



Slavery and Human Trafficking Statement of AUDI HUNGARIA Zrt. (Fiscal year 2021)

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 Zrt. 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 Roadster, TT Coupe, Q3, Q3 PHEV, Q3 SB, Q3 SB PHEV), furthermore 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 are 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.

AUDI AG has been a 100 percent subsidiary of Volkswagen AG since November 16, 2020. Up to that point, it had held a stake of around 99.64 percent of the share capital of AUDI AG.

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 focus areas: environment, social and innovation.

The measures and efforts undertaken by the Volkswagen Group to promote sustainability and to safeguard and respect human rights in the company and in the supply chain also contribute to the achievement of these goals at the Audi Group – in addition to the activities undertaken there independently.

Internal measures

Overarching

The integration into the existing compliance management system as well as the central coordination of those responsible in other business units on the subject of "Business and Human Rights" are located at Audi in Compliance.

The fight against modern slavery in our value and supply chain is a focus of our activities in the field of "Business and Human Rights" and one of our Group-wide "salient business and human rights issues". In particular, child and forced labor are a taboo for us as serious human rights violations.

We align our actions with the principles of the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the requirements of the International Labor Organization (ILO). We placed our broad understanding of "Business & Human Rights" on the Audi website.¹ This understanding and our commitment to our corporate responsibility, which is based on internationally recognized treaties and conventions as well as explicitly on the UN Guiding Principles on Business and Human Rights, has been extended and confirmed by the Volkswagen Group and thus also Audi in the updated "Declaration of the Volkswagen Group on Social Rights, Industrial Relations and Business and Human Rights", the so-called Social Charter.² The prohibition of forced labor is anchored in our Social Charter:

"No forced labor

The Volkswagen Group rejects forced labor and all forms of modern slavery including human trafficking. This includes, in particular, work carried out involuntarily by people due to intimidation, penalty or threat of being disadvantaged (e.g. debt slavery or involuntary prison labor). Employment relationships are based on voluntary participation and can be terminated at any time by the employees of their own free will and within a reasonable period of notice."

¹ <https://audi.hu/de/compliance/>

² The Social Charta of the AUDI HUNGARIA can be found on the website of the company: <https://audi.hu/de/compliance/>

Audi Hungaria Code of Conduct³

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.

The Audi Hungaria Code of Conduct, which is binding on all employees, regardless of the hierarchical level, is based on shared values. The focus is on honest and rule-compliant behavior with integrity 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.

Respect for the global rules protecting human and children's rights is anchored in the Code of Conduct, as is the rejection of all forms of child, forced and compulsory labor and all forms of modern slavery and trafficking of human beings.

During the reporting period, the Chairman of the Board of Management and other members of the Board of Management, members of the Top Management (TMK) and the Compliance Officer regularly expressed their responsibility for compliance and integrity in internal and external events and publications. Department-specific, cross-divisional and company-wide dialogue events additionally strengthen the so-called "Tone from the Top" and "Tone from the middle". As part of this, members of the Board of Management and managers discuss with

³ <https://audi.hu/hu/compliance/>

employees the importance of compliance and integrity for Audi's day-to-day work and corporate success.

All employees, managers and board members are trained about the Code of Conduct. Every two years, the web-based training must be repeated and thus the qualification must be renewed.

Board members and members of the Upper Management (OMK) also complete an annual Code of Conduct certification. In this way, this group of people once again confirms its responsibility and role model function in the context of the Code of Conduct.

For its business partners, the Volkswagen Group has also formulated the Code of Conduct for Business Partners and anchored it as a mandatory part of the contract. It clarifies the Group's expectations regarding the attitude and behaviour of the business partners, in particular suppliers and sales partners. These requirements concerning business activities of the business partners are regarded as the basis for the successful shaping of business relations between Audi and its business partners. These include, among other things, compliance with human rights – e.g. the prohibition of child labor, human trafficking and slavery – as well as environmental protection and fair market behaviour. The requirements for business partners will be updated in 2022.⁴

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](#)

⁴ Further information on Code of Conduct for Business Partners under section "Sustainability requirements for our suppliers – Code of Conduct for Business Partners."

[with Human Rights](#) in 2017. This statement will be updated in 2022 taking into account the current legal requirements.

Audi Group Whistleblower System⁵

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). 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. The whistleblower system guarantees the highest possible protection of whistleblowers and all persons involved in investigating and remedying misconduct and regulatory violations. Discrimination against whistleblowers and involved

⁵ <https://audi.hu/hu/compliance/>



persons is in principle a serious regulatory violation and will not be tolerated. The whistleblower system protects the interests of the persons affected as well. They are presumed innocent until it can be proven that a regulatory violation has occurred.

Risk analysis

As part of the established risk management processes, including the quarterly risk process (RQP) for acute operational risks, as well as the annual standard Internal Control System (ICS) control process at the brand parent companies as well as Audi of America and the annual GRC rule process (Governance, Risk and Compliance) at the remaining major investment companies, risk assessments on the subject of human rights can also be carried out by the main organisational units and companies and reported on the countermeasures and control activities taken.

