Statement of Principle: Respect for and Observance of Human Rights

Preamble

As a vehicle manufacturer and provider of mobility services, the Audi Group employs around 88,000 people worldwide and places orders with around 14,000 suppliers and business partners in more than 60 countries. Our value chain is ramified and multi-layered and in many places interwoven with the processes of the Volkswagen Group. In addition, Audi faces the challenge of creating economic value in order to preserve jobs, while at the same time protecting people and the environment against negative impacts in all the processes we influence.

We believe that the future of automotive mobility is electric, sustainable and digital. This document is intended to give a clear presentation of Audi’s position on human rights in all three ESG areas (environment, social and governance). Audi’s human rights strategy is therefore closely interwoven with its corporate strategy. In this complex value chain, covering vehicles, services, software and AI-supported applications, our aim is to ensure that human rights and environmental protection are respected and observed. Because one thing is clear: Wherever people work, not only are values created, but there are also always risks and thus errors and violations.

Human rights strategy

In accomplishing that objective, we are guided by the Universal Declaration of Human Rights adopted by the United Nations in 1948, the Guiding Principles on Business and Human Rights of the United Nations, the OECD Guidelines for Multinational Enterprises and the core labor standards of the International Labour Organization. We have set out what we expect from our employees worldwide and our business partners in the Code of Conduct for our employees and the Code of Conduct for Business Partners. The Code of Conduct is communicated to all employees, including new staff, and is therefore part of the company’s binding set of rules.

The aim is to define clear and transparent rules, enable risk analysis and prevention, yet also ensure functioning reporting channels, a clear response to violations and remedies for those affected.

Nevertheless, we are aware that respect for and observance of human rights is a task that will never be finished at a large company like Audi and therefore requires continuous efforts. Our human rights strategy and our actions in this area therefore comprise three key premises:

- **Honesty:** We address risks, problems and violations openly and also expect our employees and business partners to do so. We communicate transparently with our stakeholders on human rights issues.
- **Change of perspective:** We as a company have long paid attention to risks relating to our business. However, in relation to human rights and the environment we also need to look at the impact of our business activities on people and the environment, which is why we communicate and strive to look at things from a different perspective in making day-to-day business decisions.
- **Effectiveness:** As a company that operates globally, we clearly interact with people and the environment. Our aim is to develop methods to ensure that the measures we take regarding our responsibility to respect and observe human rights are tangible and effective in the interests of the people concerned.

In addition to the laws that apply to us, we as a company have made numerous voluntary commitments and advocate internationally recognized standards relating to human rights, working conditions and environmental protection. We at Audi have also agreed on values, codes of conduct and principles of corporate governance and cooperation with employees. Examples that can be cited include the United Nations Global Compact, Volkswagen’s Social Charter, Audi’s Environmental Policy or the Statement of Principle on Occupational Health and Safety.
Numerous internal guidelines and policies specify our goals and expectations in our own sphere of activity in greater detail. In 2023, we clearly defined responsibilities for implementing the due diligence obligations under the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) in newly agreed or updated Corporate Policies. The “Three Lines Model” already established at the company acts as a regulatory framework in this regard. We are committed to active communication and conduct training measures for all employees, especially managers, and suppliers.

**Risk management**

In order to fulfill our due diligence obligations, we established a multi-level risk management system following an analysis of our existing processes. It focuses both internally on the company itself and externally on the supply chain and on the impact of our activities on people and the environment. We identify, analyze and prioritize human rights and environment-related risks and derive preventive measures from that. We do that at least once a year or on an ad hoc basis whenever there is the need to take appropriate action to tackle newly emerging risks or incidents.

As part of our assessment, we generally take into account the nature and extent of our business activities in connection with the risk, the extent to which we can influence the party directly responsible for a related risk (ability to influence), the expected severity and probability of a potential violation, the reversibility of a potential violation and the nature of Audi’s causal contribution to the risk.

**Risk analysis procedure in our own business area and at suppliers**

Risks are analyzed in our own business area in two steps, in the form of an abstract and a concrete risk analysis. As part of abstract risk analysis, sector/business model-specific and country-specific risks are identified in particular. Risks are specifically determined in particular using questionnaires we have sent to selected Audi specialist areas and companies of the Audi brand group relating to legal positions under the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). The prioritized risks are derived from that in accordance with the requirements stipulated in the LkSG.

A multi-level risk analysis process is also used in the area of Procurement. First of all, industry-related risks relating to human rights and environmental objects of protection are analyzed. That enables suppliers with a greater risk to be identified. That is followed by evaluation of a comprehensive self-assessment by the supplier and the sustainability rating (S-Rating) described below, the positive result of which determines whether a business relationship with us can be established in the first place.

**Results of the risk analysis**

Our risk analysis in the 2023 reporting year revealed only few risks for our own business area as defined by the LkSG, which is certainly also due to the fact that we have already introduced and implemented comprehensive preventive measures in the past.

