



Communication on Progress (CoP) 2013

United Nations Global Compact

Audi
Vorsprung durch Technik





Dear Readers,

in February 2012, AUDI AG became member of the UN Global Compact and is expressly committed to its ten principles in the areas of human rights, labor rights, environmental protection and anti-corruption.

We own up to our corporate responsibility and as a result our strategy prioritizes sustainability as a requirement for processes and products. Our declared goal is to assure a livable future for generations to come. The Communication on Progress of AUDI AG and its subsidiaries documents the specific measures and progress in 2013.

I hope you enjoy reading.

Prof. Rupert Stadler
Chairman of the Board
of Management of AUDI AG



UN Global Compact Communication on Progress

The following summary gives an overview of our guidelines, systems, measures and progress in respect of the ten principles in the 2013 reporting year.

Human Rights

Principle 1

Support and respect internationally proclaimed human rights

Principle 2

No involvement by the company in human rights abuses

Guidelines and systems

- ▶ **Code of Conduct of the Audi Group:** Our Code of Conduct lays down the key basic principles according to which all Audi employees and members of corporate bodies should carry out their daily work. Respect of human rights and observance of those rights are an integral part of this.
- ▶ **Sustainability requirements for suppliers:** As a Group brand, Audi selects suitable business partners in cooperation with the Volkswagen Group.¹⁾ The Volkswagen Group's procurement management has been based on the concept of "sustainability in supplier relations" since 2006. This concept is aligned with principles laid down in the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as the relevant conventions of the International Labour Organization (ILO). One pillar of the concept is the Code of Conduct for Business Partners, which lays down the requirements of the Volkswagen Group as regards sustainability in relationships with business partners. It was first drawn up in 2006 and subsequently revised in 2013. It assumes observance of internationally recognized human rights as a basis for all business relationships.
- ▶ **Commitment to international agreements:** Audi is committed to a large number of international agreements, including the Universal Declaration of Human Rights from 1948 (UNO) and the European Convention for the Protection of Human Rights and Fundamental Freedoms (1950). We furthermore align our actions to the relevant conventions of the International Labour Organization (ILO).²⁾

Measures and progress

- ▶ **Code of Conduct training documents:** The Audi Group actively promotes the dissemination and publicization of the Code of Conduct and ensures its effective implementation, e.g. via training events. The relevant training documents are made available in German and English to all managers and employees via the intranet.
- ▶ **Sustainability questionnaire:** In the course of the business process, suppliers are required to complete a self-assessment questionnaire regarding sustainability topics. Human rights form a part of this questionnaire. By December 31, 2013, more than 11,000 direct suppliers of the Volkswagen Group had completed the questionnaire. In terms of the Volkswagen Group's procurement volume, this equates to over 80 %. If the answers do not conform with our requirements in regard to ecological and social topics, our partners are asked to comment on the issue in detail. Ad-hoc teams of experts evaluate the supplier's answers together with the brands and regions and, if necessary, arrange on-site visits. In 2013, there was a total of 29 ad-hoc cases in the Volkswagen Group, of which nine involved tier 2 suppliers.
- ▶ **E-Learning module:** Since the beginning of 2012, the central business platform of the Volkswagen Group has included an electronic learning module on the topic of sustainability. The module is compulsory for all suppliers and is provided in eight languages. Since October 2013, suppliers have been able to use the module to raise awareness of sustainability matters among an unlimited number of employees. By the end of 2013, 8,652 direct suppliers had successfully completed the sustainability learning module. In terms of the Volkswagen Group's procurement volume, this equates to 50 %.
- ▶ **Country risk analysis:** In order to obtain information about the importance attached to sustainability in the respective region before entering into negotiations with potential suppliers, Volkswagen has performed a country risk analysis with the assistance of independent institutions. This analysis showed that there is an increased risk of non-compliance with sustainability requirements in Brazil, India, China, Mexico and Russia. In 2013, this led to supplier audits being conducted in India and Mexico. In 2014, these will be extended to other high-risk countries and groups of suppliers.

