Corporate governance report

Responsible, transparent and efficient corporate governance is an integral part of corporate culture at Porsche Automobil Holding SE (“Porsche SE”).

Declaration of compliance required by Secs. 289f and 315d German Commercial Code (HGB)
You can find the declaration of compliance required by Secs. 289f and 315d HGB on our website at www.porsche-se.com/en/company/corporate-governance/declaration.

Corporate statutes of Porsche Automobil Holding SE
The main basis for the corporate statutes of Porsche SE is formed by the European SE provisions, the German SE Implementation Act (SEAG), the German SE Investment Act (SEBG), the German Stock Corporation Act (AktG) as well as the rulings in the articles of association. Compared with the corporate statutes of a stock corporation, the differences primarily pertain to the formation and composition of the supervisory board. The dual management system with a strict separation of executive board and supervisory board as well as the co-administration and control rights of the shareholders in the annual general meeting are also parts of the company statutes of Porsche SE.

Corporate management by the executive board
The executive board has sole responsibility for the management of Porsche SE and the Porsche SE Group in the interests of the company and represents the company in transactions with third parties. Its main tasks pertain to the strategy and management of the company as well as the implementation and monitoring of an efficient risk management system. The activity of the executive board is specified in more detail in rules of procedure issued by the supervisory board.

The executive board informs the supervisory board regularly, without delay and comprehensively about the strategy, planning, business development, risk situation and the risk management and compliance of the company and consults with the supervisory board on the strategy of the company. Certain transactions of fundamental significance stipulated in the executive board’s rules of procedure may only be carried out by the executive board subject to the prior approval of the supervisory board. These include, among others, the acquisition and sale of companies of a certain size, the establishment and closure of plant locations, the introduction or discontinuation of business divisions as well as legal transactions with holders of ordinary shares or supervisory board members of Porsche SE.

Corporate governance takes into consideration conflicts of interest that can exist, among other things, in the event of membership of two governing bodies (for example, one at Porsche SE and one at Volkswagen AG) and addresses these in the interest of Porsche SE. For example, a member of the executive board of Porsche SE who is also a member of the Volkswagen AG board of management does not, in principle, participate in any resolutions concerning issues relating to Volkswagen AG where there is a conflict of interest.

Sec. 111 (5) AktG requires that the supervisory board of companies that are listed or subject to co-determination specify a target figure for the percentage of women on the executive board and set a deadline for meeting this target. The supervisory board has raised the target figure for the percentage of women on the executive board from 0% to 25%, setting an implementation deadline of 30 June 2022.

Monitoring of management by the supervisory board
The supervisory board appoints the members of the executive board and advises and monitors the executive board in its management of the company on a regular basis. The fundamental independence of the supervisory board in controlling the executive board is already structurally guaranteed through the

fact that a member of the supervisory board may not simultaneously belong to the executive board and that both boards, including the powers assigned to them, are strictly separated from each other. The members of the supervisory board are not bound by orders from the shareholders and serve solely in the interest of the company.

The supervisory board makes decisions on the basis of a simple majority of the members of the supervisory board who participate in the vote. In the case of a tied vote, the supervisory board chairman casts a deciding vote.

Due to the influence of individual members of the supervisory board of Porsche SE on ordinary shareholders of Porsche SE or the fact that individual supervisory board members are also members of the supervisory boards of Porsche SE and Volkswagen AG or individual Volkswagen subsidiaries conflicts of interest can arise for these members of the supervisory board in individual cases. Any conflicts of interest are dealt with appropriately; wherever there is a conflict of interest in individual cases, the respective members do not participate in the discussion of the relevant resolution or abstain.

Composition of the supervisory board

In the reporting period until the end of the company's annual general meeting on 30 May 2017, the supervisory board consisted of twelve male members and shareholder and employee representatives were equally represented on the supervisory board.

The size and composition of the supervisory board are determined according to the European SE provisions and a co-determination agreement entered into with representatives of the European Porsche employees in 2007 and amended by agreement dated 1 February 2017. This agreement defines the competencies of the employees as well as the regulations of the articles of association.

According to the agreement dated 1 February 2017, the supervisory board of Porsche SE comprises six shareholder representatives; co-determination of the employee representatives in the supervisory board of Porsche SE was suspended.

