation.

3.3 Penalty and clawback provisions for the variable remuneration

In the event of relevant misconduct (“**Conduct Meeting Penalty Criteria**”) by the Board of Management member during the assessment period relevant for the variable remuneration – in the case of the annual bonus during the relevant financial year and in the case of the performance share plan during the four-year performance period – the Supervisory Board may at its reasonable discretion reduce the payout by up to 100% (“**Penalty**”). Conduct Meeting Penalty Criteria may consist of individual misconduct or organizational misconduct. Should Conduct Meeting Penalty Criteria occur in a year which falls within the assessment period for several variable remuneration components, the Penalty can be set for each of these variable remuneration components, i.e. several variable remuneration components with assessment periods extending over more than one year may be subject to a Penalty based on the same Conduct Meeting Penalty Criteria.

In the event that Conduct Meeting Penalty Criteria becomes known or is discovered at a later date and this Conduct would have justified a 100% Penalty had it been known initially, the Company is entitled, at its reasonable discretion, to claw back the gross payout in full. For the performance share plan, this applies to each assessment period in which the year of the Conduct Meeting Penalty Criteria falls. Clawback is excluded if more than three years have passed since the variable remuneration component was paid.

4. Other benefits

The Supervisory Board is entitled to additionally grant members of the Board of Management an appropriate special payment. To this end, the Supervisory Board will conclude an individual agreement with the Board of Management member for the upcoming financial year, in which the Supervisory Board lays down the performance criteria for the special payment. A prerequisite for such a special payment is outstanding and exceptional performance on the part of the Board of Management member, so that the special payment is, in the opinion of the Supervisory Board, in the interest of the Company and will benefit the Company in future.

After the end of the financial year in which the assessment period for the special payment ends, the Supervisory Board determines the amount of the special bonus to be granted depending on the target achievement level. The total earnings of the individual Board of Management members must, taking the special payment into account, be in due proportion to the Company's situation.

The Supervisory Board is also entitled to grant new members of the Board of Management benefits that are temporary or that have been agreed for the entire term of the service agreement. These benefits may, for example, be payments to compensate for forfeited variable remuneration at a former employer or other financial disadvantages as well as benefits in connection with relocation or a minimum remuneration guarantee.

II. Maximum remuneration

The total remuneration of the Board of Management members in a financial year is capped ("**Maximum Remuneration**"). The total remuneration in this sense essentially includes, in line with Volkswagen Aktiengesellschaft's previous practice and based on the regulatory requirements governing the structure of the GCGC benefits received tables according to the GCGC 2017, the base salary paid out for the respective financial year, the fringe benefits granted for the respective financial year, the service cost in connection with the company pension for the respective financial year, the annual bonus granted for the respective financial year and disbursed in the following year, the payout in the respective financial year under a performance share plan whose performance period ended immediately prior to the respective financial year as well as any special payment granted for the respective financial year.

Should the Supervisory Board grant new members of the Board of Management benefits that are temporary or that have been agreed for the entire term of the service agreement pursuant to section B.I.4., these benefits will also be taken into account as part of the Maximum Remuneration in the financial year for which they are granted.

The Maximum Remuneration is EUR 7,000,000 gross per financial year for members of the Board of Management and EUR 12,000,000 gross per financial year for the Chairman of the Board of Management. Should the calculation of the total remuneration result in an amount that exceeds the Maximum Remuneration, the amount disbursed for the annual bonus will be reduced. Should reducing the annual bonus not be enough to comply with the Maximum Remuneration, the Supervisory Board may, at its due discretion, reduce other remuneration components or require the repayment of remuneration that has already been disbursed.

In addition to the set Maximum Remuneration, the cash remuneration of the Board of Management members will also continue to be capped. The cash remuneration in this sense consists of the base salary disbursed for the respective financial year, the annual bonus granted for the respective financial year and disbursed in the following year, the payout in the respective financial year under a performance share plan as well as any special payment granted for the respective financial year. The cash remuneration is capped at EUR 5,500,000 gross per financial year for members of the Board of Management and at EUR 10,000,000 gross per financial year for the Chairman of the Board of Management.

In addition, the payout for the annual bonus and performance share plan are moreover capped at 180% and 200% of the relevant target amount respectively. Neither the caps for the cash remuneration nor the amounts disbursed for the annual bonus and performance share plan constitute maximum remuneration within the meaning of section 87a(1), sentence 2, no. 1 of the Aktiengesetz (AktG - German Stock Corporation Act).

III. Remuneration-related legal transactions

1. Term of remuneration-related legal transactions

1.1 Term of service agreements

The service agreements of the Board of Management members apply for the duration of their appointments as members of the Board of Management. In the case of a first-time appointment, the Supervisory Board will determine the duration of the appointment in a manner appropriate to the respective individual case and bearing in mind the company's best interests. The term of office for members who are reappointed may not exceed five years.

