



Slavery and Human Trafficking Statement of AUDI AG (2020 fiscal year)

This statement has been prepared pursuant to Section 54 of the United Kingdom Modern Slavery Act 2015. It represents in particular the measures implemented by AUDI AG on preventing forms of modern slavery and human trafficking.

Präambel

We recognize our responsibility to protect human rights at our sites and along our complex value and supply chains. For us, this responsibility does not end at our factory gates, but goes beyond them.



Organization and supply chain

AUDI AG is a stock corporation under German law with its headquarters in Ingolstadt, Germany. In addition to AUDI AG, the Audi Group comprises all the key companies and units in which AUDI AG has a direct or indirect controlling interest. The Audi Group is organized in a decentralized manner, with individual subsidiaries bearing responsibility for their own business operations. Guidelines, reporting channels and committees are put in place to ensure appropriate Group steering and monitoring. Our business activities include the development, production and sale of cars and services as well as management of the Audi Group.

The Audi Group is present in more than 100 markets worldwide. It manufactured at 18 sites in twelve countries in 2020. The Ducati and Lamborghini brands are also part of the Audi Group.

AUDI AG has been a fully owned subsidiary of Volkswagen AG since November 16, 2020. Until this point in time, the latter held around 99.64 percent of the share capital of AUDI AG.

With its presence in key markets, Audi's global procurement organization ensures that materials and services in particular are procured and provided worldwide in the required quality and at the best possible terms. Procurement is active in more than 60 countries around the world and is a central interface between AUDI AG and more than 14,000 direct supplier companies. In order to maximize the benefit of synergy potential, we select suppliers in close consultation with Volkswagen Group Procurement.

For us, global compliance with sustainability standards in areas such as human rights, occupational health and safety, environmental protection and combating corruption is a basic prerequisite for successful business with our suppliers. Only together with our business partners is it possible to ensure compliance with sustainability standards and contribute to the implementation of the United Nations Sustainable Development Goals (SDGs). To achieve these goals, we

implemented the concept of "Responsible Supply Chain Management" and we continue to build on and develop these measures to this day. Our activities in the domain of responsible supply chains follow a clear strategy that can be divided into three priority areas: environment, people and innovation.

In addition to the independent activities undertaken in that area, all the actions taken and efforts made by the Volkswagen Group in promoting sustainability as well as in protecting and respecting human rights along the supply chain thus contribute to the attainment of these objectives in the Audi Group as well.

Internal measures

General

In January 2019, Hiltrud D. Werner, Member of the Board of Management of Volkswagen AG for Integrity and Legal Affairs, and Gunnar Kilian, Member of the Board of Management of Volkswagen AG for Human Resources, appointed a coordinator for the subject of "Business and Human Rights" in the area of Group Compliance. Integration into the existing Compliance Management System as well as the central coordination of responsibilities in other divisions on the topic of "Business and Human Rights" likewise falls under the remit of Compliance at Audi.

Combating modern slavery along our value and supply chain is one of the focal points of our activities in the area of "Business and Human Rights" and one of our salient business and human rights issues Group-wide. For us, child labor and forced labor in particular are serious violations of human rights and are therefore prohibited.

We base our actions on the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the requirements of the International Labour Organization (ILO). We set out our broad understanding of "Business &

Human Rights” on the Audi website.¹ The Volkswagen Group has expanded and affirmed this understanding and our commitment to our entrepreneurial responsibility, which follows internationally recognized treaties and conventions including explicitly the UN Guiding Principles on Business and Human Rights, in the updated “Declaration by the Volkswagen Group on social rights, industrial relations and business and human rights.”²

In addition to coordination within our Group itself, we again prioritized one focal area in the collaboration with external stakeholders in 2020. We support the German Federal government’s National Action Plan (NAP) “Business and Human Rights.” Within this context, in 2020 we actively participated in the automotive industry’s sector dialogue “Business & Human Rights” under the aegis of the German Federal Ministry of Labour and Social Affairs (BMAS). We will continue this dialogue with representatives of trade unions, NGOs, science, politics and the economy in 2021. Combating modern slavery also plays an important role here.

