



ŠKODA
SIMPLY CLEVER

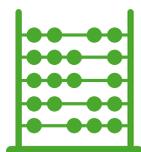
SUSTAINABILITY REPORT 2015/16



640,000
PLANTED TREES SINCE '07



1,126,477
DELIVERIES TO CUSTOMERS WORLDWIDE IN 2016



EUR 13.7 BILLION
SALES REVENUES IN 2016



28,667
EMPLOYEES IN 2016



About this Report

Sustainability requires transparency. Based on this conviction, ŠKODA AUTO has reported regularly on its sustainability activities every two years since 2007. Since the last Sustainability Report for 2013/2014, there has been one change in the company structure: effective 1 January 2015, ŠKODA AUTO Deutschland GmbH, registered in Weiterstadt, Germany, is now a 100% holding of a related party of the Company controlled by Volkswagen AG, with ŠKODA AUTO a.s. retaining operational control.

No other significant changes in size, structure, ownership or in the supply chain occurred in the Company during the reporting period. There also were no changes in the scope or the aspect boundaries of the sustainability report. Any restatements of information provided in previous reports are indicated and explained in the respective text passages.

The current report follows the internationally recognised guidelines of the Global Reporting Initiative, which also forms the basis for sustainability reporting by the Volkswagen Group. The ŠKODA AUTO Sustainability Report 2015/2016 covers the period from 1 January 2015 to 31 December 2016. The indicators quoted in this report are based on the 2014, 2015 and 2016 financial years.

The data in this report refers to the ŠKODA AUTO Group in its entirety – including subsidiaries in which

ŠKODA AUTO holds a majority stake. The Czech parent company ŠKODA AUTO a.s. publishes an annual report. The consolidated financial statements of ŠKODA AUTO Group are incorporated in the Volkswagen Group's financial reporting. Vehicles and components manufactured by joint ventures or external partners are not reported in the figures. Vehicles and components manufactured by other companies within the Volkswagen Group are included in the Sustainability Report published by the Volkswagen Group. The content of this report is based on the materiality analysis conducted by the Volkswagen Group and adapted to reflect the specific circumstances of ŠKODA AUTO. The sources for this content are therefore the Volkswagen Group's standardised IT data management systems – for example, in the areas of Purchasing, Technical Development, Production and Logistics – as well as ŠKODA AUTO's own information systems. The data used for this report is included in the Volkswagen Group's Sustainability Report, which is subject to external assurance.

Therefore, ŠKODA AUTO itself has not sought external assurance for this report.

The report is organised as follows: It begins with an overview of general corporate strategy and sustainability management activities at ŠKODA AUTO. The management approach and detailed information on each topic is found in the chapters "Economy", "Environment and Product" and "Social Affairs". For easier reading, the key figures and performance indicators are presented in the appendix "Facts and Figures".

This report concentrates on the main aspects of the materiality analysis. In some places, for better understanding, topicality and transparency, we also report on additional activities. The scope of the report meets the requirements of the GRI-G4 option "core". To minimise redundancy, we refer in some places to the ŠKODA AUTO Annual Report. These references are indicated with a symbol and reference to the relevant passage in the text.

ŠKODA AUTO has been part of the Volkswagen Group for more than 25 years. Consequently, all of its Group-wide strategies, guidelines and principles also relate to ŠKODA AUTO. Here, once again, the ŠKODA AUTO Sustainability Report aims to avoid restating information that applies throughout the Group. References to the relevant sections of the Volkswagen Group Sustainability Report are indicated. Please feel free to contact us with any questions about this Report or topics relating to sustainability at ŠKODA AUTO.

You can send us an email at sustainability@skoda-auto.cz



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Ladies and Gentlemen,

2016 was a very special year for ŠKODA AUTO. We once again achieved record results in various respects, launched pioneering new models and set the guiding principles for the future of our brand and our company. For the third time in a row, ŠKODA produced more than one million vehicles in a calendar year and delivered them to customers. These record sales were accompanied by the highest turnover in the Company's history. Trusting in our own creativity and abilities, not to mention the strength and potential of the ŠKODA brand, we are confident that we can continue this trend in the years to come. However, we must remain attentive at all times and cannot afford to rest on our laurels. The automotive industry as a whole, and ŠKODA AUTO with it, face major challenges.

With the ŠKODA Strategy 2025, we are looking forward to the imminent transformation processes in the automotive industry and changes in society. Key aspects of the future strategy include electro mobility, digitalisation of the company, products and manufacturing, as well as new mobility services and connectivity. Based on this, ŠKODA will continue on its ambitious growth path by enlarging the ŠKODA model range, opening up new segments and entering new markets. As a result, ŠKODA will attract new customers and increase vehicle sales continuously. In addition, ŠKODA will develop innovative business segments, such as digital mobility services, which will ensure growth on a broader basis. I am convinced that ŠKODA has defined the right areas of action at the right time. We are building on sound foundations in our upcoming change from a traditional production-focused company into a modern and integrated mobility services provider. Inventiveness and accountability serve as cornerstones for building our future. Environmental preservation and responsibility towards society are two basic principles that will guide us, paired with the courage and initiative to tackle the challenges of the future. Combined, they define ŠKODA AUTO's path to sustainable future growth.

In this, the sixth ŠKODA AUTO Sustainability Report, we document our ambitions and progress so far. Once again the report follows the guidelines of the Global Reporting Initiative (GRI G4) and has been compiled with accuracy to provide a comprehensive picture of our sustainability efforts to date and explain our pursuit of progress in terms of sustainability.

ŠKODA AUTO's "Green Future" strategy forms the basis of all our efforts, focusing on efficient vehicles and economical use of resources across the entire business. Where possible, we strive to implement and use modern technology with the greatest possible energy efficiency. We do this with tremendous success: By the end of 2018, ŠKODA AUTO will have halved the environmental impact of its vehicles since 2010.

As the largest industrial employer in the Czech Republic, we at ŠKODA AUTO also focus on our social responsibilities, the wellbeing of our workforce and better living conditions for our employees and their families. We join forces with the unions and authorities at local, regional and national level to further improve working conditions, public infrastructure, education and health. At the same time, we endeavour to meet our own high standards for being a good corporate citizen in these challenging times. Today, we lay the foundation for our continued success in the future. The pride we take in our heritage is reflected in our vehicles and the way we do business and manage our relationships with stakeholders: in an open-minded, trustworthy, reliable and straightforward manner. To be sure, these are testing times and only our best will be good enough. Nevertheless, I firmly believe that ŠKODA is on the right track. With ŠKODA's great tradition and engineering spirit, an increasingly attractive model range, a great team and a convincing strategy, we have all the prerequisites to write the next chapter of our success story.

Yours

Bernhard Maier
Chairman of the Board of Management



Company Overview

ŠKODA AUTO has been headquartered in Mladá Boleslav, Czech Republic, since its very beginnings. Starting in 1895 with bicycles, the Company now belongs to the longest standing car manufacturers in the world.

2016 marked the 25th anniversary of ŠKODA AUTO's affiliation with the Volkswagen Group, which began in April 1991. Since then, ŠKODA AUTO has developed from a one-model-manufacturer to a highly competitive global automotive brand with a product portfolio

comprising seven model series in all relevant market sectors. ŠKODA AUTO sales have increased more than six-fold in this quarter-century – from 172,000 vehicles in 1991 to 1,126,477 in 2016.

Record-breaking 2016 was the third consecutive year in which ŠKODA AUTO exceeded the mark of one million cars delivered to customers. Through its global network of more than 5,300 dealers, the brand serves over 100 markets worldwide. ŠKODA AUTO maintains three production facilities in the Czech Republic. ŠKODA cars are also manufactured in India, China, Russia, the Slovak Republic, Ukraine and Kazakhstan. With a workforce of more than 28,000 worldwide, ŠKODA AUTO is not only a global brand, but also, with the majority of its staff employed in the Czech Republic, one of the country's largest, most important employers.

ŠKODA AUTO's continued model offensive remains the backbone of the Company's growth. The road-map is set out in the Strategy 2025, which prepares the Company for the challenges awaiting the automotive industry. The ŠKODA AUTO growth strategy is thus based on two main pillars: increasing car sales and growing new business segments, such as digital mobility services.

ŠKODA AUTO comprises the parent company ŠKODA AUTO a. s., its fully consolidated subsidiaries, ŠKODA AUTO Slovensko, s. r. o., Skoda Auto India Private Ltd. and shareholdings.

ŠKODA AUTO a. s.*

with registered office 293 01 Mladá Boleslav, Tř. Václava Klementa 869, IČO: 00177041, registered in Commercial Register held by Municipal Court in Prague, Section B, Insert No. 332

**ŠKODA AUTO
Slovensko, s.r.o.**
registered office:
Bratislava, Slovakia
100% holding of
ŠKODA AUTO

**Skoda Auto
India Private Ltd.**
registered office:
Aurangabad, India
100% holding of
ŠKODA AUTO

**OOO VOLKSWAGEN
Group Rus**
registered office:
Kaluga, Russia
16.8% holding of
ŠKODA AUTO

**ŠKODA AUTO
Deutschland GmbH**
registered office:
Weiterstadt, Germany,
effective 1 January 2015,
100% holding of a related
party of the Company con-
trolled by Volkswagen AG.
ŠKODA AUTO a.s. retains
operational control.

* as at 31 December, 2016



STRATEGY

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STRATEGY 2025
THE NEW STRATEGY OF
ŠKODA AUTO



2 MILLION CARS
SOLD PER YEAR
UNTIL 2025

Sustainability at ŠKODA AUTO

ŠKODA AUTO views sustainability as an essential requirement for a successful future. We firmly believe that our efforts to achieve economic success, our clear commitment to responsible social behaviour and our strong environmental awareness are closely inter-related and should all be given equal consideration. We regard it as our obligation to create sound values and secure good working conditions, to respect human rights, to avoid harming the environment and to preserve natural resources. The long-term goal of our corporate social responsibility activities is to enhance the value of our Company.

As part of the Volkswagen Group, ŠKODA AUTO is bound by the Group environmental strategy and follows the goals laid down in its "Strategy 2025" programme. In line with the Volkswagen Group, we are thus laying the foundations for the lasting success of our brand in tomorrow's world of mobility. The basis for and backbone of our sustainability efforts are provided by our own voluntary commitment and Group-wide guidelines. We respect and follow all relevant international conventions, laws, internal regulations and ethical standards.

ŠKODA AUTO has established its own environmental strategy through which it contributes to the ambitious goals of the Volkswagen Group.

[🔗 VW Group Sustainability Report 2016](#)

ŠKODA AUTO's environmental management brings together all relevant aspects under the umbrella of GreenFuture:

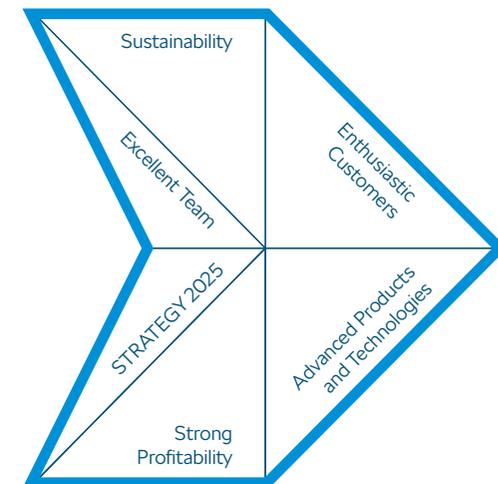
- 1) GreenFactory sets targets for improving the values of five parameters (energy consumption, water consumption, waste prevention/disposal, CO₂ emissions and VOC emissions).
- 2) GreenProduct aims to continuously improve the environmental aspects of ŠKODA vehicles to achieve maximum reductions in CO₂ emissions.
- 3) GreenRetail is designed to achieve gradual integration of ŠKODA dealers into this project and increase environmental awareness at retail locations worldwide.

ŠKODA AUTO's social responsibility is an integral part of the Company's DNA. In recent years, we have sharpened and focused our areas of involvement to channel our efforts and achieve the best results. ŠKODA AUTO's CSR Strategy "SIMPLY CLEVER; SIMPLY HUMAN" defines four main priorities for ŠKODA's social activities: "road safety", "technical education", "barrier-free mobility" and "children's care". Each pillar of social responsibility is backed by activities and projects with clearly defined goals.

[🔗 Social Affairs/Social responsibility](#)

As one of the Czech Republic's major employers, ŠKODA AUTO feels a unique responsibility towards its employees and their families and therefore supports a variety of social and health projects to benefit them. Our CSR Strategy therefore explicitly lists employee care as one of its additional regional priorities. Our CSR Strategy also places cooperation with the

ŠKODA AUTO STRATEGY 2025



regions high on the agenda as we strive to be a "good corporate citizen". We are especially committed to working with local authorities to support the further development of the communities surrounding ŠKODA AUTO's production sites in Mladá Boleslav, Kvasiny and Vrchlabí.

ŠKODA AUTO's Human Resources Strategy also reflects the Company's high standards in dealing with its employees. It is geared towards making the Company the country's most attractive employer by offering the best possible working conditions and vocational training for the existing workforce and by creating promising perspectives for future applicants through its holistic forward-thinking approach.

[🔗 Social Affairs/Future challenges and HR strategy](#)



Seven million manual gearboxes produced in Mladá Boleslav

Six million gearboxes of type MQ200 and one million gearboxes of type MQ100 mark a new record. Both transmissions are used in models made by ŠKODA as well as other Volkswagen Group brands. Almost 700 people are employed in ŠKODA's production of gearboxes in Mladá Boleslav.

Stakeholder dialogue

Close and continuous contact with our main stakeholders is key to the future success of the Company. We need to fully understand the interests, needs and expectations of our stakeholders, so that we can take a proactive approach in our dealings with them.

This includes the creation and sharing of values for ŠKODA AUTO and all stakeholders, both internal and external. We believe it is extremely important to offer transparent, comprehensive information about all our activities. We provide this information through a bi-annual Sustainability Report, press releases, social media outlets and special publications focusing on current projects and initiatives.

ŠKODA AUTO creates shared values through its CSR activities and GreenFuture environmental strategy, but also by establishing and adhering to the principles of ethical and transparent conduct. ŠKODA's senior management team is informed about all matters relating to sustainability management at the Company on a regular basis.

ŠKODA AUTO identifies relevant stakeholder needs and requirements through ongoing personal discussions, meetings, participation in public forums, seminars and university lectures. The Company is primarily focused on maintaining contact with employees, high potentials, suppliers, investors, the media, partners, customers, politicians, state administrators, academics, NGOs and schools. We share our findings at Group level through Volkswagen Group interfaces, supporting discussion of relevant stakeholder issues from a broader perspective.

In 2016, ŠKODA AUTO launched a process of stakeholder assessment in cooperation with PricewaterhouseCoopers. After starting the process in 2016, it will be continued in 2017 by organising a stakeholder dialogue.

Materiality

To identify material topics, we drew upon the findings of the Volkswagen Group’s detailed analysis of the topics of material importance. The resulting materiality matrix was validated by the Volkswagen Group’s Corporate CSR & Sustainability Steering Group.

[VW Group Sustainability Report 2016](#)

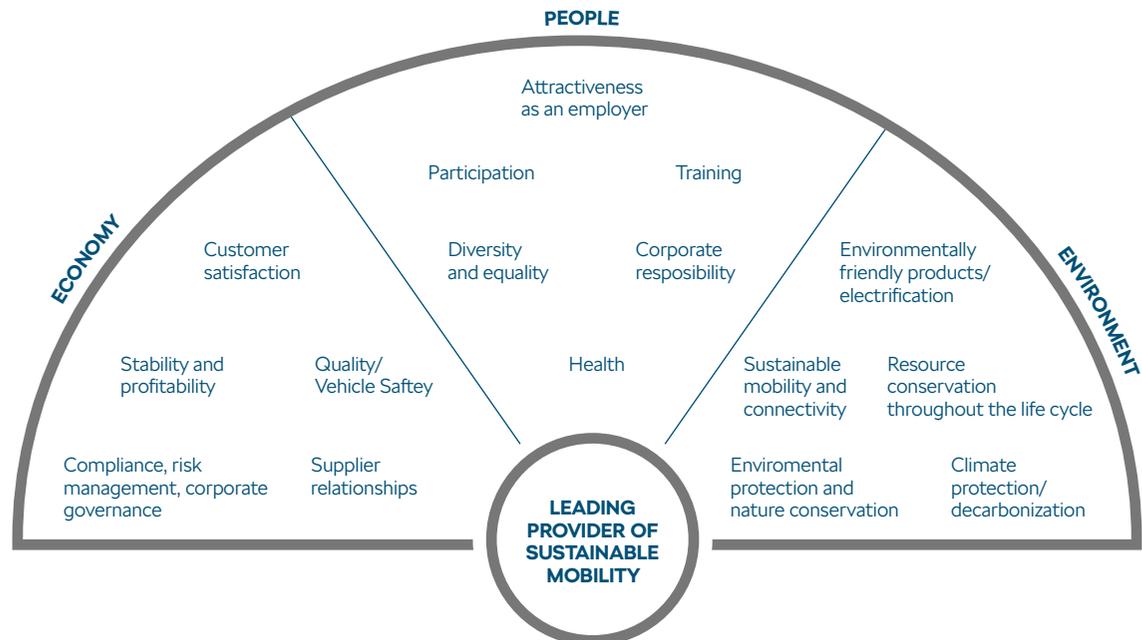
Two developments played a central role in the detailed analysis of the topics of material importance to the Volkswagen Group in 2015 and 2016. Specifically, all questions related to strategic realignment of the Company under the new “Strategy 2025” and the handling of repercussions from the emissions issue. 16 central action areas were defined that are also of relevance for ŠKODA AUTO. The definition of these action areas was based on external studies, industry analyses and ŠKODA AUTO stakeholder surveys, as well as internal guidelines, such as our corporate strategy, Group Environmental Strategy and key factors identified by the Corporate Strategy Group. In 2015, a group of experts was also invited to attend three workshops addressing the topics “Economy”, “Environment” and “People” to reassess the relevance of these action areas to society.

Detailed discussions led to the realisation that in view of the Volkswagen Group’s size, its potential influence and the associated responsibility, all issues in the GRI

MATERIALITY ANALYSIS: PROCEDURE IN THE VOLKSWAGEN GROUP



VOLKSWAGEN GROUP'S KEY ACTION AREAS

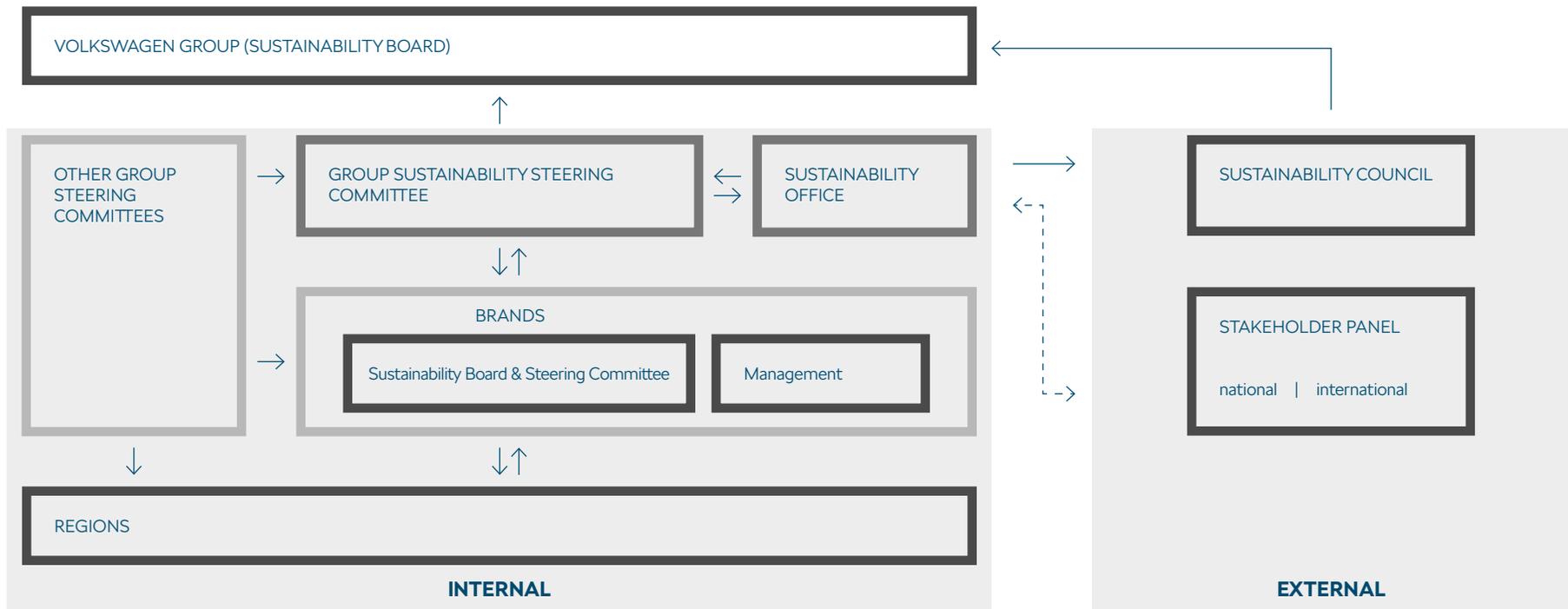


list of sustainability aspects can and must be regarded as “significant” for the Volkswagen Group and thus also for ŠKODA AUTO. Specific measures within the various action areas are still being fleshed out in accordance with the objectives, values and indicators of the “Strategy 2025”.

Organisation and sustainability management

ŠKODA AUTO has an efficient coordination and working structure for sustainability issues in place, but also coordinates its sustainability efforts closely through its representatives in the respective bodies in the Volkswagen Group.

VOLKSWAGEN SUSTAINABILITY ORGANISATION



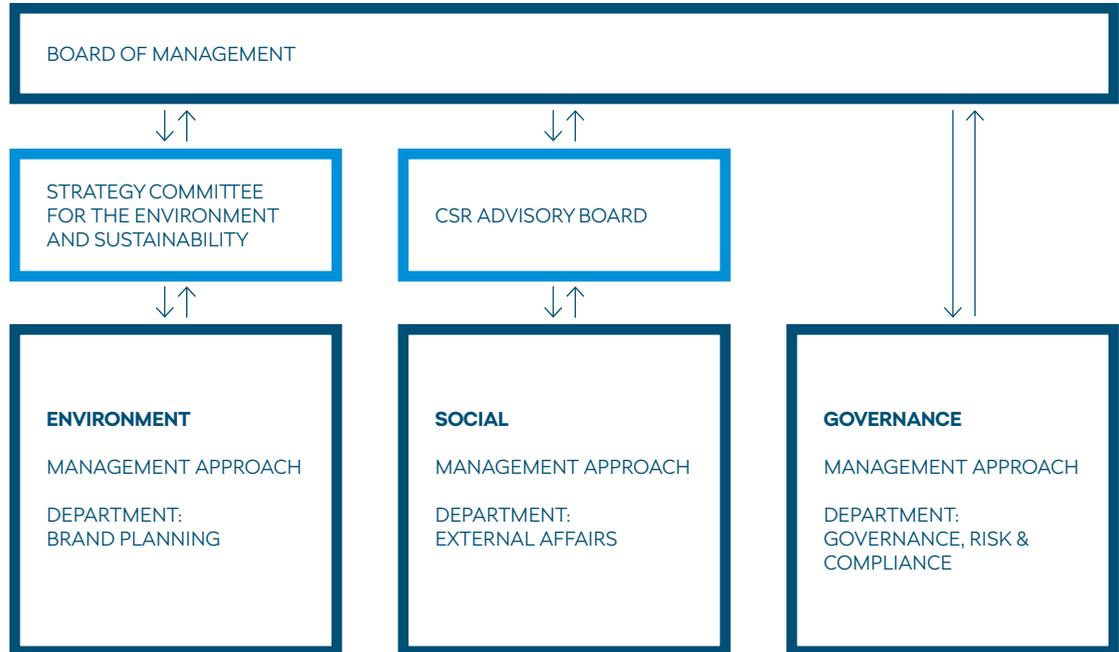
At ŠKODA AUTO, the Board of Management functions as the highest body for all sustainability-related issues. The Strategy Committee for the Environment and Sustainability and the CSR Advisory Board brief the Board of Management and submit draft proposals. Governance issues are discussed directly between the Board of Management and the responsible department.

