Audi
Sustainability Report 2017

The fuel consumption and emission figures of the models mentioned in the report can be found on page 77.

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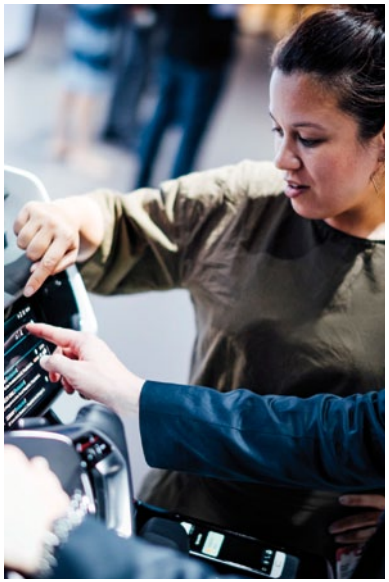

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FOREWORD

Dear Readers,

There is no way to turn back time. This is true for both our personal lives as well as for the way in which humankind deals with this planet. That is what makes conducting ourselves responsibly so important. And it therefore means learning from our mistakes following setbacks.

Today we are pleased to present you with our latest Sustainability Report. Sustainability has a lot to do with adaptability. Of course, change can be unsettling and sometimes frightening. Change requires courage – those who have this courage develop enormous strength and can tackle an issue with motivation and enthusiasm. First and foremost, having this mindset makes new things possible.

We have been dealing with the diesel crisis for more than two years now. It represents a clear break in our Company's history and has triggered an important discussion at Audi about culture and values. We have learned from these events and have implemented various internal mechanisms to prevent something like this from happening again. We are now focusing all the more on conducting ourselves with integrity and on a sustainable future. We sense the willingness of our employees for change – a genuine longing for it. And that gives us great confidence.

Without a doubt, we have some hard times behind us – and those ahead of us will not be any easier. The automotive industry is currently undergoing the greatest transformation in its history. In our view, great challenges always present great opportunities, and we are tackling them strategically and consistently. Indeed, 2018 is a year of major upheavals and at the same time a year of new beginnings for Audi. This year we will be bringing the Audi e-tron onto the market.

The Board of Management in the new Audi Design Center at the Ingolstadt site.

With its range and its many digital products and services, our fully electric SUV is a strong statement for the future of electric mobility. The Audi e-tron comes from Audi's first certified carbon-neutral plant. The electric car is equipped with electric motors from our competence center in Győr. It heralds the series of many more electric cars that we will be bringing to the market in the coming years: The Audi e-tron Sportback in 2019, for instance, and the Audi e-tron GT in 2020. By 2025, we will have around 20 electrified models on offer across the entire portfolio.

Sustainability is much more than fulfilling environmental laws; it is a social objective. The customer's decision to buy also depends on how authentically and sustainably a brand conducts itself. We invite you to read our Sustainability Report to see for yourself what Audi is doing in terms of sustainability and where we stand today.

With best regards,
The Board of Management of AUDI AG

Rupert Stadler

Wendelin Göbel

Peter Kössler

Bernd Martens

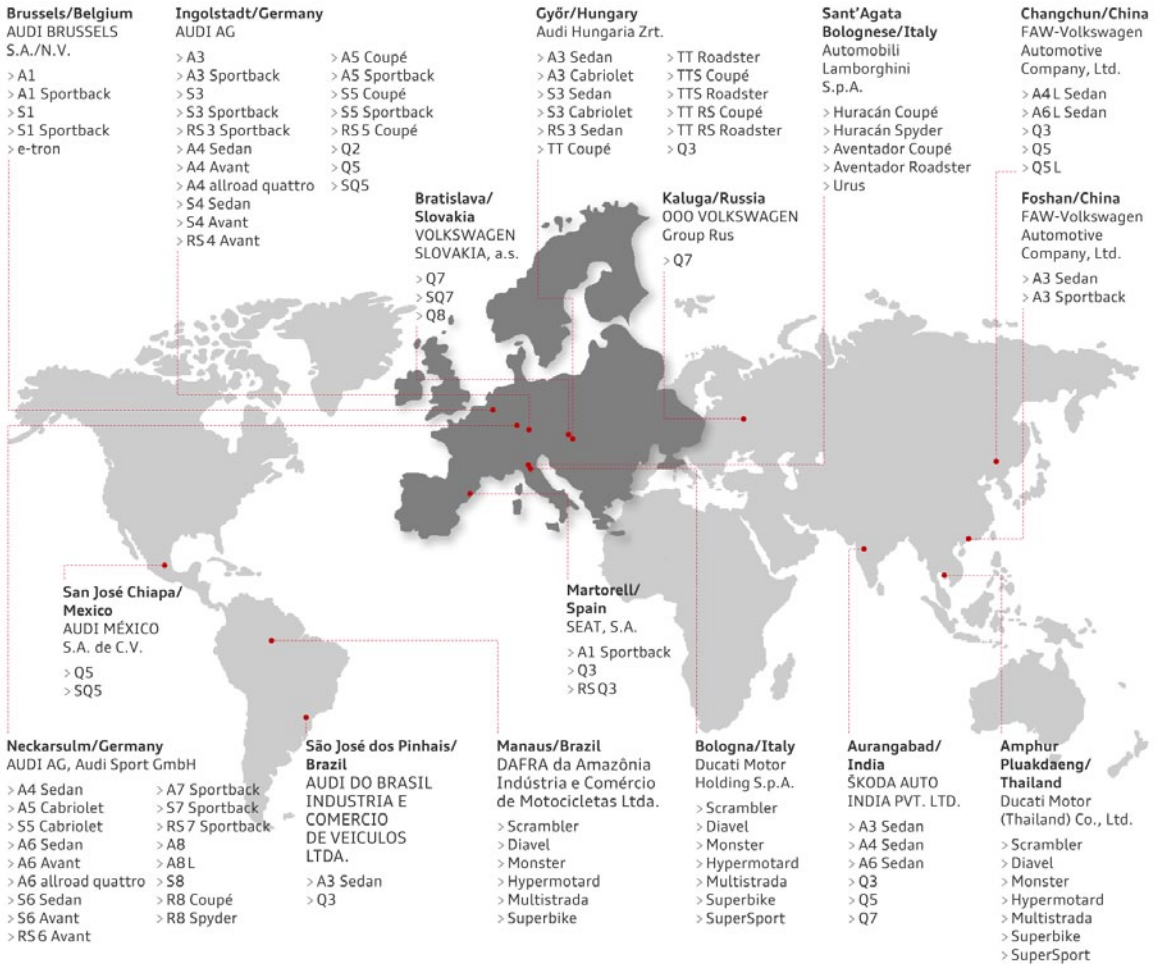
Peter Mertens

Bram Schot

Alexander Seitz

BRIEF PORTRAIT

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. In 2017, the Audi Group delivered to customers 1,878,105 (2016: 1,867,738) cars of the Audi brand, 3,815 (2016: 3,457) sports cars of the Lamborghini brand and 55,871 (2016: 55,451) motorcycles of the Ducati brand. With sales of EUR 60.1 billion (2016: EUR 59.3 billion), the premium manufacturer achieved an operating profit of EUR 4.7 billion (2016: EUR 3.1 billion). At present, approximately 90,000 people currently work for the Company all over the world, more than 60,000 of them in Germany. Volkswagen AG is the major shareholder of AUDI AG and controls approximately 99.55 percent of the share capital. The Audi Group, headquartered in Ingolstadt, is present in more than 100 markets worldwide and produces at 16 locations in twelve countries.



KEY FIGURE HIGHLIGHTS 2017

EUR 60,128 million
revenue

1,878,105
vehicles of the Audi brand delivered [1]

EUR 20.6 million
expended for corporate citizenship activities

13,571 tons
carbon emissions in logistics reduced

[1] Including deliveries of vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China).

STRATEGY AND ORGANIZATION

In dialogue

"RETHINKING SUSTAINABILITY"

For Audi, sustainable action means considering the immediate and long-term consequences of its decisions. Economic success, environmental compatibility and social responsibility are equally important.

The diesel crisis marks a watershed at Audi; it contradicts everything the Company stands for. Processing what has happened and restoring customers' trust is a key task. Roland Villinger, Chief Strategy Officer & Chief Digital Officer at Audi, and Peter F. Tropschuh, Head of the "Sustainability Strategy" department, talk about new goals and placing sustainability at the heart of the business.

Peter F. Tropschuh (Head of "Sustainability Strategy") and Roland Villinger (Chief Strategy Officer & Chief Digital Officer) talking to Lisa Schwörer and Susanne Haas ("Sustainability Strategy" department).

In 2016, Audi announced its "Audi. Vorsprung. 2025." strategy. Where does the Company want to be in 2025?

Roland Villinger: Audi's goal is to become the leading provider of sustainable premium mobility. The needs of customers, employees, stakeholders and society take center stage in this respect. Our environment poses new challenges that are complex and interrelated. Digitalization is changing entire industries and consumer behavior. Worldwide, resources are becoming scarcer while commodity prices are rising. Many cities face daily gridlock while city residents insist on the right to cleaner air. All of which calls for a multidimensional strategy. Our strategy therefore focuses on three elements: digitalization, sustainability and urbanization. We have set clear goals for all three action areas. They are managed centrally through the Board of Management and affect all divisions and production locations.

Sustainability was a key issue for Audi well before Strategy 2025 was published. Has its position within the new strategy raised it to a higher level?

Peter F. Tropschuh: Yes, definitely. To provide fresh inspiration for customers and employees alike, and to shape the future together with them, we need to and want to rethink sustainability. Not simply because of the diesel crisis. To us, sustainability means future viability. Developing cars that are greener and cleaner, and making improvements along the entire value chain right from production is the key task for Audi. The transformation of our corporate culture is equally important. We believe in trust-based relationships with employees, customers, partners and society. Our aim is also to make individual mobility sustainable. This way we add value for everyone.

You talk about sustainable mobility. How far can the transformation extend? Is mobility without cars conceivable?

Roland Villinger: We believe that individual mobility is and will remain a basic human need. In the premium segment, this desire is even more firmly anchored. The car must become part of the solution: for intelligent and livable cities with

zero emissions and an integrated transport concept. We focus greatly on digital, connected products and services to make mobility attractive for our customers and to reduce the impact on cities.

Peter F. Tropschuh: We also intend to assume responsibility for the entire product life cycle of our cars, and not just for emissions during use. Our long-term goal is a closed circular economy. Enormous improvement potential for recycling still exists with rare commodities in particular. We are facing up to this challenge.

We also share responsibility for the upstream value chain. As a premium carmaker that sources products from thousands of suppliers, our duty is to ensure they comply with basic standards. So we introduced a sustainability rating for suppliers. The objective is that in the future, orders will only be placed with suppliers that obtain a positive rating. Onsite checks before awarding any contracts, for example, help us verify whether suppliers have a resource-friendly business model and offer their employees good and secure working conditions.

Electric mobility is a key topic for the vision of emissions-free mobility. What are the next milestones for Audi in this respect?

Roland Villinger: Before the end of the year we will be launching the first fully electric Audi. We are planning electric cars and plug-in hybrids in virtually all segments. Through 2025 we aim to offer more than 20 electrified models, more than half of them with a fully electric drivetrain.

We are adopting a holistic approach. After all, electric mobility can only be sustainable if the energy comes from renewable sources. We are therefore working on a system offering for electric mobility that combines charging from the private and public infrastructure with renewable energies.

Peter F. Tropschuh: Electric mobility is a key element in our strategy. Developing other alternative forms of propulsion and fine-tuning our existing product portfolio are nonetheless just as important. With our gas-powered models, we have launched cars that are suitable for everyday use and which combine a long range with low emissions. Combustion engines also still have a long life ahead of them. With alternative fuels we are future-proofing them and will electrify at least a mild hybrid in all core model lines through 2025. That way we are helping actively shape the future of mobility.

The world of work is changing too. How are you going to get your employees onboard for this new future?

Peter F. Tropschuh: We are motivating our employees, and together, we are forging a responsible, forward-looking corporate culture. Digitalization supports entirely new forms of work, more self-determination and direct knowledge sharing between all work levels.

Audi e-tron prototype: preview of the first purely electrically powered model from the brand Audi.

Participation and codetermination also play a vital role. This culture of integrity will only take root internally if we embrace it to the full.

Roland Villinger: We will only be able to operate successfully in the future if we show mutual respect and trust. Our corporate values of appreciation, openness, responsibility and integrity will help deliver this success.

The training of our employees is another key issue for us. We are fine-tuning our employees' competency profiles. In addition – and most difficult – we need even more conscious behavior from senior management. Because nothing makes a bigger impact than a good role model.

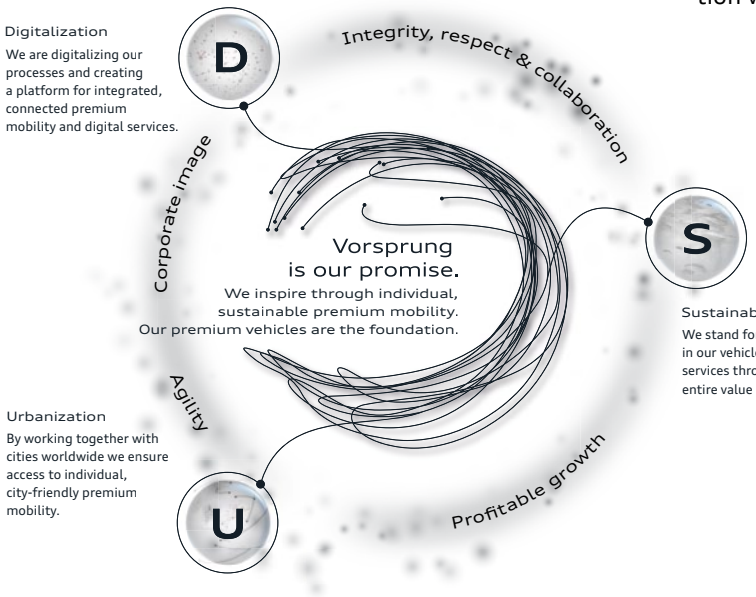
Participation and codetermination also play a vital role. This culture of integrity will only take root internally if we embrace it to the full.

SUSTAINABILITY STRATEGY AND SELF-PERCEPTION

The automotive industry is experiencing radical upheaval. The Audi Group is likewise in the process of redefining itself for the future and playing an instrumental role in shaping the transformation as we head into a new age of mobility. Step by step, the Company is implementing its Strategy 2025 – with a consistent focus on the action areas digitalization, sustainability and urbanization.

Shaping change

Worldwide megatrends define our everyday life. The increasing pace of life in urban environments goes hand in hand with growing traffic volumes, pushing urban infrastructures right to their capacity limits. The consequences include environmental burdens and increasingly scarce resources. This is also influencing the needs of our customers: They increasingly expect digitally connected, sustainable mobility options. To remain successful as a provider of sustainable premium mobility, Audi analyzes and interprets these trends, and matches them with relevant responses. It uses as its framework Strategy 2025, which aligns digitalization, sustainability and urbanization with the Audi business model.



Operations and Integrity section

Digitalization

Digitalization is radically changing our customers' everyday lives. They expect all areas of life to be connected – and the car is becoming part of their connected environment. For Audi, digitalization means systematically digitalizing its own processes and accessing new business models and revenue potential with digital services – in retailing, in the vehicle and with mobility offerings that extend beyond the vehicle.

The digital platform myAudi forms the common basis for this, a digital "ecosystem" which is equally attractive to customers and partners. Artificial intelligence enables faster and, most importantly, self-learning systems.

Products and Services/Digitalization section

Moving forward, the further development of these systems will present an opportunity to shape new customer experiences and processes.

By 2025 we want to achieve the following:

- The best digital processes in the industry
- 10 million active users on the digital platform myAudi
- Substantial operating profit through digital services and new business models
- A superior user experience – number one for customer experience
- A seamless omnichannel sales and service experience, whether online or directly at the dealer partner
- An almost fully connected vehicle portfolio
- Achieving sustainable product optimization and complexity reduction through the use of data
- Comprehensive digitalization of the sales processes with the potential to cut distribution costs by 1 percentage point

Sustainability

Sustainability is a topic that Audi is promoting and discussing at all levels. The Company gives equal weighting to the three dimensions of sustainability – economy, ecology and society – and builds them into its strategy.

Audi arranges its sustainability activities according to the four core topics “Operations and Integrity,” “Products and Services,” “Value Creation and Production” as well as “Employees and Society,” which provide the framework for this report. We place particular emphasis on product development. The mobility solutions of the future will be based on sustainable powertrain and energy concepts. That is why we are systematically advancing development work in those areas. By 2020 inclusive, we want to offer three electric models in the Audi product portfolio. From 2021 we will gradually electrify our core car lines – by 2025 one in three Audi vehicles delivered will be fully electric, starting with the first fully electric series-production vehicle of the brand with the Four Rings in 2018. There will be a comprehensive system offering enabling customers to charge up electric models, preferably using photovoltaic electricity they have generated at home. The sustainably produced Audi e-fuels, carbon-neutral production and a supply chain that meets environmental standards are further building blocks of the Audi sustainability strategy.

By 2025 we want to achieve:

- 1/3 of the vehicles produced are electrically powered
- Fuel cell vehicle in series production
- Upscaling Audi g-tron
- Scaling up Audi e-fuels/e-power, so that all Audi tron customers can drive with virtually no impact on the climate
- Best system range for alternative powertrains
- Circular economy in value creation

Urbanization

Urbanization is gathering pace: By 2025, an estimated 58 percent of all people on the planet will be city-dwellers, rising to about two-thirds by 2050. Growing urbanization is pushing urban infrastructures to their capacity limits. To ensure that individual mobility does not cause things to grind to a halt, new solutions are needed. And we need to rethink the way we use scarce resources, living space needs to be used better, congestion avoided, noise reduced and air quality improved. This is where urbanization and sustainability interlock closely. In the city of the future, Audi will increasingly step into the role of mobility services provider and offer its customers innovative ways of accessing individual premium mobility. Technologies such as piloted parking and autonomous driving will help to make road traffic safer and more environmentally compatible, and will use precious space more effectively than at present.

By 2025 we want to achieve:

- A significant market share of premium mobility services
- Inclusion of our services in city-wide intermodal mobility concepts
- Leading position in automated and autonomous driving

Achieving goals

To operationalize Strategy 2025, mentors on the Board of Management and a project manager at top or senior management level take responsibility for the goals and projects defined by Audi. The status of the projects is reported on continuously at closed strategy meetings of the Board of Management. This ensures the Company adheres to the principle of: “Clear objective, clear measurability, clear responsibility.”

To underpin the success of Strategy 2025, the Action and Transformation Plan was launched in the year under review. It comprises an investment program for the financing of further vehicle projects. It also safeguards the strategic return target and the long-term competitiveness and future viability of Audi. In addition, the plan is designed to give greater organizational emphasis to future business models – including promoting agile working practices and the strategic allocation of resources. The bottom line is that the Audi Action and Transformation Plan is targeting a positive impact on earnings of EUR 10 billion by 2022. More than EUR 40 billion will be allocated for development activities and investments.

For detailed information on the corporate goals “Profitable growth,” “Agility,” “Corporate image” and “Integrity, respect & collaboration,” please refer to pages 98–99 of the Audi Annual Report.

CORPORATE GOVERNANCE

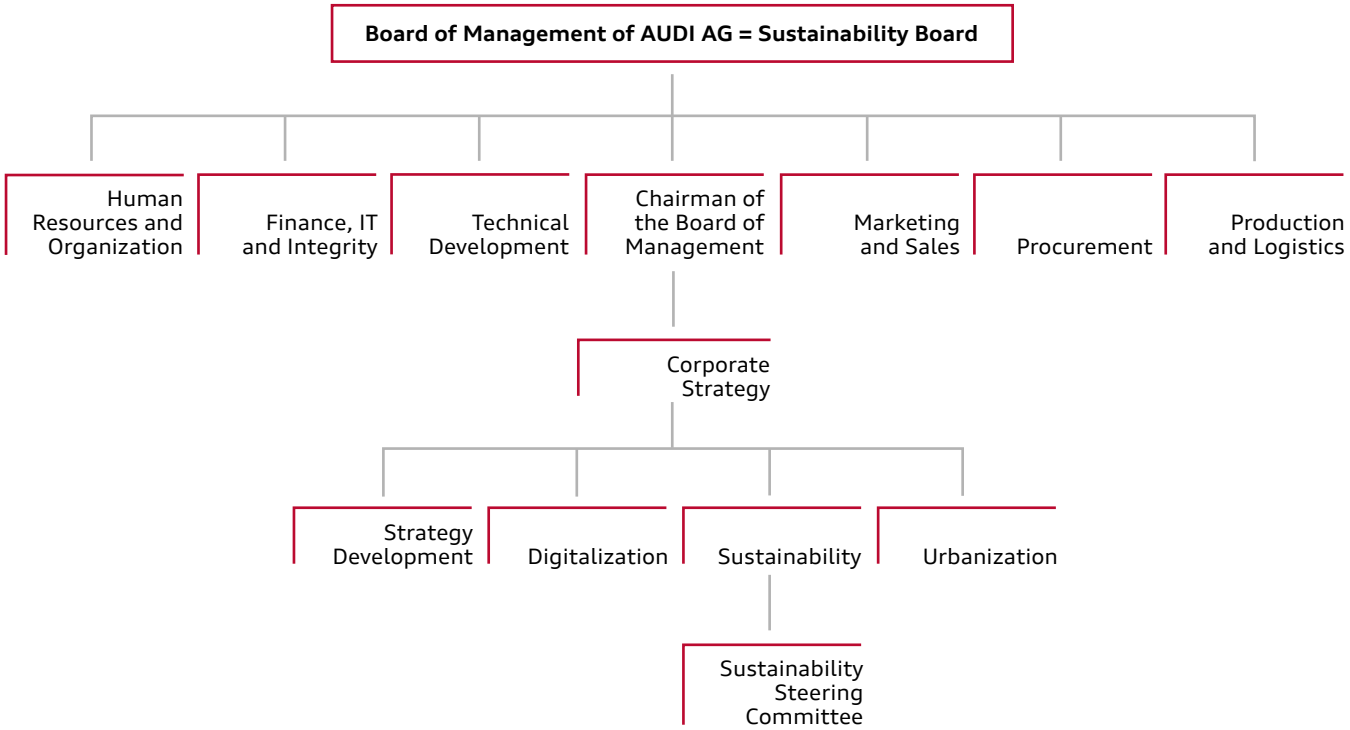
For Audi, there is a direct correlation between economic success and entrepreneurial responsibility. The Company follows through this view to its logical conclusion in advocating value-oriented corporate governance and a firmly anchored sustainability organization.

Anchoring sustainability in the Company

Sustainability is important to Audi. As part of society, Audi also wants to assume responsibility for the environment, its own employees as well as for people outside its factory perimeters. We have therefore firmly integrated the topic within the Company. The "Sustainability Strategy" department consolidates measures in the divisions and is responsible for the direction of the sustainability strategy. It reports to the Sustainability Board – the full Board of Management of AUDI AG – at least twice a year. At the meetings of the Sustainability Board, the "Sustainability Strategy" department reports on current measures and potential conflicting targets with regard to economy, ecology and society. As part of the risk management process, material risks are presented to the full Board of Management on a quarterly basis and discussed together.