We also proactively seek dialogue with external stakeholders, for example through the “Audi Dialogue 2020” which was held in January 2020.³ Representatives of politics, business, science and non-governmental organizations met up with Audi experts to discuss specific ways of organizing grievance mechanisms for the supply chain.

The dialogue on human rights within the context of working groups or initiatives such as the DICO working group on CSR/human rights or the Compliance and Integrity Forum is another valuable part of our work. Furthermore, the Volkswagen Group has been and is the only automotive manufacturer among the active members of the Global Business Initiative (GBI) “Business & Human Rights.” The

purpose of this corporate network is to discuss issues and participate in peer learning. Taking the dialogue with experts and stakeholders as our basis, we are able to build on our commitment with the aim of fulfilling our entrepreneurial responsibility for human rights even more effectively.

Audi Group Code of Conduct⁴

In 2017, the Audi Group updated its [Code of Conduct](#) in alignment with the corresponding principles of the Volkswagen Group and introduced it uniformly across all brands and companies of the Audi Group. The Code of Conduct embodies the ethical principles of the Volkswagen Group and is based on shared values that focus on compliant, honest and morally correct conduct and the topic of responsibility. The rejection of any form of modern slavery and human trafficking is also enshrined in the Audi Group Code of Conduct.

The Code of Conduct makes it easier for employees to abide by existing company rules and offers them practical orientation, help and advice. The Audi Code of Conduct is permanently available to all employees on the company’s internal intranet, and also for third parties over the internet. Its status is continuously communicated primarily through dialogue along internal communication channels and platforms. The “tone from the top” – communication measures involving Board of Management members or top management representatives – is especially important in this regard. Members of the Board of Management and upper management are also under an obligation to confirm their knowledge of the Audi Code of Conduct annually through web-based training and act as role models in communicating the content to those reporting directly to them. Irrespective of hierarchical level, all employees are obliged to

¹ <https://www.audi.com/en/company/integrity-compliance-and-risk-management/compliance/human-rights.html>

² The Social Charter can be found on the Audi website “Documents & Policies”:
<https://www.audi.com/en/company/sustainability/downloads-and-contact/documents-and-policies.html>

³ Further information: <https://www.audi.com/en/company/sustainability/roadmap-sustainability/audi-dialogue.html>

⁴ <https://www.audi.com/content/dam/gbp2/company/sustainability/operations-and-integrity/compliance-and-risk-management/code-of-conduct-2020-audi-en.pdf>

repeat training sessions on the Code of Conduct every two years.

The Volkswagen Group has moreover issued a Code of Conduct for Business Partners, which occupies the status of a binding component of business partner contracts. It specifies the expectations of the Group regarding the approach and conduct of business partners, and especially suppliers and sales partners. These requirements regarding the entrepreneurial activities of business partners serve as the basis for successful business relationships between Audi and its business partners. They also seek to uphold human rights – for example, ban child labor, human trafficking and slavery – as well as protect the environment and eradicate corruption.⁵

AUDI AG Statement of Principles concerning Respect for and Observance of Human Rights⁶

In order to affirm AUDI AG's commitment to respecting and upholding human rights in general and condemning forced labor and human trafficking specifically, AUDI AG's Board of Management signed a [Policy Statement Regarding the Commitment to and Observance of Human Rights](#) in 2017. The statement is due to be updated in 2021.

The Audi Group Whistleblower System⁷

The Whistleblower System is the point of contact for reporting potential rule violations. These include, for example, violations of human rights – a matter that fundamentally constitutes a “serious regulatory violation.” Wherever they are in the world, employees as well as business partners and customers are able to report misconduct by Audi Group employees along a variety of channels. As well as via the e-mail mailbox created and by traditional mail, regulatory violations can be reported via a secure online reporting channel

(BKMS) and on a 24/7 phone hotline 365 days a year in several different languages. There is also the option of submitting a report to two external lawyers (ombudspersons) appointed by the Volkswagen Group. If desired, reports can be made anonymously, especially where the online reporting channel is used (with scope for consultation with the whistleblowers). Strict confidentiality and secrecy are maintained throughout the entire process. The Whistleblower System guarantees the highest possible protection for whistleblowers and persons of interest. Discrimination against whistleblowers is a serious regulatory violation and will not be tolerated.