The GreenOffice, established as part of the GreenFuture strategy, coordinates environmental activities of crucial importance. Topic-based CSR working groups headed by "CSR coordinators" propose decisions to the CSR Advisory Board.

[Environment and Product/GreenFuture](#)

Since it is necessary to take specific local conditions into account, subsidiaries are authorised to develop their own social commitment strategies in line with ŠKODA AUTO CSR priorities. Guidelines enhancing synergies of international CSR activities are currently under preparation. Regular exchange on these local issues takes place within clear structures and at regular meetings attended by CSR and Sustainability Coordinators.

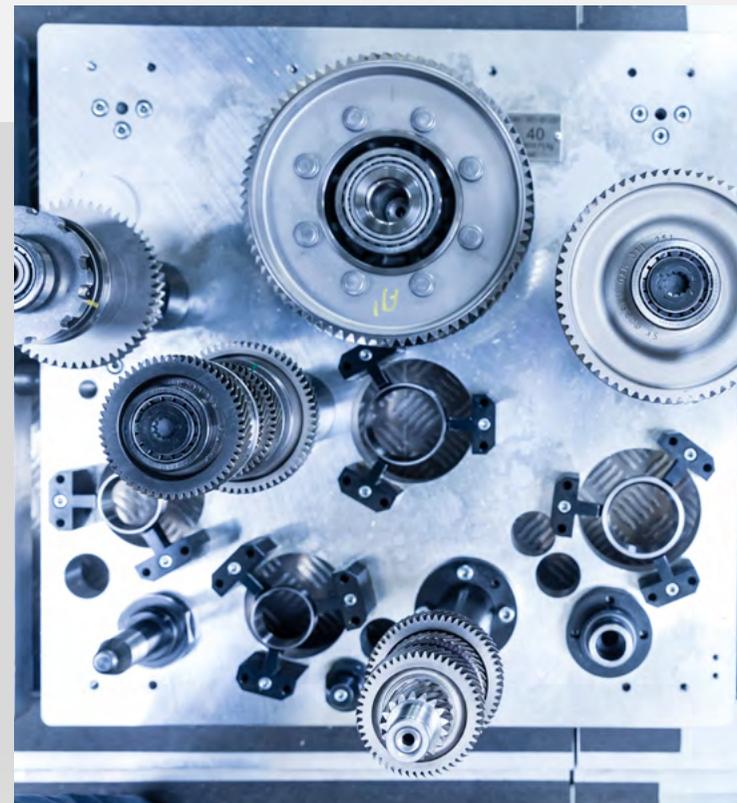
ŠKODA AUTO SUSTAINABILITY ORGANISATION





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1,126,477 DELIVERIES
TO CUSTOMERS
WORLDWIDE IN 2016



EUR 1,197 MILLION
OPERATING PROFIT
IN 2016



ŠKODA AUTO continues on growth path

Since ŠKODA AUTO launched its growth strategy in 2010, the Company has made steady gains in all relevant fields. The years 2015 and 2016 were no exception: ŠKODA AUTO continued on its growth path and, in 2016, set a new sales record of 1,126,477 deliveries worldwide (2015: 1,055,501 vehicles), an increase of 6.7% year-on-year. The Company accounts for approximately 8% of the Czech Republic's total exports and employs a workforce of 28,667 people worldwide. In 2016 sales revenues rose by 9.8% to EUR 13.7 billion and ŠKODA AUTO achieved significant double-digit increase in operating profit of 30.8% to EUR 1,197 million, underlining the Company's solid and sustainable value added. The ŠKODA model campaign once again formed the backbone of the Company's dynamic growth. Since 2012, when we embarked on an unparalleled model offensive, a new or completely revised model has been released onto the market on average every six months to meet the Company's goal of two million vehicle deliveries worldwide by 2025. The value added generated by the ŠKODA AUTO Group in 2016 was up 25.9% year-on-year as a result of sales expansion and successful efficiency-boosting measures.

[Facts & Figures/Economy](#)

ŠKODA AUTO GROUP KEY FIGURES OF 2016



EUR 13.7 BILLION
2016 SALES
REVENUES



1,126,477
DELIVERIES
WORLDWIDE



WORKFORCE OF
28,667 PEOPLE



OPERATING PROF-
ITS OF 30.8% TO
EUR 1,197 MILLION

KEY FIGURES ACCORDING TO IFRS (EUR million)

		2015	2016
Income statement			
Sales revenue	EUR million	12,486	13,705
Operating profit	EUR million	915	1,197
	% of sales revenue	7.3%	8.7%
Profit before income tax	EUR million	846	1,173
Profit before income tax-to-sales revenue ratio	% of sales revenue	6.8%	8.6%
Profit for the year	EUR million	708	951
Profit for the year-to-sales revenue ratio	% of sales revenue	5.7%	6.9%
Other key figures			
Investments (w/o capitalised development costs)	EUR million	591	548
R & D expenditures	EUR million	378	370
Net cash flow	EUR million	913	1,057



Strong performance in all strategic markets

ŠKODA performed strongly in all major global markets in both 2015 and 2016. In Eastern Europe, the brand grew by 7.2% year-on-year in 2016. In Western Europe, ŠKODA made gains of 5.4% in 2016, while Central Europe saw year-on-year growth of 6.8%. In Germany, ŠKODA's second most important single market worldwide, the brand delivered 4.1% more vehicles to customers than in 2015. Sales in Russia marked a slight upturn of 0.7% year-on-year in 2016. As in recent years, ŠKODA performed especially well in the vitally important Chinese market, with a growth rate of 12.6% year-on-year in 2016. The overwhelmingly positive response of Chinese customers to the ŠKODA YETI, with a 300% increase in sales in the first two months of 2016 over the previous year, was central to this development.

Extensive investments in the mobility of the future

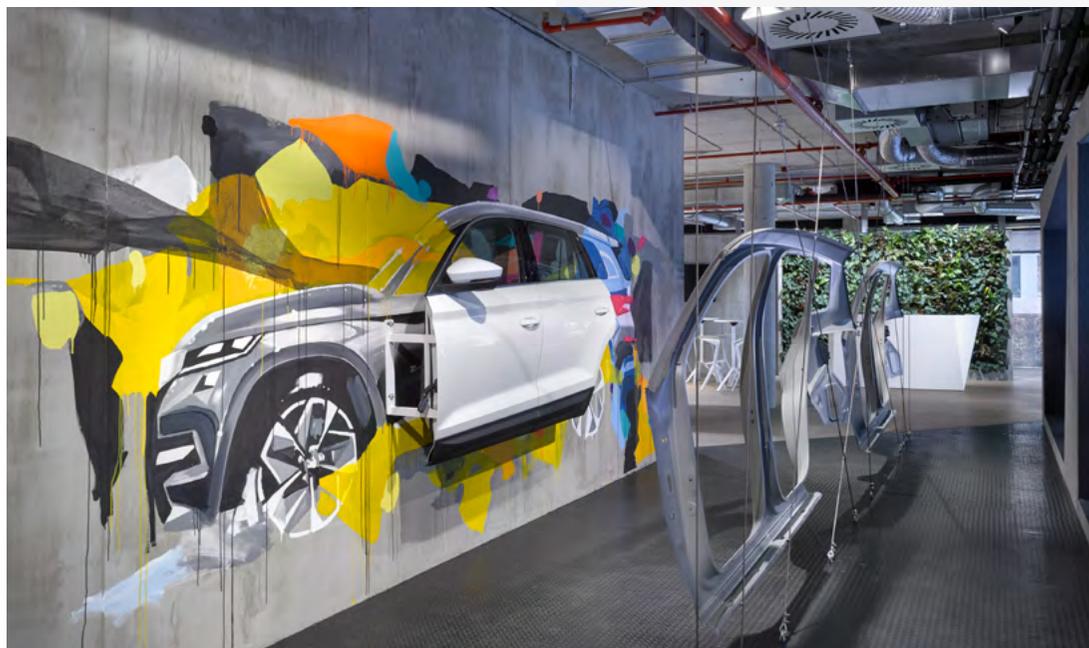
While ŠKODA's growth strategy for global markets remains the main pillar on which the Company is building its future, the development of new digital technologies and solutions will also be central to robust development of the Company over the years to come. With the opening of the first ŠKODA AUTO DigiLab in Prague, the Company acknowledges that digitalisation, connectivity and new mobile services will play a key role, not only in the future of the automobile industry, but also for ŠKODA AUTO. With its digital lab initiative, ŠKODA is adopting a new approach to products and service development

and making a substantial contribution to Volkswagen's Group-wide "Strategy 2025", designed to develop entirely new mobility solutions for future customers. The ultimate goal is to transform ŠKODA AUTO from a car manufacturer to a provider of mobility services, with innovative connectivity and mobility services making a significant contribution to the Company's future income. The ŠKODA AUTO DigiLab will strengthen R&D competencies in digitalisation and generate customer-oriented ideas and solutions, which will then be tested and turned into marketable products. The ŠKODA AUTO DigiLab

will not only influence future products and services by helping develop new working methods and forms of cooperation with external partners, but will also have a lasting impact on ŠKODA AUTO's corporate culture – shaping our speed, adaptability and flexibility in the future.

The ŠKODA AUTO DigiLab

With the foundation of the DigiLab, ŠKODA has strengthened its expertise in both innovation and digital development. Creative teams will research and develop new business models here.



Preparing for Industry 4.0

ŠKODA is constantly testing cutting-edge technology in preparation for the digital transformation of Industry 4.0. As part of its efforts to improve efficiency and working conditions for employees, it is bringing the digital age to the factory floor: In 2016, for example, the Company introduced a brand-new intelligent glove with the name ProGlove. ProGlove is an electronic glove with a built-in scanner designed to facilitate and improve logistics activities.

The smart glove makes day-to-day tasks easier for the wearer, thereby boosting efficiency. At the same time, the intelligent glove helps employees avoid mistakes and follow optimised processes. Like a traditional scanner, the glove can capture data – but it does so in one simple action without any additional device, allowing goods to be registered quickly and easily. The device also indicates whether the right part is being used and whether production steps are being correctly followed.

Continuous, substantial investment has been channelled into the modernisation and expansion of production facilities to back ŠKODA AUTO's growth strategy and ensure further positive development of the Company. Since joining forces with the Volkswagen Group in 1991, more than CZK 350 billion have been invested in manufacturing processes and facilities in the Czech Republic alone. During the reporting period, all three Czech production sites underwent construction as well as infrastructure and technology improvements.

At the main plant in Mladá Boleslav, preparations for the new state-of-the-art PXL II servo press line got underway in 2015 and continued throughout 2016, with investments amounting to EUR 86.4 million. The new line will be the most advanced of its kind in Central Europe. For the first time, it will be possible for ŠKODA AUTO to press large aluminium car body parts for weight-reduced, more energy-efficient vehicles. The new press went into full operation in early 2017. A total of 140 new jobs were created in connection with this investment.

Extensive expansion and modernisation of manufacturing facilities – the most significant in the site's long history – were performed at the Kvasiny plant to cope with continuing high demand for the ŠKODA YETI and prepare for the start of production of the ŠKODA KODIAQ in October 2016. The facilities were extensively refurbished: In addition to the newly commissioned car body construction

area and conversion of the assembly line, the paint shop and logistics area were also expanded.

ŠKODA AUTO invested some CZK 11.3 billion in the Kvasiny site and created 2,600 jobs in the SUV production.

[Environment and product/Kvasiny](#)

At Vrchlabí, ŠKODA's third production site, the focus was on expansion of production facilities for the DQ200 gearbox to increase the site's production capacity from 1,500 to 2,000 gearboxes per day. In preparation for volume production of the DQ200, ŠKODA AUTO and the Volkswagen Group invested a total of EUR 245 million in the construction of factory buildings, technical systems, a training centre for gearbox manufacturing and logistics. The DQ200 is used in ŠKODA vehicles, as well as by the other Volkswagen Group brands. The most recent investments include the introduction of an innovative light-weight robot for DQ200 dual-clutch production, which assists manufacturing employees in the "gear actuator piston insertion" step and improves safety and precision. In 2015, Vrchlabí was also named "Factory of the Year", winning one of European manufacturing's most prestigious awards organised by the trade journal "Produktion" and the consulting firm A.T. Kearney.



The new lightweight robot at Vrchlabi plant

The robot inserts the gear actuator pistons with the highest precision thanks to highly sensitive sensors on each of its seven axes. The sensors register any possible contact with an employee, thus always ensuring maximum safety.

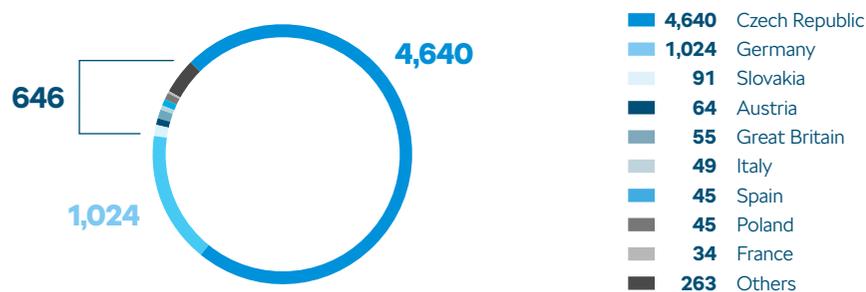
Sustainability throughout the supply chain

In line with Volkswagen Group goals, ŠKODA AUTO seeks to promote local production in major sales markets. This generates economic benefits, such as lower logistics costs, keeps procurement prices in line with local market conditions, eliminates import duties and protects against exchange rate volatility. It also contributes to regional development: Local production, for instance, creates new jobs in major sales markets – both within the Volkswagen Group and in the surrounding areas.

[VW Group Sustainability Report 2016](#)

In 2016, ŠKODA AUTO spent a total of approximately EUR 6.3 billion on production materials. An average of 47.4 % of all production and general procurement expenses during the reporting period resulted from local suppliers. A local supplier in this case is defined as a supplier with a production facility based in the Czech Republic.

SUPPLIER STRUCTURE OF GENERAL PROCUREMENT
(Number of suppliers)



In 2016, the Volkswagen Group formulated a “Sustainability in Supplier Relations” concept, which has since been continuously refined. The concept, which also applies to ŠKODA AUTO, is based on three main pillars: requirements, monitoring and development.

- Requirements are contractually mandated and focus on environmental protection, employee’s rights, transparent business relationships and fair behavior in the marketplace.
- Monitoring verifies understanding and implementation of requirements and encompasses a sustainability questionnaire, a “Sustainability in Supplier Relations” flag, sustainability audits and the continuous dialogue with suppliers.
- Various measures support the ongoing development of the “Sustainability in Supplier Relations” concept: eLearning for suppliers and purchasing staff, face-to-face training courses, OEM work-

shops and a continuous dialogue with external stakeholders.

Alongside traditional priorities, such as quality, price and delivery times, the Supplier Relations concept has been integrated throughout the procurement process. Applying and monitoring sustainability standards in the supply chain is primarily a question of minimising risk. At the same time, it is also about preventing potential supply shortages and reputational damage and ensuring consistent quality for procured supplies and services. Both the Volkswagen Group and its suppliers benefit from the long-term supplier relationships this creates.

Supply chain requirements

In its relationships with suppliers, ŠKODA AUTO follows the principles of the Volkswagen Group, which are described in detail in the “Volkswagen

Group Requirements regarding Sustainability in its Relationship with Business Partners”. This guideline focuses on environmental topics, employee rights – including freedom of association, transparency and fairness – as well as the strict prohibition of child and forced labour. All our suppliers are required to act in accordance with these guidelines and to exploit all potential for improvement.

[VW Group Sustainability Report 2016](#)

All suppliers are expected to have functioning environmental management systems, actively address ecological challenges, strive to prevent health and environmental damage, design the manufacture of their products and the necessary processes to minimise environmental impact, avoid unnecessary waste, make recycling a priority, and promote vocational and professional training among employees. At the same time, suppliers are obliged to respect their employees’ fundamental human rights, combat corruption, advocate fair competition and specifically prohibit child, forced and compulsory labour. Before entering a business relationship, potential suppliers must register on the Group Business Platform. They are then required to complete a sustainability questionnaire covering environmental topics, as well as human rights, labour practices and impact on society. The questionnaire gathers information on the social and environmental measures suppliers have implemented. Suppliers are required to accept the applicable Code of Conduct for Suppliers. Each supplier may be screened or checked during



ongoing cooperation. The aim is to ensure sustainability of the business relationship and to avoid potential violation of the law. Suppliers are required to confirm that they have taken note of the Volkswagen Group's sustainability requirements every 12 months. Since November 2013, these requirements have been contractually binding for all general procurement suppliers and, since January 2014, for all suppliers of production material. Suppliers are requested to ensure that the sustainability requirements are applied by their sub-contractors.

The Volkswagen Group also requires its suppliers to adopt an ISO 14001 and/or EMAS-certified environmental management system. Established standards are subject to regular review and updating by the Volkswagen Group's "Sustainability Procurement Network", in which ŠKODA AUTO is also represented. ŠKODA AUTO has also formed its own team of experts to monitor the corresponding processes in their entirety and optimise them where needed.

Regarding the use of conflict minerals, ŠKODA AUTO follows the respective guidelines of the Volkswagen Group.

 [VW Group Conflict Resources Policy](#)

Supplier development and performance monitoring

eLearning tools are becoming increasingly important in the context of the "Sustainability in Supplier Relations" concept and help provide both ŠKODA AUTO and supplier employees with comprehensive and more in-depth knowledge of sustainability requirements.

These eLearning tools are used on a continuous basis. They are available on the Volkswagen Group Business Platform and can therefore be accessed at any time. More than 85% of all suppliers took advantage of this opportunity. In 2016, a special external training workshop for suppliers was organised in Prague for the first time, aimed at training suppliers and purchasers on sustainability principles.

To ensure continuous supplier development over the course of a business relationship, the Volkswagen Group provides all suppliers with a sustainability eLearning module, which is available in eight languages, including Chinese and Russian. After completing the eLearning module, the supplier performs a self-evaluation. If successful, the supplier has passed. The module can also be used by suppliers to raise awareness among an unlimited number of their employees. An internal system is used to monitor suppliers' sustainability performance. Specific sustainability data is collected about suppliers for an extensive assessment. When non-compliance with the Volkswagen Group's sustainability requirements is suspected, suppliers are asked to explain and provide detailed information about the issue. The required reports are standardised to include room for explanation of the reasons, as well as measures to be taken. If answers are unsatisfactory, the Sustainability Procurement Network takes appropriate measures, such as checking documents, on-site visits to suppliers or customised training measures. A team of specialists coordinates these measures with experts at brand and regional level. If needed, experts from health and

safety or human resources departments may also contribute to the process. No cases of non-compliance were recorded during the reporting period. Although no cases of confirmed negative environmental and social impact or labour practice violations occurred in the supply chain over the reporting period, in accordance with Volkswagen Group regulations, ŠKODA AUTO has implemented improvement measures for suppliers with unsatisfactory overall sustainability performance. Fair dialogue and supplier development lie at the core of all process steps and measures, since the overall aim of ŠKODA AUTO is to establish and maintain continuous partnerships. At the same time, the Company reserves the right to monitor compliance with its sustainability requirements through internal experts or external audits. Non-compliance may lead to termination of a business partnership, particularly if the supplier shows no willingness to improve. No cases of this kind occurred during the reporting period.

Risk assessment

The large number of suppliers make constant monitoring and risk assessment a crucial aspect of the supply chain management process. Despite the Company's effective and systematic approach, risks cannot be completely ruled out. The Company's qualified auditor network is constantly updated to ensure that deviations, internally or at suppliers, can be identified in good time. Department managers regularly report to Company management. Risk-minimisation measures are immediately implemented in response to negative

deviations from expectations.

To assess risks arising from suppliers' compliance with social and environmental standards/requirements – particularly relating to human rights – the Volkswagen Group conducts a country-specific risk analysis. Secondary data and internal experience are used to create country risk profiles. To minimise risks, supplier development, including regular exchange of ideas and training, is therefore a priority.

The Volkswagen Group is also committed to the Extractive Industries Transparency Initiative (EITI), which fights corruption by making commodity-related cash flows more transparent. Self-certification in upstream supply chains is promoted as an effective tool in this area.

Corporate Governance

Open and transparent communication with all stakeholders is one of the basic principles of corporate governance at ŠKODA AUTO in light of the Company's standing and significance as one of the major employers in the Czech Republic and as an automobile manufacturer with an international reputation. In line with the regulations of the Volkswagen Group, we practice forward-looking risk management and ensure there is a clear framework for pro-active handling of environmental issues, responsibility towards our employees and social engagement.

OPEN AND TRANSPARENT COMMUNICATION WITH ALL STAKEHOLDERS IS ONE OF THE BASIC PRINCIPLES OF CORPORATE GOVERNANCE AT ŠKODA AUTO.

ŠKODA AUTO has been committed to the recommendations of the Code of Corporate Governance based on the OECD principles since 2007. Through continuous improvement of its internal processes and procedures in accordance with the Code, the Company aims to promote transparency and ethical business practices at all its sites inside and outside

the Czech Republic. For more information on corporate governance at ŠKODA AUTO and the "Declaration of Compliance with the Recommendations of the Code of Corporate Governance", please refer to the [ŠKODA AUTO Annual Report 2016 \(page 10\)](#).

The internal structure of ŠKODA AUTO is in accordance with the legal framework in the Czech Republic. Volkswagen Finance Luxembourg S.A. is the sole shareholder of ŠKODA AUTO. The ŠKODA AUTO Board of Management, comprising seven members, manages the Company and is therefore also responsible for all sustainability issues. The eight-person Supervisory Board oversees the activity of the Company and its Board of Management. Two members of the Supervisory Board are proposed by trade unions and thus represent the employees of ŠKODA AUTO. In addition to its corporate values, ŠKODA AUTO bases its actions on a number of international conventions and laws. These primarily address the respective member states, not individual companies. They do, however, constitute important guidelines for the behaviour of an international company like ŠKODA AUTO and its employees.

