

## Corporate governance report

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

### **Declaration of compliance required by Sec. 289a German Commercial Code (HGB)**

You can find the declaration of compliance required by Sec. 289a HGB on our website at [www.porsche-se.com/pho/en/investorrelations/declaration/](http://www.porsche-se.com/pho/en/investorrelations/declaration/).

### **Corporate statutes of Porsche Automobil Holding SE**

The main legal basis for the corporate statutes of Porsche SE is formed by the European SE provisions and the German SE Implementation Act as well as the German Stock Corporation Act (AktG). 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, the principle of parity co-determination on the 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 (one at Porsche SE on the one hand, and one at Volkswagen AG) and addresses these in the interest of Porsche SE. For example, a member of the executive board who is also a member of the Volkswagen AG board of management does not participate in any resolutions concerning issues relating to Volkswagen AG where there is a conflict of interest.

In accordance with the provisions of the German Corporate Governance Code, the executive board ensures compliance with legal provisions and internal policies, and works toward ensuring they are observed (compliance). Porsche SE created a dedicated legal affairs and compliance executive board function as of 1 January 2016. 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. Before the new executive board function was created, the Chief Compliance Officer, who reported directly to the chairman of the executive board, was responsible for these tasks.

Compliance activities are based on a preventive, proactive strategy.

#### **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 supervisory board consists of twelve male members. None of the current supervisory board members is a former member of the Porsche SE executive board or Porsche AG executive board.

The size and composition of the supervisory board are governed by European SE provisions. These are supplemented by the co-determination agreement entered into with representatives of the European Porsche employees in 2007. This defines the competencies of the employees in the works council of Porsche SE, the procedure for the election of the Porsche SE works council and the representation of the employees in the Porsche SE supervisory board as well as the relevant rulings in the articles of association. Shareholder and employee representatives are equally represented on the supervisory board of Porsche SE, following the basic principles of the German Co-determination Act (MitbestG).

Pursuant to Sec. 17 (2) of the German SE Implementation Act in its current version, the supervisory board of Porsche SE, which is publicly listed on the stock exchange and its supervisory board must consist of the same number of members of representing the shareholders and

members representing the employees, and be composed of at least 30% female and at least 30% male representatives. This minimum percentage has had to be taken into account since 1 January 2016 should it become necessary to appoint one or more new members of the Porsche SE's supervisory board. Existing appointments can be continued until their normal end. The normal tenure of all current members of the supervisory board of Porsche SE ends after the ordinary annual general meeting in 2018. Any appointments to the supervisory board that are necessary in the future will be made taking the new law on gender quotas into consideration.

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, who, according to the provisions of the SE directive, may only be a member of the supervisory board elected by the shareholders, casts a deciding vote.

To carry out its duties, during the period covered by this report the supervisory board formed a total of four committees which effectively supported and continue to support the work of the full supervisory board. These are the executive committee, the audit committee, the nominations committee and the investment committee.

The executive committee 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 accounting 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 and the additional services rendered by the auditor, the issuing of the audit mandate to the auditor, the determination of key audit topics and the fee agreement as well as compliance. The nominations committee makes recommendations to

the supervisory board for the supervisory board's proposals to the annual general meeting concerning the election of supervisory board members. The investment committee prepares 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 gives recommendations in this regard to 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 shareholder representative to 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.

The shareholder representatives on the supervisory board are appointed by the annual general meeting. The following applies to the appointing of employee representatives to the supervisory board: The articles of association of

Porsche SE provide for the appointment of employee representatives to the supervisory board by the annual general meeting, unless an agreement reached in accordance with the German Act on Employee Involvement in SEs (SEBG) provides for any other procedure for the appointment of employee representatives to the supervisory board. The latter is currently the case. The agreement on the involvement of employees at Porsche SE contains the provision that employee representatives are directly appointed to office following their election by the Porsche SE works council. Even if no such agreement had been made, the annual general meeting would be bound by the nominations of the employees when electing employee representatives.

#### **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. 315a (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 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.

#### **Risk management**

The Porsche SE Group has a group-wide risk management system which helps management recognize major risks at an early stage, thus enabling them to initiate countermeasures in good time. The risk management system at the Porsche SE Group is continuously tested for efficiency and continually optimized to reflect changed conditions. For details, please refer to pages 136 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](http://www.porsche-se.com)

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.

Besides the regular reporting, Porsche SE announces insider information, i.e. specific information on circumstances that are not in the public domain in accordance with Sec. 15 German Securities Trading Act (WpHG) which relate to Porsche SE and, when they become known, could significantly impact on the market prices of the Porsche SE preference share. These ad hoc announcements are also presented on the homepage of Porsche Automobil Holding SE.

### **Directors' dealings**

Pursuant to Sec. 15a WpHG, members of the executive board and supervisory board as well as certain persons in management positions and persons closely related to them must disclose the purchase and sale of Porsche SE shares and related financial instruments. Porsche SE publishes such announcements about transactions of this kind on the Porsche SE homepage.

## **Declaration on the German Corporate Governance Code**

### **The background**

On 26 February 2002, the Federal German Government Commission on the Corporate Governance Code introduced a standard of good and responsible corporate governance for companies listed on the stock exchange, which is regularly updated. Pursuant to Sec. 161 (1) German Stock Corporation Act (AktG), the executive and supervisory boards of listed companies 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 Code 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. If a submitted declaration becomes incorrect between two scheduled 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 of May 2015:**

The executive board and supervisory board of Porsche Automobil Holding SE declare in accordance with Sec. 161 (1) AktG that the company has generally complied and complies 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. This declaration is made with reference to the respective valid version of the Code of 13 May 2013, published in the German Federal Gazette on 10 June 2013, and the version of 24 June 2014, published in the German Federal Gazette 30 September 2014. The following recommendations have not been complied with since the most recent declaration of compliance in May 2014 or – with reference to Sec. 5.4.2 Sentence 1 GCGC – since the declaration was

updated in March 2015, and will not be complied with in the future:

Regarding executive board remuneration paid by Porsche Automobil Holding SE, the recommendation in Sec. 4.2.3 (2) Sentence 6 GCGC was 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 reasonableness of Sec. 87 (1) AktG is complied with.