Porsche SE initiated status proceedings pursuant to Sec. 97 AktG on 6 February 2017. The status proceedings end the terms of office of all serving members of the supervisory board of Porsche SE pursuant to Sec. 97 (2) Sentence 3 AktG at the close of the annual general meeting on 30 May 2017.

Since the 2017 annual general meeting, the supervisory board has to comprise six members to be elected by the annual general meeting. The annual general meeting on 30 May 2017 therefore elected six supervisory board members (Dr. Wolfgang Porsche (chairman of the supervisory board), Dr. Hans Michel Piëch (deputy chairman), Prof. Dr. Ulrich Lehner, Prof. Dr. Ferdinand K. Piëch, Dr. Ferdinand Oliver Porsche and Mr. Hans-Peter Porsche).

Effective as of the end of 8 December 2017, Prof. Dr. Ferdinand K. Piëch stepped down as member of the supervisory board.

Sec. 111 (5) Sentence 1 and 5 AktG requires that the supervisory board of companies that are listed or subject to co-determination specify a target figure for the percentage of women on the supervisory board if no statutory quota applies. Pursuant to Sec. 17 (2) Sentence 1 SEAG, there is a statutory quota for companies in the legal form of an SE only for a listed SE whose supervisory board comprises equal numbers of shareholder and employee representatives. Although Porsche SE is listed, its supervisory board has not comprised an equal number of shareholder and employee representatives since the 2017 annual general meeting, meaning that there is no statutory quota for Porsche SE. Accordingly, the supervisory board has set a target figure for the percentage of women on the supervisory board of 0% until 9 October 2022. Porsche SE did not need to meet the statutory quota until the 2017 annual general meeting as the existing supervisory board mandates could be continued until the regular end of their term in office (Sec 17 (2) Sentence 4 SEAG).

Targets for composition and profile of skills and expertise; implementation status

In the reporting year, against the background of the recommendation in Sec. 5.4.1 (2) of the German Corporate Governance Code ("GCGC" or Code"), from which there had previously been a deviation in the explanation pursuant to Sec. 161 AktG, taking into account the activities of the company as an internationally and capital-market oriented holding company in the areas of mobility and industry as well as the ownership structure of the company, the supervisory board prepared a profile of skills and expertise for the entire board and also named specific targets for the composition of the board.

According to the profile of skills and expertise prepared by the supervisory board, the entire board is to have competencies that are of material importance for the activities of the company as an international operating and capital-market-oriented holding company in the areas of mobility and industry. This includes in particular knowledge, skills and professional experience in

- monitoring and advising the management of internationally operating and capital-market-oriented companies;
- developing, designing, manufacturing and selling vehicles and vehicle components on international sales markets;
- the area of technical and scientific innovations, including digitalization in the automotive industry, as well as developing smart traffic and mobility concepts;
- the area of company mergers and acquisitions;
- accounting, controlling, risk management as well as legal affairs and compliance in internationally operating and capital-market-oriented companies.

Regardless of the above, at all times at least one member of the supervisory board must have specialist knowledge in the areas of financial reporting or auditing and the members of the supervisory board as a whole must be familiar with the sectors in which the company operates.

The supervisory board also named the first specific targets for its composition. At least one member of the supervisory board should, in the assessment of the supervisory board, be independent within the meaning of Sec. 5.4.2 GCGC and the supervisory board should not contain more than two former members of the executive board. All members of the company's supervisory board must ensure that they can devote the amount of time necessary to fulfil the supervisory board mandate properly. Members of the supervisory board must not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company. The targets named by the supervisory board for the composition of the entire board do not currently give any guidance on diversity on the board. The target figure for the percentage of women on the supervisory board is currently 0%. With regard to the regular limit for the term of office and the regular age limit, the explained deviation from Sec. 5.4.1 (2) GCGC remains in the declaration pursuant to Sec. 161 AktG.

The current composition of the entire board corresponds to the profile of skills and expertise as well as the targets for the composition of the board set out above. In the assessment of the supervisory board, Prof. Dr. Ulrich Lehner is the only independent member.

Committees of the supervisory board

Until the annual general meeting on 30 May 2017, the supervisory board had a total of four committees (executive committee, audit committee, nominations committee and investment committee) to carry out its duties. Due to the reduction in size of the supervisory board, the supervisory board reduced its committees to three on 30 May 2017 (executive committee, audit committee and nominations committee).

