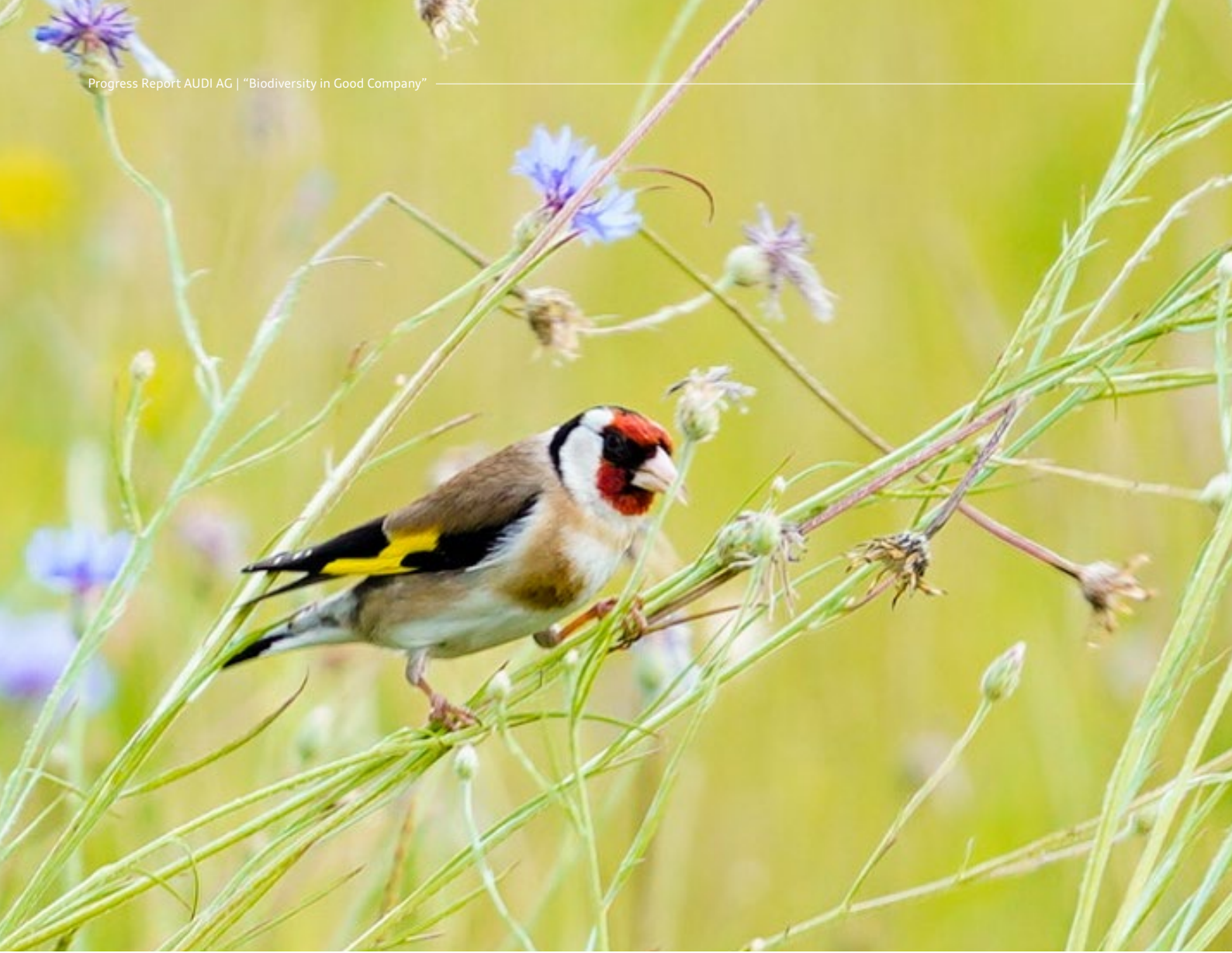


AUDI AG Progress Report on the Leadership Commitment of the “Biodiversity in Good Company” Initiative

Reporting period July 2019 to June 2021



Preamble

Alongside climate change, the dramatic loss of biodiversity is one of the greatest challenges of the 21st century. The United Nations has therefore proclaimed the period from 2021 to 2030 to be the Decade on Ecosystem Restoration.

Companies take on a special role in this context. They benefit from the products of nature that are provided free of charge, while frequently also having a negative impact on biodiversity. It is difficult or impossible to allocate the resulting costs to individuals responsible, and this is not taken into account in internal decision-making processes. Instead, they are borne by the general public – to the detriment of biodiversity. The external ecological costs caused by companies have been rising for many years and will also be the subject of future legislation.

