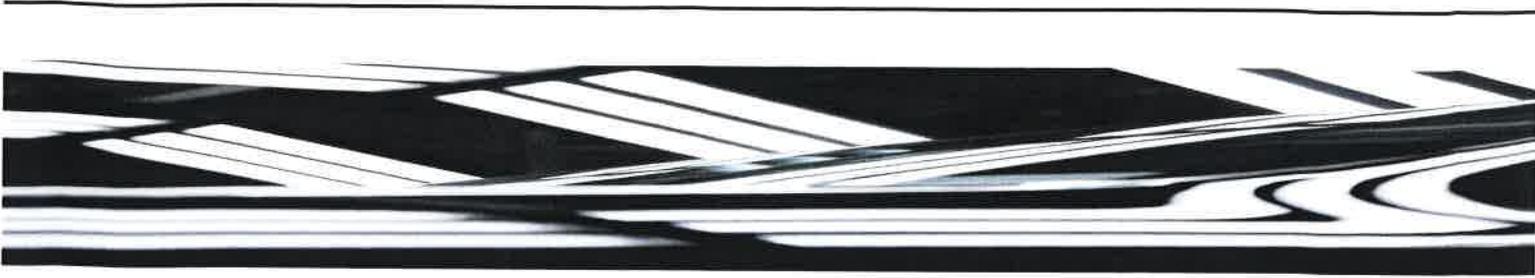


# Slavery and Human Trafficking Statement of AUDI HUNGARIA Zrt. (Fiscal year 2020)

This Statement was drawn up in accordance with § 54 of the United Kingdom Modern Slavery Act 2015. It represents all implemented measures of AUDI HUNGARIA on preventing forms of modern slavery and human trafficking.

## Preamble

In view of advancing globalization and increasingly shifting value-added processes in the respective sales markets, we are cognizant that we also have a global responsibility when it comes to defending human rights. For us, this responsibility does not end at our factory gates; it extends well beyond them.



## Organization and supply chain

AUDI HUNGARIA Zrt. ("Audi Hungaria") produces several models (TT, Q3) and develops and produces aggregates at its site in Győr, Hungary, for AUDI AG and other Volkswagen Group companies. The Audi Hungaria is a company under Hungarian law and is a 100-percent subsidiary of AUDI AG.

AUDI AG is a company under German law with its headquarters in Ingolstadt, Germany. It is the parent company of the Audi Group. In addition to AUDI AG, the Audi Group includes every significant company and entity, over which AUDI AG directly or indirectly exercises a controlling influence. The Audi Group is organized on a decentralized basis, with each entity bearing responsibility for their own business activity. Additionally, the group-wide monitoring and management of guiding principles, reporting channels and committees is ensured. The business activities of AUDI AG in particular include the development, production and distribution of automobiles, as well as the management of the Audi Group.

With its headquarters in Ingolstadt, the Audi Group is present in more than 100 markets worldwide, manufacturing at more than 18 locations in 12 countries. Moreover, the brands Ducati and Lamborghini are also part of the Audi Group.

Furthermore, AUDI AG is part of the Volkswagen Group. The Volkswagen AG has acquired 100% of share capital of the AUDI AG on 31.12.2020.

Through its presence in the important markets, the global procurement organization of the Volkswagen Group ensures that production material, tangible assets and

services are purchased across the world in accordance with the expected quality standards and best conditions.

The procurement of the Audi Group is active in 60 countries and it is an interface between the AUDI AG and its more than 14.000 suppliers. For the sake of best synergies, the choice of suppliers is made with coordination of the Volkswagen group procurement.

The global compliance of sustainability standards amongst other in the topics of human rights, occupational health and safety, environment protection and prevention of corruption are fundamental requirements for us in order to maintain a successful partnership with our suppliers. The compliance of sustainability standards and thus a contribution to the implementation of the UN Sustainable Development Goals (SDGs) is only possible together with our business partners. In order to achieve our goals, we implemented the concept 'Sustainability in supplier relations' and we are continually improving it. Our engagement in the topic responsible supply chains follows a clear strategy which can be divided into three main areas: environment, social and innovation.