The committees support the supervisory board and prepare supervisory board resolutions as well as topics for discussion by the full supervisory board. Moreover, the decision-making authority of the supervisory board has been transferred to individual committees to the extent permitted by law.

The executive committee also functions as a personnel committee and makes decisions on matters which must be voted on in urgent cases.

The audit committee supports the supervisory board in monitoring management of the company and pays particular attention to monitoring financial reporting and the associated financial reporting processes, the effectiveness of the internal control system, the risk management system and internal audit, the audit of the financial statements, including the independence of the auditor, as well as compliance. The audit committee submits to the supervisory board a recommendation giving reasons for the appointment of the auditor, which comprises at least two candidates if the audit engagement is put out to tender and deals with the issuing of the audit mandate to the auditor, the determination of key audit topics, the key audit matters, the fee agreement as well as non-audit services rendered by audit firms.

The nominations committee proposes candidates for the supervisory board.

The investment committee, which was in place until 30 May 2017, prepared resolutions of the supervisory board as well as topics to be dealt with in plenary sessions which are required for or conducive to implementing the investment concept decided upon by the executive board and gave recommendations in this regard to the supervisory board. Due to the reduction in size of the supervisory board, the full supervisory board now deals with these aspects directly.

Shareholders' rights

Porsche SE's share capital is equally divided into ordinary shares and non-voting preference shares. To the extent provided for in the articles of association, the shareholders exercise their rights before or during the annual general meeting, exercising their voting right should they hold ordinary shares. When passing resolutions, each ordinary share of Porsche SE carries one vote. There are no shares with multiple or preferential voting rights, nor are there maximum voting rights. Every shareholder is entitled to take part in the annual general meeting, to express an opinion on items on the agenda, to table motions and to demand information about company matters if this is needed to properly judge an item on the agenda.

The annual general meeting decides on the appropriation of profits as well as the exoneration of the executive board and supervisory board and elects the members of the supervisory board and the auditor. The annual general meeting also decides on the articles of association and purpose of the company, on amendments to the articles of association and on key corporate measures, such as corporate contracts in particular.

Financial reporting and annual audit

The Porsche SE Group's financial reporting is based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union, as well as the provisions of German commercial law applicable under Sec. 315e (1) HGB. The financial statements of Porsche SE as parent company of the Porsche SE Group are based on the accounting provisions of the German Commercial Code. Both sets of financial statements for the fiscal year 2017 are audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, as independent auditor. In addition, the underlying facts of the compliance declaration in accordance with Sec. 161 (1) AktG are taken into consideration during the annual audit.

Compliance

In accordance with the provisions of the GCGC, the executive board ensures compliance with legal provisions and internal policies, and works toward ensuring compliance. Porsche SE has a dedicated legal affairs and compliance executive board function. The task of Porsche SE's member of the executive board responsible for legal affairs and compliance is to report to the whole executive board on all questions relating to compliance, to introduce preventive measures, manage these and monitor compliance with regulations. Compliance activities are based on a preventive, proactive strategy.

Porsche SE has set up a compliance council which regularly addresses the company's compliance. It supports the executive board member responsible for legal affairs and compliance in performing his duties, in particular in monitoring compliance with the legal provisions applicable to the company and its employees as well as preventing potential infringements.

Employees were also given the opportunity, among other things, to report any suspected breaches of law within the company anonymously, i.e., the sender cannot be identified, using a compliance e-mail address.

An internal company directive of Porsche SE keeps a record of the responsible organizational units and decision makers in terms of procedures relating to compliance.

Risk management and control system

The Porsche SE Group has a group-wide risk management and control system which helps management recognize major risks at an early stage, thus enabling them to initiate counter-measures in good time. The risk management and control system at the Porsche SE Group is continuously tested for effectiveness and continually optimized to reflect changed conditions. For details, please refer to pages 122 et seq. of the annual report.

Communication and transparency

Porsche SE attaches great importance to transparent communication and regularly keeps shareholders, financial analysts, shareholder associations, the media and the general public informed about the situation of the company and its business development. This information can be accessed, in particular, on the website

www.porsche-se.com

("Porsche SE homepage"), which contains all press releases and financial reports as well as the articles of association of Porsche SE and information about the annual general meeting.