ŠKODA AUTO therefore follows and respects the principles set out in the following documents:

- The Universal Declaration of Human Rights, 1948 (UN)
- European Convention on Human Rights, 1950
- International Covenant on Economic, Social and Cultural Rights, 1966 (UN)

- International Covenant on Civil and Political Rights, 1966 (UN)
- Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, 1977 (ILO)
- ILO Declaration on Fundamental Principles and Rights at Work, 1988
- "Agenda 21" on sustainable development, 1992 (UN)
- OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997
- Principles of the Global Compact for more social and more ecological globalisation, 1999 (UN)
- OECD Guidelines for Multinational Enterprises, 2000

Code of Conduct

ŠKODA AUTO introduced a Code of Conduct to provide all employees and managers, in particular, with clear guidelines for responsible conduct and to ensure that the Company fulfils its responsibilities as a global automobile manufacturer.

[ŠKODA AUTO Code of Conduct](#)

The Code of Conduct is based on international conventions, laws, internal rules and ethical standards, and is derived from the Company's principles, which form the basis for its activities worldwide. It provides all employees with a binding framework for dealing with legal and ethical challenges that may arise in their daily work. It also makes the globally-applicable

principles of ŠKODA AUTO transparent to business partners and stakeholders.

Every manager must ensure that employees in his or her area of responsibility are familiar with, and observe, these behavioural principles. The Company's internal audit also verifies compliance with the principles on a case-by-case and random basis. Non-compliance generally leads to appropriate measures under Company and legal regulations, which may include termination of employment and claims for damages.

[ŠKODA AUTO Annual Report 2016 \(page 10\)](#)

The Company also introduced a mandatory computer-based Code of Conduct training programme for relevant employees and Board of Management members, which is supplemented by personal training sessions and workshops on key content organised for various company departments on an on-going basis. Around 99% of relevant employees have already completed the two-hour Code of Conduct computer-based training, which also includes human rights training. The training, which must be repeated every three years, also encompasses all ŠKODA AUTO security personnel.

Compliance

ŠKODA AUTO's compliance approach is based on the conviction that, in the long term, a company can only be successful if it acts with integrity, complies with statutory provisions worldwide and stands by its voluntary undertakings and ethical principles. Compliance is therefore a key element of ŠKODA AUTO's

Governance, Risk & Compliance management.

Business at ŠKODA AUTO is subject to many different foreign and domestic jurisdictions. Hence, compliance is a complex subject matter and, with these regulations, is one of the most fundamental principles for our Company. The Governance, Risk & Compliance department identifies and assesses potential compliance risks and advises the Company in all compliance-related matters, including preventive measures and related mechanisms.

The Volkswagen Group has various bodies in place to support the work of the compliance organisation, not only at Group, but also at brand level, e.g. within ŠKODA. This includes the compliance position at senior management level and the core compliance team, which pools Group expertise in compliance issues. In 2016, Volkswagen appointed a Board of Management member for Integrity and Legal Affairs, in charge of governance, risk and compliance, legal issues, data protection and integrity. At ŠKODA, the Head of Governance, Risk and Compliance reports directly to the CEO.

[VW Group Sustainability Report 2016](#)

ŠKODA AUTO applies a preventive compliance approach designed to create a corporate culture that avoids potential infringements of the law and of internal regulations before they occur. Compliance awareness is maintained by regular communication with employees through various channels including, but not limited to, eLearning, face-to-face training, publications, distribution of guidelines, consulting

and directives from the Board of Management. Currently, two eLearning modules on anti-corruption and the Code of Conduct are mandatory for management and relevant employees. However, all employees including workers are invited to conduct this eLearning module on a voluntary basis. Another eLearning module on antitrust/fair competition is mandatory for selected employees. The process includes constant evaluation of its efficiency and reliability, e.g. through weekly monitoring, if necessary.

COMPLIANCE AWARENESS IS MAINTAINED BY REGULAR COMMUNICATION WITH EMPLOYEES THROUGH VARIOUS CHANNELS.

We are aware that even the best compliance management system can never be entirely perfect, especially when a company, like ŠKODA AUTO, has a complex structure and has to deal with the associated risks. Neither can compliance management fully prevent criminal actions by individuals. It is also not entirely possible for ŠKODA AUTO to avoid legal disputes and official proceedings at national and international level in the course of its operating activities. In particular, such proceedings may occur in relation to suppliers, dealers, customers, employees and investors and may result in fines or other obligations for the Company. We strive for regular monitoring of all existing business partners and conduct background checks for all

new partners in the most effective manner. Where manageable and economically viable, adequate insurance coverage is provided for these risks and appropriate provisions made for the remaining identifiable risks. The Company does not believe, therefore, that these risks will have a sustained impact on the economic position of ŠKODA AUTO. However, as certain risks cannot be assessed or can only be assessed to a limited extent, the possibility of loss or damage not being covered by the insured amounts and provisions cannot be ruled out. Any significant risks arising for ŠKODA AUTO or the Volkswagen Group in this connection are reported in the Volkswagen Group Annual Report. Further information may be found in the Risk Management Report in the latest ŠKODA AUTO Annual Report and in the Report on Risks and Opportunities in the latest Volkswagen Group Annual Report.

- ŠKODA AUTO Annual Report 2016
Volkswagen Group Annual Report 2016

In accordance with the applicable legislation, ŠKODA AUTO publishes all relevant information on its financial and operational business activities, its shareholder structure and all other important topics. All relevant information is prepared and published in accordance with accounting standards and standards for the disclosure of financial and non-financial information. In addition to the above, in many areas, the scope of the information released goes far beyond what is legally required. The Company publishes regular Annual Reports in accordance with internationally recognised accounting and reporting standards. These reports provide a detailed account of the Company's economic and financial situation.

ŠKODA AUTO Annual Report 2016

Production line at the Mladá Boleslav plant
The ŠKODA OCTAVIA is the heart and soul of ŠKODA AUTO, it embodies all of the Czech car manufacturer's strengths and lays the foundations for its success. Since its market launch in 1996, the Czech car manufacturer has produced more than five million ŠKODA OCTAVIAS.



Corruption prevention

Other important elements of the Compliance Management System at ŠKODA AUTO are anti-corruption, preventing conflicts of interest and the Company's commitment to the principles of fair competition.

FROM THEIR VERY FIRST DAY AT ŠKODA AUTO, EMPLOYEES ARE EDUCATED ABOUT THE COMPANY'S APPROACH TO COMPLIANCE AND ANTI-CORRUPTION.

We support national and international efforts to prevent bribery and corruption and strongly reject any form of anti-competitive conduct or distortion of competition. It is important for us to avoid conflicts of interest between employees' private interests and those of the Company. To prevent such conflicts from occurring, binding internal rules of conduct were established for topics such as the giving and receiving of gifts, extending and accepting business invitations and dealing with corporate hospitality. From their very first day at ŠKODA AUTO, employees are educated about the Company's approach to compliance and anti-corruption. In addition, almost all relevant ŠKODA AUTO employees have completed computer-based corruption prevention training. This training is mandatory for all relevant employees as well as Board of Management members every two years. A wide range of additional training programmes

has been implemented, including classroom seminars, individual anti-corruption training at subsidiaries and individual competition. In addition to the above, we continue to provide face-to-face training and workshops for various Company departments and consultancy on the topic whenever necessary.

Commitment to fair competition

ŠKODA AUTO recently implemented a computer-based training programme for relevant target groups within the Company with a focus on fair competition principles. In addition, individual training sessions and workshops were set up to educate employees on these important issues.

Relevant employees are required to observe the rules of competition and anti-trust law. Among a variety of other issues, this also prohibits agreements with competitors on pricing or capacity. Non-compete agreements with business partners and third parties, agreements to submit cover bids or allocate customers, areas or production programmes are also prohibited, along with improper preference or exclusion of contractual partners.

In accordance with the Volkswagen Group's Code of Conduct, ŠKODA AUTO is committed to fair treatment of its business partners and third parties, supporting fair and undistorted competition in compliance with the law. This is also expected from our business partners.

Protection of customer data

Internal Group policies also deal with responsible handling of customer data. Accordingly, we collect, process and use personal data only to the extent necessary for defined, clear and lawful purposes. We ensure that this data is used in a transparent way and respect the individual's right to information and correction, as well as their right to objection and blocking or deletion of data. Each of our employees is obliged to comply with data protection requirements, as well as statutory and company rules on information security. In 2015 and 2016, we received two complaints concerning customer privacy from outside parties. One dealt with data deletion; the other with data correction. We received one request for explanation from regulatory bodies regarding customer data in 2016. No complaints were received from regulatory bodies in 2015. We are not aware of any leaks, thefts or losses of customer data in 2015. Our reports show one incident in 2016. A resolution process has been initiated.

Grievance mechanisms

ŠKODA AUTO is integrated into the Volkswagen Group Internal Audit regularly and systematically reviews processes within the whole Group, using approaches such as the internationally recognised COSO Enterprise Risk Management framework. ŠKODA AUTO has adopted the "ombudsman system" employed by the Volkswagen Group as an additional possibility to provide information on a potential violation of the law or an internal regulation. Any employee, business partner or third party may



contact one of two independent ombudsmen, who pass the information on to the Company for further investigation after initial verification. The name of the informant is only released with his or her consent. The ombudsman system is used to confidentially report corruption, fraudulent activities or other serious irregularities (such as human rights violations, ethical misconduct or any violation of laws or internal rules) in 11 different languages to two external lawyers appointed by the Group. Naturally, the people providing the information need not fear being punished by the Company for doing so.

As of December 2014, there is also the option of using an additional online channel to communicate with the ombudsmen. A technically secure digital mailbox allows suspected breaches to be reported – anonymously, if so desired. After checking for plausibility, the ombudsmen pass on possible reports of misconduct to the Volkswagen Group's Anti-Corruption Officer, the head of Group Internal Audit. The details of the people making the reports are kept confidential if requested. All such reports are followed up. For all breaches of the law and violations of internal regulations, appropriate sanctions are first reviewed and then applied where necessary.

This system is open to both internal and external stakeholders of ŠKODA AUTO. The incidents reported are collected and processed at Group level and thus form part of the Group's sustainability reporting. In addition, the email address "compliance@skoda-auto.cz" can be used by external and internal whistleblowers and serves as a further channel through which stake-

holders can voice their concerns regarding any kind of law or internal regulations infringement, for example labour practices, environmental issues, human rights, impact on society or other topics that relate to sustainability at the Company. The further processing of requests depends on their nature and may range from direct implementation to more complex decision-making requiring the involvement of Board of Management members.

An Anti-Corruption Officer from the Volkswagen Group is part of this system and serves as the internal contact for all corruption-related issues throughout the entire Group. To avoid potential conflicts of interest, all employees and the Board of Management are obliged by internal regulations to inform the Company in writing of any existing or potential conflicting interests.

 [VW Group Sustainability Report 2016](#)

As for potentially serious complaints that required the attention of the members of the Board of Management, in 2015 and 2016 combined, ŠKODA AUTO received a total of five such complaints. Of these complaints, one was identified in 2015 as a legitimate case of discrimination and has been dealt with and resolved in accordance with the law and Company by-laws. In 2016, no relevant proceeding has been concluded. No fines were paid or non-monetary sanctions applied.

Relations with government and political institutions

As one of the leading companies in the Czech Republic and one of its largest employers, it is vitally important for ŠKODA AUTO to maintain trusting and sound relations with political institutions, as well as public administrations and institutions, especially at our locations in the Czech Republic. ŠKODA AUTO attaches great importance to open dialogue with political and public institutions. We believe that exchange on relevant issues is not only in the interest of the Company itself, but also promotes positive development of the country and its inhabitants. However, ŠKODA AUTO does not participate in concrete political discussions or make political contributions. We embrace our responsibility through our membership of various industry and automotive associations. In 2016, ŠKODA AUTO Board of Management member for Human Resources, Bohdan Wojnar, became President of the Automotive Industry Association. In all our activities with political or public relevance, we observe the applicable ethics and compliance rules for the Company.



The Czech President Miloš Zeman visits ŠKODA AUTO's plant in Kvasiny

In February 2015, the President of the Czech Republic Miloš Zeman visited the Kvasiny plant. From left to right: Bohdan Wojnar, Member of Board of Management for Human Resources at ŠKODA AUTO, Miloš Zeman, President of the Czech Republic, Lubomír Franc, District Governor of Hradec Králové, and Luboš Vlček, Head of ŠKODA AUTO Česká Republika.

Strategic membership of industry and business associations (selection)

- Confederation of Industry of the Czech Republic (Svaz průmyslu a dopravy ČR)
- Czech Chamber of Commerce (Hospodářská komora ČR)
- Automotive Industry Association (Sdružení automobilového průmyslu)
- Czech-German Chamber of Industry and Commerce (Česko-německá obchodní a průmyslová komora)
- Czech-Israeli Chamber of Commerce (Česko-izraelská smíšená obchodní komora)
- ICC – International Chamber of Commerce (Mezinárodní obchodní komora)
- Czech Institute of Directors (Institut členů správních orgánů)
- Business for Society (Byznys pro společnost)
- Association for Transport Telematics of the Czech Republic (Sdružení pro dopravní telematiku ČR)
- Czech-Chinese Chamber for Mutual Cooperation (Smíšená česko-čínská komora vzájemné spolupráce)
- Car Importer Association (SDA)
- Czech Gas Association (Český plynárenský svaz)
- Chamber of Trade and Industry for CIS Countries (Komora pro hospodářské styky s SNS)
- Association for the development of collective bargaining and labour relations (Asociace pro rozvoj kolektivního vyjednávání a pracovních vztahů)

**Participation in governmental advisory bodies**

- Expert group of the Ministry of Industry and Trade for the Automotive Industry (Poradní skupina Ministerstva průmyslu a obchodu k automobilovému průmyslu)
- Regional Tripartite of the Central Bohemian Region (Regionální tripartita Středočeského kraje)
- Competitiveness Council of the Central Bohemian Region (Rada pro konkurenceschopnost Středočeského kraje)
- Regional Tripartite of Hradec Králové Region (Regionální tripartita Královéhradeckého kraje)
- Governmental Council for Research, Development and Innovation (Rada pro výzkum, vývoj a inovace)
- National Platform for Technical Education (Národní platforma pro technické vzdělávání)

ŠKODA AUTO representatives at scientific institutions

- Czech Technical University Prague (ČVUT Praha)
- Technical University Brno (VUT Brno)
- School of Mechatronics, Technical University of Liberec (Fakulta mechatroniky, informatiky a mezioborových studií, Technická univerzita v Liberci)
- Academy of Arts, Architecture and Design in Prague (Vysoká škola uměleckoprůmyslová v Praze)
- Academic Council of the University of Economics, Prague (Akademická rada Vysoké školy ekonomické v Praze)

- Jan Evangelista Purkyně University in Ústí nad Labem (Univerzita Jana Evangelisty Purkyně v Ústí nad Labem)
- ŠKODA AUTO University (ŠKODA AUTO Vysoká škola)
- Czech University of Life Sciences Prague (Česká zemědělská univerzita v Praze)
- Charles University, Prague (Univerzita Karlova v Praze)
- University of Chemistry and Technology, Prague (Vysoká škola chemicko-technologická v Praze)
- VŠB – Technical University of Ostrava (Vysoká škola báňská – Technická univerzita Ostrava)

Public funding for continued positive development

ŠKODA AUTO received public funds in accordance with EU and Czech law mainly for promoting research, progress and innovation, and developing relevant areas of the Company, in particular, environmental protection and employee development and education. In 2015, the Company received total public funds (mainly non-investment funding) worth CZK 62.6 million, which the Company invested in research, development and education projects. In 2016, ŠKODA AUTO received public funding of CZK 64.5 million, which was used to continue and, in many cases, complete projects from previous years. National and European Union funding is also used for many non-investment-related educational and

vocational training projects with ŠKODA AUTO as a partner or applicant for public funding. Another form of public funding is through investment incentives. Companies can claim tax relief based on fulfilment of pre-defined legislative conditions. In 2015 and 2016, there were no incentives of this kind, but ŠKODA AUTO claimed tax relief of CZK 757.8 million resulting from incentives for manufacturing economic and environmentally-compatible engines, gearboxes and technical development from 2011 and 2012. The Czech government also recognised our massive investment in the Kvasiny plant and the large number of new jobs created. It therefore adopted Government Decree No. 97/2015 in February 2015, herewith committing to invest up to CZK 2.95 billion in public transport infrastructure, development of new public industrial zones and development of surrounding municipalities.



ENVIRONMENT AND PRODUCT

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45.8% REDUCTION
OF ENVIRONMENTAL
IMPACT OF PRODUCTION
COMPARED TO 2010



27.7% LESS ENERGY
CONSUMPTION COMPARED
TO 2010



Volkswagen Group environmental management

ŠKODA AUTO's current environmental strategy reflects all basic principles laid out in the Volkswagen Group's "Strategy 2025". This strategy is based on four elementary building blocks: "Transform core business", "Build mobility solution business", "Secure funding for future investments" and "Strengthening innovation power". The strategy's ultimate goal is to run the business responsibly throughout the entire value chain for the benefit of customers, employees, the environment and society as a whole.

"Strategy 2025" reflects the Volkswagen Group's vision of becoming a world-leading provider of sustainable mobility by shaping change, setting trends, ensuring customer satisfaction and guaranteeing quality. It also signals that corporate strategy and sustainability strategy are inextricably linked.

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Volkswagen has defined four target dimensions – "excited customers", "excellent employer", "role

model for environment, safety and integrity", and "competitive profitability":

- 1) The target dimension "excited customers" focuses on the diverse needs of our customers and on tailor-made mobility solutions.
- 2) The target dimension "excellent employer" highlights that skilled and dedicated employees are one of the keys to sustainable success.
- 3) The target dimension "role model for the environment, safety and integrity" points at the fact that the Volkswagen Group assumes and exercises responsibility in relation to the environment, safety and society.
- 4) The target dimension "competitive profitability" takes into account that investors judge Volkswagen by whether the company is able to meet the obligations as regards interest payments and debt repayments.

[!\[\]\(e7b151aec1eb227a716fbba8e2a59b0e_img.jpg\) VW Group Sustainability Report 2016](#)

Volkswagen has established a clear structure for coordinating sustainability activities, including internal and external sustainability committees.

The internal sustainability coordination reflects the inseparability of all corporate and sustainability strategies. At Volkswagen, sustainability is a management issue. The Group Board of Management under the leadership of CEO Matthias Müller also functions as Sustainability Board. It regularly works on strategic questions of holistic sustainability management, encompassing issues of environmental as well as social responsibility.

The Group Board of Management is regularly informed by the Corporate Sustainability Steering Committee. The Steering Committee includes top managers from central Group business areas and representatives of the Group Works Council and the brands.

The Sustainability Office supports the Steering Committee. It coordinates all sustainability-related activities within the Group and the brands. Relevant economic, environmental and social issues are integrated into the ongoing development of the Group's sustainability strategy.

At divisional level, the CSR project team fosters a regular exchange of information on current projects between the various sustainability experts within the Volkswagen Group. Other project teams work across business areas on topics such as reporting, stakeholder management and sustainability in supplier relations. These coordination and working structures have also been established across the brands and are subject to ongoing development.

In addition, the Volkswagen Group has set up two external committees, the Sustainability Council and the Stakeholder Panel, to independently advise the Group. Appointed in 2016, the international Sustainability Council is made up of renowned experts from the scientific community, government and society. Council members regularly consult with the Board of Management, senior managers and employee representatives. The Stakeholder Panel keeps track of the Group's sustainability activities, especially those covered in our sustainability reporting.



At all levels, ŠKODA AUTO experts contribute their know-how and best-practice solutions to the Group-wide exchange, taking away valuable insights and ideas for their own tasks.

AT ŠKODA AUTO, COMPLIANCE WITH ENVIRONMENTAL PRINCIPLES IS TAKEN INTO CONSIDERATION IN THE EARLY STAGES OF CAR PRODUCTION PLANNING AND MINIMISED THROUGHOUT THE ENTIRE LIFECYCLE.

A working group called Life Cycle Engineering (LCE) was established in 2013 at Group level for Life Cycle Assessments (LCAs). This allows a qualitatively safe application of the method and so provides a consistent set of instruments for environmentally-focused product and portfolio development in the Volkswagen Group. It initiates and implements projects that lead to improvements during the lifecycle. The working group monitors and assesses political developments and public debates in LCA and prepares recommendations for the application and further development of the Group-wide methods for life-cycle analysis.

The environmental efficiency of future models of every series throughout the car's lifecycle are improved through experience-sharing between experts across the entire Group – from material planning for manufacturing to vehicle reclamation. The inter-

national environmental standards ISO 14040 and 14044 are binding for uniform compliance and meeting the set requirements.

At ŠKODA AUTO, compliance with environmental principles, possible negative impacts on the environment, economical use of resources and health and safety aspects for workers are taken into consideration in the early stages of car production planning and minimised throughout the entire lifecycle – from car development through the production process, active use to recycling and reutilisation of resources.

GreenFuture – ŠKODA AUTO environmental management

The ŠKODA GreenFuture strategy integrates all environmental factors under one organisational umbrella to ensure flawless management and efficient control of all environmentally-relevant issues. It defines measures at product, production and process level. Sustainability aspects are considered by ŠKODA AUTO through all phases of the product lifecycle, guided by various standards such as ISO 14001 (environmental management) and – since 2013 – ISO 50001 (energy management). All investment projects are also evaluated for environmental impact. The strategy focuses on the development of cars with a smaller environmental footprint, sustainable production and environmentally-friendly sales and customer services. It is supported by the three pillars of GreenFactory, GreenProduct and GreenRetail, each with its own specific targets. GreenFuture also reflects recent developments in the Volkswagen Group and is in line with the Group's ambitious objectives as defined, for example, in the new "Strategy 2025".

 [Strategy/Sustainability at ŠKODA AUTO](#)

GreenFactory defines as an overall goal the continuous reduction of the environmental impact of production activities, focusing in particular on variables such as energy and water consumption, non-usable waste generated per vehicle and emissions VOC and CO₂. Data per car relate to all vehicles produced at the ŠKODA AUTO facilities in the Czech Republic and at the facility of Skoda Auto India Private Ltd.

[↻ Facts & Figures/Environment and Product](#)

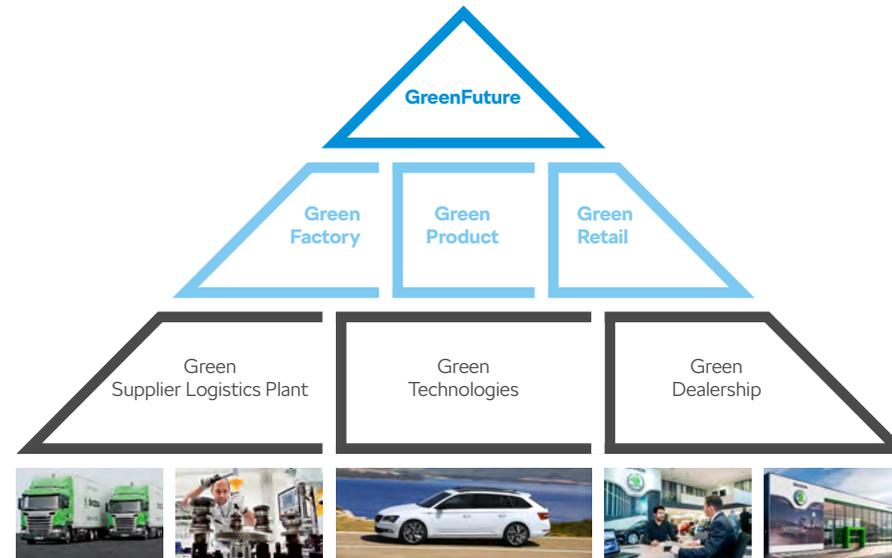
CO₂ EMISSIONS



95 ENGINE-GEAR-BOX-VARIANTS
EMIT LESS
THAN 120 g CO₂/km

GreenProduct focuses on sustainable mobility. ŠKODA's entire European model fleet is now equipped with modern and environmentally-friendly Euro 6 engines. 95 engine-gearbox-variants emit less than 120 g CO₂/km. ŠKODA also offers three G-TEC models powered by natural gas. All ŠKODA vehicles are at least 85% reusable and/or recyclable, thus meeting current EU standards.