Risikoanalyse

Within the framework of the established risk management processes, represented by elements including the risk quarterly process (RQP), the annual Standard Internal Control System (ICS) at AUDI AG and the annual regular GRC process (Governance, Risk & Compliance) at the participations, risk assessments on the subject of human rights are also carried out by the main Group divisions and companies and the countermeasures and control activities taken are reported on.

Within the annual regular GRC process, the identification of potential risks is supported by a list of risk-related focal areas, which also includes potential risks from human rights violations. The Standard ICS process lays down control requirements on compliance with legal and internal requirements on human rights. The Boards of Management of AUDI AG and Volkswagen AG as well as the Audit Committee of AUDI AG receive reports both quarterly and annually as well as whenever required.

⁵ For further information on the Code of Conduct for Business Partners, please refer to page 6 under the section “Sustainability requirements of our suppliers: Code of Conduct for Business Partners.”

⁶ https://www.audi.com/content/dam/gbp2/company/sustainability/downloads/documents-and-policies/corporate-guidelines/Audi_Grundsatzerklaerung_Menschenrechte_2017_final.pdf

⁷ <https://www.audi.com/en/company/integrity-compliance-and-risk-management/whistleblower-system.html>

AUDI AG has incorporated business and human rights into the existing Compliance Management System, based on the United Nations requirements on corporate human rights due diligence. These requirements also include advising other corporate units on human rights matters or ad hoc, for example. In addition, a cross-departmental working group in Group Compliance at the Volkswagen Group developed and implemented a concept in 2019 for assessing risk exposure for controlled participations. This is the result of a correlation of country risks and business model risks in the area of “Business and Human Rights.” Based on this, measures are also defined for AUDI AG and for controlled participations of the Audi Group. These measures are integrated into the risk steering measures for previously defined compliance topics, such as the prevention of corruption and money laundering. They were communicated to the participations in 2020 and will become a binding component of the Internal Compliance Risk Management Process (ICRA) at the end of 2021.⁸

Training for employees

Preventive measures promote compliance with regulations in our organization and raise compliance awareness among employees. Target group-oriented communication and training measures for employees at all hierarchical levels play a key role in this. In this reporting year, specific communication and training activities again focused primarily on the Code of Conduct, the Whistleblower System and anti-corruption. The latter has gradually been rolled out across relevant target groups at AUDI AG since 2011 and is mandatory for all indirect employees and managers/supervisors.

In the 2020 fiscal year, dedicated employee training measures at AUDI AG on the subject of human rights were conducted to varying scales and depths, for example by including basic information in general compliance training or

in in-depth training providing a separate, comprehensive introduction to the topic. In the 2019 fiscal year, the topic of “Business and Human Rights” was already integrated into the face-to-face training course “Compliance Awareness,” for example, which contains basic information on compliance focal issues (including human rights) as well as potential incidents in day-to-day business and is available for sign-up to all employees. Since January 2020, this training has been available to all employees as a web-based training program. There is also the intention to increase awareness and transparency of human rights issues as part of the compliance communication strategy.

In addition, the Volkswagen Group provides training for its business partners in Procurement and Sales on key matters of compliance and corruption prevention. For further information, please refer to the section “Training for employees and business partners” on page 9.

Measures along the supply chain

We the Audi Group, together with our more than 14,000 direct suppliers worldwide, have a major impact on the environment and society. At the same time, we assume responsibility along the value chain for fair and humane working conditions, and integrate our partners into our activities so that we can meet this responsibility together. The development and implementation of responsible supply chain management are an integral component of our procurement processes. We have based our commitment in this area around three strategic subject areas: environment, people and innovation.

⁸ For further information on the identification and management of risks as part of responsible supply chain management, please refer to page 6 onward.

