



# **Audi Sustainability Report 2016**

**Pursuant to the GRI G4 Guidelines**





## Dear Readers,

Digitalization, sustainability and urbanization define our lives. Everything is connected. Many things have become faster and simpler, many have become more complex, and some have become more complicated. It is important to be mindful in the handling of resources as well as of one's own time. More and more people are looking for solutions that are efficient as well as sustainable, that make their daily lives easier, and that provide room for what is truly important.

As a premium manufacturer, our aim is to formulate attractive individual products and services that meet the needs of our customers. At the same time, our social responsibilities include doing our part to meet the pressing challenges of today and tomorrow. Scarcity of resources and climate change, safety and social justice are issues that concern us.

We take worldwide social and political requirements into account in our corporate strategy Audi Vorsprung. We are transforming into a provider of sustainable, individual premium mobility. We remain true to our DNA: Vorsprung is our promise. We fulfill this promise with our products, mobility offerings and services.

To us, sustainability means future viability. As a result, we are consistently advancing the development of alternative drive concepts. By 2020, we will have three electric models in our product lineup. Starting in 2021, we will successively electrify our core product lines. And we are confident enough to predict that by the middle of the next decade, one out of every three cars Audi delivers will be partially or fully electrically driven.

We are continuously advancing the development of charging technologies and charging infrastructure. In 2016, the Volkswagen Group with the brands Audi and Porsche as well as other automotive manufacturers signed a declaration of intent in order to establish fast charging stations on Europe's most important transport routes.

We are shaping the future of mobility holistically. For instance, we are investing in alternative fuels like Audi e-gas, e-gasoline or e-diesel, which will make climate-neutral driving possible in the future. The next major phase of our drive system roadmap is hydrogen as an energy source.

Sustainability doesn't stop at the factory gates – quite the contrary. Our sites are the cornerstones of change within our company. We are systematically reducing the environmental impacts of our production. In addition, we have calculated and certified the carbon foot-

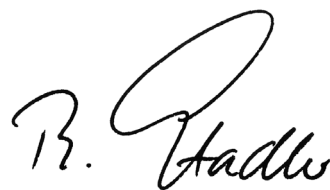
print for the entire life cycle of our automobiles. We are working on material cycles that leave no room for waste. We plan, for instance, for the energy supply for our plant in Brussels to be carbon-neutral – which for us is a natural basic condition for the production site of the first electric model from Audi.

We are also working to ensure that each stage of the value chain offers added social value. For example, Audi suppliers must fulfill twelve sustainability criteria. These include protecting the environment, human rights and working conditions, among others.

Our view of sustainability stretches from product and product-related environmental aspects to social issues. We have for many years been supporting social projects at our worldwide sites that help employees and people in our communities.

The future of Audi is created from our present. This also continues to be largely shaped by the diesel issue. We are serious in our promise to learn from the insights gained over the past year and a half. These have left deep impressions on us and have caused us to scrutinize many things internally. This has resulted in improved processes, reallocated responsibilities and adjustments to our organization. We have, for instance, begun establishing a new and expanded compliance structure with new reporting and control systems. With this, we are strengthening the position of the Chief Compliance Officer. In addition to Compliance/Integrity, he is now also responsible for Risk Management and for a central Project Management Office, which in particular attends to the requirements of the U.S. Department of Justice. For this, he will provide the external monitor assigned to Volkswagen AG with all the information required to gain an understanding of the measures. In the Technical Development division, we have now strictly separated product development from the homologation and approval process.

We are fully committed to our responsibility and are doing our part to ensure all open questions are completely and conclusively answered. Our stakeholders can depend on our cooperation – just as customers and fans of the Four Rings can depend on exciting products and services for their own, personal future mobility.



**Prof. Rupert Stadler**

Chairman of the Board of Management of AUDI AG



For the first time, we have structured the Sustainability Report pursuant to the G4 guidelines of the Global Reporting Initiative (GRI). The report was prepared in accordance with the “core” option of GRI G4 and confirmed by GRI with the Materiality Disclosures Service.



# ↘ General Standard Disclosures

## Strategy and Analysis

### G4-1 Declaration from the Board of Management

The declaration from the Board of Management can be found [here](#).

### G4-2 Key impacts, risks, and opportunities

The key risks and opportunities of the Audi Group are broken down in the [Audi 2016 Annual Report](#) (p. 144) into the following categories:

- ↘ Economic risks and opportunities
- ↘ Industry risks and opportunities
- ↘ Risks and opportunities from operating activities
- ↘ Legal risks
- ↘ Information and IT risks and opportunities
- ↘ Financial risks and opportunities
- ↘ Risks and opportunities for the motorcycles segment

The management of risks and opportunities is explained in detail in the Report on Risks and Opportunities in the [Audi 2016 Annual Report](#), p. 140 ff.

## Organizational profile

### G4-3 Name of the organization

AUDI AG

### G4-4 Primary brands, products and services

The Audi Group, with its brands Audi, Ducati and Lamborghini, is one of the most successful manufacturers of automobiles and motorcycles in the premium segment.

Neckarsulm is also home to the company headquarters of Audi Sport GmbH (formerly quattro GmbH), which, as well as the high-performance models of the R8 car line and the RS models, offers a broad range of customization options and high-quality accessories.

In addition to vehicle production, Audi Hungaria Motor Kft., Győr (Hungary), develops and manufactures engines

for AUDI AG, other Volkswagen Group companies and for third-party companies. With effect from January 1, 2017, Audi Hungaria Motor Kft. was merged with Audi Hungaria Services Zrt. In connection with this, Audi Hungaria Services Zrt. was renamed Audi Hungaria Zrt. On the basis of the reporting period, which ends on December 31, 2016, reference will be made to Audi Hungaria Motor Kft. in the following.

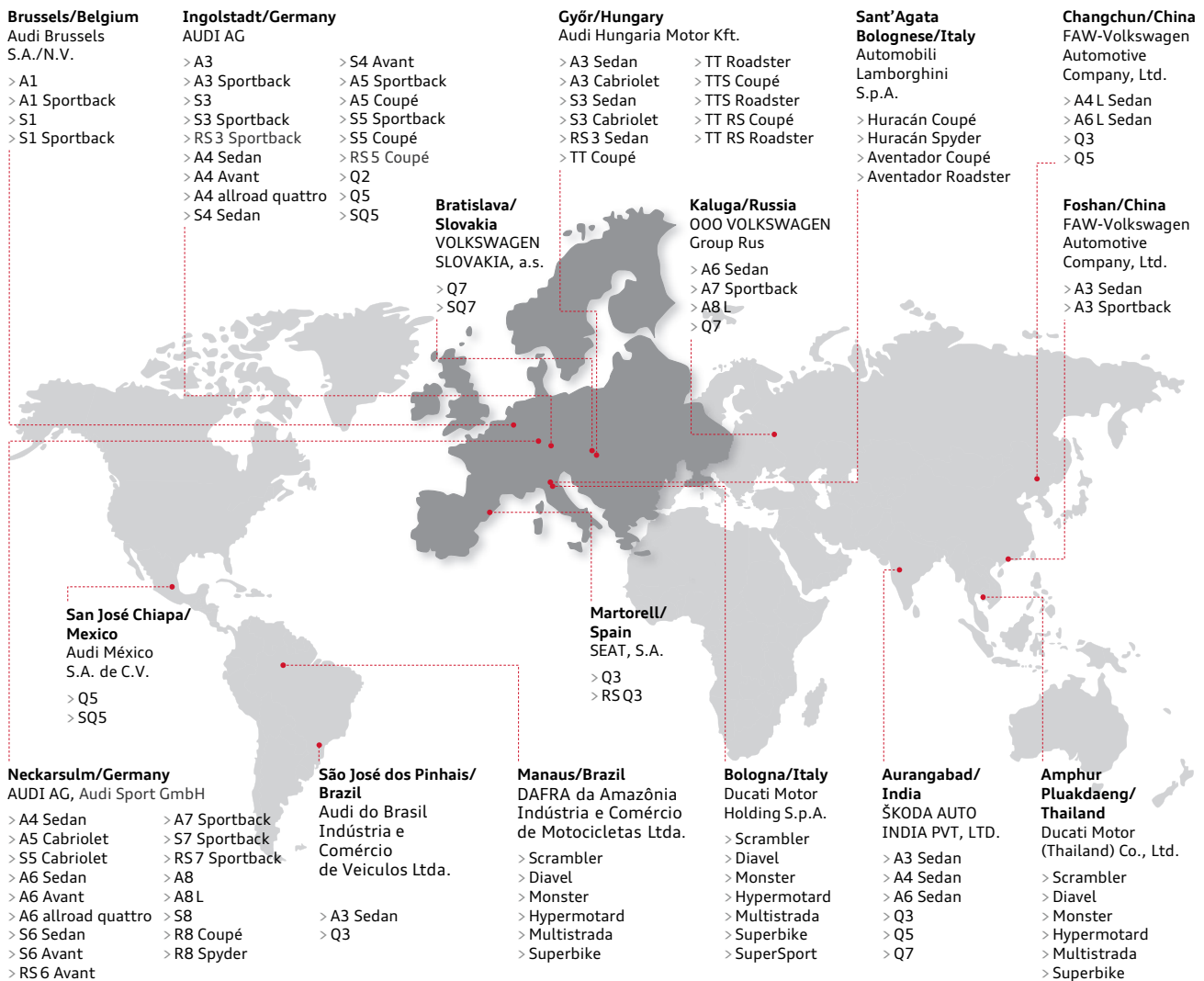
### G4-5 Headquarters

Ingolstadt, Germany

### G4-6 Countries where the organization operates

The following diagram shows the sites at which cars of the Audi and Lamborghini brands as well as motorcycles of the Ducati brand were manufactured in the 2016 reporting year.





## G4-7 Nature of ownership and legal form

Volkswagen AG is the major shareholder of AUDI AG and controls approximately 99.55 percent of the share capital.

## G4-9 Scale of the organization

## G4-8 Markets served

The Audi Group sells its vehicles worldwide through Group-owned sales companies and also through partnerships with local importers. The delivery volumes in the regions Western Europe, Central and Eastern Europe, North America, South America and Asia-Pacific are explained in detail in the [Audi 2016 Annual Report](#), p. 114 ff.

	Unit	2014	2015	2016
Workforce Audi Group (average for the year)		77,247	82,838	87,112
Production sites (some of which as part of the Group network with Volkswagen AG)		15	15	16
Audi Group revenue	EUR million	53,787	58,420	59,317
Audi Group equity as of December 31	EUR million	19,199	21,779	25,321
Audi Group liabilities as of December 31	EUR million	31,570	34,985	35,685
Audi Group deliveries to customers				
Automotive segment		1,933,517	2,024,881	2,088,187
Motorcycles segment		45,117	54,809	55,451



## G4-10 Total workforce

	Unit	2014	2015	2016
Audi Group workforce (average for the year)		77,247	82,838	87,112
of which Germany (excluding apprentices)		53,848	57,191	59,029
of which abroad (excluding apprentices)		20,619	22,775	25,111
Apprentices		2,421	2,486	2,555
Audi Group proportion of women (excluding apprentices)	Percent	14.0	14.3	14.4

Further information on workforce figures can be found [here](#).

## G4-11 Percentage of total employees covered by collective bargaining agreements

All Audi Group production sites have collective bargaining agreements.

## G4-12 Description of the organization's supply chain

In order to maximize the benefit of synergy potential, we select suppliers in close consultation with Volkswagen Group Procurement. As a result, we are able to pool procurement volumes within the entire Volkswagen Group across multiple brands and models.

To guarantee the quality and availability of our purchased parts, we are increasing the capacities of existing suppliers, and identifying and developing new local suppliers at our sites. This localization strategy helps us improve logistics and increase the reliability of supplies. For example, in time for the production start at San José Chiapa (Mexico) in September 2016, we trained around 170 suppliers as partners of the Audi Group. We source over 70 percent of the purchased parts from suppliers in North America.

## G4-13 Significant changes regarding size, structure and ownership

In the 2015 and 2016 fiscal years, there were no significant changes to the structure, the group of consolidated companies and the ownership structure.

In fall 2016, we opened our first own automotive plant on the North American continent in San José Chiapa (Mexico). In total, the Audi Group has invested over EUR 1 billion in the production site, which will build up

to 150,000 units of the Audi Q5 annually for the world market.

## G4-14 Addressing of the precautionary principle

It is the declared goal of AUDI AG to foresee and avoid any harmful effects on the environment in all of its activities. This includes the prevention of incidents and the limitation of the effects of incidents. The focus here is particularly on the careful and efficient use of resources and energy, as well as on plant safety. Compliance with environmental regulations is of course essential in this context.

[Environmental management](#) at AUDI AG, together with supplier companies, service providers, trading partners and recycling companies, ensures that the environmental compatibility of the cars and production plants is continuously improved.

## G4-15 External charters, principles or initiatives

Audi endorses and subscribes to the following charters, principles and initiatives:

- ↘ The United Nations Universal Declaration of Human Rights (1948)
- ↘ European Convention for the Protection of Human Rights and Fundamental Freedoms (1950)
- ↘ International Covenant on Economic, Social and Cultural Rights (1966)
- ↘ International Covenant on Civil and Political Rights (1966)
- ↘ International Labour Organization (ILO) Tripartite Declaration on Multinational Enterprises and Social Policy (1977)
- ↘ The Rio Declaration on Environment and Development (1992)
- ↘ ILO Declaration on Fundamental Principles and Rights at Work (1998)



- ↘ OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (1997)
- ↘ Principles of the United Nations Global Compact (UNCG) for a more social and environmentally sound globalization (1999)
- ↘ Guidelines for Multinational Enterprises of the Organization for Economic Co-operation and Development (OECD) (2000)
- ↘ UN Convention against Corruption (2005)
- ↘ Sustainable Development Goals (2016)

## G4-16 Memberships of associations and advocacy organizations

The following Audi memberships and involvement in initiatives are examples of our interaction with industry, politics, science and society

- ↘ Aluminium Stewardship Initiative (ASI)
- ↘ Biodiversity in Good Company Init., Berlin
- ↘ Diversity Charter
- ↘ co<sup>2</sup>ncept plus – Verband der Wirtschaft für Emissionshandel und Klimaschutz e.V., Munich
- ↘ ddn – Das Demographie Netzwerk, Dortmund
- ↘ Deutsche Akademie für Präventivmedizin (DAPM), Rüdeshcim

- ↘ Deutsche Gesellschaft für Arbeitsmedizin und Umweltmedizin e.V. (DGAUM), Lübeck
- ↘ Deutsche Gesellschaft für Elektrische Straßenfahrzeuge e.V. (DGES), Berlin
- ↘ Deutsche Gesellschaft für Nachhaltiges Bauen e.V. (DGNB), Stuttgart
- ↘ Deutsche Gesellschaft für Personalführung e.V. (DGFP), Düsseldorf
- ↘ Deutscher Verkehrssicherheitsrat e.V. (DVR), Bonn
- ↘ Deutsches Institut für Compliance (DICO), Berlin
- ↘ Deutsches Institut für Ideen- und Innovationsmanagement GmbH (DIII), Frankfurt am Main
- ↘ Deutsches Verkehrsforum, Berlin
- ↘ eNOVA Strategiekreis Elektromobilität, Berlin
- ↘ Europäische Metropolregion München e.V., Munich
- ↘ European Women's Management Development Network (EWMD), Wiesbaden
- ↘ Industrielle Biotechnologie Bayern Netzwerk GmbH (IBB), Martinsried
- ↘ Solar- und Energie-Initiative Heilbronn e.V., Neckarsulm
- ↘ Stifterverband für die Deutsche Wissenschaft, Essen
- ↘ Stiftung „Jugend forscht“ e.V., Hamburg
- ↘ UN Global Compact (membership suspended as of Dec. 31, 2016)
- ↘ VDA Verband der Automobilindustrie e.V., Berlin
- ↘ Wertekommission e.V., Berlin
- ↘ World Economic Forum, Cologny, Switzerland
- ↘ ZfW – Zentrum für Wirtschaftsethik gGmbH, Berlin

## Identified Material Aspects and Boundaries

### G4-17 Entities included in the consolidated financial statements

The material companies of the Audi Group are listed in the [Audi 2016 Annual Report](#), p. 243.

The following companies form the basis for this report:

- ↘ AUDI AG
- ↘ Audi Sport GmbH
- ↘ Audi Brussels S.A./N.V.
- ↘ Audi Hungaria Motor Kft.
- ↘ Automobili Lamborghini S.p.A.
- ↘ Ducati Motor Holding S.p.A.
- ↘ Audi México S.A. de C.V.

The report's content fundamentally includes fully owned subsidiaries, brands and production sites of AUDI AG, because the high influence of measures over these can be guaranteed.

Where other statements or key data refer to the entire Audi Group or to individual sites, this is indicated accordingly.

### G4-18 Process for defining the report content

We use a materiality analysis to systematically define the sustainability topics relevant for Audi. In 2012, an initial 125 sustainability topics of relevance to Audi were already identified with the help of internal and external sources (sector studies, sustainability ratings, requirements for reporting standards). From that number, 35 overarching topics were then combined or selected. Since then, we have continually supplemented and, in some cases, reassessed the list of relevant topics from 2012.



Our stakeholders are regularly asked for their assessment regarding the identified topics. Since 2012, some 1,800 individual assessments by our stakeholders have been incorporated into the materiality analysis. The report content results from the assessment of the sustainability topics by our stakeholders and the Company itself.

In 2016, we increased the relevance of the following aspects as part of an internal assessment. The reason is provided in brackets in each case:

- ↘ Alternative drive technologies (core future-oriented topic in the Audi Strategy 2025)
- ↘ Fuel consumption and emissions (legal regulations, CO<sub>2</sub> limits)
- ↘ Resources and environmental footprint (circular economy as new element in the Audi Strategy 2025)
- ↘ Future of mobility (transformation in the automotive industry requires and brings new forms of mobility, integrated mobility concepts, urbanization, digitalization)
- ↘ Promotion of voluntary work/corporate volunteering (meaningful for employees/positive impact on corporate culture)
- ↘ Corporate governance and compliance (core topic in clarifying the diesel issue)

## G4-19 Material Aspects identified

We have summarized the material aspects in a materiality matrix ([cf. indicator G4-27](#)).

As part of the limited assurance engagement performed by the independent accounting and consulting firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, material management approaches based on the materiality analysis were selected for the audit scope. The audit of the management approaches regarding the sustainability strategy, operational environmental protection and the management of CO<sub>2</sub> fleet emissions was conducted in accordance with the requirements in the standard disclosure G4-DMA. In the first-mentioned management approach, the integration of sustainability in the Audi Strategy 2025 was assessed in particular. Besides digitalization and urbanization, sustainability is stipulated as a key pillar for Audi's future success as part of this strategy.

## G4-20 Aspect Boundaries within the organization

The aspects defined as materially relevant are fundamentally of relevance for all fully owned subsidiaries, brands and production sites of AUDI AG named within the scope of reporting. If an aspect is not materially relevant for a subsidiary, brand or production site, this is declared.

## G4-21 Aspect Boundaries outside the organization

In the case of companies and production sites not included in the scope of reporting, it was examined to what extent the GRI aspect boundaries have a material impact.

## G4-22 Restatements of information provided in previous reports

No material changes to the reporting scope were made compared to the "CR Report 2014." For the first time, the report is structured in accordance with the GRI G4 Guidelines.

## G4-23 Significant changes in the Scope and Aspect Boundaries

Key reporting parameters were not changed.





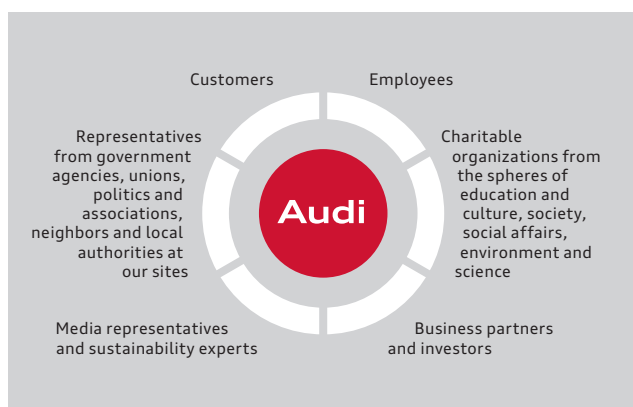
# Stakeholder Engagement

## G4-24 Stakeholder groups engaged

We aim to be aware of the interests and needs of our stakeholders so we can align our business decisions with their expectations. Audi stakeholder management therefore serves as a guide for evolving the Audi sustainability strategy.

### Our stakeholder groups at a glance:

- ↳ Employees
- ↳ Charitable organizations from the spheres of education and culture, society, social affairs, environment and science
- ↳ Business partners and investors
- ↳ Media representatives and sustainability experts
- ↳ Representatives from government agencies, unions, politics and associations, neighbors and local authorities at our sites
- ↳ Customers



Overview of stakeholder groups at Audi

## G4-25 Identification and selection of stakeholders

The basis for determining and selecting stakeholders is the Stakeholder Engagement Standard AccountAbility 1000 (AA1000SES) and its associated principles of inclusivity, materiality and responsiveness. Material stakeholder groups are all internal and external groups of individuals that are affected directly or indirectly by our business activities. The identification of the respective stakeholders is fundamentally based on their expectations, expertise, integrity and their ability to influence Audi. Depending on the issues dealt with, we systematically determine the relevant stakeholders for each dialogue format.

## G4-26 Approach to stakeholder engagement and frequency

To actively engage our stakeholders, we have developed various dialogue formats at Audi. We primarily use the sustainability portal on the Audi website to provide our stakeholders with general information. Multi-stakeholder events (such as the Audi Stakeholder Forum) or our involvement in multi-stakeholder initiatives (such as the Aluminium Stewardship Initiative) allow us to engage directly with our stakeholders on core issues. Other approaches include surveys and dialogues as part of our activities in associations as well as memberships of committees. In particular, individual discussions with advocacy groups provide an effective tool for involving our stakeholders in our sustainability strategy. Stakeholders can also get in touch directly with Audi by emailing [nachhaltigkeit@audi.de](mailto:nachhaltigkeit@audi.de).