The "Sustainability Strategy" department is also in charge of the Sustainability Steering Committee, which is composed of representatives of all divisions plus one representative from the Works Council. 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.



Code of Conduct of the Audi Group

The new Audi Code of Conduct was introduced in October 2017. The fully revised Code of Conduct is intended to support employees in their daily duties in the Company. It provides guidance, advice and support on correct behavior at the workplace, as a business partner and as a member of the Company. The Code of Conduct is binding for every employee, regardless of their position in the hierarchy. The new version of the Code of Conduct provides clear rules on correct conduct, in a transparent and easily understood form and was made accessible to all employees. Practical examples illustrate the individual subject areas and are designed to help employees apply the rules.

A training concept for the new Code of Conduct was also prepared. All new employees who have joined the Company since October 10, 2017, or are recruited in the future attend mandatory training. The brochure explaining the new Code of Conduct is also sent to all new recruits along with their employment contract.

Operations and Integrity/Compliance section

Code of Conduct

In February 2012, AUDI AG joined the United Nations Global Compact as an independent company. The Company has signed up to the Universal Declaration of Human Rights, the principles of the International Labour Organization and of the OECD, the principles of the Rio Declaration on Environment and Development and the UN Convention against Corruption. AUDI AG, as a subsidiary of Volkswagen AG, suspended its membership of the UN Global Compact effective November 12, 2015, in light of the diesel crisis. Irrespective of the suspension of its membership, we emphasize our commitment to the principles of the UN Global Compact.

Executive bodies of AUDI AG

The Annual General Meeting, the Supervisory Board and the Board of Management make up the executive bodies of AUDI AG. The Annual General Meeting of a stock corporation is the meeting of the corporation's shareholders or owners at which they exercise their rights with regard to the stock corporation's affairs.

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. At the time the report was completed, the AUDI AG Board of Management consisted of seven members.

Foreword by the Board of Management

The Supervisory Board oversees and advises the Board of Management's running of the business. The Supervisory Board of AUDI AG comprises ten shareholder representatives and ten employee representatives as provided for by law. The composition of the Supervisory Board and Board of Management of AUDI AG as well as the dates on which members took up office can be viewed on the website of AUDI AG.

Handling of the diesel crisis

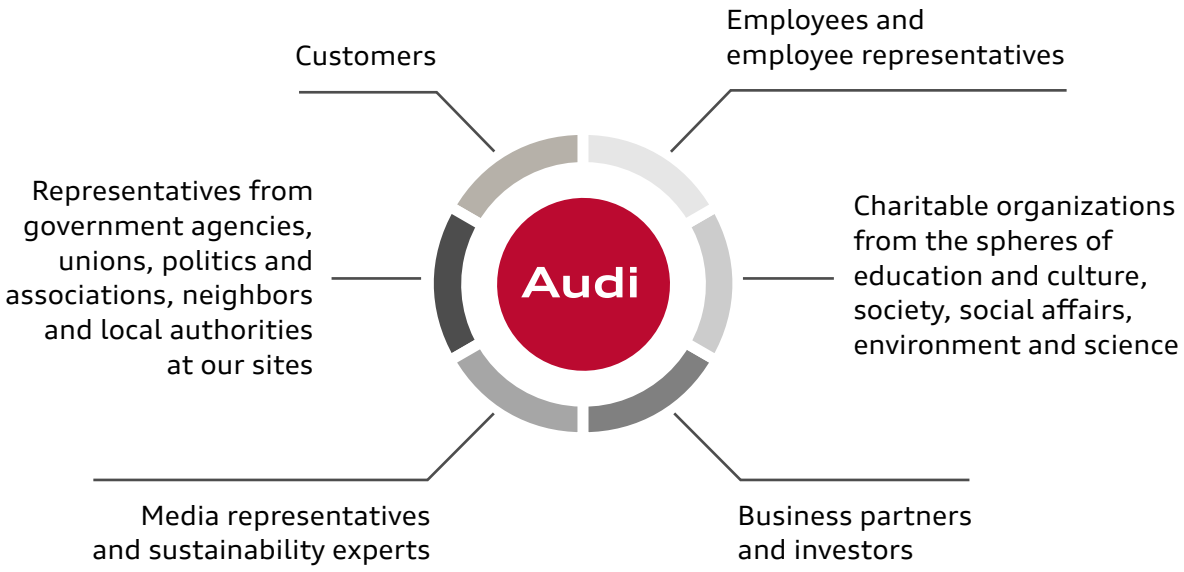
Resolving the diesel crisis again accounted for a significant portion of the Supervisory Board's work in 2017. For that reason, the Supervisory Board considered this issue comprehensively and was kept constantly informed about the diesel crisis by the Board of Management, both in writing and orally, in the past fiscal year. For further information on the tasks and issues addressed by the Supervisory Board, please refer to pages 89-91 of the Audi 2017 Annual Report.

STAKEHOLDER MANAGEMENT

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

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.



Targeted dialogue

We actively involve our stakeholders in central issues. We do so by using a variety of dialogue formats, one-to-one discussions and other means of communication. Excerpts of Audi's dialogue work are shown below.

Dialogue formats

- Multi-stakeholder events such as the Audi Stakeholder Forum or involvement in the Aluminium Stewardship Initiative allow the Company to engage directly with its stakeholders on core issues.
- Other approaches include dialogues as part of its activities in associations as well as memberships of committees.
- In the internal community "Forum Responsibility," employees can contribute their own suggestions on the topics of responsibility and sustainability at Audi. In addition, a subject portal on the Audi intranet offers employees up-to-date information on relevant, strategic topics and innovations, as well as training options offered by the Sustainability Academy.
- The findings of stakeholder questionnaires conducted on a regular basis – most recently in 2017 – are fed into Audi's materiality analysis and sustainability strategy (see page 14).

One-to-one discussions

› One-to-one discussions with stakeholders are an effective instrument for Audi to act on stakeholder input. Stakeholders can also contact the "Sustainability Strategy" department directly on the email address sustainability@audi.de.

Other means of communication

› Audi's online presence on the topic of sustainability provides comprehensive information.

› The Sustainability Report presents Audi's sustainability performance transparently and comprehensively.

Audi in Dialogue 2017

Audi brings together its community service activities at the production locations under the "Audi Volunteers" initiative and supports employees who wish to help in this way. To make sure such activities are effective, an ongoing dialogue with employees and the social institutions involved is imperative.

The "Region in Dialogue" event, for example, is one example of Audi's diverse and wide-ranging dialogue formats. In the year under review, Audi employees joined representatives of federations and municipal institutions at the Audi Conference Center in Ingolstadt in seeking to pinpoint new approaches and possible forms of cooperation. At the various workshops, around 70 participants took the opportunity for in-depth conversations and strengthened the healthy cooperation between the social, public and business sectors in the region.

Another format is the "Among Neighbors" dialogue forum. On November 20, 2017, some 120 residents who live close to the Audi Neckarsulm site took up the Company's invitation to the Audi Forum. Audi Neckarsulm hosts the neighborhood dialogue every two years. At the 11th residents' event, representatives of Audi reported on the development of the site and the Company's involvement in the region. Visitors were also given an overview of current construction and environmental projects as well as noise protection measures. "An open dialogue and face-to-face conversations with our neighbors is a vital part of understanding each other," remarked Plant Manager Helmut Stettner. "We systematically respond to suggestions and follow them up."

The "Responsibility Perspective" lecture series gives Audi employees and Audi managers an opportunity for discussion and networking with experts from science and industry. Sustainability-related issues that are relevant to Audi's future viability are discussed at the event. Papers by outside speakers and commentaries by Audi experts provide starting points for open discussions between all participants. A total of 2,581 employees have taken part in 20 lectures since 2013. In 2017, there were six lectures on future topics related to Strategy 2025, with eleven external and internal experts speaking at the events and 864 participants attending the lectures in Ingolstadt and Neckarsulm.

Participation in external initiatives and federations

Audi promotes ecological, economic and social issues in partnership with stakeholders through a variety of initiatives, federations and work groups. The following list of memberships and activities exemplifies our dialogue with industry, politics, science and society.

- Aluminium Stewardship Initiative (ASI), Australia
- Biodiversity in Good Company Initiative e. V., Berlin
- Diversity Charter, Berlin
- co_2ncept plus – Verband der Wirtschaft für Emissionshandel und Klimaschutz e. V., Munich
- 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
- Deutscher Verkehrssicherheitsrat e. V. (DVR), Bonn
- Deutsches Institut für Compliance (DICO), Berlin
- Deutsches Verkehrsforum e. V., Berlin
- eNOVA Strategiekreis Elektromobilität, Berlin
- European Women's Management Development International Network (EWMD), Wiesbaden
- Global Battery Alliance (World Economic Forum), Cologny, Switzerland
- National Platform for Electric Mobility, Munich
- Stifterverband für die Deutsche Wissenschaft e. V., Essen
- Stiftung "Jugend forscht" e. V., Hamburg
- Südwestmetall – Verband der Metall- und Elektroindustrie in Baden-Württemberg e. V., Stuttgart
- vbm – Verband der Bayerischen Metall- und Elektro-Industrie e. V., Munich
- VDA Verband der Automobilindustrie e. V., Berlin
- Wertekommission e. V., Berlin
- World Economic Forum, Cologny, Switzerland
- ZfW – Zentrum für Wirtschaftsethik gGmbH, Berlin

MATERIALITY

We again asked our internal and external stakeholders for their assessment of relevant action areas in the year under review. Through this approach we identify those topics that are of high importance for both the Company and our stakeholders. These findings are fed into the materiality matrix. They are also helpful for checking and developing the sustainability strategy.

Identification of material topics

Since 2012, Audi has systematically identified the relevance of various sustainability topics and represented them in the form of a matrix. Audi again updated materiality in 2017 according to a multi-stage process.

Drawing on internal and external sources, the Company first updated relevant sustainability aspects within the four core areas “Operations and Integrity,” “Products and Services,” “Employees and Society” and “Value Creation and Production” and consolidated these into 27 action areas. In a second step, these topics were prioritized with the help of an online survey: Around 150 external stakeholders – including customers, suppliers, non-governmental organizations (NGOs) and analysts – were invited to evaluate the relevance of the action areas. Within the Company, the members of the Sustainability Steering Committee, comprising representatives of all divisions and the Works Council, considered the topics.

The stakeholder survey also generated qualitative results that are used to fine-tune the sustainability strategy. The Company has, for example, also commissioned an evaluation to establish to which Sustainable Development Goals of the United Nations (SDGs) the automotive industry can and should make the biggest contribution. The SDGs published under 2030 Agenda span 17 goals in total, which cover social, ecological and economic topics in their 169 targets.

According to the stakeholder survey, Audi has the biggest effect on or makes the biggest contribution to sustainable development in the following five SDGs: “Decent Work and Economic Growth” (SDG 8), “Industry, Innovation and Infrastructure” (SDG 9), “Sustainable Cities and Communities” (SDG 11), “Responsible Consumption and Production” (SDG 12) and “Climate Action” (SDG 13). The Company has used its findings to align the corporate strategy and build the corresponding points of reference into the sustainability agenda.

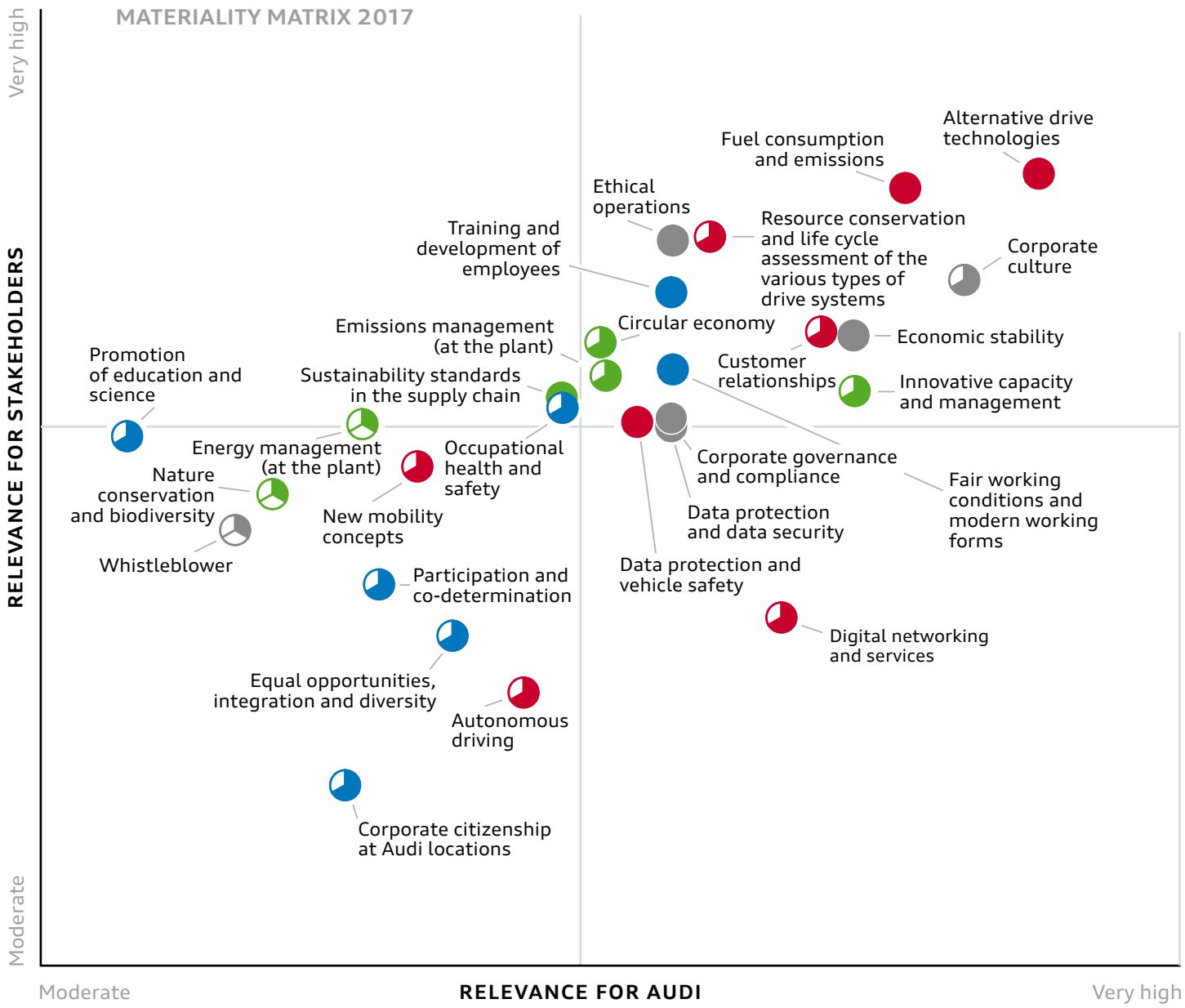
In addition to the relevance of the topics, in a further step the Steering Committee members evaluated the direct social, economic and ecological impact of the chosen subject areas on the world around Audi and classified this impact (low, medium, high). The findings of the survey and qualitative impact assessment were then consolidated, collated in a matrix and approved by the Sustainability Steering Committee.

Representation as materiality matrix

Audi has combined the results of the materiality process in a materiality matrix. This vividly expresses the relevance for Audi (on the x-axis) and the relevance for external stakeholders (on the y-axis) in relation to each other.

As a third dimension, Audi has visualized the impact assessment in the form of round Harvey Balls ideograms. The degree of direct ecological, economic and social impact (whether positive or negative) of the action areas on the outside world is represented in three levels: low, medium and high.

The results of the materiality analysis not only help in determining the focal areas of the report; they are also taken into account in refining the sustainability strategy. As part of this dialogue with stakeholders, recommended action, which Audi assesses and translates into specific measures, is derived for each specific key topic.



Legend

		Impacts: Low	Moderate	High
A	Operations and Integrity			
B	Products and Services			
C	Employees and Society			
D	Value Creation and Production			

AUDI SUSTAINABILITY PROGRAM

The Audi Sustainability Program combines strategic goals in the area of sustainability with concrete measures. It is divided into the four core topics “Operations and Integrity,” “Products and Services,” “Value Creation and Production” as well as “Employees and Society.”

OPERATIONS AND INTEGRITY

Goal	Measure	Date	Comparison of SDGs
8 to 10 percent operating return on sales	Implementation of the projects in Strategy 2025 and in the Action and Transformation Plan	Continuous development	
21 percent return on investment (ROI)	Implementation of the projects in Strategy 2025 and in the Action and Transformation Plan	Continuous development	
6.0 to 6.5 percent research and development ratio	Implementation of the projects in Strategy 2025 and in the Action and Transformation Plan	Continuous development	
5.0 to 5.5 percent ratio of capex	Implementation of the projects in Strategy 2025 and in the Action and Transformation Plan	Continuous development	
Self-finance the transformation to provider of sustainable, individual premium mobility	Implementation of the projects in Strategy 2025 and in the Action and Transformation Plan	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	
Reinforce integrity	Extension of consulting programs/awareness/training courses	Continuous development	

PRODUCTS AND SERVICES [Table 1 of 4]

Goal	Measure	Date	Comparison of SDGs
Reduce CO_2 emissions from the Audi EU new car fleet by 27 percent (base year 2012)	Reduction of fuel consumption by using technologies from the modular efficiency platform	2020	
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	
Significantly reduce fuel consumption for every new vehicle compared with the predecessor model	Switching 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	Extension of the plug-in hybrid portfolio to three Audi models	2020	
	Ensure availability of at least one plug-in hybrid in every core segment from compact class or higher (Audi A3) [2]	2023	
	One third of Audi new vehicles features an electric drive (availability of at least one battery electric vehicle for each core segment)	2025	
	Production launch of the first fully electric Audi vehicle	2018	
	Extension of the product portfolio to a total of three fully electric Audi models	2020	

[2] European market, status prior to publication

PRODUCTS AND SERVICES [Table 2 of 4]

Goal	Measure	Date	Comparison of SDGs
Ensure availability of charging systems for private charging to coincide with the market introduction of the first fully electric series-production model from Audi	Competitive charging lineup for electrified Audi models for domestic charging, including: – Charging equipment – Smart charging functions, e. g. PV-optimized charging – Innovative technologies	2018	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
	Further development of the charging lineup for electrified Audi models in relation to the smart integration of electric vehicles into power grids to promote the compatibility between electric vehicles and the grid; including piloting of services to network the vehicle with the power grids	2020	7 AFFORDABLE AND CLEAN ENERGY; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
Ensure the availability of fast-charging infrastructure along the long-distance transport axes in Europe and USA to promote long-distance capability of electric vehicles [3]	Infrastructure expansion in cooperation with partners, e. g. IONITY joint venture in Europe and Electrify America in the USA, as an incentive for electric vehicles	2022	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Extend the charging infrastructure at the Audi sites	Setup and operation of cross-site charging infrastructure at Audi sites for the SOP Audi e-tron; further needs-based expansion for processes in the plant as well as supply of company cars and employee leasing vehicles (with the introduction of further electric models)	Continuous development	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Provide sustainable charging options for fleet customers	Development of a sustainable charging solution for fleet customers	2020	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 11 SUSTAINABLE CITIES AND COMMUNITIES; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Conserve resources through new recycling concepts for closing material cycles	Development of second-life applications for high-voltage batteries	2018	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Development of a recycling process for traction-battery cells	2019	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION

[3] The goal “Infrastructure expansion as an incentive for electric vehicles in cooperation with partners” from the Sustainability Program 2016 was specified in detail for the 2017 program and no reference to this specific wording remains.

PRODUCTS AND SERVICES [Table 3 of 4]

Goal	Measure	Date	Comparison of SDGs
Expand the range to include fuel cell drive concepts under the Audi h-tron umbrella brand	Further development of fuel cell technology, introduction of a small series with fuel cells in the market	2022	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
	Rollout of fuel cell technology across the Group brands	2025	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
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	2017	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
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	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
	Market introduction of Audi e-fuels and Audi e-power in addition to Audi e-gas	2019	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION
	Extension of strategic partnerships and cooperation agreements regarding research and development into renewable energies	Continuous development	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
	Integration of a CO_2 capturing plant (capturing CO_2 from the air) into a power-to-gas or power-to-liquid plant [4]	2018	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS
Responsibility for the safety of customers and other road users	Portfolio of predictive assistance and safety systems	Continuous development	3 GOOD HEALTH AND WELL-BEING; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

[4] By pooling modification work in the entire plant in Werlte this measure was postponed from 2017 to 2018.

PRODUCTS AND SERVICES [Table 4 of 4]

Goal	Measure	Date	Comparison of SDGs
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 AND PRODUCTION [Table 1 of 2]

Goal	Measure	Date	Comparison of SDGs
Integrate sustainability into supplier relationships	Training for all procurement employees to build on sustainability standards in supplier relationships	Continuous development	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Introduction of a sustainability rating, which uses a questionnaire and an on-site check as a basis to determine the fulfillment of sustainability requirements with relevant first-tier suppliers at the production site	2020	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Involvement in industry standards and Group tools to ensure compliance with environment-related and social standards in the supply chain	Continuous development	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS
Integrate sustainability into the supply of raw materials	Development of circular economy concepts for the supply chain (focus: aluminum and HV battery)	2020	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Analyze CO_2 emissions in the supply chain and derive potential measures for their reduction	2020	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
Involve 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. Piloting of battery storage devices for charging electric vehicles at the dealer's	2018	13 CLIMATE ACTION
	Communication of sustainability topics to importers and dealers / integration of sustainability topics into existing training formats and development of new formats	2018 (Achieved in 2017)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION
	Development of a consulting/measure package including energy consulting for dealerships	2019 (Achieved in 2017)	13 CLIMATE ACTION
	Establishment of a parts range from certified used parts for Audi service partners for repair in line with a vehicle's current value	2019 (Achieved in 2017)	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

VALUE CREATION AND PRODUCTION [Table 2 of 2]

Goal	Measure	Date	Comparison of SDGs
Reduce waste for disposal, freshwater consumption, CO_2 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_2	Detailed planning and implementation of site-specific packages of measures for achieving Group-wide reduction targets	2018	
Expand and develop measures for reducing freshwater consumption at national and international sites	Realization of water recycling at the Ingolstadt site using a membrane bioreactor; 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	
CO_2-neutral site in Brussels	Reduction of all possible CO_2 emissions by adoption of energy-efficiency measures and utilization of renewable energy sources as well as offsetting	2018	

EMPLOYEES AND SOCIETY[5] [Table 1 of 2]

Goal	Measure	Date	Comparison of SDGs
Make working hours and place of work more flexible	Establishment of mobile working	Continuous development	
	Piloting of measures to promote more flexible working hours in the shift system	2018	
Methodical updating of content of vocational and advanced training	Extension of digital learning methods	2025	
	Modification of content of vocational and advanced training in relation to strategic future-oriented topics	2025	
Promote employee health	Further development of occupational health & safety at international sites	2020	
	Setup of digital offerings as part of Company health promotion	2022	
Promote equal opportunities	Increase in 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	
Strengthen cultural diversity	Expansion of the proportion of international managers within AUDI AG, global employee rotation of the workforce, international young talent programs, intercultural awareness and training	2025	

[5] The goal “Expand corporate image” from the Sustainability Program 2016 was specified in detail for the 2017 program and no reference to this specific wording remains.