Sustainability requirements of our suppliers: Code of Conduct for Business Partners⁹

The “Volkswagen Group requirements regarding sustainability in its relationships with business partners” – the [Code of Conduct for Business Partners](#) – is the core element of our supplier management. The Code of Conduct is a contractual component and fundamentally applies to every partner company of the Volkswagen Group. Our expectations of our business partners’ conduct with respect to core social, integrity and environmental standards are set out there. These requirements are based, among other things, on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, and the relevant conventions of the International Labour Organization (ILO). The Code of Conduct is, however, not just based on international standards, but also on objectives, rules and policies of the Volkswagen Group.

The requirements for suppliers specific to the topic of modern slavery are as follows:

„No slavery and no human trafficking – Business partners reject all conscious use of forced and compulsory labor as well as all forms of modern slavery and human trafficking. There is no bonded labor or involuntary prison labor. Employment relationships are entered into on a voluntary basis and may be terminated by employees at their own discretion and within a reasonable notice period.“¹⁰

Our goal, on the basis of the defined requirements, is to lay the foundation for enhanced sustainability and responsibility according to a risk-based approach and in a spirit of partnership together with our suppliers.

In order to raise awareness among suppliers, we expanded the information and training opportunities in 2020. These include the information on the [ONE.Group Business Platform](#), the information on our Audi website, the [S-Rating Information Hub](#)¹¹ newly created in 2020 and supplier training opportunities. We will continue these measures in 2021.

Systematic determination of sustainability risks

Our goal is to be aware of and effectively address the key sustainability risks in our supply chain. Audi therefore introduced a sustainability rating (S-Rating) back in 2017 to identify and avert risks before contracts are even awarded and identify scope for continuous improvement. This S-Rating was made mandatory throughout the Volkswagen Group on July 1, 2019, and is therefore a compulsory criterion for awarding contracts to suppliers of production materials as well as for relevant suppliers in General Procurement. Within the contract awarding process, the S-Rating is on a par with other important criteria such as cost, quality, technological expertise and logistics. It is based on a self-assessment questionnaire and is supplemented on the basis of risk by on-site checks and, if necessary, by a compliance check.

A standardized questionnaire or “self-assessment questionnaire” (SAQ) of the Drive Sustainability Initiative is used to assess and analyze the site’s sustainability performance. It provides Audi with information about possible risks with regard to social and environmental aspects and corporate ethics at the respective suppliers. The information and documents in the SAQ are checked and validated by a service provider: If a supplier states that they have processes and policies in place, they must prove this with documents. Specifically, a question is asked regarding a human rights policy which includes the topics of “Forced or compulsory labor and human trafficking.” In 2020, a question on grievance

⁹ https://www.audi.com/content/dam/gbp2/company/sustainability/downloads/documents-and-policies/corporate-guidelines/CodeofConduct_BusinessPartners_V2020.pdf

¹⁰ Ebd., S.17

¹¹ www.s-rating.audi

mechanisms and how they are documented was added. In the reporting year, over 13,000 suppliers provided the Volkswagen Group with information in this way.

Managing risks effectively

If the self-assessment questionnaire proves unsatisfactory, including in consideration of a country-specific risk, an independent sustainability assessor performs an on-site check of the company – not only in respect of modern slavery, but also in terms of other aspects such as eco-friendly production and occupational health and safety.

A total of more than 800 on-site checks were conducted for the Volkswagen Group in 2020. Deviations are recorded in a Corrective Action Plan and measures initiated to correct them. Monitoring is subsequently conducted to ascertain whether the deficiencies identified by the sustainability assessor are actually being rectified. At the end of an S-Rating process, a partner is either capable of being awarded a contract or not. Within the context of a partnership of cooperation, another objective of the S-Rating is to provide suppliers who have not yet been able to demonstrate satisfactory performance with the information and tools they need to do this. This is the only way in which to achieve a positive impact on people and the environment. In 2020, 1,369 suppliers achieved an improvement in their sustainability performance as a result of taking relevant measures. Every supplier has the option in principle of undergoing a repeat evaluation after they have completed the necessary improvement measures.