## Internal measures

### Audi Hungaria Code of Conduct<sup>1</sup>

The Audi Hungaria has updated its Code of Conduct in 2017, in line with AUDI AG and the Volkswagen Group. As a result, the content of the Code of Conduct is identical across all brands and companies.

The Code of Conduct is permanently available on the intranet to every colleague and accessible on the public website to third parties. It is constantly communicated in digital form as well as at company events.

<sup>1</sup> <https://audi.hu/en/profile/compliance/>

The Code of Conduct of Audi Hungaria applies to all employees and its basis are common values centered on compliant, honest and morally correct conduct and the topic of “responsibility”. Whether at the workplace, as a business partner or as a member of society, the Code of Conduct aims to make it easier for employees to deal with existing rules at the company, providing orientation, support and advice. The rejection of modern slavery and human trafficking of any form is also a central tenet of the Code of Conduct of the Audi Hungaria. Furthermore, we act in accordance with the values set out in the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the declarations of the International Labour Organization (ILO).

### **The Audi Group’s Declaration of Principle to the Respect of and Compliance with Human Rights**

In order to confirm the acknowledgement of the Audi Group to the respect of and compliance with universal human rights and the condemnation of forced labor in particular, the Audi Group’s Board of Management signed a [Declaration of Principle to the Respect of and Compliance with Human Rights](#) in 2017. The Declaration will be updated in 2021.

### **Audi Group Whistleblower System<sup>2</sup>**

The whistleblower system is a point of contact for potential regulatory violations. Regulatory violations are e.g. the breach of human rights – an issue that presents a serious regulatory violation.

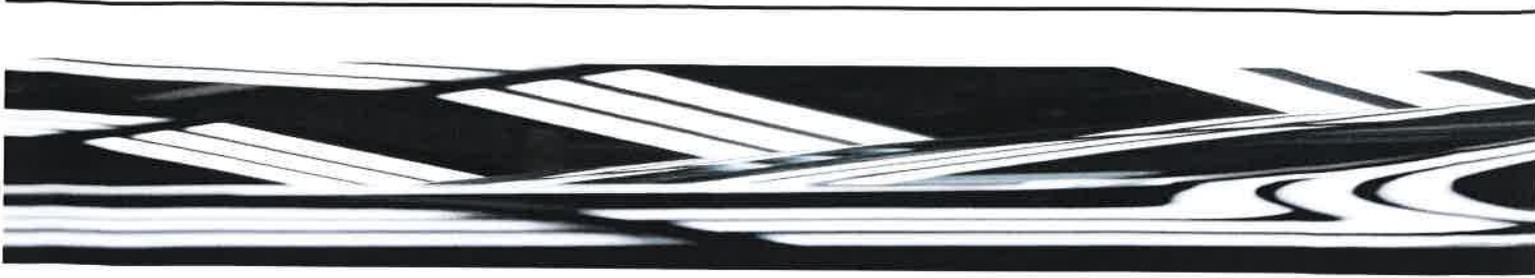
Effective December 17, 2018, a new company policy came into force introducing the whistleblower system at the Audi Hungaria. Our employees, business partners and other third parties can bring to light serious regulatory and legal

violations committed by employees via various channels in the whistleblower system. These include an online reporting channel (BKMS) with the opportunity to communicate with the whistleblower, phone hotline, e-mail address and the opportunity for contacting the Audi Investigation Office in person or by mail, as well as the ombudspersons (external solicitors commissioned by the Volkswagen Group). Apart from this, hints can also be submitted at the Audi Hungaria in person or via e-mail ([compliance@audi.hu](mailto:compliance@audi.hu)). The special regulations of the AUDI AG and the Audi Hungaria in regard to the whistleblower system assure that hints can be reported also anonymously. Hints may be submitted in all major languages used in the corporation, and are kept confidential. In accordance with procedural principles and guarantees, the protection of the whistleblower as well as the persons affected is kept in focus. It is a serious regulatory violation to discriminate against whistleblowers, and such conduct will not be tolerated. The persons affected shall be presumed innocent until it can be proven that a regulatory violation has occurred.