### Our main dialogue tools at a glance:

- ↳ Stakeholder conferences

Large stakeholder conferences such as the Audi Stakeholder Forums are held every two years and bring together wide-ranging stakeholder groups at a joint event. The 80 to 100 participants include representatives of charitable organizations, business partners, media representatives, sustainability experts, representatives from government agencies, unions, politics and associations. The Forums each address a strategically important theme for Audi and illustrate this theme from various angles in discussions and workshops. In November 2016 in Brussels, Audi along with some 100 stakeholders looked at the issue of electric mobility and the requirements that will have to be met for a future in Europe based on electric mobility.

Stakeholder conferences are also organized at foreign business locations where the focus is on regional topics. In late 2015, the first vocational training conference was held in Győr (Hungary) at Audi Hungaria Motor Kft. The event aimed to optimize jointly the vocational training concept in Hungary while promoting ongoing knowledge sharing between the training partners. At our new site in Mexico, the first Stakeholder Forum was held in Puebla in 2016. Guests included academics, politicians, San José Chiapa local residents and Audi employees. The event aimed to foster dialogue on the regional development of the San José Chiapa site and provide participants with an insight into the various areas covered by sustainability activities at Audi México. Workshops with smaller groups are always included in the Stakeholder Forums to promote dialogue.



The results of the stakeholder conferences, together with the conclusions of other dialogue formats, are incorporated into our sustainability strategy and form an important basis for future corporate decisions.

#### ↳ Discussions with individual stakeholder groups

The primary aim of these formats is to promote dialogue with a certain stakeholder group. In the 2016 reporting year, Audi organized the first Audi Dealer Dialogue on sustainability. As direct touchpoints with the customer, dealers are one of the Company's most important target groups. As part of the dialogue, Audi finds out what customers need and expect from us as a manufacturer of premium automobiles. And we can, for our part, pass on important messages to dealerships and also, in turn, to customers. Regular communication helps provide transparency and strengthen trust in the Company.

Dialogue with investors and analysts is also a key element for Audi in garnering important impetus for improving the management and focus of AUDI AG. Audi structures its dialogue with investors and analysts particularly by means of the Annual General Meeting and the Annual Press Conference. Investor and analyst meetings are held regularly to coincide with the publication of the Annual Financial Statements and Interim Financial Report. Furthermore, Audi provides details of its current business performance through financial reports published quarterly as well as by providing up-to-date information on the AUDI AG website.

#### ↳ Multi-stakeholder and industry initiatives

Regular knowledge sharing in industry-specific and cross-industry initiatives is an important tool for Audi to involve stakeholders actively and get involved in strategically important topics. One example is the Aluminium Stewardship Initiative (ASI), which Audi joined as a member in 2013. Set up as a non-profit initiative, the ASI is the first interest group in the world to focus on the creation of a sustainability standard for the use of the material aluminum. This multi-stakeholder initiative sees leading companies working together along the value chain – stretching from the extraction of the raw material bauxite, through processing of the metal, to recycling aluminum. Other members of the ASI include leading NGOs and industry associations. The first ASI general meeting was held in the Audi Forum in Ingolstadt in April 2016.

A selection of other initiatives that Audi is involved in can be found [here](#).

#### ↳ Stakeholder surveys (surveys and interviews)

Audi has been conducting surveys on relevant sustainability topics at regular intervals since 2012. The surveys

and interviews aim to identify key topics for the Company. The assessments of each individual stakeholder group are averaged and incorporated into the assessment of the key topics as a weighted variable. The surveys based on a standardized questionnaire are aimed both at employees at sites in Germany and abroad as well as at the Company's external stakeholders.

#### ↳ "Responsibility Perspective" lecture series

With its "Responsibility Perspective" lecture series, AUDI AG provides a platform that allows employees and interesting leading figures from the world of sustainability to exchange ideas on a regular basis. This initiative aims to sensitize employees to issues of the future, to social developments and to the opportunities and challenges that these present to the Company. The lecture series, which always promotes an intense debate among participants, has been held at the Ingolstadt and Neckarsulm sites four to five times a year since 2013. The topics of digitalization of the automobile as well as electric mobility and other future drives provided the key areas in 2016.

#### ↳ "Forum Responsibility" social media platform for AUDI AG employees

On the Audi internal online information platform "Forum Responsibility" Audi presents the results from the discussion sessions such as the "Responsibility Perspective" lecture series and provides information on the other sustainability topics. Employees can put forward their own suggestions in the "What moves me" section. 2016 focused particularly here on discussions about the environmental footprint of electric mobility. In 2016, the platform generated 37,000 visits; on average, approximately 900 people accessed the site at least once a month.

#### ↳ Neighborhood dialogues – "Among neighbors" discussion forum

Every two years the Audi Neckarsulm site organizes the "Among neighbors" discussion forum, which was last held in 2015. During the forum, neighbors had the opportunity to talk openly with the plant management and local stakeholder representatives about current developments at the site. This direct and regular dialogue is a firmly established cornerstone of AUDI AG's sustainability strategy. The site's local residents take this opportunity to engage in intensive discussions with Audi representatives. In 2016, the plant management in Neckarsulm also engaged in discussions with the local council. These focused on issues relating to infrastructure and the environment.



## G4-27 Key topics and concerns raised through stakeholder engagement and response

AUDI AG takes the questions and concerns of its stakeholders very seriously. The key issues and concerns that arise through the involvement of stakeholders are fed into our sustainability strategy through the materiality

analysis. In this way, specific targets and measures relating to sustainability are defined on the basis of the results of the dialogue with stakeholders, among other things.

The results of the materiality process are combined in a materiality matrix. This vividly expresses the relevance for Audi (on the x axis) and its stakeholders (on the y axis) in relation to each other. As part of this dialogue with stakeholders, recommended action, which Audi assesses and translates into specific measures, is derived for each specific key topic.



Audi assigns the topics in the materiality matrix to the categories – products and services, value creation and production, employees and society as well as business and integrity. In this GRI report and on the sustainability

portal on the Audi website, the strategic position, the measures and targets are set out transparently in each case. The aims of the particular fields of action can also be found in the [sustainability program](#).



# Report Profile

## G4-28 Reporting period

January 1, 2015 through December 31, 2016

## G4-29 Date of most recent previous report

The last Sustainability Report pursuant to the GRI G4 Guidelines was published in May 2015.

## G4-30 Reporting cycle

The Audi Sustainability Report pursuant to the GRI G4 Guidelines has been published to date every two years. From 2017, it will be updated annually.

## G4-31 Contact point for questions regarding the report

Readers with questions or comments are invited to contact Prof. Dr.-Ing. Peter F. Tropschuh, Head of Sustainability at AUDI AG, by email at [nachhaltigkeit@audi.de](mailto:nachhaltigkeit@audi.de).

## G4-32 “In accordance” option

The report was prepared “in accordance” with the “core” option of the GRI G4 Sustainability Reporting Guidelines.

## G4-33 External assurance for the report

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on selected data and management approaches in the German version of the 2016 Sustainability Report. Not included in the scope of the audit was any information that is accessible via the links provided in the Report. The Independent Limited Assurance Report, issued by the accounting and consulting firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, can be found [here](#). The German version is authoritative.

The audit covered the following:

- ↘ Management approaches regarding the sustainability strategy, operational environmental protection, as well as the management of CO<sub>2</sub> fleet emissions. The audit was conducted in accordance with the requirements in the standard disclosure G4-DMA (Disclosure Management Approach).
- ↘ Selected quantitative figures, audited against the relevant criteria of Completeness, Clarity, Accuracy, Timeliness, Comparability and Reliability of GRI G4 and countersigned in the key data table
- ↘ Presentation of selected management approaches and key data in the Sustainability Report pursuant to the GRI G4 Guidelines

## G4-34 Governance structure of the organization, including committees of the highest governance body

Board Directives and Company Regulations stipulate binding procedures in respect of workflows and other business processes as well as recording fundamental organizational policy decisions. They thereby ensure fulfillment of assigned tasks based on the efficient deployment of resources within the framework of the corporate goals and ensure clear definition of competencies and responsibilities. They also aim to promote an understanding of the implemented business processes and cooperation between the organizational units concerned. The Board Directives and Company Regulations are available to all employees on the intranet.



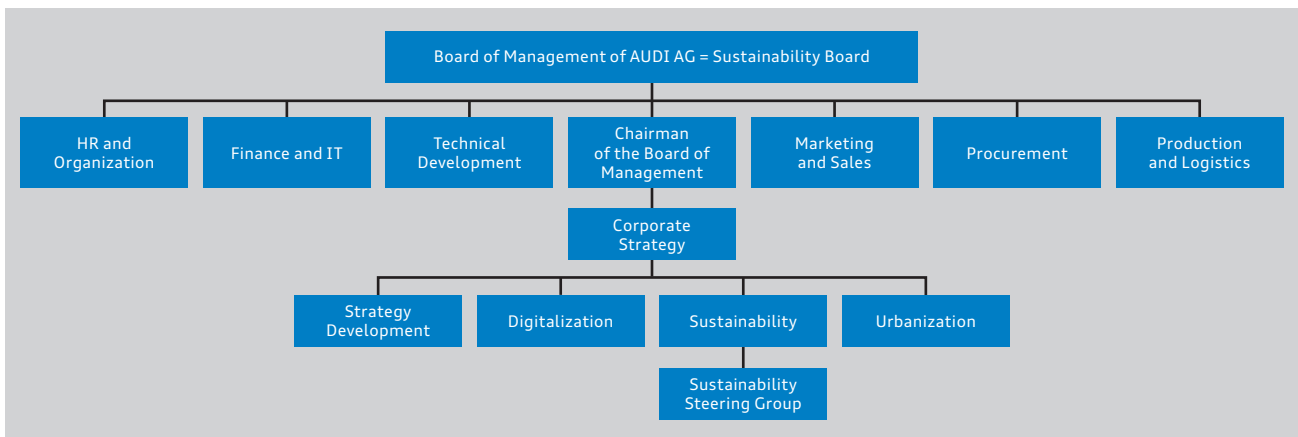
# Governance

## G4-35 Process for delegating authority for economic, environmental and social topics

In compliance with the provisions of the German Stock Corporation Act and to avoid any organizational culpability, mandates are issued by the Board of Management.

## G4-36 Executive-level position with responsibility for economic, environmental and social topics

The Sustainability department coordinates all sustainability-related topics and prepares strategically relevant decisions for the Sustainability Board. Members of the Sustainability Board are the members of the Board of Management of AUDI AG. The Sustainability department is linked to the “Chairman of the Board of Management” divisional area as part of the corporate strategy and reports regularly to the full Board of Management.



The Sustainability department also manages the Sustainability Steering Committee set up in 2011 (former CR working group), which is made up of representatives of all divisions as well as a Works Council representative. The Sustainability Steering Committee aims to ensure cross-divisional management of the sustainability strategic field of action. The resolutions adopted by the Sustainability Steering Committee form the basis for decision proposals for the Audi Board of Management as well as for the product-related decision-making committees with members of the Board of Management.

## G4-38 Composition of the highest governance body

The [AUDI AG executive bodies](#) are made up of the members of the Board of Management and the members/committees of the Supervisory Board.

### Board of Management

The Board of Management manages the business of AUDI AG and of the Audi Group in accordance with the law, the Articles of Incorporation and Bylaws of AUDI AG and the Rules of Procedure issued by the Supervisory Board. Corporate Governance also gives due consideration to the corporate goals and to shared interests within the Volkswagen Group. The Board of Management of AUDI AG consists of at least two people. Furthermore, the Supervisory Board determines the number of members of the Board of Management. At the time of publication, the AUDI AG Board of Management consisted of seven members.

## G4-37 Processes for consultation between stakeholders and the highest governance body

Consultation is conducted through own [stakeholder dialogues](#) and through [memberships and participation in initiatives](#) at municipal, national and international level.



## Supervisory Board

The Supervisory Board oversees and advises the Board of Management's running of the Company. In accordance with the statutory provisions, the Supervisory Board of AUDI AG comprises ten representatives of the shareholders and ten representatives of the employees.

The personnel composition of the executive bodies of AUDI AG and the respective start of their term in office can be found on the AUDI AG website ([www.audi.com](http://www.audi.com)) in the Company section under "Corporate Management."

### **G4-39 Independence of the Chair of the highest governance body**

The governance body is not chaired by an AUDI AG manager.

### **G4-40 Nomination and selection processes for the highest governance body and its committees**

The shareholder representatives are elected by the Annual General Meeting. The employees of the Audi Group's German operations elect the employee representatives. The Supervisory Board elects a Chairman and a Deputy Chairman from its ranks. The election is for the duration of the term of office of those elected. The members of the Supervisory Board are normally elected for a period of five years.

Once the Supervisory Board Chairman and Deputy Chairman have been elected, the Supervisory Board sets up the committee pursuant to Section 27, Para. 3 of the German Codetermination Act (MitbestG). The Supervisory Board may set up other Supervisory Board committees from its ranks to carry out certain tasks. Decisive Supervisory Board powers may also be transferred to the Supervisory Board committees.

### **G4-41 Process for avoiding conflicts of interest**

Disclosures of potential conflicts of interests are explicitly requested prior to the appointment of a Supervisory Board member. A list of the Supervisory Board mandates of members of the Board of Management and Supervisory Board of AUDI AG is presented in the AUDI AG 2016 Annual Report p. 163 ff.

### **G4-42 Highest governance body's role concerning strategy and goals**

The AUDI AG Board of Management meets at least twice a year in its role as [Sustainability Board](#) and makes fundamental and policy decisions regarding sustainability. The consultations focus, among other things, on strategic fields of action in implementing sustainability and potential conflicts of interest.

### **G4-43 Measures taken concerning the highest governance body's collective knowledge of economic, environmental and social topics**

The "Sustainability" department reports in the Sustainability Board meetings on current measures and potential conflicts of interest in relation to the economy, environment and society. Material risks are presented to the full Board of Management as part of the risk management process on a quarterly basis and explained jointly where necessary.

### **G4-44 Process for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics**

The Audi Group assumes economic, environmental and social responsibility vis-à-vis its stakeholders, which is expressed, among other things, through an effective Risk Management System and Internal Control System. In addition to managing risks effectively, this should enable business opportunities to be identified and exploited in the best way possible. To that end, we continuously analyze the international context for potential impacts on the business model in order to identify trends and industry-specific key factors early on. Above and beyond this reporting, the "Sustainability" department regularly informs the full Board of Management with the aid of materiality analyses about the relevance of AUDI AG business operations for stakeholders. In accordance with the GRI specifications, an impact analysis is done in the form of a self-assessment of the corporate management.



## **G4-45 Highest governance body’s role concerning sustainability impacts, risks, and opportunities**

The Board of Management is responsible for the organizational structure of the Risk Management System and Internal Control System. The Audit Committee of the Supervisory Board is required by law to monitor the Risk Management System/Internal Control System of AUDI AG. The status and evolutionary developments of the Risk Management System/Internal Control System are reported to the Board of Management and the Audit Committee of the Supervisory Board on a regular and an ad hoc basis.

## **G4-46 Highest governance body’s role in reviewing the effectiveness of the risk management processes**

The Audit Committee, which is formed by the Supervisory Board, deals with the effectiveness of the Internal Control System, the Risk Management System and the Internal Audit System.

## **G4-47 Frequency of the highest governance body’s review of sustainability impacts, risks, and opportunities**

The AUDI AG Board of Management approves the AUDI AG Sustainability Report. Auditing of the Audi Sustainability Report by independent third parties is expressly welcomed and encouraged by the Board of Management.

AUDI AG also regularly takes part in the renowned oekom Corporate Rating. The “Sustainability” department analyzes the rating results. Any derived recommended action is presented to the full Board of Management.

## **G4-48 Highest committee that formally reviews and approves the sustainability report**

The Board of Management of AUDI AG examines the Sustainability Report and approves it.

## **G4-49 Process for communicating critical concerns to the highest governance body**

Critical concerns are communicated to the highest governance body through the GRC Report (Governance, Risk & Compliance) or Ombudsman Report.

## **G4-50 The nature and total number of critical concerns that were communicated to the highest governance body**

The diesel issue accounted for a significant portion of the Supervisory Board’s work in 2016. The Supervisory Board was kept constantly informed by the Board of Management, both in writing and orally. This applies in particular to the V6 3.0 TDI diesel engine developed by Audi and concerns the associated processes in the United States and other countries around the globe, such as South Korea, Japan or Australia.

## **G4-51 Remuneration policies for the highest governance body and senior executives**

The remuneration for members of the Supervisory Board are set out in the [Articles of Incorporation and Bylaws \(German only\)](#) of AUDI AG.

The full Supervisory Board passes resolutions on the remuneration system and the total remuneration for individual members of the Board of Management of AUDI AG on the basis of the Presiding Committee’s recommendations. The level of remuneration should be fundamentally appropriate and attractive by national and international comparison. Criteria include the tasks



of the individual Board member, the members's personal performance, the Company's economic situation, performance and future prospects.

Further information can be found in the Remuneration Report in the [Audi 2016 Annual Report](#) on pages 153 ff.

## **G4-52** Process for determining remuneration

No remuneration consultants were involved in the setting of remuneration levels

## **G4-53** Stakeholders' views sought and taken into account regarding remuneration

There is an opportunity to make statements and express views at the Annual General Meeting of AUDI AG. It is also possible to express opinions on remuneration by email, for example, to [kundenbetreuung@audi.de](mailto:kundenbetreuung@audi.de).

# Ethics and Integrity

## **G4-56** Values, principles, standards and norms of behavior

Our values, principles and standards of behavior are set out in the Audi Code of Conduct, which all Audi employees can consult on the Audi intranet. The Audi Code of Conduct also forms part of the entry program for new employees. The [Audi Code of Conduct](#) is available in German and English.

## **G4-57** Internal and external mechanisms for seeking advice on ethical and lawful behavior

The [Corporate Governance Report](#) provides information on our procedures regarding ethical and lawful behavior.

## **G4-58** Mechanisms for reporting concerns about unethical or unlawful behavior

Various channels exist for reporting concerns relating to unethical or illegal behavior. The respective line manager is a point of contact for our employees with issues or uncertainty surrounding the Code of Conduct. Employees can also turn to the Works Council. The Compliance and Integrity department (email: [compliance@audi.de](mailto:compliance@audi.de)) along with the neutral ombudsmen are also on hand to provide assistance.

### Ombudsman System

A high priority is placed by the Audi Group on combating and investigating corruption. Firstly, the Auditing department of the Audi Group helps in combating corruption; in addition, the Audi Group is linked in to the Volkswagen Group anti-corruption system, the ombudsman system.

As part of this system, two leading attorneys-at-law are designated as neutral ombudsmen. Any employee, business partner or external third party can contact an ombudsman if they discover evidence of corruption. All reports are treated in confidence and the informant's identity is protected. The ombudsmen are subject to the attorney's duty of confidentiality.

Contact details for the ombudsmen can be found on the [Audi website](#).





# Specific Standard Disclosures

## Economic

### G4-DMA-a Identified material aspects and boundaries

In order to achieve long-term success in global competition, a company must generate profits. This is the only way it can invest in the future and offer secure jobs. The Audi Group regards one of its key tasks as conducting its business transactions in a responsible and value-oriented manner.

The update of our materiality matrix showed that the aspects “Economic Stability” and “Customer Orientation” continue to be ranked very highly. External stakeholders and Company representatives alike continue to rank the relevance of topics in the area of conducting business transactions in a responsible manner predominantly as high and very high.

### G4-DMA-b The management approach and its components: Category Economic

The Audi Group is integrated into the financial management of the Volkswagen Group. This encompasses, for example, the subject areas of liquidity management as well as the management of exchange rate and commodity price risks. Our overriding financial goal is to ensure the solvency and financing of the Audi Group at all times, while at the same time achieving a suitable return on the investment of surplus liquidity.

Growth must be accompanied by profitability in order to satisfy Audi’s premium standards. To this end, qualitative growth, which is determined primarily by the return rather than the volume, is therefore at the forefront of responsible and value-oriented management. As part of our Strategy 2025, we have defined the following financial targets for measuring our performance:

- ↘ 8 to 10 percent operating return on sales
- ↘ 21 percent return on investment (ROI)
- ↘ Positive net cash flow
- ↘ 6.0 to 6.5 percent research and development ratio
- ↘ 5.0 to 5.5 percent ratio of capex

Of equal importance to the Company’s economic success is constructive teamwork between employees and Group management. The cooperation between these two partners has been documented in a participation agreement that formulates the in-company participation rights. For the employees’ elected representatives, location and job security are corporate goals of equal importance to profitability. They regard these as fundamental requirements for remaining at the top of the premium segment in the long term as a globally operating company.