Another important element of sustainable supply chain management is our Supply Chain Grievance Mechanism, which we use in following up reports of possible violations of our sustainability requirements. The case management process was refined and systematized in 2020. The channel can be accessed on our website via an e-mail address (speakup.supplychain@audi.de) and is available to all po-

tential persons of interest and stakeholders, such as employees of suppliers, members of civil society or representatives of communities in the immediate vicinity of our production sites. The process for examining and processing reports is described uniformly in a binding policy, managed by the Group and implemented jointly with the brands and regions of the Volkswagen Group. If the measures taken are not effective, the business relationship may also be terminated in especially serious cases of violations.

In addition, employees and external staff alike can bring potential regulatory violations by our suppliers to the attention of the Volkswagen Group's employee representative bodies and the trade union federations. The process for addressing grievances concerning the supply chain is also linked to and governed by the process for the Audi Whistleblower System. As well as the 34 cases in the Volkswagen Group that were processed by Procurement during the period under review, Volkswagen Group Internal Audit agreed on measures with suppliers. The latter concerned suppliers where behavior contravening the rules or contracts was identified as a result of information provided or audits carried out. Collaboration was ended with a total of 17 suppliers due to the activities of Procurement and Internal Audit.

Human rights due diligence – focus on raw material supply chains

In the year under review we launched a human rights due diligence management system to help us systematically analyze, prioritize and reduce the human rights risks to our supply chain based on existing processes.

Raw material supply chains merit particular attention. To address the occasionally extensive risks in these supply chains effectively, we have also set up a raw material due diligence management system. This system details how to prioritize and handle raw material supply chains. Our Group network is currently focusing on 16 raw materials. The actions we take for the responsible procurement of raw mate-



rials are guided by the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. These include guidelines on management approaches, risk identification and prevention, checking smelters as well as communication and reporting instruments.

One current area of focus in the Volkswagen Group are the raw materials used in batteries, especially cobalt. In close cooperation with battery cell suppliers, the objective is to create supply chain transparency from mining the raw materials to manufacturing the finished product.

With respect to the so-called conflict minerals of tin, tantalum, tungsten and gold, suppliers of the Volkswagen Group must provide confirm via their management systems that they do not use any minerals that have been obtained from non-certified smelters. The Volkswagen Group checks this by obtaining reports on all smelters in the upstream supply chain using the internationally recognized Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI), and then evaluating the results. If non-certified smelters are identified in the supply chain, the Volkswagen Group works towards having those smelters certified.

Digital innovations for greater sustainability in the supply chain

Audi has made risk-conscious conduct an integral part of its corporate philosophy and regularly reviews its own monitoring and inspection mechanisms. The goal is to respond quickly in the event that a supplier is unable to ensure compliance with the principles agreed in the Code of Conduct for Business Partners.

Monitoring supply chains is an extremely complex undertaking. The status quo with regard to suppliers and their upstream partners changes regularly. That makes it all the more important to understand the potential risks and make

connections early on. Audi therefore operates a comprehensive risk monitoring organization that combines various methods and systems.

In addition to more traditional and reactive channels such as the grievance mechanism, Audi is increasingly using digital tools for automated, proactive monitoring. For example, Audi has joined Porsche and Volkswagen in using technology from Austrian start-up Prewave. This system aggregates publicly accessible news from such sources as social media channels and local news media in more than 50 languages from around 150 countries. Artificial intelligence (AI) then semantically analyzes the information and consolidates the various sources. The AI understands the content of the reports and classifies them based on any suspicion of potential sustainability violations.

Prewave has been deployed since last October in a pilot project run by Audi, Porsche and Volkswagen. Its reliability and ability to make forecasts is currently being examined on the basis of 5,000 keywords for more than 4,000 suppliers. In the social issues category, keywords cover such aspects as modern slavery, child labor and discrimination.

Commitment to international initiatives

Working in the upstream supply chain and beyond contractual relationships requires more extensive measures. Joint, cross-industry initiatives and cooperation with suppliers in a spirit of partnership play a pivotal role in the concerted drive to improve sustainability performance in the supply chain.