### **Risk analysis**

Within the context of the established risk management processes, represented among other things by the quarterly risk process and the annual standard GRC process, risk assessments are also performed on the topic of human rights by the relevant Group divisions and companies, and reports submitted on the countermeasures taken. The input of potential risks within the annual standard GRC process is supported by a catalog of risks and thematic areas, which also includes potential risks arising from human rights violations.

<sup>2</sup> <https://audi.hu/hu/profil/compliance/>



The Audi Hungaria integrates business and human rights into the existing Compliance Management System in accordance with the UN human rights due diligence guidelines; this includes for example the advice for other business units on human rights issues or ad hoc cases.

In addition, a cross-departmental working group in Group Compliance of the Volkswagen Group developed and implemented a concept in 2019 for assessing risk exposures alongside a correlation of country risks and business model risks in the area of “Business & Human Rights” for controlled entities: the risk exposure is defined by the correlation of country specific risks and business model risks in the topic of “business and human rights”. On this basis measures are defined for the Audi Hungaria as well. These measures are integrated into the general measures of classic compliance topics, e.g. anticorruption, anti-money laundering. These measures will become a mandatory component of the internal compliance risk management process (ICRA) till the end of 2021.

### **Employee qualification**

By taking preventive measures, we promote compliance with regulations in our organization and raise the compliance awareness of our employees. This is why information and employee training plays a key role in compliance work across all hierarchy levels.

The communication and training activities in this reporting year concentrated on the topics Integrity, Code of Conduct, anticorruption, dealing with public officials and the whistleblower system. The Code of Conduct training includes basic information about human rights.

The Code of Conduct is made accessible to employees at Audi Hungaria via various channels, such as the intranet or

online. All new employees take part in a mandatory Code of Conduct training.

In addition, Audi Hungaria rolled out the group-wide mandatory Code of Conduct training program in 2019. In this training, basic information on the topic of human rights is given.

Since our procurement staff constitute a vital interface to our business partners and thereby to our supply chain, all of its new employees of it will be additionally sensitized on sustainability topics. In doing so, we ensure that our employees are familiar with internal systems and processes as well as with the sustainability requirements we place on business partners so they can report observed breaches of these sustainability requirements to the responsible units. Concerning specific topics such as human rights violations, we sensitize targeted employee groups in specially designed formats.

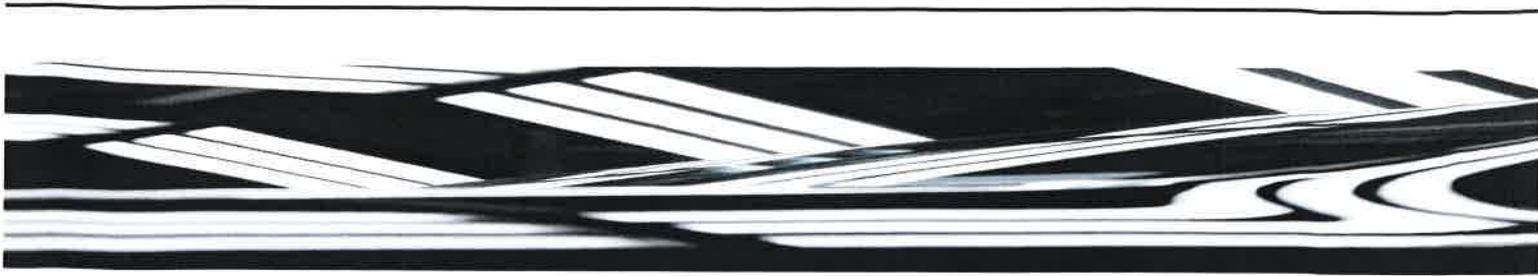
### **Measures in the supply chain**

In order to maximize the benefit of synergy potential, Audi Hungaria assigned the selection of suppliers for the serial production to the Audi and Volkswagen Group Procurement. As a result, the Audi and Volkswagen Group are able to pool procurement volumes across multiple brands and models within the entire Volkswagen Group. In addition to the independent activities undertaken there, all actions taken and efforts made by the Volkswagen Group in promoting sustainability in the supply chain and protecting and respecting human rights thus contribute to the attainment of these objectives in the Audi Group, as well.