ŠKODA AUTO GREENFUTURE STRATEGY



GreenRetail seeks to establish environmentally optimised dealerships and workshops. Regular environmental audits help verify compliance with applicable standards. GreenRetail aims to help importers improve their businesses' sustainable infrastructure. With GreenRetail, ŠKODA also focuses on the so-called Extended Producer Responsibility, which covers not only the vehicle itself, but also batteries and accumulators, as well as electronic equipment, at the end of a product's lifecycle.

GreenFactory – Sustainable production principles

Responsible and sustainable production is an essential part of ŠKODA AUTO's overall environmental strategy. Due to measures taken and especially through continuous introduction of the best cutting-edge technology across the whole Company, ŠKODA AUTO has continuously expanded its own ambitious goals for reducing the environmental impact of production. The original goal set in 2012 was to reduce the environmental impact through lower energy and water consumption, CO₂ and VOC emissions and non-usable waste per produced car by 25% by 2018 compared to 2010.

ŠKODA AUTO HAS CONTINUOUSLY EXPANDED ITS OWN AMBITIOUS GOALS FOR REDUCING THE ENVIRONMENTAL IMPACT OF PRODUCTION.

After achieving this goal by the end of 2015, a new target was set: a reduction of 45% by the end of 2018.

ENVIRONMENT AND SUSTAINABILITY MANAGEMENT COCKPIT

	2010	2015		2016		2018
	Base	Current status	Δ %	Current status	Δ %	Target
Energy (MWh/vehicle)	2.18	1.69	22.7%	1.58	27.7%	30%
CO ₂ emissions (kg/vehicle)	1,070	575	46.3%	526	50.8%	55%
Waste (kg/vehicle)	28.3	15.1	46.4%	6.69	76.3%	85%
Water (m ³ /vehicle)	2.77	2.15	22.5%	1.92	30.7%	35%
VOC emissions (kg/vehicle)	2.76	1.63	41.1%	1.56	43.5%	45%
Production (vehicles)	533,405	698,613	31.0%	775,538	45.4%	
Reduction of environmental impact			ø 35.8%		ø 45.8%	ø 50%

Once again, ŠKODA AUTO reached and exceeded this goal much earlier, with a reduction of 45.8% by the end of 2016. A new reduction of 50% in the environmental impact of vehicle production is therefore now being targeted by the end of 2018 and is valid until further notice.

In October 2016, auditors from TÜV NORD renewed important certifications for all three ŠKODA AUTO plants in the Czech Republic for the environmental management standard ISO 14001:2015, the energy management system ISO 50 001:2011, the quality management system ISO 9 001:2015 and the respective VDA requirements. Subject to review were all pro-

duction shops, Technical Development, quality department workshops, as well as the Fire Rescue Unit bases.

New investments in environmental protection in factories

ŠKODA AUTO is constantly investing in environmental protection at its factories. Major investments are related not only to the construction of new buildings and new technologies, but also environmental objectives within the management systems in accordance with the ISO 14001 and ISO 50001 standards. Application of the BAT (Best Available Techniques) principle is mandatory for each new investment.



Operational and investment costs for 2015 totalled EUR 28.25 million (2016: EUR 20.56 million).

[🔗 Facts & Figures/Environment and Product](#)

ŠKODA AUTO IS CONSTANTLY INVESTING IN ENVIRONMENTAL PROTECTION AT ITS FACTORIES.

EUR 0.5 million was earmarked for cleaning and reconstruction of the basement in press shop M12, which was contaminated with oil.

Another important investment (EUR 0.1 million) was the installation of the second evaporation device at the Vrchlabi plant to minimise production of hazardous waste.

During the reporting period, ŠKODA AUTO switched refrigerant-filling equipment for newly manufactured cars in the assembly to a new coolant with very low global warming potential. This investment exceeded EUR 4 million.

Further investments with positive environmental impact included technology for engine testing and modern gearbox testing. The Engine Center's New Chassis Dyno Laboratory was set up in Česana Jih during the reference period. Production plants were not the only focus; office buildings also benefitted from investment: Tool shop buildings, for example, were gradually sheathed to prevent considerable heat losses.

Investing in sustainability at Kvasiny

The Kvasiny plant can look back on over 80 years of automobile production. When it first opened in 1934, it served as the production home of the first ŠKODA SUPERB, followed by other famed historical ŠKODA models, such as the ŠKODA FELICIA and the ŠKODA 110R. After ŠKODA became part of the Volkswagen Group in 1991, Kvasiny was the production site for the two latest model generations of the ŠKODA SUPERB, the ŠKODA ROOMSTER, the ŠKODA YETI and – since October 2016 – has been the production site for the new SUV ŠKODA KODIAQ. In connection with production of the new SUV, ŠKODA AUTO worked with municipalities, the region and ministries to draw up a whole series of necessary communal and regional projects. ŠKODA AUTO negotiated CZK 3 billion public investment in transport infrastructure and regional projects.

The importance of Kvasiny to ŠKODA AUTO is underscored by the fact that the Company continues to invest in the site. ŠKODA AUTO invested CZK 11.3 billion in the modernisation and sustainability of Kvasiny, transforming the site into a benchmark for environmentally-friendly technology, including an Advanced Process Control system to optimise A/C on the paint shop's filler line. Introducing this advanced technology will lead to enormous annual savings in natural gas and water consumption. Plans are to further modernise and develop the site's production facilities over the coming year and will include the third stage of the APC project, this time on the base coat line, underlining the site's importance to ŠKODA AUTO as its future competence centre for the brand's range of SUVs. 2,600 new jobs in production were created at Kvasiny by the end of 2016. With currently 6,100 employees, Kvasiny is the largest employer in Eastern Bohemia.



Production launch of the ŠKODA KODIAQ at the Kvasiny plant in 2016

Treatment of dangerous substances

Dangerous substances that might pose a threat to the environment are solely used inside ŠKODA AUTO facilities and secured by anti-leak equipment. Emergency plans are in place for the unlikely event of a minor or major spill. In 2015 and 2016, no harmful substances leaked outside the factory premises. Minor leakages of oil from trucks on paved surfaces were removed in a timely manner. No penetration into the soil, groundwater or sewerage has occurred.

Air pollution prevention

In accordance with European law, ŠKODA AUTO refrains from using air conditioning with ozone depleting substances (ODS) in its production facilities. ŠKODA AUTO paid increased attention to the issue of cooling and air conditioning to comply with new rules set by the European Union (EU Directive no. 517/2014) with respect to the service, inspection and registration of facilities in which fluorinated greenhouse gases are used as cooling agents. This directive has introduced measures primarily aimed at preventing leaks of these substances into the atmosphere. Measures taken include regular checks conducted by qualified workers and the recovery of substances from phased-out facilities. Small leakages from existing devices were noted during the reporting period. 83% of all pollutants released into the air were volatile organic compounds (VOCs), 97% of those VOCs originated from the paint shops. Continuous improvements in the paint shops, as well as the use of water-soluble paints have kept VOC emissions below all

legal limits at all times. Mainly as a result of the application of a new clear coat and new flush media with a minimum VOC content, less than 17 grams of VOCs were released per square metre of painted area in 2016 – a reduction of approximately 17% in comparison to 2014. The current legal limit is 45 grams.

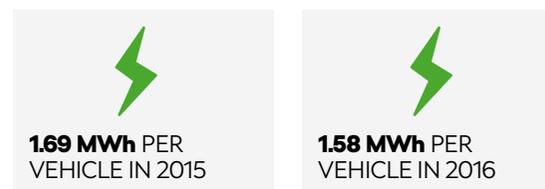
[Facts & Figures/Environment and product](#)

Reduction of energy consumption and CO₂ emissions

CO₂ emissions and reduced energy usage are closely linked. CO₂ emissions are mainly dealt with in connection with ongoing measures to reduce energy consumption, with purchasing green electricity and with an increase of the amount of biomass used in energy production in the Mladá Boleslav plant.

[Facts & Figures/Environment and product](#)

ENERGY CONSUMPTION



In general, the latest hardware and software guaranteeing optimised energy consumption is used at all new ŠKODA AUTO facilities, thus also substantially lowering CO₂ emissions.

Overall, annual energy consumption increased from 1,136 GWh in 2014 to 1,225 GWh in 2016 (2015: 1,180 GWh), as a result of ongoing expansion and usage of production capacities in line with ŠKODA AUTO's growth strategy. At the same time, energy efficiency increased steadily, due to the introduction of cutting-edge technical equipment: Energy consumption per vehicle produced at the ŠKODA AUTO production facilities in the Czech Republic and India was reduced to 1.58 MWh in 2016, compared with 1.69 MWh/vehicle in 2015 and 1.73 MWh/vehicle in 2014.

[Facts & Figures/Environment and product](#)

A wide range of measures contributed to the overall reduction in energy usage, including continuous improvements in insulation of older buildings and constant monitoring and optimisation of heating, air conditioning and lighting systems. In addition, we continued to obtain electricity from renewable sources and support the most extensive use possible of energy from biomass combustion during the reporting period. Special emphasis was placed on raising energy-saving awareness among employees. To this effect, an Energy Saving Training Centre has been set up as part of ŠKODA's Lean Centre.

[Facts & Figures/Environment and Product](#)

One of the measures recently introduced was the production shops' advanced control technology. This involved installation of frequency



converters on fan propulsion in the shops' system. The ventilation system's new control unit saves a total of 3,500 MWh of electricity per year. Potential savings of 1,500 MWh/year are predicted for another major energy reduction measure at the Kvasiny production plant: 575 dustproof lights over the parts depots and 618 lamps were replaced by modern energy-saving fluorescent tubes with an automatic switch-off system that will cut power consumption by half. Fitting large sections of the ceiling lighting with manual control options for use during breaks, also resulted in additional savings of 653 MWh of electricity per year. A substantial reduction in energy consumption was also achieved in the ŠKODA AUTO tool shop. Machinery with extremely high energy consumption, such as try-out presses and CNC machining centres, were switched off during work breaks, tool preparation or during the mounting of worked material. This generates energy savings of approximately 565 MWh/year. The introduction of the new PXL II press line at the press shop in Mladá Boleslav is yet another ambitious project designed to further reduce the amount of energy required for production under ŠKODA's Green-Future environmental strategy. The new PXL II turbo press line is one of the most modern of its kind in Europe and is up to 15% more efficient than conventional systems, due to innovative servo technology and energy recovery. We also continued to improve the energy-efficiency of ŠKODA's foundry and forge. Both use energy-de-

manding technologies, yet given the nature of these operations, there are numerous opportunities for optimisation and energy savings that ŠKODA now wants to use. A detailed analysis of the shops' energy consumption and respective technologies, with introduction of a possible monitoring and targeting system to illustrate consumption development in line with production volumes form the basis for a future-oriented concept. 32 concrete measures have been formulated, which are currently undergoing technical and economic evaluation. Implementation of these measures could result in a 7% decrease in energy demand in the foundry and forge, which currently use a total of 101 GWh. Around 430 machining stations are used for gearbox production. The target for energy consumption optimisation is to reduce consumption of compressed air by using economical but equally effective nozzles. The new round nozzle type has been subjected to a number of control measurements at various pressures. The results have confirmed that a round nozzle is some 25-30% more efficient than the current nozzle design.

Water consumption and groundwater protection

Proper management of water consumption and the discharge of wastewater has always been of great importance to the ŠKODA environmental strategy. During the reporting period, water consumption decreased by 11% and now stands at 1.92 m³ per vehicle (2.15 m³/vehicle in 2015).

Facts & Figures/Environment and product

Compared with 2010 figures, ŠKODA has managed to reduce water consumption in car production by 30%. In 2015, the amount of recycled water added up to over 545,262 m³, in 2016, the amount of recycled water rose to more than 599,000 m³ – which represents over 40% of the Company's total water consumption. In the Czech Republic, the water supply to all three production sites mostly (2015: 61%, 2016: 63%) comes from surface water from nearby rivers, which are not substantially affected by the water withdrawal: In Mladá Boleslav, industrial water is taken from the Jizera River, in Vrchlábí from the Elbe and in Kvasiny from the Bělá River. The water levels of both the Jizera River and the Elbe have proven to be sufficiently high at all times. As a precautionary measure, deep bore holes have been drilled at the Kvasiny plant to supply the plant in case of unfavourable conditions in the Bělá River. At the ŠKODA production site in Aurangabad, India, water is supplied from the Jayakwadi Dam. Compared to the overall water volume of the dam (2,909 km³), ŠKODA AUTO's withdrawal is minimal (38,255 m³ – 0.0000013% of the water volume) and without environmental impact.

Vehicle production is recognised as one of the key water consumers in the value chain and therefore received special attention. We ensured that overall wastewater quality remained well above legal requirements. Wastewater, 1,067 thousand m³ (1.53 m³/vehicle) in 2015 and 1,092 thousand m³ (1.41 m³/vehicle) in 2016, is always discharged separately and treated according to the degree of contamination.

[Facts & Figures/Environment and product](#)

Legal requirements are fulfilled with extensive pre-treatment of industrial wastewater in several stages either directly at source, in special systems at ŠKO-ENERGO, ŠKODA AUTO's energy provider, or at municipal biological effluent treatment plants. The purified water is released back into the rivers. At the Aurangabad plant, wastewater is purified at two separate water purification facilities and, after meeting the quality requirements set by the local authorities, is used for irrigation.

In 2016, several new environmental protection measures were introduced. The most important was the installation of evaporators for cleaning oiled water at the Vrchlabí plant. The oiled water was previously removed as dangerous waste. Since the installation of the evaporators, however, the quality of the used water is now good enough to be released into the municipal treatment plant and then returned to the Elbe River without risk. This process reduces dangerous waste from this plant by nearly 1,300 tonnes.

Waste management

Waste management processes are designed according to the principle "prevention, then recovery, then disposal". Reducing hazardous waste and waste with dangerous properties therefore remains a priority – both goals define our approach to waste management. In 2016, an invitation to tender for waste disposal treatment at Mladá Boleslav strictly prioritised environmental concerns over financial considerations and, as a result, dramatically reduced the volume of waste per vehicle. Several additional measures have also been implemented.

In 2016, ŠKODA reduced the volume of non-dangerous waste for disposal from its own production plants by more than 4,000 tonnes – a reduction in waste per vehicle of almost 87% compared to 2014 (5.66 kg to 0.68 kg per vehicle).

Metal waste was reduced by 37 kg/vehicle in 2016, a decrease of 17% from 2014. Hazardous waste for

disposal was reduced by 4.7 kg/vehicle between 2014 and 2016, a decrease of 58.5%.

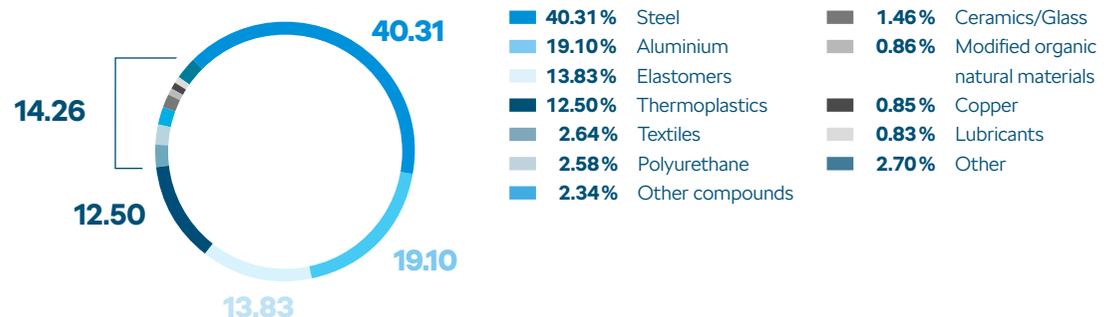
At the Vrchlabí plant, replacing single-use cleaning textiles with reusable washable cleaning towels lowered the amount of dangerous waste by 22 tonnes.

[Facts & Figures/Environment and product](#)

Materials

All the models currently produced by ŠKODA AUTO are homologated in compliance with the recycling requirements set out in Directives 2005/64/EC and 2009/1/EC. We use recyclable and environmentally-friendly materials in vehicle development as well as recycled products with new-material characteristics, e.g. for wheel-well linings, bumper covers and floor damping. For example, 12.32 kg of recycled materials are used in a ŠKODA OCTAVIA 1.2 TSI/63kW with a total weight of 1,160.8 kg; in a ŠKODA FABIA 1.0 TSI/44kW weighing 1,085 kg, 10.52 kg of recycled materials are used.

MATERIAL COMPOSITION OF THE ŠKODA KODIAQ (%)



Biodiversity and environmental protection at sites

Protecting biological diversity is one of the greatest societal challenges of our time. ŠKODA AUTO fully supports Volkswagen in its ambitions by continuously reducing greenhouse gas emissions and employing materials and resources as efficiently as possible at all of its production sites and by making biodiversity an important component of the Company’s own environmental management approach.

[Facts & Figures/Environment and product](#)

Continuous environmental impact assessments (EIA) confirmed that all ŠKODA AUTO activities so far have had minimal impact on biodiversity. To ensure that this remains the case in the future, all ŠKODA AUTO activities are safeguarded against environmental damage. Extensions made to buildings and production facilities continue to be subject to legally-required environmental impact assessments. During the period under review, the following measures were implemented and assessed:

2015

- > Modification of usage of Hall H1 for logistics purposes in Mladá Boleslav
- > Extension of parking spaces for employees in Mladá Boleslav
- > Foam stable fire extinguisher at petrol station in Hall 3 of the Kvasiny plant
- > Terrain modifications in Kvasiny

2016

- > Paint shop refurbishment in Mladá Boleslav
- > Relocation of parking facilities for produced cars in Mladá Boleslav
- > Development of ŠKODA AUTO Parts Centre (South, phase 1)
- > Extension of welding shop M1 in Kvasiny

No grievances about environmental impacts were filed during the period under review.

GreenLogistics – sustainability in transport

ŠKODA AUTO is aware of the substantial impact of all transport and logistics issues on the environment and has therefore integrated GreenLogistics into its overall GreenFuture strategy. The focus is mainly on

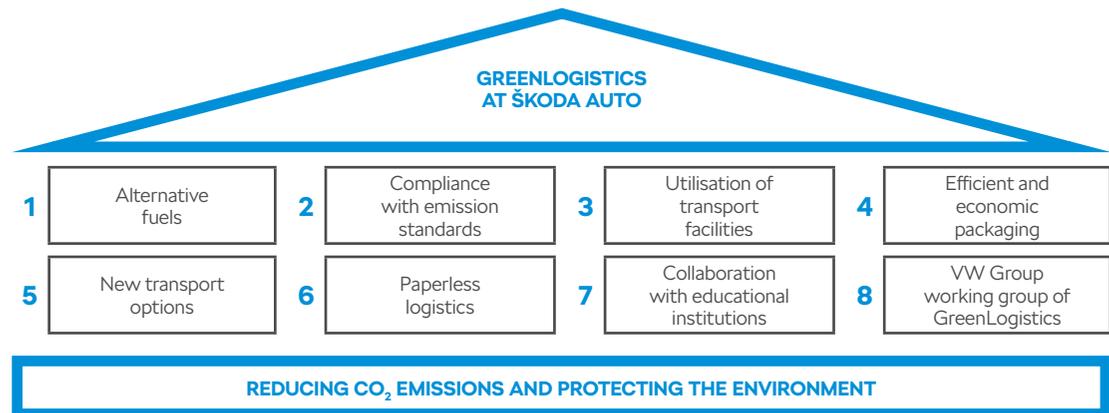
the optimisation of transport routes, packaging and the use of alternative fuels.

ŠKODA AUTO’s GreenLogistics strategy is based on eight basic pillars (see illustration). All aspects of the typical logistics portfolio of an international automobile manufacturer are reflected here.

Six focus topics have been defined for the reporting period and provide the framework for ŠKODA AUTO’s GreenLogistics activities in 2015 and 2016:

- 1) Introduction of alternative fuels
- 2) New transport options
- 3) Switching from road to rail transport
- 4) Optimisation of packaging
- 5) Optimisation of capacity utilisation – CKD Centre
- 6) Use of waste material at the CKD Centre

GREENLOGISTICS AT ŠKODA AUTO





The use of alternative fuels in in-house logistics processes is high on ŠKODA's agenda: 19 zero-emission electric-powered trucks are used in internal logistics for transporting materials between the halls within the Mladá Boleslav plant. As a pilot project, one of these trucks is also equipped with solar panels. The solar truck consumes approximately 10% less electricity from the grid. Vehicle batteries are usually fully charged by solar panels during the weekend. Data is continuously stored and subsequently evaluated. Trucks running on compressed natural gas (CNG) are also used, reducing CO₂ emissions by 30% compared to conventional diesel engines. ŠKODA AUTO aims to replace the majority of its existing in-house vehicle

fleet with trucks running on alternative fuels by 2021. The focus is also on vehicles from contract transport companies. The first CNG truck used for external transport has been in pilot operation since November 2016. Deployment of CNG trucks for in-house transport is scheduled as part of a pilot project starting in early 2017.

We also consider the usage of Gigaliner trucks. This would allow ŠKODA to cut weekly trips by relevant suppliers from 53 to just 35 and reduce CO₂ by approximately 200 tonnes per year.

ŠKODA AUTO is also evaluating the potential of truck transport concepts for conversion to rail. The current ration for fully built units is 55% road transport and 45% rail.

ŠKODA AUTO's medium-term goal is to increase the percentage of transport by rail to 55%. Another additional measure to lower CO₂ emissions is the use of lighter packaging materials, foldable packaging and, not least, more efficient use of transport units. For example, one palette used for roof racks for the new ŠKODA KODIAQ, saves 140 kg in weight. This adds up to potential annual savings of around 400 tonnes. Foldable packaging, for example, for specific parts of the ŠKODA KODIAQ en route between the plants of Mladá Boleslav and Kvasiny, will eliminate 850 trips per year saving some 80 tonnes of CO₂ emissions annually. The focus here is also on finding the best combination of palette stocking in transport facilities and containers. Capacity utilisation at ŠKODA AUTO is subject to daily monitoring. ŠKODA Logistics uses waste material from the CKD Centre and from assembly lines in Mladá Boleslav wherever possible, reducing waste material from the CKD Centre from almost 50 tonnes to just over 20 tonnes in one year and also lowering costs. Sorting and shredding redundant packaging paper and plastics for use in packaging components to foreign plants has the potential to further reduce usage of new packaging material, while maintaining the quality guarantee for transported components.

