PORSCHE SE

Non-financial group report of Porsche SE

2021

Non-financial group report of Porsche SE

Basis of reporting

The non-financial group report of Porsche Automobil Holding SE ("Porsche SE" or the "company") aims to give internal and external readers a transparent presentation of the concepts, strategies and processes relating to non-financial aspects in the Porsche SE Group. In addition, the non-financial group report is intended to help analyze the opportunities and risks associated with these aspects.

This non-financial group report of Porsche SE for the fiscal year 2021 follows the commercial law requirements of Sec. 315b HGB ["Handelsgesetzbuch": German Commercial Code] as well as the extended reporting obligations of Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (EU Taxonomy Regulation). In accordance with Sec. 289d HGB, it was considered which national, European or international frameworks could be used for the preparation of the non-financial group report. The Porsche SE Group currently opts not to use such a framework on account of deviating definitions of materiality between the frameworks and the legal requirements as well as the unreasonable cost-benefit ratio in light of the current corporate structure. The future use of a framework will be regularly evaluated; in particular, the current assessment may change with the acquisition of additional investments.

Reporting covers Porsche SE and the fully consolidated entities included in the consolidated financial statements of the Porsche SE Group in the reporting year. The Porsche SE Group does not have control over its other investments, meaning that it can encourage sustainable corporate governance at these investments only through the shareholder dialogue and board work.

Reporting on the Porsche SE Group mainly focuses on the non-financial aspects environmental matters, employee-related matters, social matters, respect for human rights and anti-corruption and bribery matters.

Business model of the Porsche SE Group

Porsche SE is a holding company with investments in the areas of mobility and industrial technology. In particular, it holds the majority of the ordinary shares in Volkswagen Aktiengesellschaft (“Volkswagen AG”, “Volkswagen” or “VW”), one of the world’s leading automobile manufacturers. As the parent company of the Volkswagen Group, Volkswagen AG directly and indirectly holds investments in AUDI AG, SEAT S.A., ŠKODA AUTO a.s., Dr. Ing. h.c. F. Porsche AG, TRATON SE, Volkswagen Financial Services AG, Volkswagen Bank GmbH and in numerous other companies in Germany and abroad. In addition to the investment in Volkswagen, the Porsche SE Group holds PTV Planung Transport Verkehr GmbH, Karlsruhe (formerly PTV Planung Transport Verkehr AG, Karlsruhe) (“PTV”, together with its subsidiaries the “PTV Group”), which was fully consolidated until 31 December 2021, as well as non-controlling interests in seven further technology companies in the USA, Israel and Germany.

The investment strategy of Porsche SE aims for sustainable value creation for its shareholders. This is based on the increase in value of assets under management as well as dividend distributions. Porsche SE’s investments are divided into two categories. The first category includes the long-term core investment in Volkswagen AG. The second category comprises portfolio investments that Porsche SE generally holds for a limited period of time. Such investments are typically characterized by a high potential for growth and for increasing value during the holding period. The sector focus in both investment categories lies in mobility and industrial technology.

Before acquiring investments, Porsche SE considers both financial and non-financial aspects of the target company. The scope of these investigations depends considerably on the company’s business model and market coverage.

In addition to the core investment in Volkswagen, the Porsche SE Group has invested over the past few years in several companies that have significant sustainability aspects anchored in their business models. With their software solutions and data portfolio, the PTV Group and INRIX Inc., Kirkland, Washington (“INRIX”), aim to optimize traffic and transport routes, thereby making a significant contribution to reducing the consumption of resources and lowering emissions. The innovative 3D printing solutions of our investments Markforged and Seurat Technologies will allow for a more efficient use of raw materials in development and a reduction of emissions by shortening supply chains.

Materiality analysis

A materiality analysis has regularly been performed in accordance with the principle of double materiality (“Doppelter Wesentlichkeitsvorbehalt”) during preparation of the non-financial group report of Porsche SE. As a result, the aspects employee-related matters and anti-corruption and bribery matters (compliance) remained classified as material for the Porsche SE Group. For further aspects, the analysis only revealed indirect effects on the Porsche SE Group and did not identify any direct significant influence of the Porsche SE Group on the aspects.

The Porsche SE Group also attaches great importance to the aspects environmental matters, social matters and respect for human rights. However, none of the companies relevant for the non-financial reporting are from manufacturing or commodity- and energy-intensive industries, which is why these aspects have been classified as immaterial for the Porsche SE Group in this context. Nevertheless, the Porsche SE Group considers these aspects in its investment management and also takes all of these into account in due diligence activities before an investment.

There are currently no non-financial key performance indicators that are material for the business activities of the Porsche SE Group.

Material non-financial aspects

Employee-related matters

The qualification, motivation and efficiency of the Porsche SE Group’s employees are key factors for its success. These factors will be strengthened by promoting a corresponding work culture among employees and management. This applies both to Porsche SE as a holding company for successfully implementing its investment strategy and to the PTV Group, each facing fierce competition for qualified specialists. Attracting and retaining qualified employees and promoting health and advanced training are therefore main interests of the Porsche SE Group.