Biodiversity and the automotive industry

Cause and effect often go unseen in the automotive industry. Unlike in the food industry, for example, the relationships tend to be more indirect. With the exception of a few natural fibers, like rubber for tire manufacture or biomass for fuel production, the automotive industry is dependent on the regulating resources of nature like the supply of water for production purposes. Although the automotive industry might not appear to be especially reliant on the products of ecosystems at first glance, it makes a significant contribution to the drivers of biodiversity loss through its products, their production, and the resulting impact along the entire value chain. Examples include carbon dioxide and nitrogen oxide emissions or the depletion of mineral resources such as metals and rare earths – often in regions that are also biodiversity hotspots. Additionally, roads associated with changes in land use lead to the fragmentation of habitats. All of these factors have a substantial negative impact on biodiversity.

Accordingly, the automotive industry's responsibility for conserving biodiversity is far from negligible. Audi is aware of this, therefore supports the biodiversity objectives of the United Nations and, as a member of the "Biodiversity in Good Company" initiative, also subscribes to its Leadership Commitment.

LEADERSHIP DECLARATION



All signatory companies acknowledge and support the three objectives of the International "Convention on Biological Diversity" (CBD):

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources

and commit to:

1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives to improve the protection of biological diversity and its sustainable utilization, to be monitored;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental or sustainability report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

A close-up photograph of a bright yellow flower with two small brown beetles on its center. The background is a soft-focus green field. The text is overlaid on the bottom left of the image.

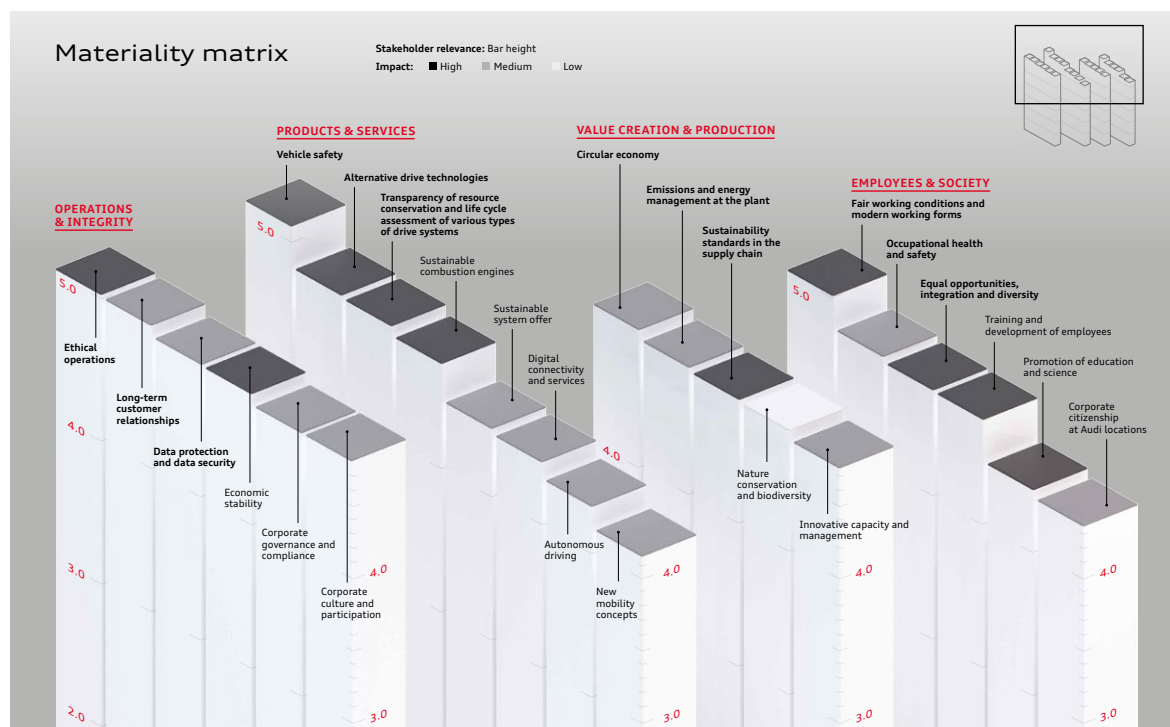
Progress report for the period from 2019 to 2021

The following report summarizes the progress made by AUDI AG in implementing the objectives set out in the Leadership Commitment at its German locations in Ingolstadt and Neckarsulm in the period from 2019 and 2021.