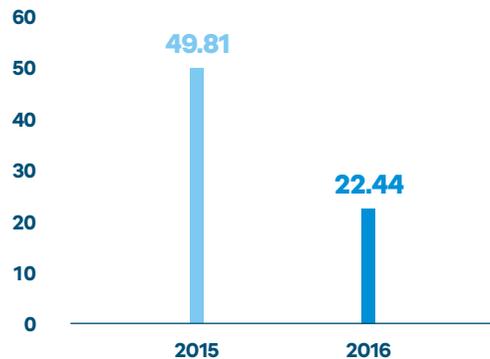
ŠKODA AUTO focuses on environmentally friendly solutions for transport and logistics.

ŠKODA AUTO expands its environmentally friendly logistics fleet and puts CNG-powered trucks into service at the main plant in Mladá Boleslav.





DECREASE OF WASTE FROM PACKAGING (t)



GreenIT – modern energy saving technologies

We use the latest technologies to minimise impact in the area of information technology (IT). The corresponding measures are referred to as “GreenIT”. For example, we use “thin clients” and energy-efficient desktops with ENERGY STAR® or EPEAT® Gold certification wherever it is reasonable and technically feasible to do so. We already switched all notebooks to energy-saving SSDs (solid state disks). Through virtualisation of IT systems, we are also working to cluster application programmes that used to run on several different computers in virtual machines on high-performance computers. This can improve server utilisation by up to 50%. Computer centres are able to use free cooling from the surroundings to cool systems, which means that the regular 70 kW cooling unit is not needed at outside temperatures of up to

12 °C, saving around 139,510 kWh of electricity per year. ŠKODA AUTO recently introduced technology that is able to use heat from cooling servers for heating buildings. Through consistent use and expansion of videoconferencing, teleconferencing and web-conferencing, we also aim to reduce travel expenses and travel time, with a corresponding impact on CO₂ emissions.

GreenProduct – Energy efficiency in vehicles

Energy-efficient vehicles, responsibly and sustainably produced – that is the essence of ŠKODA’s overall environmental strategy. Current strategic planning in production and product development focuses on meeting EU regulations’ 2020 fuel-efficiency goals and integrating more ambitious aims into strategic considerations. ŠKODA AUTO also focuses on electric vehicles and fuel cell vehicles. The development of e-mobility is considered essential, especially in light of current and future legislation.

AS A RULE, NEW GENERATIONS OF ŠKODA CARS HAVE LOWER FUEL CONSUMPTION AND CO₂ EMISSIONS, LOWER WEIGHT AND BETTER AERODYNAMICS THAN PREVIOUS MODELS.

ŠKODA is committed to developing vehicles that are as environmentally-friendly as possible. As a rule, new generations of ŠKODA cars have lower fuel consumption and CO₂ emissions, lower weight and better aero-

dynamics than previous models. With efficient engines and a range of modern, fuel-saving technologies, such as brake energy recuperation, start-stop system or low rolling resistance tyres, ŠKODA vehicles meet all the requirements for minimising its environmental impact. ŠKODA AUTO has reduced CO₂ emissions by 18% between 2010 and 2015. To meet the EU target for 2020, ŠKODA AUTO plans to reduce CO₂ emissions by another 18% between 2015 and 2020. In 2016, ŠKODA AUTO opened its new Chassis Dyno Laboratory in Mladá Boleslav as an extension of its Engine Centre. Using the latest measurement technology, ŠKODA is now able to precisely measure the emissions of vehicles with both petrol and diesel engines, as well as those with alternative fuel systems. The new Chassis Dyno Laboratory is a key element in ŠKODA's efforts to constantly reduce fuel consumption and emissions in the ongoing development of new vehicles with both conventional petrol and diesel engines and alternative drive trains.

With the launch of the ŠKODA SUPERB in 2015, ŠKODA has upgraded its entire model range in Europe to modern and environmentally-friendly Euro 6 engines. Since June 2015, all ŠKODA models – from the ŠKODA CITIGO to the ŠKODA SUPERB – have been available with the latest petrol engines from the EA 211/EA 888 series or with the TDI common-rail diesel engines from the Volkswagen Group's EA 288 series, including stop-start system and brake energy recovery (optional in the ŠKODA CITIGO).

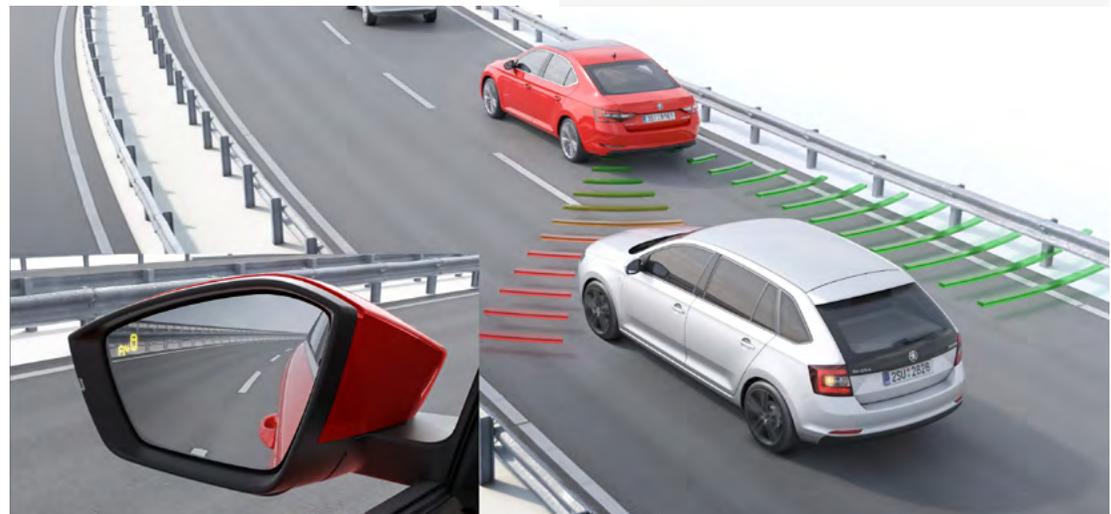
The Diesel Issue

European authorities raised questions about the status of software which detects when vehicles are in test conditions. This software, found in approximately 1.1 million ŠKODA vehicles, does not constitute a prohibited defeat device. The vehicles in question are technically safe and roadworthy. Nevertheless, ŠKODA AUTO decided to engage in a servicing campaign to modify the vehicles. This campaign started in 2016 and will continue in 2017. The objective of the service campaign is that the affected vehicles comply with the limits for NO_x during test conditions in a manner that leaves no room for any doubt that they meet the relevant requirements.

Using the latest technology to enhance passenger and traffic safety

Active and passive passenger safety is considered an important aspect of sustainable product development at ŠKODA and has therefore always been at the top of ŠKODA's agenda. ŠKODA strives to improve the safety features of its vehicles and therefore continuously invests in new ideas and the latest technology to enhance passenger safety. In line with ŠKODA's basic

Blind Spot Detect (BSD), new to ŠKODA AUTO, warns the driver of any vehicles in the blind spot. Radar sensors monitor the area beside or up to 20 metres behind the ŠKODA SUPERB. An LED symbol in the wing mirror lights up to draw attention to vehicles next to the car or approaching from behind.





philosophy, new technology from higher vehicle segments is now being made available in the compact class, e.g. in the current ŠKODA OCTAVIA, which features mobile and infotainment online services, Car Connect services and other new driver assistance systems for greater safety. Restraint systems, chassis technology, high-performance lighting systems and vehicle body structures – a ŠKODA vehicle's classic safety features – have been complemented by a broad range of state-of-the-art safety-oriented technology to guarantee the best possible protection. New technological features, such as the predictive pedestrian protection system, fit in with ŠKODA's long-standing efforts to improve road safety for all. The predictive pedestrian protection, for example, is specialised for city driving. At speeds between 10 and 60 km/h, it triggers an emergency brake if a pedestrian steps out into oncoming traffic. Blind Spot Detect assists the driver when changing lanes with two radar sensors monitoring traffic behind. Rear Traffic supports parallel parking or exiting a parking space and detects oncoming vehicles or bikers early. Safety was also key in the construction of the ŠKODA SUPERB. ŠKODA's top model features newly-developed high-strength materials, with new-generation airbags and seat belts optimised for passive safety, and underlines the Company's ongoing efforts to optimise safety in all areas, as well as fuel economy and emissions. Comprehensive efforts to maximise active and passive vehicle safety are reflected in the brand's consistent top rating from Euro NCAP. All ŠKODA model

series achieved the top five-star rating in the highly respected Euro NCAP crash test upon release. This also applies to the all-new ŠKODA SUPERB and the new ŠKODA KODIAQ.

CNG vehicles

Natural gas vehicles are crucial to ŠKODA's sustainable product strategy and for meeting EU fleet consumption and emissions standards. ŠKODA currently offers three attractive G-TEC models: the ŠKODA CITIGO G-TEC, the ŠKODA OCTAVIA G-TEC and ŠKODA OCTAVIA COMBI G-TEC. The ŠKODA CITIGO G-TEC, for example, is a perfect combination of intelligent design with a surprisingly spacious interior and eco-friendly technology. Emissions are as low as 79 g CO₂/km. With CNG consumption of only 2.9 kg/100 km (4.4 m³), this city car has a range of 350 km running solely on CNG.

**WE ARE CONSTANTLY STRIVING
TO INCREASE THE PERCENTAGE OF
RECYCLED MATERIALS IN NEW MODELS
TO IMPROVE THEIR ENVIRONMENTAL
FOOTPRINT.**

Hybrid and all-electric vehicles

Another focus of ŠKODA is on developing e-mobility with hybrid cars and fully electric vehicles with zero emissions. In this area, ŠKODA will leverage the po-

tential of current and future Volkswagen Group MQB platforms, while maintaining typical ŠKODA brand values. The first vehicle with partially electric drive will be the ŠKODA SUPERB in early 2019. This model will have reduced CO₂ emissions of only 30 g/km. The first all-electric ŠKODA models will enter the market in 2020, with the release of two zero-emission models in the A-B segment. They will have a range of 500 kilometres on one battery charge. Further ŠKODA electric cars are currently planned for after 2020.

Recycling

Minimising consumption of primary raw materials in our vehicles is another pivotal concern. In accordance with Volkswagen Group goals, we explicitly insist on the use of quality-assured recycled materials in almost all vehicle components. We are constantly striving to increase the percentage of recycled materials in new models to improve their environmental footprint. 85% of the materials used in the ŠKODA OCTAVIA are reusable and/or recyclable at the end of the vehicles' lifecycle without harming the environment. Once all recycling possibilities have been exhausted, the remaining waste is safely disposed of. This waste is no longer stored but, instead, separated out for energy recycling. For example, used oils are filtered and reused in the production process, saving resources and reducing the amount of waste. Consequently, only a small percentage of the total waste volume generated during the period under review was disposed of in landfills or incinerators (2015: 6.8%, 2016: 7.3%).

In recent years, ŠKODA has intensified its efforts to improve takeback schemes for collection and treatment of end-of-life products. This has been especially successful with used tyres. The number of collected worn-out tyres almost tripled between 2014 and 2016. The recycling rate for lead accumulators in the Czech Republic rose from 65.2% in 2014 to 80.4% in 2016.

[Facts & Figures/Environment and product](#)

Věra and Jan Horníček in a ŠKODA CITIGO were the winning team in both the 34th and 35th ŠKODA Economy Runs in 2015 and 2016.

Věra and Jan Horníček with their ŠKODA CITIGO achieved an outstanding consumption average of three litres of fuel per 100 km, equivalent to 69.9 g of CO₂/km. The races were exclusively for ŠKODA vehicles with petrol or diesel engines.



GreenRetail – Global environmentally-friendly retail

The global rebranding of the more than 3,000 ŠKODA dealerships around the world is in full swing and was stepped up in 2015 and 2016. Modernising the worldwide retail and service network was top of the agenda and an important aspect of overall ŠKODA brand development. From the very start of the initiative in late 2013, ŠKODA focused not only on the visual appearance of the dealerships, but also on energy-saving aspects. Older showrooms required intense heating in the winter and extensive cooling in the summer to ensure an agreeable indoor climate for customers and employees alike. The new architectural concept was therefore based on a substantial reduction of glass in the final design, since glass fronts proved to be problematic, with heat loss in the winter and solar radiation in the summer. The use of common materials geared to the strictest insulation requirements was central. Only the front of the new buildings is now completely glass, allowing enough light into the interior. The other walls have white or grey façades and much of the glass has been



ŠKODA dealerships in new corporate design

The global rebranding of all ŠKODA dealerships is in full swing. By the end of 2016, more than 80% of the nearly 3,200 ŠKODA dealerships around the world have switched over to the new look.

filled in. The option of installing solar panels or heat pump systems underscores the basic environmentally-friendly orientation of the whole concept.

By the end of 2016, more than 80% of all ŠKODA dealerships worldwide had been renovated, with a new look and improved environmental performance. These dealerships consume only half the energy required in the previous architectural concept.

In addition to new hardware concepts, a training programme for dealership personnel to strengthen and broaden professional knowledge of environmentally-

responsible car-servicing was launched in 2011. The training focuses on waste management, air and water protection, management of chemical substances and other current issues relating to the changes in applicable legal regulations and stipulations. The participants are given practical guidance on dealing with specific issues related to fulfilling the ever-increasing number of requirements for environmental protection and care. By the end of 2016, 160 specialists had been trained in environmentally-friendly handling of waste, water and air.

Environmental certification has been a priority for ŠKODA AUTO since early 1996, when the company voluntarily launched an expert environmental advisory service aimed at introducing high-quality environmental management within the authorised network – several months before the Environmental Management System (ISO 14001) was introduced. Since then, authorised dealers who meet strict environmental audit criteria have been awarded an Environmental Certificate for environmentally-friendly conduct.

Customer satisfaction

Clever engineering with “a human touch” should be the customer experience in every ŠKODA vehicle. Spaciousness, top-quality workmanship and excellent value for money are characteristic of all ŠKODA models. To deliver this promise, customer satisfaction is top priority for all the Company’s activities.

Customer satisfaction is monitored by way of standardised key performance indicators for all Volkswagen



Group brands, such as brand image, desirability, purchase consideration, product quality and communication perceptions.

Global satisfaction studies for all Group brands primarily analyse the areas product, service and dealers. In recent years, ŠKODA significantly improved its satisfaction rating.

Customer service is particularly important in a highly-competitive environment. Customers are invited to participate in regular telephone surveys about their workshop service experience, where they can suggest how to improve service quality.

To enhance service quality, the ŠKODA AUTO Service Training Centre in Kosmonosy near Mladá Boleslav trains a total of around 7,500 employees per year. Service employees from around the world compete every year in the “ŠKODA Service Challenge”, which tests theoretical and practical knowledge in all important areas of customer service – initially at national level in the individual markets, then in international competition at the final held once a year.

The importance of customer satisfaction at ŠKODA AUTO is reflected in the Company’s warranty policy. ŠKODA offers customers a two-year warranty against all defects in material and workmanship for its new cars. The start of the two-year warranty period is noted in the service log by the manufacturer or authorised ŠKODA sales partner when the new vehicle is purchased. In addition to this new vehicle warranty, ŠKODA also provides a three-year body warranty against paint flaws and a twelve-year anti-corrosion warranty.

Product and service labelling

As an automobile manufacturer, ŠKODA AUTO is subject to many product and service labelling obligations. For example, we are required to inform and warn our customers in an appropriate manner of the dangers that may arise from normal use and obvious misuse of our products. We fulfil this obligation by providing user manuals and, in individual cases, warning labels in the vehicle. In Germany, all ŠKODA

vehicles for sale are marked with a weight-based efficiency label, which uses the same energy labelling as household appliances, from A+ (very efficient) to G (less efficient). The label also provides information on fuel consumption, annual fuel costs, CO₂ emissions and CO₂-based annual vehicle tax. Fuel consumption and emissions data for all current ŠKODA models can be found here:

 [ŠKODA AUTO Website/Configurator](#)

ŠKODA dealership with 'human touch'

In accordance with the brand’s ‘human touch’ strategy, personal, direct and open communication with the customer is at the centre of the new showroom concept.





SOCIAL AFFAIRS

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28,667
EMPLOYEES IN 2016



14,297 PARTICIPANTS
AT ŠKODA AUTO
CHECK-UPS IN 2016



A strong focus on people

ŠKODA AUTO's long and eventful history as an automobile manufacturer in the Czech Republic is also the history of the people working for the Company. For over 120 years, ŠKODA AUTO has been built on the intelligence, talent and enthusiasm of its employees. Often, the relationship between individuals and the Company goes back a long way. It is not unusual for two, or even three, generations of the same family to work for ŠKODA AUTO. This is largely due to a long-standing tradition of placing a strong focus on people and valuing their contribution to the positive development of the Company. ŠKODA AUTO's current Human Resources strategy, with its focus on employee development and health, is proof that this approach is deeply rooted in the brand's DNA.

Future challenges and HR strategy

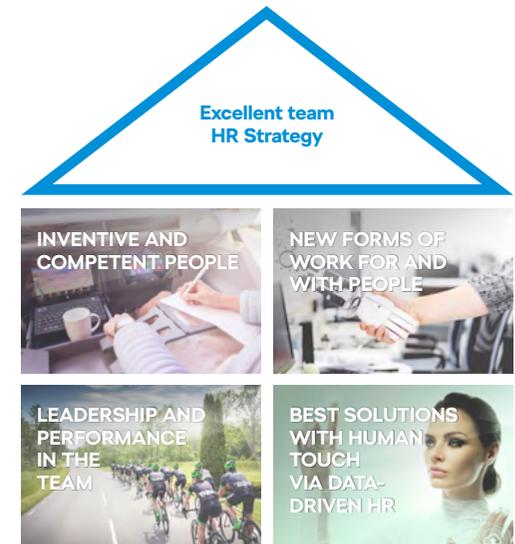
ŠKODA AUTO is a fast-growing company in an increasingly innovative environment shaped by the new technological challenges of Industry 4.0. The Company therefore must monitor relevant global developments closely to assess their possible impact on all future workforce requirements.

One of the main challenges for HR in the future will be the highly competitive labour market in the Czech Republic, due to low unemployment, an ageing population and a mismatch between qualifications of graduates and employers' needs and expectations. Attracting, developing and retaining motivated and competent employees will be the main aim for HR and defines its strategy for the future. The overall goal is to create a more competitive, more responsive workforce, while eliminating ergonomically-unsound activities and routine work.

In 2015, ŠKODA AUTO modified its HR functional strategy to reflect both the new ŠKODA "Strategy 2025" and the HR functional strategy of the Volkswagen Group.

At the same time, it includes company-specific aims to create an "excellent team" of all people working for ŠKODA AUTO. It now encompasses four elementary fields of activity, underlying a forward-thinking approach, reliability and trustworthiness: "Inventive and competent people", "Leadership and performance in the team", "New forms of work for and with people" and "Best solutions with human touch via data-driven HR".

ŠKODA AUTO HR STRATEGY



Workforce

In line with the Company's growth strategy, a total of 2,910 new jobs were created in 2016, bringing ŠKODA AUTO's core workforce to 28,667 employees, from 25,757 in 2015. This is an increase of over 11% year-on-year. 27,462 members of the 2016 core workforce were employed at ŠKODA AUTO a.s. and 1,205 at ŠKODA AUTO subsidiaries. The number of temporary workers rose by 25.5% in 2016 to 3,480 compared to 2015 (2,772).

[↻ Facts & Figures/Social Affairs](#)

ŠKODA AUTO WORKFORCE



28,667
EMPLOYEES IN 2016

The largest group of employees is aged between 30 and 40 (2016: 8,719), followed by the 40-50 age group (2016: 7,884). The 20-30 age group saw above-average growth from 4,817 employees in 2015 to 5,987 in 2016 (+24.3%).

[↻ Facts & Figures/Social Affairs](#)

Human rights

Protection of human rights is an integral part of the Company's policy and all its processes. It is set out in

the Code of Conduct issued for each company of the Volkswagen Group. ŠKODA AUTO fully respects all local and international laws. As a member of the Volkswagen Group, the Company follows and fulfils Group standards and requires compliance with all Code of Conduct rules by its business partners, suppliers and employees.

[↻ VW Group Code of Conduct](#)

To prevent any incidence of non-compliance with human rights obligations, the Company has internal procedures and rules in place to avoid their occurrence and enable rapid resolution should suspicions emerge. The Company not only invests in comprehensive education and training programmes for its employees, but also regularly raises awareness about this issue. Every employee spends an average of approximately two hours learning about human rights issues at ŠKODA AUTO. Human rights are also covered in the introductory training for new hires.

Labour relations

ŠKODA AUTO respects and promotes the fundamental right of all employees to form unions to represent them. All in all, there are four trade unions representing ŠKODA employees. ŠKODA AUTO seeks intensive dialogue with its employees on the basis of openness and trust. Employee representation is viewed as essential to improving communication in both directions between management and employees and involving the workforce as far as possible in the decision-making process. A professional working

relationship with employee representatives ensures a fair balance of interests and is an integral part of the ŠKODA AUTO corporate culture. Extensive written agreements with employee representatives and legislative regulations formalise this corporate philosophy of codetermination and ensure effective and full implementation.

EMPLOYEE REPRESENTATION IS VIEWED AS ESSENTIAL TO IMPROVING COMMUNICATION IN BOTH DIRECTIONS BETWEEN MANAGEMENT AND EMPLOYEES AND INVOLVING THE WORKFORCE AS FAR AS POSSIBLE IN THE DECISION-MAKING PROCESS.

Although Czech legislation no longer requires it, our employees are represented in the ŠKODA AUTO Supervisory Board by two members of the Company's largest trade union, Odbory KOVO MB. The close and fruitful relationship between ŠKODA AUTO and the trade unions was recognised on 28 October 2016, when Czech President Miloš Zeman awarded a Medal of Merit, First Grade, to the Chairman of the Odbory KOVO, Jaroslav Povšik, for his efforts in securing higher salaries and improving social development at ŠKODA AUTO.



In accordance with Czech legislation, 100% of ŠKODA AUTO employees in the Czech Republic are covered by collective agreements. Management and employee representatives work together and make joint decisions on specific topics in various working groups and steering committees. These include among others the Economic Committees of the individual plants, as well as committees for Health and Safety, Personnel Planning, Environment and Medical Care. For example, a joint agreement affecting 6,800 employees was reached in August 2016 between the management of ŠKODA AUTO and the trade unions. It introduced an 18-shift schedule at the Kvasiny plant in response to the high demand for the models produced there and the extension of its SUV production.

IN ACCORDANCE WITH CZECH LEGISLATION, 100% OF ŠKODA AUTO EMPLOYEES IN THE CZECH REPUBLIC ARE COVERED BY COLLECTIVE AGREEMENTS.

The Volkswagen International Charter on Labour Relations combines the right to consultation with shared responsibility, which requires employees to demonstrate first-class skills and a highly developed sense of responsibility. The Charter applies globally and provides for rights to information, consultation and co-determination for employee representatives for the

brands, companies and locations represented on the Group Global Works Council.