EMPLOYEES AND SOCIETY[6] [Table 2 of 2]

Goal	Measure	Date	Comparison of SDGs
Promote work-life balance	Expansion of childcare	Continuous development	
	Focus on the issue of care as part of employee information events	Continuous development	
	Expansion of services to cover daily demand near to the workplace (e. g. service boxes)	2018	
	Promotion of employee mobility by extending the provision of job tickets and promoting car pooling	Continuous development	
Further develop voluntary programs	Needs survey through annual dialogue events at the Audi sites	2018	
Promote leadership and collaborative culture in tune with the corporate values and the Code of Cooperation	Group-wide introduction of a role model program for managers and establishment of an Audi culture catalog	2018	

[6] The goal “Expand corporate image” from the Sustainability Program 2016 was specified in detail for the 2017 program and no reference to this specific wording remains.

OPERATIONS AND INTEGRITY

THE COURSE IS CHARTED

Audi is working systematically to resolve the diesel crisis. The associated legal issues have not yet been concluded. Audi is cooperating fully with the authorities and working on retrofits for all the models affected.

The Company is also using this opportunity to change structures and processes, and develop a new culture of collaboration. Strategy 2025 provides the framework for equipping Audi for the future as well as strengthening the trust of customers.

What happened then must never be allowed to happen again. We are very serious in that determination. Managers are role models, so need to act accordingly. Because their decisions have an impact on the reputation of the Company and on our economic success.

Werner Neuhold,
Chief Compliance Officer at Audi.

A large number of measures have been implemented

Since the diesel crisis surfaced, Audi has taken a large number of steps to resolve it. For example, the Code of Conduct that applies to all employees has been revised. Audi has systematically implemented the principle of dual-party verification in Technical Development to reinforce control and validation. The “whistleblower system” has been optimized and provides a point of contact through which employees, business partners, customers and third parties can report breaches of the rules if they have a substantiated suspicion. The Board of Management division, “Finance and IT,” has now become “Finance, IT and Integrity.” This enables Audi to ensure supreme importance is attached to acting with integrity. Economical, sustainable and responsible action forms the basis of our corporate culture. “What happened then must never be allowed to happen again. We are very serious in that determination. Managers are role models, so they need to act accordingly. Because their decisions have an impact on the reputation of the Company and on our economic success,” declared Werner Neuhold, Chief Compliance Officer at Audi.

Moving forward takes stamina

Audi is now facing the task of implementing the sustainability goals it has drafted, and of demonstrating credibly that it is pushing them forward.

With the adoption of Strategy 2025 in 2016, Audi has been visibly and systematically demonstrating responsibility for the future.

The Company is resolutely working towards emission-free products and sites, and striving to make the entire value chain sustainable. The crisis of confidence can thus trigger a process of transformation that will continue to strengthen the Company further in the future. This transformation goes way beyond compliance by placing the spotlight on integrity, responsibility and added value for society.

The transformation is well under way

Audi is also receiving external support for this process from the Monitor Larry D. Thompson appointed by the U.S. Department of Justice. Mr. Thompson and his team will help to optimize structures and processes in order to improve the Company's compliance and ethics system. They adopt an all-around perspective. Mr. Thompson firmly believes that, "To succeed these days, you need to keep sight of all your stakeholders. Not just your shareholders, but also customers, employees and government agencies – and indeed the environment, too."

For 2018, Audi is planning to hold a mandatory event for all managers comprising lectures, debates and panel discussions to reinforce the common, sustainable understanding of values, because the future of mobility requires radical change. At Audi, it is well under way.

To succeed these days, you need to keep sight of all your stakeholders. Not just your shareholders, but also customers, employees and government agencies – and indeed the environment, too.

Monitor

Larry D. Thompson and his team examine and evaluate compliance with the 65 improvement activities in the settlement agreements reached with the U.S. Department of Justice at the start of 2017. In the Third Partial Consent Decree, 65 improvement activities have been agreed, which Audi will put into practice in eleven sub-projects. In addition, 23 working groups are forming an overview of the corporate divisions of the Volkswagen Group by interviewing employees and inspecting documents. The Monitor team has also been operating at Audi since October 2017. The plans envisage the Monitor actively examining the Company over the next three years and making recommendations to Audi on activities for further development. The Monitor's certification to the U.S. Department of Justice is a condition of the Monitor bringing his work to a close.

Code of Conduct

The Audi Code of Conduct has been available in a new, advanced form since October 2017. It provides the framework for interaction between employees as well as with customers and business partners, and provides guidance and support for day-to-day work.

Whistleblower system

The Ombudsman System of the Volkswagen Group, first introduced in 2006, was developed into a whistleblower system in 2017. Employees, business partners, customers and third parties can use it to report substantiated suspicions of breaches of the rules. The identity of the whistleblower is treated in strict confidence. The central point of contact within the Company is the Audi Investigation Office.

65

improvement activities

6,533

employees received compliance training (in 2017)

GROWTH AND STABILITY

The Audi Group not only wants to secure its own competitiveness over the long term; it also aims to conduct business in a values-led and viable way, in the interests of its stakeholders. Alongside laws, internal rules and ethical standards, the Group-wide Risk and Compliance Management Systems serve as the guiding parameters for economic activity.

Profitable growth

Profitable growth, which is determined primarily by the return rather than the volume, is at the forefront of responsible and value-oriented management. Audi takes a holistic view of sustainability – in its economic decisions the Company always also takes account of ecological and social aspects in order to ensure the long-term competitiveness of the Company and therefore uphold its responsibility as a reliable employer. Economic efficiency and job protection are equal-ranking goals here.

A high equity ratio of 44.2 (2016: 41.4) percent reflects the balanced capital structure and underscores the Company's stability. 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 Group is investing in the future and in additional growth. Areas of focus include investment in the field of digitalization and alternative drive technologies. Audi also continues to develop the worldwide production network, taking account of sustainability aspects. Volume production of the first fully electric SUV will start at the Brussels site in 2018. Audi will also further expand its business activities in the Chinese market: Under a ten-year plan, the Company has agreed specific goals with FAW Group, its local partner. For instance, Audi will significantly expand its model portfolio built locally at FAW-Volkswagen and enter new segments, including with electrified cars. In order to exploit market potential in China to maximum effect in the long term too, Audi is extending the existing joint venture structure in the future through a second partnership with SAIC Motor.

Audi apprentices at the Training Center in San José Chiapa.

Local value creation in Mexico

A central element of our sustainable growth strategy is local production in our main sales regions. The people in the regions also benefit from this. One example for the North America sales market is the plant in San José Chiapa, in Mexico, completed in September 2016. Audi builds the Audi Q5 SUV on a site measuring 460 hectares. Through the new plant, the Company is making a significant contribution to the region's economic development. Around 5,000 workers for car production have already been hired. In addition, Audi has set up a dual training system with the local Universidad Tecnológica de Puebla. There are plans to take on 94 apprentices each year in the future. More than 70 percent of supplies to Audi México are classified as local content at the production start. The new Audi plant in Mexico, its most advanced facility worldwide, is therefore actively shaping the future of the region.

Key performance indicators as a management tool

As well as value-oriented corporate management, key performance indicators are the basis for the management of the Audi Group. These are important drivers of corporate development and have to some extent been derived from the goals of Strategy 2025.

Revenue 2017

EUR 60,128 million

Operating profit 2017

EUR 4,671 million

Operating return on sales 2017

7.8 %

Return on Investment – ROI 2017

14.4 %

Net cash flow [7] 2017

EUR 4,312 million

Research and development ratio 2017

6.3 %

Ratio of capex [8] 2017

6.4 %

[7] Net cash flow, taking into account the transfer of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg, in 2017.
[8] Investments in property plant and equipment, investment property and other intangible assets (excluding capitalized development costs) as stated in the Cash Flow Statement, relative to revenue.

oekom Corporate Rating

AUDI AG once again took part in the renowned oekom Corporate Rating in 2017. The “Sustainability Strategy” department analyzes the rating results. Any derived recommended action is presented to the full Board of Management. The external rating is highly valued by Audi because it pinpoints expertly identified potential for optimizations in the Company. In 2017, Audi was downgraded from Corporate Rating C+ to C. The reasons included shortcomings identified in the areas of alternative drives and mobility concepts, as well as criticisms in the compliance and ethics area.

AUDI AG was rated above average in all core areas of the automotive sector in an industry-wide comparison. As well as the topics of fleet fuel consumption, vehicle life cycle analyses and sustainability standards in the supply chain, this also concerns the area of alternative drive concepts and mobility concepts – although potential for improvement was established.

COMPLIANCE AND RISK MANAGEMENT

The Audi Group considers reducing risks and acting ethically to be essential prerequisites of a corporate strategy that is geared to long-term success. For that reason, the employees are involved in minimizing risks at Audi.

Compliance as the basis

At Audi, compliance and integrity represent activities that, in their entirety, seek to ensure that members of corporate bodies and employees operate within the rules with regard to all statutory requirements and prohibitions as well as internal regulations. The Company follows a preventive approach to rule out in advance the possibility of potential regulatory violations. Complying with current laws and internal regulations is of fundamental importance. Persons of interest may involve the relevant responsible employee representatives in investigations for assistance or mediation. The existing participatory rights of employee representative bodies are respected throughout the proceedings. The Code of Conduct, valid Group-wide, serves as the basis here. Audi has also committed itself to the UN Convention against Corruption and largely meets the requirements of the German Corporate Governance Code.

No cases of non-compliance with environmental protection legislation and regulations came to light in the year under review, and therefore no fines were incurred. In addition, there were no official proceedings for anti-competitive behavior or for antitrust or monopolistic practices.

Sensitizing employees

The Integrity, Compliance and Risk Management area manages activities on this topic on a Group-wide scale and provides an important tool for creating a uniform basis for compliance activities in the Audi Group through the annual Compliance Program. It uses various communication measures such as e-mail, Internet and intranet to raise employees' awareness of compliance topics, especially the new Code of Conduct and the whistleblower system. In addition to monitoring the activities of the areas, it runs and documents training measures. The training creates consistent awareness throughout the Company of key compliance issues. Drawing on the Compliance area's coaching model, advice and support on compliance activities are also made available to the participations.

6,533 employees attended compliance training in the year under review

The effectiveness of our Compliance Management System has been and is reviewed regularly so that any necessary adjustments can be made. This will be done more intensively, among other reasons in light of the diesel crisis. The same applies to the effectiveness of the Risk Management System, which is monitored by the Supervisory Board's Audit Committee.

Integrity as the benchmark

To promote a culture of integrity and thus make a contribution towards changing the corporate culture, the "Integrity Think Tank" forum had its kick-off in December 2017 on the internal social media platform Audi team. This community promotes dialogue with Audi employees on issues concerning position and integrity, provides impetus and stimulates discussions. Awareness of integrity and values in the Company is to be raised by actively involving the workforce.

In November 2017, a fireside chat format on the subject of integrity was also launched. It provides employees with a regular opportunity to discuss the topic of integrity and its significance for Audi.

By way of a further contribution to the speak-up culture and transformation of the corporate culture, in spring 2018 there will be a compulsory training event for all managers at the Ingolstadt and Neckarsulm sites on the topics of integrity, culture and compliance. The aim of this measure is to raise awareness of the economic and social relevance of behaving honestly and with integrity as well as values-based leadership. Sustainable measures to improve Company-relevant decisions will be developed, and tools to promote integrity-led behavior will be created and communicated.

These and other regularly recurring measures and events are designed to further promote dialogue and interactive communication on the topic of integrity.

See also pages 26 and 27.

Whistleblower system for regulatory violations

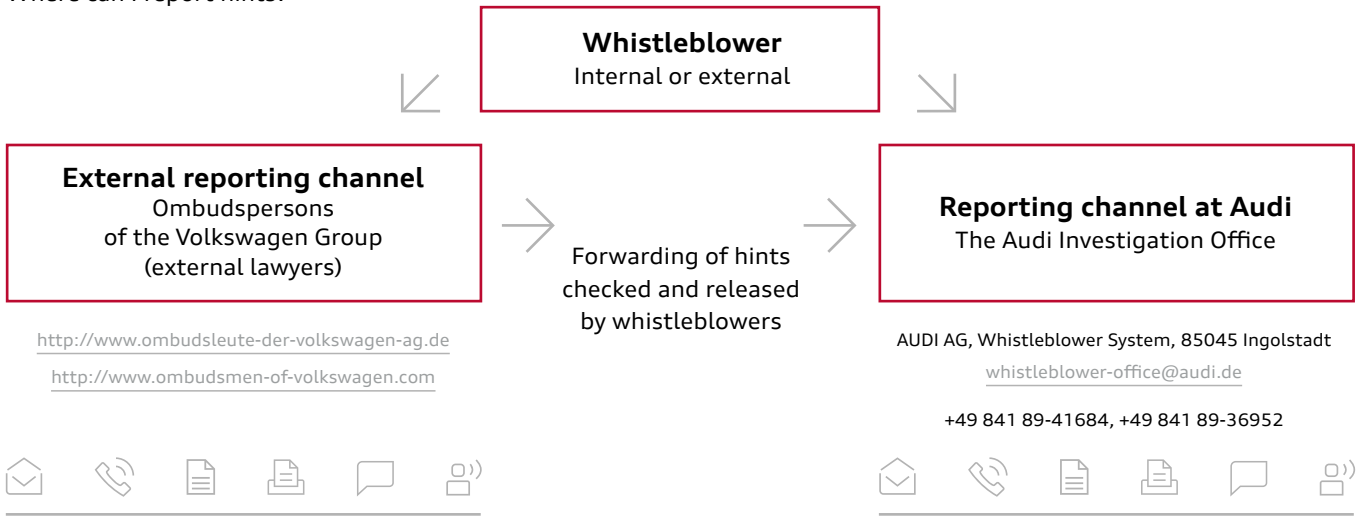
Establishing an integrity-based corporate culture also calls for vigilance on the part of all employees, along with their readiness to report possible irregularities and violations where they have substantiated suspicions. A central component is the whistleblower system, revised in 2017, which is designed to identify and put a stop to erroneous behavior – and in particular serious regulatory violations – at an early stage. Internal and external points of contact are provided for reporting breaches of the law and of internal regulations by employees in respect of Audi. The main point of contact within the Company is the Audi Investigation Office. In 2017, 92 cases (of which unsubstantiated reports: 16) were reported via the whistleblower system.

The Ombudsman System of the Volkswagen Group continues to provide an external input channel. As part of this system, two experienced external attorneys-at-law are designated as neutral ombudsmen. Any employee, business partner or external third party can contact them if they discover evidence of regulatory violations. All reports are treated in confidence and forwarded to the Audi whistleblower system. The whistleblower may choose to remain anonymous. The ombudsmen are subject to the attorney's duty of confidentiality.

Reports of regulatory violations are checked for plausibility by the Audi Investigation Office, categorized and assigned to a suitable investigating body in the Company or outside it to resolve and conclude the matter.

AUDI WHISTLEBLOWER SYSTEM

Where can I report hints?



Effective anti-corruption

A high priority is placed by the Audi Group on combating corruption. Within our Company, Audi Compliance helps to tackle corruption.

In addition to AUDI AG, 29 participations within the Audi Group were analyzed for compliance risks in the year under review. Fundamentally all those entities where AUDI AG holds a majority interest or management responsibility or that are of particular importance are included in this process. By default, the anti-corruption area is one of the priorities of this survey.

The Audi Group works with a large number of partners in the course of its business operations. To ensure responsible action within these business relationships, Audi conducts systematic, risk-based checks on the integrity

of its business partners (for example, for evidence of corruption) and made further progress with this focal area in 2017.

To give Audi employees training on relevant corruption topics, interactive web-based training was installed for all divisions in 2016. Practical situations that reflect everyday working life are used to sensitize employees to corruption-related situations. The training is mandatory for all indirect employees as well as for managers of AUDI AG who have no entry in their training history on the topic of anti-corruption or whose training history entry is more than two years old. The same applies to direct employees where the topic is professionally relevant, in other words especially where employees have external contacts and/or participate in the awarding of contracts.

4,597 employees completed the web-based training in 2017. In addition, the internal guidelines on the topic of anti-corruption were communicated in interactive face-to-face training. 335 employees took part in this face-to-face training in the year under review.

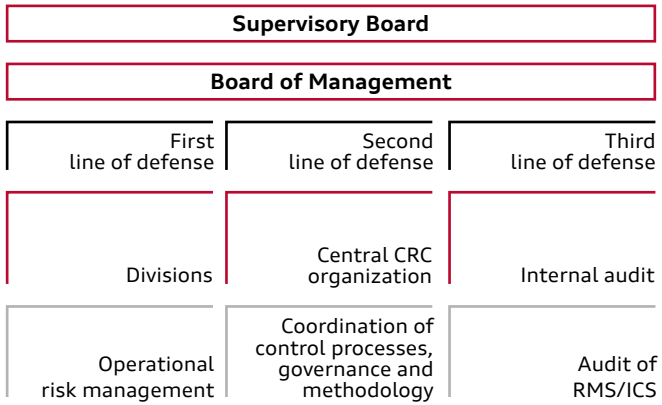
Audi Auditing confirmed it had detected three cases of corruption through its auditing activities in 2017 (2016: one). Four HR actions were taken as the result of allegations of corruption in the reporting period (2016: one). In addition, three employment contracts were terminated as the result of corruption allegations in the 2017 reporting period (2016: one). One contract with a business partner was terminated in 2017 in connection with allegations of corruption (2016: none).

Risk management

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 believe sound corporate governance revolves around a constructive dialogue and transparent handling of opportunities and risks. 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 Risk Management and Risk Control System is based on the internationally recognized standard defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Audi uses a system comprising corporate and operative risk management. By way of a systematically designed risk management architecture, Audi adopts the “Three Lines of Defense” model, with its clear separation of tasks and functions.

THE “THREE LINES OF DEFENSE” MODEL



The risk management system helps to identify and minimize risks and, where possible, to avoid them altogether. This involves recording each year the recurring risks to which the Audi Group is fundamentally exposed, including the countermeasures and control activities. Non-financial risks such as the potentially inadequate anchoring of sustainability aspects in products and processes or the possible occurrence of extreme weather events are also taken into account. The annual process is supplemented by quarterly risk reporting. This is used to record, evaluate and continuously monitor the short-term, operative risks across all divisions and production companies. Further corporate risk management tasks at Audi include ongoing development of risk management tools, training courses and interactive training programs as well as advising the operating units.

For detailed information on the impact and the current situation as regards resolving the diesel crisis as well as on action taken, please refer to the Audi Annual Report on pages 107–112, 191–195 and 255–256.

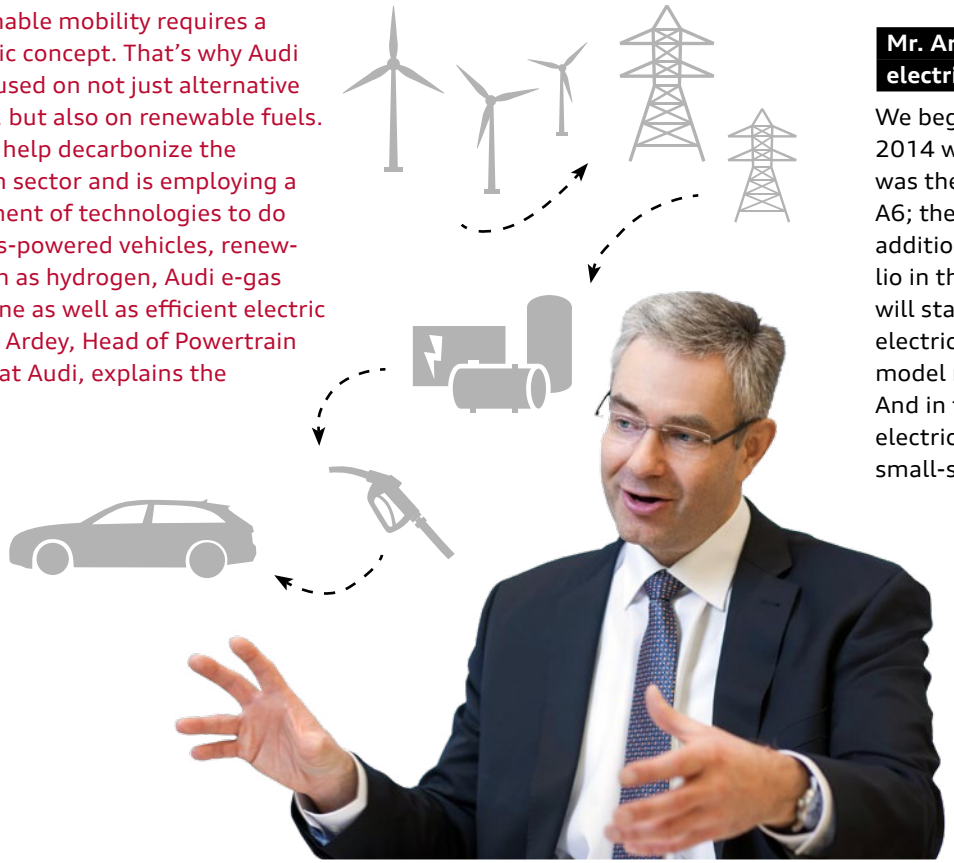
See also pages 26 and 27.

PRODUCTS AND SERVICES

VISION OF CLIMATE-NEUTRAL MOBILITY

The automotive industry is in the midst of a radical structure transformation. Climate-neutral drive systems, innovative mobility concepts and attractive service will be increasingly important in the mobility market of the future. As a provider of sustainable, individual premium mobility, Audi accepts these challenges.

Sustainable mobility requires a holistic concept. That's why Audi is focused on not just alternative drive systems, but also on renewable fuels. Audi wants to help decarbonize the transportation sector and is employing a broad assortment of technologies to do so: natural gas-powered vehicles, renewable fuels such as hydrogen, Audi e-gas and biomethane as well as efficient electric drives. Nikolai Ardey, Head of Powertrain Development at Audi, explains the strategy.



Dr. Nikolai Ardey, Head of Powertrain Development, outlines what the Company intends to do next.

Mr. Ardey, when can we expect electric vehicles from Audi?

We began selling a plug-in hybrid back in 2014 with the Audi A3 e-tron. This concept was then rolled out to the Audi Q7 and the A6; the A8 will follow soon. We will add additional plug-in models to our portfolio in the future. From 2018 onward, we will start the production and sale of fully electric cars with a sporty SUV. Our entire model range will be electrified by 2025. And in the coming decade we want to take electric mobility to the next level with a small-series vehicle with fuel cell.

What makes you so sure that the first fully electric car from Audi will be a success?