1. Analyzing impacts of corporate activities with regards to biological diversity

AUDI AG already conducted a multi-level analysis in all business divisions in 2015 as part of its strategic target planning. In the first step, the stakeholders were surveyed on sustainability topics and their relevance. The most important topics and concerns raised in the stakeholder dialogues were included in the materiality analysis, the results of which were summarized in a sustainability matrix. The results for nature conservation and biodiversity in the reporting period from 2019 to 2021 occupy a similar position to the previous years, showing that this aspect is still not considered to be a top priority. This reflects the fact that biodiversity itself is still not viewed as especially prominent, even though energy and emissions management in the factory, the circular economy, and sustainability standards in the supply chain are all closely related to biodiversity.

Results of the stakeholder analysis on the relevance of biodiversity for AUDI AG



Location-based analysis

As corporate biodiversity management typically begins with property management, AUDI AG had already arranged for its main location in Ingolstadt to be analyzed by external partners with a view to ecological risks and, in particular, their impact on biodiversity even before it signed up to the initiative. Biomonitoring was also performed with a focus on paint solvent emissions and heavy metals. Following this, Audi arranged for habitats and various species to be analyzed in the reporting period from 2015 to 2019. Audi intensified these investigations in the reporting period from 2019 to 2021.

Brownfield instead of greenfield: In planning the expansion of its business activities at its Group headquarters in Ingolstadt, Audi conducted an impact analysis and subsequently chose to develop a former refinery site that will be remediated in several phases over a number of years. As well as protecting natural capital by preventing intact green spaces from being sealed, Audi is laying the foundations for a positive natural capital account by revitalizing a highly contaminated industrial brownfield site and reintegrating it into the economic and natural cycle. As the remediation process will give rise to unused areas on the 75-hectare site in the interim and the site is located in immediate proximity to the particularly valuable and protected Danube wetlands, AUDI AG is planning to earmark defined areas for biodiversity as part of the "Natur auf Zeit" initiative.



2. Integrating the protection of biological diversity and sustainable use into operational sustainability management

Individual biodiversity targets are regularly defined in the location-specific environmental programs within the environmental management system. They are reviewed annually and updated for the individual locations. Work has also begun on the development of biodiversity standards in the areas of property management and plant planning in order to ensure that biodiversity is enshrined in the activities of the plant sites in the long term.

3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Managing Board

Overall responsibility for biodiversity activities is borne by the Environmental Protection Officers at AUDI AG's locations (I/P2-1I, N/P2-1N), who report to the Head of Environmental Protection (I/P2-1). In turn, the Head of Environmental Protection reports to the Head of Corporate Protection/Real Estate (I/P2), who reports directly to the Board Member for Production and Logistics. Furthermore, the biodiversity activities at all international locations are coordinated as part of the Audi environmental program Mission:Zero.



4. Defining realistic and measurable objectives to improve the protection of biological diversity and its sustainable utilization, to be monitored and adjusted every two to three years

Audi stands for sustainability in its vehicles and services throughout the entire value chain. For Audi, sustainable action means considering the ecological, economic, and social consequences of every decision. This is the only way for the brand with the Four Rings to be a good employer over the long term, remain competitive, delight its customers, protect the environment, and assure a livable future for generations to come. To this end, Audi is pushing forward the development of innovative drive technologies and pursuing the principles of a sustainable circular economy. In other words, sustainable action starts with the procurement process and extends right up to the recycling of the vehicle.

The company further intensified the implementation of the Audi environmental program Mission:Zero at the worldwide Audi locations in the reporting period with a view to achieving consistently sustainable production. All activities and measures for reducing the ecological footprint at the Audi sites worldwide in Production and Logistics are bundled in Mission:Zero. The focus is on Audi's key challenges of decarbonization, water use, resource efficiency, and biodiversity. One of the main objectives is to achieve net carbon-neutral production locations by 2025. To measure biodiversity at its locations, AUDI AG has developed a biodiversity index together with the Volkswagen Group that was tested and optimized further in the 2019–2021 reporting period. The target of improving the biodiversity index by at least 10 percent by 2025 is defined in greater detail through various measures in the environmental programs at the individual AUDI AG locations and reviewed annually.



