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/.

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 Act on the participation of employees in a European Company (SEBG), the German Stock Corporation Act (AktG) as well as the provisions of 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 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 strategic orientation and management of the company as well as compliance with and monitoring of an efficient risk management system. The activities of the executive board are 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 strategic orientation 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 after it obtained the 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 in 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 supervisory board 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 specifies a target figure for the percentage of women on the executive board and sets a deadline for meeting this target. In May 2017, the supervisory board 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 on 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 vote on the respective subject matter or abstain from the vote.

Composition of the supervisory board

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

The supervisory board comprises exclusively members appointed by the general meeting (shareholder representatives). Since the amendment to the articles of association resolved by the 2018 annual general meeting came into effect on 4 July 2018, it comprises ten shareholder representatives according to the articles of association; it had previously comprised six shareholder representatives. The supervisory board currently comprises nine members, who are listed on our website at

https://www.porsche-se.com/en/company/supervisory-board/

Hon.-Prof. Dr. Ferdinand K. Piëch stepped down from his position on the supervisory board effective end of 8 December 2017. Dr. Günther Horvath was appointed by court order as new member of the supervisory board as of 20 March 2018. Dr. Günther Horvath was subsequently reappointed to the supervisory board in the annual general meeting on 15 May 2018. Mag. Marianne Heiß was also appointed member of the supervisory board. Mr. Hans-Peter Porsche stepped down from his position on the supervisory board effective as of the end of the annual general meeting on 15 May 2018. The 2018 annual general meeting appointed new members Mag. Josef Michael Ahorner, Dr. Stefan Piëch und Mr. Peter Daniell Porsche to the supervisory board, which had been enlarged to ten members.

Sec. 111 (5) Sentence 1 and 5 AktG requires that the supervisory board of companies that are listed or subject to co-determination specifies a target figure for the percentage of women on the supervisory board if no statutory quota applies. Pursuant to Sec. 17 (2) Sentence 1 SEAGa statutory quota for companies organized as an SE only applies 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. In light of this, in 2017 the supervisory board had set a target figure for the percentage of women on the supervisory board of 0% until 9 October 2022. There has been no change in this target. The appointment of Mag. Marianne Heiß means that there is one female supervisory board member since the 2018 annual general meeting.

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"), taking into account the activities of the company as an internationally and capital-market-oriented investment management 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 of the supervisory board, the entire board is to have skills and expertise that are of material importance for the activities of the company as an international operating and capital-market-oriented investment management holding company in the area of mobility solutions. This includes in particular in-depth knowledge, skills and professional experience in

- monitoring and advising the management of internationally operating and capital-market-oriented companies;
- developing, constructing, manufacturing and selling vehicles and vehicle components on the international market;
- the area of technical and scientific innovations, in particular in the automotive industry and its digitalization, 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.

According to the targets named by the supervisory board for its composition, which were revised following the enlargement of the board, at least two members of the supervisory board should, in the assessment of the supervisory board, be independent within the meaning of Sec. 5.4.2 GCGC. Furthermore, no more than two former members of the executive board should belong to the supervisory board. All members of the company's supervisory board must ensure that they can devote the amount of time necessary to fulfill the supervisory board mandate properly. Members of the supervisory board should not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company. In November 2018, the supervisory board of Porsche SE resolved to prepare a diversity concept for the supervisory board, whereby the aspects included in the diversity concept for the supervisory board shall also apply as targets for the composition of the supervisory board pursuant to the GCGC applying. For details of the diversity concept, we refer to the corresponding section in the declaration of compliance required by Secs. 289f and 315d HGB. The target figure for female representation on the supervisory board is still at 0%, which is why the declared deviation from Sec. 5.4.1 GCGC remains. Also with regard to the regular limit for the term of office and the regular age limit, the deviation from Sec. 5.4.1 (2) GCGC declared pursuant to Sec. 161 AktG, remains.

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 and Mag. Marianne Heiß are independent members of the supervisory board.

Committees of the supervisory board

The supervisory board has established a total of three committees (executive committee, audit committee and nominations committee) to carry out its duties in 2018.

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 in urgent cases decides on matters that require the supervisory boards' consent.

The audit committee supports the supervisory board in monitoring the management of the company and pays particular attention to monitoring accounting and the related processes, the risk management system including the effectiveness of the internal control system and internal audit. Another topic is the audit of the financial statements. In this regard, the audit committee submits to the supervisory board a justified recommendation for the appointment of the auditor, which comprises at least two candidates if the audit engagement is put out to tender. Furthermore, the audit committee looks at the independence of the auditor, the engagement of the auditor, the determination of key audit topics, the key audit matters, the fee agreement and the additional permitted non-audit services rendered by audit firms as well as compliance.

The nominations committee proposes candidates for the supervisory board.

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 2018 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 ("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 and monitor these and to work towards 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 the management to recognize major risks at an early stage, thus enabling them to initiate countermeasures 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 90 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 Porsche SE-Homepage.

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 2018:

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 2017 – as updated by updates to the declaration of compliance in March and May 2018 – 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 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. In light of Mr. Pötsch's activity and task structure, the supervisory board of Porsche Automobil Holding SE considers the current structure of his remuneration without any variable remuneration to be appropriate.