Risks that we have identified as particularly relevant in our own business area as part of the concrete risk analysis are, for example, unequal treatment in employment, disregarding of occupational safety and work-related health hazards, the use of persistent organic pollutants in extinguishing agents or the hiring of security forces which may result in impairments to rights due to a lack of instruction or control.

However, due to the complexity of our supply chains, we cannot rule out any such risk at direct and indirect suppliers. That is why we look at every risk with a potential negative impact on people and the environment that is directly or indirectly related to our business activities at our locations and in our global supply chains. These risks are taken into account in preventive, control and remedial measures. Within the meaning of Section 2 LkSG, that relates in particular to:

» Prohibition of child labor, forced labor and slavery;
» Occupational health and safety;
» Freedom of association;
» Prohibition of unequal treatment in employment;
» Payment of an adequate living wage;
» Environmental protection;
» Observance of human rights standards in hiring security forces.
Among all potentially affected rights holders, we have identified those groups that may be exposed to a higher risk with regard to human rights – especially in our supply chain. They are given special consideration as part of our preventive measures:

- Groups of people in our direct and indirect supply chain: Persons who work in the fields of raw material extraction and pre-processing and further processing as well as in the production of intermediate products, smallholder farmers, and employees of business partners and direct suppliers;
- Groups of people regardless of their position in the supply chain: People in informal or precarious employment, trade union representatives and local trade unionists;
- Groups of people indirectly linked to the supply chain: Members of local communities and residents in the vicinity of locations, family members of affected residents;
- Our own employees at our locations.

**Prevention**

Within the Compliance Management System (CMS), compliance and integrity training represents an important preventive measure in raising the awareness of employees and managers about existing and potential risks and countering violations. All training measures are examined annually as part of standardized processes, updated as necessary and continuously improved. All employees receive dedicated training in order to impart the knowledge required to ensure effective implementation of specific elements of human rights due diligence processes in the relevant business areas. At the end of 2023, we rolled out mandatory human rights training for all employees of the Audi brand group, including members of the Board of Management and executive management, to supplement existing training measures.

In addition, the Audi brand group has already established many processes and regulations to reduce human rights and environment-related risks, particularly relating to human resources, hiring of security services, occupational health and safety, real estate transactions, as part of the examination of new business relationships, in operational and product-related environmental protection and in the supply chain. Specific preventive measures tailored to the respective risk have been and are taken immediately in our own business area, for example in relation to unequal treatment in employment with the implementation of non-discriminatory HR processes using objective and training-based criteria, in the field of occupational health and safety with the introduction of safety standards at/for workplaces, workstations and work equipment, and the integration of requirements stipulated by the LkSG for awarding contracts for security services when security forces are hired.

**Special implementation in the supply chain**

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

The “Volkswagen Group requirements regarding sustainability in its relationships with business partners” – the Code of Conduct for Business Partners – is the core element of our supplier management. Our expectations of our business partners’ conduct with respect to core social, integrity and environmental standards are set out there.

Our goal, on the basis of the defined requirements, is to lay the foundation for enhanced sustainability and responsibility according to a risk-based approach and in a spirit of partnership together with our suppliers. To enable that, we must be aware of and effectively address the key sustainability risks in our supply chains. With the aid of the sustainability rating (S-Rating), risks are identified before a contract is awarded in order to remedy them and identify opportunities for continuous improvement. Within the contract awarding process, the S-Rating is on a par with other important criteria such as cost, quality, technological expertise and logistics. It is based on a supplier self-assessment questionnaire and is supplemented on the basis of risk by an on-site inspection and, if necessary, by a compliance check.

Deviations are recorded in a corrective action plan (see the section on remedial measures below) and must be remedied by the supplier. Subsequent monitoring measures are conducted to ascertain whether the deficiencies identified by the sustainability
assessor have actually been rectified. The result of an S-Rating process is a decision on whether a supplier is either capable of being awarded a contract or not. In the context of cooperation founded on a spirit of partnership, however, another objective of the S-Rating is to provide suppliers who have not yet been able to demonstrate satisfactory performance with the information and tools they need to do this. In this way, positive impacts on people and the environment can be achieved. Every supplier has the option in principle of undergoing a repeat evaluation after they have completed the necessary improvement measures.

The systematic training of our suppliers is a key building block in our preventive measures. In order to empower our business partners in the spirit of this Statement of Principle, we conduct online training courses, for example on our requirements under the Code of Conduct for Business Partners and on the S-Rating and its implementation. We also offer a more in-depth training program on how to implement human rights due diligence obligations.

**Complaints procedure**

We have further expanded reporting channels for the supply chain and our own business activities. These processes enable us to receive reports about risks or violations and derive specific measures from them – for concrete remedial action, to put an end to violations, to examine suspected violations and to reduce risks moving ahead. The objective of our grievance management is to identify, prevent and remedy adverse human rights and environment-related impacts caused by our company and in the course of our business activities. Every complaint and every report of possible human rights violations and violations of environment-related obligations in our own business area and our supply chain is handled as part of a standardized process.