With this car, we are making electric mobility fit for long-distance driving. Thanks to fast charging with up to 150 kW, the battery can be 80% charged within 30 minutes. This ensures the everyday practicality so important for the switch to electric mobility. Meaningful use of the battery beyond this period is the subject of our "Second Life" project. The aim is reuse batteries that still have good storage capacity at the end of the vehicle's life cycle for stationary industrial applications before ultimately recycling them. We will also make key contributions toward the establishment of a network of high-performance charging stations for electric vehicles. As a member of the IONITY joint venture, we are working to expand the network of fast charging stations in Europe.

How does your concept differ from the strategies of other manufacturers?

We are taking a broad approach with the vision "Mobility with zero emissions." There won't be one definitive drive system in the future. That's why Audi is working on many other types of potentially climate-neutral driving besides electric mobility. For some years now, we have been conducting research into sustainable fuels such as e-gas, e-gasoline and synthetically manufactured e-diesel fuel. Together with our partners INERATEC GmbH and Energiedienst Holding AG, it is planned to produce around

» And in the coming decade we want to take electric mobility to the next level with a small-series vehicle with fuel cell. «

400,000 liters of Audi e-diesel a year in a new pilot plant in Switzerland. Environmentally friendly hydroelectric power will serve as the energy source.

That's why Audi is working on many other types of potentially climate-neutral driving besides electric mobility. For some years now, we have been conducting research into sustainable fuels such as e-gas, e-gasoline and synthetically manufactured e-diesel fuel.

We have already committed to the diversified use of energy with our power-to-gas plant in Werlte. It uses renewable energy to produce synthetic natural gas from electricity, water, CO_2 and organic raw materials. Audi e-gas binds nearly the same amount of CO_2 as is emitted by the gas-powered car. The Audi g-tron models are thus virtually climate-neutral and already a clean alternative today. A well-to-wheel analysis shows CO_2 emissions are a good 80 percent lower than with a gasoline-powered model in the same output class. The Volkswagen Group is working with renowned gas suppliers to further expand the German CNG filling station network.

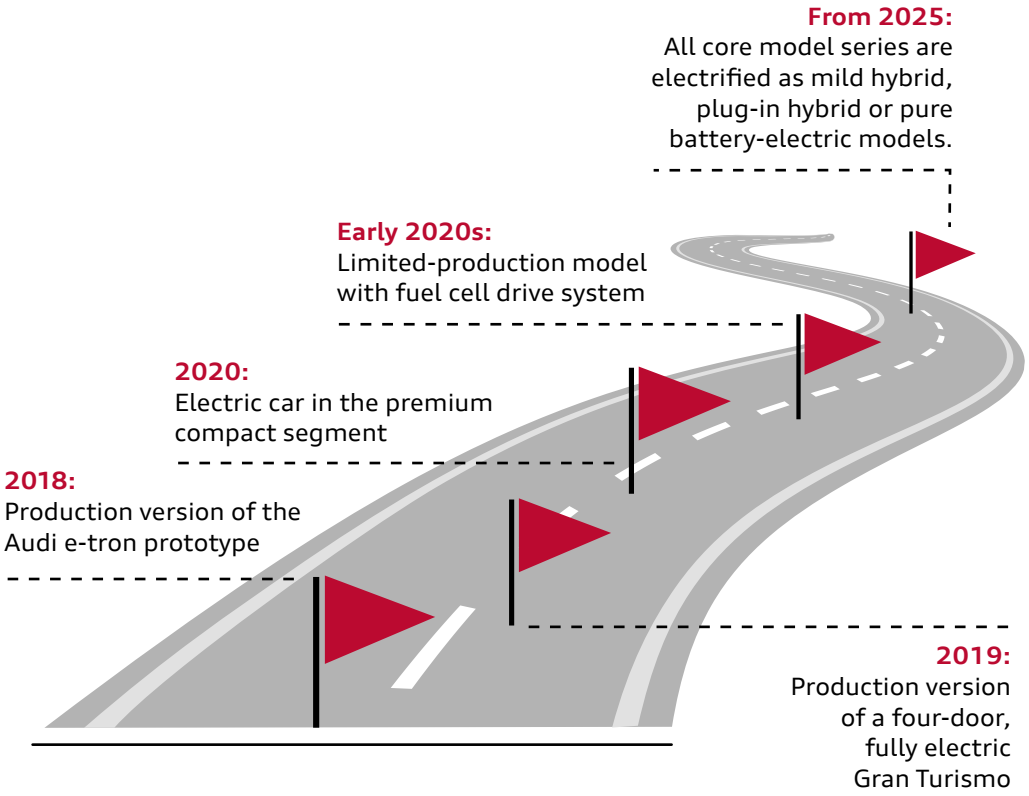
The fuel cell will also play an important role in achieving the vision of climate-neutral drive systems in the future. This technology is particularly well suited for long distances thanks to short refueling times comparable to those for current combustion drive systems. Audi plans to introduce a small-series vehicle with fuel cell early in the next decade.

Fuel cell, e-drive, alternative fuels – will the combustion engine soon be extinct?

Quite the opposite in fact. We are making it fit for the future with alternative fuels. Plus we will have electrified all combustion engines by 2025. With the mild hybrid system, we save up to 0.7 liters of fuel per 100 kilometers and reduce CO_2 emissions correspondingly. The system is already used in the new Audi A8 and in the A6/A7 family.

What do you think mobility will look like in 50 years?

A precise prediction is impossible. But I imagine cities in which zero-emission cars drive around silently and autonomously. No traffic lights or traffic jams disrupt the flow of traffic. Rather than having to concentrate on traffic behind the steering wheel, we can read, work or play with our children. We use apps to plan when which vehicle needs to take us to our destination. Intelligent mobility concepts in combination with car sharing systems solve the space problem in cities. Many parking lots are transformed into green or residential spaces, playground and sports fields. In short, the quality of life in cities will improve tremendously.



And what does that mean for Audi, which lives from the sale of vehicles?

As a car manufacturer, we certainly have to radically rethink things. In the future, we will no longer sell as many cars as possible, but rather a service that takes people from A to B as pleasantly and ecologically as possible. We will achieve the transformation from a car manufacturer to a mobility service provider. There is great economic potential to be tapped here. But it requires new ideas and approaches. Our job is to know our customers and their desires precisely. This is the only way that we can provide new answers, develop new functions and services, and implement all of this as part of a holistic, premium mobility portfolio.

SUSTAINABLE PRODUCTS

Audi pursues a holistic approach to the development of sustainable products and strives for an extensive portfolio of alternative drive technologies. The Company is also promoting the development of alternative fuels and the optimization of conventional drive systems to lessen the environmental impact of mobility.

Reducing environmental impact

Alternative drive concepts play a central role in Audi's research and development activities and in its corporate strategy. The Company adopts a broad-based approach: As well as activities involving electric driving that come under the umbrella term of e-tron, Audi is working on synthetic, renewably produced fuels that do not depend on mineral oil ("Audi e-fuels").

Audi has fundamentally set itself the goal of reducing the environmental impact of every new model compared with its predecessor. In order to evaluate this objectively and maintain an overview of the entire value chain for products and processes, Audi prepares a life cycle assessment at the production start of a new product line based on a selected reference model in accordance with the international ISO 14040 ff. series of standards (2017: eight assessments published).

For vehicles with combustion engine, there are also still many ways in which consumption and CO_2 emissions can be reduced in the utilization phase. Measures and technical modules that cut CO_2 from Audi models are combined by a steering committee into the modular efficiency platform, and evaluated and implemented by the managers responsible for the individual product lines.

Expansion of the electric fleet

In 2017, the Audi fleet of e-tron models comprised two plug-in hybrid models: the Audi A3 Sportback e-tron and the Audi Q7 e-tron quattro. Both cars combine the benefits of electric drive with the strengths of a TFSI or TDI combustion engine. The e-tron models are equipped with lithium-ion batteries. In the Q7 e-tron quattro the battery capacity is 17.3 kWh, enabling a range of around 56 kilometers in electric mode. Thanks to the two-phase charging technology fitted in the Q7 e-tron quattro, each battery can be fully charged in around two and a half hours, depending on the charging infrastructure available.

The introduction of the first fully electric SUV of the brand with the Four Rings is scheduled for 2018. This is being produced at the Brussels plant, where Audi is also building its own battery assembly facility. The Audi e-tron quattro concept study provides a foretaste of this radically reconfigured SUV. The highlights include fast charging and a range fit for long-distance driving.

Audi has a clear vision for the future: electrification of the entire model range by 2025. That means specifically that the brand with the Four Rings aims to have over 20 electric cars and plug-in hybrids in its range before that date – spread across all segments and models. In 2025, one in three Audi models delivered is to be electric.

The e-tron prototype charging.

2017 saw the go-ahead for a joint electric initiative by the Porsche and Audi brands. The development partnership is intended to bring future electric cars to market faster and also create scope for the topics of electrification, digitalization and autonomous driving, along with the refinement of highly efficient conventional drives. The plans envisage the first models based on the joint platform appearing in late 2021.

Enabling fast charging

Audi pursues a holistic approach for electric mobility. That is why we are also getting involved in the further development of charging technology and the charging infrastructure. The aim is to offer our customers a system that will enable especially private charging at home and fast charging on long journeys. To achieve the latter, Audi teamed up with other car manufacturers in 2017 to establish the joint venture IONITY. IONITY GmbH started setting up the first quick charging stations in the year under review – around 400 stations installed along Europe's transport arteries are planned by 2020.

Managing eco-electricity

As part of its quest for emission-free premium mobility, Audi is also looking at services that extend beyond the automobile as a product. Through a pilot project within the Audi Smart Energy Network project, the Company is demonstrating how car, home and power supply can be intelligently linked. Photovoltaic systems of various sizes are combined with stationary battery storage units to supply households in Ingolstadt and the Zurich region. Software distributes the solar power intelligently based on the current or plannable demand from car, household and heating system. The additional interaction with the power grid ensures all systems are interconnected into a virtual power plant and form a smart grid. This is able to compensate for fluctuations between generation and consumption, while the grid's frequency is stabilized.

Use of renewable fuels

With its Audi g-tron models and Audi e-gas, the Company is exploring an avenue that looks beyond the efficiency of the engine and at the ecology of the entire energy system. Since 2013, the Audi e-gas facility in Werlte (Germany) has been producing synthetic methane based on the power-to-gas principle, which converts fluctuating eco-electricity into a storable form and feeds it into the natural gas network. This renewable energy source is made from water and CO_2 with the help of renewable power, whenever there is a surplus of power in the grid. The amount of CO_2 emitted by the car is precisely the amount bound during production of the fuel. To complement the quantities of synthetic methane from its own e-gas facility in Werlte and other power-to-gas facilities, the Company bought in around 335 GWh of biomethane made from organic residual materials such as straw and plant clippings from various biogas plants in order to be able to ensure that Audi e-gas is offered comprehensively and to compensate for the amount of e-gas used.

In the year under review, Audi extended its range of g-tron models to include the Audi A4 Avant g-tron and the Audi A5 Sportback g-tron. Taking into consideration fuel production and the phase of use (well-to-wheel analysis), the g-tron models running on Audi e-gas generate 80 percent fewer CO_2 emissions compared to a gasoline version in the same performance category.

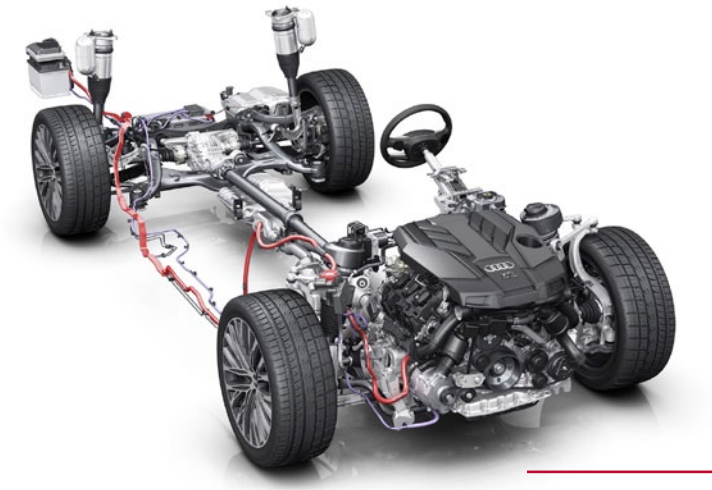
Audi e-diesel
from renewable energy, water and CO_2

For some years now, Audi has been conducting research into climate-friendly, CO_2-based fuels – Audi e-fuels – such as e-gas and e-gasoline as well as e-diesel fuel, which is also manufactured synthetically. The Company is now taking the next step in e-diesel production. Together with two project-partner companies, it is planning a new pilot plant in Laufenburg (Switzerland) for a production process according to the power-to-liquid principle. The plant transforms CO_2 and water into synthetic fuel with the help of hydropower. Audi e diesel, like Audi e-gas, has the potential to power combustion engines almost CO_2-neutrally. Construction work on the planned plant is to begin in the first half of 2018.

Audi is advancing the development of non-fossil fuels.

Continuously improving efficiency

All technologies that help to make Audi models more efficient are brought together on what we refer to as the modular efficiency platform. This contains an array of building blocks in 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. In 2017, Audi introduced mild hybridization based on a 48-volt electrical system for the power units of the A7 and A8 models, for example. The integral lithium-ion battery can store a significant proportion of the car's braking energy. The energy recovered is used to support the combustion engine when operating under unfavorable loads. The 48-volt battery furthermore enables a free-wheeling function with the engine switched off, as well as an extended start-stop mode.



Mild hybrid 48-volt drivetrain: The new technology can reduce fuel consumption by up to 0.7 liters per 100 kilometers in real-life driving conditions.

In the sphere of conventional engine development, the Company introduced two new engines in 2017. The new 3.0-liter TFSI six-cylinder engine is fitted in the Audi A8 and realizes clear efficiency gains thanks to the switch from compressor supercharging to turbocharging. (Combined fuel consumption: 8.0–5.6 l/100 km, combined CO_2 emissions: 182–145 g/km). The quantifiable improvements in CO_2 emissions of around 10 to 12 g of CO_2/km compared with the predecessor engine are achieved in a variety of ways. Extensive measures to reduce friction inside the engine have been implemented in the engine's mechanism, for example. The innovative thermal management (ITM) with split cooling enhances their effect. The use of the Audi valve lift system (AVS) in conjunction with a new combustion process improves the thermodynamic characteristics.

The 1.5-liter TFSI four-cylinder gasoline engine (110 kW) is a new addition to the modular transverse platform. In combination with an engine-internal reduction in friction, an optimized combustion process and cylinder deactivation, engine emissions potential of around 4 to 5 g of CO_2/km are realized.

Fleet emissions

As of the end of the 2017 reporting year, there were 126 (2016: 121) Audi models available with CO_2 emissions averaging up to 120 g/km in the combined cycle. Of these, six (2016: six) drive versions achieved combined CO_2 emissions of under 96 g/km.[9] According to official figures released by the European Commission, the average CO_2 emissions figure for newly registered Audi vehicles in the European Union (EU 28) in 2016 was 126 g/km. Based on our provisional calculations, the average CO_2 emissions of newly registered Audi vehicles in the EU 28 are expected to be around 127 g/km in 2017.[10] Fleet consumption in China (FBU) in 2017 was 7.6 l/100 km (2016: 7.7 l/100 km).

[9] All data apply to features of the German market. Figures take account of models with standard tires.
[10] Provisional internal calculations for 2017 subject to confirmation by the EU. Based on regulation UN ECE R83/101 on the measurement of CO_2 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.

PRODUCT SAFETY

Safe products are very important to us. We are specifically investing in research and development work on driver assistance and safety systems, and continuously examining all products and services for potential impact on health and safety.

Steadily improving safety

The safety and comfort of the cars are fundamental elements of the Audi product policy. In the context of its research and development activities, Audi regards it as essential to guarantee a high level of safety for drivers, passengers and other road users. The Company attaches particular importance to enhancing driver assistance systems, working on active and passive safety systems and investigating the causes of accidents.

Audi is also continuously investing in measures that improve passive safety. Besides improvements to pedestrian protection, the Company is developing such things as particularly strong, yet light body components and continuously improving restraint systems. Audi also wants to help improve road safety in general. The Audi Accident Research Unit (AARU) therefore investigates accidents involving Audi models. In 2017, a total of 80 accidents were investigated and analyzed.

The detailed analyses conducted cover the disciplines of technology, medicine and psychology. The AARU's findings are continuously fed back into various areas of Technical Development and the development process. In addition, in coordination with the Group brands, the year under review saw Audi participate in various EU and German government projects aimed at improving traffic safety, such as PROSPECT, an EU project to improve the safety of pedestrians and cyclists.

Innovative driver assistance systems

The driver assistance systems include Audi pre sense, a combination of systems that improve safety by alerting and intervening in emergency situations, as well as adaptive cruise control with Stop&Go function, for automatic distance control. Around 40 assistance systems are available in the new Audi A8; for example, an emergency braking function with cyclist detection was introduced, along with an exit warning with delayed door opening.

Systematic product responsibility

The safety of our cars is under constant scrutiny. Should there be concrete indications that defects have occurred or that cars already sold may pose a danger, the Committee for Product Safety is consulted. The member of the Board of Management of AUDI AG 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 and consumer protection from authorities and federations as well as for fulfilling the Company's communication obligations.

The safety of Audi models is reviewed by consumer protection organizations all around the world. For example, the crash performance of new car models is tested in NCAPs (New Car Assessment Programs), with Audi repeatedly achieving top ratings: In 2017, the Audi brand was awarded the top score of five stars in regional NCAP consumer protection tests four times. The models of the brand with the Four Rings are therefore among the safest cars in their class.

Audi of course fulfills all statutory obligations regarding the disclosure of vehicle and fuel information, efficiency categories and warnings. There were no sanctions due to breaches of relevant laws or internal standards in the year under review.

For information on the investigations into the diesel crisis, please refer to the Audi Annual Report on pages 107–112, 191–195 and 255–256.

DIGITALIZATION

The digital transformation is a key driver in how mobility is changing – the car is increasingly becoming part of a connected environment. Audi sees this as a huge opportunity for new technologies and business models, and is therefore on a mission to push digitalization intensively.

High standards of data protection and data security

In connection with products and services, digitalization means that large data volumes are gathered and processed in real time. This data is used to personalize cars and make them safer, to protect road users and to enhance the efficiency of traffic flows. On the other hand, 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 and embeds this principle in the Corporate Policy on Data Protection. The emphasis is on transparency and self-determination of how data is used. As in the previous year, there were no substantiated complaints with regard to breaches of customer data privacy in 2017.

Data security in the car and for services is equally a high priority for Audi. We take this aspect into account right from the development stage of our products and services. Audi 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.

More efficient thanks to anticipatory driving

Thanks to the way various assistance systems interact, Audi supports its drivers' efforts to anticipate events so that they can save fuel. The predictive efficiency assistant, for example, accesses route data in the navigation system and Audi connect information, and uses the forward and rearward-facing sensors to identify road signs and other vehicles. The system operates in tandem with the adaptive cruise control (ACC) automatic distance control system and adaptive cruise assist (ACA), knows in advance when it is advisable to accelerate and adjusts the speed to the line of the road and the traffic situation. Even if ACA is switched off, the efficiency assistant provides hints based on such route data as speed limits, bends, built-up areas or descents, alerting the driver to the need to slow down.

In this connection, Audi benefits from the partnership with the software firm HERE Technologies, a leading supplier of navigation maps and location-based services. Audi participates in HERE together with other companies. With its latest-generation software as used in the new Audi A8, the entire traffic situation for a region can be taken into account. Events further afield from the planned route that could potentially have an impact on it are also heeded.

Establishing automated driving

Today's driver assistance and safety systems, along with comprehensive mapping services, are the foundation for conditional automated driving, which Audi wants to bring to series production with the new A8 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.

With the Audi AI traffic jam pilot, Audi has become the first vehicle manufacturer in the world to develop a system that enables conditional automated driving to Level 3 (SAE) in a defined traffic situation. It can take full charge of the task of driving the car in congestion on multi-lane highways with structural separation between the carriageways and in nose-to-tail traffic at up to 60 km/h. However, the driver must remain alert and capable of taking back control of the driving task when the system prompts him or her to do so. Following examination of the worldwide homologation procedures and legal frameworks as well as the appropriate testing, the traffic jam pilot will gradually be introduced in the new A8 as a standard feature.

The central interface for the automated driving functions and almost all assistance systems is the central driver assistance controller (zFAS). The roughly tablet-sized computer constantly processes sensor signals and uses them to create a complete image of the car's surroundings.

Whether crossing assist, emergency braking function, adaptive cruise assist or traffic jam pilot – a wide range of different information from sensors comes together in the zFAS. The controller uses this to quickly compute a complete model of the vehicle surroundings and makes this information available to all the assistance systems. This makes it the central interface for all automated driving functions. This makes it possible for the car to recognize the tail end of a traffic jam, for example, and brake appropriately.

Artificial intelligence (AI) is considered a key technology in the development of automated and autonomous driving. It permits the automation of intelligent behavior, for instance in machinery or computers. AI helps the car to perceive its environment in order to interpret situations better and therefore also make better decisions. The use of AI in cars fundamentally offers the prospect of significantly reducing road traffic accident figures. In the year under review, Audi took part in the prestigious NIPS Conference (Conference and Workshop on Neural Information Processing Systems) and presented a mono camera that generates a 3D model of the environment with the help of AI and is therefore capable of precisely capturing the car's surroundings. In 2017, Audi also teamed up with the University of Linz (Austria) to set up a Center for AI, which focuses on researching intelligent functions related to the car.

With the Audi Aicon concept car, which is shown on the cover of this report, we unveiled our design vision of a self-driving Audi of the future in 2017. The design concept with the revolutionary styling does away with the steering wheel and pedals, and is configured for all-electric operation: It is designed for distances of between 700 and 800 kilometers without the need to recharge the battery. This is realized, for example, by the targeted use of lightweight construction and a drive and suspension concept configured for maximum efficiency. To advance technical development work in the field of autonomous driving, Audi established the subsidiary Autonomous Intelligent Driving GmbH based in Munich in 2017.

Peter Mertens, Board Member for Technical Development (left), with the winners of the "Audi Autonomous Driving Cup".

Audi also focuses on the subject area of automated driving in its support for young talents. Each year since 2015, Audi Electronics Venture GmbH (AEV) has organized the "Audi Autonomous Driving Cup" in Ingolstadt. For this inter-university competition, students develop fully automatic driving functions and the necessary software architecture for self-driving miniature cars.

be^{yond} initiative

How can artificial intelligence (AI) be used to the benefit of society? What framework is needed to build trust in automated and autonomous driving? These are the core questions that the be^{yond} initiative tackles in an interdisciplinary dialogue. The initiative was launched by Audi. To manage the AI transformation and anticipate the challenges of the future, be^{yond} is creating a network of experts from all over the world and promoting dialogue between the worlds of industry and science. In this context, a workshop and networking event that took place in 2017 focused, for example, on the ethical aspects of autonomous driving. Members of the Board of Management of AUDI AG and employees of the Company's specialist departments met with international academics and entrepreneurs – including the robot ethicists Kate Darling and Iyad Rahwan, both from the MIT Media Lab in Cambridge.