#### Responsibilities in corporate management

The Board of Management manages the business of AUDI AG and of the Audi Group in accordance with the law, the Articles of Incorporation and Bylaws of AUDI AG and the Rules of Procedure issued by the Supervisory Board. The Supervisory Board oversees and advises the Board of Management’s running of the business. In this connection it receives regular reports on:

- ↘ the intended business policy and other fundamental matters of corporate planning
- ↘ the profitability of the Company
- ↘ the course of business
- ↘ transactions that may be of considerable significance for the profitability or liquidity of the Company
- ↘ the accounting process, the effectiveness of the Internal Control System, the Risk Management System and the Internal Audit System

#### Economic guidelines

We take responsibility for our actions, not just by complying with rules but by seeking to anchor sustainability of products and processes along our entire value chain. In the area of operations, Audi has committed itself to upholding a variety of standards and norms, including the following:

- ↘ German Corporate Governance Code
- ↘ Standard for risk management and internal control systems from the Committee of Sponsoring Organizations of the Treadway Commission
- ↘ UN Convention against Corruption



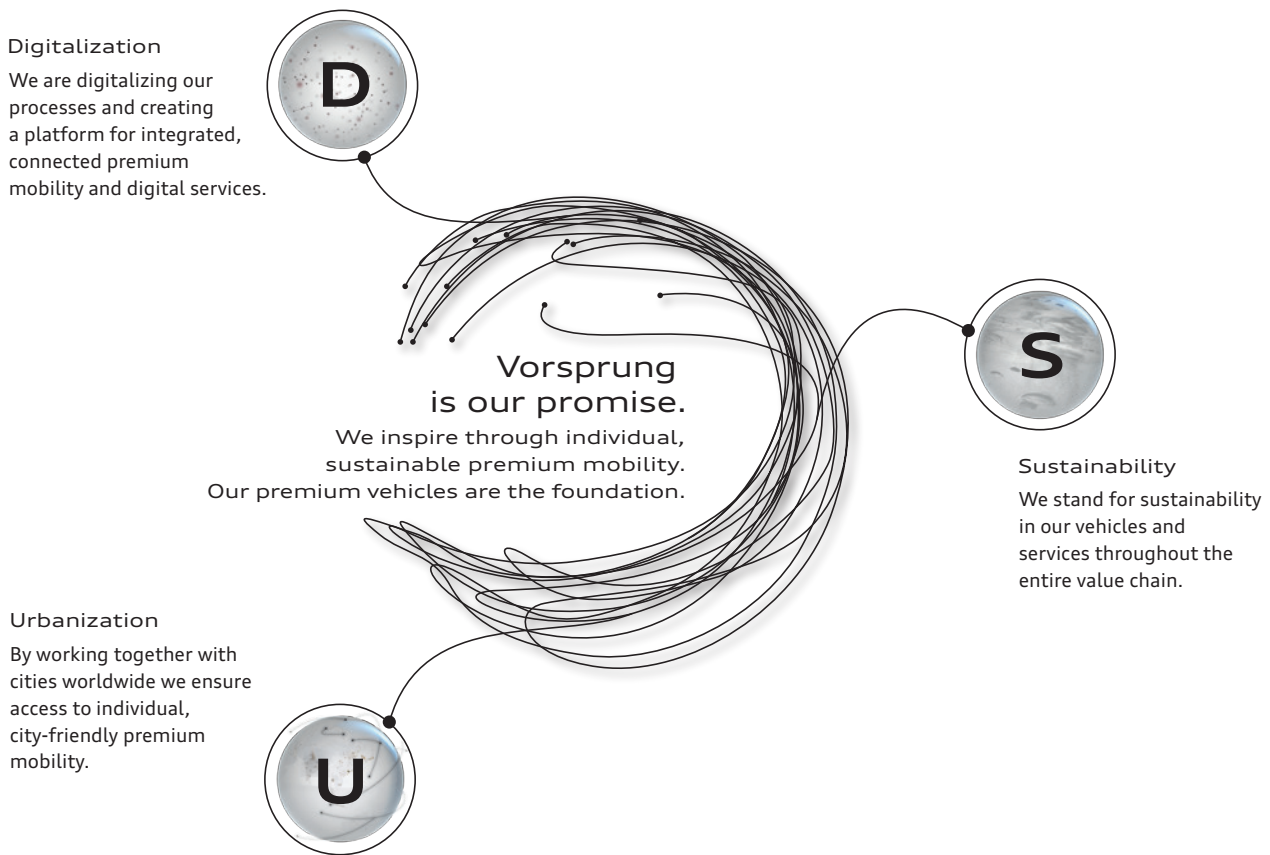
Implementation of these and other standards is the responsibility of the Governance, Risk & Compliance area and the managers in the business divisions and companies.

**Audi Strategy 2025: digitalization, sustainability, urbanization**

Global megatrends are changing not just the everyday lives of people, but entire societies. Life in the urban environment is moving at a quicker pace and more information is available. Increasing traffic is pushing urban infrastructures to their capacity limits. Increasing environmental pollution and resource depletion also require a change in thinking. This is also influencing the needs

of customers: They now expect more from a carmaker than an attractive design and a fun driving experience. They also want constant connectivity, networked and urban mobility concepts as well as sustainable concepts.

It was against this background that Audi presented its new corporate strategy 2025 on July 20, 2016. The new vision: To become a provider of sustainable, individual premium mobility and to use that role to delight customers worldwide. This is where the megatrends digitalization, sustainability and urbanization become tightly interlinked. In order to succeed as a provider of sustainable premium mobility, we need to understand their interrelationship, link them intelligently and provide the relevant answers.



In the area of sustainability, by 2025 we want to achieve:

- 1/3 of the automobiles produced are electrically powered
- Fuel cell car in series production
- Upscaling Audi g-tron models
- Scaling up Audi e-fuels/e-power, so that all Audi tron customers can drive without impacting the climate
- Best system range for alternative powertrains
- Reduction of the ecological footprint in production
- Upscaling sustainability in supplier management
- Circular economy in value creation and in commerce

The Board of Management has also defined goals for the aspects market penetration, agility and corporate image in addition to the return goals cited previously.

More information on Strategy 2025 is available in the [Audi 2016 Annual Report](#), p. 94 ff; for additional goals in the areas digitalization and urbanization see [www.audi.com](http://www.audi.com).

More detailed information on our product innovations can be found under [G4-DMA Product Responsibility](#); for the topic of circular economy, please refer to [G4-DMA Environmental](#).



## G4-DMA-c Evaluation of the management approach: Category Economic

### – Aspect: Economic Performance –

## G4-EC1 Direct economic value generated and distributed

The Audi Group's economic value generated:

	Unit	2015	2016
Revenue	EUR million	58,420	59,317
Cost of goods sold	EUR million	-47,043	-49,390
<b>Gross profit</b>	EUR million	11,376	9,927
Distribution costs	EUR million	-5,782	-5,807
Administrative expenses	EUR million	-640	-663
Other operating result	EUR million	-119	-405
<b>Operating profit</b>	EUR million	4,836	3,052
Financial result	EUR million	448	-5
<b>Profit before tax</b>	EUR million	5,284	3,047
Income tax expense	EUR million	-987	-980
<b>Profit after tax</b>	EUR million	4,297	2,066

A control and profit transfer agreement exists between AUDI AG and Volkswagen AG, Wolfsburg, as the controlling company. The profit after tax of AUDI AG is transferred to Volkswagen AG. The AUDI AG condensed income statement can be viewed on page 125 of the [Audi 2016 Annual Report](#). For the 2016 fiscal year, AUDI AG transferred to Volkswagen AG a profit in the amount of EUR 918 million (2015: EUR 2,752 million).

All Audi shareholders (with the exception of Volkswagen AG) receive a compensatory payment in lieu of a dividend. The amount of the compensatory payment corresponds to the dividend that is distributed in the same fiscal year to Volkswagen AG shareholders for each Volkswagen ordinary share. On May 10, 2017, the Annual General Meeting of Volkswagen AG approved a dividend in the amount of EUR 2.00 per ordinary share.

Further information on financial performance indicators can be found in the [Audi 2016 Annual Report](#) on pages 119 ff.

To achieve our goals which we set out in Strategy 2025, we have defined specific projects. The projects have mentors on the Board of Management and a project manager at top or senior management level who is responsible for its implementation. The status of the projects is reported on continuously at closed strategy meetings of the Board of Management. We therefore follow the principle: "Clear objective, clear measurability, clear responsibility."

## G4-EC2 Financial implications and other risks and opportunities due to climate change

With respect to the implications of climate change, statutory and regulatory requirements are of central importance. Regulatory requirements on CO<sub>2</sub> limits in the various markets have a direct impact on the development, manufacturing and sale of vehicles. To honor our responsibility to meet CO<sub>2</sub> limits, our automotive development work incurs costs, on the one hand because we steadily reduce weight, fuel consumption and vehicle emissions. On the other hand, the Audi Group pursues a product and powertrain strategy that emphasizes alternative drive concepts with hydrogen, synthetic fuels and above all the electrification of our models, in addition to conventional combustion engines.



## **G4-EC3** Defined benefit plan obligations and other retirement plans

Both defined contribution and defined benefit plans exist within the Audi Group for retirement benefit arrangements. In the case of defined contribution plans, the Company pays contributions to public or private-sector pension plans on the basis of statutory or contractual requirements, or on a voluntary basis. Current contribution payments are reported as an expense for the year in question. In the case of the Audi Group, they totaled EUR 389 million in 2016 (2015: EUR 368 million). Of this, contributions of EUR 362 million were paid in Germany toward statutory pension insurance in 2016 (2015: EUR 343 million).

The retirement benefit systems are based predominantly on defined benefit plans, whereby a distinction is made between provision-based systems and externally financed systems.

### – Aspect: Market Presence –

## **G4-EC5** Ratios of standard entry level wage compared to local minimum wage

As part of the Volkswagen Group, we are bound by the Social Charter. According to this, the compensation and benefits paid or received for a normal work week correspond at least to the legally valid and guaranteed minimum. This is to ensure an appropriate standard of living for the employees and their families.

The bargaining partners consider the ratio of the entry level wages to the statutory local minimum wage when structuring compensation as part of the collective bargaining process. There is no differentiation by gender with respect to compensation. Our employees are selected, hired, qualified and developed solely on the basis of their qualifications and abilities.

## **G4-EC6** Proportion of senior management hired from the local community at significant locations of operation

Audi fundamentally supports the employment and qualification of local employees. We are convinced that local employees are knowledgeable about the region and the local market, and have good networks that are helpful for the further development of the respective site.

### – Aspect: Procurement Practices –

## **G4-DMA-a** Identified material aspects and boundaries: Aspect Procurement and Suppliers

The success of AUDI AG is driven not only by its own power of innovation, but also by the performance capabilities of its suppliers. Together with our suppliers and subsuppliers, we accept the responsibility that comes with the internationalization of our procurement practices: responsibility for a successful future, for a fair and caring society, and responsibility for the environment. We can only ensure compliance with sustainability standards in close cooperation with our business partners.

The aim of AUDI AG's procurement policy is to select suppliers who meet the Company's quality requirements in all areas. In order to make optimum use of synergy potential, Audi chooses suitable business partners in cooperation with the Volkswagen Group. The entire Volkswagen Group's procurement management has been based on the concept of "sustainability in supplier relationships" since 2006. These sustainability requirements are clearly defined in the "Volkswagen Group requirements regarding sustainability in its relationships with business partners" and have been anchored in supplier contracts since 2014.

By contractually integrating the sustainability requirements into the procurement process, the Volkswagen Group is striving to ensure compliance with sustainability standards throughout the entire supply chain worldwide. These requirements are based on the principles of the UN Global Compact, the International Chamber of Commerce's Business Charter for Sustainable Development and the applicable conventions of the



International Labor Organization. These principles are supplemented by Volkswagen's Environmental Policy, the environment targets and regulations derived from it, the Group's Quality Policy and the Volkswagen Declaration on Social Rights and Industrial Relationships. Before submitting a quotation, the supplier must acknowledge the sustainability requirements; this acknowledgment must be repeated after a period of 12 months. The requirements apply to all outsourced goods and services worldwide.

Suppliers to the Volkswagen Group are required to exercise due diligence along their entire supply chain. This includes the implementation of measures to ensure that the minerals used by the suppliers, particularly tantalum, tin, tungsten and gold, do not contribute to the direct or indirect promotion or support of armed conflicts. The due diligence requirements are an extension of the aforementioned sustainability requirements and affect the areas of environmental protection, employee rights, transparent business relationships and fair market behavior. They are integral elements for the performance of due diligence.

AUDI AG's materiality analysis for the topic of environmental and social standards in the supply chain also shows that stakeholders and company representatives alike consider this aspect to be important.

## **G4-DMA-b** The management approach and its components: Aspect Procurement and Suppliers

### **Selection and auditing of suppliers**

Changing framework conditions in the automotive industry along with the Audi Group's strategic shift also present specific challenges for our procurement activities. Against the backdrop of the electrification and the digitalization of our products as well as our own sustainability requirements, both the procured goods and the partners and value chains involved are undergoing change. Every partner along the supply chain must be continuously audited, evaluated and assessed.

The Volkswagen Group uses a country risk analysis to obtain a clearer picture of social, environmental and human-rights risks in the region where potential suppliers operate before entering into negotiations with them. This takes both third-party information and in-house empirical data into account. The Volkswagen Group subjects potential business partners to an integrity check (Business Partner Check). The aim is to reduce the risk of a relationship that could adversely affect the Volkswagen Group and its business by carefully examining the social integrity of the potential business partner.

The Volkswagen Group – and thus also Audi – expects its suppliers to take responsibility. The main suppliers are required to put in place a certified environmental management system in accordance with ISO 14001 and/or EMAS. 87 percent of the major suppliers have documented this. Furthermore, all suppliers are required to implement an environmental management system, to avoid damage to human health and the environment during production, 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. The Group also expects suppliers to ensure that their own suppliers act sustainably as well.

The Group-wide procurement concept is being continuously developed further: In addition to the previously valid environmental and social standards, agreements concluded since 2014 also contain auditing rights as well as a right to extraordinary termination in the case of violations. If there is reason to suspect that tier 1 suppliers or their sub-suppliers are failing to comply with our sustainability requirements, we ask the party for a written statement and a third-party sustainability audit may be arranged. If the audit reveals violations or potential for development, Audi will work together with the supplier to develop an action plan for improving the situation and will provide support with implementation. In the event of grave suspicions or of violations on the part of a supplier, an ad-hoc case is opened. This method allows all topics to be addressed and supplier relationships can also be terminated immediately, if warranted. During the reporting year, specific improvement measures were agreed to with the affected suppliers and sustainability performance was significantly optimized. In 2016, an independent, external service provider conducted a total of 45 audits for the Volkswagen Group, resulting in 19 ad-hoc cases.

Audi will also address the subject of sustainability in the supply chain more actively. Audi has developed a sustainability rating (S rating) to determine on the basis of a standardized self-assessment (NQC questionnaire) and an on-site check the level of compliance with the sustainability requirements in the supply chain. Audi will begin rolling out the S rating to relevant, first-tier suppliers in 2017 and will prioritize and significantly expand the on-site checks in the years thereafter. For example, Audi wants to examine how potential suppliers implement sustainability requirements, identify areas for development and, if need be, will implement specific measures in partnership with suppliers to improve sustainability performance – before the Company signs a supply contract.

Sustainability is to become a decisive criterion in determining whether or not a supplier is given a contract. Furthermore, Audi is pushing for the automotive industry to agree on a uniform, industry-wide standard.



A uniform standard will, for example, avoid the need for a supplier to be checked several times by different manufacturers.

### Organization of procurement

At Audi, sustainable supplier management is anchored in the procurement strategy, for which the Audi Board Member for Procurement is directly responsible. Like every brand in the Volkswagen Group, Audi has appointed a representative to the central sustainability procurement network. This network provides a platform for the continuous sharing of information between the roughly 20 experts from the Group's internal procurement organizations around the world.

### Projects and initiatives

Besides the sustainable structure of supplier relationships, another area of importance for Audi are procurement topics with strategic significance for the Company. The launching of the "Aluminum Closed Loop" project by Audi is one example. The basic idea is that aluminum panel trimmings that occur in the Audi press shops are returned directly to a supplier, who feeds them back into its production process. Audi then reuses the aluminum sheet produced with this method in its production process. This eliminates the upstream, energy-intensive stages in the value chain. This helps to reduce CO<sub>2</sub> emissions. In addition, Audi is involved with other companies in the Aluminium Stewardship Initiative. For this initiative, environmental, ethical and social criteria are defined that will apply to all stages of raw material extraction, production and processing.

More about the Aluminium Stewardship Initiative is available under the aspect "Stakeholder Engagement" at indicator [G4-26](#).

To facilitate continuing supplier development, in the course of our business relations the Volkswagen Group makes an electronic learning (e-learning) module on sustainability available to all suppliers in all of the languages of the defined risk markets. After completing this task, the supplier has to perform a final test. The tool is made available to the supplier's workforce as well as to employees of Volkswagen AG Procurement.

Employee sensitization and training is particularly important to us. For example, the topic "Sustainability in the Supply Chain" is an integral component of the competence profile of each employee. At Audi, all new Procurement employees are qualified in this area as part of an induction program. Furthermore, Audi Procurement also conducts training on the subject "Sustainability in Supplier Management" at the Audi Sustainability Academy for employees from outside of procurement.

## G4-DMA-c Evaluation of the management approach: Aspect Procurement and Suppliers

The Volkswagen Group continuously assesses and improves the sustainability performance of its suppliers. It regularly requires its suppliers to complete a sustainability questionnaire and to document their activities relating to selected areas of responsibility. The questionnaire covers the following areas:

- ↘ cooperation and collaboration (including with sub-suppliers)
- ↘ environmental responsibility
- ↘ employee rights
- ↘ transparent business relationships

By the end of 2016, 21,067 of the Volkswagen Group's suppliers had submitted responses to our questionnaire. This covers 88 percent of the total procurement volume. The Group is transferring the sustainability questionnaire over to the self-assessment questionnaire developed for use throughout the industry in a joint project with other automotive corporations involved in the European Automotive Working Group on Supply Chain Sustainability organized by CSR Europe. The Group uses the responses to these self-assessments to help identify measures for improving performance, and then communicates the latter to the suppliers. This means the Volkswagen Group is able to give its suppliers specific, needs-based recommendations for improving their sustainability performance.

## G4-EC9 Proportion of spending on local suppliers at significant locations of operation

At 39 locations in 23 countries, the Volkswagen Group's procurement network ensures that production facilities are supplied with production materials of the requisite quality and in the required quantities on a sustainable basis and at competitive prices. In the reporting year, our procurement volume totaled EUR 166.5 billion. These figures include the data from our Chinese joint ventures.

The volume of Volkswagen Group Procurement by region was distributed as follows in 2016: Europe/Other markets: 65 percent, North America: 5 percent, South America: 2 percent, Asia-Pacific: 29 percent.



# Environmental

## G4-DMA-a Identified material aspects and boundaries: Category Environmental

In the Audi Strategy 2025, the Board of Management defined the vision of sustainable, individual premium mobility. Sustainability thus joins digitalization and urbanization as a focal point of the Audi Strategy. The mission “We stand for sustainability in our products and services throughout the entire value chain” means, among other things, addressing environmental aspects along the entire value chain – from the supply chain to recycling – and to formulate concrete goals and measures. There will continue to be a particular focus in the future on the avoidance of CO<sub>2</sub> emissions as well as on closed substance and material cycles for battery-electric automobiles.

Sustainable, environmentally compatible production at our locations as well as the sustainability and safety of our products are important to us as part of a holistic ecological approach ([cf. G4-DMA Product Responsibility](#)). We thus consider not only the emissions generated and resources used by a vehicle’s operation, but also site-based environmental aspects of the Company’s value creation. Other fundamental topics addressed by Audi’s environmental protection strategy include the protection of biodiversity, site emissions, wastewater and solid waste, the production of environmentally compatible vehicles and climate-friendly transport.

The materiality analysis for the core topic of environment shows that stakeholders and company representatives alike consider all aspects to be important. This is particularly true for the topics of energy management, disposal and recycling concepts for materials, and the procurement and efficient utilization of materials.

## G4-DMA-b The management approach and its components: Category Environmental

### Sustainable management at the sites and for the products

Our environmental management is intended to promote a culture of innovation aimed at making our products and processes more environmentally acceptable. We are continuously optimizing our environmental manage-

ment systems and subjecting them to external review in order to make our production operations and products as environmentally compatible as possible.

Consequently, we have installed the rigorous environment system of the European Union (the Eco-Management and Audit Scheme, EMAS) at all European automotive plants of the Audi Group. In view of the diesel issue, the Ingolstadt and Neckarsulm sites had temporarily suspended EMAS accreditation. EMAS accreditation of the Győr, Brussels and Sant’Agata Bolognese (Italy) sites was not affected.

The environmental management systems for the Ingolstadt, Neckarsulm, Győr, Brussels and Sant’Agata Bolognese sites also meet the requirements of DIN EN ISO 50001, which sets particularly high standards for continuous, systematic reductions in energy consumption. Furthermore, our plants in Ingolstadt, Győr, Sant’Agata Bolognese and São José dos Pinhais/Curitiba (Brazil) along with our motorcycle plant in Bologna are accredited under the worldwide DIN EN ISO 14001 standard. In addition, our Ingolstadt and Győr sites already meet the amended DIN EN ISO 14001:2015 standard.

Our particular focus is on the effective and efficient use of the resources required. That is why since 2014, and the first premium car manufacturer to do so, we determine our corporate carbon footprint and have it certified in accordance with DIN EN ISO 14064. This process involves disclosing our Company-wide greenhouse gas emissions along the entire value chain so that we can analyze them even more specifically and reduce them further.

Environmental management makes an important contribution to the implementation of Audi’s environmental and energy policy, and to the responsible use of the resources employed. Together with suppliers, service providers, dealers and recycling companies, Audi is working to continuously improve the environmental compatibility of its cars and production sites. In the process, Audi considers the entire life cycle of its products: the CO<sub>2</sub> emissions generated by a vehicle’s operation, as well as raw materials extraction, the production and assembly of component parts, the flow of energy in production facilities and recycling.

In accordance with the principles of our environmental policy, Audi concentrates on three important fields of action: protecting the climate, conserving resources and protecting health. The primary objective is to reduce energy consumption and thus the associated greenhouse gas emissions as well as to efficiently use valuable resources such as water. Audi closes material loops as



much as possible in order to reduce waste. By using innovative methods, Audi can almost completely avoid the use of hazardous substances in production.

### Environmental policy and uniform environmental standards

The Board of Management defines the environmental policy, which is binding for all AUDI AG sites. This environmental policy is reviewed periodically and amended, if necessary. The environmental policy applies for all products, services and activities, and is implemented at all levels of the Company. Each site must develop a site-specific version of the policy without calling the environmental policy itself into question. The environmental policy explicitly includes aspects of the energy management system.

As a company with international operations, it is also important for Audi to establish uniform standards worldwide for environmental protection. The vehicle environmental standard, the directive on environmental protection passed by the Board of Management and the environmental and human compatibility performance specification apply to all sites worldwide. These standards and regulations are integrated into environmental management.

To keep environmental impacts as low as possible, it is also necessary to consider processes and products over the entire life cycle. This is done, for example, by determining the corporate carbon footprint in order to increase transparency or by preparing life cycle assessments for internal decision making.