Principle 3

Uphold the freedom of association and the right to collective bargaining

Principle 4

Elimination of all forms of forced and compulsory labor

Principle 5

Abolition of child labor

Principle 6

No discrimination in respect of employment and occupation

Guidelines and systems

- ▶ **Code of Conduct of the Audi Group:** Our Code of Conduct lays down the key basic principles according to which all Audi employees and members of corporate bodies should carry out their daily work. In it we recognize the basic right of all employees to form unions and employee representations. Moreover, we do not tolerate any know use of forced and compulsory labor and we observe the minimum age for admission to employment in accordance with statutory obligations. Child labor is prohibited.
- ▶ **Equal opportunities and equal rights:** Audi does not tolerate any form of discrimination based on ethnic origin, color, gender, disability, age or sexual orientation. This principle is anchored in the guidelines for equal opportunities and equal rights at AUDI AG, the Audi self-perception and the Code of Conduct of the Audi Group.
- ▶ **Social rights and principles:** As part of the Volkswagen Group, we are committed to globally valid social rights and principles through the “Declaration on Social Rights and Industrial Relationships at Volkswagen” (Volkswagen Social Charter) and the “Volkswagen Charter on Labor Relations”.
- ▶ **Sustainability requirements for suppliers:** As a Group brand, Audi selects suitable business partners in cooperation with the Volkswagen Group.¹⁾ The Volkswagen Group’s procurement management has been based on the concept of “sustainability in supplier relations” since 2006. The concept is aligned with principles laid down in the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as the relevant conventions of the International Labour Organization (ILO). One pillar of the concept is the Code of Conduct for Business Partners, which lays down the requirements of the Volkswagen Group as regards sustainability in relationships with business partners. It was first drawn up in 2006 and subsequently revised in 2013. Among other things, it requires suppliers to guarantee their employees freedom of association, to refuse to tolerate discrimination, to ban child and forced labor as well as to meet at least national statutory guidelines and minimum standards in regard to working times and remuneration.
- ▶ **Commitment to international agreements:** Audi is committed to a large number of international agreements, including the Universal Declaration of Human Rights from 1948 (UNO) and the European Convention for the Protection of Human Rights and Fundamental Freedoms (1950). We furthermore align our actions to the relevant conventions of the International Labour Organization (ILO).²⁾

Measures and progress

- ▶ **Employee representatives:** At all Audi locations and subsidiaries there are employee representatives who represent the interests of the workforce. The “Charter on Labor Relations” defines binding minimum standards for all Volkswagen Group locations. All European site representatives of the Volkswagen Group are organized in the European Group Works Council (EKBR) and together with all other international site Works Council members in the Global Group Works Council of Volkswagen (WKBR). The Audi Europe Committee was founded in October 2013 by employee representatives from AUDI AG, the European subsidiaries and AUDI AG management in order to foster international cooperation.
- ▶ **Proportion of women:** In 2011, as part of a voluntary commitment, we set targets for each hierarchical level to permanently increase the proportion of women at all levels of the company – from apprentices all the way to top management. Based on an annual average, the proportion of women at AUDI AG in 2013 was 14.1 % (2012: 13.9 %). The proportion of women in management rose to 8.0 % (7.3 %) and among apprentices to 25.2 % (23.7 %). In terms of newly hired academics, the target proportion of women is around 30 %.
- ▶ **Proportion of people with severe disabilities:** People with disabilities are incorporated long term into normal working life through comprehensive integration management. To this end, Audi has developed a systematic and transparent process whereby people with disabilities can take advantage of various measures enabling them to perform to their full potential. These measures are developed, monitored and subjected to an annual review specifically for each individual employee in an interdisciplinary committee. They include ergonomic improvements, training events and an analysis of suitability for an alternative workplace or job profile. In 2013, the proportion of AUDI AG employees with a severe disability rose to 6.1 % (2012: 6.0 %)
- ▶ **Temporary Work Charter for the Volkswagen Group:** At the end of 2012, the Volkswagen Group Board of Management, the European Group Works Council and the Global Group Works Council of the Volkswagen Group signed a “Temporary Work Charter for the Volkswagen Group”. The charter lays down the principles for the use of temporary work within the Volkswagen Group. The points covered include ensuring appropriate employment and remuneration conditions for temporary employees.