MOBILITY CONCEPTS

More and more people across the world are living in cities – the mobility of the future will be strongly influenced by the megatrend of urbanization. But increasing urbanization is accelerating urban density and pushing urban infrastructure to its capacity limits.

Mobility in the city of the future

Audi views the car as a part of urban mobility of the future. For Audi, the attributes of an intelligent, sustainable and livable city are an integrated traffic concept and zero emissions. To achieve this, the Company is working on its own concepts and collaborating with cities and communities.

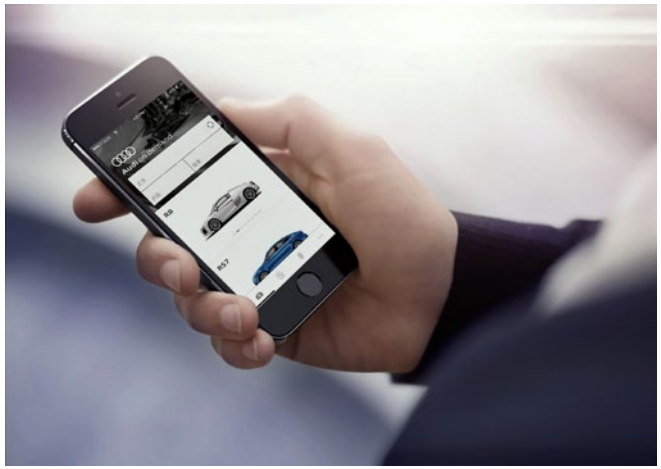
Since 2016 there has been the strategic business unit "Audi Urban Solutions" which, in close collaboration with selected pilot cities, develops scalable, urban business models where Audi technologies and services are part of traffic management. Its involvement in the Urban Mobility platform typifies this approach. Since 2016, Audi as a founder member has been working alongside other companies from the German automotive industry and cities to create cooperative solutions in the field of urban mobility and logistics.

To create the basis for a common understanding of the city of the future, Audi set up a work group involving cities, industry and science in 2017. In cooperation with the German Institute for Standardization (DIN), the latter has drawn up a DIN specification for key terms of urban mobility.

Extending sharing options

Customer demand for flexibility and sharing models in the mobility area will continue to grow. Especially in urban areas, people have a growing need to be able to use cars flexibly without necessarily owning one. In 2013, as part of its mobility strategy, AUDI AG founded Audi Business Innovation GmbH, a fully owned subsidiary. It complements the brand's core business, for example, with the premium mobility product Audi on demand, and takes charge of its implementation and scaling in the markets. The tasks of Audi Business Innovation GmbH also include developing innovative business models for flexible access to mobility, as well as holding participations in the area of digitalization and the mobility of the future. To that end it works with interdisciplinary teams of experts from the mobility sector and beyond.

After launching Audi on demand in San Francisco in 2015 and the first German location in Munich in 2016, the Company was able to add new hubs to its mobility range, including in Hong Kong and Beijing, in 2017. Further locations in Singapore and Manchester already joined the portfolio in early 2018, with Tokyo set to follow suit in the first half of the year. Audi is planning a comprehensive mobility network over the next few years. In 2017, Audi on demand had a total of 12,000 registered users. The plan is to reach a six-figure registration total in 2018.



Audi on demand enables customers to book their Audi by smartphone.

VALUE CREATION AND PRODUCTION

CONSERVING RESOURCES WHEREVER POSSIBLE

Sustainable production is environmentally friendly, conserves resources and minimizes waste. To see this in action, visit the Audi plant in Brussels and join plant manager Patrick Danau for a tour of the production facility.

People have been building cars for Audi here in the heart of Europe for over ten years now. The Brussels plant is a showcase project in many respects. "This year we will produce the first electric car bearing the sign of the Four Rings," said Danau proudly. The car will be capable of covering long distances thanks to cutting-edge battery technology. Two different electric models are to be built in Brussels in the near future. In addition to the production version of the Audi e-tron prototype, the second electric car to roll off the assembly line will be a four-door Gran Turismo. Brussels will also be the first Audi site with a battery assembly plant.

Environmentally friendly production

The first fully electric model from Audi will be built in a carbon-neutral factory. "Our customers also expect our production operations to be as environmentally friendly as possible," said Danau. Annual CO_2 emissions must therefore be reduced from approximately 22,000 metric tons to zero. The amount is so low because all of the electricity used by the plant is already generated from renewable sources. "A large portion comes from hydroelectric power," said Danau, "but the sun also contributes its share." Danau opens the door to the plant's roof. Shiny blue photovoltaic modules extend as far as the eye can see. With a surface area of 37,000 square meters, it is the region's largest solar system. It produces roughly 3,000 MWh of electricity each year. This prevents the emission of approximately 17,000 metric tons of CO_2 per year, corresponding to the consumption of about 1,500 people. The majority of climate-active emissions come from the natural gas used to generate heat.

Patrick Danau, General Manager of Production Technology and Logistics as well as Management Spokesman, AUDI BRUSSELS S.A./N.V.

The remainder is caused by company cars and the burning of heating oil. "We know this so precisely because we keep detailed records of all material flows," explained Danau. That is part of the environmental management system that Audi voluntarily implemented in Brussels and has audited according to the European Eco-Management and Audit Scheme (EMAS). Audi Brussels is periodically re-certified and strives for continuous improvement.

Climate-neutral energy supply

In early 2018 the mission was accomplished: The plant's supply of energy became carbon neutral. To neutralize the fossil natural gas used to generate heat, the plant purchases biogas certificates from green waste recycling centers. Any remaining emissions will be balanced out by compensation projects at other locations.

The share of the compensation projects becomes larger the less the plant consumes. After all, energy conservation is also a part of climate neutrality. The production halls in Brussels have been converted to LED lighting, and a heat pump in the paint pretreatment immersion tanks ensures that the waste heat from cooling is not lost, but is used to heat the pretreatment tanks. Furthermore, the plant's combined heat and power unit has been using cogeneration to generate 2 MW of electrical energy since 2016. The heat generated is used to produce hot water.

Bacterial cleaning crew

However, energy is just one of many topics. “For us, sustainability means using all resources as efficiently as possible and enabling a true circular economy,” said Danau. To demonstrate how this might look, he pulls a wire basket out of the car wash’s sedimentation tank. Inside the basket are a dozen small, black polymer cubes. “Thousands of industrious little helpers live on them,” said the plant manager with a laugh in reference to the bacteria that eat the dirt residues in the water.

Sustainability in all facets

Danau presented a similar success story in the paint shop. The new flat stream nozzles require just one-third of the pressure to apply the sealant to the bodies. “This reduces overspray and a thinner coat of PVC sealant can be applied. We save more than two kilograms of material per car,” he said. And because all material residues are filtered, pumped back into the silo and reused, the monthly PVC demand in Brussels has declined by 2,000 kilograms.

“We have initiated more than 100 such projects in the last few years to make the plant more efficient and live sustainability in all facets,” said Danau, opening a window and pointing outward. “Even our bees feel at home here.” Two colonies have already taken up residence in a bee hotel put up by Audi.

How does one bring about so much change? “Besides numerous investments, the employees’ openness and the intensive communication of all involved really helped,” said Danau. The other Audi sites also benefit from the pioneering work in Brussels. The plant managers meet regularly to talk about challenges and successes in innovation management. Danau is convinced that “all of our efforts are worth it. Our customers want environmentally friendly cars and therefore are also increasingly paying attention to how they are produced.”

Like all Volkswagen Group sites, Audi Brussels pursues ambitious goals and would like to reduce the environment-relevant figures for the KPIs CO_2 emissions, energy, fresh water, organic solvents (VOC), wastewater and waste. The goal is to reduce these KPIs per unit produced by more than 20 percent from 2011 to 2018. With CO_2 neutrality and the other measures described above, the site is well on its way to achieving these goals in 2018.

Our customers want environmentally friendly cars and therefore are also increasingly paying attention to how they are produced.

KEY FIGURE
AUDI BRUSSELS

Actual 2017:	Target 2018:
–12.5	–21.9

percent Environmental Impact Reduction in Production [11]

[11] Environmental Impact Reduction in Production: Average change in the vehicle-specific KPIs for CO_2 emissions, energy, fresh water, organic solvents (VOC), wastewater and waste since 2011.

ENVIRONMENTAL MANAGEMENT

Audi carefully analyzes the environmental aspects in its worldwide manufacturing network – with the long-term vision of building many of its cars in carbon-neutral plants. As well as the emissions, we look at all other site-based environmental aspects of operational value creation.

Scope of the key figures

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 environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year. In this report, the provisional figures for 2016 were updated with the respective year-end figures from 2016.

In accordance with the requirements of Volkswagen standard 98000, direct and indirect greenhouse gas emissions are indicated in metric tons of CO_2. The determination and indication of direct greenhouse gas emissions (Scope 1, Scope 2) in metric tons of CO_2 equivalents for 2015 were performed as part of the determination of the corporate carbon footprint according to the ISO 14064 standard.

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. Underlying data sources and calculations were latterly examined and confirmed by TÜV Rheinland assessors. The accounting years 2012 to 2015 have been processed so far. In view of the far-reaching and complex data capture and calculation process, the accounting results for the years 2016 and 2017 will be published in the 2019 Sustainability Report. Due to the different rules in the Greenhouse Gas Protocol and Volkswagen standard 98000 regarding the accounting framework and calculation methodology, Scope 1 and Scope 2 deviate from GRI Disclosures 305-1 and 305-2.

AUDI AG is currently working with Volkswagen Group Logistics to develop a uniform accounting method to determine the CO_2 emissions of logistics operations. The Group-wide accounting method has been developed in accordance with DIN EN 16258 and the Greenhouse Gas Protocol. The CO_2 emissions are evaluated using impact factors such as distance, payload, equipment and capacity utilization.

The scope of the environmental key figures relates to the production sites of the Audi Group. Unless otherwise indicated, these are the following plants: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati), Amphur Pluakdaeng (Ducati, since 2017).

Only those sites producing cars including component manufacturing are considered for the specific key figures. In addition to the environmental data of the Audi Group (including Ducati motorcycle production at Bologna and Amphur Pluakdaeng (since 2017)), the environmental data of the car production locations (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, and Sant'Agata Bolognese sites; since 2016 including San José Chiapa) is also shown separately for better comprehensibility.

Anchoring environmental protection

The basis of environmentally compatible production at Audi is the environmental and energy management systems that the Company has gradually introduced since 1995. The environmental management system of the European Union, EMAS (Eco-Management and Audit Scheme), is installed at all European car plants of the Audi Group. Eight Audi sites in Germany and internationally have accredited management systems to DIN EN ISO 14001 or DIN EN ISO 50001.[12] The Audi Group also calculated its corporate carbon footprint for the accounting years 2012 to 2015 and in 2014 became the first premium car manufacturer to have it certified according to ISO 14064. For this, the Company analyzed the emissions in all of the phases of a car's life cycle.

The Board of Management defines the environmental policy, which is binding for AUDI AG sites. Its requirements are reviewed periodically and amended as necessary. It applies to all products, services and activities, and is implemented at all levels of the Company.

The Environmental Protection organizational unit coordinates the Audi Group's activities in the area of ecology and is the central contact for the respective environmental protection bodies of the Volkswagen Group. It develops overarching and strategic regulations and implements these in practice. Environmental protection at the sites comes under the responsibility of the individual environmental protection officers.

[12] ISO 14001: Ingolstadt, Neckarsulm, Győr, Brussels, San José Chiapa, Sant'Agata Bolognese, Bologna and São José dos Pinhais sites; ISO 50001: Ingolstadt, Neckarsulm, Győr, Brussels and Sant'Agata Bolognese sites

Reducing energy consumption and emissions

One priority area of site-based environmental activities involves reducing energy consumption and the associated emissions in production. In addition to the ongoing optimization of processes, Audi also places particular focus on energy-saving measures when planning production and supply facilities as well as buildings. Our activities also concentrate on generating energy from renewable sources and improving energy efficiency.

ENERGY CONSUMPTION WITHIN THE GROUP BY TYPE [in MWh]

	2015	2016	2017
Total energy consumption[13]	2,705,708	2,867,015	2,924,694
from renewable energy sources	986,833	1,003,271	998,433
Total fuel use[14]	1,037,981	1,170,955	1,203,964

In the year under review, absolute energy consumption within the organization amounted to 2,924,694 (2016: 2,867,015) MWh. That is a rise of around 2 percent year on year.

[13] 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.
[14] 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.

Please refer to the data appendix for detailed key figures.

ENERGY INTENSITY OF AUDI GROUP [in MWh/veh.]

	2015	2016	2017
Energy intensity[15]	2.42	2.60	2.65

The energy intensity of the Group relating to automotive production including component manufacturing was 2.65 MWh/veh. for the year under review. The 0.5 percent rise in energy intensity – like the rise in total energy consumption – is attributable to such factors as the operation of the new plant in Mexico and lower production output by the European production sites. Despite lower capacity utilization, the plants still had basic consumption requirements. Heating required was also higher due to the weather conditions.

Various measures are implemented at the individual sites to secure a continuous improvement in energy efficiency. Ducati has been using a trigeneration plant at its headquarters in Bologna since 2016. The plant generated around 11,200 MWh of electrical energy in 2017, thereby covering some 80 percent of the electricity requirements at the site. At the Audi site in Győr, 70 percent of heat requirements are covered by geothermal energy sources. Audi Hungaria received the "Award of Excellence" for energy efficiency for its energy supply system in the year under review.

[15] The indicated energy intensity refers to automotive production (including component manufacturing). This is obtained by dividing the total energy consumption of the car and component plants by the number of cars built at the sites.

DIRECT (SCOPE 1) AND INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS BY THE AUDI GROUP [in metric tons]

	2015	2016	2017
Total CO_2 emissions	651,517	711,787	727,278
Direct CO_2 emissions (Scope 1) [16]	220,364	240,739	246,013
Indirect CO_2 emissions (Scope 2) [17]	431,152	471,049	481,264

Please refer to the data appendix for detailed key figures.

A total of 727,278 metric tons of CO_2 were emitted throughout the Audi Group in 2017. This represents an increase of 2.2 percent on the previous year.

[16] The figure for direct greenhouse emissions (Scope 1) comprises CO_2 emissions that are caused by the use of heating fuel at the sites and the use of motor fuel for test rigs. In addition to the direct CO_2 emissions of the Audi Group including motorcycle production, the direct CO_2 emissions are also indicated separately for plants producing cars (including component plants).
[17] The figure for indirect greenhouse gas emissions (Scope 2) is made up of CO_2 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_2 emissions of the Audi Group including motorcycle production, the indirect CO_2 emissions are also indicated just for plants producing cars (including component plants).

GREENHOUSE GAS EMISSIONS INTENSITY [in kg/veh.]

	2015	2016	2017
Intensity quotients for greenhouse gas emissions (Scope 1 und Scope 2) [18]	579.94	646.09	660.07

The intensity of greenhouse gas emissions relating to automotive production including component manufacturing was 660.07 kg/veh. for the year under review. The rise in intensity – like the absolute rise in greenhouse gas emissions – is attributable to such factors as the operation of the new plant in Mexico and lower production output by the European production sites. Despite lower capacity utilization, the plants still had basic consumption requirements. Heating required was also higher due to the weather conditions.

CO_2-EQUIVALENT SAVING IN LOGISTICS [in t]

	2015	2016	2017
CO_2-equivalent saving	12,502	11,601	13,571

Audi has optimized transport processes in recent years, focusing particularly on environmentally friendly rail transport. Since 2017, rail transport in Germany has been handled entirely CO_2-neutrally: All shipments from and to the German production locations Ingolstadt and Neckarsulm are CO_2-free. This enabled the Company to reduce its CO_2 emissions by over 13,000 metric tons in 2017.

[18] The sum of direct and indirect CO_2 emissions (indicated in metric tons of CO_2) of the car and component plants (Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr and Sant'Agata Bolognese sites; including San José Chiapa since 2016) is divided by the number of cars produced at the sites.

In order to work systematically on cutting greenhouse gas emissions along the entire supply chain, Audi joined the CDP Supply Chain Program in 2015 via the Volkswagen Group. Through this program, greenhouse gas emissions are recorded along the entire value chain.

OTHER AIR EMISSIONS [in t] [19]

	2015	2016	2017
NO_X	190	216	235
SO_2	2.2	2.9	2.3
VOC [20]	1,814	1,696	1,453
PM (total dust) [21]	34	33	38

As well as the CO_2 emissions at the production locations, Audi measures other emissions that are generated by painting work, by the operation of test rigs or by existing power generating facilities, for example.

Emission reductions in production were achieved in particular by the environmentally friendly paint shop opened at the Ingolstadt site in 2016. This resulted in a 30 percent reduction in CO_2 emissions and a 90 percent reduction in VOC emissions from the painting process per car painted.

[19] Direct NO_X emissions, PM (total dust) and SO_2 emissions: This figure is made up mainly of emissions caused by the power generating facilities at the site, by paint shops and by the operation of test rigs.
[20] VOC emissions (volatile organic compounds): This figure is made up of emissions from the paint shops, test rigs and other facilities.
[21] The figures for total dust (PM) do not include the San José Chiapa site (Mexico).

Shrinking the water footprint

FRESHWATER CONSUMPTION WITHIN THE GROUP [in m³]

	2015	2016	2017
Total freshwater consumption	4,044,587	4,203,537	4,209,668

A major issue within Audi's environmental policy is the efficient use of natural resources such as water. In 2017, the Audi Group managed to keep water consumption virtually unchanged from the previous year's level.

Please refer to the data appendix for detailed key figures.

TOTAL VOLUME OF WASTEWATER DISCHARGED BY POINT OF DISCHARGE [in m³]

	2015	2016	2017
Volume of wastewater	2,694,337	2,475,112	2,256,017

Audi meets all statutory requirements on monitoring and permit conditions with regard to wastewater discharges. If necessary, wastewater is pretreated or discharged directly into public sewerage systems.

Recycling waste

Audi closes material loops where possible in order to reduce waste. Group-wide, a total of 107,999 metric tons of waste were generated in the year under review. This represents a 3 percent rise in the total volume of waste (excluding scrap) compared with the previous year, which is mainly attributable to higher production at the Mexican site San José Chiapa. For production-specific waste, the proportion of non-hazardous waste comes to just under 55 (2016: 51) percent and the proportion of hazardous waste to just under 45 (2016: 49) percent. Audi is aware of the various conditions and local statutory requirements concerning the disposal of hazardous waste and complies with them.

TOTAL WEIGHT OF WASTE BY DISPOSAL METHOD [in t]

	2015	2016	2017
Total volume of waste (excluding scrap)	89,515	104,822	107,999
Recyclable waste	75,415	91,608	97,163
Disposable waste	14,100	13,215	10,836
Metallic waste (scrap, for recycling)	353,741	386,596	362,372

Audi was able to further increase the proportion of recyclable waste in the year under review, while reducing the proportion of disposable waste. Overall, just under 98 (2016: 97) percent of waste occurring Group-wide is recycled. At the Ingolstadt site, the recycling rate for all waste, including metallic waste, is over 95 (2016: 95) percent. Individual materials are managed almost entirely within a circular economy. Audi can also report a high recycling rate at the international sites. Audi Hungaria sends more than 99 (2016: 95) percent of waste arising in production (incl. metallic waste) for recycling, and the site in Mexico recycles over 99 (2016: 91) percent of waste arising.

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

Preserving biodiversity

AUDI AG has been engaging with the subject area of biodiversity since 2008 as part of its environmental protection strategy. Biodiversity concepts have been drawn up for the Ingolstadt and Münchsmünster sites. Various projects of the Audi Environmental Foundation to promote wild bees exemplify Audi's involvement. The foundation's Oak Forest international research project is investigating how trees need to be planted optimally in order to achieve maximum carbon capture and create the best possible conditions for biodiversity.

Employees and Society/Corporate Citizenship section

CIRCULAR ECONOMY

Audi considers the environmental impacts of its products throughout their entire life cycle. The Company wants the raw materials used to be returned to the production process when its vehicles reach the end of their lives. Recycling plays an important role in the circular economy by making it possible to reuse waste products as secondary raw materials.

Closed loops

The principle of the circular economy is that all the raw materials used throughout a vehicle's life cycle flow back into the production process. This creates material cycles, which are an important factor for sustainable operations at Audi. By establishing a circular economy spanning the development, production and sale of Audi products, resources are used sparingly and the environmental impacts along the entire value chain are reduced.

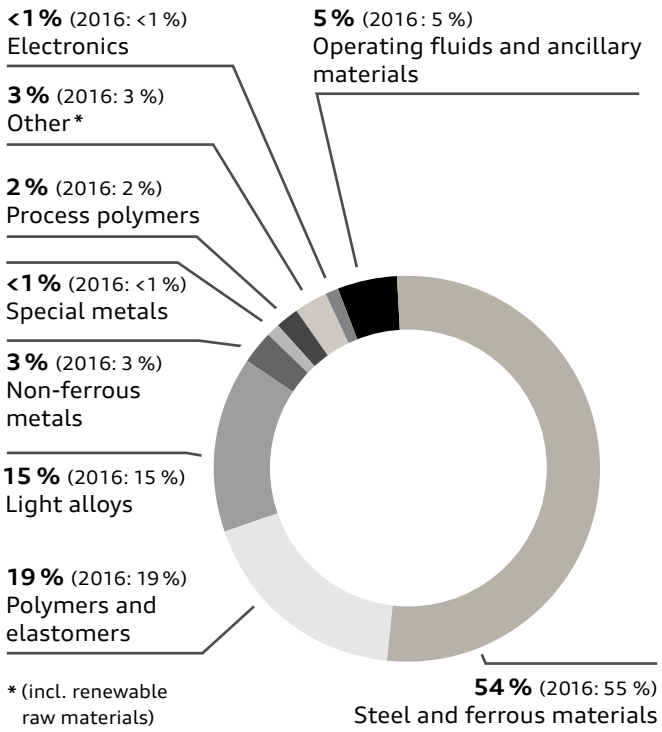
As a basis for evaluating material cycles, the environmental impact of the products needs to be recorded over their entire life cycle. Audi therefore prepares ecological assessments for its cars, known as life cycle assessments, in accordance with ISO 14040 ff.

Products and Services/
Sustainable Products section

The scope of the life cycle assessment starts with the extraction of the raw materials and the production of the components, covers the vehicle's phase of use including the supply of fuel, and extends up to the end of the vehicle life.

RAW MATERIALS USED FOR INSTALLATION IN THE VEHICLE

3.1 million metric tons in 2017 (2016: 2.9 million metric tons), of which (in each case rounded):



* (incl. renewable raw materials)

Further recycling of aluminum

Audi teamed up with a supplier to set up the Aluminum Closed Loop pilot project. This project focuses on the processing of aluminum materials. The aluminum sheet offcuts that occur in the Audi press shops are sent back to the supplier for reprocessing. This collaborative approach saved 70,038 metric tons of CO_2-equivalent emissions in the year under review. Since 2017, Audi has been testing the various processes and is investigating rolling out the program on a Group-wide scale.