In the standard ICS control process, control requirements are placed on compliance with legal and internal requirements on human rights. Within the annual GRC regulatory process, the identification of potential risks is supported by a risk topic catalogue, which also includes potential risks from human rights violations. Reporting to the Board of Management of AUDI AG and the Board of Management of Volkswagen AG as well as to the Supervisory Board of AUDI AG is carried out both quarterly and annually as well as on a case-by-case basis.

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 were defined for the AUDI HUNGARIA as well. These measures are integrated into the risk-oriented measures of predefined compliance topics, e.g. anticorruption and anti-money laundering. These measures became a mandatory component of the internal compliance risk management process (ICRA) till the end of 2021.

Employee qualification

As part of the Compliance Management System (CMS), compliance and integrity training is an effective preventive measure to sensitize employees to existing and potential risks and to prevent violations. All training measures are reviewed annually within the framework of standardized processes, updated if necessary and continuously improved.

In fiscal year 2021, dedicated qualification measures on the subject of business and human rights (BHR) took place in various formats and scopes, including training courses on the Audi Hungaria Code of Conduct. In addition, Business and Human Rights aspects are taught in special awareness-raising trainings for future Foreign Service Employees (Expatriates).

As part of the compliance communication strategy, awareness and transparency in the area of human rights are further increased.

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.

In addition, the Volkswagen Group is also training its business partners in procurement and sales on key aspects of compliance and corruption prevention. Further information can be found under "Training for employees and business partners".

Measures in the supply chain

The Audi Group, together with more than 14,000 direct suppliers worldwide, has a major impact on the environment and society. Responsibility is taken along the value chains for fair and humane working conditions. The development and implementation of Responsible Supply Chain Management are a central component of the procurement processes. The Audi Group has focused its commitment in this area on three strategic key topics: the environment, people and innovation.

In order to make the best possible use of synergy potential, Audi and Volkswagen Group Procurement and AUDI HUNGARIA are jointly responsible for selecting the suppliers of production materials. 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 Partners⁶

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 Labor 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, the information and qualification opportunities expanded in 2020 were continued in 2021. In addition to the

⁶<https://www.audi.com/content/dam/gbp2/company/sustainability/downloads/documents-and-policies/corporate->

[guidelines/Volkswagen_Code_of_Conduct_for_Business_Partners-2019-DE-FN.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-FN.pdf)



information on the ONE [Group Business Platform](#), the information on our Audi website, the [information hub on the S-rating](#)⁷ as well as training courses with suppliers also belong to this topic.

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, S-Rating 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 survey and analysis of the sustainability performance of the site are carried out via a standardized questionnaire, the so-called "Self-Assessment Questionnaire" (SAQ) of the Drive Sustainability Initiative. It provides Audi with information on possible risks in the areas of corporate ethics, social affairs and environment at the respective suppliers. The information and documents in the SAQ are checked and validated by a service provider: if a supplier company claims to have processes and policies, this must be proven by documents. Specifically, it also asks for a policy on human rights, which includes the topics of forced or compulsory labor and human trafficking. A documented complaint mechanism is also queried. In the year of report, more than 15.000 suppliers provided information to the

Volkswagen Group. Through appropriate measures, 6,353 suppliers achieved an improvement in sustainability performance.

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 more than 600 on-site checks in 2021. 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. 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) 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

⁷ www.s-rating.audi



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, 111 reports of violations were processed in the Volkswagen Group. This concerned suppliers where non-compliant behaviour regarding regulations or contracts was discovered on the basis of hints. Overall, the cooperation with four suppliers was terminated due to procurement activities or they were blocked for new awards.

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

The systematic training of our employees and suppliers is a central component of our strategy. To improve social and environmental standards in our supply chain, we use the S-rating in particular, for which we train our employees and business partners in events and workshops. 700 Audi procurement employees completed training on sustainability in the supply chain in 2021. The focus was on the integration of the S-Rating into the standard procurement processes.

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 conducted online trainings in 2021, 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 bookable⁵. Over 1000 employees of supplier companies of Volkswagen Group took this opportunity in 2021. Additionally, a detailed training program was developed about implementing human rights due diligence. In 2021, 575 employees of suppliers were trained in the group. 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 described in the statement of AUDI HUNGARIA for fiscal year 2020, various measures to prevent forms of modern slavery and human trafficking were implemented in fiscal year 2021. In addition to existing activities and processes, for example in the areas of procurement and sustainability, the implementation of the topic in the compliance management system in the Audi associated companies (including Ducati and Lamborghini) was continued in the reporting year as part of the ICRA process, taking into account the current legal requirements, and sets of measures were rolled out in accordance with risk exposure.

As part of Responsible Supply Chain Management, the enablement of partner companies, which was accelerated in 2020, was consolidated in 2021. An in-depth training program on the implementation of human rights due diligence has been developed. In 2021, 575 employees of suppliers were trained in the Group. The S-Rating training courses, which were fully digitized in 2020, were continued in 2021. More than 15,000 suppliers have so far shared their sustainability self-disclosure with the Volkswagen Group. In the 2021 reporting year, an improvement in sustainability performance was achieved at 6,353 suppliers.



AUDI HUNGARIA Zrt., July 2022

Alfons Dintner

Chairman of the Board of Management
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Dr. Patrick Heinecke

Member of the Board of Management for Finance, IT,
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