### **Sustainability requirements for our suppliers – Code of Conduct for Business Partners<sup>3</sup>**

<sup>3</sup><https://www.audi.com/content/dam/gbp2/company/sustainability/downloads/documents-and-policies/corporate->

[guidelines/Volkswagen\\_Code\\_of\\_Conduct\\_for\\_Business\\_Partners-2019-DE-EN.pdf](https://www.audi.com/content/dam/gbp2/company/sustainability/downloads/documents-and-policies/corporate-guidelines/Volkswagen_Code_of_Conduct_for_Business_Partners-2019-DE-EN.pdf)



The Code of Conduct for Business Partners is core element of the responsible supply chain management. It constitutes a part of contracts and fundamentally applies to all suppliers of the Volkswagen Group. It contains our expectations for business partners in the topics of social, integrity and environmental standards. These expectations are based amongst others on the OECD directives for multinational companies, the UN Guiding Principles on Business and Human Rights, and the respective conventions of the International Labour Organization (ILO). However, the Code of Conduct is not only based on international standards, but also on the Volkswagen Group's objectives, rules and directives.

The extended expectation for suppliers specific on the topic of modern slavery goes like this:

“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.”

Our goal is to risk-based increase sustainability and responsibility based on the defined expectations together with our suppliers in a fair partnership.

In order to raise awareness among suppliers, we expanded the information and qualification opportunities in 2020. This includes the information on the ONE. Group Business Platform, the information on the website of AUDI AG, the newly established information hub for S-Rating<sup>4</sup>, as well as

trainings with suppliers. We will continue these measures in 2021.

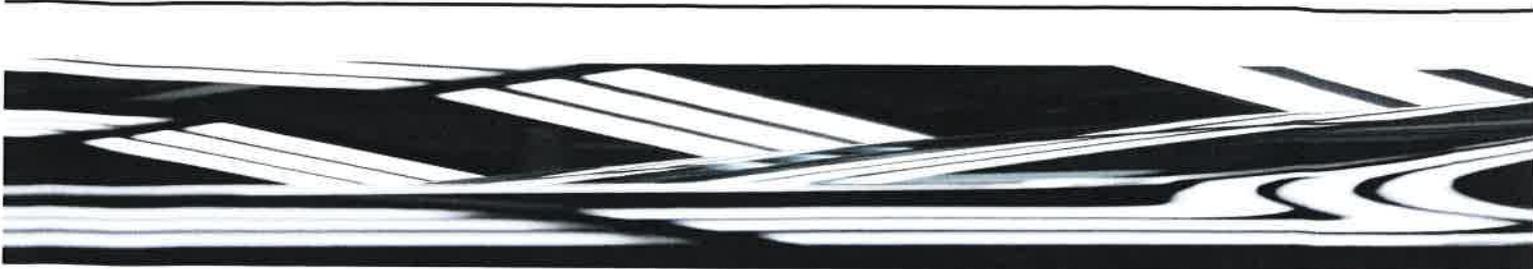
### **Systematic determination of sustainability risks**

Our aim is to be aware of the sustainability risks in our supply chain at all times and effectively address them. Therefore, the Audi Group established sustainability ratings (S- Rating) as early as 2017, to determine and eliminate risks before the award of a contract. Since 1 July 2019, S-Rating has been obligatory within the Volkswagen Group. Through S- Rating, sustainability became a mandatory award criterion for contracts with suppliers, who deliver materials for production and for relevant suppliers of the general procurement. In the tendering process, it is on the same level as the criteria regarding cost, quality, technological competence and logistics. The S-Rating is based on self- declaration (SAQ), and is supplemented from a risk-based view by an on-site assessment as well as a compliance check, if necessary.

The self- assessment questionnaire (SAQ) standardized for the automobile industry provides Audi with information about potential risks in the social sector, environmental and business ethics of the respective suppliers. We explicitly request our suppliers for their own company policies, as well as other company policies deeper within the supply chain, which include a ban on modern slavery and human trafficking. Likewise, appropriate management systems are to be documented. In addition a question about grievance mechanisms and their documentation was added in 2020. By the end of the reporting period, over 13,000 active suppliers had submitted a sustainability questionnaire. If required the Volkswagen Group conducts an additional check for compliance risks.