[VW Group Charter on Labour Relations](#)

At ŠKODA AUTO, employee complaints are handled in accordance with working regulations. If a complaint is not settled by the respective Human Resources Care Centre and the employee consults the trade unions for assistance, the parties discuss the complaint without undue delay. In exceptional circumstances, a complaint may be dealt with by a commission consisting of the trade union chairperson and the member of the Board of Management responsible for Human Resources. This procedure is not intended to limit the right of individual employees or contracting parties to choose a different legal procedure.

Fair treatment

ŠKODA AUTO acknowledges its legal obligations towards employee rights and at all times strives to treat employees with fairness. Local legislation on minimum notice periods is observed in all cases. At the Czech production sites, the Labour Code specifies a notice period of two months for employees in the event of significant operational changes. In case of significant changes influencing the overall flow of production, the trade unions will be informed four weeks in advance to allow sufficient time for discussion and response. If it becomes necessary to introduce or conclude an atypical working schedule, ŠKODA AUTO

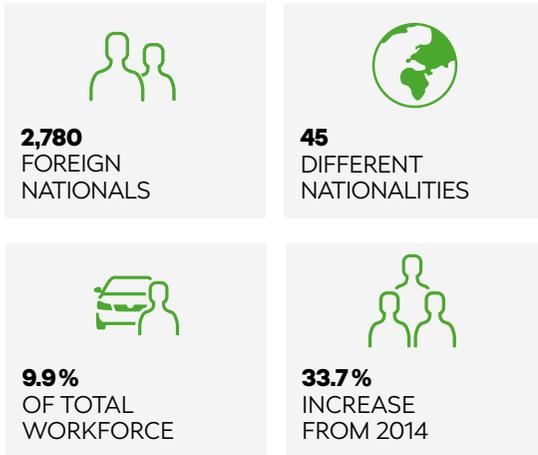
aims to reach an agreement with the trade unions at least four months ahead of time and to inform employees a minimum of two months before the measure takes effect. With regard to plus and minus shifts for flextime accounts, trade unions are informed ten calendar days in advance; the employees themselves are informed at least seven calendar days prior to deployment. The use of non-contingent workers is always discussed with the trade unions four months ahead of time.

Diversity and equal opportunities

ŠKODA AUTO is committed to equal opportunities and equality, regardless of ethnicity, race, gender, disability, ideology, religion, nationality, sexual orientation, social background or political affiliation, insofar as these are based on democratic principles and tolerance towards those with different beliefs. The Code of Conduct is the relevant guideline in this regard.

[ŠKODA AUTO Code of Conduct](#)

FOREIGN NATIONALS AT ŠKODA AUTO IN 2016



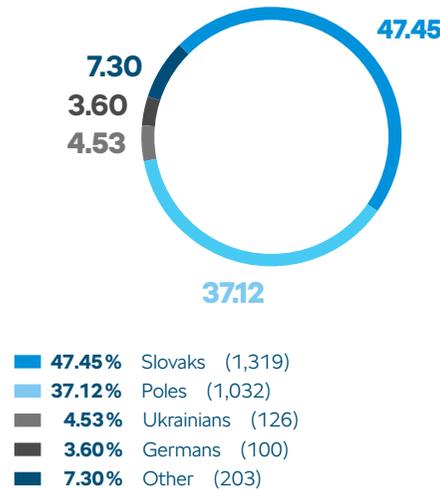
At the end of 2016, ŠKODA AUTO employed a total of 2,780 foreign nationals from 45 countries in the Czech Republic. This amounts to 9.9% of the total workforce and marks an increase of approximately 33.7% from 2014. The Company offers language courses and intercultural training and uses workplace translators, where necessary, to assist these employees. Nationalities at ŠKODA AUTO include Slovaks (47.4%), Poles (37.1%), Ukrainians (4.5%) and Germans (3.6%).

To help develop local communities at significant operating sites, ŠKODA AUTO hires senior management from the local communities wherever appropriate. For example, 9 of 14 senior management representa-

tives at Skoda Auto India are Indians and have been selected from the local talent pool.

[Facts & Figures/Social Affairs](#)

SHARE OF FOREIGN NATIONALS AMONG CORE STAFF (%)



To underscore its commitment to diversity and equal opportunities, ŠKODA AUTO joined 17 other companies in signing the Memorandum Diversity 2013+ devoted to promoting equal opportunities in the labour market and the principle of gender balance. The Memorandum is coordinated by the "Business for Society" organisation, which forms part of "CSR Europe". Already now, women account for 19.3% of the core staff at ŠKODA AUTO and for 19.5% of the ŠKODA

AUTO a. s. workforce. It is the overall goal of ŠKODA AUTO's HR Strategy to further increase the percentage of women, especially in management functions over the coming years. The number of female managers has steadily increased and rose to 13.1% at the end of 2016, compared to 11.2% in 2014.

[Facts & Figures/Social Affairs](#)

Focus on women

Accordingly, ŠKODA AUTO strives to interest more young women in joining the Company and furthers the careers of female employees at all levels. Its clear guidelines for the advancement of women are underpinned by tailored programmes for schools and pre-schools, reintegration after maternity and parental leave, greater focus on women in recruitment and advancement of women through the ŠKODA Talent Pool.

In 2016, ŠKODA AUTO participated in a motivational event called the "Festival For All Women" (Festival Všem Ženám) aimed at improving work-life balance and motivation, especially among women in management positions.

Through various activities as the „Girls' Days" organised by the ŠKODA Academy attracting over 200 female participants with an interest in technology studies in 2015 and 2016, we ensure a continuous high level of female students at ŠKODA AUTO Vocational School. 107 female students attended in 2016.

[Facts & Figures/Social Affairs](#)

**Focus on women**

ŠKODA AUTO strives to interest more young women in joining the Company and furthers the careers of female employees at all levels.

ŠKODA also supports activities to increase the number of women at Czech universities. A summer school for young females at the IT Faculty of the Technical University Brno gets support since 2012. Young girls with interest in IT are invited to attend for one week and get acquainted with new IT developments in interactive workshops.

ŠKODA AUTO IS A PIONEER IN ITS EMPLOYMENT POLICY TOWARDS PEOPLE WITH DISABILITIES AND LIMITED MOBILITY IN THE CZECH REPUBLIC.

Integration of the elderly and of people with disabilities

ŠKODA AUTO is a pioneer in its employment policy towards people with disabilities and limited mobility in the Czech Republic. The Company operates six sheltered workshops at production locations in the Czech Republic which employ more than 200 people with disabilities. In March 2016, a new sheltered workplace for 54 employees with disabilities was opened at the CKD Centre. Here, for the first time

at ŠKODA AUTO, people with disabilities work alongside other staff members.

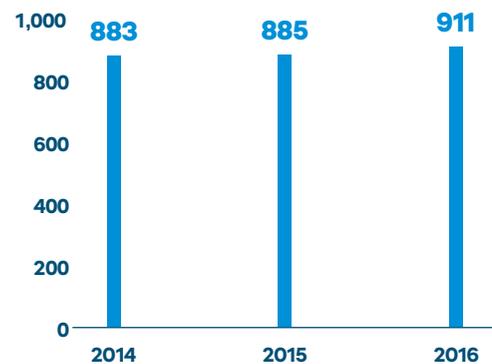
A total of 292 employees with disabilities were members of the ŠKODA AUTO workforce by the end of 2016 (2015: 287). ŠKODA AUTO is required by law to employ a minimum of 1,002 disabled employees, therefore, in compensation for not meeting these legal requirements, ŠKODA AUTO purchases a substantial amount of goods from other companies employing a workforce of over 50% with disabilities. ŠKODA AUTO has also introduced a special programme to meet the needs of older employees, focusing on retraining, reassignment within the Company with guaranteed income, rehabilitation, additional paid leave of up to five days and preventative health services as, for example, a two-week health spa programme.

Vocational training

In-house vocational training has been a focus of ŠKODA AUTO's HR strategy for almost 90 years and has been stepped up over the past two years. Vocational training at ŠKODA AUTO is organised systematically through the Vocational School. The Company invested a total of CZK 120 million in 2015 and 2016 to improve working conditions for apprentices and staff and introduce state-of-the-art technology, such as a new robot lab complete with a robotic cell, 3D printer and a five-axis CNC machine. The Vocational School ensures the highest possible level of education for the future ŠKODA AUTO workforce. A total of 911 apprentices were trained

here in 2016 (2015: 885) for future careers at ŠKODA AUTO. It offers special classes for disabled

APPRENTICES AT ŠKODA AUTO A.S. (Number of apprentices)



apprentices, especially those with slight mental disability. Students at the Vocational School regularly rank among the best in national and international competitions.

[ŠKODA AUTO Annual Report 2016](#)

Among the highlights of the Vocational School is the so-called "Trainee Car" project. Supported by the Company's management, trainees have the



Vocational students build their dream coupé, the ŠKODA ATERO.

The team from the ŠKODA AUTO Vocational school in Mladá Boleslav developed a concept car together with the support of instructors from Technical Development, Design and Production.

opportunity to create their own dream car. The aim of the project is to promote and strengthen students' creativity and expertise. The "Trainee Car" project underlines the high quality of ŠKODA AUTO's vocational training and allows students to combine theoretical education with practical experience.

The opening of the new CNC (Computerised Numerical Control) Centre as part of the ŠKODA Academy

in 2016 allows both students and Company employees to improve their knowledge and capabilities relating to current production processes, especially in the fields of metalworking and machine fitting.

Individual professional training

The fast pace of technological development and the resulting challenges put employee development high on ŠKODA AUTO's HR agenda. The creation of



skill-enhancing workplaces with a positive impact on employee health in the highly-automated plants of the future is therefore one of the focal points.

At company level, ŠKODA AUTO has initiated a project called "High Performance Organisation" to assess the Company's flexibility and innovation, as well as its creativity potential in light of recent technological and market developments. The aim is to create a culture of innovation, allowing for rapid and appropriate response to outside challenges through leaner structures, faster communication, improved decision-making processes and new career opportunities for employees through three equal career development paths: leadership, project management or expert career.

At individual level, ŠKODA AUTO helps to create personal development plans together with its employees and trains them according to their particular needs, interests and abilities and the future needs of the business. The personal development of all employees is constantly reviewed. Career development plans are required for executives, managers and identified talents. The training programmes are developed in part by the employees themselves – experts in so-called "professional families" pass on their expertise in a systematic way to other colleagues. We offer training for new employees as part of the integration process and seminars to facilitate re-orientation for employees after parental leave, as well as special classes and seminars to prepare employees leaving the workforce for retirement.

SPECIAL IN-HOUSE TRAINING PROGRAMMES HAVE BEEN DESIGNED TO PREPARE YOUNG TALENTS FOR THEIR FUTURE ROLES AND ALLOW THEM TO GAIN BROAD INTERNATIONAL EXPERIENCE.

At management level, since ŠKODA AUTO prefers to recruit managers from within its own ranks, the Company attaches particular importance to continued development in the fields of entrepreneurial thinking, flexibility, intercultural communications and language skills. Special in-house training programmes, such as the Company-wide management training programme, have been designed to prepare young talents for their future roles and allow them to gain broad international experience.

For example, in 2016, top level managers at ŠKODA AUTO completed an average of 52 hours of training, medium level managers 75 hours, white-collar workers 52.4 hours and blue-collar workers nine hours.

Forward-thinking approaches

In 2016, ŠKODA AUTO initiated a new expert development concept called the "Innovation Academy" to provide employees with basic and advanced information on IT topics and ensure employees possess the necessary digital competences and knowledge of trends in the car industry and modern technologies. The "Innovation Academy" joins the

existing six academies, through which ŠKODA AUTO coordinates and implements employee training. Extensive eLearning programmes are offered in addition to off-the-job training. Some 100 different courses are available online, allowing employees to complete their training at work or at home. ŠKODA AUTO's adult and lifelong training programmes cover a wide range of fields, from technical and specialised training to languages and soft skills. In 2016, 31,948 participants completed 4,361 off-the-job training courses (2015: 29,169 participants, 4,300 off-the-job training courses). A further 61,291 completed eLearning programmes (2015: 45,903). To improve employees' competences for foreign markets and get the workforce fit for international business, the Company participated in a Volkswagen Group-wide programme to broaden employees' experience through exchange between countries, brands and production plants. The first 50 employees from India started their three-month training at the Kvasiny plant in October 2016 and were followed by another group of the same size in early 2017. The aim is not only to enhance the qualification of the Indian staff, but also to allow cultural exchange with their Czech counterparts and foster mutual understanding within the ŠKODA AUTO workforce.


Specialists from India trained at the Kvasiny production plant

ŠKODA AUTO participates in a VW Group-wide programme to increase employees' expertise through exchanges between countries, brands and production sites. The first 50 colleagues from India started their practical training in October 2016.

Attractive employer for university students

ŠKODA AUTO founded the first, and so far only, company-owned university in the Czech Republic. It now operates as an independent legal entity to safeguard its scientific and educational work, although it is still mainly sponsored by ŠKODA AUTO. Based at the Na Karmeli Education Centre in Mladá Boleslav, a total of 1,000 students are currently enrolled at the university. Aside from educating young talent, the Na Karmeli Education Centre also serves as a permanent, first-rate recruitment channel for the ŠKODA AUTO workforce. The university places a strong

emphasis on the ongoing internationalisation of its studies and has participated in the Erasmus+ programme for many years. A network of six partners in Germany and Poland was established in 2015 and 2016.

2016 was the first year Na Karmeli participated in the "European Vocational Skills Week". The event was organised to raise the attractiveness of vocational education and showcase its benefits. More than 100 ŠKODA AUTO university students, Company employees and secondary-school students attended the various workshops.

Also in 2016, ŠKODA AUTO was voted TOP Employer for university students in a survey organised by the Czech Student's Union in cooperation with Germany's largest market research institute GfK, Czech universities and student organisations.

Employee relations

We act in accordance with the applicable requirements of the International Labour Organisation (ILO) and reject any form of forced or compulsory labour, as well as child labour. ŠKODA AUTO respects the minimum age of admission to employment under the applicable government regulations, as well as the global guidelines implemented by the Volkswagen Group – in particular the Social Charter, the Charter on Labour Relations, the Charter on Temporary Work and the Charter on Vocational Education and Training, which was concluded in 2015.

[VW Group Sustainability Report 2016](#)

Employee remuneration

Employee salaries are governed by collective wage agreements for our entire workforce in the Czech Republic. Remuneration comprises basic pay and a variable incentive bonus. Additional pay can be earned for overtime, on-call availability and working on public holidays. Collective wage agreements also exist at Skoda Auto India. There are no differences in remuneration between women and men within ŠKODA AUTO worldwide. We maintain a strict equal pay policy and do not differentiate wages according to gender. Basic principles of remuneration are described

in the collective agreement, based on the Labour Code and – in the Czech Republic – national legislation. Remuneration and benefits paid or provided for a normal working week are at least equivalent to the respective national legal standard or the standard of the relevant national industry sector. The standard entry level wage at ŠKODA AUTO is almost double the local minimum wage in the Czech Republic (ratio: 1.87). Moreover, wages usually increase significantly after the first three months of work.

Social benefits

Extensive social benefits and above-average remuneration anchored in collective bargaining agreements account for ŠKODA AUTO's attractiveness as an employer. Benefits include the Company's supplementary pension scheme and healthcare, as well as attractive pricing for vehicles and accessories. In 2016, ŠKODA AUTO's employer contribution to supplementary pensions was CZK 900 per month for every employee in the Czech Republic. About 80% of employees take advantage of this benefit, which resulted in expenses of approximately CZK 230 million

for ŠKODA AUTO in 2016. To help employees buy their own home and contribute to economic development in the areas where the Company is located, ŠKODA AUTO provides its employees with interest-free loans of up to CZK 400,000 for the purchase of a house or apartment and CZK 150,000 for renovation of their home. In recent years, around 500 employees have made use of this option every year.

The Company also organises transportation to and from work for employees who live in places with limited or no access to public transportation. For employees who are unable to commute on a daily basis between their place of residence and workplace, the Company can also arrange local accommodation. Company canteens serve about 18,200 subsidised meals every day.

SOCIAL EXPENDITURES IN CZK 2014 – 2016

	2014	2015	2016
Recreation	15,700,952	15,096,124	13,331,696
Health programmes, recreational activities	34,309,196	36,388,986	42,177,139
Service awards	60,391,526	83,872,190	81,482,251
Bonus for birth of a child	5,362,500	5,790,000	5,905,000
Social assistance	4,441,528	8,626,393	9,711,650
Vocational school	249,525	281,755	261,855
Retired employees	197,656	252,204	255,984
Factory catering	45,864,926	45,605,298	49,821,658
Daycare	307,481	273,945	227,402
Total expenses	166,825,290	196,186,895	203,174,635

A social fund has been established to finance this extensive range of social benefits. In 2016, its total resources amounted to over CZK 200 million. Expenses for employment anniversaries amounted to over CZK 81 million, factory catering amounted to nearly CZK 50 million, various health programmes and recreational activities total over CZK 42 million. We also offer attractive benefits for our temporary workers – in particular, special pricing for vehicles and accessories, as well as the chance to participate in selected training courses.

Financial provisions for covering employee benefits totalled CZK 1.62 billion as at 31 December 2016. The benefit plans' liabilities are drawn from the Company's retained earnings, which substantially exceed the plans' requirements over the long term. Therefore no separate fund was established.

In general, all benefits are provided to both full-time and part-time employees. Temporary workers (since they are not permanent employees of ŠKODA AUTO) are not covered by the Company's social fund, but do receive certain benefits. Temporary workers also receive benefits from their employer, the employment agency. These benefits are provided under the collective bargaining agreement between the employment agency and the KOVO unions. ŠKODA AUTO is informed by both the agencies and unions about the agreements and the agreed conditions.

ŠKODA AUTO has started, and will continue, a process to establish equal pay and equal treatment of temporary workers in accordance with the principles

of its Charter of Temporary Work at ŠKODA AUTO. In 2016, ŠKODA AUTO and its social partners launched a discussion of plans to modernise the current benefits system to incorporate the individual needs of employees more effectively.



ŠKODA AUTO has been voted the country's best company by "Czech 100 Best" for the 16th consecutive year in 2016 and has now won the award more times than any other company.

Results are based on the votes of nearly 20,000 selected representatives from economic and political life. The award is presented by the pan-European company for culture, education and scientific cooperation, COMENIUS.

Work-life balance

Work-life balance is a key factor in employer attractiveness, especially for the younger generation, and is therefore a priority for ŠKODA AUTO. Further improvements were made possible through wider introduction of mobile working, enhancing family-friendliness and offering more flexible workplace scenarios for older employees.

Employees enjoy a wide range of social benefits, especially families with children, as well as opportunities for professional growth. ŠKODA AUTO provides employees with financial support for the birth of a child or for daycare, as well as additional days of leave for taking care of sick children. During parental leave, employees can stay in touch with the Company or work from home.

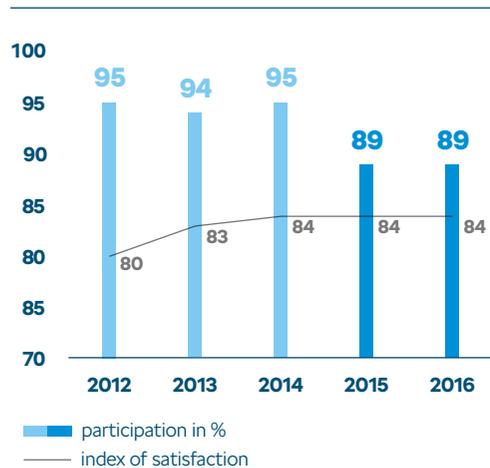
The Company is also actively involved in organising recreational activities for its employees, their families and the local communities. The focus is mainly on expanding local cultural, social and sports opportunities.

Employee satisfaction

ŠKODA AUTO takes employee satisfaction very seriously and acknowledges that the Company's growth strategy can only be successfully implemented with highly motivated employees willing to deliver first-rate results on a consistent basis. ŠKODA AUTO conducted a survey, the so-called "Mood Barometer", for the seventh time in 2016. The level of participation at all ŠKODA AUTO's Czech sites was 89% in 2015 and in 2016. A slightly lower participation than in 2014 was the result of making participation entirely

voluntary. During the reporting period, the satisfaction index remained at a high rate of 84% among all participating employees.

EMPLOYEE SATISFACTION SURVEY



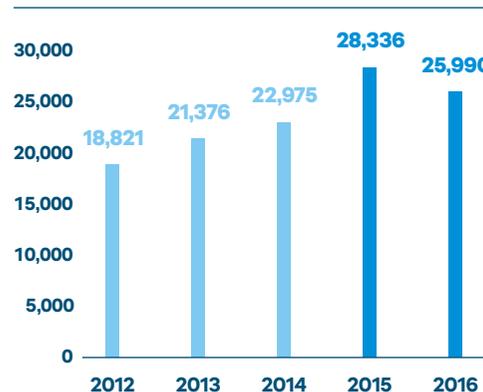
Z.E.B.R.A. idea management

For many years, ŠKODA AUTO has implemented its Z.E.B.R.A. idea management, a motivational programme dedicated to supporting employee activities aimed at improvements and innovative cost-saving measures. Since the programme was launched in 2010, the number of proposals submitted has increased from 11,620 to 28,000 in 2015, with savings of CZK 346 million. Z.E.B.R.A. has become a powerful tool under the direction of the “Suggestions Centre”. In 2016, a total of 7,369 employees sub-

mitted approximately 26,000 proposals; of these, 15,450 were implemented, saving the Company a total of CZK 302.4 million.

[Facts & Figures/Social Affairs](#)

PROPOSALS SUBMITTED TO THE Z.E.B.R.A. PROGRAMME



Employee ideas are primarily concerned with material savings, more efficient production processes, improved health and safety at work and product safety, including improvement of working conditions and environmental issues. A new electronic version of Z.E.B.R.A., e-Z.E.B.R.A., is currently in preparation to make the tool even more attractive and user-friendly. To cultivate a climate of innovation within ŠKODA AUTO and encourage employee participation in innovation processes, ŠKODA AUTO launched its “Innovation Breakfast” in mid-2016. This early-morning

gathering of selected representatives from all relevant ŠKODA AUTO departments focuses on one specific innovation theme addressed by a keynote speaker from outside of ŠKODA AUTO.

Occupational health and safety

As the Czech Republic’s largest industrial employer, ŠKODA AUTO has a special responsibility for its employees and works closely with several social partners. This commitment goes far beyond the legal requirements and is part of ŠKODA AUTO’s comprehensive social policy.

There are four categories of risk assessment at ŠKODA AUTO. Workers with especially high incidence or high risk of diseases related to their occupation represent 0.9% of the total workforce. The number of working days lost due to illness at ŠKODA AUTO is one of the lowest in the Volkswagen Group. The average absence rate in both 2015 and 2016 was only 3.1%. ŠKODA AUTO is targeting a further reduction through preventive healthcare programmes and has also started to monitor work incapacity among temporary workers.

[Facts & Figures/Social Affairs](#)

For several successive years now, ŠKODA AUTO has boasted one of the lowest long-term accident rates among European and even global automobile manufacturers. The cornerstone of all positive developments in this field has been the separate Corporate Occupational Health and Safety Committee, which coordinates all efforts and serves the interests of all

ŠKODA AUTO employees in the Czech Republic. Separate working groups have developed expertise in specific fields, such as health and ergonomics. These groups play an active role in addressing current issues and contribute to solutions. 2015 marked an all-time low in the injury frequency rate at ŠKODA AUTO, with an average of only one accident per million hours of work. Occupational injuries also reached a three-year low in 2015, with only 42 injuries recorded for more than 27,000 employees in the Czech Republic. A slight increase occurred in 2016 with 1.3 accidents per million hours of work. However, the 58 injuries in 2016 must be viewed in connection with extensive new recruitment. No fatalities occurred in 2015 and 2016.

