



SUSTAINABLE DEVELOPMENT

Statement of the Board of Directors and Supervisory Board of ŠKODA AUTO a.s.

on recommendations of the "Corporate Administration and Management Code"

based on OECD Principles (2004)

The board of directors and supervisory board of ŠKODA AUTO a.s. declare that in their best corporate administration and management practice they will adhere to the principles and recommendations contained in the "Corporate Administration and Management Code" based on OECD Principles that was issued in June 2004 by the Securities Commission and, to an extent reasonable given the existing specifics of the company, shall comply with them.

The administration and management of ŠKODA AUTO a.s. is not fully in accordance with the following two recommendations. The degree and reasons leading the company to non-harmonisation are explained below:

Chapter VI – E – 1, in connection with section 5 of the Commentary on chapter VI:

The board of directors and supervisory board shall consider authorising a sufficient number of non-executive members of the board of directors capable of independent judgement to perform tasks where there is a potential for a conflict of interests. The board of directors and/or supervisory board shall have a sufficient number of members that the company does not employ and that are not in a close relationship with the company or its management through significant economic, family or other relations.

At this point the company is not in compliance with this recommendation of the Code. With regard to the specific character of the company's shareholder structure (one shareholder – Volkswagen International Finance N.V., registered office in Amsterdam) and the fact that its shares are not listed, we do not see an additional benefit to the sole shareholder from the introduction of this measure. The composition of the company's board of directors fully corresponds to the needs of the parent group. The independence of the supervisory function of the company's supervisory board and the width of the company's strategic development is ensured by the appropriate organisational structure of the Volkswagen group and the relevant number of independent members on the supervisory board of Volkswagen AG.

Chapter VI – E – 2, in connection with section 18 of the Commentary on chapter VI:

The company should establish three different committees responsible for an independent audit of the company, for remuneration (including other financial stimulation) of members of the board of directors and supervisory board, as well as key members of the executive, and for their appointment. Most of the members of these committees should be independent people.



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At this point the company is not in compliance with this recommendation of the Code. With regard to the specifics of the company's shareholder structure, activities related to committees have been transferred to the level of the Volkswagen group, to an extent that is effective and brings synergy. The activities of the committees for remuneration and appointment are performed by the committee of the board of directors of Volkswagen AG for personnel matters in co-operation with the relevant committees of the supervisory board of the Volkswagen AG group. Activities usually performed by the committee for audit are part of the job description of the internal review department at Volkswagen AG, which, together with the audit committee of the supervisory board of Volkswagen AG, supervises the internal audit department of Škoda Auto and the company's internal control system.

**Mladá Boleslav
2008**