The recommendation on the target regarding the composition of the supervisory board in Sec. 5.4.1 (2) and (3) GCGC was not complied with and will not be complied with in the future. The supervisory board advocates a balanced composition for the committee as defined in the recommendation in Sec. 5.4.1 (2) and (3) of the Code. Setting concrete targets 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.

As regards the recommendation in Sec. 5.4.1 (4) GCGC regarding the disclosure of certain matters in the supervisory board's election recommendations to the annual general meeting, the requirements of the Code remain indefinite and their boundaries and scope unclear. The supervisory board has endeavored in the past and shall continue to endeavor in the future to meet the requirements of Sec. 5.4.1 (4) 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 the departure of Sheikh Al-Thani from the supervisory board, effective as of the end of the day on 24 March 2015, the supervisory board can no longer maintain its former judgment that it has a sufficient number of independent members with sufficient legal certainty. Given his relationships to the company, its governing bodies and shareholders, his successor, Mr. Hans-Peter Porsche, cannot be regarded as independent as defined in Sec. 5.4.2 GCGC. As a precaution, it has been declared that the recommendation pursuant to Sec. 5.4.2 Sentence 1 GCGC has no longer been complied with since 25 March 2015 and will not be complied with in the future. With the appointment of Mr. Hans-Peter Porsche, the composition of the shareholder side of the supervisory board that existed prior to Qatar's investment in ordinary shares has been restored.

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 in limited risk of short-term action, the current performance-related compensation includes an adequate sustainability component.

The recommendation in Sec. 6.3 GCGC to disclose shares held by members of the company's governing bodies has not been complied with and will not be complied with in the future. Notifications regarding the voting rights of our shareholders in accordance with the German Securities Trading Act (WpHG) are published as required by this Act. Notifications concerning the purchase and sale of Porsche preference shares by members of the executive board and supervisory board in

accordance with Sec. 15a German Securities Trading Act (WpHG) are published by Porsche Automobil Holding SE as required by this Act. The shares in the company and related financial instruments held by members of the company's governing bodies have not been published in the past and will not be published in the future as we believe our complete compliance with statutory disclosure requirements provides the capital markets and our shareholders in particular with sufficient information.

**Text of the update to the declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of December 2015**

The declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of May 2015 has been updated as follows:

The supervisory board of Porsche Automobil Holding SE appointed Dr. Manfred Döss to the company's executive board as of 1 January 2016. He will be responsible for legal affairs and compliance function. At the same time, Dr. Döss will assume responsibility for managing the legal department of Volkswagen AG, where he will focus on supporting clarification of the diesel issue. The supervisory board has not yet reached a decision regarding his remuneration, as the supervisory board will deal with the executive board remuneration system as a whole at its next scheduled meeting in March 2016. The provisions of Sec. 4.2.3 (2) Sentence 2 GCGC, according to which the monetary elements of the remuneration of executive board members shall comprise fixed and variable elements, will not be complied with from 1 January 2016 onward.

The chairman of the company's executive board, Mr. Hans Dieter Pötsch, left the board of management of Volkswagen AG on 7 October 2015 and was subsequently appointed a member of the supervisory board of Volkswagen AG by court appointment and elected its chairman by the supervisory board of Volkswagen AG. His contract of employment with Volkswagen AG was annulled in this connection. As a result, Mr. Pötsch does not receive variable remuneration calculated on a multi-year basis from Volkswagen AG. He receives only a fixed basic component from Porsche Automobil Holding SE. As a result, the provisions of Sec. 4.2.3 (2) Sentence 2 GCGC have not been complied with since that time.

At its next scheduled meeting in March 2016, the supervisory board will deal with the executive board remuneration system and decide whether Mr. Pötsch and Dr. Döss should be granted a variable component calculated on a multi-year basis in accordance with the provisions of Sec. 4.2.3 (2) Sentence 2 GCGC.

**Text of the update to the declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of March 2016**

The declaration of the executive board and supervisory board of Porsche Automobil Holding SE on the recommendations of the Government Commission on the German Corporate Governance Code pursuant to Sec. 161 (1) AktG of May 2015, amended in December 2015, has been updated as follows:

The provisions of Sec. 7.1.2 GCGC, pursuant to which the consolidated financial statements shall be publicly accessible within 90 days of the end of the financial year will not be complied with for the consolidated financial statements of Porsche

Automobil Holding SE for the fiscal year 2015. The publication of the consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015 will not be in March 2016, as originally planned, but in April 2016.

The preparation of the separate and consolidated financial statements of Porsche Automobil Holding SE was delayed because Volkswagen AG, Wolfsburg, announced that the preparation of the annual financial statements of Volkswagen AG for 2015 had been delayed due to outstanding questions in connection with the consequences of the diesel issue and the measurement matters resulting from this. As a result of Porsche Automobil Holding SE's equity investment in Volkswagen AG, which is currently 30.8%, and the importance of this investment for Porsche Automobil Holding SE, the availability of the consolidated financial statements of Volkswagen AG, the issue for publication of which was likewise delayed, is a prerequisite for the preparation of the separate and consolidated financial statements of Porsche Automobil Holding SE for the fiscal year 2015.

Porsche Automobil Holding SE  
Stuttgart, 25 April 2016

The supervisory  
board

The executive  
board