### Our environmental goals

Our goal is to reduce our specific CO<sub>2</sub> emissions by 25 percent by 2018 compared with emissions in 2010. In addition, by 2020 we aim to reduce carbon dioxide emissions from the energy supply at the Ingolstadt and Neckarsulm sites by 40 percent compared with the specific figure for 2010. Our site-based environmental activities thus focus on reducing energy consumption

and the associated emissions, along with using production resources efficiently.

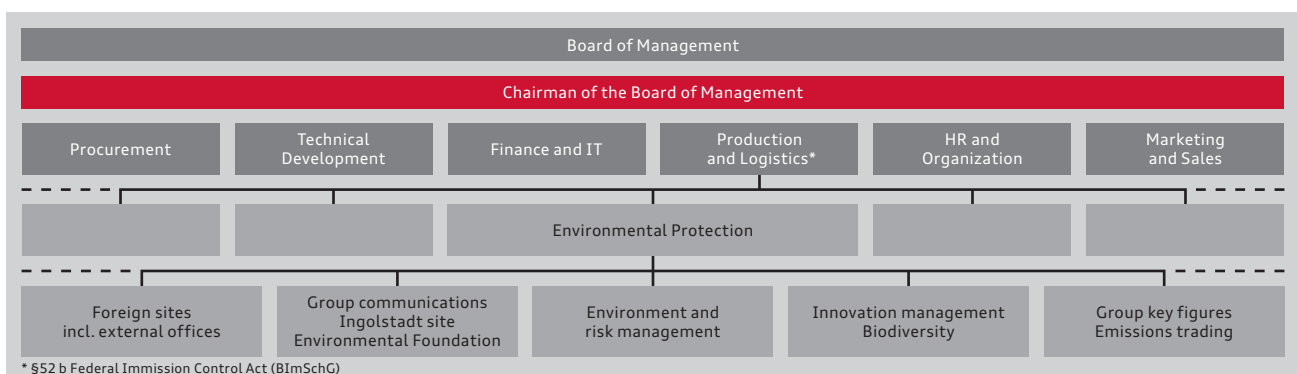
Audi is pursuing the long-term vision of an entirely carbon-neutral automotive manufacturing process. In addition to the ongoing optimization of our processes, we therefore also place particular focus on energy-saving measures when planning production and supply facilities, buildings and when defining logistics processes. Furthermore, we are committed to efficiency at all of our sites, from production operations to the finished product. Our actions are concentrated on acquiring energy from renewable sources, using energy efficiently and reducing energy consumption.

In addition to CO<sub>2</sub> emissions, we look at the key environmental metrics for energy, organic solvents (volatile organic compounds), freshwater, wastewater and solid waste. The Audi Group has set challenging targets here. The Group is striving for a 25 percent reduction per unit produced in the key environmental metrics for energy, fresh water, waste requiring disposal and organic solvents (volatile organic compounds) over the period between 2010 and 2018.

The Ingolstadt, Neckarsulm, Győr in Hungary and Sant'Agata Bolognese sites have also set their own targets for operational environmental protection at the respective site in addition to the Group-wide targets. The respective measures, targets and key environmental metrics are updated regularly in the sites' environmental declarations, which can be found [here](#).

### Organization and responsibility, environmental protection

The Board of Management of AUDI AG is responsible for the environmental policy as well as the viability of the environmental management system. Specifically, the topic of environmental protection at Audi is organized and administered by the Environmental Protection department, which is assigned to the Board Member for Production (see graphic).





The Environmental Protection unit coordinates the Audi Group's activities in the area of ecology the central contact for the respective environmental protection bodies at the Volkswagen Group. It develops overarching and strategic regulations and implements these in practice. For example, the unit ensures a Group-wide environmental management system based on the Audi environmental policy, coordinates CO<sub>2</sub> emissions trading and drives the development of new environmental protection technologies. In addition, it breaks down the Volkswagen Group's environmental strategy to the individual brands and sites and continually refines it. Its duties also include the collection and assessment of the Audi environmental key figures for the Volkswagen Group and the monitoring of the key environmental indicators for the individual brands and sites of the Audi Group. This unit is not responsible for operational environmental protection at the sites. This is the responsibility of the respective local Environmental Protection Officers.

Their brief is to ensure and continuously improve the environmental compatibility of the operational activities at each Audi site. Accordingly, the Operational Environmental Protection unit is actively involved in all environmentally relevant decisions and activities at the sites.

All employees (managers and all other employees) are responsible within their scope of responsibility for fulfilling statutory environmental protection obligations. All AUDI AG employees are therefore briefed, trained, and motivated with regard to environmental protection as appropriate for their function in order to foster their sense of responsibility for the environment. They are bound to the principles of the Audi environmental policy.

Successful environmental management also includes dialogue and sharing knowledge. Audi therefore places a high priority on comprehensively involving and continually informing employees. Protecting the environment and using resources efficiently are a fixed component of initial and advanced training. Once a year, the Audi Training Center organizes a training day for all apprentices on a specific environmental topic. All apprentices also attend a half-day workshop on sustainability. With the help of case studies, they discuss the ecological and social aspects of sustainability. This workshop series was held for an entire class of apprentices for the first time at the Ingolstadt site in summer 2016.

The open and clear dialogue with other interest groups, such as customers, dealers, and the public, is also a matter of course for AUDI AG. More information about our dialogue with stakeholders can be found in the section [Stakeholder Engagement](#) under G4-24 to G4-27.

### **Audi Environmental Foundation**

The charitable organization Audi Environmental Foundation is another important part of AUDI AG's commit-

ment to environmental issues. The foundation supports projects designed to protect the natural livelihood of humans, animals and plants, and promotes scientific research in this context. The aim of the foundation is to support the development of environmentally acceptable technologies and to promote educational work on environmental issues. We also regard our foundation as an important catalyst of awareness for environmental issues among Audi Group employees worldwide.

One example of this is a Germany-wide environmental project in which disused transformer towers are gradually converted into "[towers of biodiversity](#)" ([German only](#)). The joint project of the Audi Environmental Foundation and the "Artenschutz in Franken®" (association for species protection in Franconia) was awarded the UN Prize for Biological Diversity in 2016.

Another example: A good 20,000 honey bees moved into their new home on the Audi grounds in Münchsmünster in 2016. The collaborative project between the Audi Environmental Foundation and the Julius Maximilian University of Würzburg offers new insights into the honey bee superorganism. Interested persons all over the world can observe the activity of the bees in their "SmartHOBOS" (HoneyBee Online Studies) high-tech bee hive via live stream at [www.hobos.de](#) ([German only](#)).

### **Concrete projects and measures in the area ecology**

New projects and measures were implemented at all sites of the Audi Group in the 2016 fiscal year, which we are presenting according to the following GRI aspects in the area Ecology: Materials, Products and Services, Energy, Water, Biodiversity, Emissions, Wastewater, Solid Waste and Transport.

The primary goal of all projects and measures implemented was to further reduce emissions and make more efficient use of resources. When constructing new sites, we hold our plants around the world to high standards for environmental compatibility. At our San José Chiapa site in Mexico, which we opened in September 2016, modern equipment enables us to use resources efficiently in manufacturing the new Audi Q5.

### **Aspect: materials**

Material cycles are an important factor for Audi in doing business sustainably. Naturally resources should be used responsibly, with no scope left for waste. The goal is to implement a circular economy for the development, production and marketing of our products. This calls for ensuring that the raw materials used throughout an automobile's life cycle flow back into the production process. Recycling plays an important role in the circular economy by making it possible to reuse waste products as secondary raw materials. The overall ecological footprint of the automobiles – as measured in their life cycle assessments – provide the basis for



evaluating material cycles. These provide important information about potential for closing substance and material cycles. Metal scrap created during production in the press shop, for instance, is fed into an automatic sorting process in order to separate steel and aluminum scrap from each other. This material can then be reused. Lightweight materials such as aluminum or composites are used in the cars. While these reduce emissions due to their low weight, producing them is relatively energy intensive. However, if the materials are sorted homogeneously, they can be recovered and reused more easily – thus reducing energy requirements. Today all of the cars developed by Audi can be up to 95 percent recycled.

#### **Aspect: products and services**

Besides reducing fuel consumption and CO<sub>2</sub> emissions, we also look at the entire value chain of our products and processes as part of our holistic approach. For this, we analyze and evaluate all phases of the life cycle – from development, through the utilization phase, all the way to recycling. We have set ourselves the goal of reducing the environmental impact of every new model compared with its predecessor.

In order to evaluate this accurately, we are gradually drawing up detailed life cycle assessments for every model series. The life cycle assessment (LCA) serves to quantitatively assess such ecological aspects as greenhouse gas emissions (including CO<sub>2</sub>), energy consumption and the potential for acidification or summer smog. When compiling the LCA, Audi follows a procedure that conforms to the international ISO 14040 ff. series of standards. This enables us to deliver transparency regarding the environmental impact of every automobile over its entire life cycle.

In addition to evaluating ecological aspects, the assessment considers all phases of the vehicle life cycle – production of the materials and components, manufacturing of the automobile itself, and recycling. The decisive factor, however, is the utilization phase, when around 80 percent of the emissions occur for conventional drive concepts running on fossil fuels. In its life cycle assessment, Audi estimates a vehicle will clock up 200,000 kilometers. The level of emissions is directly affected by the choice of drive concept and the car's consumption, but also, for example, by the fuel production process. With renewable fuels such as Audi e-fuels, and with renewable electricity suitable for powering electric vehicles, the utilization phase counts for less, making the vehicle manufacturing process more significant.

We bring together all technologies that help to make our models more efficient on what we refer to as the modular efficiency platform. This contains an array of building blocks from many different areas of technology that are being steadily refined and elaborated. We are gradually integrating these efficiency technologies

into our model series in the form of product improvements and at model changeovers. Further information on the can be found at [G4-DMA Product Responsibility](#).

The goals, measures and levels of goal attainment in the area of ecology can be found in the [Sustainability Program](#). Information on the diesel issue can be found under [G4-PR9](#).

#### **Aspect: energy**

Audi is working continuously to use energy more efficiently. Audi also incorporates its international production sites in efforts to achieve the ambitious goals for energy consumption and emissions, and has installed a cross-site energy management system. Audi's strategic energy targets are derived from the environmental strategy. In agreement with the Volkswagen Group, Audi has determined that specific CO<sub>2</sub> emissions and specific energy consumption for the sites and for the Group must be reduced by 25 percent relative to 2010 by 2018.

Furthermore, Audi is increasingly turning to green electricity for its production operations. Audi has been building cars exclusively with green electricity in Ingolstadt since early 2012. The Audi Neuburg site and Audi production site at Münchsmünster also buy electricity generated from 100-percent renewable resources. The same applies for the Brussels site.

In 2015 Lamborghini inaugurated two plants for trigeneration and district heating at its headquarters, enabling it to significantly reduce carbon dioxide emissions. As a result, the independent certifying body Det Norske Veritas Germanischer Lloyd certified the entire plant at the site in Sant'Agata Bolognese as a carbon-neutral production facility. Ducati has also been using a trigeneration plant at its headquarters in Bologna since last year. The plant generated 10,700 MWh of electric power in 2016, thereby covering 80 percent of the electricity requirements at the site.

#### **Aspect: water**

Audi is working continuously to expand and develop measures for reducing freshwater consumption at national and international sites

For example, a water purification plant has been installed at the San José Chiapa site in Mexico. It is fed by groundwater from two wells, which is then purified by ultra-filtration and reverse osmosis. The purified, low-sodium water is of drinking water quality and is used in the kitchens and washrooms.

Audi is building a membrane bioreactor at its Ingolstadt plant to save water. Three treatment stages turn wastewater into hygienically safe process water. In the first stage, organic pollutants are degraded micro-biologically. This is followed by ultrafiltration, while



the final stage removes minerals from the water. The process eliminates one third of the freshwater requirements in production.

#### **Aspect: biodiversity**

AUDI AG has been addressing the subject area of biodiversity since 2008. The environmental impact assessment at the Ingolstadt site also considered biodiversity. Flora and fauna studies led to a biodiversity concept in conjunction with the definition of an index species. A biodiversity concept has already been implemented for the Münchsmünster production location. Monitoring is conducted there at defined intervals. Also, regular assessments of the avifauna are carried out at the driving and experience center in Neuburg.

#### **Aspect: emissions**

Audi is pursuing the long-term vision of an entirely carbon-neutral automotive manufacturing process. We are taking concrete measures at all sites to achieve this vision. In Ingolstadt and Neckarsulm, the emission of carbon dioxide related to energy supply is to be reduced by as much as 40 percent relative to 2010 by 2020. The plant in Ingolstadt is already 70 percent carbon-neutral and is thus setting new benchmarks in terms of conserving energy and resources in the production process.

Audi has also been working since 2009 on the development of synthetic fuels that enable a noticeable reduction in the cars' CO<sub>2</sub> emissions. The Audi e-gas plant in Werlte, Lower Saxony, has now been producing synthetic methane – known as Audi e-gas – from green electricity, water and CO<sub>2</sub> since 2013. Audi is also working with various partners in pilot projects on the development of additional synthetic fuels.

Audi is also continually implementing CO<sub>2</sub>-reduction measures in its products. The respective product line managers are responsible for the assessment and implementation of CO<sub>2</sub>-related measures in the Audi models. The CO<sub>2</sub> steering committee bundles all CO<sub>2</sub>-relevant topics in constant collaboration with all the divisions. Based on statutory requirements and the competitive situation, the CO<sub>2</sub> steering committee and the product line managers together coordinate the fleet emissions of the Audi models and initiate CO<sub>2</sub>-reduction measures. We have set ourselves the goal of reducing the CO<sub>2</sub> emissions of the Audi EU new car fleet by 27 percent relative to the base year of 2012 by 2020.

As of the end of the 2016 reporting year, there were 195 (2015: 188) Audi models available with CO<sub>2</sub> emissions averaging up to 140 g/km in the combined cycle. Of these, 121 (2015: 114) drive versions achieved combined CO<sub>2</sub> emissions of 120 g/km or less. 28 (2015: 24) Audi models had combined CO<sub>2</sub> emissions of 100 g/km or less, with 6 (2015: 5) drive versions achieving combined emissions of 95 g CO<sub>2</sub>/km or less.

According to official figures released by the European Commission, the average CO<sub>2</sub> emissions figure for newly registered Audi vehicles in the European Union (EU 28) in 2015 was 126 g/km. Based on our provisional calculations in compliance with regulation UN ECE R83/101 on the measurement of CO<sub>2</sub> emissions, the average CO<sub>2</sub> emissions of newly registered Audi models in the EU 28 is expected to be around 126 g/km in 2016. According to EU Directive 1999/94/EC relating to the availability of consumer information on fuel economy, the official fuel consumption must be stated as determined by the approval authorities under the type approval procedure pursuant to Directive 80/1268/EEC, taking the UN-specified type approval approach of the NEDC (New European Driving Cycle) as the basis. Differences may occur in everyday practical operation as a result, for example, of different speed profiles, payloads or auxiliary systems, because not all possible factors influencing consumption have been standardized for the type approval approach.

One example of emissions reduction in the area of production is the paint shop that Audi opened at the Ingolstadt site in 2016 which is considered one of the most environmentally compatible in the world. The latest technologies, such as air recirculation, dry separation and exhaust air treatment reduce heating energy and water consumption per car by 20 percent, for example. Furthermore, CO<sub>2</sub> emissions per painted car are 30 percent lower, and VOC emissions (volatile organic compounds) are decreased by 90 percent. The Győr and San José Chiapa sites also use these technologies to permanently ensure sustainability in the production chain.

#### **Aspect: waste**

Audi closes material loops where possible in order to reduce waste. At the Ingolstadt site, for example, virtually no waste requiring disposal is produced anymore. More than 95 percent of the waste is recycled. Individual materials are almost entirely managed within a circular economy.

The recycling quota for production operations at Audi Hungaria is also 95 percent. Separating waste has become a routine task at the Company that has been further improved by regular environment training and feedback to the production departments. The monitoring system for checking waste separation has been improved in order to achieve the goal.

Another international success: 91 percent of the waste arising at our San José Chiapa site in Mexico is recycled.

#### **Aspect: transport**

The sustainable transport of its products is very important to Audi. Group-wide, more than 60 percent of all cars to be delivered are transported on trains that are powered by renewably generated electricity.



In 2010 Audi also became the first company to employ the carbon-neutral rail transport service Eco Plus from the provider DB Schenker. For the service, which is offered for transports within Germany, Deutsche Bahn additionally purchases electricity from renewable sources. The required amount of electricity is determined in advance by the logistics provider, depending on the route and the goods to be transported. The German technical inspection authority TÜV SÜD has audited and confirmed the CO<sub>2</sub> neutrality of [Eco Plus \(German only\)](#).

This resulted in the following CO<sub>2</sub> savings for 2016

- ↘ Between Ingolstadt and the port of loading in Emden: 7,529 metric tons
- ↘ Between Neckarsulm and the port of loading in Emden: 4,072 metric tons

At the Neckarsulm site, Audi (via its contract logistics provider) operates two trucks powered by biomethane gas, making a further contribution to ecology at the site. The gas-powered trucks emit up to 80 percent fewer particles than comparable diesel-powered trucks. In addition to the biogas vehicles, a purely electric-powered e-tractor also cuts CO<sub>2</sub> emissions in logistics operations. It has been in three-shift service since March 2016, replacing a regular diesel truck for shunting between the trailer yard and the factory. Further information on significant environmental impacts of transport can be found under [G4-EN30](#).

More detailed information on environmental protection measures at our sites is available [here](#).

## **G4-DMA-c Evaluation of the management approach: Category Environmental**

Audi began introducing environmental and energy management systems at its national and international sites in 1995. These include the environmental management system of the European Union, EMAS, as well as fulfilling the requirements of DIN ISO 14001 and DIN EN ISO 50001. The introduction of the first environmental management system at the Neckarsulm site (1995) was followed by systems at the sites in Ingolstadt (1997), Győr (1999), Brussels (2002) and Lamborghini site in Sant'Agata Bolognese (2009).

Through the voluntary participation in the environmental management systems, the Audi Group gives assurances that go far beyond the statutory requirements. Key elements here include the continuous involvement of management and training of the employees as well as the development of concrete internal targets for the individual sites. The innovations in environmental management this has enabled have been continually documented by the corresponding certifications and public environmental declarations.

## **– Aspect: Materials –**

### **G4-EN1 Materials used by weight or volume**

Raw materials used for installation in vehicle: 2.9 million metric tons in 2016 (of which all rounded):

- ↘ Steel and ferrous materials: 55 percent
- ↘ Light alloys: 15 percent
- ↘ Non-ferrous metals 3 percent
- ↘ Special metals: < 1 percent
- ↘ Process polymers: 2 percent
- ↘ Others (incl. renewable raw materials): 3 percent
- ↘ Electronics: < 1 percent
- ↘ Operating fluids and ancillary materials: 4 percent

### **G4-EN2 Percentage of materials used that are recycled input materials**

Individual components can comprise up to 100 percent recycled input material. This applies for both metallic and non-metallic materials. Depending on the model, the cars comprise 30 to 37 percent recycle.



## – Aspect: Energy –

### G4-EN3 Energy consumption within the organization

	Unit	2014	2015	2016
Total energy consumption	MWh	2,543,352	2,705,708	2,883,535
of which automotive production	MWh	2,527,825	2,688,532	2,864,558
from renewable energy sources	MWh	955,276	986,833	1,002,288
of which automotive production	MWh	955,276	983,771	1,002,288
· Electricity	MWh	1,520,710	1,583,682	1,685,044
of which automotive production	MWh	1,509,672	1,572,508	1,671,650
· Heating (incl. district heating)	MWh	703,595	777,268	831,283
of which automotive production	MWh	699,106	771,265	825,702
of which district heating	MWh	385,047	356,186	346,948
of which automotive production	MWh	385,047	356,186	346,948
· Fuel gases for production processes	MWh	319,047	344,301	366,843
of which automotive production	MWh	319,047	344,301	366,843
· Refrigeration	MWh	0	458	364
of which automotive production	MWh	0	458	364

The figure “total energy consumption” is made up of electricity and heat consumption as well as the use of fuel gases for production processes and externally supplied refrigeration at the plants.

Fuel use at the plant is the total primary energy required at the plant. This also includes the fuel consumed on engine and transmission test rigs.

	Unit	2014	2015	2016
Total fuel use	MWh	956,642	1,037,981	1,178,898
of which automotive production	MWh	950,137	1,029,846	1,155,896
· Natural gas	MWh	817,440	899,914	1,032,626
of which automotive production	MWh	812,951	894,127	1,011,979
· Heating oil	MWh	5,079	6,868	8,759
of which automotive production	MWh	5,079	6,868	8,759
· Diesel fuel	MWh	34,831	32,090	34,136
of which automotive production	MWh	34,831	32,090	34,136
· Gasoline	MWh	99,293	99,109	103,377
of which automotive production	MWh	97,276	96,761	101,022

#### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant’Agata Bolognese (Lamborghini), Bologna (Ducati).

Only those sites producing automobiles including component manufacturing are considered for the specific indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant’Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.



## G4-EN5 Energy intensity

	Unit	2014	2015	2016
Energy intensity	MWh/veh.	2.32	2.42	2.61

The indicated energy intensity refers to automotive production (including component manufacturing). This is derived by dividing the total energy consumption of the automobile and component plants (Ingolstadt, Münchs-

münster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) by the number of automobiles produced at the sites.

### Number of automobiles produced at the sites indicated (as organization-specific parameter)

	2014	2015	2016
	1,091,114	1,112,109	1,095,492

## – Aspect: Water –

## G4-EN8 Total water withdrawal by source

	Unit	2014	2015	2016
Total freshwater consumption	m <sup>3</sup>	3,867,569	4,044,587	4,231,809
of which automotive production	m <sup>3</sup>	3,815,661	3,995,579	4,175,638
· Freshwater consumption, internal catchment	m <sup>3</sup>	1,989,956	1,988,622	2,438,701
of which automotive production	m <sup>3</sup>	1,958,937	1,959,817	2,404,341
Rainwater used	m <sup>3</sup>	196,683	168,666	66,626
Surface water from lakes, rivers, oceans	m <sup>3</sup>	791,850	841,697	721,112
Groundwater	m <sup>3</sup>	970,404	949,454	1,616,603
· Freshwater consumption, externally sourced	m <sup>3</sup>	1,877,614	2,055,965	1,793,108
of which automotive production	m <sup>3</sup>	1,856,725	2,035,762	1,771,297

### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati).