Principle 7

Support a precautionary approach to environmental challenges

Principle 8

Support initiatives for greater awareness of environmental responsibility

Principle 9

Development and diffusion of environmentally friendly technologies

Guidelines and systems

- ▶ **Commitment to international agreements:** Audi is committed to a large number of international agreements, including the charter for sustainable development of the International Chamber of Commerce dating from 1991.²⁾
- ▶ **Audi environmental policy:** At the heart of our environmental policy is the development of ecologically efficient processes and concepts for production and the forward-looking prevention of harmful effects on the environment. The focus in this regard is on the efficient use of resources and energy. Meanwhile, the environmental compatibility of products and locations is to be continuously improved. In addition, we engage in transparent dialog with customers, dealers and the public. We furthermore make all employees aware of environmental matters and inform them about relevant measures.
- ▶ **Certified environment management systems:** All Audi Group automotive plants are certified under the European Union's EMAS (Eco Management and Audit Scheme), which goes well beyond the minimum standards required. The Neckarsulm site was awarded this certification back in 1995. The Ingolstadt and Győr (Hungary) production plants followed in 1997 and 1999; the Belgian plant in Brussels and the Lamborghini location Sant'Agata Bolognese (Italy) have been entitled to bear the EMAS signet since 2002 and 2009 respectively. Furthermore, the Ingolstadt, Győr and Sant'Agata Bolognese plants are accredited under the worldwide DIN EN ISO 14001 standard. The environmental management systems for the Ingolstadt, Neckarsulm, Győr, Brussels and Sant'Agata Bolognese locations moreover meet the DIN EN ISO 50001 standard. The Volkswagen Group manufacturing locations in Bratislava (Slovakia), Martorell (Spain) and Aurangabad (India) where Audi also has production operations, as well as the FAW-Volkswagen Automotive Company, Ltd., Changchun (China) joint venture, fulfill the requirements of an environmental management system and are accredited under the DIN EN ISO 14001 standard.
- ▶ **Sustainability requirements for suppliers:** As a Group brand, Audi selects suitable business partners in cooperation with the Volkswagen Group.¹⁾ The Volkswagen Group's procurement management has been based on the concept of "sustainability in supplier relations" since 2006. The concept is aligned with principles laid down in the UN Global Compact, the OECD Guidelines for Multinational Enterprises as well as the relevant conventions of the International Labour Organization (ILO). One pillar of the concept is the Code of Conduct for Business Partners, which lays down the requirements of the Volkswagen Group as regards sustainability in relationships with business partners. It was first drawn up in 2006 and subsequently revised in 2013. Amongst other stipulations, it requires suppliers to use an environment management system and to prevent damage to the environment and health during production.
- ▶ **Integrated product policy (IPP) and life cycle assessments:** We use the life cycle assessment as a tool to reduce a vehicle's environmental impact. The environmental loads depend on how a vehicle is developed, produced, used and recycled. The goal of our integrated product policy is therefore to assess the environmental impact of a vehicle over its entire life cycle. The judicious use and reuse of raw and other materials play an important role here. In order to assess the environmental impact of Audi e-gas and the A3 Sportback g-tron during the life cycle, in 2013 Audi published life cycle assessments that have been validated by TÜV Nord.

Measures and progress

Location-specific

- ▶ **Emissions reduction and resource efficiency:** Audi pursues the long-term vision of an entirely carbon-neutral automotive manufacturing process. In this connection, we intend to reduce our specific location-based and company-related CO₂ emissions by 25 % by 2018 compared with the specific figure for 2010. By 2020, we also aim to cut carbon dioxide emissions from the energy supply at the Ingolstadt and Neckarsulm locations by 40 % compared to the 2010 figure. Audi furthermore aspires to use resources prudently and efficiently and to avoid waste whenever possible. Over the period from 2010 through 2018, the Group is likewise striving for a 25 % improvement per reference unit in the key environmental metrics for energy, fresh water, waste disposal and organic solvents (volatile organic compounds).
- ▶ **Oak Forest research project:** The charitable environmental foundation "Audi Stiftung für Umwelt GmbH" launched the Oak Forest research project back in 2008. As well as the first trial site close to Ingolstadt, the project has now planted around 95,000 trees on various sites in the vicinity of the Ingolstadt, Neckarsulm, Győr (Hungary), Brussels (Belgium) and Sant'Agata Bolognese (Italy) locations. Audi Stiftung für Umwelt has taken charge of providing long-term scientific support for this project. Led by the Chair for Forest Growth and Yield at the Technical University of Munich and in conjunction with additional project partners, the research project seeks among other topics to investigate the interaction between tree density on the one hand, and the potential for capturing CO₂ and for biodiversity on the other.
- ▶ **Environmentally sound logistics processes thanks to carbon-neutral rail transport:** Since August 2010, we have relied on "Eco Plus", carbon-neutral rail transport from DB Schenker, for the route between Ingolstadt and our port of loading in Emden. Since October 2012, the Neckarsulm-Emden route has also used this mode of transport. TÜV Süd has studied and confirmed that Eco Plus is carbon-neutral, and that 100 % of the energy supplied is used for our vehicle shipments and does not come at the expense of the eco-electricity mix of other rail customers. The savings achieved in 2013 amounted to 7,107 metric tons of CO₂ (2012: 7,059 metric tons of CO₂) on the Ingolstadt-Emden route and 3,979 metric tons of CO₂ (2012: 778 metric tons of CO₂) on the Neckarsulm-Emden route.