To enhance the entire aluminum value chain further, Audi joined the Aluminium Stewardship Initiative (ASI) in 2013. The ASI, a non-profit initiative bringing together leading manufacturers and customers of the aluminum industry, has developed a global standard for the handling of aluminum, which lays down environment-related and social criteria along the value chain. A certification program is being launched at the start of 2018 for the participating companies to obtain certification to ASI standards.

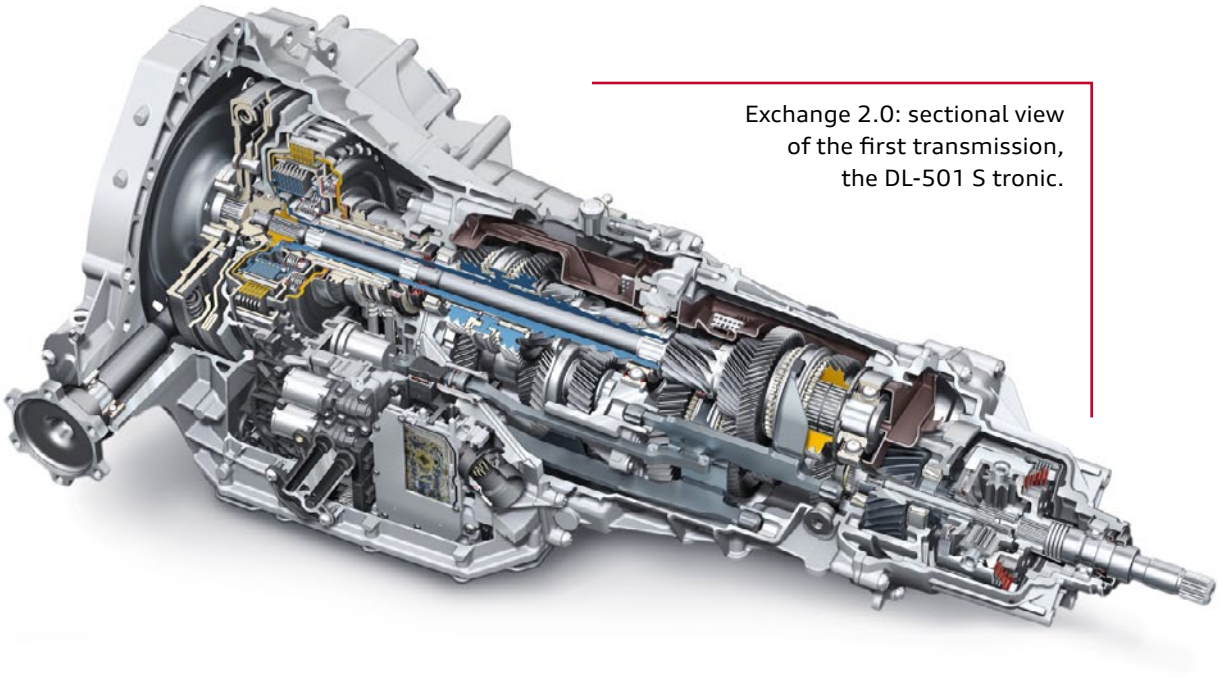
Re-use of batteries

Along with the advent of alternative drive concepts, demand for and use of batteries will continue to rise. Audi is therefore striving to make the life cycle of batteries as sustainable as possible. For example, the Company is working on solutions for the re-use of spent traction batteries. It is important to bear in mind that the batteries will still have a relatively high capacity after they have ceased to be used in the vehicle. In partnership with the Volkswagen Group, Audi wants to use them as stationary energy storage devices.

Audi has been an active member of the Global Battery Alliance since it was established in September 2017. Priority issues for the alliance involve compliance with standards on health and safety risks as well as devising solutions for the recycling of lithium-ion batteries.

Reconditioning of used components

Industrial reconditioning of used components to genuine-part quality – known as remanufacturing – and their sale via the spare parts trade delivers substantial ecological and economic value added. Within the scope of the Exchange 2.0 reconditioning project, Audi teamed up with the Volkswagen plant in Kassel in the year under review to create reconditioning concepts for mechatronic parts and transmissions. Exchanged parts are being reconditioned at Volkswagen and Audi, and new lines and tools going into operation. Some 4,500 transmissions and 20,000 mechatronic devices a year can be reconditioned as a result. These remanufactured parts should become available from the end of 2018.



Exchange 2.0: sectional view of the first transmission, the DL-501 S tronic.

NEW PRODUCTION TECHNOLOGIES

The automotive industry is in the process of reinventing itself, and Audi wants to be right at the vanguard of this process. Audi is therefore making its production fit for the future with intelligent, digitally connected high-tech solutions. That is why the Company is creating new manufacturing concepts such as modular assembly.

The assembly line of the future

To respond more flexibly and efficiently to growing complexity and the increasing number of variants in production, Audi is developing the principle of modular assembly. The concept has the potential to replace the assembly line approach and deliver a productivity gain of up to 20 percent. Small, separate workstations allow temporally and spatially flexible working processes. The long-term goal is to realize the potential of the technologies in suitable areas of series production. The concept will be implemented first in electric motor production at the Hungarian site in Győr in 2018.

It is already becoming increasingly common for robots to collaborate directly with humans on Audi assembly lines. They support, assist and take on strenuous tasks or activities that are non-ergonomic or monotonous. For example, an initial automated application involving bonding a carbon fiber roof through human-robot cooperation in final assembly at Ingolstadt was realized in the year under review. Similar robots are already integrated into production at the production sites in Brussels as well as in engine production in Győr.

Use of big data

Humans and machinery generate immense volumes of data in Audi production – with a steeply rising tendency. This data contains a wide array of valuable information and correlations. For Audi production, big data ultimately means a shift towards data-led and therefore highly flexible, but also highly efficient manufacturing. This is because the targeted merging, processing and evaluation of data delivers substantial value added for sustainable production. Designing effective processes and avoiding errors ensures that resources and materials are used sparingly and efficiently.

To specifically drive forward innovations in production, Audi also works with external data specialists. The Smart Factory Hackathon was held for the second time in the year under review, its purpose being to develop software solutions for specific production applications within a short time frame and to program prototypes.

Audi Production Lab

Many new technologies for production take shape with the help of the Audi Production Lab. The Production Lab perceives itself as an incubator for new production technologies. The lab acts as an interface between innovation and series-production use, and provides targeted support for employees in production, planners and design engineers.

One area that the Audi Production Lab is currently exploring is headset technologies for virtual applications. Virtual reality can integrate the user into a scenario to bring a virtual environment to life. This unlocks a wide range of possible applications. For example, it can support planners and design engineers with product validation and also with factory and process planning. The simulation renders complex matters tangible and easy to grasp. This paves the way for a clear-cut decision, helps to avoid waste and therefore contributes towards using resources sparingly. The technology of the virtual reality headset is already in use in a pilot project in digital assembly planning.

SUPPLIER MANAGEMENT

In addition to demanding high standards as regards quality, technological expertise as well as performance and competitiveness, the Audi Group expects its suppliers to strictly comply with sustainability requirements.

Managing the supply chain responsibly

We handle responsibility for our global procurement network together with our suppliers and sub-suppliers: responsibility for fair and decent working conditions, and for the environment. We can only ensure compliance with sustainability standards in close cooperation with our business partners.

Audi obtains a commitment from all its suppliers to comply with the "Volkswagen Group requirements regarding sustainability in its relationships with business partners." These requirements cover such aspects as environmental protection, employee rights, fair market practices, the duty of care to promote responsible supply chains for minerals from conflict and high-risk regions, and transparent business relations. Another vital component is respect for human rights, especially the ban on child and forced labor. The concept is based on the principles of the UN Global Compact and on the relevant conventions of the International Labour Organization, among others.

Volkswagen Group requirements regarding sustainability in its relationships with business partners

In addition, Audi is devoting more attention to sustainability in its supplier relationships through its procurement strategy, revised in the year under review. Here too, the sustainable procurement of commodities and a duty of care in the supply chain occupy a central role. It prioritizes such topics as the Aluminum Closed Loop project and the battery supply chain.

With the gradual introduction of a sustainability rating (currently being piloted), sustainability is built into the tendering process as a criterion. For Audi, the rating plays a comparable role to technical development, logistics or product quality. Audi's procurement strategy is the direct responsibility of the Audi Board of Management member for Procurement.

Worldwide network of local suppliers

In order to maximize the benefit of synergy potential, we select suppliers in close consultation with Volkswagen Group Procurement. 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.

Outsourcing to social institutions
Audi specifically supports local social institutions at the Ingolstadt, Neckarsulm and Brussels sites by outsourcing supply contracts to them for assembly-related tasks. Guidelines on the outsourcing of supply contracts to social institutions were drawn up for the first time in the year under review, to further optimize outsourcing processes. Audi Procurement has set itself the target of maintaining an annual minimum revenue of EUR 8 million across all social institutions. Contracts worth a total of EUR 10 (2016: 10) million were outsourced in 2017.

Tools for sustainable supplier management

Before submitting a bid, suppliers must accept the sustainability requirements that apply to all purchased goods and services. This confirmation must be repeated after a period of twelve months. So that Audi can gain an insight into social, ecological and human-rights-related risks at the various supplier sites ahead of negotiations, it also looks at the sustainability rating, which comprises self-disclosures and an on-site check (currently being piloted).

It also always retains the option of checking up on compliance with the sustainability requirements, for instance if there are suspicions that direct suppliers or sub-suppliers do not meet our sustainability requirements. Such ad hoc cases are monitored by a team of Audi experts. Supplier relationships may even be terminated based on the findings of these ad hoc cases.

Suppliers are expected to take responsibility themselves. For example, main suppliers are required to implement a certified environmental management system in accordance with ISO 14001 and/or EMAS. 88 percent of the main suppliers of the Volkswagen Group have documented this.

Due diligence along the supply chain

Suppliers of 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, gold and cobalt, do not contribute to the direct or indirect promotion or support of armed conflicts or involve human rights violations.

Placing suppliers under obligation

Audi uses the sustainability rating introduced in 2017 to record the sustainability performance of suppliers. The rating is based on an on-site check at the supplier's place of production along with self-disclosures based on a standard questionnaire of the Drive Sustainability initiative. A key concern for Audi is that the evaluation creates transparency in the supply chain, enabling the supplier to identify potential for optimization and make improvements.

The results of the sustainability rating are analyzed by Audi and used to develop specific training concepts. The aim is to identify possible sustainability risks in its own supply chain even before a contract is awarded, and only to outsource work to companies that have a positive rating.

Evaluating suppliers

In 2017, Audi started to introduce the sustainability rating for relevant first-tier suppliers, to which end it initially focused on the suppliers for the electrically powered Audi. 258 on-site checks were carried out in the year under review – 65 of them before the awarding of the contract – and 1,198 self-disclosures were evaluated. We anticipate rolling out the rating across further suppliers.

In its evaluation of the results, Audi identified particularly a need for optimizations in the areas of fire prevention and industrial safety. Deviations from the target position are revealed as soon as the self-disclosures and on-site checks have been completed. It is the task of suppliers to remedy these. Depending on the results of the on-site check, implementation may be monitored. Going forward, Audi will deepen its analysis of the information gathered to systematically reveal any problem areas by industry or country, and develop solutions.

Developing suppliers and employees

To help suppliers implement sustainability standards and enable ongoing supplier development in the course of business, the Volkswagen Group provides all suppliers with an electronic (e-learning) module on sustainability during the business relationship. It can be called up in all languages of the defined risk countries. This tool can be used both by the supplier's workforce and by employees of Volkswagen Group Procurement. In the year under review, a total of some 700 (2016: 1,348) employees of more than 360 (2016: 800) Group suppliers received face-to-face training on the topic of sustainability. The topic of "sustainability in the supply chain" is a fixed component of the competence profile of all Procurement employees. All new recruits in Procurement are given training in this area in the form of an induction program. Furthermore, Audi Procurement also provides training on the topic of "sustainability in supplier management" at the Audi Sustainability Academy which can also be attended by employees from outside of Procurement.

Around 700 employees of suppliers have received training on sustainability topics

EMPLOYEES AND SOCIETY

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

THE WORKING WORLD IS CHANGING

Digitalization is changing the working world in every area at Audi, from development and production to sales and administration. Audi sees this as an opportunity to break new ground and is actively involved in shaping these changes. The Company is therefore adapting job profiles, training its employees for the challenges of the future and providing them with modern tools and methods.

Change requires know-how

Education and training are becoming key success factors in the course of digitalization. To keep pace with current developments, Audi is supporting its employees with tailored training measures. The Company expects its employees to be willing to think outside the box, to think ahead and to shape change themselves. As a car manufacturer, Audi needs to establish expertise in additional IT fields. Besides software engineering, these include new fields such as cloud computing and machine learning.

More than ever before, perfect connections between humans and machines and the precisely tailored use of data will be important factors for production. Audi is not only digitalizing and networking innovative technologies, factories and business areas, but also enabling people and machines to work hand in hand. The focus is always on the people, including in the Smart Factory. They are provided support for their increasingly complex tasks. The aim is to assist people, not replace them. As the bearers of expertise and as decision-makers, the employees will always be the focus.

Training for the digital future

Expertise in the fields of big data and artificial intelligence, for example, is a key foundation for the development of self-driving cars, intelligent robots or digital mobility services. Audi has therefore launched a comprehensive training campaign under the motto “data.camp.” The training catalog ranges from basic courses for beginners with no programming experience to university-level courses on topics such as a machine learning or artificial intelligence. There are also courses on agile project management using modern methods such as Scrum, design thinking or prototyping.

Denkwerkstatt for new business models

Audi has been periodically sending employees from various divisions, sites, hierarchical levels and age groups to the "Denkwerkstatt" in Berlin since September 2016. They collaborate with creatives from the digital scene and startups from all around the world at a co-working space in Kreuzberg. The aim is to develop business models for the premium mobility of the future. Developing ideas together as partners allows Audi employees and young entrepreneurs to benefit and learn from one another. They work together to beneficially link existing approaches and in many cases technologies from the non-automotive domain with the Company's products and processes. A deliberate effort is made to try new methods and approaches in order to find great solutions from the user's point of view. At the end of their six-month stay in Berlin, the employees return to their position at Audi where they can put their experience to use at the site.

I worked with entrepreneurs who use completely different processes, approaches and methods for organizing projects and ideation than we do at Audi. A lot of this can be put to good use here.

Katharina Kürzinger, Denkwerkstatt participant 2017.

Process workshop for digitalization

As part of this transformation, Audi is further developing key core processes and introducing new, digital solutions. The new "Agile Process Workshop" offers the ideal working conditions for this. Audi experts can collaborate across divisional boundaries here and even use agile work methods. Interdisciplinary teams are currently working to improve processes with particularly high optimization and digitalization potential while at the same time further developing the necessary IT tools.

The first process workshop convened in Gaimersheim near Ingolstadt in 2017 with a pilot project regarding product data management in the vehicle development process. To scale the project, the "Agile Project House" was established in 2018 at the Nordbahnhof site in Ingolstadt. Expert teams are working there on additional processes, such as the development of vehicle software for autonomous driving.

"The Agile Process Workshop format demonstrates how experts in different fields can collaborate effectively on highly complex topics," said Arno Lang, Head of Strategic Consulting at Audi Consulting. "The Agile Process Workshop provides important ideas for the further development of working methods at Audi."

From January **2018, seven** Audi employees are part of a permanent team at the Denkwerkstatt in Berlin. They will be joined for **six** months at a time by groups of up to **15** employees drawn from every division, site, hierarchical level and age group.

In **2017,** experts from all **seven** Audi divisions worked in **three** teams at the Agile Process Workshop to optimize and digitalize product management.

FAIR EMPLOYMENT

Audi assumes responsibility for its employees, taking account of their individual requirements. Self-determined work, personal development opportunities and high compatibility of work and family life are the basis.

The Audi human resources strategy

The strategy of the Human Resources and Organization division is based on Strategy 2025 and consistently places emphasis on the employees. We create attractive general and working conditions to meet the needs of our employees. In the year under review, the management and General Works Council therefore extended the employment guarantee for the workforce of AUDI AG until the end of 2025.

Important aspects of the Audi working world are flexibility in the working hours and place of work, as well as agile structures and processes that accommodate the various life phases of our employees and promote trust-based cooperation. Appreciation and respect are at the heart of the Audi leadership principles, which we originally introduced in Germany in 2015 and then rolled out internationally. Our corporate values responsibility, appreciation, integrity and openness are cornerstones of our actions.

To fill these values with life, we approved two major programs in 2017. The Group-wide management program “Role Model Program” comprises various innovative actions and measures for managers with the goal of reducing power distances and promoting a transparent collaborative culture among equals. The Audi “Culture Catalog” is a crowdstorming initiative by employees, for employees. “Culture Catalog” gathers and shares ideas on a new form of collaboration.

To ensure the future viability of the Company, we prioritize training and development of our employees. We encourage life-long learning, which also contributes to the success of our Company. We have also established strategic resource and competence management. This enables us to plan human resources requirements for future topics, develop specific competences in our employees and equip them for future requirements.

Leadership and collaborative culture

Audi started to consider its own leadership behavior in depth in 2013 and drew up the Audi leadership principles with the involvement of managers, employees and the Works Council. These were gradually implemented in the HR tools. Over the past two years, more than 7,000 participants have studied the ten principles in depth in a series of workshops. After anchoring the new leadership principles in all divisions and at the international sites in 2016, Audi created an organizational unit for Leadership and Collaborative Culture in 2017.

The Code of Cooperation is another mainstay of a change of culture. This document describes how the brands in the Volkswagen Group intend to work together in the future. It revolves around the attributes “genuine,” “straightforward,” “open-minded,” “as equals,” “united” and “trust.”

Leadership principles

Our workforce

As of the end of 2017, the Audi Group had a total of 91,231 (2016: 88,453) employees, and an average of 90,402 (2016: 87,112) over the year. This represents a year-on-year rise of around 3.1 percent. The increase is mainly attributable to the hiring of personnel in connection with the production start of the second-generation Audi Q5 at the new production location in Mexico, as well as to the product initiative that is already under way. Of the total of 6,125 (2016: 7,308) employees newly recruited within the Audi Group, 1,445 (2016: 2,623) were taken on by AUDI AG.

Audi fundamentally supports the employment and qualification of local employees. We are convinced that these 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. The proportion of non-German employees at AUDI AG was 8.4 (2016: 8.4) percent in 2017.

NUMBER OF EMPLOYEES
[individuals, annual averages]

	2015	2016	2017
Audi Group workforce	82,838	87,112	90,402

48.9 (2016: 48.0) percent of Audi Group employees wwere in the direct area and 48.0 (2016: 48.9) percent in the indirect area at the end of 2017; the proportion of apprentices was 3.1 (2016: 3.1) percent. Within the employees in the indirect area, the proportion of academics at AUDI AG was 49.9 (2016: 49.3) percent. The number of temporary employees in the Audi Group showed a year-on-year rise to 3,395 (2016: 2,676). This change is mainly the result of the development of new competences at the Audi Hungaria plant and the production start at the Audi México plant.

The turnover rate[22] at AUDI AG in 2017 was 0.8 percent (2016: 0.8 percent).

Details on workforce figures can be found on pages 74 and 75.

[22] Excluding apprentices

Fair working conditions

Through collective bargaining agreements involving the unions and management at all manufacturing sites, the Audi Group undertakes to ensure that part-time and full-time employees receive equitable and fair pay. At AUDI AG, the activity alone determines remuneration.

As an employer, Audi is also mindful of its responsibility towards temporary workers. Based on the collective agreement for the metalworking and electrical industries relating to agency/temporary staff and the "Charter on Temporary Work of the Volkswagen Group," an agreement has been reached with employees' representatives on the deployment of temporary workers. As well as extensive qualification options, it offers temporary workers the prospect of being taken on permanently subject to relevant internal factors.

Company benefits

We offer our employees a high level of job security and attractive financial remuneration components. Employment contracts at AUDI AG are drafted on the basis of the collective agreement between the Südwestmetall Employers' Federation, the vbm (Bavarian Employers' Associations for the Metalworking and Electrical Industries) and the IG Metall trade union, and are above the agreed level for the industry thanks to additional company agreements with the employees' representatives. In addition, there are collective/works agreements on employee participation in the Company's success and collectively agreed gratuities.

Employees benefit from our company pension scheme, which comprises both defined contribution and defined benefit plans. For the former, the Company pays contributions to public or private-sector pension plans on the basis of statutory or contractual requirements, or on a voluntary basis. Retirement benefit systems are based predominantly on defined benefit plans, with a distinction being made between those benefit systems financed through provisions and those that are financed externally.

In addition to a company pension scheme and the possibility of topping up retirement benefits individually through deferred compensation, AUDI AG endeavors to make the transition from working life to retirement more flexible. A works agreement has been reached on the further development of partial retirement, for instance.

Enabling self-directed work

Audi creates leeway for various different life phases to take account of employees' needs. The Company offers many different working hours models to give people maximum flexibility for their personal path through life.

In 2016, the management and General Works Council of AUDI AG approved a works agreement that gives employees an entitlement to mobile working if this is compatible with their work task. There is also a drive to make working hours in production more flexible. In 2017, a pilot project was launched at Ingolstadt to create greater flexibility in shifts and broaden the scope for part-time work in shift systems, so that employees can achieve a better work-life balance. As of the end of 2017, there were 3,703 (2016: 3,371) employees at Audi with a part-time contract.

Balancing family life and work

Audi supports its employees' efforts to achieve a balance between family life and work. Employees can for instance work part-time or take caregiver leave to support family members. Many employees take up the option of parental leave. The Company then facilitates their reintegration and gives employees on parental leave additional job training that will make it easier for them to resume their careers. In 2017, a total of 3,117 (2016: 2,785) employees took parental leave, of whom 1,107 (2016: 984) were female and 2,010 (2016: 1,801) male. Male employees took an average of two months' leave, with female employees taking parental leave for 22 months.

We restated our commitment to a family-friendly corporate culture in joining the Family Pact for Bavaria in 2017. To actively promote the compatibility of family life and work, the Company has a regular and steadily growing block of places at day care centers in Ingolstadt and Neckarsulm. Audi also has partnerships with day care centers and schools at the international Audi sites in Győr (Hungary), Changchun (China) and San José Chiapa (Mexico).

In addition, we enable employees and their families to handle everyday errands (grocery shopping, postal and dry cleaning services) by using the Audi service lockers directly on the plant perimeters. This saves them time and also helps to ease traffic loads around the plant.

Employees contributing

Audi profits from the imaginativeness of its employees and believes it is very important to encourage employee involvement. The Audi Ideas Program collects suggestions for improving existing processes. In 2017, around 55 (2016: 55.1) percent of ideas put forward were realized, producing savings of around EUR 109 (2016: 88) million.

Over 14,000 ideas from our employees were implemented in 2017

The regular employee survey is another way in which Audi promotes employee participation. This survey gives Audi employees a means of voicing their opinion anonymously on various matters and highlighting potential improvements. 41,194 (2016: 40,500) employees took part in the AUDI AG "Stimmungsbarometer" in 2017. The results are presented in the individual organizational units and discussed with the employees.