In light of the Covid-19 pandemic, the protection of the health of the Porsche SE Group’s employees continued to play a significant role in the fiscal year 2021. To this end, the Porsche SE Group took and has continued to take extensive measures. Rules of conduct updated to reflect the current situation were regularly communicated to all employees. Furthermore, the technical and organizational measures as well as internal processes in place to enable employees to largely work remotely were optimized. Further concrete measures included in particular a test concept for all employees, the possibility of being vaccinated against Covid-19 by the company physician practice as well as the continued provision of protective masks.

Employee health is also fundamentally an important concern of the Porsche SE Group. Offers include in particular occupational measures to promote healthcare, medical examinations and prevention programs as well as fitness programs located close to the place of work. Furthermore, a modern workplace concept has been implemented in accordance with the latest ergonomic and health and safety recommendations.

There are concepts to promote additional employee-related matters at Porsche SE level as well as at PTV Group level. A key pillar of this is the creation of a corporate culture based on mutual appreciation and respect. This includes protecting employee rights, supported by professional processes in HR. Other components include informing employees about central developments in the company as well as encouraging communication and cross-department dialogue between employees by regularly holding various types of joint events.

A major factor in attracting and retaining employees is the attractiveness of the Porsche SE Group companies as an employer. Alongside an attractive and fair remuneration, Porsche SE has also set up a company pension scheme with employer-funded contributions as well as the possibility of adding employee-funded components. Individual development opportunities are available for employees and management, comprising internal and external training and workshops, attending specialist events, selected subsidized in-service training programs, the use of personal coaching sessions as well as needs-based language courses. These offerings were almost exclusively held virtually in 2021 due to Covid-19.

Compliance

Porsche SE is fully committed to compliance as part of its corporate culture. Adherence to statutory requirements as well as company-internal guidelines and standards are the basic principles of entrepreneurial behavior in the Porsche SE Group. Significant components are therefore ensuring and promoting conduct that is in line with the law as well as combating corruption and bribery.

The Porsche SE Group fulfills its responsibilities through extensive activities in the area of compliance. For instance, Porsche SE has established a dedicated legal affairs and compliance board of management function. The Porsche SE's member of the board of management responsible for legal affairs and compliance is tasked with reporting to the whole board of management on all questions relating to compliance, taking preventive measures, managing these and also monitoring and encouraging compliance with regulations.

To manage compliance risks, Porsche SE has established a compliance organization and thus implemented a compliance management system. This system is specifically tasked with preventing breaches of laws, other legal requirements and company-internal guidelines and regulations. An internal company directive of Porsche SE stipulates the responsible organizational units and decision-makers in terms of procedures relating to compliance. Within its compliance organization Porsche SE has set up a compliance council, which comprises executives from the key departments. In addition to the adjustment of internal guidelines, the compliance council's meetings in the fiscal year 2021 primarily addressed general compliance matters. Porsche SE conducted training and other information measures for its employees relating to compliance in the fiscal year 2021. Furthermore, employees of Porsche SE have the opportunity to report any suspected breaches of law within the company through defined communication channels, also in anonymous form. The compliance organization is also supported by the Internal Audit function that is integrated in the risk management system.

The PTV Group has anchored compliance with legal and internal regulations in its group-wide code of conduct. This code of conduct provides guidance for entrepreneurial behavior of all employees in the PTV Group. This guidance is supplemented by internal compliance guidelines. Management and executives are tasked with ensuring that their employees are aware of and comply with the code of conduct and the internal compliance guidelines and bear a particular responsibility as role models. Employees' compliant behavior is promoted via company-wide information and clarification about the obligations and competences of their respective business division. Furthermore, employees of the PTV Group have the opportunity to report any suspected breaches of law within the company in anonymous or non-anonymous form using a compliance e-mail address.

Risk assessment

Significant non-financial aspects are taken into account in the Porsche SE Group's risk management system. In particular, the risk area "Compliance" in the risk management system comprises risks from non-compliance with the statutory requirements as well as company-internal guidelines for the Porsche SE Group. As of the reporting date, these risks are considered low.

Based on current estimations, there are no significant risks from the Porsche SE Group's business activities and no significant risks associated with the Porsche SE Group's business relationships, products or services that are very likely to have serious consequences for the non-financial aspects.

EU Taxonomy

Introduction

As part of the EU Commission’s Green Deal, with the primary aim of climate neutrality by 2050, the EU Taxonomy Regulation came into force in July 2020 as a key measure of the action plan on financing sustainable growth.

In this context, Porsche SE is required to expand its non-financial group report for the first time for the fiscal year 2021 to include the reporting requirements pursuant to Article 8 of the EU Taxonomy Regulation. In particular, information on how and to what extent the activities of the Porsche SE Group are associated with economic activities classified as environmentally sustainable activities as defined by the EU Taxonomy Regulation has to be provided. For this purpose, the respective proportions of, capital expenditures and operating expenses are to be disclosed.