Product-specific

- ▶ **Audi ultra:** In the future, the most economical model in each car line, whether diesel or gasoline, will bear the “ultra” name. These models are excellent examples of the Audi brand’s all-encompassing commitment to systematic sustainability concerning products and production processes. For instance, the new Audi A3 1.6 TDI ultra with an output of 81 kW (110 hp), available since September 2013, achieves average consumption of 3.2 liters of diesel fuel per 100 km, with CO₂ emissions of just 85 g/km. Audi will build on the ultra strategy in 2014 with the gradual roll-out of new, exceptionally efficient models in the A4, A5 and A6 car lines.
- ▶ **Expansion of the availability of efficiency technologies:** The Audi brand’s modular efficiency platform brings together all technologies that help to realize further reductions in fuel consumption and CO₂ emissions. It draws on wide-ranging components from many different technology areas. The new technologies are gradually rolled out in the Audi brand’s car lines in connection with model changeovers and product improvements. Introduced in 2013 in the A1, A3, RS 6 Avant and RS 7 Sportback models, cylinder on demand efficiency technology cuts fuel consumption by as much as 20 % by deactivating cylinders.
- ▶ **Increase in the number of model variants with CO₂ emissions of under 140 g/km and 120 g/km:** By consistently refining and applying innovative technologies from the modular efficiency platform, the Audi brand has succeeded in further improving both the fuel economy and power of its vehicles. By the end of 2013, a total of 150 models achieved CO₂ emissions not exceeding 140 g/km (2012: 104 models). This total included 63 (36) drivetrain versions with CO₂ emissions of up to 120 g/km. Eleven (four) models even achieved CO₂ emissions values of less than 100 g/km. Based on provisional calculations, the average CO₂ emissions figure for new Audi vehicles sold in the European Union was about 134 g/km (2012: 138 g/km).
- ▶ **Involvement in research projects to expand electric mobility:** In addition to electric mobility showcases in several German cities, Audi is involved in various research projects focusing on electric mobility. For instance, one of the larger undertakings is the “RoBE” project in collaboration with Fraunhofer institutes and industry partners. Here researchers are examining the robustness of bonds that play a crucial role to the reliability of power electronic modules. Furthermore, under the direction of Audi, partners from industry and science from three European countries have joined forces for the “EM4EM” project. Supported by the German Federal Ministry of Education and Research (BMBWF), this project aims to research and consistently optimize electromagnetic compatibility across the entire value chain for the first time.
- ▶ **Opening of the Audi e-gas plant:** Alongside more efficient and alternative powertrains, Audi is developing alternative fuels in order to improve the life cycle assessments of our vehicles. We took another step toward sustainable, carbon-neutral mobility with the opening of the Audi e-gas plant in Werlte in summer 2013. Using renewable power, for example from wind turbines, the Werlte plant produces synthetic methane, which is chemically almost identical to natural gas and can be used as an almost carbon-neutral source of power for natural gas vehicles such as the A3 Sportback g-tron. It only releases as much CO₂ into the atmosphere as was previously captured in the production process for the gas.
- ▶ **Aluminium Stewardship Initiative:** In 2013, Audi signed up to the Aluminium Stewardship Initiative (ASI). The purpose of this non-profit initiative is to develop a global sustainability standard for aluminum hand in hand with leading manufacturers from the aluminum industry and the International Union for Conservation of Nature (IUCN) by the end of 2014. This will specify the environmental, social welfare and governance standards that apply to all stages of extracting the raw material as well as producing and processing aluminum. The aim is to promote compliance with sustainability standards along the entire value chain for one of our most important materials.