Employee representation at Audi: clear values, clear goals

The principle of employee participation is the basis of Audi's corporate culture. At all Audi sites and at the subsidiaries worldwide, the employees are organized into independent trade unions and employee representative bodies. On the Supervisory Board of AUDI AG, the employees' elected representatives perform duties such as monitoring executive management, approving important corporate processes and appointing the members of the Board of Management.

The Audi Works Council plays an active role in shaping the future at Audi. For example, all works agreements are reached jointly with the employee representatives at AUDI AG. The latter also oversee compliance with the laws, directives, accident prevention regulations, wage agreements and works agreements reached in favor of the employees. At the quarterly works meetings, the employees are informed of the activities of the Works Council and the current situation of the Company. As part of the "Vision Ingolstadt 2030" project initiated by the employee representatives and the IG Metall Ingolstadt trade union, employees, shop stewards and Works Council members conduct a dialogue with start-up ventures, politicians and scientists about the digitalization and humanization of the working world. In its "Digital Diary" on the Audi intranet, the Works Council therefore encourages the members of the workforce to debate the working forms of the future.

The main topics in 2017 were the extension of job security at the German sites until the end of 2025 – to handle the digital transformation without job anxiety –, the pledge by the Board of Management to build two electric models at each of the Neckarsulm and Ingolstadt sites, as well as the future of codetermination and self-determination for the employees. There are also elected youth and apprentice representative bodies as well as disabled employee representatives at AUDI AG who specifically take up the concerns of the employee groups that they represent.

DIVERSITY AND EQUAL OPPORTUNITY

Mutual acceptance and tolerance are the basis of respectful, partnership-based coexistence, but Audi aims to go one step further in making its diversity management work a success.

A holistic approach to managing diversity

Diversity is an important prerequisite for competitiveness and sustained corporate success. Through this, Audi wants to promote agility within the Company, its employees' readiness to learn and also its customer centricity. For that reason, diversity management has been handled by a separate Human Resources unit since the start of 2017. Audi has set itself the goal of increasing the proportion of women at all levels, and increasing cultural diversity especially within management. Other issues in focus include active generational management, promoting integration and the topic of sexual orientation and identity.

Regulations and guidelines

The guidelines for equal opportunities and equal rights at AUDI AG were approved in 2007. The Audi Code of Conduct also emphasizes equal opportunities and equal treatment as mainstays of a fair, prejudice-free and open culture.

Guidelines on equal opportunities and equal rights

Audi Code of Conduct

As a sign of its special responsibility, AUDI AG signed the "Diversity Charter" at the end of 2016. Within the Volkswagen Group we are also involved in the "Chefsache Initiative", a network of representatives from industry, science, the public sector and media that is dedicated to equal opportunities for men and women.

"Diversity Charter" website

"Chefsache Initiative" website

Recruiting and promoting women

Especially in divisions where the focus is on technology, we are making an effort to steadily increase the proportion of women. In order to get girls and young women interested in technology and the Audi brand from an early stage in their career orientation, we actively participate in campaigns such as Girls' Day and the Women in Research Camp.

Around 29 percent of apprentices at Audi are female

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.

PROPORTION OF WOMEN, EXCLUDING APPRENTICES [in percent]

	2015	2016	2017
Total for Audi Group	14.3	14.4	14.6

Please refer to the data appendix for detailed key figures on the proportion of women.

The proportion of women in management at AUDI AG was 10.1 (2016: 9.5) percent in 2017. We want to push this figure higher in the short and medium term.

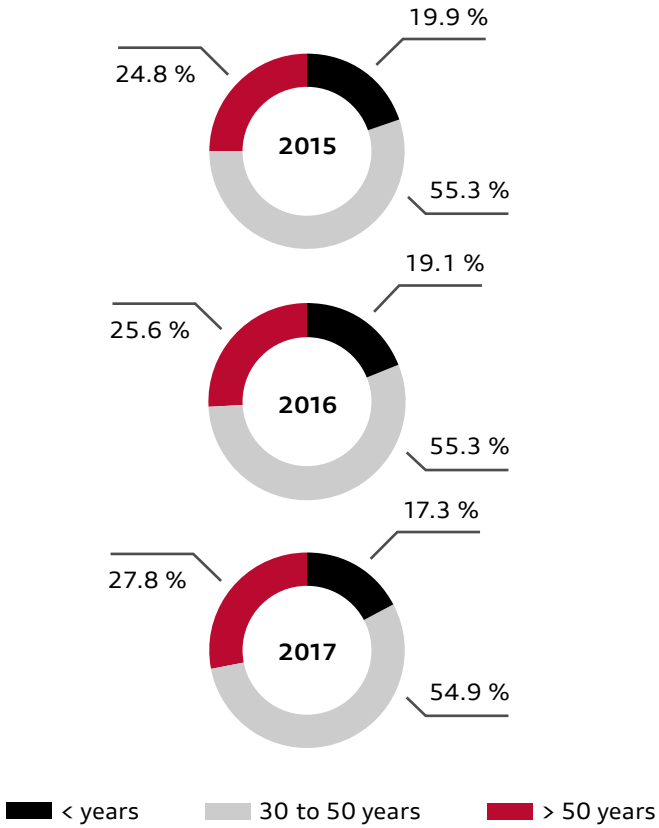
Audi Sustainability Program

Generation-appropriate working

The “age” dimension concerns changes in the age structure, but also differing concepts of values and competences of people from various generations. As part of its diversity management, Audi is looking at how to handle life-long and intergenerational learning to make sure it has strategically important competences and skills in the workforce. That also includes focusing even more on the needs of employees in various life phases, and adjusting for alternative employment biographies then promoting and supporting them right up to retirement age.

Inclusion at Audi: Together with the employees concerned, superiors, Human Resources, Occupational Health and the Works Council look for the best possible job options.

AGE STRUCTURE OF AUDI AG, EXCLUDING APPRENTICES [in percent]



Enabling inclusion

Audi understands the topic of inclusion within the context of comprehensive integration management. Social responsibility and the special commitment to our employees are in the spotlight here. Attention is not focused here on the deficits of the individual employee, but rather on their strengths and potential. Barriers are also to be dismantled so that the severely disabled also enjoy access to the Audi working world as a matter of course. The focus here is on flexible working hours models, ergonomic improvements and customized programs for promoting good health, for example. The proportion of severely disabled employees at AUDI AG was 6.1 (2016: 5.8) percent in the year under review.

In January 2017, Audi received the Inclusion Award for Industry 2016

Dealing with sexual orientation and gender identity

Nobody can pick and choose their sexual orientation or gender identity, and this is first and foremost a private matter. If the life model of an employee does not conform to heterosexual gender norms, this can create a huge personal burden, at which point it also becomes relevant for businesses. Dealing with sexual orientation and gender identity in an open and respectful way is therefore not only an expression of an unprejudiced corporate culture, but also prevents discrimination. The Diversity Management department works to increase sensitivity among managers and employees to the subject of diversity of identity and life models, and supports communication among employees within a Queer Network.

TRAINING AND DEVELOPMENT

Employees with excellent qualifications are an important basis for Audi's success. The Company trains up young people worldwide and provides advancement for employees in all life phases by offering appropriate development and qualification options.

Systematically developing employees

Strengthening individual competences and preparing employees for future tasks are very important facets of the Audi Human Resources strategy. The basis is that the Company shows its employees goal-oriented development paths and links these to the development of forward-looking skills. Performance appraisals conducted regularly for all employees at AUDI AG play an important role here.

Together with the General Works Council, the management of AUDI AG has agreed arrangements that enable employees to gain specialist and interdisciplinary qualifications throughout their entire working life.

Training and advancing young people

AUDI AG offers vocational training that enables talented young people to qualify in one of currently 20 vocations. In 2017, there were an average of 2,618 (2016: 2,555) young people on apprenticeships at Audi. In accordance with a works agreement for AUDI AG, all apprentices who pass their final examination will be offered permanent employment unless precluded for personal or behavioral reasons.

It is our aim to establish the high standards of training in Germany at the international Audi sites, too. For example, the DESI (Dual Education System Italy) training concept has been put in place for the Lamborghini and Ducati sites. Through this project, young people mostly from socially disadvantaged families also learn according to the German "dual education" model.

A dual course of study gives students the opportunity to combine theoretical studies with in-house practical phases. Under the Audi dual program, various study courses are available to prospective students at the Ingolstadt University of Applied Science and the Technical University of Munich, and also through the partnership program with the Baden-Württemberg Cooperative State University. Those graduating from these courses are guaranteed permanent employment at Audi.

"Girls for Technology" camp at Audi in Ingolstadt: 14 female school students from all over Bavaria explore the world of technology and find out more about the various training opportunities in the industrial/technical sector. The apprentices assist participants with their project task – making an illuminated Audi Urquattro model – and help install the electronics.

Development and training measures

The Audi Group's comprehensive range of competence development and training options is handled by Audi Akademie and can be taken up by apprentices, employees and managers. Specific specialist expertise and learning content are taught in the area academies.

AVERAGE TRAINING TIME PER AUDI AG EMPLOYEE [in hours]

	2015	2016	2017
Total training time	15.9	16.5	16.2
Direct employees	9.9	9.8	11.1
Indirect employees	21.9	22.0	21.2
Employees in management positions	19.7	20.5	19.3

The programs offered by Audi Akademie also include ones specifically designed to improve the digital skills of employees. The "data.camp" further training campaign launched in the year under review is designed to help employees from all divisions obtain in-service qualifications in areas such as machine learning and artificial intelligence.

Through the Sustainability Academy established in 2016, all employees and apprentices can also attend training courses, workshops and lectures on the subject area of sustainability. In addition, content is taught using digital formats such as web-based training and videos. The program encompasses everything from interdisciplinary formats to area-specific training courses. For example, there are further training options on topics such as procurement and logistics, or environmental protection and energy efficiency in production. These formats are intended to create a common understanding of sustainability and raise awareness among employees. 963 employees attended training at the Sustainability Academy in 2017.

The new Audi Akademie building is located right in the center of Ingolstadt – between the Danube, New Castle and Ingolstadt Technical University. Around 250 employees work on the former foundry site. Audi Akademie has 28 seminar and eight conference rooms in which AUDI AG seminars, coaching and training sessions take place. Focuses include personnel development, technical training and language courses.

OCCUPATIONAL HEALTH AND SAFETY

Through its integrated occupational safety system and comprehensive health management system, Audi strives to minimize work-related accidents and improve the health resources of its employees while also promoting their physical and mental performance.

Group-wide standards

Occupational safety and comprehensive health management are important at Audi. For all day-to-day operations, the Company and Works Council representatives have developed measures to prevent accidents and damage to health as well as to design safe processes, equipment and vehicle components. 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 is also laid down in a company agreement on industrial safety that covers all employees of AUDI AG.

The basis for occupational health management is a works agreement that pulls together all measures designed to preserve the physical and mental health of the employees and covers employees and apprentices of AUDI AG. By way of an additional worldwide standard for health protection, principles for the international sites were introduced in 2017. There are joint employer/employee occupational health and safety committees at all production locations.

ATTENDANCE RATE [23] AT AUDI AG, EXCLUDING APPRENTICES [in percent]

	2015	2016	2017
Attendance rate	96.0	95.9	95.5

Please refer to the data appendix for detailed key figures on the attendance rate.

Steadily improving occupational safety

In the field of occupational safety, measures to improve safety standards and effective prevention measures are being developed continuously. In the event of work-related accidents, all incidents are analyzed by the line manager responsible together with the occupational safety experts. In 2017, there were 5.0 (2016: 4.0) work-related accidents per million hours worked at AUDI AG that resulted in at least one day's work lost.

There were no fatal industrial accidents in the year under review (2016: none).

Regular instruction and training courses play an important part in preventing accidents and negative impacts on health. As well as providing annual instruction on hazards at the workplace, training is provided for specific target groups, such as operators of floor conveyors. To raise awareness among employees, site-specific prevention programs are developed and implemented continuously.

[23] Formula: 100 – (sick days/payment-relevant days) x 100

Improving employees' health

It is important to Audi to keep improving the physical and psychological health of its employees. One important component of health management is the Audi Checkup. The individual prevention program can be used by all employees during working hours and helps to identify and reduce health risks early on. Around 90 percent of the workforce takes part in the program. Some 10,000 employees (2016: 9,873) used the Audi Checkup in the year under review.

Some 10,000 employees used the Audi Checkup

Audi also offers various fact-finding events and training courses as well as health care and health promotion programs. In the year under review the Company enhanced the "Work and Psychological Health" program and introduced further digital products such as the HR application "e-health," for example.

Ergonomically designed workplaces

At its domestic and international sites, Audi designs workplaces according to modern ergonomics, technical safety and occupational health standards. As part of the Audi ergonomics strategy, the Company promotes intelligent work organization along with measures to apply the standards on an international scale.

Audi holds targeted advisory discussions to raise awareness of the subject area and motivates employees to put forward their own suggestions and solutions. The ergonomics standards are also applied at the international sites. Regular dialogue meetings were held between the ergonomics coordinators of all Audi sites in the year under review.

The Chairless Chair makes many assembly tasks easier. This high-tech construction made of carbon fiber allows Audi employees to sit without a chair. It also improves their posture and reduces stress on the legs.

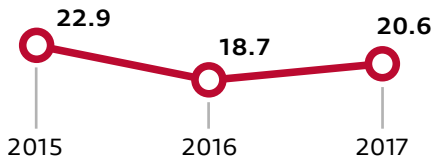
CORPORATE CITIZENSHIP

For Audi, corporate responsibility also means contributing to society beyond the confines of the Company. Audi therefore demonstrates a strong social commitment at all its sites and wants to do all it can to help each individual region's development.

The focus of our corporate citizenship

Every Audi Group site has its own identity and its own requirements. Local corporate citizenship can therefore have various different focal points. Audi has defined global principles for corporate citizenship as an orientation guide. Intended as long-term parameters, they help with the selection and development of targeted location development measures and clarify the common understanding that runs like a common thread through the various measures at the locations.

CORPORATE CITIZENSHIP SPENDING [24] AT AUDI
[in EUR million]



Corporate citizenship guidelines

[24] Spending on corporate citizenship includes spending in the areas of education, science, foundations; including donations; not including sponsorship and research.

Local corporate citizenship

Local activities in the sites' regions are designed to promote the development of that region and enhance its attractiveness for businesses, employees and society. Projects that support the education and development of children, young people and adults are supported in particular. In the field of technology, we support projects where we can usefully contribute our expertise and help to provide answers to technical and social issues associated with the topic of mobility. The Company also provides disaster relief. Equally, Audi employees frequently demonstrate solidarity in various campaigns and calls to raise funds: In the year under review an amount of around EUR 1.27 (2016: 1.26) million was collected through the Christmas appeal and the "Last Cents" campaign.

Regional social projects and institutions are aided through regular Volunteer Days in Ingolstadt, Neckarsulm and Győr. At the German sites, one particular area of focus for Audi is supporting disadvantaged children and young people. A case in point is the joint project with the Mentor Foundation Germany, through which AUDI AG managers provide mentoring for disadvantaged young people. Last year, 40 young people benefited from this form of experience-sharing.

Over 60,000 volunteer hours in Ingolstadt, Neckarsulm and Győr

Working together for a good cause: Volunteers Day at Audi Hungaria.

Regional refugee work

Audi seeks to help refugees at the production locations through long-term integration projects. In partnership with regional institutions, young refugees are assisted with learning German and finding an occupation. The aim of the project is to prepare these young people for training at businesses in the region. Last year, it enabled 24 refugees to obtain their school leaving certificate. Six apprentices and 17 interns with a refugee background were employed at the sites in the period under review.

Audi Environmental Foundation

Audi Stiftung für Umwelt GmbH – the Audi Environmental Foundation – is an active supporter of research in new technologies and scientific methods for a livable future. Its declared aim is to help protect the environment, and to create and promote opportunities for sustainable action. The foundation focuses in particular on the support and development of environmentally compatible technologies, on environmental education measures and on the protection of the natural habitat for humans, animals and plants.

Promotion of education and science

Audi cooperates with academic partners in handling the two-way knowledge transfer and works together with a large number of national and international universities. This work takes a variety of forms: In addition to being involved in research projects and giving scientific lectures, Audi employees teach at universities. Audi contributes towards extending research and teaching into new fields through endowed professorships. With all these activities, Audi contributes to society and puts corporate responsibility into practice.

Cultural involvement

Audi has been a trusted partner in the world of culture for over 55 years. The goal is to make the experiences of art, music and film available and accessible to as many people as possible at the locations. For instance, in 1990 the Company launched the Audi Summer Concerts in and around Ingolstadt, a festival of classical music that still attracts an enthusiastic following every year. The establishment of the Audi Young Persons' Choral Academy in 2007 also demonstrates that Audi is serious about its cultural involvement and the furthering of young musical talents.

The promotion of art and culture is equally a cornerstone of social involvement at many other international sites and in numerous markets. In China, for example, the Company held the Audi Design Exhibition for the fourth time at the 2017 Beijing Design Week 751 International Design Festival. In France, the Audi Talents Awards – a competition set up by Audi to promote young artists in the disciplines of visual art, design, short film and film music – celebrated its tenth anniversary in 2017.

The Audi Design Exhibition has been a central component of the Beijing Design Week since 2014. The exhibition enables an interdisciplinary exchange between the Audi Design Team and local artists, designers and top universities.

APPENDIX

About the report

AUDI AG has published the Sustainability Report since 2012. The content presented in the report refers to the 2017 fiscal year (January 1, 2017, to December 31, 2017). The report appears in German and English, and was released by the full Board of Management.

This year the report was prepared in accordance with the "core" option of the new GRI standard of the Global Reporting Initiative and confirmed by the organization with the GRI Materiality Disclosures Service. Audi conducted a comprehensive materiality analysis in 2017 to identify material topics.

The information in the report refers to the Audi Group. If the report refers to individual companies, sites or brands only, this is noted accordingly. Unless indicated otherwise, employment figures are as of the end of the respective year.

With effect from January 1, 2017, the fully consolidated Audi Hungaria Motor Kft., Győr (Hungary), was merged with the fully consolidated Audi Hungaria Services Zrt., Győr, and renamed Audi Hungaria Zrt., Győr.

Editorial note

The editorial deadline was April 20, 2018.

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 an independent auditing firm are identified by the "✓" symbol.

The Independent Practitioner's Report can be found on pages 78 and 79.

✓ = Key figure for 2017 adopted from the audited 2017 Combined Management Report of the Audi Group and AUDI AG
✓ = Key figure for 2017 audited in the course of Audi's sustainability reporting for 2017

OPERATIONS AND INTEGRITY

	Unit	2015	2016	2017
Revenue	EUR million	58,420	59,317	60,128
Operating profit [25] ✓	EUR million	4,836	3,052	4,671
Profit before tax [25] ✓	EUR million	5,284	3,047	4,783
Profit after tax [25] ✓	EUR million	4,297	2,066	3,479
Total capital investments ✓	EUR million	5,700	5,466	5,235
Research and development activities ✓	EUR million	4,240	4,446	3,809
Operating return on sales [25] ✓	Percent	8.3	5.1	7.8
Return on investment [25] ✓	Percent	19.4	10.7	14.4
Ratio of capex [26] ✓	Percent	6.0	5.7	6.4
Net cash flow ✓	EUR million	1,627 [27]	2,094	4,312 [28]

PRODUCTS AND SERVICES

PRODUCTION	Unit	2015	2016	2017
Automotive segment ✓	Cars [29]	1,828,683	1,903,259	1,879,840
	Engines	2,023,618	1,927,838	1,966,434
Motorcycles segment ✓	Motorcycles	55,551	56,978	56,743

DELIVERIES TO CUSTOMERS	Unit	2015	2016	2017
Automotive segment ✓	Cars	2,024,881	2,088,187	2,105,084
Audi brand [30] ✓	Cars	1,803,246	1,867,738	1,878,105
Germany ✓	Cars	270,063	293,307	294,544
Outside Germany ✓	Cars	1,533,183	1,574,431	1,583,561
Lamborghini brand ✓	Cars	3,245	3,457	3,815
Other Volkswagen Group brands ✓	Cars	218,390	216,992	223,164
Motorcycles segment (Ducati brand) ✓	Motorcycles	54,809	55,451	55,871

PRODUCT-RELATED CO_2 EMISSIONS	Unit	2015	2016	2017
CO_2 emissions of the European fleet (EU 28) [31] ✓	g CO_2/km	126	126	127
Fleet consumption, China (FBU) ✓	l/100 km	8.2	7.7	7.6
Number of models ≤ 140 g CO_2/km ✓	Number [32]	188	195	197
Number of models ≤ 120 g CO_2/km ✓	Number [32]	114	121	126
Number of models ≤ 100 g CO_2/km ✓	Number [32]	24	28	22
Number of models ≤ 95 g CO_2/km ✓	Number [32]	5	6	6

VALUE CREATION AND PRODUCTION [33]

ENERGY	Unit	2015	2016	2017
Total energy consumption [34] ✓	MWh	2,705,708	2,867,015	2,924,694
Automotive segment ✓ (incl. components)	MWh	2,688,532	2,851,887	2,901,129
	MWh/Veh.	2.42	2.60	2.65
From renewable energy sources ✓	MWh	986,833	1,003,271	998,433
Automotive segment ✓ (incl. components)	MWh	983,771	1,002,108	997,618
	MWh/Veh.	0.88	0.91	0.91
Electricity ✓	MWh	1,583,682	1,684,902	1,686,566
Automotive segment ✓ (incl. components)	MWh	1,572,508	1,672,100	1,670,956
	MWh/Veh.	1.41	1.53	1.53
Heating (incl. district heating) ✓	MWh	777,268	827,359	872,526
Automotive segment ✓ (incl. components)	MWh	771,265	825,034	864,571
	MWh/Veh.	0.69	0.75	0.79
of which district heating ✓	MWh	356,186	346,803	360,730
Automotive segment ✓ (incl. components)	MWh	356,186	346,803	360,527
	MWh/Veh.	0.32	0.32	0.33
Combustion gases for production processes ✓	MWh	344,301	354,401	365,263
Automotive segment ✓ (incl. components)	MWh	344,301	354,401	365,263
	MWh/Veh.	0.31	0.32	0.33
Refrigeration (externally sourced) ✓	MWh	458	353	339
Automotive segment ✓ (incl. components)	MWh	458	353	339
	MWh/Veh.	0.0004	0.0003	0.0003

FUELS	Unit	2015	2016	2017
Total fuel use	MWh	1,037,981	1,170,955	1,203,964
Automotive segment (incl. components)	MWh	1,029,846	1,156,125	1,171,572
	MWh/Veh.	0.93	1.06	1.07
Natural gas ✓	MWh	899,914	1,025,351	1,053,316
Automotive segment ✓ (incl. components)	MWh	894,127	1,012,876	1,023,080
	MWh/Veh.	0.80	0.92	0.93
Heating oil ✓	MWh	6,868	8,766	11,008
Automotive segment ✓ (incl. components)	MWh	6,868	8,766	11,008
	MWh/Veh.	0.006	0.008	0.010
Diesel (test rigs)	MWh	32,090	36,016	39,545
Automotive segment ✓ (incl. components)	MWh	32,090	36,016	39,545
	MWh/Veh.	0.03	0.03	0.03
Gasoline (test rigs)	MWh	99,109	100,822	100,095
Automotive segment ✓ (incl. components)	MWh	96,761	98,467	97,939
	MWh/Veh.	0.09	0.09	0.09

Details on the development of individual environmental key figures can be found on pages 47–49.