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<sup>4</sup> [www.s-rating.audi](http://www.s-rating.audi)



When necessary, the Group examines the compliance risks for example in case of questionable integrity.

### **Effective risk management**

If the SAQ is not sufficient in consideration of a country specific risk, an independent sustainability assessor examines the company on-site in regard to modern slavery and other aspects, e.g. considerate usage of resources in production and work safety. In the VW Group there were 822 on-site checks in 2020. Discrepancies were summoned in a measure set called Corrective Action Plan and they are to be corrected. Finally the sustainability assessor checks if the mistakes are in fact corrected. At the end of the S-Rating process a supplier can be awarded or not. The cooperation of S-Rating also aims that suppliers, who are not yet able to give a sufficient performance, later be enabled to. Only this way can a positive impact be reached on people and the environment. In 2020, measures took place at 1,369 suppliers to improve sustainability performance. As a basic rule every supplier has the opportunity to undergo a new assessment after implementing improvement measures.

An important part of sustainable supply chain management is our grievance mechanism "Supply Chain Grievance Mechanism", with which we respond to suspected violations of our sustainability requirements that arise. The case management process was improved and reorganized again in 2020.

It is accessible via the AUDI AG website, an email address ([speakup.supplychain@audi.de](mailto:speakup.supplychain@audi.de)) and is open to all stakeholders and potentially affected persons such as employees of suppliers, social organisations or representatives of communities in the immediate vicinity of our production sites. The cases are handled according to a uniform and binding policy, managed by the Group and processed together with the Volkswagen Group brands and

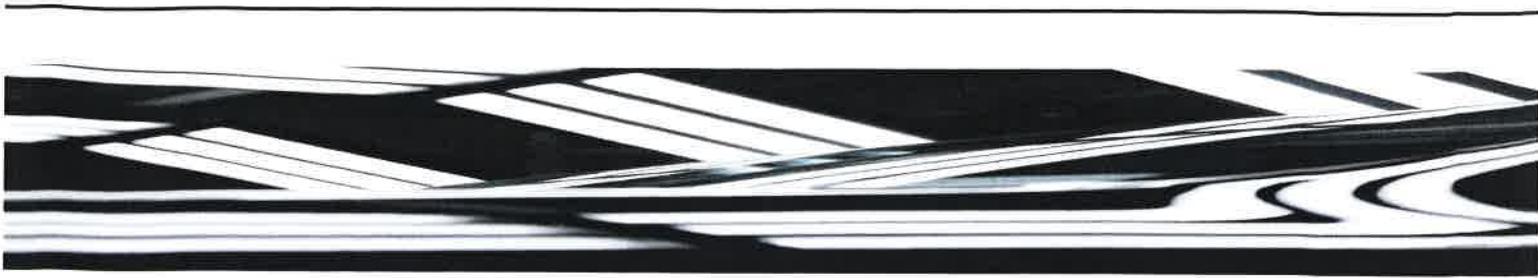
regions. If there are particularly serious violations, the business relationship may even be terminated.

Employees and external parties can also report potential violations by our suppliers to the Volkswagen Group works council or trade unions. In addition, the process of grievance mechanisms for the supply chain is connected and regulated with the process of the Audi Whistleblower System. In the reporting period, the Procurement division dealt with 34 cases and measures were agreed by Group Audit together with suppliers. These were suppliers where conduct in violation of regulations or contracts had been identified. In total, collaboration with 17 suppliers was terminated following the activities of the Procurement and Audit divisions.

### **Due diligence for human rights – with focus on the raw material supply chain**

In the year under review, the AUDI AG launched a human rights due diligence management system which we use to systematically analyse, prioritise and minimise human rights risks in our supply chain on the basis of existing processes.

Our raw material supply chains require special attention in this respect. To effectively deal with the sometimes extensive risks in these supply chains, we also set up a raw material diligence management system. This details the prioritisation and processing of raw material supply chains. In the group we currently focus on 16 types of raw material. Our actions for responsibly procuring raw materials are guided by the requirements of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. This contains guidelines on management approaches, on risk identification and prevention, on inspecting smelters and on instruments for communication and reporting. Our current focus in the Volkswagen Group is on raw materials



for batteries, in particular cobalt. In close cooperation with our battery cell suppliers, our aim is to gain transparency of the supply chain from extraction at the mine through to manufacture of the finished product.