Only those sites producing automobiles including component manufacturing are considered for the specific indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckar-

sulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.

## – Aspect: Biodiversity –

## G4-EN14 Conservation species in habitats affected by business operations

AUDI AG has been increasingly addressing the subject area of biodiversity since 2008. The primary focus during the reporting period was on cultivating wild bees.

In addition, selected measures are being taken at the Audi Münchsmünster production site to transform open spaces on the plant grounds into natural-like habitats for numerous plant and animal species, such as flower- and species-rich meadows that are only mowed twice



a year. Seeds from meadows in the region are sown to strengthen regional species. Regional traditional fruit varieties serve as a food source for insects; butterfly borders supplement the food supply.

Further information on the topic of biodiversity can be found in the chapter on the "[Audi Environmental Foundation](#)."

## – Aspect: Emissions –

### G4-EN15 Direct greenhouse gas emissions (Scope 1)

	Unit	2014	2015	2016
Direct CO <sub>2</sub> emissions	t	199,584	220,364	238,399
of which automotive production (incl. components)	t	198,165	217,860	237,331

In accordance with the requirements of Volkswagen standard 98000, direct greenhouse gas emissions are indicated in metric tons of CO<sub>2</sub>. This figure is made up of CO<sub>2</sub> emissions generated by the use of fuel at the plants and the use of fuel on test rigs. In addition to the direct CO<sub>2</sub> emissions of the Audi Group including motorcycle production, the direct CO<sub>2</sub> emissions are also indicated separately for plants producing automobiles (including component plants).

The determination and indication of direct greenhouse gas emissions (Scope 1) in t CO<sub>2</sub> equivalents for 2014 and 2015 was performed as part of the determination of the corporate carbon footprint according to the ISO 14064 standard. See the comments under [GE-EN17](#).

#### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how company environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The envi-

ronmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati).

Only those sites producing automobiles including component manufacturing are considered for the specific indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.

### G4-EN16 Indirect greenhouse gas emissions (Scope 2)

	Unit	2014	2015	2016
Indirect CO <sub>2</sub> emissions	t	444,283	431,152	474,253
of which automotive production (incl. components)	t	439,502	427,093	469,689

In accordance with the requirements of Volkswagen standard 98000, indirect greenhouse gas emissions are indicated in metric tons of CO<sub>2</sub>. This figure is made up of CO<sub>2</sub> emissions from external power plants, combined

heat and power plants and boiler houses outside the sites as the result of the procurement of energy (e.g. electrical energy, district heat). In addition to the indirect CO<sub>2</sub> emissions of the Audi Group including motor-



cycle production, the indirect CO<sub>2</sub> emissions are also indicated just for plants producing automobiles (including component plants).

The determination and indication of indirect greenhouse gas emissions (Scope 2) in t CO<sub>2</sub> equivalents for 2014 and 2015 was performed as part of the determination of the corporate carbon footprint according to the ISO 14064 standard. See the comments under G4-EN17.

### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

## G4-EN17 Other indirect greenhouse gas emissions (Scope 3)

The collection system for the Audi Group corporate carbon footprint was developed on the basis of the Greenhouse Gas Protocol and verified according to the ISO 14064 standard by an accredited, independent auditor.

The data has been computed and certified up through and including 2015.

Unit	2013	2014	2015	
Scope 3 – Other indirect CO <sub>2</sub> e emissions	t	65,362,098	66,765,458	67,423,089
Scope 2 – Indirect CO <sub>2</sub> e emissions from energy	t	394,138	423,678	429,171
Scope 1 – Direct CO <sub>2</sub> e emissions:	t	268,761	251,543	270,459

## G4-EN18 Greenhouse gas emissions intensity

Unit	2014	2015	2016	
Intensity quotients of indirect greenhouse gas emissions (Scope 1 and Scope 2)	kg/veh.	584.42	579.94	645.39

This figure refers to automotive production (including component manufacturing). The sum of direct and indirect CO<sub>2</sub> emissions (indicated in tons CO<sub>2</sub>; see comments under G4-EN15 and G4-EN16) of the automobile and component plants (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; including San José Chiapa since 2016) is divided by the number of automobiles produced at the sites.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati).

Only those sites producing automobiles including component manufacturing are considered for the specific indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.

Due to the different regulations of the Greenhouse Gas Protocol and the Volkswagen 98000 standard concerning the carbon footprint framework and the calculation method, deviations arise in Scope 1 and Scope 2 with regard to the indicators G4-EN15 and G4-EN16.

### Number of automobiles produced at the sites indicated (as organization-specific parameter):

2014	2015	2016
1,091,114	1,112,109	1,095,492





## G4-EN21 NO<sub>x</sub>, SO<sub>x</sub> and other significant air emissions

	Einheit	2014	2015	2016
NO <sub>x</sub>	t	187	190	238
SO <sub>2</sub>	t	1.2	2.2	2.9
VOC	t	1,959	1,814	1,730
PM	t	33	34	35

VOC emissions (volatile organic compounds): This figure is made up of emissions from the paint shops, test rigs and other facilities.

Direct NO<sub>x</sub> emissions, PM (total particulate matter) and SO<sub>2</sub> emissions: This figure is made up of NO<sub>x</sub> emissions generated by the power generation facilities at the plant, paint shops and by the operation of test rigs.

### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José

Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati). The values for total particulate matter (PM) do not include the San José Chiapa site.

Only those sites producing automobiles including component manufacturing are considered for the specific indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.

## – Aspect: Effluents and Waste –

## G4-EN22 Total volume of water discharge by quality and destination

	Unit	2014	2015	2016
Total volume of planned and unplanned water discharges	m <sup>3</sup>	2,624,488	2,694,337	2,502,719
Breakdown according to direct and indirect discharge				
· Direct discharge	m <sup>3</sup>	0	6,812	12,274
· Indirect discharge	m <sup>3</sup>	2,624,488	2,687,525	2,490,445
Direct dischargers: Münchsmünster, San José Chiapa (since 2016) sites; Indirect dischargers: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, Sant'Agata Bolognese (Lamborghini), Bologna (Ducati) sites				
Wastewater load				
· Chemical oxygen demand	kg	956,916	1,010,237	664,358
· Total phosphorous content as phosphorous (P)	kg	11,898	12,858	9,615
· Total nitrogen as nitrogen (N)	kg	37,763	61,411	43,985
· Zinc	kg	326	619	517

### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen

standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data



from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati).

Only those sites producing automobiles including component manufacturing are considered for the specific

indicators. In addition to the environmental data of the Audi Group (including motorcycle production at Ducati, Bologna), the environmental data of the automotive production sites (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese; since 2016 including San José Chiapa) are also shown separately for better comprehensibility.

The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.

## G4-EN23 Total weight of waste by type and disposal method

	Unit	2014	2015	2016
Total volume of waste (excluding scrap)	t	82,285	89,515	98,388
· of which automotive production (incl. components)	t	81,415	88,484	97,403
· recyclable waste	t	68,279	75,415	86,982
· of which automotive production (incl. components)	t	67,513	74,497	86,081
· other recyclable waste	t	36,012	43,203	47,480
· of which automotive production (incl. components)	t	35,323	42,354	46,909
· hazardous recyclable waste	t	30,325	31,011	36,401
· of which automotive production (incl. components)	t	30,290	30,974	36,354
· non-production-specific recyclable waste	t	1,941	1,201	3,100
· of which automotive production (incl. components)	t	1,900	1,169	2,819
· disposable waste	t	14,006	14,100	11,407
· of which automotive production (incl. components)	t	13,902	13,986	11,322
· other disposable waste	t	322	1,039	523
· of which automotive production (incl. components)	t	270	989	466
· hazardous disposable waste	t	13,276	12,238	10,004
· of which automotive production (incl. components)	t	13,258	12,177	9,977
· non-production-specific disposable waste	t	408	823	880
· of which automotive production (incl. components)	t	374	821	879
Metallic waste (scrap; completely recyclable)	t	345,855	353,741	385,959
· of which automotive production (incl. components)	t	345,253	353,262	385,422

### Standards, methods and assumptions applied

Unless otherwise indicated, the environmental key figures are determined on the basis of Volkswagen standard 98000. This standard defines how operational environmental data is to be determined within the Volkswagen Group and its subsidiaries. The aim is to collect and document all environment-relevant data from all the plants in a comparable manner. The environmental data is primarily based on measurements and calculations. Qualified estimates or projections are used only in exceptional cases.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following sites: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José

Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati).

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The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year.



## G4-EN24 Total number and volume of significant spills

No material discharges of chemicals, oils or wastes to the environment occurred during the reporting period.

### – Aspect: Products and Services –

## G4-EN27 Mitigation of environmental impacts of products and services

Life cycle assessments (LCA) are used for the quantitative analysis of the ecological aspects of our products and processes. For this, we analyze and evaluate all phases of the life cycle – from production, through the utilization phase, all the way to recycling. Emissions of greenhouse gases (including CO<sub>2</sub>), energy consumption and acidification or smog potential are determined. When compiling LCAs, Audi follows a procedure that conforms to the international ISO 14040 ff. series of standards.

All LCAs from AUDI AG can be found [here](#).

### – Aspect: Compliance –

## G4-EN29 Fines and sanctions for non-compliance with environmental regulations

None

### – Aspect: Transport –

## G4-EN30 Significant environmental impacts of transporting products

AUDI AG is currently working with Volkswagen Group Logistics to develop a uniform accounting method to determine the CO<sub>2</sub> emissions of logistics operations. For the transport of materials, consignments are grouped together into complete loads or requirement-

based loads (milk runs) in order to increase utilization of the transport capacity. We ship a high proportion of finished vehicles by rail and by CO<sub>2</sub>-free rail freight transport along the routes Ingolstadt-Emden and Neckarsulm-Emden. We also use synergies from central transshipment points within the Group.

The Group-wide accounting method has been developed in accordance with DIN EN 16258 and the Greenhouse Gas Protocol. The CO<sub>2</sub> emissions are evaluated using impact factors such as distance, payload, equipment and capacity utilization. The next step is to include all non-German sites.

### Measures

Group-wide at Audi, more than 60 percent of all cars to be delivered are transported by freight train. For models from Ingolstadt and Neckarsulm, this figure is already more than 70 percent; roughly half of these are transported in trains that are powered by renewably generated electricity.

Audi uses the CO<sub>2</sub> rail transport service Eco Plus from the provider DB Schenker. For the service, which is offered for transports within Germany, Deutsche Bahn additionally purchases electricity from renewable sources. The German technical inspection authority TÜV SÜD has audited and confirmed the CO<sub>2</sub> neutrality of Eco Plus.

Since 2010, these green trains have been traveling between Ingolstadt and the loading port in Emden. As a result, the Company reduced CO<sub>2</sub>e emissions by a total of 7,529 metric tons in 2016 alone. The green trains have also been traveling the route between Neckarsulm and Emden since 2012. Audi was able to save a total of 4,072 metric tons in CO<sub>2</sub>e emissions here in 2016. The green train will be rolled out to the entire German rail network in the second quarter of 2017.



CO<sub>2</sub>e reduction in logistics (in t)

At the Ingolstadt site, a plug-in hybrid locomotive has been successfully operating for the past year as part of the plant railway. It delivers components and parts to the shops. A second plug-in hybrid locomotive has been in operation since October 2016. Both emit up to 120 metric tons less CO<sub>2</sub> per year. With the plug-in hybrid locomotives, we are applying the plug-in technology from the product area to a transport process. The technology makes it possible to charge the electric



motors of the locomotives from the electric socket and to supply them in this way with electricity from renewable resources. The plug-in locomotives thus help to conserve resources and reduce emissions. Noxious nitrogen oxide can be reduced by up to 50 percent and particulate matter by about 80 percent.

A freight forwarder has been transporting shipments at the Neckarsulm plant since September 2016 using two biomethane-powered trucks. The biomethane is obtained from waste and residual materials and allows for virtually climate-neutral operation. Further information can be found under [G4-DMA Environmental](#).

## Social

### G4-DMA-a Identified material aspects and boundaries: employees

#### The foundation for the Company's success: our employees

Audi has a responsibility as it conducts its corporate activity to develop perspectives for its employees and establish security and trust. The major megatrends such as digitalization and globalization as well as demographic change mean manifold changes for the working world.

For Audi, the key is to support the employees in this rapidly changing work environment, to strengthen future-oriented competences and to adapt quickly and dynamically to new parameters.

Classic employment biographies are becoming increasingly rare. Instead they more often include breaks for advanced training or to care for family members. In light of this, employees increasingly want modes of work that are compatible with different life phases or the ability to work independently of time and place constraints.

New models for working hours that include flatter hierarchies, shorter decision paths and more responsibility are also gaining importance. A wide range of development and advanced training opportunities are key tools for optimally preparing employees for future tasks and topics in the rapidly changing environment.

Audi is addressing these modified requirements and expectations with its Strategy 2025.

Audi is also becoming more international: Employees from roughly 100 countries work at the German sites alone. The Audi Group now has production operations at 16 sites in 12 countries.

The following aspects were identified as material, as they are relevant to the stakeholders, particularly the Audi employees, and also for Audi:

- ↘ Employment
- ↘ Labor/management relations
- ↘ Occupational health and safety
- ↘ Training and education
- ↘ Diversity and equal opportunity
- ↘ Equal remuneration for women and men

As an international company, Audi considers an open and diverse corporate culture as a key requirement for economic success. It is therefore important for Audi to actively promote diversity and create a climate of mutual trust.

### G4-DMA-b The management approach to employment and its effects

#### Strategic organization of human resources

The strategy of the Human Resources and Organization division is based on the corporate strategy and consistently places its emphasis on the employees.

The human resources strategy focuses on the following points:

- ↘ Strengthening competences: We suggest goal-oriented development paths to our employees and support them in developing the competences they will need in the future.
- ↘ Making work attractive and flexible: With future-oriented work models and organizations, we meet the needs of our workforce at different stages of life. We recognize performance and commitment and reward it appropriately.
- ↘ Promoting responsibility: We practice responsible leadership and our working relationships are based on trust. Fair partnerships are extremely important to us.
- ↘ Ensuring future viability: We prepare in good time for changing social and economic conditions and set trends as an employer. Our training and advanced training opportunities equip us for new technological developments and strengthen our innovative power. We promote the physical and intellectual well-being of our employees with innovative occupational health management programs.



The strategic orientation of the division is continuously being refined. All projects and measures have the aim of accelerating the transformation into an even more agile organization, to shape the working world of tomorrow and to establish Audi both internally and externally as an excellent employer.

Besides a high level of job security, we also offer our employees attractive and commensurate pay, a profit-sharing program and other social benefits such as a company pension plan.

The treatment of temporary staff has become a major socio-political issue. The Board of Management and Works Council therefore have reached an agreement regarding the deployment of temporary workers. This is based on the collective agreement for the metal-working and electrical industries relating to agency/temporary staff and the [Charter on Temporary Work for the Volkswagen Group](#). This agreement guarantees appropriate working conditions and remuneration. We only use companies that fulfill these agreed criteria. Furthermore, we offer temporary employees working at Audi extensive training opportunities and provide an appraisal at the end of their employment. We offer temporary workers a permanent position if the appraisal is good, appropriate staff are needed and certain recruitment criteria are met. In 2016, AUDI AG took on 433 (2015: 394) temporary workers as permanent staff members.

### Comprehensive dialogue between employees and management

A professional relationship with the employees' elected representatives, which permits neither favoritism nor discrimination, is part of our corporate culture. In accordance with the [Audi Code of Conduct](#), we are commit-

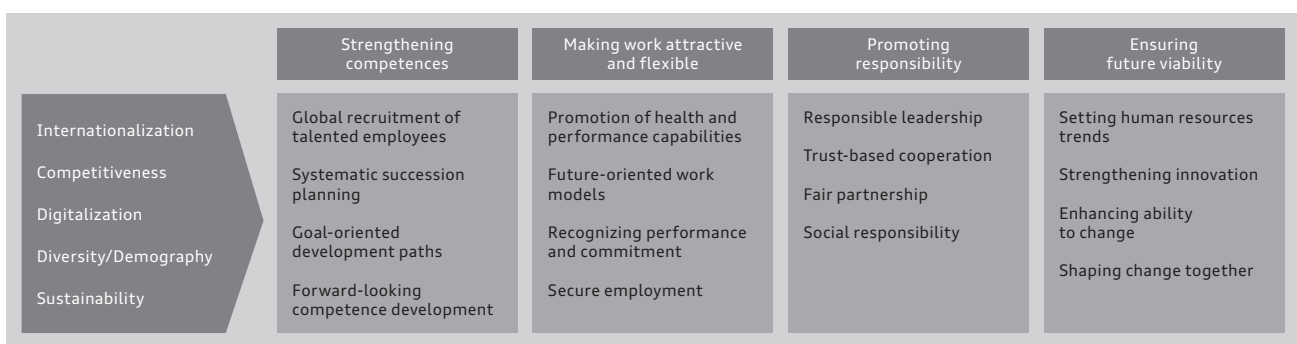
ted to open and trusting collaboration with the employees' elected representatives, engaging in a constructive and cooperative dialogue and striving for a fair balancing of interests. The Works Council has formed committees and commissions both on the level of the General Works Council and independently at the individual sites. The Audi Europe Committee was established to promote better networking. Audi is also represented in the European Group Works Council and the Global Group Works Council of Volkswagen.

### Audi Ideas Program

The creativity of our employees helps to improve processes and reduce costs. Suggestions for improvement from our employees are collected as part of the Audi Ideas Program. Superiors and expert appraisers evaluate these and check their feasibility. The employees also benefit from the implementation of an idea and the associated costs savings because they are rewarded with a bonus payment based on the savings potential. The evaluation process is standardized and transparent: Employees can see what stage a suggestion has reached at any time on the intranet. An evaluation committee made up equally of company and employee representatives decides on high-value suggestions. In 2016, 55.1 percent of the suggestions submitted were implemented, achieving savings in the amount of EUR 88 million.

### Targets in the area of employment

The four target areas of the HR strategy are strengthening competences, making work attractive and flexible, promoting responsibility and ensuring future viability. Four targets with concrete projects and time lines are assigned to each of these target areas.



### New concepts of collaboration: leadership principles

The changes within the working world are also giving rise to changing expectations regarding the topic of leadership. Audi therefore ratified new leadership principles in 2015 and anchored them in every division and the international sites over the course of 2016. Audi addresses the changes with the leadership principles and has initiated a culture change. Appreciation and

respect are the core of the new leadership principles, in which the fundamental principles of leadership and collaboration are anchored.

### Occupational safety and health management

Occupational safety and comprehensive health management are very important at Audi. For all day-to-day operations, the Company and Works Council have devel-



oped measures to prevent accidents and damage to health as well as to ensure that processes, equipment and vehicle components are designed to be safe. The Board of Management is responsible for compliance with the respective statutory regulations. Furthermore, each manager is responsible for occupational safety in his or her supervisory and functional area. This was established in an occupational safety agreement in 1990. In order to guarantee the high level of occupational safety at Audi at all times, we regularly train our specialists and managers.

The aim of our integrated occupational safety measures is not only to protect our employees from work-related risks but also to enhance their health and performance capabilities. We therefore incorporate occupational safety into the planning process at an early stage.

In 2016, there were 4.0 work-related accidents per million hours worked in the Company that resulted in at least one day's work lost. The accident rate was only slightly above that of 2015 (3.9). The employee attendance rate of 95.9 percent (previous year: 96.0 percent) remained at the same high level. Employees in the Occupational Safety department analyze all work-related accidents, continually devise measures for improvement and develop sustainably effective prevention measures. Audi aspires to a leading position in Germany industry with respect to both know-how and technical equipment.

We promote the health of our employees with numerous programs. One component of health management is the Audi Checkup. Since 2006, all employees have been able to use the individualized prevention program during working hours. Modern medical equipment and medical consultations help to detect and reduce health risks at an early stage. Around 90 percent of our employees already take part in the program.

Other measures that have been developed by the health management team include:

- ↘ Information events and training courses on healthy eating and exercise,
- ↘ Preventive care and health promotion
- ↘ Vaccination programs
- ↘ Addiction prevention
- ↘ Program to strengthen mental health

### Ergonomic workplaces

Audi designs workplaces according to modern, ergonomic and occupational health and safety standards – both at its German locations in Ingolstadt and Neckarsulm as well as at its international plants in Belgium, Italy, Mexico and Hungary. Healthy and age-appropriate workplaces not only guarantee the performance capacity of our employees, they also make a significant contribution towards their safety. Audi has therefore estab-

lished ergonomics as a binding standard and defined this as a strategic goal in Technical Development, along with quality, costs and investment.

The Audi ergonomics strategy “We for us. Active into the future.” encompasses three areas of action:

- ↘ Intelligent work organization – Group work is organized in an intelligent way to reduce strain. For example, production employees regularly change tasks within a production group every two hours. This rotation ensures that the loads are optimally distributed among different areas of the body.
- ↘ Communication and dialogue – In order to draw employees’ attention to the subject of workplace ergonomics, Audi holds special advisory meetings and encourages its employees to come up with their own suggestions and proposals.
- ↘ Internationalization – In addition, we intend to implement these standards worldwide. This calls for the German specifications to be adapted to the situation in the respective countries. We are developing a global ergonomics network and are training experts to set this up at the various international locations. This is already being done in Győr and Brussels.

Besides the Audi ergonomics strategy, a holistic risk assessment updated each year contributes to a healthy working environment in all areas of the Company. The mental health of our employees is particularly important here.