5. Publishing activities and achievements related to biological diversity in the annual, environmental or sustainability report

Environmental programs are published in the company's environmental declarations and updated accordingly. In addition, biodiversity topics and all other environmental issues are addressed in the sustainability report, which is prepared in accordance with the G4 Guidelines published by the Global Reporting Initiative (GRI).

6. Informing suppliers about the company's biodiversity objectives and integrating them step by step

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. The Volkswagen Group's Environmental Policy is binding. Volkswagen AG's suppliers are also provided with online information about the company's sustainability policy and its expectations regarding its partners adopting a similar policy via the business-to-business platform www.vwgroupsupply.com.

Audi began rolling out the Sustainability Rating to relevant first-tier suppliers in 2017 and has prioritized and significantly expanded its on-site checks in the years since. From the third quarter of 2019 onward, Audi introduced a supplier sustainability rating in order to examine how potential suppliers implement sustainability requirements and identify areas for development. Where necessary, specific measures are implemented in partnership with suppliers in order to improve sustainability performance even before the company signs a supply contract. Proposals to include biodiversity in the rating were developed in the last reporting period in the form of biodiversity criteria for raw materials, and further efforts to include biodiversity criteria for the supply chain were intensified in the reporting period. AUDI AG is also a member of the Aluminium Stewardship Initiative. This industry-led initiative is aimed at promoting sustainability throughout the entire aluminum value chain and also takes the conservation of biodiversity into account.



7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations and/or governmental institutions with the aim of deepening dialogue and continuously improving management

As a member of the Biodiversity Working Group of the Bavarian Environmental Pact, a joint initiative between the Bavarian State Government and Bavarian businesses, Audi was actively involved in developing measures for promoting biodiversity together with other companies. "Natur auf Zeit" is an important project that was launched in 2017. It aims to create a legal framework for promoting biodiversity on unused factory areas. With the support of the Bavarian State Ministry of the Environment and following intensive preparations with the responsible authorities, the contract between AUDI AG and the conservation authorities for a potential expansion site at the Münchsmünster plant, near its headquarters in Ingolstadt, was signed in the first quarter of 2019. It is one of the first public-law "Natur auf Zeit" contracts in Germany to take legal effect. Additional areas for "Natur auf Zeit" contracts were defined in the current reporting period.

The reporting period from 2019 to 2021 also saw intensive contact with various conservation organizations, such as LBV Bavaria, with a view to optimally designing compensatory areas for the new IN-Campus site or realizing joint project concepts in urban areas and at Audi sites, among other things.

Voluntary projects for the protection of biodiversity



Property management

In the area of property management, Audi has taken extensive efforts to promote biodiversity at the respective plant sites. For example, biodiversity and conservation concepts for selected characteristic species at the different locations have been developed and biodiverse plant lists have been created. The progress of development is documented in the form of regular monitoring by external species experts. One focal point in Ingolstadt and the surrounding plants is support for wild bees. Detailed five-year monitoring that was completed in 2019 found a significant quantitative and qualitative increase in wild bee species, including initial evidence of two species in the respective natural environment that had previously been considered extinct.

In June 2019, the "Blühpakt Bayern" scheme initiated by the Bavarian State Ministry of the Environment recognized the Münchsmünster site near Ingolstadt as a Blühender Betrieb ("Flourishing Company"). Audi had developed a comprehensive biodiversity concept for the entire plant site in order to combat the loss of species diversity. The plant site covers 31 hectares, of which 17 hectares were designed to be biodiverse right from the very start of development at the location in 2013. The result is a habitat for 165 plant species that is typical of extensive meadowland, as well as for around 100 wild bee species.

The open space plan for the Ingolstadt plant also took account of biodiversity in the form of biodiversity modules and plant lists. In the reporting period, new habitats for insects were established across an area of around 4,000 square meters.

Areas of flowering plants were also created at the Neckarsulm site in order to support insects.





Employee awareness

One important objective of Audi's biodiversity strategy is to secure employees as external multipliers for biodiversity. To this end, various employee campaigns have been held with the aim of generating enthusiasm for biodiversity through projects such as discovering biodiversity in their own surroundings at home or making insect hotels and bat boxes. A wide range of presentations on biodiversity topics have also been delivered as part of training. Internal and external communication has been intensified, particularly around the International Day for Biological Diversity that takes place annually on May 22. In addition, the company restaurants have increasingly started offering biodiversity menus accompanied by corresponding information.

Publishing Information

Contacts

Would you like more information? The environmental department looks forward to hearing from you.

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Realization

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Date for the next progress report

The next progress report
will be presented in 2023.