As part of our commitment, we seek close cooperation with international organizations. For example, Audi has been an active member of the Global Battery Alliance since 2017. This organization advocates the protection of human rights and social standards when mining the raw materials used in batteries, and develops solutions for recycling lithium-ion batteries. Audi has also been involved in the Aluminium Stewardship Initiative (ASI) since 2013. The ASI has developed a global sustainability standard for the handling of



aluminum, which lays down and examines environment-related and social criteria along the value chain.

Its involvement in the industry initiative DRIVE Sustainability, under the aegis of CSR Europe, is another central element of the Volkswagen Group's activities. To get beyond the format of dialogue and bring about hard-and-fast changes on site, the Volkswagen Group has participated in two projects in producer countries of the battery raw materials cobalt and lithium since 2020.

Training for employees and business partners

The systematic training of our employees and suppliers is a key building block of our strategy. The tools we use to improve social and environmental standards in our supply chain include in particular the S-Rating, on which we train our employees and business partners at events and workshops. 99.9 percent of all Audi procurers completed the web-based training on the S-Rating in the year under review. The focus was on integrating the S-Rating into the standard procurement processes.

As part of the sustainability self-assessment process, we require our business partners to implement guidelines and management systems that regulate their business practices. To empower our business partners to do this, in 2020 we developed online training sessions to coach suppliers in fairly short live sessions on matters such as our requirements based on the Code of Conduct for Business Partners, as well as the S-Rating and how to implement it. The format was offered in English, German and Spanish and can be booked over the S-Rating Hub. More than 950 employees of Volkswagen Group suppliers took up this opportunity for training in 2020. A more in-depth training program about how to implement human rights due diligence will be starting from mid-2021. In addition, a web-based training program on the content of the Code of Conduct for Business Partners has also been offered since 2019. This is available in nine languages on the [ONE.Group.Business.Platform](#) and raises business partners' awareness of the importance of

respecting and protecting human rights and rejecting all forms of slavery and human trafficking.



Progress report

As presented in the statement of AUDI AG for fiscal year 2019, various measures for the prevention of forms of modern slavery and human trafficking were implemented in fiscal year 2020. Alongside existing activities and processes, for example in the areas of procurement and sustainability, implementation of the topic in the Compliance Management System at Audi participations (including Ducati and Lamborghini) continued in the year under review and sets of measures were rolled out in line with risk exposure.

Within the scope of responsible supply chain management, empowering partners remained a focus of attention. As well as the fully digitalized S-Rating training courses, the website now includes an information hub that brings together all information about the S-Rating. The S-Rating's roll-out continued and now covers additional relevant product categories and companies. Over 13,000 suppliers have shared their sustainability self-assessment with the Volkswagen Group to date. In the year under review of 2020, 1,369 suppliers achieved an improvement in their sustainability performance.

More than 800 risk-based on-site checks were carried out worldwide in 2020. These checks revealed on average around six violations of sustainability requirements. The top risks identified worldwide include the issues of fire protection and occupational safety. In addition, the existing format of the on-site checks was adapted and piloted specifically for logistics providers. This change reflects the special risk profile of that sector.

To avoid duplications and achieve wider coverage of partners by means of on-site checks, we continue to collaborate with OEMs and suppliers in a specific working group of the German Association of the Automotive Industry (VDA) with the aim of rolling out a common standard for on-site checks.

In the coming year, we will continue to expand our activities to implement sustainability in our supply chains. The human rights due diligence management system created in the year under review is being piloted. Key aspects will include the further training of relevant colleagues in the Group-wide procurement area, which will in turn lead to risk-based training for partners. The goal is to support enterprises in improving the processes of human rights due diligence. There are also plans to comprehensively evaluate the use of digital instruments piloted in the period under review and translate them into standard processes.

Raw material supply chains will again be a priority area in 2021. The introduction of the OECD-compliant Raw Material Due Diligence Management System was completed in 2020. To increase the transparency of our activities in a next step, a regular Communication on Progress will be published at Volkswagen Group level from 2021.



AUDI AG

Ingolstadt, July 2021

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