[Facts & Figures/Social Affairs](#)

Preventive measures

The ŠKODA AUTO health insurance company ZPŠ, founded in 1992, operates at seven locations in the Czech Republic, with headquarters in Mladá Boleslav. Out of nearly 28,700 employees, almost 17,000 are insured with ŠKODA AUTO health insurance. Even people not employed by ŠKODA AUTO can insure themselves through ZPŠ. The ŠKODA AUTO health insurance company serves 140,000 members in the Czech Republic.

ŠKODA AUTO regularly organises health programmes in close collaboration with trade unions. The ŠKODA AUTO health insurance company participates in the planning and implementation of these programmes. ZPŠ members and employees

can take advantage of special benefits, including treatment programmes at selected health facilities, with whom ŠKODA AUTO has concluded framework agreements.

ŠKODA AUTO has also introduced voluntary health prevention to support employees with healthy eating, weight loss, exercise, addiction prevention and a generally healthier lifestyle. In 2016, 14,297 employees

underwent medical examinations as part of a company check-up.

[Facts & Figures/Social Affairs](#)

The Department of Health Services offers a wide range of preventive programmes to promote the health of individuals and groups of employees.



Top Health Services for Employees

In 2015, ŠKODA AUTO was recognised as a company that particularly supports employee health by the Czech Ministry of Health. Dr. Jiří Prokop, Head of Health Services at ŠKODA AUTO, and Dr. Jana Parmová accepted the award on behalf of ŠKODA AUTO.



A total of 910 employees took part in the programmes in 2016, which are available directly at the main plant. A special focus is on older employees with a new training programme that will be introduced in 2017. Other training programmes include yoga, Pilates, prenatal exercises, balance and relaxation training, fitness and hydrotherapy.

To harmonise its preventive healthcare activities, ŠKODA AUTO plans to introduce a tailored IT platform, "ŠKOFIT", with access for family members as well as employees. This application will offer targeted preventive programmes and allow employees to share their experiences.

An annual "Health Day" offers preventive medical screenings for all employees. Between 700 and 800 employees participated in 2015 and 2016. ŠKODA AUTO also provides preventive healthcare through its own medical facility, the ŠKODA Polyclinic. The polyclinic provides outpatient care for employees and the general public. In 2016, the polyclinic was visited by no fewer than 112,824 external patients.

The implementation of a quality management system for healthcare services was the logical next step for ŠKODA AUTO as a provider of medical services in the branches of occupational and general medicine. In November 2016, the Department of Health Services successfully underwent an external audit focused on the quality and safety of the medical services provided and received accreditation under the quality management system licensed by SAK ČR.

Health insurance for employees

The ŠKODA AUTO health insurance company ZPŠ was named "Best Health Insurance 2015" in the Czech Republic by 156 hospital managers on the basis of 15 criteria. The questionnaire surveyed the quality of cooperation with the health insurance company, the transparency of communication, the quality of electronic communications, the professionalism of the medical examiners and the health insurance companies' internet portals. In 2016, ZPŠ topped the "ZP health index" compiled by the "Platform of health insurance policyholders of the Czech Republic".

ŠKODA AUTO IS ACTIVELY WORKING TO IMPROVE ERGONOMICS AND WORK PHYSIOLOGY. RECENT ACTIVITIES IN THIS AREA HAVE FOCUSED ON CREATING WORKPLACES AND WORK CONDITIONS THAT HELP PRESERVE EMPLOYEE HEALTH.

Work ergonomics

ŠKODA AUTO is actively working to improve ergonomics and work physiology. Recent activities in this area have focused on creating workplaces and work conditions that help preserve employee health. The implementation of the Ergonomic Assessment Worksheet (EAWS) system continues in cooperation with Volkswagen and industry engineering.

Ergonomics and work physiology are the responsibility of a cross-functional team including members of the medical and technical staff. The "Laboratory of Physiology of Work" is part of the ergonomic group and certified to assess physical load at the workplace. A new ergodiagnosics project was also introduced and provides another level of evaluation and employee health promotion in addition to the new system of sheltered workshops. In 2016, an "Ergonomics in Logistics" conference was held at ŠKODA AUTO. Also in 2016, to improve working conditions in all departments and at all levels, ŠKODA AUTO tested and introduced a new generation of hand trucks, which were developed with the aim of improving ergonomic parameters. The innovative new solution is designed to facilitate the transportation of material from parts depots to assembly lines. Using an electric wheel fitted onto the trucks, employees can easily transport loads of up to 400 kg without the frequent cases of back and neck pain.



Social responsibility

Social responsibility is an integral part of ŠKODA AUTO's DNA. ŠKODA AUTO operates three major production sites in the Czech Republic, as well as a further site in India. ŠKODA vehicles are also manufactured in Slovakia, Russia, China, Kazakhstan and Ukraine. As a major industrial employer, we believe it is essential to establish ourselves as a "good corporate citizen". We care for our employees and their families by supporting social and humanitarian projects, especially in the regions of our production sites. Through our collaboration with state and regional political institutions, we also support a wide variety of infrastructure projects to promote regional development in the vicinity of our production sites, especially Mladá Boleslav, Kvasiny and Vrchlabí.

The motto of our CSR Strategy is "SIMPLY CLEVER; SIMPLY HUMAN". It is based on four main pillars:

- Road safety
- Children's care
- Barrier-free mobility
- Technical education

In the Czech Republic, ŠKODA AUTO's extensive social responsibility, including its environmental and social commitment, has always focused on the community. Consequently, the four main pillars referred to above are supplemented by two defined regional priorities:

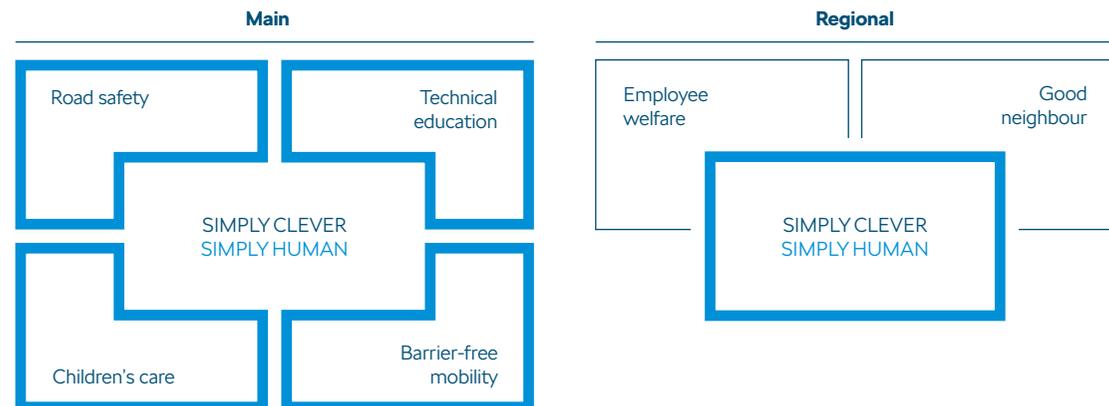
- Employee welfare
- Cooperation within the regions

Each pillar of social responsibility is backed by activities and projects with clearly defined goals.

Road safety

As an international automobile manufacturer, ŠKODA AUTO regards it as an obligation not only to care about car-related active and passive security issues, but also to focus on road safety awareness at all levels and among all age groups, especially children. ŠKODA AUTO has been successfully involved with an educational initiative named "ŠKODA hrou" ("Playful ŠKODA") for several years. This educational website encourages children to behave properly on the roads in a fun way. A new tablet and smartphone app, the "LittleDriver App", was recently developed and launched as an interactive game to teach children road safety basics. For adult drivers, the Bezpecnecesty.cz website was set up to report on the safety of Czech roads and provide motorists with useful advice.

PRIORITIES OF ŠKODA AUTO SOCIAL RESPONSIBILITY



**LittleDriver App Educational entertainment:**

Supplied with real-time data, back-seat drivers learn to steer and brake.

Within the reporting period, the Company continued to run two regional grant schemes to support road safety education and enhance traffic safety in towns and villages. Funding was granted to 36 projects under these schemes.

In 2015 and 2016, ŠKODA AUTO continued as the main partner of the "Roads through Cities" traffic competition, organised by the prestigious Partnership Foundation. 2016 marked the 15th anniversary of the

project, which includes an award from ŠKODA AUTO, recognising the involvement of towns and villages in road safety education and showcasing well-designed traffic solutions. In 2015, the prize was awarded to the town of Hustopeče for its traffic park project. In 2016, the winner was the town of Uherský Brod for its traffic education project and bus and train terminal reconstruction.

Children's care

As a family-oriented brand, ŠKODA dedicates a substantial share of its efforts to supporting disadvantaged children.

Via regional grant schemes funding was provided to 12 projects in 2015 and 14 in 2016 supporting disadvantaged children.

In partnership with the Tereza Maxová Foundation, ŠKODA AUTO supports disadvantaged children from children's homes through the project "ROZJEDU TO!" ("Get Started!"). It aims to prepare children for their future careers by providing personal support and training in various subjects. In 2015 and 2016, the project reached out to 50 children from five children's homes. To give them a glimpse of real working life, various companies, including ŠKODA AUTO, allowed the children to visit their manufacturing plants and meet with employees.

In 2016, Tereza Maxová Foundation and ŠKODA AUTO jointly established a special education fund.

The purpose was to provide education-related financial assistance for children 15 years and older for smooth continuation of the educational process or easy entry into working life. So far, the fund has supported no fewer than 60 children.

In 2015 and 2016, ŠKODA AUTO partnered with Teribear charity runs. Teribear, the "hero teddy", is the main symbol of the Tereza Maxová Foundation's fundraising initiative aimed at helping disadvantaged children deal with real challenges in the areas of education, keeping biological families together in difficult circumstances and many other issues. The charity run organised in



Prague raised millions of crowns. An additional event organised exclusively by ŠKODA AUTO in Mladá Boleslav involved hundreds of employees and raised several hundred thousand crowns, which go to selected projects in aid of disadvantaged children, youth and families.

ŠKODA AUTO is also a long-standing partner of Zdravotní klaun, o.p.s., an organisation that arranges for clowns to visit seriously ill children – and now, also, retirement homes. Clowns regularly visit most major hospitals and with 3,700 visits a year, reach dozens of thousands of children in the Czech Republic, as well as a growing number of seniors.



Laughter is indeed the best medicine

Clowndoctors bring the medicine of laughter and happiness to ill children and seniors. They help provide relief from difficulties associated with the disease or old age, and they can reignite the spark in everyone's eyes.

ŠKODA AUTO, combining its strong tradition of sports sponsorship with social obligations, invited disadvantaged children to the International Ice Hockey World Championships in the Czech Republic in 2015 and in Russia in 2016. The Company's long-standing efforts in support of the IIHF as official main sponsor go back 24 years and even earned the Company an entry in the Guinness Book of Records. ŠKODA AUTO, as the main sponsor of the Czech Olympic team, took centre stage at the RIO Park temporarily set up in Lipno, Czech Republic, during the 2016 Summer Olympic Games. In response to an invitation from ŠKODA AUTO, visitors to the RIO Park participated in a run and once they covered a certain distance, ŠKODA AUTO donated money to the Dolní Lánov Children's Home. The Company also sponsored "Biking for Children" ("Na kole dětem"), a project that helps children to recover from cancer treatment.

ŠKODA cars for the Czech Paraplegic Association
ŠKODA AUTO provides two vehicles to CZEPA. A unique rental agreement allows disabled drivers to enjoy mobility.

Barrier-free mobility

Individual mobility is key to the ŠKODA brand. ŠKODA AUTO therefore supports people who cannot enjoy individual mobility or be independent without help. In 2015 and 2016, the Company continued its support for the "ŠKODA Handy" programme to provide disabled people with comprehensive advice in the field of mobility. The efficiency of this measure is proven by the fact that the percentage of modified cars recognised by the governmental incentive programme climbed to 28% of the overall market in 2016. The Company collaborates with the Czech Paraplegic Association (CZEPA) on a mobile app and website ("Vozejkmap.cz"), mapping more than 8,500 sites across the country that are accessible for the disabled. ŠKODA AUTO also provides two vehicles to CZEPA, which enable disabled drivers to become mobile through a unique rental scheme.





ŠKODA AUTO affirms its commitment to disabled sports by partnering with Paralympic athletes in the Czech Republic to raise public awareness and ensure that disabled people have every possibility to live life to the fullest in all areas.

A total of nine projects enhancing barrier-free mobility were awarded grants by ŠKODA AUTO in 2015 and 2016.

Technical education

ŠKODA AUTO is the largest private educator in the Czech Republic and therefore actively involved in promoting technical education for young people on a national level. The Company initiates or supports projects related to the overall educational concept of the Czech Republic.

ŠKODA AUTO has teamed up with dozens of schools in the Czech Republic to work on specific projects and make technical subjects more popular at all educational levels. In 2015 overall 17 primary school projects were selected. By the end of 2016, a total of 10 projects had received funding.

The “Young Designers” project aimed at enhancing the creativity and technical thinking of young children, invited participants to create their own “Clever car” model for the future in 2D and also 3D. In 2015, the project was expanded to include children from schools all over the Czech Republic and was continued in 2016.

ŠKODA AUTO also regards teachers as one of its most important target groups in the sphere of education. Through the project “Science has a future”,

the Company offers courses for primary school teachers to provide new ideas and improved methods for teaching maths and natural sciences.

In 2015, ŠKODA AUTO played a central role in the “Year of Industry and Technical Training” project. The initiative included activities such as an expert conference on “Collaboration in Education: What it’s all about.” A special grant was set up in support of projects implemented by secondary vocational schools. Five projects received funding.

To get people interested in technology outside of schools, in 2016, ŠKODA AUTO continued its partnership with the technology park “iQLANDIA Liberec” to organise technology-related exhibitions and promote technical education and professions.

Cooperation with regions

ŠKODA AUTO has a long-standing cooperation with the municipalities surrounding its plants in Mladá Boleslav, Kvasiny and Vrchlabí. In addition to open communication with local politicians and communities, the Company supports several social, cultural, sports, educational or leisure projects worth millions of crowns each year. A Committee of Cooperation was installed between ŠKODA AUTO and the City of Mladá Boleslav, making Mladá Boleslav one of the main beneficiaries of the ŠKODA AUTO initiative. In 2016 alone, ŠKODA AUTO’s activities for the regions surrounding its production sites added up to an investment of millions of crowns.



Young Designers

The ‘Young Designers’ competition supports children’s creativity from early on. Participants with the trainee car ŠKODA FUNstar built by ŠKODA AUTO vocational students in 2015.

Employee donations and volunteering

Employee participation at national and regional level has become a proud tradition over the years. Active participation strengthens employees' connection with the places where they live and work thus helping improve the social situation of the underprivileged. To enhance employee motivation for involvement, the "This is My Home" grant scheme finances employees' community projects. In 2015 and 2016, 45 projects were supported. Employees played an active role in nominating these projects.

Through the "Employee giving" project, members of the ŠKODA AUTO workforce are encouraged to nominate and donate to eligible projects run by selected NGOs. ŠKODA AUTO supports this willingness to help by matching the donation amount.

In 2015, 1,242 employees donated almost one million crowns. In 2016, the Board of Management approved the next round of "Employee giving". More than two million crowns were donated by 1,566 employees and matched by the Company. 80% of this increase goes to the organisations. The remaining 20% is used to support an orphanage in Aurangabad, India.

In 2016, ŠKODA joined forces with the KOVO trade unions and the Czech Red Cross to organise a charity collection of clothes, shoes and blankets for the needy in the regions where ŠKODA AUTO plants are located. Several hundred employees participated, donating 3.25 tonnes of clothing, shoes, blankets, sleeping bags, bedding, towels and other necessary items for orphanages, sheltered homes for mothers with children and homeless people.

A particular highlight is certainly the "One tree planted for every ŠKODA car sold in the Czech Republic" environmental project. In 2015, 70,200 trees were planted; with a new record of more than 85,000 trees the following year. From the very beginning, ŠKODA AUTO employees have taken an active part in this initiative, helping find suitable locations, as well as actually planting the trees. Since the project was launched in 2007, more than 640,000 trees have been planted in cooperation with more than 70 partners and local government authorities, as well as non-profit organisations.

ŠKODA AUTO also established its own employee volunteering project in 2016, with dozens of employees volunteering in the regions around its production sites in Mladá Boleslav and Kvasiny. Volunteers helped restore a unique historical site, the Steam Engine Brewery in Lobeč, and a family centre in Jizbice near Nymburk. In Neratov, volunteers helped reconstruct a school and shelter for people with multiple disabilities.

Organised with the financial and logistical support of ŠKODA AUTO, an initiative to clean up the Czech Republic ("Uklidíme Česko") was started in 2014 and has continued since. In the first year, thousands of volunteers – including a large number of ŠKODA AUTO employees – participated at 280 locations. The initiative received the Czech Republic's "Energy Globe Award" in 2014. By 2015, the number of volunteers had multiplied and, in 2016, the project joined forces with another anti-litter campaign to become "Let's clean the world, let's clean the Czech Republic", with even greater participation.

ŠKODA AUTO Volunteers

Employee participation at national and regional level has become a proud tradition over the years. Active participation strengthens employees' connection with the places where they live and work. ŠKODA AUTO employees participate in various projects.





Cultural commitment

As a “good corporate citizen”, ŠKODA AUTO regularly contributes to cultural life in the Czech Republic. In 2015 and 2016, ŠKODA AUTO’s traditional partners in this field included prestigious institutions like the Czech Philharmonic, the National Theatre, the National Museum and the National Technical Museum. Particularly noteworthy performances included the Czech Philharmonic’s open-air concert in Prague, which attracted a great deal of public interest. ŠKODA AUTO supports the arts not only in the Czech capital, but also the regions. The Company sponsored selected top cultural events, such as the Smetana Litomyšl International Opera Festival and the International Film Festival for Children and Youth in Zlín, the largest event of its kind in the world.

The Company also continued its sponsorship of the Prague German Language Theatre Festival, the Mladá Boleslav Municipal Theatre and the highly respected exhibition “World Press Photo in the Czech Republic”.

In 2015 and 2016, as in previous years, ŠKODA AUTO supported the Arnošt Lustig Award and “Memories of the Nation” award presented by Post Bellum. Both accolades celebrate powerful human values, such as courage, bravery, humanity and justice, and are widely respected by the general public. In its efforts to secure a strong and open democratic society, ŠKODA AUTO also supported the Forum 2000 Foundation 20th anniversary conference in Prague in 2016. The Foundation’s goal is to honour

the legacy of Václav Havel by supporting the values of democracy and respect for human rights, aiding the development of civil society and encouraging religious, cultural and ethnic tolerance.

Social commitment abroad

In addition to its numerous social activities in the Czech Republic, ŠKODA AUTO is also active in many other countries around the globe where the brand has either a production facility, such as India, or strong market representation, as in all European countries. Activities abroad underline the Company’s strong commitment to children, education and health. The main focus of these activities is on educational and health programmes. In India, for example, ŠKODA AUTO in cooperation with Odbory KOVO established a number of science and education programmes, including infrastructure support for a children’s home at ŠKODA AUTO’s production site in Aurangabad. The Company also continued its involvement in healthcare and preventive health through so-called “check-up camps”, where a medical team from ŠKODA AUTO provides health and prevention counselling and education, and distributes medication. In China, ŠKODA AUTO supports the “Hope Primary School Project” of SAIC Volkswagen, an infrastructure construction programme that provides teaching facilities in poor areas, serving some 2,600 students. In Russia and other Central and Eastern European countries, including Slovakia and Bulgaria, ŠKODA AUTO participated in educational programmes and provided financial aid for disadvantaged children.



FACTS & FIGURES

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VALUE ADDED GENERATED BY THE ŠKODA AUTO GROUP

	2016	in %	2015	in %
Source of funds in mil. EUR				
Sales	13,705		12,486	
Other income	427		352	
Material costs	-9,508		-8,900	
Depreciation and amortisation	-839		-759	
Other upfront expenditures	-1,692		-1,518	
Value added	2,092		1,661	
Appropriation of funds in mil. EUR				
to shareholders (dividends)	699	33.4%	569	34.3%
to employees (wages, benefits)	826	39.5%	744	44.8%
to the state (taxes, duties)	297	14.2%	193	11.6%
to creditors (interest expenses)	17	0.8%	16	1.0%
to the Company (reserves)	252	12.1%	139	8.3%
Value added	2,092	100.0%	1,661	100.0%
Value added – change in % 2015/2016	25.9%			



DELIVERIES TO CUSTOMERS BY REGION

Central Europe (including the Czech Republic)



Eastern Europe



Western Europe



Overseas/Asia



0 100,000 200,000 300,000 400,000 500,000

2016 2015

DELIVERIES TO CUSTOMERS BY REGION

	Vehicles		Change in % 2016/2015	Share of passenger car market (%)**	
	2016	2015		2016	2015
Central Europe*	183,770	172,115	6.8%	19.0%	20.7%
Eastern Europe	90,446	87,727	3.1%	5.2%	4.6%
Western Europe	454,001	430,865	5.4%	3.3%	3.3%
Overseas/Asia	398,260	364,794	9.2%	0.6%	0.6%
Total	1,126,477	1,055,501	6.7%	1.4%	1.4%

* including the Czech Republic

** total markets

**DELIVERIES TO CUSTOMERS - BIGGEST MARKETS**

	Vehicles		Change in %
	2016	2015	2016/2015
Total	1,126,477	1,055,501	6.7%
China	317,088	281,707	12.6%
Germany	165,196	158,747	4.1%
Czech Republic	88,016	85,005	3.5%
United Kingdom	80,325	74,879	7.3%
Poland	56,180	50,039	12.3%
Russia	55,386	55,012	0.7%
Turkey	28,893	22,233	30.0%
Spain*	23,241	22,068	5.3%
France	23,013	21,500	7.0%
Austria	20,563	20,503	0.3%
Italy	20,530	16,550	24.0%
Israel	20,402	17,753	14.9%
Belgium	18,925	18,001	5.1%
Slovakia	18,860	18,252	3.3%
Switzerland	18,579	19,012	-2.3%

* excluding Canary Islands



DELIVERIES TO CUSTOMERS BY MODEL

	Vehicles		Change in %
	2016	2015	2016/2015
CITIGO	40,674	40,152	1.3%
FABIA	127,325	127,154	0.1%
FABIA COMBI	74,978	65,204	15.0%
FABIA total	202,303	192,358	5.2%
RAPID	133,583	127,095	5.1%
RAPID SPACEBACK	79,073	67,226	17.6%
RAPID total	212,656	194,321	9.4%
ROOMSTER	20	15,459	-
ROOMSTER PRAKTIK	9	1,153	-
ROOMSTER total	29	16,612	-
OCTAVIA	262,863	264,312	-0.5%
OCTAVIA COMBI	173,111	168,023	3.0%
OCTAVIA total	435,974	432,335	0.8%
YETI	95,540	99,547	-4.0%
KODIAQ	447	-	-
SUPERB	81,288	47,400	71.5%
SUPERB COMBI	57,566	32,776	75.6%
SUPERB total	138,854	80,176	73.2%
Total	1,126,477	1,055,501	6.7%



PRODUCTION AT ŠKODA AUTO A.S.

