



Declaration of the Board of Management and Supervisory Board of AUDI AG
regarding the recommendations of the
“Government Commission on the German Corporate Governance Code”
pursuant to Section 161 of the German Stock Corporation Act

The recommendations of the “Government Commission on the German Corporate Governance Code” announced by the Federal Ministry of Justice on April 24, 2017, in the official section of the Federal Gazette (Bundesanzeiger), in the version dated February 7, 2017, were implemented in the period since the most recent Declaration of Conformity of November 20, 2018, with the supplements dated February 21, 2019, and September 19, 2019, and continue to be implemented with the exception of the following numbers:

- 4.2.3, Para. 2, Sentence 6 (amount of remuneration capped with maximum levels for short-term variable remuneration, amount of remuneration capped with maximum levels for total remuneration)
- 5.3.2, Para. 3, Sentence 2 (independence of the Chairman of the Audit Committee)
- 5.3.3 (Nomination Committee)
- 5.4.1, Para. 6 (disclosure regarding election recommendations)
- 5.4.5, Sentence 2 (no more than three Supervisory Board mandates in non-group listed corporations or similar entities),
- 5.4.6, Para. 2, Sentence 2 (performance-related remuneration of the Supervisory Board).

The deviation from the recommendation pursuant to No. 4.2.3, Para. 2, Sentence 6 is due to the fact that while the amount of remuneration capped with maximum levels has been defined for the share-based, long-term variable remuneration component, one has not been defined for the shortterm variable remuneration component. The Supervisory Board deems it appropriate to forgo defining a limit since the target parameters which are chiefly dependent on the operating result

(operating return on sales and return on investment) directly reflect the financial situation, and therefore, in the case of an especially strong result, higher short-term variable remuneration and consequently also higher total remuneration is justified. The Supervisory Board is of the opinion that setting a predefined cap for short-term variable remuneration or total remuneration would detract from the intended incentive of achieving especially good results. In the event that an especially good result is due to extraordinary developments, the Supervisory Board has the authority to impose a limit at its discretion in accordance with the principle of appropriateness.

According to the recommendation No. 5.3.2, Sentence 3, the Chairman of the Audit Committee should, among other things, be “independent.” A lack of the recommended independence could potentially be inferred from the Audit Committee Chairman’s membership of the Supervisory Board of Volkswagen AG and of the Board of Management of Porsche Automobil Holding SE. The Board of Management and Supervisory Board believe that these activities neither represent a conflict of interest nor interfere with the work of the Audit Committee Chairman. The exception is declared merely as a precaution.

The Supervisory Board is of the opinion that a nomination committee merely increases the number of committees without noticeably improving its work as a corporate body.

Regarding the recommendation set forth in No. 5.4.1, Para. 5 on the disclosure of certain circumstances when the Supervisory Board makes election recommendations to the General Meeting, the requirements in the Code are vague and not clearly defined. An exception is therefore declared merely as a precaution, while the Supervisory Board will endeavor to fulfill the requirements of the recommendation in the Code.

Trading of the shares of TRATON SE on the Regulated Market of the Frankfurt Stock Exchange and of Nasdaq Stockholm commenced on June 28, 2019. Since then, the Audit Committee Chairman of the Supervisory Board of AUDI AG has served on the Supervisory Boards of three listed companies – AUDI AG, VOLKSWAGEN AG and TRATON SE – as well as on the Supervisory Board of Bertelsmann SE & Co. KGaA. He also serves on the Board of Management of the listed company Porsche Automobil Holding SE as its Chairman. AUDI AG, VOLKSWAGEN AG and TRATON SE do not constitute a joint group with Porsche Automobil Holding SE. Because it cannot be ruled out that the Supervisory Board mandate for Bertelsmann SE & Co. KGaA will involve comparable requirements to a Supervisory Board mandate for a listed company and the exact method of counting mandates is unclear, as a precaution the Board of Management and Supervisory Board declare an exception to No. 5.4.5 Sentence 2 of GCGC (no more

than a total of three Supervisory Board mandates in non-group listed corporations or similar entities).

The Board of Management and Supervisory Board are of the opinion that the current regulation on remuneration in Section 16 of the Articles of Incorporation and Bylaws of AUDI AG contains a performance-related component for the members of the Supervisory Board which also promotes longterm corporate development. In light of the vagueness of the recommendation from No. 5.4.6, Para. 2, Sentence 2 of the Code and the as yet unclarified scope of a performance-related remuneration component in respect of long-term corporate development, the Board of Management and Supervisory Board declare the deviation merely as a precaution.

Ingolstadt, November 20, 2019

For the Supervisory Board:

For the Board of Management:

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Dr. Herbert Diess

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Abraham Schot