In addition to regular reporting, Porsche SE also provides information in the form of ad hoc announcements about insider information directly affecting Porsche SE according to the provisions of Art. 17 of the European Market Abuse Directive. These ad hoc announcements are also published on the homepage of Porsche SE.

Managers' transactions

According to Art. 19 of the European Market Abuse Directive, members of the executive board and supervisory board, other persons that perform management tasks as well as persons closely related to them must disclose managers' transactions in Porsche SE shares and related financial instruments. Porsche SE publishes announcements about transactions of this kind, among other things, on the Porsche SE homepage.

Declaration on the German Corporate Governance Code

Pursuant to Sec. 161 (1) German Stock Corporation Act (AktG), Art. 9 (1) lit. c) ii) SE-VO, the executive and supervisory board of a listed SE are obliged to make an annual declaration of compliance as to whether they have complied and are continuing to comply with the recommendations of the GCGC in the version valid at the time, or which of the recommendations contained in the Code have not been or are not applied, and why. In the event of changes during the year between two regular declarations, the declaration must be updated.

Text of the declaration of Porsche Automobil Holding SE in accordance with Sec. 161 (1) AktG in the version from May 2017:
The executive board and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) AktG that since the most recent declaration of compliance in May 2016 – as updated by updates to the declaration of compliance in March and April 2017 – the company has complied with and also in the future will comply with the recommendations of the Government Commission on the German Corporate Governance Code (GCGC or Code) announced by the Federal Ministry of Justice in the official part of the German Federal Gazette in the respective valid version of the Code of 5 May 2015, published in the German Federal Gazette on 12 June 2015, and the version of 7 February 2017, published in the German Federal Gazette on 24 April 2017, with the exception of the following deviations:

The recommendation in Sec. 4.2.3 (2) Sentence 2 GCGC, according to which the monetary elements of the remuneration of executive board members should comprise both fixed and variable elements, has not been complied with regarding the chairman of the executive board Hans Dieter Pötsch and will not be complied with in the future. Mr. Pötsch receives only a fixed basic component from Porsche Automobil Holding SE. Mr. Pötsch, as member and chairman of the supervisory board, also does not receive any variable remuneration calculated on a multi-year basis from Volkswagen AG. In light of Mr. Pötsch's current role as chairman of the supervisory board of Volkswagen AG, the supervisory board of Porsche Automobil Holding SE considers the current structure of his remuneration to be appropriate.

The recommendation in Sec. 4.2.3 (2) Sentence 6 GCGC, according to which the executive board remuneration should be capped, both overall and for the variable compensation components, has not been complied with with regard to Dr. Döss and will also not be complied with in the future. The variable remuneration granted to Dr. Döss, as head of Volkswagen AG's legal department, which contains the usual components for management within the Volkswagen Group, is not capped for all components. The same therefore also applies for his compensation on the whole. Based on past experience with the amount of the variable remuneration granted to management within the Volkswagen Group, the supervisory board assumes that the remuneration granted to Dr. Döss is nevertheless appropriate and Dr. Döss is provided with a long-term incentive to act in the interest of the company through the variable remuneration granted to him by Volkswagen AG.

In addition, regarding executive board remuneration paid by Porsche Automobil Holding SE, the recommendation in Sec. 4.2.3 (2) Sentence 6 GCGC has not been and also will not be fully complied with in the future. Based on the judgment of the supervisory board, there are no upper limits of maximum amounts of bonus payments to be made to executive board members for previously agreed targets or a subsequent bonus in recognition of extraordinary performance. The same therefore also applies for compensation on the whole. The supervisory board does not consider this necessary because by exercising its judgment it can ensure that the requirement of appropriateness of Sec. 87 (1) AktG is complied with.

The supervisory board entrusted the task of preparing a proposal for resolution concerning the election of supervisory board members at the annual general meeting on 30 May 2017 to the nominations committee. Accordingly, the nominations committee, in lieu of the supervisory board, approved the proposal for resolution concerning the election of supervisory board members at the annual general meeting of Porsche SE. As a result, formally speaking the recommendation under Sec. 5.3.3 GCGC was not complied with. The tasks were transferred to simplify the decision-making process. In making its decision, the nominations committee took into account the recommendations under Sec. 5.4.1 GCGC addressed to the supervisory board unless the executive board and supervisory board announced a deviation therefrom. In the future, the recommendation under Sec. 5.3.3 GCGC will be fully complied with again.