Principle 10

Work against corruption in all its forms, including extortion and bribery

Guidelines and systems

- ▶ **Code of Conduct of the Audi Group:** Our Code of Conduct lays down the key basic principles according to which all Audi employees and members of corporate bodies should carry out their daily work. Preventing conflicts of interest and corruption is an integral part of this.
- ▶ **Preventative compliance organization:** Ensuring that corporate decisions are made in accordance with the relevant laws, internal rules and values is of fundamental importance to the management of AUDI AG. In light of this, the Audi Group has developed a preventative approach to the concept of compliance, setting up its Governance, Risk & Compliance division several years ago now. As part of this approach, commercial and legal issues are bracketed together both organizationally and thematically. This division is led by the Chief Compliance Officer, who reports directly to the Chairman of the Board of Management.
- ▶ **Integration of compliance risks into risk management:** In the context of the preventative approach to compliance, the early identification, assessment and management of risks is a particular focus, be it in the form of interviews in the divisions and subsidiaries or through standardized risk surveys.
- ▶ **Connection to the anti-corruption system of the Volkswagen Group:** AUDI AG is connected to the Volkswagen Group's global anti-corruption system. Independent lawyers, acting as ombudsmen, are the points of contact for any information, including information provided anonymously. In conjunction with the Volkswagen Group's Anti-Corruption Officer, this creates the structural framework required to detect and prevent corruption. In 2013, the ombudsmen – maintaining confidentiality, as requested by the persons providing the information – passed on nine reports regarding AUDI AG to the Volkswagen Group's Anti-Corruption Officer, the Head of Group Auditing. In addition, a further 27 reports were notified directly to Auditing.
- ▶ **Donations directive:** The Audi Group donations directive forbids donations to political parties and politicians.

Measures and progress

- ▶ **Intensification of internal communication:** In 2013, compliance activities were further intensified once again at a national and international level. The main focus of the compliance program was, in particular, preventative measures in relation to anti-corruption and cartel law, with the aim of guaranteeing that the relevant legislation is adhered to over the long term. On-site training sessions were held at the Ingolstadt and Neckarsulm plants, providing employees with subject-specific information material, which can also be accessed via the intranet. The internal communications campaign with the claim "Protect what you love" was continued on the intranet, incorporating brochures, newsletters and accompanying information.
- ▶ **Introductory events and online training:** Introductory events were staged for new employees in 2013, providing information on the Audi Code of Conduct and fundamental compliance issues. Compliance activities involving the subsidiaries were also further stepped up. Numerous staff training sessions on relevant compliance issues were held at the various subsidiaries. Web-based training was also offered. In 2013, a total of 7,457 (2012: 1,736) employees were trained on how to handle invitations and gifts.
- ▶ **Actions taken in response to incidents of corruption:** In 2013, personnel-related actions were taken in respect of two employees following findings by Auditing based on information received. Furthermore, in the year under review, three agreements with business partners were terminated or not renewed because of infringements related to corruption.

Detailed information about our work in the area of corporate responsibility (CR) can be found in the Audi Corporate Responsibility Report 2012 at www.audi.com/cr-report2012. The Corporate Responsibility Report Update 2013: CR program and key facts will be available on the 22nd of May at www.audi.com/cr-report2012/update2013. The next report will be published in the first half of 2015.

¹⁾ Volkswagen AG is the major shareholder of AUDI AG and controls approximately 99.55 % of the share capital. Selection of Audi suppliers and supplier management is performed in consultation with Volkswagen Group Procurement. Detailed information about supplier management within the Volkswagen Group can be found in the Volkswagen Sustainability Report 2013 (<http://sustainabilityreport2013.volkswagenag.com/economy/supplier-management>).

²⁾ An overview of further international agreements of relevance to the activities of the Audi Group can be found in the Audi Corporate Responsibility Report 2012: <http://www.audi-cr.de/en/data/#013>.

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