### Goals in the area of occupational safety and health management

Audi has defined the following health-related goals in the company agreement on health:

- ↘ Design and organize work in a way that is health- and age-appropriate
- ↘ Minimize occupational accidents
- ↘ Limit illness-related absences by means of occupational health management measures
- ↘ Avoid occupational illnesses and work-related impairments
- ↘ Maintain and promote physical and mental health
- ↘ Limit health-related work restrictions for employees (impaired capacity) by means of measures to promote physical and mental health within the framework of occupational health management
- ↘ Age- and health-appropriate work assignments

### Training and development

Employees with excellent qualifications are an important basis for Audi’s success. That is why the Company trains young people worldwide and provides support for employees in all life phases by offering a wide array of advanced training options. Training and education at Audi is governed by multiple company agreements,



including agreements on dual education, qualification and the hiring of apprentices at the completion of their training.

We have bundled our competence development and qualification training offer at Audi Akademie, which organizes the range of specialist and interdisciplinary training, from vocational education to employee qualification to management and manager training. Audi Akademie organizes, plans and qualifies Audi employees with new methods and course formats. To develop and expand specific expertise for the future, Audi has set up area academies in all divisions of the Company. The specialized course content ranges from procurement, logistics and sustainability to electrical and electronics development. Many courses impart condensed, work-related knowledge. Audi experts from the various specialist departments often serve as instructors here.

The Company and the Works Council have also formed a joint committee for competence development. The members define and develop qualification concepts and competence profiles on the basis of the corporate strategy. Another focal point is the expansion of measures and processes for human resources development, including the selection process, development paths, support programs and the further development of the area academies.

Further information and concrete measures related to training and education can be found at indicator [G4-LA10](#).

### **Overarching goals in the area of training and development**

In accordance with a company agreement for the German sites, all apprentices who pass their final examination will be offered permanent employment unless precluded for personal or behavioral reasons. This employment guarantee applies to all apprentices and participants in a dual vocational training program. The number of apprentices is agreed to annually by management and the General Works Council.

### **Diversity and equal opportunity**

Equal opportunities, equal rights, fairness as well as mutual acceptance and tolerance shape Audi's corporate culture. We value differences and the diverse qualities of our employees. The guidelines for equal opportunities and equal rights at AUDI AG were established in 2007. The [Audi Code of Conduct](#) also stipulates that we reject discrimination of any kind and recruit our employees solely on the basis of their qualifications – regardless of gender, ethnic origin, disability, age, sexual identity, religion or beliefs.

We signed the [Diversity Charter \(German only\)](#) in late 2016 and will focus more strongly on the subject of diversity management in the future.

### **Work-life balance**

Work-life balance and the greatest possible flexibility with respect to time is an important concern in many life phases. Audi supports its employees here with numerous offers for parental and caregiver leave, child care options and flexible working time models.

The “Audi Spielraum” initiative at the Ingolstadt and Neckarsulm sites offers a wide range of child care solutions. We are continually expanding similar child care arrangements at our sites outside Germany, for example in Győr (Hungary). In Sant’Agata Bolognese, Italy, the home of Automobili Lamborghini, there is a cooperation agreement with a local kindergarten.

In addition to the statutory leave entitlement to care for a family member, Audi employees can take up to three years of caregiver leave. If needed, employees can extend this three years of caregiver leave by a further four years. In this case, they leave the Company and receive a reemployment guarantee for an equivalent job.

Those who return to the Company after a lengthy period of leave can take part in the comprehensive “Job & Family” qualification program. The aim is to make returning to the workforce easier – also for employees who return after caregiver leave.

Furthermore, employees can request a sabbatical or work at home on the basis of a telecommuting agreement. Part-time employees who work on a shift system have the option of choosing a particular shift i.e. working only early or only late shifts, for example.

Mobile work is also possible. In 2016, management and the General Works Council reached an agreement on binding criteria for this. For the first time, employees have a general right to work flexibly and independently of place and time, if it is compatible with their actual tasks. They therefore will have even more freedom and scope to combine their working life with their private life.

### **Promoting the advancement of women in technical professions**

Under our corporate strategy and the Audi self-perception, we attach particular importance to attracting qualified female employees to Audi and promoting their careers. Many areas of the Company require primarily employees who have completed vocational training or have a degree in a technical field. Because the proportion of women with a technical education continues to be low, we want to get girls interested in technical subjects at an early age. That is why we are



involved in a variety of workplace discovery days such as “Girls’ Day,” the “Women in Research” and the “Girls for Technology” camps. We also offer student internships. Roughly 30 percent of apprentices at Audi are female – a top figure within the industry. To attract well-qualified women to our Company, we support various women’s networks, implement our own specific formats such as “Audi networks” or “Women Talk,” and attend various trade fairs and congresses aimed specifically at female professionals.

### Increasing the proportion of female managers

When hiring academic graduates, we look at the proportion of women studying each subject. Averaged across all courses of study that are relevant for the Company, the target proportion of women among new recruits has been identified as around 30 percent. With the “Sie und Audi” program series, the Company has long supported talented, high-performing female employees from all areas and at all levels along their career path. The programs are directed at various target groups and include, for example, a mentoring program for high potentials, along with various seminars and networking opportunities. Roughly 80 employees took part in 2016. Six years ago we set goals for the percentage of women at various employment tiers. For example, we want to reach the target of eight percent women for the top management tier by the end of 2021, and 16 percent for the second management tier. Our long-term goal is 30 percent women in management.

### Diversity Charter and integration management

Through comprehensive integration management and special training measures and workplace design, we can offer people with impairments or disabilities equal career prospects at Audi.

In the future, we will continue to ensure that all parties involved in the subject of integration work closely with those affected: HR advisors, Works Council members, plant doctors, production planners and managers. The latter have an important role: With health-focused and inclusive leadership, superiors can ensure that employees with health issues work effectively and contribute to the Company’s success. Audi was awarded the 2016 [Industrial Inclusion Prize](#) in recognition of its integration management.

## G4-DMA-c Evaluation of the management approach: Employees

### External assessment: Audi – an excellent employer

One goal of the Audi Strategy is to be an excellent employer all around the world. Numerous awards and top placements in employer rankings confirm the Company’s attractiveness. For example, Audi finished at or near the top in the latest surveys in Germany by the major pollsters [Universum](#) and [trendence](#). Audi took first place in the 2016 ranking of employers by engineering students. Audi is Germany’s second-best employer for future economists. And carmakers are becoming increasingly attractive among computer scientists. Computer science students ranked Audi fourth behind Google, Microsoft and Apple. Audi took first place in the category “Automobile/Large Company” in the [“Best Employer 2016” \(German only\)](#) attractiveness survey conducted jointly by the news magazine FOCUS, the careers network XING and the employer rating platform kununu. According to a study by the magazine Focus Money, Audi is “Germany’s best training organization 2016” in the categories “Automobile” and “Companies with more than 10,000 employees.”

Companies in the Audi Group rank among the top employers in countries outside of Germany, too: The Audi locations in Győr and Brussels as well as Lamborghini in Sant’Agata Bolognese were awarded the [“TOP EMPLOYER of the year”](#) quality seal in 2016.

### Internal assessment: Regular employee surveys

In addition to external assessments, the assessment of our own employees is very important to us so that we can continuously improve. Our strategic approach therefore includes a regular employee survey. In 2016, more than 40,500 employees (70 percent) at the German sites took part in the AUDI AG “Stimmungsbarometer.” It provided them the opportunity to express their opinions anonymously on subjects such as their own work, optimizing processes and workflows, collaboration and leadership. The results reflect an overall high level of satisfaction among employees. For example, 94 percent of the respondents agreed completely or mostly with the statement “I consider AUDI AG to be an attractive employer.”

Managers present not just the overall results, but also the results in the individual departments and discuss these with the employees. The aim is to identify potential improvements both in the individual departments and at the Company as a whole. The “Stimmungsbarometer” is thus an established diagnostic tool for employees and managers that provides important impetus for change processes.





– Aspect: Employment –

**G4-LA1 New employee hires and employee turnover**

There were 7,308 (2015: 7,415) new hires at the Audi Group in 2016.

2,623 (2015: 4,182) thereof were hired at AUDI AG. The gender breakdown was 2,043 men and 580 women.

The turnover rate at AUDI AG in 2016 was 0.8 percent (2015: 0.5 percent). Broken down by gender this was 0.8 percent (men) and 1.2 percent (women).

**G4-LA2 Benefits provided to full-time employees that are not provided to temporary or part-time employees**

No distinction is made between the benefits provided to part-time and full-time employees.

– Aspect: Labor/ Management Relations –

**G4-LA4 Minimum notice periods regarding operational changes**

General collective agreements and company agreements feature isolated subject-specific minimum notice periods that are applied in the Company.

– Aspect: Occupational Health and Safety –

**G4-LA5 Workers representation in formal joint management-worker health and safety committees**

At all production sites, all employees are represented in joint management-worker health and safety committees.

**G4-LA6 Types of injury and rates of injury at the organization**

**Attendance rate** AUDI AG  
(formula: 100 – sick days/payment-relevant days)\*100)

Unit	2014	2015	2016
Percent	96.3	96.0	95.9

**Accident frequency** AUDI AG  
(Industrial accidents involving one or more days' work lost per million hours worked)

	2014	2015	2016
	3.1	3.9	4.0

**G4-LA8 Health and safety topics covered in formal agreements with trade unions**

At the Group level: Compliance with the ILO requirements (see [“ILO Declaration on Fundamental Principles and Rights at Work”](#))

In Germany: Company agreement on health, which pools all topics related to employee preventive health care with a particular focus on mental health

– Aspect: Training and Education –

**G4-LA9 Average hours of training per year per employee by gender and employee category**

Average qualification time per employee in hours (2016) AUDI AG:

Direct employees: 9.8  
Indirect employees: 20.5  
Management employees: 22.0

The breakdown of qualification time by gender is not materially relevant for the processes of AUDI AG.



## **G4-LA10 Programs for skills management, managing career endings and continued employability**

Management and the General Works Council of AUDI AG have reached an agreement that enables employees to receive specialist and interdisciplinary training throughout their entire careers, from vocational education to continuous professional development to specific age-appropriate learning opportunities. Employees discuss the respective qualification measures with their managers as part of a qualification appraisal. The Company bears the costs of the qualification measures.

### **Training and youth development at Audi**

AUDI AG currently offers training in 20 different professions and is bolstering itself for its future topics, particularly in the industrial/technical sphere. The number of mechatronics technical apprentices, for example, increased sharply over the previous year. Audi systematically focuses the content of its training on the future and continuously adapts it to the latest developments. For example, the vocational profile for an IT specialist for systems integration includes an additional qualification as an electrical specialist. Audi has thus created a new, interdisciplinary vocational training program.

Audi also offers talented young people the opportunity to combine a degree program with practical phases at the Company. 24 young people at the Ingolstadt site will be beginning a cooperative education program, with 18 doing the same in Neckarsulm. Audi introduced a concept for mobile and digital learning in 2015.

The brand with the four rings is the first automotive manufacturer to implement widespread use of tablet computers as learning tools based on a stringent, didactic plan. With this program, Audi is fostering not just the apprentices' independence and creativity, but also their IT and media competence. With this learning concept and specifically adapted course content, Audi is preparing its young employees for the challenges of digitalization.

Young people at Audi also gain valuable international experience at an early stage. The company offers apprentices the opportunity to spend three months abroad at a European Volkswagen Group site. Independent work on specialist and social projects is also an established part of the training program. Audi guarantees all apprentices permanent employment following successful completion of their training.

### **Specialist and interdisciplinary competence development for Audi employees**

The development of specialist and interdisciplinary competences and preserving the ability of employees, specialists and managers to work are very important to Audi. The corresponding competences are pooled the Company's in-house Audi Akademie. The latter ensures that the numerous training and qualification areas at the Company are tightly interwoven. It is also internationally networked with every division at all Company locations. There is also a focus on dialogue with external education experts and universities as well as other educational organizations within the Volkswagen Group. In this way Audi ensures that tailored development measures are provided for each employee. The Company uses internal trainers, experts from the individual specialist departments as well as external experts here. Some 13,500 training seminars were conducted in 2016.

Interdisciplinary training offered ranges from on- and off-the-job training focused on teaching methods and work techniques to corporate-oriented subjects to seminars on personality development and behavior. The intercultural competence of our employees is another important aspect. The more frequent the dialogue with international business partners, assignments abroad or collaboration with colleagues with different backgrounds, the more important it is to master the rules of successful communication. In addition to the foreign language, this includes an understanding of the unique features of the respective culture, its people and behavioral norms. Specialized training and language courses empower employees to conduct business in an intercultural environment so that they can work successfully with international partners. For our new site in Mexico, for example, over 600 Mexican employees also took part in training in German. Together with a German sponsor, they learned more than just the workflows at headquarters. They also learned about the philosophy, structure and standards of the Company. Back in San José Chiapa, these employees serve as multipliers for their colleagues.

In the area of specialist training, Audi Akademie covers the entire process chain, from product development to manufacturing to the support departments and downstream services. Training is offered in such subjects as systems engineering, product data management, CAD/CAM and the digital factory. Technical training includes such things as drive and automation engineering, production engineering and automotive engineering.

### **The Audi Sustainability Academy**

A sustainability workshop has been an integral training module for all career groups at AUDI AG since 2016. The Audi Sustainability Academy was established in October 2016. Audi-internal training, presentations,



projects and information on the subject of sustainability are bundled here. The Audi Sustainability Academy is available to all AUDI AG employees.

### Modern forms of work

One important goal for AUDI AG is the further flexibilization of working conditions. Employees can choose from several working time models, part-time models or programs such as mobile work or sabbaticals.

In 2016, management and the General Works Council signed an agreement on mobile work to accommodate the increasingly dramatic changes to the conditions of the world of work. The goal is for the employees themselves to define when and where they will work to create individual freedoms and achieve a better work-life balance.

### Secure retirement savings

Our employees work hard for Audi – for several decades in many cases. We take responsibility for them – even when their active working life is over. AUDI AG supports its workforce with a company pension plan that is based on a direct commitment. In addition, employees have the opportunity to top up their pension by way of deferred compensation. Since 2001, funds for retirement benefits have been invested in the capital markets via the Volkswagen Pension Trust e.V., a pension fund administered on a fiduciary basis.

In December 2015, management and employee representatives agreed to an updated partial retirement program at AUDI AG and concluded the respective company agreement. The flexible arrangement gives employees the opportunity to shape the transition from working life to retirement and the choice between various work models during partial retirement.

## – Aspect: Diversity and Equal Opportunity –

### G4-LA12 Composition of governance bodies and employee breakdown by employee category according to gender, age group, minority group membership and other diversity indicators

#### Proportion of women

	Unit	2014	2015	2016
Audi Group (excluding apprentices)	Percent	14.0	14.3	14.4
AUDI AG	Percent	14.2	14.8	14.9
Audi Brussels S.A./N.V.	Percent	5.9	6.1	6.6
Audi Hungaria Motor Kft.	Percent	10.1	10.8	11.4
Automobili Lamborghini S.p.A.	Percent	19.3	19.6	19.5
Ducati Motor Holding S.p.A.	Percent	18.6	18.5	18.6
of which AUDI AG apprentices	Percent	26.9	28.1	29.3
Industrial apprentices	Percent	23.3	24.6	26.2
Clerical apprentices	Percent	81.7	81.2	81.1
Proportion of women in management at AUDI AG	Percent	8.3	8.9	9.5

#### Age structure (AUDI AG, excluding apprentices)

	Unit	2014	2015	2016
Under 30 years old	Percent	19.5	19.9	19.1
30 to 50 years old	Percent	56.3	55.3	55.3
Over 50 years old	Percent	24.2	24.8	25.6



## Minorities (AUDI AG)

	Unit	2014	2015	2016
Proportion of foreign nationals	Percent	8.3	8.3	8.4
Proportion of employees with severe disabilities (excluding apprentices)	Percent	6.0	5.8	5.8

## – Aspect: Equal Remuneration for Women and Men –

### G4-LA13 Ratio of basic salary and remuneration of women to men

According to the AUDI AG remuneration system, solely the activity determines remuneration.

## Society

### G4-DMA-a Identified material aspects and boundaries: local communities

#### Particularly important – involvement at the locations

Society and the local environment help to sustain a company's success. Audi therefore considers strong and attractive locations to be the foundation for global success. Our local involvement in the regions around our locations aims to make the regions more attractive to companies, employees and society.

Both the stakeholders and Audi once again confirmed the importance of the local communities and associated topics in the materiality analysis for 2016.

### G4-DMA-b The management approach and its components: local communities

#### Principles for local social involvement

Audi has a strong social commitment to its locations and wants to contribute to the individual region's development. The Company sees itself here as a partner of cities and communities.

Every Audi Group site has its own identity and its own requirements. The local social involvement can therefore have different focal points. Audi has defined global principles for social involvement as an orientation guide. Formulated as long-term parameters, they help with the selection and development of targeted location development measures and the common understanding that runs as a common theme through the various measures at the locations.

Audi places special emphasis in its involvement on the following areas:

- ↘ Education (projects that support the education and advancement of children, young people and adults)
- ↘ Technology (projects conceived to provide solutions to technical and social problems related to mobility)
- ↘ Support in the case of disasters

In accordance with the strategic orientation on the topic of urbanization, Audi accepts responsibility in the regions around its locations – for example when it comes to actively shaping the local transport infrastructure and mobility behavior. Since 2012, the Company has been engaging in intensive dialogue with the City of Ingolstadt about infrastructure and transportation concerns. Audi also supports the sustainable mobility of its employees, such as with attractive offers for public transportation.

Audi has also been a trusted partner in the world of culture for over 50 years. The goal is to make the experiences of art and music available and accessible at the locations, to as many people as possible. Since 1990,



for example, the Company has been organizing the Audi Summer Concerts in Ingolstadt, which have been attended by over 400,000 visitors to date. Promotion of art and culture is also an important pillar of corporate citizenship at the international Audi locations. Lamborghini (Italy) supports the Teatro Comunale in Bologna; Italdesign (Italy) sponsors the Moncalieri Jazz Festival; and Audi Hungaria sponsors the Győr Ballet and the annual closing concert of the Győr Summer Festival. In November 2015, Audi México established an orchestra for over 200 children and young people as part of the Eperanza Azteca initiative.

## **G4-DMA-c Evaluation of the management approach: local communities**

### **Top marks for local involvement**

In 2016, the Audi Group provided roughly EUR 18.7 million (2015: EUR 22.9 million) for social involvement (not including sponsoring). [oeekom Corporate Rating](#) gave AUDI AG the best mark of A+ in the area “community involvement.” The goals, measures, monitoring and transparency associated with expenditures for social involvement were assessed.

### **– Aspect: Local Communities –**

## **G4-SO1 Percentage of business locations at which measures for local community engagement, impact assessments and development programs were implemented**

100 percent

## **G4-SO2 Operations with significant actual and potential negative impacts on local communities**

No operations with significant actual and potential negative impacts on local communities in the reporting period.

### **– Aspect: Anti-corruption –**

## **G4-DMA-a Identified material aspects and boundaries: corporate governance, risk and compliance**

In the Audi Group, the topics of Risk Management, Internal Control System and Compliance are brought together in an integrated and inclusive management approach (governance, risk and compliance). Responsible and lawful conduct is of central importance to Audi’s success. That is why it is important to us that all corporate decisions are made in accordance with the relevant laws, internal rules and voluntary undertakings.

As an automotive group with global operations, we are exposed to a dynamic environment and as such are continually confronted with a wide variety of opportunities and risks. We seek to maintain a constructive dialogue and address opportunities and risks openly so that we can ensure lasting success with our entrepreneurial activities. Apart from meeting statutory requirements, the particular purpose of an effective Risk Management System and Internal Control System (RMS/ICS) is to validate the entrepreneurial goals as well as long-term viability and competitiveness.

The update of our [materiality matrix in 2016](#) showed that the aspect “Corporate Governance and Compliance” continues to be very important to our stakeholders as well.



# G4-DMA-b The management approach and its components: corporate governance, risk and compliance

## Corporate Governance

The AUDI AG largely fulfills the requirements of the German Corporate Governance Code. There were no changes to the German Corporate Governance Code in the version dated May 5, 2015, during the year under review. The Board of Management and Supervisory Board nevertheless also considered at length the recommendations and suggestions in the Code during the past fiscal year and made inferences. For example, the Supervisory Board established limits for Board of Management remuneration in 2016 with reference to a recommendation from the Corporate Governance Code. An age limit for Supervisory Board and Board of Management members was also resolved.

Further information can be found in the [Audi 2016 Annual Report](#), p. 152, and at [www.audi.de/cgk-erklaerung](http://www.audi.de/cgk-erklaerung).

## Risk Management

It is our goal to manage the Company in a value-oriented and sustainable way in the interests of our stakeholders, and to adopt a responsible approach to risks. The focus here lies on the identification, assessment and effective management of the risks and opportunities of our operations. The Group-wide Risk Management System and Internal Control System (RMS/ICS) serves to detect potential risks at an early stage and to develop appropriate countermeasures to avoid potential losses and exclude any threat to the Group's continued existence.

The Risk Management System of the Audi Group is based on the internationally recognized standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Risks are to be identified, evaluated and appropriately managed by those responsible, and this management must be monitored. Furthermore, transparent, accurate, timely communication from the higher-level internal business units and Group functionalities responsible is required. All organizational levels of the Audi Group are integrated into the Risk Management System in order to satisfy both business and statutory requirements. Changes in the legal framework with respect to risk management are also continually monitored and are acted on promptly where relevant for the Company. The integration of all material participations into the Risk Management System is already ensured. New companies are integrated promptly.

The central tasks of risk management are to identify and analyze risks, ensure transparent reporting of these risks and improve their controllability using suitable risk management tools. In view of its high strategic relevance, the regulatory framework for the RMS/ICS is firmly established both in an internal Board Directive of AUDI AG and at the material participations.

The Board of Management is responsible for the organizational structure of the RMS/ICS. A Group-wide systematic risk identification process (governance, risk & compliance process) plays a key role in meeting statutory requirements. Within this process, risks, countermeasures and controls are systematically identified, evaluated and documented so as to generate an overall picture of the risk situation. Meanwhile, the effectiveness of the control processes and overall system is assessed.