Porsche SE makes use of the simplifications available for first-time application, meaning that for the fiscal year 2021 the economic activities only have to be classified in terms of their fundamental Taxonomy-eligibility pursuant to the delegated act on the first two environmental objectives “climate change mitigation” and “climate change adaptation” and disclosed together with the associated key performance indicators (KPIs).

Economic activities

The identified economic activities of Porsche SE, Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH are limited to activities in connection with their functions as holding companies. These economic activities are classified as Taxonomy-non-eligible based on the statistical classification of economic activities in the European Community (NACE Rev. 2) and the delegated act of the EU Taxonomy Regulation.

The investment in Volkswagen AG is accounted for at equity in the consolidated financial statements of Porsche SE. Its economic activities are hence not included in Porsche SE’s disclosures.

Due to the sale of shares in PTV, PTV’s business is classified in Porsche SE’s financial statements for the fiscal year 2021 as a discontinued operation according to IFRS 5. As a result, none of the revenue and operating expenses of the PTV Group are recognized in the consolidated income statement of Porsche SE. This means that none of the PTV Group’s revenue falls within the scope of the EU Taxonomy Regulation. Accordingly, Porsche SE does not consider operating expenses and capital expenditures in connection with the discontinued operations to be within the scope of the EU Taxonomy as well.

Fiscal year 2021 – Proportion of revenue associated with Taxonomy-eligible activities

Economic activities	Absolute revenue	Proportion of revenue
	€ million	%
A. Taxonomy-eligible activities		
Revenue from Taxonomy-eligible activities (A)	-	-
B. Taxonomy-non-eligible activities		
Revenue from Taxonomy-non-eligible activities (B)	-	-
Total (A + B)	-	-

Fiscal year 2021 – Proportion of capital expenditures associated with Taxonomy-eligible activities

Economic activities	Absolute capital expenditures	Proportion of capital expenditures
	€ million	%
A. Taxonomy-eligible activities		
Capital expenditures of Taxonomy-eligible activities (A)	0	0.0
B. Taxonomy-non-eligible activities		
Capital expenditures of Taxonomy-non-eligible activities (B)	1	100.0
Total (A + B)	1	100.0

Fiscal year 2021 – Proportion of operating expenses associated with Taxonomy-eligible activities

	Absolute operating expenses	Proportion of operating expenses
	€ million	%
Economic activities		
A. Taxonomy-eligible activities		
Operating expenses of Taxonomy-eligible activities (A)	0	0.0
B. Taxonomy-non-eligible activities		
Operating expenses of Taxonomy-non-eligible activities (B)	1	100.0
Total (A + B)	1	100.0

Porsche SE's other portfolio investments also do not fall within the scope of the EU Taxonomy Regulation due to their character as minority interests.

KPIs and calculation

The quantitative information was calculated based on the consolidated financial statements of Porsche SE. They were included in the respective denominator in accordance with the delegated act of the EU Taxonomy Regulation. According to this, revenue corresponds to the revenue as defined by IAS 1.82(a) reported in the IFRS consolidated financial statements. The Porsche SE Group did not generate any revenue in the fiscal year 2021. Calculating the proportion of Taxonomy-eligible and Taxonomy-non-eligible economic activities in total revenue is hence not feasible.

Capital expenditures comprise the additions to property, plant and equipment and intangible assets from continuing operations before amortization and depreciation and revaluation pursuant to the pertinent IFRSs. Operating expenses comprise the direct and non-capitalized expenses from continuing activities within the meaning of the delegated act.

The capital expenditures relating to the holding operations of Porsche SE, Porsche Beteiligung GmbH, Porsche Zweite Beteiligung GmbH, Porsche Dritte Beteiligung GmbH and Porsche Vierte Beteiligung GmbH consist of additions to property, plant and equipment and intangible assets of €1 million. In light of PTV's classification as a discontinued operation according to IFRS 5, the additions to property, plant and equipment and intangible assets of the PTV Group were not included in the calculation of capital expenditures.

The operating expenses of the Porsche SE Group contain expenses on a small scale only for short-term leases and maintenance and repair costs of €1 million. In the fiscal year 2021, no expenses were incurred in connection with research and development or renovation measures.

The capital expenditures and operating expenses relate entirely to Taxonomy-non-eligible economic activities. In the fiscal year 2021, there were no significant individual sustainable operating expenses or capital expenditures. As a result, the proportion of operating expenses and capital expenditures relating to Taxonomy-eligible economic activities was 0% and the proportion relating to Taxonomy-non-eligible economic activities was 100% in the fiscal year 2021.

Stuttgart, 16 March 2022

Porsche Automobil Holding SE
The board of management

Hans Dieter Pötsch   Dr. Manfred Döss   Dr. Johannes Lattwein   Lutz Meschke