1.2 Tie-in clause

In the event of the revocation of the appointment as a member of the Board of Management as well as in the event of a justified resignation from office by the Board of Management member, the service agreement will end on the expiry of the regular notice period pursuant to section 622 (1) and (2) of the Bürgerliches Gesetzbuch (BGB - German Civil Code), provided that it was not terminated for cause at an earlier point in time.

2. Compensation for loss of office

In the event of the revocation of the appointment, the Board of Management member will – except where there is good cause entitling the Company to terminate the service agreement for cause or where the appointment is revoked due to a gross breach of duty – receive a severance payment in the amount of the total remuneration of the past financial year up to the end of the regular term of the appointment, for a maximum of two years, calculated as of the date of the termination of the appointment as member of the Board of Management. Any special payment and any temporary benefits granted to new members of the Board of Management will not be taken into account for the calculation. Should a Board of Management member leave during the course of the first financial year of the appointment, the calculation will by way of exception be based on the expected total remuneration for the current financial year. The severance payment will be paid in a maximum of 24 monthly installments from the time of the termination of the appointment as member of the Company's Board of Management. The contractual remuneration which the Company pays for the period from the termination of the appointment until the end of the service agreement will be set off against the severance payment. Should the Board of Management member take up other work after the termination of his/her appointment, the amount of the severance payment will be reduced by the amount of the income earned from that work. Should a post-contractual non-compete covenant be agreed, the severance payment will be set off against the compensation received for observing the post-contractual non-compete covenant.

IV. Taking account of employees' remuneration and employment conditions when determining the remuneration system

The Supervisory Board also takes the employment conditions of the employees of Volkswagen Aktiengesellschaft into account when determining the remuneration system as well as the specific amount of the remuneration. To this end, the Supervisory Board has defined what constitutes the upper management of Volkswagen Aktiengesellschaft and has separated this from the Board of Management of Volkswagen Aktiengesellschaft, on the one hand, and Volkswagen Aktiengesellschaft's work-force as a whole, on the other. In particular, the Supervisory Board assesses, as part of its regular review of the appropriateness of the Board of Management's remuneration, whether any changes in the relationship between the remuneration of Volkswagen Aktiengesellschaft's Board of Management, of its upper management and of its workforce as a whole mean that the Board of Management's remuneration must be adjusted. In doing so, the Supervisory Board also takes into account how the remuneration of the groups described has changed over time.

V. Procedures for determining, implementing and reviewing the remuneration system

The Supervisory Board will resolve a clear and understandable remuneration system for the Board of Management members. The Executive Committee is responsible for preparing the resolution of the Supervisory Board on the remuneration system and the regular review of the remuneration system. To this end, the Executive Committee will prepare a report and a proposed resolution. The Supervisory Board will review the remuneration system at its due discretion, but at least every four years. The Supervisory Board will in this regard carry out a market comparison and, in particular, take into account changes to the business environment, the overall economic situation and strategy of the Company, changes to and trends in national and international corporate governance standards as well as changes to the employees' remuneration and employment conditions pursuant to section B.IV. If required, the Supervisory Board will bring in external remuneration experts and other consultants. The Supervisory Board will ensure that these external remuneration experts and consultants are independent of the Board of Management and of the undertaking and will take precautions to avoid conflicts of interest.

The Supervisory Board will submit the remuneration system resolved by it to the General Meeting for approval in the case of any material amendment, but at least every four years. Should the General Meeting not approve the system submitted to it, the Supervisory Board will submit a revised remuneration system to the General Meeting for approval at the latest at the next Annual General Meeting.

With the exception of the extension of the performance period of the performance share plan to four years and the penalty and clawback provisions, the remuneration system will apply to Board of Management members already appointed with effect from January 1, 2021. In order to implement the remuneration system, the Supervisory Board will, on behalf of Volkswagen Aktiengesellschaft, agree the corresponding amendment of their service agreements with the Board of Management members and lay down the target values for the 2021 financial year in accordance with the present remuneration system.

The Supervisory Board and the Executive Committee will take appropriate measures to ensure that potential conflicts of interest of the Supervisory Board members involved in the discussions and decisions on the remuneration system are avoided and, if necessary, resolved. Every Supervisory Board member is obliged to disclose conflicts of interest to the Chairman of the Supervisory Board. The Chairman of the Supervisory Board will disclose any conflicts of interest concerning him to his deputy. Decisions will be made on how to deal with an existing conflict of interest on a case by case basis. It could, in particular, be decided that the Supervisory Board member who has a conflict of interest is not to participate in a meeting or take part in individual discussions and decisions of the Supervisory Board or the Executive Committee.

The Supervisory Board may temporarily deviate from the remuneration system (procedures and regulations on the remuneration structure) and its individual components as well as from the conditions of individual remuneration components or introduce new remuneration components if this is necessary in the interest of the long-term well-being of Volkswagen Aktiengesellschaft. The Supervisory Board reserves the right to make such deviations in particular in exceptional circumstances, such as an economic or corporate crisis. In the event of an economic crisis, the Supervisory Board may deviate in particular from the plan conditions of the annual bonus and/or the performance share plan.