The RMS/ICS is closely interlocked with the compliance functionality (central governance, risk & compliance organization) as part of an integrated and inclusive management approach. The Board of Management and the Audit Committee of the Supervisory Board are kept regularly informed about the RMS/ICS as well as the Compliance Management System (CMS) in a combined report. Furthermore, target groups are kept up to date with the content and methodology of the Risk Management System through training courses, fact-finding events or internal communication media such as the Audi intranet.

Further information can be found in the [Audi 2016 Annual Report](#) on pages 140 ff.

## Compliance/Integrity

Audi understands compliance/integrity as activities that in their entirety ensure that the members of the governance bodies and the Company's employees operate within the rules, and that the Group companies operate in accordance with the applicable statutory requirements and prohibitions.

A preventive approach is adopted in order to eliminate in advance any possible breaches of the rules. The Group-wide [Code of Conduct](#) serves as the basis. The Compliance/Integrity area is in charge of compliance activities across the Group as a whole and is led by the Chief Compliance Officer, who reports to the Board Member for Finance. He is supported in this function by 26 compliance officers at the material participations. The annual compliance program is an important tool for the creation of a uniform starting point for all compliance activities throughout the Audi Group. The individual divisions and departments are responsible for operating activities and therefore for maintaining regular and legally compliant behavior.



In accordance with the compliance guideline, Compliance/Integrity is responsible for monitoring the specialist areas, in particular in the compliance focus topics, with respect to their appropriateness, effectiveness and sustainability. Compliance/Integrity also conducts training itself or arranges for training in addition to documenting the training. A coaching model for participations is also anchored in the guideline. In this way, Compliance/Integrity also supports participations in which AUDI AG holds a majority interest or management responsibility with their compliance activities.

### Current measures

To sensitize the employees further to compliance and integrity matters, a communication campaign was carried out in the 2016 fiscal year. The campaign revolved around the values of team spirit, responsibility, respect, trust, honesty and fairness. Extensive digital training options are available for Audi Group employees, including some mandatory modules. To round out the options there are also face-to-face events and a compliance help desk. In addition to the compliance activities of the Audi Group, AUDI AG is integrated into the Volkswagen Group's worldwide anti-corruption system. This system is designed to prevent corruption in the Company and reveal any instances of misconduct. Employees may contact external, independent lawyers if they wish to report any suspicions or breaches of the rules, and may also do so anonymously. Additionally, they have access to the Volkswagen Group's anti-corruption officer.

Before submitting a bid, our suppliers also must actively confirm that they satisfy the ["Volkswagen Group requirements regarding sustainability in its relationships with business partners"](#) (Code of Conduct for Business Partners). The Group-wide concept is being continuously developed further: In addition to the previously valid environmental and social standards, agreements concluded since 2014 also contain auditing rights as well as a right to extraordinary termination in the case of violations. Stronger emphasis has been placed on topics such as anti-corruption, money laundering, import and export controls and competition law. For more information on sustainability in supplier relationships, see [G4-DMA Procurement](#).

## G4-DMA-c Evaluation of the management approach: corporate governance, risk and compliance

Risk management is subject to wide-ranging statutory requirements. Section 91, Para. 2 of the German Stock Corporation Act (AktG) governs the early identification obligations of the Board of Management concerning

risks that are a threat to the Company as a going concern (supplemented by the German Corporate Control and Transparency Act [KonTraG]). Section 107, Para. 3 of the German Stock Corporation Act (AktG) (supplemented by the German Accounting Law Modernization Act [BilMoG]) also obliges the Audit Committee of the Supervisory Board to monitor the effectiveness of the Risk Management System and Internal Control System.

As part of the ongoing evolution of the risk management system, the established risk early warning system along with the governance, risk & compliance control process was supplemented with quarterly risk identification in the 2016 fiscal year, along with the submission of corresponding reports to the full Board of Management and the Audit Committee of the Supervisory Board. Findings from the operational risk management process are also incorporated on an ongoing basis into internal planning and control calculations. A Group-wide ad-hoc process is in place to cope with unexpected events that pose a safety risk or a considerable asset risk for Audi.

The effectiveness of our compliance management system is also reviewed regularly so that any necessary adjustments can be made. This will be done more intensely, particularly in light of the diesel issue.

## G4-SO4 Communication and training on anti-corruption policies and procedures

A new interactive web-based training module (WBT) was rolled out to every division at AUDI AG during the reporting period. Over 15,000 employees completed the WBT in 2016. Participation is mandatory and is filed and documented in the employee's training record. The new WBT is not based on the standard training, but rather portrays interactive situations from our daily work. The employee must decide whether he or she is allowed to accept an invitation, for example. The aim of the WBT is not only to impart knowledge through texts, but for the employee to develop a feeling for in which situations corruption-related problems can occur.

Additionally, some 250 queries on the individual topics were answered during the reporting period and the content of the internal anti-corruption guidelines taught in interactive training.



## **G4-S05 Confirmed incidents of corruption and actions taken**

Audi Auditing confirmed it had detected one case of corruption through its auditing activities in 2016 (2015: one). One human resources action was taken as the result of allegations of corruption in the 2016 reporting period (2015: one). In addition, one employment relationship was terminated as the result of corruption allegations in the 2016 reporting period (2015: one). No contracts with business partners were terminated in 2016 in connection with allegations of corruption (2015: three).

## **– Aspect: Anti-competitive Behavior –**

## **G4-S07 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes**

None

## **– Aspect: Compliance –**

## **G4-S08 Sanctions due to non-compliance with laws and regulations**

None; further information on the diesel issue can be found at [G4-PR-9](#).

# **Product Responsibility**

## **G4-DMA-a Identified material aspects and boundaries: product responsibility**

Audi is working on the mobility of the future in keeping with our brand claim “Vorsprung durch Technik.” We want to bring efficiency and performance as well as connectivity and individuality into harmony. Our products should delight our customers, pollute the environment as little as possible and offer a high level of safety. Today and for the foreseeable future, the automobile is one of the central means of transportation for individual mobility throughout the world. Our vision is to make this mobility carbon-neutral.

Each year since 2012, we have asked external stakeholder groups and corporate representatives to assess the relevance of key topics in the area of product responsibility. The results: All five of the aspects named continue to be considered very important: fuel consumption and emissions, innovation and increased efficiency, vehicle safety, alternative drive technologies and resource conservation and life cycle assessment. The greatest relevance was attributed to the topics “fuel consumption and emissions,” “alternative drive technologies” and “resource conservation and life cycle assessment.”





# G4-DMA-b The management approach and its components: product responsibility

## Sustainable product development

We have the goal of acting holistically and responsibly, and we promote change in the automotive industry through sustainable products and services along the entire value chain. Our primary investment is in the development of innovative drive technologies. We will consistently draw on what we have learned from the diesel issue in implementing further improvements and will apply this knowledge in current and future development projects. Furthermore, the topics of safety and data protection are particularly important.

Further information on the diesel issue can be found in the [Foreword](#) as well as under [G4-PR9](#).

## Comprehensive customer information

The safety and the informing of our customers are very important to us. We inform the users of products about hazards that may occur even under normal use or in the event of obvious misuse. Audi fulfills this legal obligation by means of owner's manuals and in isolated cases with stickers inside the automobiles.

Since December 1, 2011, all passenger cars manufactured in Germany must have a weighted efficiency label based on the energy consumption labels familiar from household appliances and ranging from A+ (very efficient) to G (not very efficient). The label also includes information on fuel consumption, annual fuel costs, CO<sub>2</sub> emissions and the annual CO<sub>2</sub>-based tax on motor vehicles. In the case of automobiles with an electric drive system, electricity consumption is indicated. Vehicle manufacturers and dealers who exhibit new passenger vehicles or offer them for sale or lease are legally obligated to disclose this information. Audi fulfills these obligations in accordance with the provisions of the law and publishes the fuel consumption, CO<sub>2</sub> emissions and efficiency classes of its models, for instance in the [Audi Annual Report](#), pages 246 ff. (As of: January 2017).

## Product safety and accident avoidance

The safety and comfort of the automobiles are fundamental elements of the Audi product policy. Audi combines research into the causes of accidents, active and passive safety systems and the further development and refinement of driver assistance systems to achieve a high level of safety for drivers, passengers and other road users.

The driver assistance systems include, among others, Audi pre sense (a warning system for greater safety in acute hazard situations), the automatic distance control system adaptive cruise control with Stop&Go function, and the night vision assistant, which uses a far-infrared camera to detect people and animals on the road in the dark. The assistance systems support drivers, but always leave them in charge of the vehicle.

Today's driver assistance and safety systems are the foundation for highly automated (piloted/autonomous) driving, which Audi hopes to bring into series-production vehicles contingent upon the proper legal parameters. In the future, electronic systems are expected to take over the steering of the car in certain situations and thus to make driving more ecological, convenient and, above all, safer.

Audi is also continuously investing in measures that improve passive safety. Besides improvements to pedestrian protection, the Company is developing, for example, particularly strong, yet light body components and continuously improving retention systems. Audi also wants to help improve road safety in general. The Audi Accident Research Unit (AARU) therefore investigates accidents involving Audi models. The results of this research flow directly into the development of new models.

The safety of our automobiles is under constant scrutiny. Should there be concrete indications that defects have occurred or that cars also sold may pose a danger, the Product Safety Committee is consulted. The member of the Board of Management for Technical Development is responsible for the committee. The committee decides on and orders measures to ensure product safety. It is also responsible for answering questions about product safety from authorities and consumer protection groups as well as for fulfilling the Company's communication obligations.

## Alternative drive systems

Our Strategy 2025 brings the development of alternative drive concepts more sharply into focus among our research and development activities. Our activities in the area of electric driving are grouped together under the umbrella term Audi e-tron.

We already provided a firm vision of the shape of electric mobility at Audi in the 2015 fiscal year with the Audi e-tron quattro concept. The range will be expanded in the years ahead. A fully electric sports SUV is scheduled for 2018 and will be built at the Brussels plant, where Audi is also establishing its own battery production operation. In 2020, we want to have three electric models in the range. By the middle of the next decade, roughly one-third of our automobiles sold will be electrified. The hybrid models from Audi offer a combination of electric motor and combustion engine. The plug-in hybrid drive system, whose battery can also be charged



via a power outlet, is another promising route to the future of electric mobility.

In order to pursue a holistic approach to electric mobility, we are also advancing development of charging technologies and the charging infrastructure. In conjunction with other car manufacturers, a joint venture to establish a charging network for electric cars in Europe is planned. Together with the BMW Group, Daimler AG and the Ford Motor Company, the Volkswagen Group with Porsche and Audi wants to establish the highest-performance charging network in Europe. By 2020, it is expected to include several thousand stations installed along highways and freeways with charging outputs of up to 350 kW. With these stations, a fully electric car with a large battery can be charged in just a few minutes. The Combined Charging System (CCS) will include all the required plug technology.

Audi is also researching additional possibilities for environmentally compatible drive systems on the road to carbon-neutral mobility. Besides fuel cells operated with hydrogen, this work is focusing on gas-powered automobiles, particularly in conjunction with the synthetic fuel Audi e-gas. This fuel is produced using renewable energy from water and CO<sub>2</sub> or from organic residual materials like straw and plant clippings. The amount of CO<sub>2</sub> emitted by the car is precisely the amount bound during production of the fuel. The Audi A3 Sportback g-tron is currently on the market; the A4 Avant g-tron and the A5 Sportback will follow in 2017. Further information on fuel consumption and emission values can be found in the [Audi 2016 Annual Report](#) on pages 246 ff.

Further information on alternative drive systems and the ecological aspects of our products can be found on the [Audi website](#) and under [G4-DMA Ecology](#).

#### Data use

The increasing connectivity of cars with their environment and with each other necessitates the gathering and processing of large quantities of data in real time. These data are used to make cars safer and more comfortable, to protect road users and enhance the efficiency of traffic flows. On the other hand, however, they also harbor the risk of manipulation and inappropriate use. Audi therefore regards conscientious use of data as an integral part of its corporate responsibility. The focus is on transparency, self-determination and data security:

↳ Transparency: Customers' informational right of self-determination requires awareness of the saved data. We therefore inform customers of our usage of data – for instance, by means of appropriate notices in the owner's manuals for our models.

↳ Self-determination: Even in a connected automobile, each individual has the right of self-determination regarding his or her personal data. Customers can select which services they want to use.

↳ Data security: Audi accords high priority to data security in automobiles, taking it into account even during the development process. The Company protects sensitive data with recognized and tested embedded security mechanisms and standards. When developing new functions, we enhance security mechanisms to meet the respectively valid current state of the art in the field of data privacy. The latest technical and organizational measures ensure optimum security in the car.

The most important database for the piloted driving of the future will be HERE HD Live Map. AUDI AG joined a consortium with the BMW Group and Daimler AG at the end of 2015 to purchase the HERE map service from the Nokia Corporation. It uses some 80,000 different sources worldwide to continuously update its data. The HERE HD Live Map is currently under construction. Many cars in North America and Western Europe are already using some of its functions. For Audi customers, the map makes complex driver assistance functions such as the traffic jam assist and the predictive efficiency assistant even more precise and powerful.

## G4-DMA-c Evaluation of the management approach: product responsibility

### External assessment of our product responsibility

The safety of Audi models is reviewed by consumer protection organizations all around the world. The global "New Car Assessment Program" (NCAP), for example, tests the active and passive safety systems of automobiles. The Euro NCAP consortium is made up of international representatives from European transport ministries, motoring associations, insurers and consumer organizations. Headquartered in Brussels, the organization has been testing the crash performance of new car models since 1997. Audi always achieves top scores here. In 2016, two Audi models received the top score of five stars, making them among the safest cars in their class. This is true for both adult and child safety as well as for pedestrian protection.

Further information on the top-scoring Audi models can be found [here](#).



– Aspect: Customer Health and Safety –

**G4-PR1** Percentage of the significant product and service categories whose effects on health and safety are assessed

100 percent

**G4-PR2** Incidents of non-compliance concerning the health and safety impacts of products and services

None

– Aspect: Customer Privacy –

**G4-PR8** Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

There was one substantiated complaint in 2015: Audi customers who use the Audi A3 e-tron app were inadvertently contacted via e-mail by Volkswagen AG and informed about a change in the Volkswagen app. There were no substantiated complaints in 2016.

– Aspect: Compliance –

**G4-PR9** Sanctions due to non-compliance with laws and regulations concerning the provision and use of products and services

On January 4, 2016, the U.S. Department of Justice, on behalf of the EPA, filed a civil complaint against Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG. The claims asserted under civil law are based on the alleged use of the defeat device software as defined under U.S. law in violation of the U.S. Clean Air Act. The complaint's allegations relate to both the four-cylinder and the V6 3.0 TDI diesel engines. In June and December 2016 as well as in January 2017, Volkswagen AG, Volkswagen Group of America, Inc. and certain affiliates, including AUDI AG, reached settlement agreements in the USA with the U.S. Department of Justice on behalf of the EPA, the CARB and the California Attorney General, as well as the U.S. Federal Trade Commission and private plaintiffs represented by a Plaintiffs' Steering Committee in the Multi-District Litigation pending in California. Details of the allegations and the settlement have been published under the title Statement of Facts (see <https://www.justice.gov/opa/pr/volkswagen-ag-agrees-plead-guilty-and-pay-43-billion-criminal-and-civil-penalties-six>). Further information on the diesel issue and the financial impact can be found in the [Audi 2016 Annual Report](#) on pages 104 ff.



# Audi Sustainability Program

The Audi Sustainability Program combines strategic goals in the area of sustainability with concrete measures. It is organized into the following areas of action: Business & Integrity, Products & Services, Value Creation & Production and Employees & Society. The degrees of completion apply in each case as of December 31, 2016.

## Business & Integrity

Target	Measure	Date
8 to 10 percent operating return on sales	Implementation of the projects in the Strategy 2025 and in the SPEED UP! program of measures	Continuous development
21 percent return on investment (ROI)	Implementation of the projects in the Strategy 2025 and in the SPEED UP! program of measures	Continuous development
6.0 to 6.5 percent research and development ratio	Implementation of the projects in the Strategy 2025 and in the SPEED UP! program of measures	Continuous development
5.0 to 5.5 percent ratio of capex	Implementation of the projects in the Strategy 2025 and in the SPEED UP! program of measures	Continuous development
Self-financing of the transformation to provider of sustainable, individual premium mobility	Implementation of the projects in the Strategy 2025 and in the SPEED UP! program of measures	Continuous development
Implement the requirement and provisions regarding the Independent Compliance Monitor in conjunction with the settlement agreements with the U.S. authorities	Reinforcement of the whistleblower system, expansion of the Internal Control System as well as organizational development	Continuous development (in the context of the agreed milestones)
Reinforce integrity	Extension of consulting programs/awareness/training courses	Continuous development

## Products & Services

Target	Measure	Date
Reduce CO <sub>2</sub> emissions from the Audi EU new car fleet by 27 percent compared with base year 2012	Reduction of fuel consumption through the use of the modular efficiency platform	2020
Significantly reduce fuel consumption for every new vehicle compared with the predecessor model	Changeover of 70 percent of new vehicles sold with combustion engine to mild hybridization	2022
Expand the range of electric drive concepts offered under the Audi e-tron umbrella brand	Production launch of the first all-electric Audi vehicle (Audi e-tron quattro)	2018
	Extension of the plug-in hybrid portfolio to three Audi models	2020
	Extension of the product portfolio to a total of three all-electric Audi models	2020
Expand infrastructure as boost for electric vehicles in cooperation with partners	One third of Audi new vehicles feature an electric drive	2025
	Setup of an infrastructure for high-power charging	2025
	Development of a sustainable charging solution for fleet customers	2020
Expand the range to include fuel-cell drive concepts under the Audi h-tron umbrella brand	Further development of fuel-cell technology, introduction in the market with a small-series FCEV	2025



Expand the range to include CNG drive concepts under the Audi g-tron umbrella brand	Development and introduction of further engines and vehicle concepts with CNG drive on the market	2017
Provide carbon-neutral energy sources from renewable energy to reduce greenhouse gas emissions	Development and advancement of synthetic liquid fuels under the Audi e-fuels umbrella brand (e-diesel, e-gasoline and e-ethanol)	Continuous development
	Market introduction of Audi e-fuels and Audi e-power in addition to Audi e-gas	2019
	Extension of strategic partnerships and cooperation agreements regarding the research and development of renewable energies	Continuous development
	Integration of a CO <sub>2</sub> capturing plant (capturing CO <sub>2</sub> from the air) into a power-to-gas or power-to-liquid plant	2017
Conserve resources through new recycling concepts for closing material cycles	Development of second-life applications for high-voltage batteries	2018
	Development of a recycling process for traction-battery cells	2019
Reduce environmental impact across the entire life cycle compared with the predecessor model	Preparation of product-based life cycle assessments for new vehicle models; validation and certification of life cycle assessments; publication of the data	Continuous development
Responsibility for the safety of customers and other road users	Portfolio of predictive assistance and safety systems	Continuous development
Enhance road safety	Further development of technologies toward piloted/autonomous driving	2025
Develop urban mobility offerings in collaboration with urban stakeholders	Piloting of services and technologies to reduce emissions, optimize traffic flows and increase space efficiency in cities worldwide	2018

## Value Creation & Production

Target	Measure	Date
Integration of sustainability into supplier relationships	Training for all procurement employees in order to maintain sustainability standards in supplier relationships	Continuous development
	Introduction of a sustainability rating, which uses a questionnaire and an on-site check to determine the fulfillment of sustainability requirements with relevant first-tier suppliers at the production site	2020
	Involvement in industry standards and Group tools to ensure compliance with environment-related and social standards in the supply chain	Continuous development
Integrate sustainability into the supply of raw materials	Development of circular economy concepts for the supply chain	2020
	Analyzing and optimizing CO <sub>2</sub> in the supply chain	2020
Involvement of dealerships in implementing Audi's sustainability strategy	Setting up two pilot dealerships in Germany in order to test sustainability projects with a focus on the environment and in preparation for a rollout	2018
	Communication of sustainability topics to importers and dealers/integration of sustainability topics into existing training formats and development of new formats	2018
	Development and rollout of a consulting/measure package including energy consulting for dealerships in the market in Germany and internationally	2019



	Piloting and rollout of battery storage devices for charging electric vehicles/establishment of a sustainable parts range from certified used parts for Audi service partners for repair in line with a vehicle's current value	2019
Reduction of waste for disposal, freshwater consumption, CO <sub>2</sub> and VOC emissions as well as overall energy consumption at the production sites by 25 percent per reference unit (base year 2010); within the scope of energy supply, a reduction target of 40 percent per reference unit by 2020 (base year 2010) is in effect for the German sites for CO <sub>2</sub>	Detailed planning and implementation of site-specific packages of measures for achieving Group-wide reduction targets	2018
Expansion and development of measures for reducing freshwater consumption at national and international sites	Realization of water recycling through use of a membrane bioreactor at the Ingolstadt site; reduction target for freshwater requirements: 40 percent	2018
	Investment in projects with the long-term goal of wastewater-free production in Mexico	2018
Systematic reduction of energy consumption	Reduction of overall energy consumption by targets derived from the prior-year consumption and corresponding specific implemented and documented individual measures in the operator and planning areas	Continuous development
Carbon-neutral location in Brussels	Reduction of all possible CO <sub>2</sub> emissions by adoption of energy-efficiency measures and utilization of renewable energy sources as well as offsetting	2018

## Employees & Society

Target	Measure	Date
Promotion of agility	With the introduction of mobile working, establishment of a further model to make working hours and place of work more flexible	
	Introduction of new teaching methods in vocational and advanced training	Continuous development
	Modification of content of vocational and advanced training in relation to strategic future-oriented topics	Continuous development
Expansion of corporate image	Facilitation of employee mobility through job tickets and car pooling	Continuous development
	Further development of work/life balance by expansion of childcare and focusing on the topic of care as part of employee information events	Continuous development
	Further development of occupational health and safety at international sites and extension of company health promotion	2020
	Promotion of equal opportunities by increasing the proportion of women in the first management tier below the Board of Management to 8 percent and to 16 percent in the second management tier	2021 – Continuous development



# Audi Sustainability Key Figures

Audi uses key figures to make its sustainability activities measurable and present them in a transparent way. The key figures are respectively valid for the calendar year and refer to the Audi Group. If key figures refer to individual Audi Group companies only, this is specified accordingly. Key figures are rounded up or down, which may result in slight deviations from the totals stated. Key figures which have been audited by the independent auditing firm are identified by the “✓” symbol.