For raw materials extracted in conflict regions – tin, tantalum, tungsten and gold – we require our suppliers to use their management systems to exclude the use of minerals from smelters that are not certified according to international standards. The Volkswagen Group checks this by means of our reporting process which uses the internationally recognised Conflict Minerals Reporting Template of the Responsible Minerals Initiative (RMI) on all smelters in our upstream supply chain, then the results are evaluated. If we identify non-certified smelters in our supply chain, we make efforts to ensure that these smelters become certified.

### **Digital innovations for greater transparency and safety in the supply chain**

Audi has anchored a risk conscious action in its company philosophy and reviews its own control and monitoring mechanisms continuously. The aim is to react in a timely manner if a supplier company fails to comply with the premises in the Code of Conduct for Business Partners.

The monitoring of the supply chains is an utterly complex task. The status quo of supplier companies together with the upstream partner companies changes continually, some companies leave, others join. All the more important it is, to understand potential risks and to establish relations early. Audi thus operates an integrated risk monitoring that combines different methods and systems.

### **Engagement in international initiatives**

The work in the upstream supply chain requires additional measures beyond the contractual relationships. The collective, cross-industrial initiatives and a fair cooperation

with the suppliers have a central role in order to work on the improvement of sustainability performance of the supply chain together.

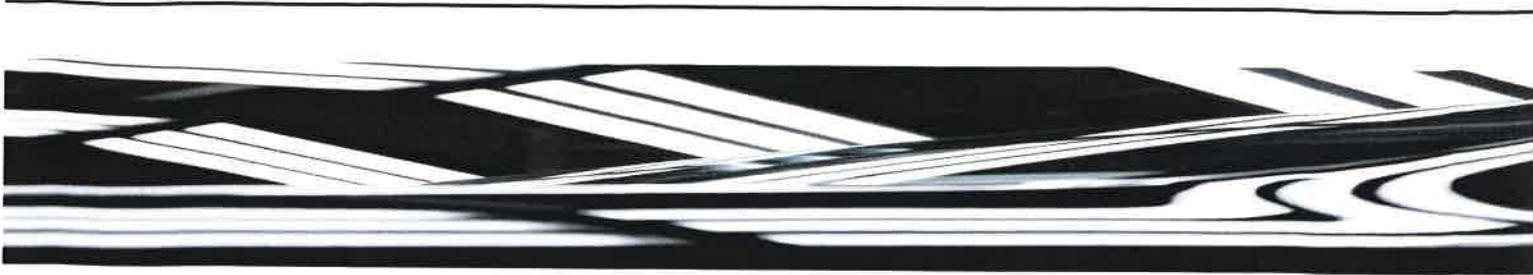
In our commitments, we seek close cooperation with international organisations. Audi is an active member of the Global Battery Alliance since 2017. This deals with the protection of human rights, with social standards at the dismantling of battery raw materials and develops solutions for the reuse of lithium-ion-batteries. Since 2013 Audi is committed to the Aluminium Stewardship Initiative (ASI). The ASI improved a global sustainability standard on the handling of aluminium, which determines and supervises environment related, economic ethical and social criteria along the value chain.

In addition, our commitment to CSR Europe's DRIVE Sustainability industry initiative is also central to the activities of Volkswagen Group. In order to make specific local changes beyond communication and dialogue formats, since 2020 we have also been involved in two projects in the countries of origin of cobalt and lithium, our most important battery raw materials.

### **Training and monitoring of suppliers**

An important instrument for the improvement of social and environmental standards in our supply chain is the S-Rating. In this, the continuing education of our employees and business partners is a central element of our strategy. Therefore Audi have prepared its employees and business partners for this rating with information in organizations and workshops. The focus was on the integration of S-Rating into the standard processes of procurement and it makes clear that the compliance of sustainability requirements is to be taken into account in new allocations.