EMISSIONS	Unit	2015	2016	2017
Total CO_2 emitted ✓	t	651,517	711,787	727,278
Automotive segment ✓ (incl. components)	t	644,953	707,788	722,443
	kg/Veh.	579.94	646.09	660.07
Direct CO_2 emissions [35] ✓	t	220,364	240,739	246,013
Automotive segment ✓ (incl. components)	t	217,860	237,643	242,734
	kg/Veh.	195.90	216.93	221.78
Indirect CO_2 emissions ✓	t	431,152	471,049	481,264
Automotive segment ✓ (incl. components)	t	427,093	470,145	479,709
	kg/Veh.	384.04	429.16	438.29
VOC emissions [36] ✓	t	1,814	1,696	1,453
Automotive segment ✓ (incl. components)	t	1,814	1,696	1,453
	kg/Veh.	1.63	1.55	1.33
Direct NOx emissions [37] ✓	t	190	216	235
Automotive segment ✓ (incl. components)	t	187	213	232
	kg/Veh.	0.17	0.19	0.21
Sulfur dioxide	t	2.2	2.9	2.3
Automotive segment ✓ (incl. components)	t	1.2	1.7	2.3
	kg/Veh.	0.001	0.002	0.002
Total dust [38]	t	34	33	38
Automotive segment (incl. components)	t	34	33	38
	kg/Veh.	0.03	0.03	0.03
CO_2 reductions in logistics [39] ✓	t CO_2 e	12,502	11,601	13,571

WATER	Unit	2015	2016	2017
Total freshwater consumption ✓	m³	4,044,587	4,203,537	4,209,668
Automotive segment ✓ (incl. components)	m³	3,995,579	4,147,366	4,135,949
	m³/Veh.	3.59	3.79	3.78
Freshwater consumption, internal catchment ✓	m³	1,988,622	2,410,429	2,557,949
Automotive segment ✓ (incl. components)	m³	1,959,817	2,376,069	2,510,020
	m³/Veh.	1.76	2.17	2.29
Rainwater used ✓	m³	168,666	66,626	337,343
Surface water from lakes, rivers, oceans ✓	m³	841,697	721,112	663,879
Groundwater ✓	m³	949,454	1,588,331	1,508,798
Freshwater consumption, externally sourced ✓	m³	2,055,965	1,793,108	1,651,719
Automotive segment ✓ (incl. components)	m³	2,035,762	1,771,297	1,625,929
	m³/Veh.	1.83	1.62	1.49

Details on the development of individual environmental key figures can be found on pages 47–49.

WASTEWATER	Unit	2015	2016	2017
Volume of wastewater ✓	m³	2,694,337	2,475,112	2,256,017
Automotive segment (incl. components)	m³	2,676,846	2,457,909	2,233,035
	m³/Veh.	2.41	2.24	2.04
Direct discharge [40]	m³	6,812	12,274	4,193
Indirect discharge [40]	m³	2,687,525	2,462,838	2,228,842

WASTEWATER LOAD [40]	Unit	2015	2016	2017
Chemical oxygen demand ✓	kg	1,010,237	664,358	634,543
Total phosphorous content as phosphorous (P) ✓	kg	12,858	9,615	5,781
Total nitrogen as nitrogen (N) ✓	kg	61,411	44,296	34,408
Zinc ✓	kg	619	517	806

Details on the development of individual environmental key figures can be found on pages 47–49.

WASTE [41]	Unit	2015	2016	2017
Total volume of waste (excluding scrap) ✓	t	89,515	104,822	107,999
Automotive segment ✓ (incl. components)	t	88,484	103,837	106,582
	kg/Veh.	79.56	94.79	97.38
Recyclable waste ✓	t	75,415	91,608	97,163
Automotive segment ✓ (incl. components)	t	74,497	90,707	95,857
	kg/Veh.	66.99	82.80	87.58
Other recyclable waste ✓	t	43,203	47,560	56,142
Automotive segment (incl. components) ✓	t	42,354	46,988	54,947
	kg/Veh.	38.08	42.89	50.20
Hazardous recyclable waste ✓	t	31,011	36,416	35,824
Automotive segment ✓ (incl. components)	t	30,974	36,368	35,764
	kg/Veh.	27.85	33.20	32.68
Non-production-specific recyclable waste ✓	t	1,201	7,632	5,197
Automotive segment ✓ (incl. components)	t	1,169	7,350	5,146
	kg/Veh.	1.05	6.71	4.70
Disposable waste ✓	t	14,100	13,215	10,836
Automotive segment ✓ (incl. components)	t	13,986	13,130	10,725
	kg/Veh.	12.58	11.99	9.80
Other disposable waste ✓	t	1,039	523	292
Automotive segment (incl. components) ✓	t	989	466	233
	kg/Veh.	0.89	0.43	0.21
Hazardous disposable waste ✓	t	12,238	10,004	10,027
Automotive segment ✓ (incl. components)	t	12,177	9,977	9,986
	kg/Veh.	10.95	9.11	9.12
Non-production-specific disposable waste ✓	t	823	2,688 [42]	516
Automotive segment ✓ (incl. components)	t	821	2,687 [42]	505
	kg/Veh.	0.74	2.45	0.46
Metallic waste (scrap. completely recyclable) ✓	t	353,741	386,596	362,372
Automotive segment ✓ (incl. components)	t	353,262	386,059	361,810
	kg/Veh.	317.65	352.41	330.57

EMPLOYEES AND SOCIETY

WORKFORCE	Unit	2015	2016	2017
Audi Group workforce [43] ✓	Total	82,838	87,112	90,402
Domestic companies ✓	Total	57,191	59,029	59,448
of which AUDI AG ✓	Total	56,058	58,067	58,493
Ingolstadt plant ✓	Total	40,724	42,412	42,498
Neckarsulm plant ✓	Total	15,334	15,655	15,995
Foreign companies ✓	Total	22,775	25,111	27,904
Audi Brussels S.A./N.V. ✓	Total	2,520	2,514	2,656
Audi Hungaria Zrt. [44] ✓	Total	–	–	11,888
Audi México S.A. de C.V. ✓	Total	2,006	3,895	6,211
Automobili Lamborghini S.p.A. ✓	Total	1,146	1,312	1,465
Ducati Motor Holding S.p.A. ✓	Total	1,168	1,232	1,240
Apprentices ✓	Total	2,486	2,555	2,618
Temporary workforce, Audi Group	Total	2,271	2,676	3,395
Average length of service [45] [46] ✓	Years	16.1	16.3	17.0
Turnover rate [45] [46] ✓	Percent	0.5	0.8	0.8
New hires, Audi Group	Total	7,415	7,308	6,125
Average age [45] ✓	Years	40.3	40.3	40.8

AGE STRUCTURE [45] [46]	Unit	2015	2016	2017
< 30 years ✓	Percent	19.9	19.1	17.3
30 to 50 years ✓	Percent	55.3	55.3	54.9
> 50 years ✓	Percent	24.8	25.6	27.8

PROPORTION OF WOMEN	Unit	2015	2016	2017
Audi Group [45] ✓	Percent	14.3	14.4	14.6
AUDI AG ✓	Percent	14.8	14.9	15.2
of which apprentices ✓	Percent	28.1	29.3	29.1
of which industrial apprentices ✓	Percent	24.6	26.2	26.3
of which clerical apprentices ✓	Percent	81.2	81.1	80.6
Management ✓	Percent	8.9	9.5	10.1
Audi Brussels S.A./N.V. ✓	Percent	6.1	6.6	6.5
Audi Hungaria Zrt. ✓	Percent	–	–	12.3
Audi México S.A. de C.V. ✓	Percent	–	–	13.3
Automobili Lamborghini S.p.A. ✓	Percent	19.6	19.5	20.3
Ducati Motor Holding S.p.A. ✓	Percent	18.5	18.6	18.3

AVERAGE TRAINING TIME PER EMPLOYEE [47]	Unit	2015	2016	2017
Training time, total	Hours	15.9	16.5	16.2
Direct employees	Hours	9.9	9.8	11.1
Indirect employees	Hours	21.9	22.0	21.2
Employees in management positions	Hours	19.7	20.5	19.3

OTHER STRUCTURAL DATA	Unit	2015	2016	2017
Attendance rate [45] [46] [48] ✓	Percent	96.0	95.9	95.5
Accident frequency [46] [49] ✓	–	3.9	4.0	5.0
Proportion of academics [46] [47] ✓	Percent	48.0	49.3	49.9
Proportion of foreign nationals [46] ✓	Percent	8.3	8.4	8.4
Proportion of people with severe disabilities [45] [46] ✓	Percent	5.8	5.8	6.1
Contracts to workshops for people with mental disabilities [46] ✓	EUR million	6.8	7.8	7.0

	Unit	2015	2016	2017
Audi profit share per employee [50] ✓	EUR	4,720	3,150	4,770
Employee donations [51] ✓	EUR	1,226,000	1,258,078	1,270,189
Expenditure on corporate citizenship [52] ✓	EUR million	22.9	18.7	20.6

AUDI IDEAS PROGRAM [46]	Unit	2015	2016	2017
Savings ✓	EUR million	84.1	88.0	108.6
Implementation quota ✓	Percent	57.0	55.1	54.9

[25] Taking special items into account, mainly in connection with the diesel issue; further explanations can be found in the Audi 2017 Annual Report.

[26] The ratio of capex includes investments in property, plant and equipment, investment property and other intangible assets (without capitalized development costs) according to Cash Flow Statement in relation to revenue.

[27] Net cash flow taking into account the participation in There Holding B.V., Rijswijk (Netherlands), in connection with the HERE transaction

[28] Net cash flow taking into account the transfer of the minority interest in Volkswagen Group Services S.A., Brussels (Belgium), to Volkswagen AG, Wolfsburg, in 2017

[29] Including vehicles built locally in China by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)

[30] Including delivered vehicles built locally by the associated company FAW-Volkswagen Automotive Company, Ltd., Changchun (China)

[31] Provisional internal calculations for 2017 subject to confirmation by the EU. Based on regulation UN ECE R83/101 on the measurement of CO_2 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.

[32] All data apply to features of the German market. Figures take account of models with standard tires.

[33] Figures refer to the Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, San José Chiapa (since 2016), Sant'Agata Bolognese (Lamborghini), Bologna (Ducati), Amphur Pluakdaeng (Ducati) (since 2017) sites. Only car-producing sites including component manufacturing are considered for the specific key figures. The environmental key figures for the respective current year are provisional data, which are replaced by the final result in the following year. In this report, the provisional figures for 2016 were updated with the relevant figures as of year-end 2016.

[34] 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.

[35] Direct CO_2 emissions: This figure is made up of CO_2 emissions generated by the use of fuel at the plant, and CO_2 emissions produced by the operation of test rigs.

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

[37] Direct NO_x emissions: This figure is made up of NO_x emissions caused by the boiler houses at the plant, by paint shops and by the operation of test rigs.

[38] Not including San José Chiapa (Mexico) site

[39] 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_2e. Since 2017, rail transport in Germany has been handled entirely climate-neutrally: All shipments from and to the German production locations Ingolstadt and Neckarsulm are CO_2-free.

[40] Direct dischargers: Münchsmünster, San José Chiapa (since 2016) sites; indirect dischargers: Ingolstadt, Münchsmünster, Neckarsulm, Brussels, Győr, Sant'Agata Bolognese, Bologna Amphur Pluakdaeng (Ducati) (since 2017) sites

[41] Our sites 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.

[42] Higher volume due to construction activities at the Brussels site

[43] The employee figures are annual averages.

[44] With effect from January 1, 2017, the fully consolidated Audi Hungaria Motor Kft., Győr (Hungary), was merged with the fully consolidated Audi Hungaria Services Zrt., Győr, and renamed Audi Hungaria Zrt., Győr.

[45] Excluding apprentices

[46] AUDI AG

[47] With respect to indirect employees

[48] The attendance rate is calculated using the formula 100 – (sick days/payment-relevant days) x 100.

[49] The accident frequency figure indicates how many industrial accidents involving one or more days' work lost occur per million hours worked.

[50] Payment in the following year; until 2016, figure for a specific reference skilled worker; as of 2017, average figure for a skilled worker at AUDI AG

[51] AUDI AG Christmas appeal and "Last Cents" campaign

[52] Includes expenditure in the areas of education, science, foundations; including donations; not including sponsorship and research

FUEL CONSUMPTION AND EMISSION FIGURES

As at: March 2018 (All data apply to features of the German market.)

Model	Combined fuel consumption [l/100 km]	Combined CO_2 emissions [g/km]
Audi A1	7.1–3.8	166–97
Audi A1 Sportback	7.2–3.8	168–97
Audi TT Coupé	8.4–4.6	192–122
Audi TT Roadster	8.5–4.7	194–126
Audi A3 Sportback	8.4–3.9	192–103
Audi A3 Sportback e-tron	Premium: 1.8–1.6 Electricity: 12.0–11.4 kWh	40–36
Audi A3 Sportback g-tron	Premium: 5.5–5.1 Natural gas: 3.6–3.3 kg	128–117 98–89
Audi A3 Sedan	8.4–3.9	191–102
Audi A3 Cabriolet	6.8–4.3	156–113
Audi A4 Sedan	7.7–3.7	174–95
Audi A4 Avant	8.8–3.8	200–99
Audi A4 Avant g-tron	Premium: 6.5–5.5 Natural gas: 4.3–3.8 kg	147–126 117–102
Audi A4 allroad quattro	6.8–4.9	154–127
Audi A5 Sportback	7.7–4.1	174–106
Audi A5 Sportback g-tron	Premium: 6.3–5.6 Natural gas: 4.2–3.8 kg	143–126 114–102
Audi A5 Coupé	8.7–4.0	197–105
Audi A5 Cabriolet	8.0–4.4	181–114
Audi A6 Sedan	9.4–4.2	218–109
Audi A6 Avant	9.6–4.4	224–114
Audi A6 allroad quattro	6.5–5.6	172–149
Audi A7 Sportback	7.2–5.5	163–142

Model	Combined fuel consumption [l/100 km]	Combined CO_2 emissions [g/km]
Audi A8	8.0–5.6	182–145
Audi Q2	6.4–4.1	146–109
Audi Q3	7.2–4.2	168–109
Audi Q5	8.5–4.5	195–117
Audi Q7	7.6–5.5	199–144
Audi Q7 e-tron quattro	Diesel: 1.9–1.8 Electricity: 19.0–18.1 kWh	50–48
Audi R8 Coupé	13.4–12.4	306–283
Audi R8 Spyder	13.6–12.6	309–286
Lamborghini Huracán Coupé	14.5–13.7	330–314
Lamborghini Huracán Spyder	14.6–14.0	333–320
Lamborghini Aventador	16.9	394
Lamborghini Centenario	16.0	370
Lamborghini Urus	12.3	279

The fuel consumption and the CO_2 emissions of a vehicle vary due to the choice of wheels and tires. They not only depend on the efficient utilization of the fuel by the vehicle, but are also influenced by driving behavior and other non-technical factors.

Further information on official fuel consumption figures and the official specific CO_2 emissions of new passenger cars can be found in the “Guideline for fuel consumption, CO_2 emissions and power consumption,” which is available free of charge at all sales dealerships and from DAT Deutsche Automobil Treuhand GmbH, Hellmuth-Hirth-Str. 1, 73760 Ostfildern-Scharnhausen, Germany.

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON SUSTAINABILITY INFORMATION[53]

To AUDI Aktiengesellschaft, Ingolstadt

We have performed a limited assurance engagement on the description of the necessary materiality analysis for a sustainability report, the management approach on CO_2 fleet emissions and selected sustainability disclosures denoted with "✓" in the table "Audi Corporate Responsibility Figures" in the Corporate Responsibility Report 2017 of AUDI Aktiengesellschaft, Ingolstadt (hereafter the "Company"), for the period from January 1st to December 31st 2017 (hereafter the "Report").[54]

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Report in accordance with the criteria as set out in the Sustainability Reporting Standards of the Global Reporting Initiative (hereafter the "GRI-Criteria") and for the selection of the disclosures to be evaluated.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of sustainability reporting as well as making assumptions and estimates related to individual sustainability disclosures, which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

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

Our 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 Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 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 a limited assurance conclusion on the description of the necessary materiality analysis for a sustainability report, the management approach on CO_2 fleet emissions and selected sustainability disclosures denoted with "✓" in the table "Audi Corporate Responsibility Figures" in the Report based on the assurance engagement we have performed.

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.

We conducted our assurance engagement 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 allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the description of the necessary materiality analysis for a sustainability report, the management approach on CO_2 fleet emissions and selected sustainability disclosures denoted with "✓" in the table "Audi Corporate Responsibility Figures" in the Company's Report for the period January 1st to December 31st 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

[53] PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung Wirtschaftsprüfungsgesellschaft has performed a limited assurance engagement on the German version of the Corporate Responsibility Report of AUDI Aktiengesellschaft 2017 and issued an independent assurance report, which is authoritive. The following text is a translation of the independent assurance report.

[54] The Report presented for the issuance of the Independent Assurance Report is available on the webpage of AUDI Aktiengesellschaft: www.audi.com/sustainability_report. 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.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgement.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Assessment of the description of the materiality analysis used for the determination of the Report's contents and boundaries of its aspects as well as the reporting on the materiality analysis according to the GRI Standards
- Assessment of the management approaches on CO_2 fleet emissions according to the guidelines of the GRI Standards
- 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 Aktiengesellschaft, Ingolstadt, Germany
  - AUDI Aktiengesellschaft, Neckarsulm, Germany
  - AUDI HUNGARIA MOTOR Kft., Győr, Hungaria
- 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 2017 of Audi AG
- Assessment of the presentation of selected sustainability information in the Report regarding the sustainability performance

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the description of the necessary materiality analysis for a sustainability report, the management approach on CO_2 fleet emissions and selected sustainability disclosures denoted with "✓" in the table "Audi Corporate Responsibility Figures" in the Company's Report for the period from January 1st to December 31st 2017 have not been prepared, in all material aspects, in accordance with the relevant GRI-Criteria.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and is solely intended to inform the Company about the results of the assurance engagement. The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility lies solely toward the Company. We do not assume any responsibility towards third parties.

Frankfurt, 7th May 2018

PricewaterhouseCoopers
Gesellschaft mit beschränkter Haftung
Wirtschaftsprüfungsgesellschaft

ppa. Nicolette Behncke
Wirtschaftsprüfer
(German Public Auditor)

ppa. Heinke Richter

GRI CONTENT INDEX

The Audi Group is reporting on its sustainability performance for the year 2017 pursuant to the international standard of the Global Reporting Initiative (GRI). This report was prepared in accordance with the "core" option of the GRI standard. The information in this report was chosen on the basis of a materiality analysis performed in 2017. The report was submitted to GRI for the performance of the GRI Materiality Disclosures Service. GRI confirmed the proper positioning of the materiality-related disclosures (102-40 to 102-49).

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GRI 102 General Disclosures 2016		
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GRI 302-3: Energy intensity	47	
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GRI 302-5: Reductions in energy requirements of products and services	38, 40	
GRI 303 Water 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	22, 47	
GRI 303-1: Water withdrawal by source	49, 72	
GRI 304: Biodiversity 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	47	

GRI Standards	Page	Statement/comment
GRI 304-3: Habitats protected or restored	49	
GRI 305 Emissions 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	22, 47	
GRI 305-1: Direct (Scope 1) GHG emissions	48, 72	
GRI 305-2: Energy indirect (Scope 2) GHG emissions	48, 72	
GRI 305-3: Other indirect (Scope 3) GHG emissions	48	
GRI 305-4: GHG emissions intensity	48	
GRI 305-5: Reduction of GHG emissions	47–48	
GRI 305-7: Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	48, 72	
GRI 306 Effluents and Waste 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	22, 47, 50	
GRI 306-1: Water discharge by quality and destination	49, 73	
GRI 306-2: Waste by type and disposal method	49, 73	
GRI 306-3: Significant spills	49	
GRI 307 Environmental Compliance 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	30	
GRI 307-1: Non-compliance with environmental laws and regulations	30	
GRI 308 Supplier Environmental Assessment 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	21, 53–54	
GRI 308-1: New suppliers that were screened using environmental criteria	53–54	
GRI 401 Employment 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	58	
GRI 401-1: New employee hires and employee turnover	59	Information by age group and gender is not currently available.
GRI 401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	59	
GRI 401-3: Parental leave	60	Information on return to work rate by gender is not currently available.
GRI 402 Labor/Management Relations 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	58	
GRI 402-1: Minimum notice periods regarding operational changes		In the event of operational changes, the Company undertakes to inform the employees of these in a timely manner.

GRI Standards	Page	Statement/comment
GRI 403 Occupational Health and Safety 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	23, 65	
GRI 403-1: Workers representation in formal joint management–worker health and safety committees	65	
GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	65–66, 75	Information by age group and region is not currently available.
GRI 403-4: Health and safety topics covered in formal agreements with trade unions	65	
GRI 404 Training and Education 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	23, 58, 63	
GRI 404-1: Average hours of training per year per employee	64, 74	Information by gender is not currently available.
GRI 404-2: Programs for upgrading employee skills and transition assistance programs	63–64	
GRI 404-3: Percentage of employees receiving regular performance and career development reviews	63	
GRI 405 Diversity and Equal Opportunity 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	23, 61–62	
GRI 405-1: Diversity of governance bodies and employees	61	
GRI 405-2: Ratio of basic salary and remuneration of women to men	59	
GRI 412 Human Rights Assessment 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	53	
GRI 412-2: Employee training on human rights policies or procedures	64	
GRI 412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	53	
GRI 413 Local Communities 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	67	
GRI 413-1: Operations with local community engagement, impact assessments, and development programs	13, 67–68	
GRI 414 Supplier Social Assessment 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	21, 53	
GRI 414-1: New suppliers that were screened using social criteria	53–54	
GRI 414-2: Negative social impacts in the supply chain and actions taken	54	
GRI 416 Customer Health and Safety 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	39	

GRI Standards	Page	Statement/comment
GRI 416-1: Assessment of the health and safety impacts of product and service categories	39	
GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	39	
GRI 417 Marketing and Labeling 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	39	
GRI 417-1: Requirements for product and service information and labeling	39	
GRI 417-2: Incidents of non-compliance concerning product and service information and labeling		AUDI AG never provides general information on the scope of field measures.
GRI 417-3: Incidents of non-compliance concerning marketing communications	32	

GRI Standards	Page	Statement/comment
GRI 418 Customer Privacy 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	40–41	
GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	40	
GRI 419 Socioeconomic Compliance 2016		
GRI 103 Management Approach 2016 (incl. 103-1, 103-2, 103-3)	30	
GRI 419-1: Non-compliance with laws and regulations in the social and economic area	30, 32	

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