The recommendations under Sec. 5.4.1 (2) GCGC to set targets with regard to the composition of the supervisory board (in the versions of the Code of 5 May 2015 and of 7 February 2017) and the recommendations on preparing a profile of skills and expertise for the entire board as well as on the circumstances and specifications to be taken into account for the composition of the supervisory board under Sec. 5.4.1 (2) GCGC (in the version of the Code of 7 February 2017) were not complied with. Since 29 March 2017 this has also applied to the recommendations contained therein on determining an age limit for members of the supervisory board and determining a regular limit for the term of office served on the supervisory board. The supervisory board passed a corresponding resolution against the background of the election of the supervisory board that was due to take place at the annual general meeting on 30 May 2017. The supervisory board advocates a balanced composition for the committee as defined in the recommendations in Sec. 5.4.1 (2) GCGC. Setting specific targets and profiles or specifications and taking circumstances into account exceeding the legal requirements continues to be inappropriate in the opinion of the supervisory board since decisions should be taken on the candidates proposed in each individual case in the light of the male or female candidates available at that time. This is to provide the greatest possible flexibility and avoid self-imposed restrictions, all in the best interest of the company. The supervisory board is also of the opinion that the ability to monitor and advise the executive board in its management of the company does not cease upon reaching a certain age. A fixed age limit can also come across as discriminatory. The abovementioned recommendations under Sec. 5.4.1 (2) GCGC will also not be complied with in the future.

In light of the deviations mentioned above, the additional recommendations under Sec. 5.4.1 (3) GCGC (version of the Code of 5 May 2015) and Sec. 5.4.1 (4) Sentence 1 GCGC (version of the Code of 7 February 2017) based thereon were not complied with and will also not be complied with in the future.

As regards the recommendation in Sec. 5.4.1 (6) GCGC (in the version of 7 February 2017, previously Sec. 5.4.1 (5) GCGC) regarding the disclosure of certain matters in the supervisory board's election recommendations to the annual general meeting, the requirements of the Code are indefinite and their boundaries and scope unclear. The supervisory board has endeavored in the past and will continue to endeavor in the future to meet the requirements of Sec. 5.4.1 (6) of the Code, although, in light of the imprecision, unclear scope and boundaries of the recommendation, it cannot rule out that this recommendation was not fully complied with in the past or will not be fully complied with in the future. As a result, non-compliance has been declared as a precaution.

With regard to the recommendations in Sec. 5.4.2 Sentence 1 GCGC, the supervisory board, with a composition of twelve supervisory board members, cannot – taking into account the ownership structure – maintain its judgment with sufficient legal certainty that due to the membership of Prof. Dr. Ulrich Lehner it has an appropriate number of independent members. As a precaution, it has therefore been declared that the recommendation pursuant to Sec. 5.4.2 Sentence 1 GCGC was not complied with; by reducing the supervisory board to six members the recommendation under Sec. 5.4.2 Sentence 1 GCGC will be complied with in the future.

The recommendation in Sec. 5.4.6 (2) GCGC regarding the orientation of supervisory board compensation toward sustainability has not been complied with nor will it be complied with in the future. In view of the supervisory board's predominantly supervisory activities, which in the shared opinion of the executive board and the supervisory board give rise to a limited risk of short-term action, the current performance-related compensation includes an adequate sustainability component.

The previous recommendation in Sec. 6.2 GCGC in the version of 5 May 2015 to disclose shares held by members of the company's governing bodies had not been complied with until it was revoked. Notifications regarding the voting rights of our shareholders in accordance with the European Market Abuse Directive and previously the Securities Trading Act (WpHG) are published by Porsche Automobil Holding SE as required. Notifications concerning the purchase and sale of Porsche preference shares by members of the executive board and supervisory board in accordance with Art. 19 of the European Market Abuse Directive and previously the WpHG are published where required.

Stuttgart, 9 March 2018
Porsche Automobil Holding SE

The supervisory board   The executive board