We expect from our business partners in the sustainability

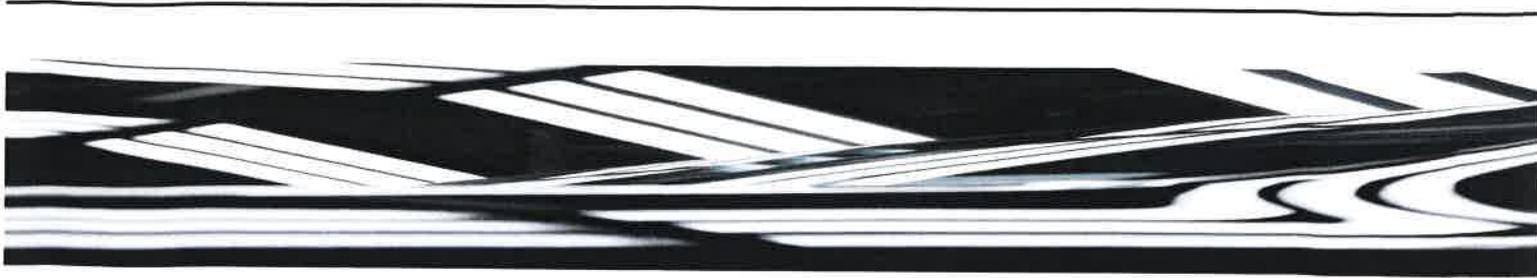


self-assessment amongst others, that they have policies and management systems that regulate their business praxis.

In order to enable the business partners of Audi, the AUDI AG developed online trainings in 2020, so that the suppliers are trained to e.g. our requirements from Code of Conduct for business partners as well as the S-Rating and its implementation in short live-session. It was provided in English, German and Spanish and on the S-Rating Hub bookable<sup>5</sup>. Over 950 employees of supplier companies of Volkswagen Group took this opportunity in 2020.

Additionally, a detailed training program was developed about implementing human rights due diligence, which will be conducted from the middle of 2021.

Since 2019 there is a Web-Based-Training about the content of Code of Conduct for Business Partners available in nine languages on ONE. Group Business Platform that sensitizes the business partners for the protection of human rights and that slavery and human trafficking are not tolerated.



## Progress report

As announced in Slavery and Human Trafficking Statement of the Audi Hungaria for the 2019 fiscal year, various measures for preventing modern slavery and human trafficking were implemented in 2020.

Within the Responsible Supply Chain Management the enabling of partner companies was taken further into focus. Besides the complete digitalization of the S-Rating trainings the website currently contains an information hub that bundles all information regarding the S-Rating. The S-Rating was rolled out for additional relevant product categories and companies.

So far, more than 13.000 suppliers shared their sustainability self-disclosure with the Volkswagen Group. In the reporting period 2020 an improvement in sustainability performance was aimed in the case of 1369 suppliers. In 2020 822 risk-based on-site checks were globally conducted. On average about 6 violations against sustainability requirements were identified. Additionally, the existing format of on-site checks was particularly for logistics service providers adapted and piloted. Here the special risk profile of the industry also comes into consideration. Amongst the global top risks the topics of fire protection and occupational safety can be found. In order to avoid duplication and achieve greater coverage of suppliers with on-site checks, the AUDI AG is currently collaborating with OEMs and suppliers in a dedicated working group of the German Association of the Automotive Industry (VDA) on a common standard for on-site checks.

In the upcoming year we will extend our activities in order to implement sustainability in our supply chains. The Human-Rights-Due-Diligence management system, launched in the year under review, will be piloted at the AUDI AG.

A central role in this is the further qualification of relevant colleagues working in group procurement and the risk-based training for business partners. The aim is to support the companies in the improvement of the process of human rights due diligence.

The supply chain of raw materials will constitute a focus topic at the Volkswagen AG in 2021. In 2020 the implementation of the OECD conform Raw-Material-Due-Diligence-Management-System was also completed. In order to increase transparency of our activities, as a next step a progress report on the level of Volkswagen Group will be published on a regular basis.



**AUDI HUNGARIA Zrt., June 2021**

Alfons Dintner

Chairman of the Board of Management  
of Audi Hungaria Zrt.

Dr. Patrick Heinecke

Member of the Board of Management for Finance, IT,  
Procurement and Compliance of AUDI HUNGARIA Zrt.