We have set out how we deal with reports, whether anonymous or not, how whistleblowers are protected and how they are informed about the outcome of the investigation into their reports in Rules of Procedure, which are generally accessible and available in numerous languages on the Internet. These Rules of Procedure are updated towards the end of 2023 and adapted to the requirements of the LkSG. Audi has established a grievance management system with two underlying processes:

**Audi Whistleblower System**

The Whistleblower System is the point of contact and central channel for receiving reports about potential regulatory violations. Wherever they are in the world, employees as well as business partners and customers are able to report misconduct by Audi Group employees along a variety of channels. Strict confidentiality and secrecy are maintained throughout the entire process. The Whistleblower System guarantees the highest possible protection for whistleblowers and all persons who participate in investigating and remediying misconduct and regulatory violations. Discrimination against whistleblowers and participating persons is fundamentally a serious regulatory violation and will not be tolerated. At the same time the Whistleblower System protects the interests of persons of interest. They shall be presumed innocent until proof of a violation is obtained.

**Supply Chain Grievance Mechanism**

An important element of sustainable supply chain management is our Supply Chain Grievance Mechanism, which we use in following up reports of possible violations of our sustainability requirements. The process for addressing grievances concerning the supply chain is linked to and governed by the process for the Audi Whistleblower System. The channels for submitting grievances are open to all potentially affected parties and stakeholders. If the remedial or corrective actions taken are not effective, termination of the business relationship and blocking of new contract awards are also possible as a last resort in response to particularly serious violations.

In addition, employees and external staff alike can bring potential regulatory violations by our suppliers to the attention of the Audi Group’s employee representative bodies and the trade union federations.

**Remedial measures**

If we have a well-founded suspicion or a concrete indication of possible violations of human rights and environment-related rights in the Audi brand group or along our supply chain, we investigate that thoroughly in accordance with our established processes. If a violation is proven in our own business area, we take remedial measures to minimize or end the violation through
appreciate action. If a violation is proven at a direct supplier, we obligate the supplier to support us in determining the underlying facts and to collaborate fully in creating a concept for remedying the issue within a reasonable time frame. In accordance with our regulations, remedial measures must always be defined both in our own business area and in the supply chain on the basis of a root cause analysis for a violation and implemented in the interests of the rights holders or the objects of protection. The results of the root cause analyses must also be incorporated into human rights risk management and the design of preventive measures.

**Effectiveness review**

Preventive and remedial measures throughout the entire value chain must always be documented and their effectiveness reviewed. In compliance with our internal regulations, we also generally review the effectiveness of our measures, including the complaints procedure, at least once a year and on an ad hoc basis. We also conduct risk-based audits within our company, investigate reports of possible violations and review the effectiveness of training and further development measures. We review the effectiveness of measures in our supply chain by monitoring the results of our continuous analysis of human rights risks and impacts.

We also conduct risk-based audits of our direct suppliers, such as in the form of document reviews, online assessments and on-site inspections. Wherever possible, potentially affected persons or at least their representatives are involved. That also applies with regard to the above-mentioned checks for consultation of rights holders.

**Documentation obligation**

To ensure that actions, processes, information, measures or even violations relating to human rights can be tracked, we have stipulated in the Audi brand group’s internal regulations that activities relating to the LkSG must be documented and that these records must be retained for at least seven years.

**Dialog and continuous improvement**

Respect for and observance of human rights require a dynamic process and constant listening to each other and readjustment. We therefore hold stakeholder dialog events with experts (represented by people from business, science, associations and trade unions as well as non-governmental organizations) and aim to make such dialog permanent. This dialog is intended to help us to understand the situation in our value chain through to the extraction of raw materials, and to think through and apply concepts that can lead to structural changes.

We are also active in countries where prevailing laws make the direct implementation of human rights-related objectives and principles difficult or impossible. In such cases, we seek practicable solutions to comply as closely as possible with the requirements under inalienable human rights and national legislation.

Honesty, looking at things from a different perspective and effectiveness are key premises of the human rights strategy and are also to be demanded from our internal and external stakeholders. We are therefore committed to underpinning this strategy and the objectives set out in it with concrete measures and to reviewing and, if necessary, amending them annually in the interests of continuous improvement.

That also applies to all processes relating to respect for and observance of human rights and in relation to environmental protection.

**Human Rights Officer: Monitoring and reporting**

We communicate the results of these efforts both internally and externally: The Human Rights Officer of AUDI AG and the Audi brand group monitors compliance with the due diligence obligations required under the LkSG and reports at least annually to the Board of Management and the Economic Committee of AUDI AG as well as to the German Federal Office for Economic Affairs and Export Control (BAFA) and on the Internet at www.audi.com as part of their duty to control and monitor all human rights-related activities.
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