The recommendation in Sec. 4.2.3 (2) Sentence 6 GCGC was also not complied with in the past with regard to Dr. Döss and Mr. Müller, who has since left the executive board of Porsche Automobil Holding SE. The supervisory board previously considered it appropriate in light of the activity and task structure that Dr. Döss and Mr. Müller did not receive any variable remuneration at the level of Porsche Automobil Holding SE. Due to the activity of Dr. Döss, the supervisory board now considers variable remuneration to be suitable and appropriate. Effective immediately, Dr. Döss receives capped variable remuneration from Porsche Automobil Holding SE.

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. There are no upper limits of maximum amounts of bonus payments to be made at the discretion of the supervisory board to executive board members for previously agreed targets or a subsequent bonus in recognition of extraordinary performance. The same therefore also applies for compensation as a whole. The supervisory board does not consider this necessary because by exercising its discretion it can ensure that the requirement of reasonableness of Sec. 87 (1) AktG is complied with.

With respect to Sec. 4.2.3 (4) GCGC, it is declared that this recommendation was complied with in connection with the departure of Mr. Matthias Müller from the company's executive board. As a precaution, it is declared that Mr. Müller in connection with his departure has been granted benefits that do not constitute payments due to early termination of his board activity within the meaning of this recommendation.

The recommendation contained in Sec. 5.4.1 (2) GCGC 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 was not complied with, nor will it be in the future until further notice. The supervisory board is still 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 or a certain term of office. A fixed age limit can also come across as discriminatory.

By resolution dated 9 October 2017, the supervisory board set initial concrete objectives regarding its composition and developed a profile of skills and expertise for the entire board pursuant to Sec. 5.4.1 (2) GCGC. For its composition within the framework of the specific situation of the company, it thereby took the international activities of the company, potential conflicts of interest as well as the number of independent supervisory board members within the meaning of Sec. 5.4.2 GCGC into consideration appropriately. Since then, the recommendations of Sec. 5.4.1 (2) GCGC have been complied with to the extent mentioned above and will be complied with in the future. The targets do not currently include guidance on diversity on the supervisory board, nor will this be the case in the future until further notice. With regard to its composition, the supervisory board also observes the diversity of the board and is open to the respective targets pursued by the Code. However, from today's perspective, specific requirements would make it difficult to provide a board with suitable flexibility, particularly in light of the shareholder structure. In terms of the disclosures on diversity, the recommendation under Sec. 5.4.1 (2) GCGC was not complied with and will not be complied with in the future until such targets have been adopted.

Before the targets for the composition of the supervisory board have been set and the profile of skills and expertise has been prepared, the recommendations of Sec. 5.4.1 (2) GCGC have not been complied with overall. Decisions on proposed candidates should be taken on a case-by-case basis in the light of the male or female candidates available at that time. This should provide the greatest possible flexibility and avoid self-imposed restrictions, all in the best interest of the company.

Due to a previously extensive deviation from the recommendations of Sec. 5.4.1 (2) GCGC, the recommendation of Sec. 5.4.1 (4) Sentence 1 GCGC was also not complied with. Since setting specific targets for the composition of the supervisory board as well as preparing a profile of skills and expertise, Sec. 5.4.1 (4) Sentence 1 GCGC was complied with in particular regarding the supervisory board's election recommendations to the company's 2018 annual general meeting and will also be complied with in the future provided that Sec. 5.4.1 (2) is complied with.

As regards the recommendation under Sec. 5.4.1 (6) GCGC regarding the disclosure of certain matters in the supervisory board's election recommendations to the annual general meeting, non-compliance has been declared as a precaution. The requirements of the Code are imprecise 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) GCGC, 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 long as the supervisory board of Porsche Automobil Holding SE comprised 12 members (6 shareholder representatives and 6 employee representatives), the supervisory board could not – taking into account the ownership structure – uphold its opinion with sufficient legal certainty that due to the membership of Prof. Dr. Ulrich Lehner it had an appropriate number of independent members. As a precaution, it therefore is declared that the recommendation pursuant to Sec. 5.4.2

Sentence 1 GCGC has not been complied with. Since the supervisory board was reduced to six members as shareholder representatives in June 2017, the recommendation of Sec. 5.4.2 Sentence 1 GCGC has been complied with. The recommendation will also be complied with in the future. This also applies for the period after the resolution passed by the 2018 annual general meeting to enlarge the supervisory board to 10 members comes into effect.

Due to the previous performance-related remuneration of the supervisory board based on the respective preceding fiscal year and the previous three fiscal years, it was declared that the recommendation of Sec. 5.4.6 (2) GCGC on the sustainability of performance-related remuneration had not been complied with. In light 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 2018 annual general meeting resolved to change the remuneration of the supervisory board to purely fixed remuneration and to amend the articles of association accordingly. The amendment is expected to be applicable for the period as of 1 January 2018. When the amendments to the articles of association come into effect, the recommendation of Sec. 5.4.6 (2) GCGC will be complied with in the future without restriction as there will no longer be any performance-related remuneration.

Stuttgart, 8 March 2019
Porsche Automobil Holding SE

The supervisory board The executive board