✓ = Key figure for 2016 adopted from the verified 2016 Combined Management Report of the Audi Group and AUDI AG  
 ✓ = Key figure for 2016 verified in the course of Audi’s sustainability reporting for 2016

The figures for 2014 and 2015 have been taken or supplemented from the Audi Annual Reports or Audi sustainability reporting from previous years.

	Unit	2014	2015	2016
<b>Business &amp; Integrity</b>				
Revenue ✓	EUR million	53,787	58,420	59,317
Operating profit ✓	EUR million	5,150	4,836 [1]	3,052 [1]
Profit before tax ✓	EUR million	5,991	5,284 [1]	3,047 [1]
Profit after tax ✓	EUR million	4,428	4,297 [1]	2,066 [1]
Total capital investments ✓	EUR million	4,500	5,700	5,466
Research and development activities ✓	EUR million	4,316	4,240	4,446
Operating return on sales ✓	Percent	9.6	8.3 [1]	5.1 [1]
Return on investment ✓	Percent	23.2	19.4 [1]	10.7 [1]
Ratio of capex [2] ✓	Percent	5.5	6.0	5.7
Net cash flow ✓	EUR million	2,970	1,627 [3]	2,094
<b>Products &amp; Services</b>				
<b>Production</b>				
- Automotive segment ✓	Cars [4]	1,804,624	1,828,683 [5]	1,903,259
	Engines	1,974,846	2,023,618	1,927,838
- Motorcycles segment ✓	Motorcycles	45,339	55,551	56,978
<b>Deliveries to customers</b>				
Automotive segment ✓	Cars	1,933,517	2,024,881	2,088,187
- Audi brand [6] ✓	Cars	1,741,129	1,803,246	1,867,738
Germany ✓	Cars	255,582	270,063	293,307
Outside Germany ✓	Cars	1,485,547	1,533,183	1,574,431
- Lamborghini brand ✓	Cars	2,530	3,245	3,457
- Other Volkswagen Group brands ✓	Cars	189,858	218,390	216,992
Motorcycles segment (Ducati brand) ✓	Motorcycles	45,117	54,809	55,451
<b>Product-related CO<sub>2</sub> emissions</b>				
CO <sub>2</sub> emissions of the European fleet (EU 28) ✓	g CO <sub>2</sub> /km	131	126	126 [7]
Fleet consumption, China (FBU) ✓	l/100km	8.6	8.2	7.7
Number of models ≤ 140 g CO <sub>2</sub> /km ✓	Total [8]	205	188	195
Number of models ≤ 120 g CO <sub>2</sub> /km ✓	Total [8]	94	114	121
Number of models ≤ 100 g CO <sub>2</sub> /km ✓	Total [8]	15	24	28
Number of models ≤ 95 g CO <sub>2</sub> /km ✓	Total [8]	10	5	6



	Unit	2014	2015	2016
<b>Value Creation &amp; Production [9]</b>				
<b>Energy</b>				
Total energy consumption [10] ✓	MWh	2,543,352	2,705,708	2,883,535
Automotive production (incl. components) ✓	MWh	2,527,825	2,688,532	2,864,558
	MWh/Veh.	2.32	2.42	2.61
From renewable energy sources ✓	MWh	955,276	986,833	1,002,288
Automotive production (incl. components) ✓	MWh	955,276	983,771	1,002,288
	MWh/Veh.	0.88	0.88	0.91
· Electricity ✓	MWh	1,520,710	1,583,682	1,685,044
Automotive production (incl. components) ✓	MWh	1,509,672	1,572,508	1,671,650
	MWh/Veh.	1.38	1.41	1.53
· Heating (incl. district heating) ✓	MWh	703,595	777,268	831,283
Automotive production (incl. components) ✓	MWh	699,106	771,265	825,702
	MWh/Veh.	0.64	0.69	0.75
Of which district heating ✓	MWh	385,047	356,186	346,948
Automotive production (incl. components) ✓	MWh	385,047	356,186	346,948
	MWh/Veh.	0.35	0.32	0.32
· Fuel gases for production processes ✓	MWh	319,047	344,301	366,843
Automotive production (incl. components) ✓	MWh	319,047	344,301	366,843
	MWh/Veh.	0.29	0.31	0.33
· Refrigeration (externally sourced) ✓	MWh	0	458	364
Automotive production (incl. components) ✓	MWh	0	458	364
	MWh/Veh.	0	0.0004	0.0003
<b>Fuels</b>				
Total use of fuel	MWh	956,642	1,037,981	1,178,898
Automotive production (incl. components)	MWh	950,137	1,029,846	1,155,896
	MWh/Veh.	0.87	0.93	1.06
· Natural gas ✓	MWh	817,440	899,914	1,032,626
Automotive production (incl. components) ✓	MWh	812,951	894,127	1,011,979
	MWh/Veh.	0.75	0.80	0.92
· Heating oil ✓	MWh	5,079	6,868	8,759
Automotive production (incl. components) ✓	MWh	5,079	6,868	8,759
	MWh/Veh.	0.005	0.006	0.008
· Diesel (test rigs)	MWh	34,831	32,090	34,136
Automotive production (incl. components)	MWh	34,831	32,090	34,136
	MWh/Veh.	0.03	0.03	0.03
· Gasoline (test rigs)	MWh	99,293	99,109	103,377
Automotive production (incl. components)	MWh	97,276	96,761	101,022
	MWh/Veh.	0.09	0.09	0.09
<b>Emissions</b>				
Total CO <sub>2</sub> emitted ✓	t	643,866	651,517	712,652
Automotive production (incl. components) ✓	t	637,666	644,953	707,020
	kg/Veh.	584.42	579.94	645.39
· Direct CO <sub>2</sub> emissions [11] ✓	t	199,584	220,364	238,399
Automotive production (incl. components) ✓	t	198,165	217,860	237,331
	kg/Veh.	181.62	195.90	216.64
· Indirect CO <sub>2</sub> emissions ✓	t	444,283	431,152	474,253
Automotive production (incl. components) ✓	t	439,502	427,093	469,689
	kg/Veh.	402.80	384.04	428.75
VOC emissions [12] ✓	t	1,959	1,814	1,730
Automotive production (incl. components) ✓	t	1,959	1,814	1,730
	kg/Veh.	1.75	1.63	1.58
Direct NO <sub>x</sub> emissions [13] ✓	t	187	190	238
Automotive production (incl. components) ✓	t	184	187	235
	kg/Veh.	0.17	0.17	0.21
Sulphur dioxide	t	1.2	2.2	2.9
Automotive production (incl. components)	t	1.1	1.2	1.7
	kg/Veh.	0.001	0.001	0.002





	Unit	2014	2015	2016
Total dust [14]	t	33	34	35
Automotive production (incl. components)	t	33	34	35
	kg/Veh.	0.03	0.03	0.03
CO <sub>2</sub> reductions in logistics [15] ✓	t CO <sub>2</sub> e	11,443	12,502	11,601
<b>Water</b>				
Total freshwater consumption ✓	m <sup>3</sup>	3,867,569	4,044,587	4,231,809
Automotive production (incl. components) ✓	m <sup>3</sup>	3,815,661	3,995,579	4,175,638
	m <sup>3</sup> /Veh.	3.50	3.59	3.81
· Freshwater consumption, internal catchment ✓	m <sup>3</sup>	1,989,956	1,988,622	2,438,701
Automotive production (incl. components) ✓	m <sup>3</sup>	1,958,937	1,959,817	2,404,341
	m <sup>3</sup> /Veh.	1.80	1.76	2.19
Rainwater used ✓	m <sup>3</sup>	196,683	168,666	66,626
Surface water from lakes, rivers, oceans ✓	m <sup>3</sup>	791,850	841,697	721,112
Groundwater ✓	m <sup>3</sup>	970,404	949,454	1,616,603
· Freshwater consumption, externally sourced ✓	m <sup>3</sup>	1,877,614	2,055,965	1,793,108
Automotive production (incl. components) ✓	m <sup>3</sup>	1,856,725	2,035,762	1,771,297
	m <sup>3</sup> /Veh.	1.70	1.83	1.62
Volume of wastewater ✓	m <sup>3</sup>	2,624,488	2,694,337	2,502,719
Automotive production (incl. components) ✓	m <sup>3</sup>	2,605,858	2,676,846	2,485,516
	m <sup>3</sup> /Veh.	2.39	2.41	2.27
· Direct discharge [16]	m <sup>3</sup>	0	6,812	12,274
· Indirect discharge [16]	m <sup>3</sup>	2,624,488	2,687,525	2,490,445
<b>Wastewater load [16]</b>				
· Chemical oxygen demand ✓	kg	956,916	1,010,237	664,358
· Total phosphorous content as phosphorous (P) ✓	kg	11,898	12,858	9,615
· Total nitrogen as nitrogen (N) ✓	kg	37,763	61,411	43,985
· Zinc ✓	kg	326	619	517
<b>Waste [17]</b>				
Total volume of waste (excluding scrap) ✓	t	82,285	89,515	98,388
Automotive production (incl. components) ✓	t	81,415	88,484	97,403
	kg/Veh.	74.62	79.56	88.91
· Recyclable waste ✓	t	68,279	75,415	86,982
Automotive production (incl. components) ✓	t	67,513	74,497	86,081
	kg/Veh.	61.88	66.99	78.58
· Other recyclable waste ✓	t	36,012	43,203	47,480
Automotive production (incl. components) ✓	t	35,323	42,354	46,909
	kg/Veh.	32.37	38.08	42.82
· Hazardous recyclable waste ✓	t	30,325	31,011	36,401
Automotive production (incl. components) ✓	t	30,290	30,974	36,354
	kg/Veh.	27.76	27.85	33.18
· Non-production-specific recyclable waste ✓	t	1,941	1,201	3,100
Automotive production (incl. components) ✓	t	1,900	1,169	2,819
	kg/Veh.	1.74	1.05	2.57
· Disposable waste ✓	t	14,006	14,100	11,407
Automotive production (incl. components) ✓	t	13,902	13,986	11,322
	kg/Veh.	12.74	12.58	10.33
· Other disposable waste ✓	t	322	1,039	523
Automotive production (incl. components) ✓	t	270	989	466
	kg/Veh.	0.25	0.89	0.43
· Hazardous disposable waste ✓	t	13,276	12,238	10,004
Automotive production (incl. components) ✓	t	13,258	12,177	9,977
	kg/Veh.	12.15	10.95	9.11
· Non-production-specific disposable waste ✓	t	408	823	880
Automotive production (incl. components) ✓	t	374	821	879
	kg/Veh.	0.34	0.74	0.80
Metallic waste (scrap; completely for recycling) ✓	t	345,855	353,741	385,959
Automotive production (incl. components) ✓	t	345,253	353,262	385,422
	kg/Veh.	316.42	317.65	351.83



	Unit	2014	2015	2016
<b>Employees &amp; Society</b>				
<b>Workforce, Audi Group [18] ✓</b>	Total	77,247	82,838	87,112
- <b>Domestic companies ✓</b>	Total	53,848	57,191	59,029
of which AUDI AG ✓	Total	52,132	56,058	58,067
Ingolstadt plant ✓	Total	37,286	40,724	42,412
Neckarsulm plant ✓	Total	14,846	15,334	15,655
- <b>Foreign companies ✓</b>	Total	20,619	22,775	25,111
Audi Brussels S.A./N.V. ✓	Total	2,532	2,520	2,514
Audi Hungaria Motor Kft. ✓	Total	10,954	11,367	11,420
AUDI México S.A. de C.V. ✓	Total	879	2,006	3,895
Automobili Lamborghini S.p.A. ✓	Total	1,058	1,146	1,312
Ducati Motor Holding S.p.A. ✓	Total	1,088	1,168	1,232
- <b>Apprentices ✓</b>	Total	2,421	2,486	2,555
<b>Average age [19] ✓</b>	Years	40.4	40.3	40.3
<b>Age structure [19] [20]</b>				
< 30 years ✓	Percent	19.5	19.9	19.1
30 to 50 years ✓	Percent	56.3	55.3	55.3
> 50 years ✓	Percent	24.2	24.8	25.6
<b>Average length of service [19] [20] ✓</b>	Years	16.6	16.1	16.3
<b>Fluctuation rate [19] [20] ✓</b>	Percent	0.5	0.5	0.8
<b>Proportion of women, Audi Group [19] ✓</b>	Percent	14.0	14.3	14.4
AUDI AG ✓	Percent	14.2	14.8	14.9
of which apprentices ✓	Percent	26.9	28.1	29.3
of which industrial apprentices ✓	Percent	23.3	24.6	26.2
of which clerical apprentices ✓	Percent	81.7	81.2	81.1
Management ✓	Percent	8.3	8.9	9.5
Audi Brussels S.A./N.V. ✓	Percent	5.9	6.1	6.6
Audi Hungaria Motor Kft. ✓	Percent	10.1	10.8	11.4
Automobili Lamborghini S.p.A. ✓	Percent	19.3	19.6	19.5
Ducati Motor Holding S.p.A. ✓	Percent	18.6	18.5	18.6
<b>Other structural data [20]</b>				
Proportion of academics [21] ✓	Percent	46.6	48.0	49.3
Proportion of foreign nationals ✓	Percent	8.3	8.3	8.4
Proportion of people with severe disabilities [19] ✓	Percent	6.0	5.8	5.8
Contracts to workshops for people with mental disabilities ✓	EUR million	6.6	6.8	7.8
Frequency of accidents [22] ✓	-	3.1	3.9	4.0
Attendance rate [19] [23] ✓	Percent	96.3	96.0	95.9
<b>Audi Ideas Program [20]</b>				
Savings ✓	EUR million	67.5	84.1	88.0
Implementation quota ✓	Percent	56.9	57.0	55.1
<b>Audi profit share per employee [24] ✓</b>	EUR	6,540	5,420	3,510
<b>Employee donations [25] ✓</b>	EUR	1,160,000	1,226,000	1,258,078
<b>Expenditure on corporate citizenship [26] ✓</b>	EUR million	19.5	22.9	18.7

[1] Taking into account special items, in particular in connection with the diesel issue. [2] Capital expenditure includes investments in property, plant and equipment, investment property and other intangible assets (without capitalized development costs) according to the Cash Flow Statement in relation to revenue. [3] Net cash flow taking into account the participation in There Holding B.V., Rijswijk (Netherlands), in connection with the HERE Transaction. [4] Including vehicles built in China by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). [5] The figure has been adjusted to reflect the amended counting method. [6] Including delivered vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China). [7] Provisional internal calculations for 2016 subject to confirmation by the EU. Based on regulation UN ECE R83/101 on the measurement of CO<sub>2</sub> emissions. According to EU Directive 1999/94/EC relating to the availability of consumer information on fuel economy, the official fuel consumption must be stated as determined by the approval authorities under the type approval procedure pursuant to Directive 80/1268/EEC, taking the UN-specified type approval approach of the NEDC (New European Driving Cycle) as the basis. Differences may occur in everyday practical operation as a result, for example, of different speed profiles, payloads or auxiliary systems, because not all possible factors influencing consumption have been standardized for the type approval approach. [8] All data apply to features of the German market. Figures take account of models with standard tires. [9] Figures refer to the Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati) plants. Only the car-manufacturing plants including component production are taken into account for the specific key figures. [10] Total energy consumption: This figure is made up of electricity and heat consumption as well as the use of fuel gases for production processes and externally supplied refrigeration at the plant. [11] Direct CO<sub>2</sub> emissions: This figure is made up of CO<sub>2</sub> emissions generated by the use of fuel at the plant, and CO<sub>2</sub> emissions produced by the operation of test rigs. [12] VOC emissions (volatile organic compounds): This figure is made up of emissions from the paint shops, test rigs and other facilities. [13] Direct NO<sub>x</sub> emissions: This figure comprises NO<sub>x</sub> emissions generated by the boiler houses at the plant, paint shops and by the operation of test rigs. [14] Not including the San José Chiapa (Mexico) site. [15] Transportation of vehicles from Ingolstadt to Emden, the port of loading on the North Sea coast; since October 2012 also from Neckarsulm; since 2015, the figure is given in t CO<sub>2</sub>e. [16] Direct discharge: Münchsmünster, Sant José Chiapa (since 2016) sites; indirect discharge: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, Sant'Agata Bolognese, Bologna plants. [17] Our plants participate in the statutory electronic verification procedure for waste management (eANV). Hazardous waste is stored separately from non-hazardous waste; the recycling and disposal of hazardous waste is monitored by the eANV. [18] The employee figures are annual averages. [19] Excluding apprentices. [20] AUDI AG [21] With respect to indirect employees. [22] The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked. [23] The attendance rate is calculated using the formula 100 - (sick days/payment-relevant days) x 100. [24] Bonus paid in the following year; average figure for pay-scale employees at AUDI AG. [25] Christmas donation and Spare Cents donation. [26] Includes expenditures in the areas of education, science, foundations; including donations; not including sponsorship and research.



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PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the Corporate Responsibility Report of AUDI AG 2016 and issued an independent assurance report, authoritative in German language, which has been translated as follows:

## **Independent Practitioner's Limited Assurance Report**

### **To AUDI AG, Ingolstadt**

We have been engaged to perform a limited assurance engagement on the sustainability information marked with "√" in the table "Corporate responsibility in figures" referred to in the Corporate Responsibility Report 2016 of AUDI AG, Ingolstadt (hereafter the "Company"), as well as on three selected management approaches in the Corporate Responsibility Report 2016 of AUDI AG for the period from January 1st to December 31st, 2016 (hereafter the "Report")\*.

### **Management's Responsibility**

The Company's Management is responsible for the preparation and presentation of the Report in accordance with the criteria as set out in the G4 Corporate Responsibility Reporting Guidelines of the Global Reporting Initiative (GRI) (hereafter the "GRI-Criteria") and for the selection of the information to be assessed.

This responsibility includes the selection and application of appropriate methods to prepare the Report as well as the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Report, which is free of material misstatements due to intentional or unintentional errors.

### **Audit Firm's Independence and Quality Control**

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

The audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Institut der Wirtschaftsprüfer ("Institute of Public Auditors in Germany; IDW"): Requirements to quality control for audit firms ("Entwurf eines IDW Qualitätssicherungsstandards 1 „Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis" (IDW EQS 1)") – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Practitioner's Responsibility**

Our responsibility is to express an opinion on the sustainability information marked with "√" in the Report as well as on the three selected management approaches based on our work performed.

The three selected management approaches involve the management approaches on sustainability strategy, corporate environmental protection and CO2 fleet emissions.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Report.

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\*The Report presented for the issuance of the Independent Assurance Report is available on the webpage of the AUDI AG: [www.audi.com/sustainability\\_Figures](http://www.audi.com/sustainability_Figures) and [www.audi.com/sustainability\\_GRI-PDF](http://www.audi.com/sustainability_GRI-PDF). The entity is responsible for their website. Therefore, we do not accept responsibility for any changes that may have occurred to the reported subject matter information or criteria since they were initially presented on the website.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): “Assurance Engagements other than Audits or Reviews of Historical Financial Information” published by IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the sustainability information marked with “√” in the Report as well as the three selected management approaches have not been prepared, in all material respects, in accordance with the GRI-Criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the practitioner's judgement. This includes the assessment of the risks of material misstatements of the sustainability information marked with “√” in the Report as well as the three selected management approaches with regard to the GRI-Criteria.

Within the scope of our work we performed amongst others the following procedures:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Assessment of the selected management approaches on sustainability strategy, corporate environmental protection and CO2 fleet emissions according to the guidelines of the GRI G4 in compliance with Disclosure Management Approach a) to c)
- Inspection of relevant documents and inquiries of personnel regarding the data collection and consolidation of selected sustainability information in the Report as well as the underlying internal control system
- Conduction of site and brand visits in order to assess the data collection and consolidation processes and the internal control activities:
  - AUDI AG, Ingolstadt
  - Automobili Lamborghini S.p.A., Sant’Agata Bolognese, Italy
- Inspection of the aggregation of selected sustainability information on group level
- Analytical procedures on selected sustainability information in the Report
- Inquiries of personnel responsible for the information on fleet emissions and fuel consumption contained in the Report as well as comparison of these information with the official fuel consumption and emissions type approval values of the German Federal Motor Transport Authority and the official documents of the certification bodies
- Comparison of selected sustainability information with corresponding data in the consolidated financial statements and in the group management report 2016 of Audi AG
- Assessment of the presentation of selected sustainability information in the Report regarding the sustainability performance

The assessment of the description of the materiality analysis used for the determination of the Report’s contents and boundaries of its aspects was not part of the assurance engagement nor the reporting on the materiality analysis according to the GRI G4 criteria (stakeholder inclusiveness, sustainability context, materiality and completeness). In order to gain an understanding of the three selected management approaches though, the comprehension of the current materiality analysis was part of the assurance engagement.

## **Conclusion**

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the sustainability information marked with “√” in the Report as well as the three selected management approaches of the Company for the period January 1st to December 31st 2016 have not been prepared, in all material respects, in accordance with the GRI-Criteria.

## **Emphasis of Matter – Recommendations**

Without qualifying our conclusion above, we make the following recommendations for the further development of the Company's sustainability management and Corporate Responsibility Reporting:

- Formalization and standardization of the data collection processes and the related internal control systems, especially in terms of the determination of the CO2 fleet emissions

## **Restriction on Use and Distribution**

We issue this report on the basis of the engagement agreed with the Company. The review has been performed for purposes of the Company and is solely intended to inform the Company about the results of the review. The report is not intended for any third parties to base any (financial) decision thereon. We do not assume any responsibility towards third parties.

Frankfurt, 15th May 2017

**PricewaterhouseCoopers**  
**Gesellschaft mit beschränkter Haftung**  
**Wirtschaftsprüfungsgesellschaft**

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