	Vehicles		Change in %
	2016	2015	2016/2015
FABIA	117,397	107,997	8.7%
FABIA COMBI	75,479	72,614	3.9%
FABIA total	192,876	180,611	6.8%
RAPID	31,715	30,270	4.8%
RAPID SPACEBACK	52,795	49,207	7.3%
RAPID total	84,690	79,477	6.6%
ROOMSTER	-	10,336	-
ROOMSTER PRAKTIK	-	817	-
ROOMSTER total	-	11,153	-
OCTAVIA	90,130	87,176	3.4%
OCTAVIA COMBI	176,093	170,629	3.2%
OCTAVIA total	266,223	257,805	3.3%
YETI	61,038	65,962	-7.5%
KODIAQ	1,167	-	-
SUPERB	46,775	29,421	59.0%
SUPERB COMBI	58,540	35,750	63.7%
SUPERB total	105,315	65,171	61.6%
Total	711,309	660,179	7.7%
Production of SEAT vehicles			
TOLEDO	18,029	19,728	-8.6%
ATECA	35,833	-	-
Total	53,862	19,728	173.0%
Total ŠKODA AUTO a.s. production	765,171	679,907	12.5%

**PRODUCTION AT SKODA AUTO INDIA PRIVATE LTD. IN AURANGABAD**

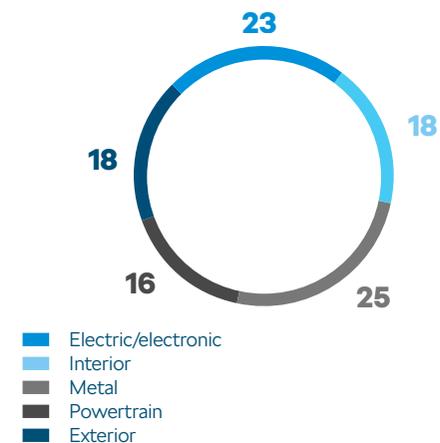
	Vehicles		Change in %
	2016	2015	2016/2015
Production of ŠKODA vehicles			
OCTAVIA	2,356	3,100	-24.0%
YETI	-	124	-
SUPERB	1,825	1,037	76.0%
Total	4,181	4,261	-1.9%
Production of other VW Group brands			
VW	519	2,787	-81.4%
AUDI	5,667	11,658	-51.4%
Total	6,186	14,445	-57.2%
Total production at Skoda Auto India Private Ltd.	10,367	18,706	-44.6%
Total ŠKODA AUTO Group production	775,538	698,613	11.0%



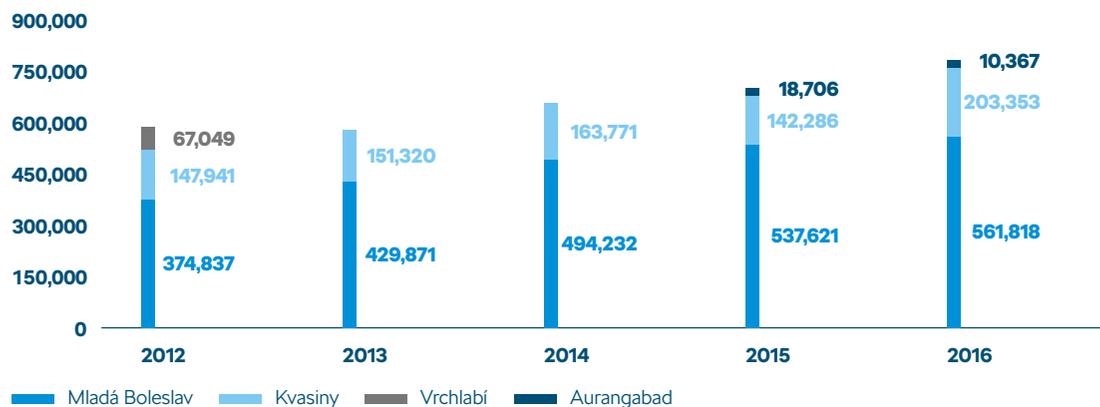
PRODUCTION OF ŠKODA VEHICLES IN OTHER VW GROUP PLANTS

	Vehicles		Change in %
	2016	2015	2016/2015
Production of ŠKODA vehicles in Slovakia			
CITIGO	41,247	41,280	-0.1%
Total	41,247	41,280	-0.1%
Production of ŠKODA vehicles in Russia			
RAPID	28,743	23,498	22.3%
OCTAVIA	22,356	19,543	14.4%
YETI	6,914	7,417	-6.8%
Total	58,013	50,458	15.0%
Production of ŠKODA vehicles in India (Pune)			
RAPID	9,608	12,676	-24.2%
Total	9,608	12,676	-24.2%
Production of ŠKODA vehicles in China			
FABIA	10,432	14,738	-29.2%
RAPID	93,732	73,536	27.5%
OCTAVIA	154,480	145,192	6.4%
YETI	27,474	16,390	67.6%
KODIAQ	92	-	-
SUPERB	41,740	18,260	128.6%
Total	327,950	268,116	22.3%
Total ŠKODA vehicles in other VW Group plants	436,818	372,530	17.3%
Total ŠKODA vehicles and other VW Group brands	1,212,356	1,071,143	13.2%

GENERAL PROCUREMENT BY COMMODITY (%)

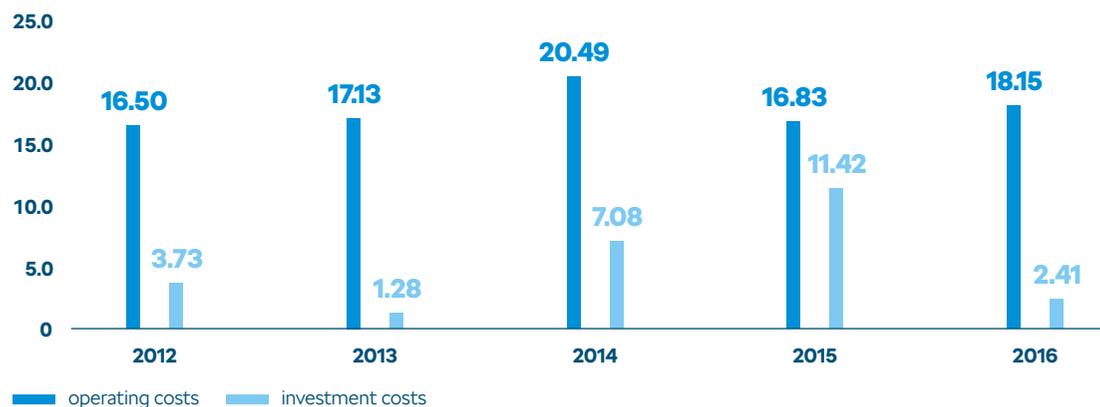


PRODUCTION AT ŠKODA AUTO GROUP (Vehicles)

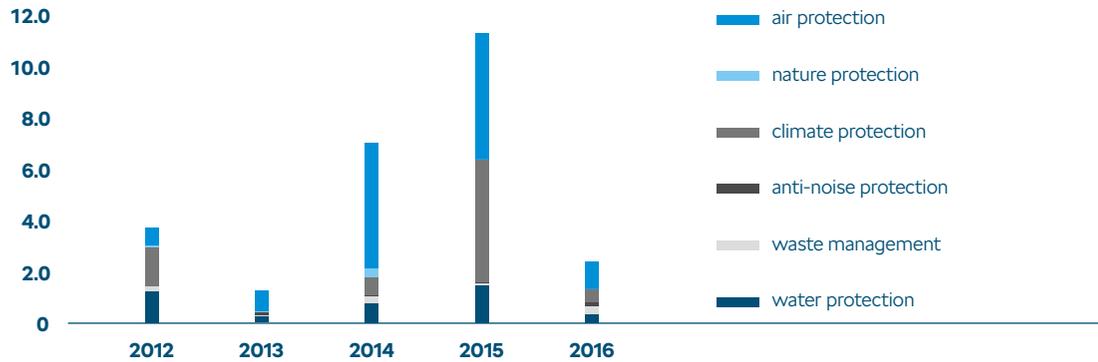


This Sustainability Report for the first time also informs about environmental topics concerning the factory in Aurangabad.

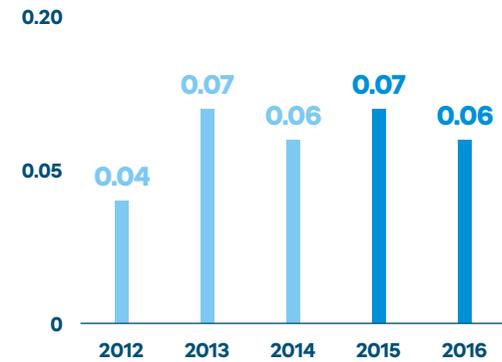
OPERATING AND INVESTMENT COSTS FOR ENVIRONMENTAL PROTECTION (mil. EUR)



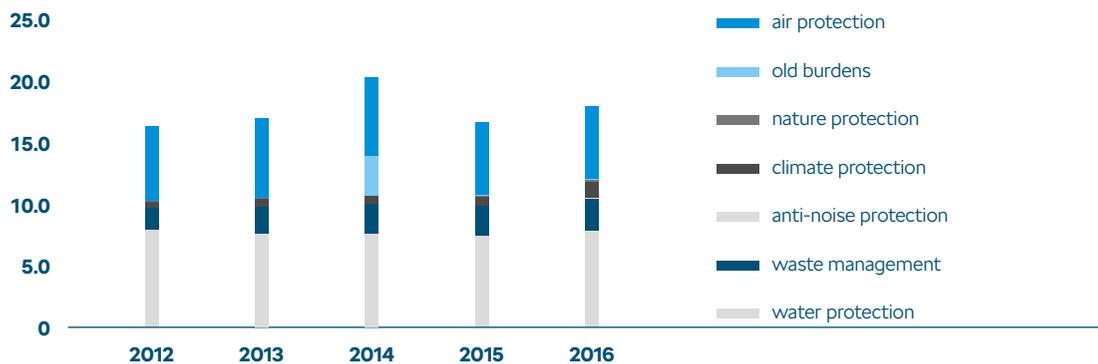
INVESTMENT COSTS FOR ENVIRONMENTAL PROTECTION
(mil. EUR)



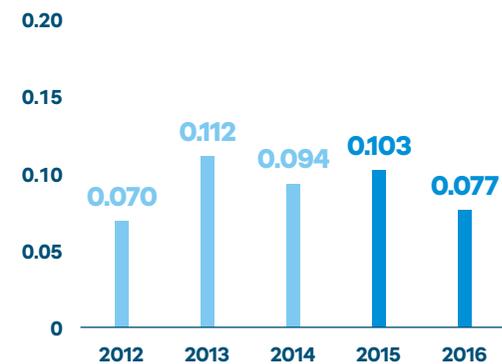
OZONE DEPLETING SUBSTANCES EMISSIONS – TOTAL (t)



OPERATING COSTS FOR ENVIRONMENTAL PROTECTION
(mil. EUR)



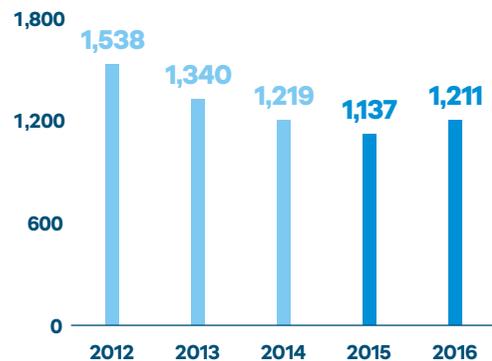
OZONE DEPLETING SUBSTANCES EMISSIONS – VEHICLE (g)





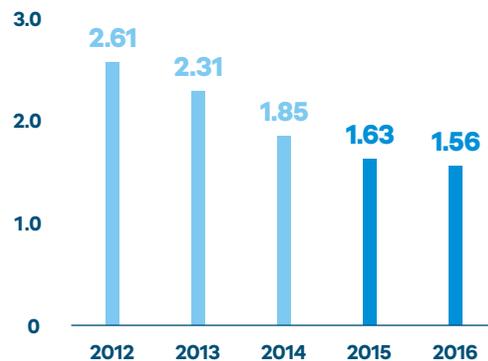
VOC EMISSIONS - TOTAL

(t)



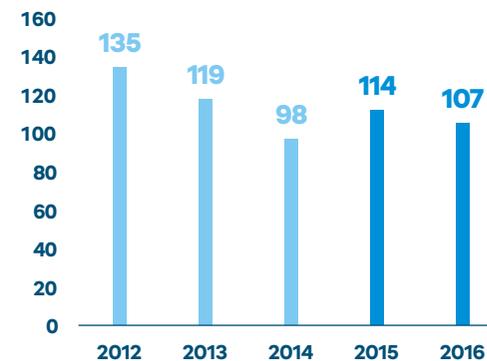
VOC EMISSIONS - VEHICLE

(kg)



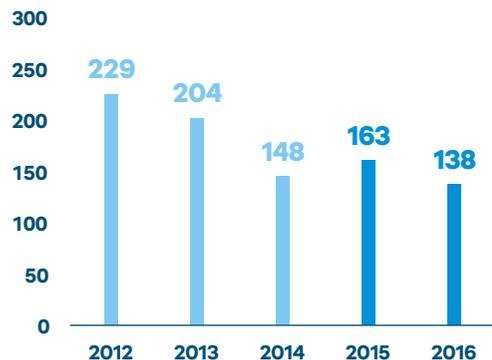
DIRECT NO_x EMISSIONS - TOTAL

(t)



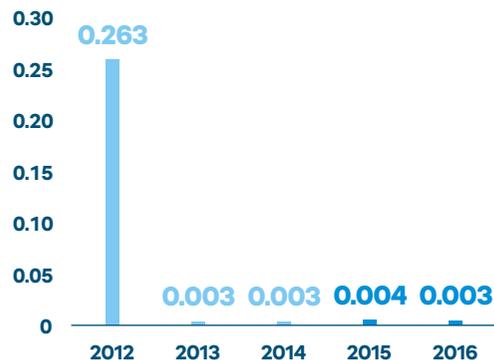
DIRECT NO_x EMISSIONS - VEHICLE

(g)



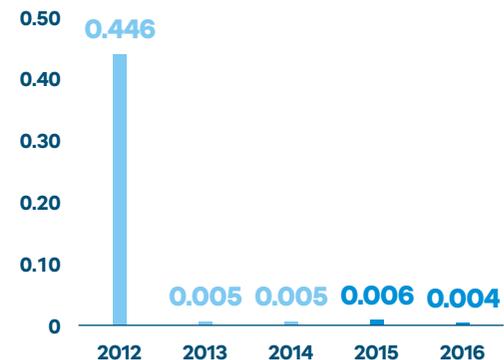
DIRECT SO₂ EMISSIONS - TOTAL

(t)



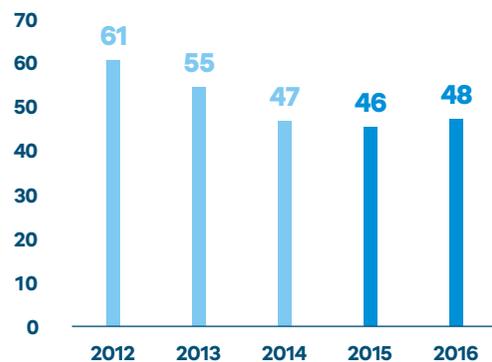
DIRECT SO₂ EMISSIONS - VEHICLE

(g)

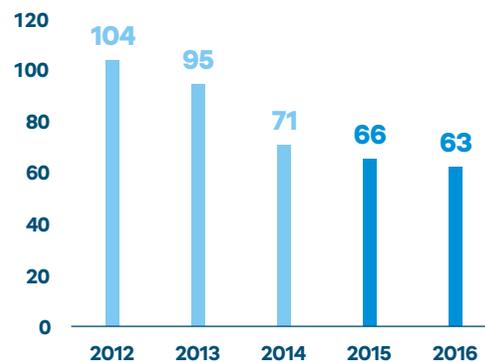


**DIRECT CO₂ EMISSIONS – TOTAL**

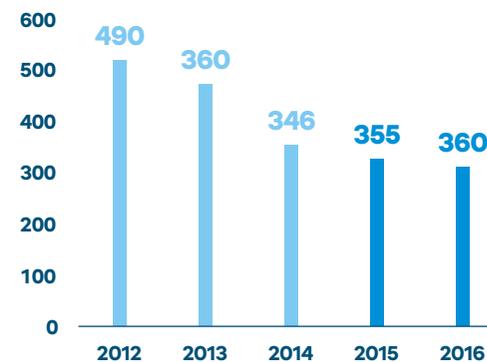
(thousands of t)

**DIRECT CO₂ EMISSIONS – VEHICLE**

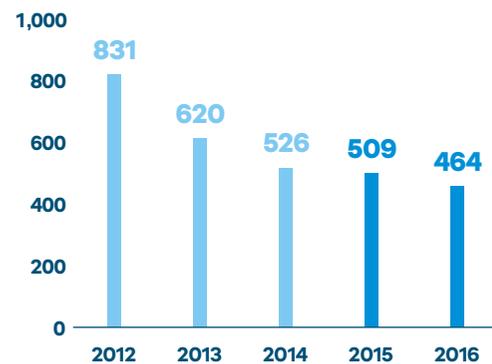
(kg)

**INDIRECT CO₂ EMISSIONS – TOTAL**

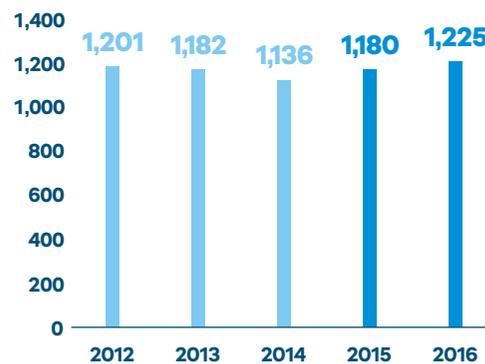
(thousands of t)

**INDIRECT CO₂ EMISSIONS – VEHICLE**

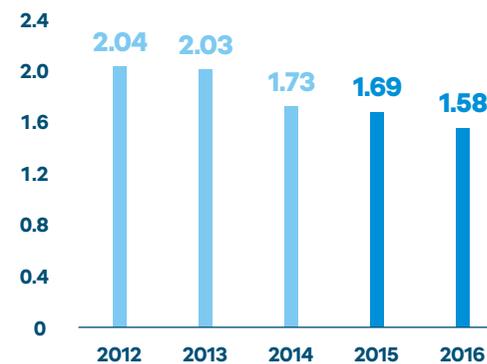
(kg)

**ENERGY CONSUMPTION – TOTAL**

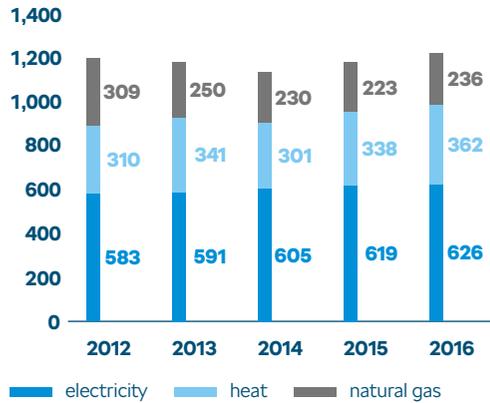
(GWh)

**ENERGY CONSUMPTION – VEHICLE**

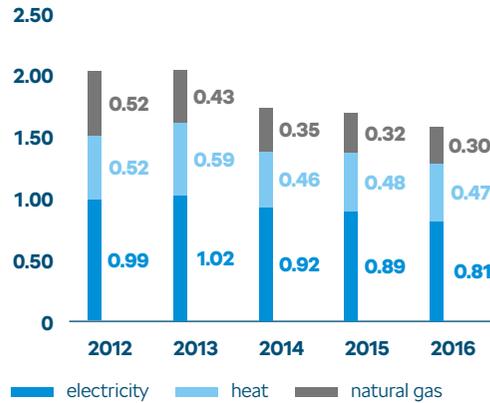
(MWh)



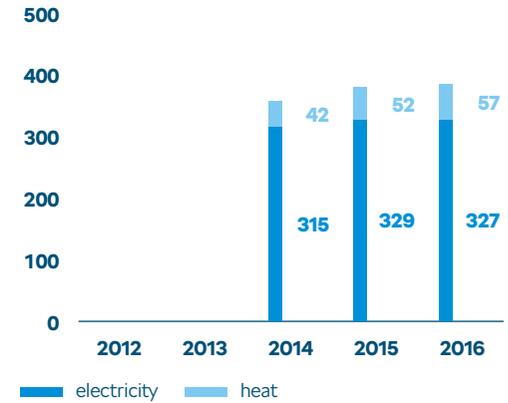
FORMS OF ENERGY – TOTAL
(GWh)



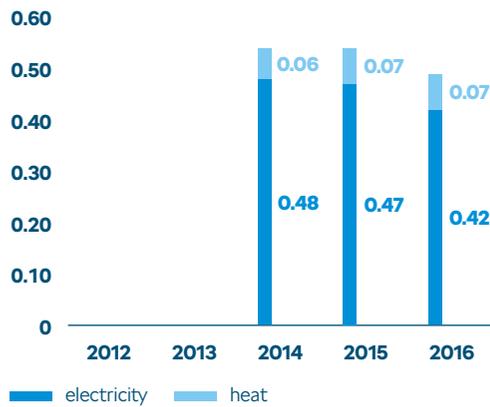
FORMS OF ENERGY – VEHICLE
(MWh)



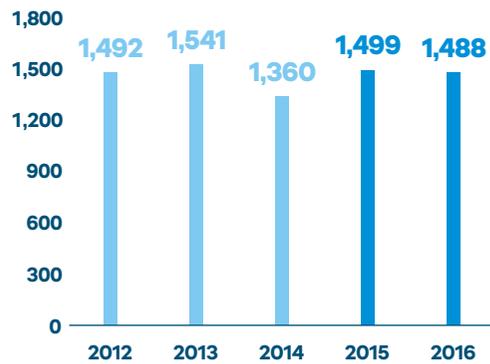
ENERGY FROM RENEWABLE SOURCES – TOTAL (GWh)



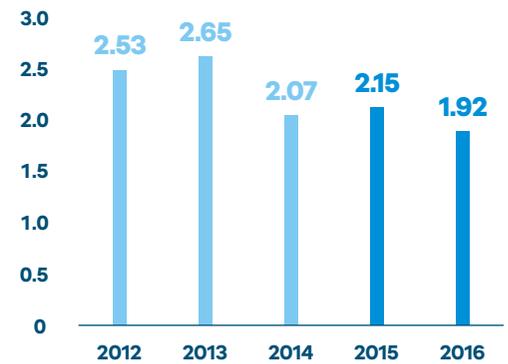
ENERGY FROM RENEWABLE SOURCES – VEHICLE (MWh)



WATER CONSUMPTION – TOTAL
(thousands of m³)

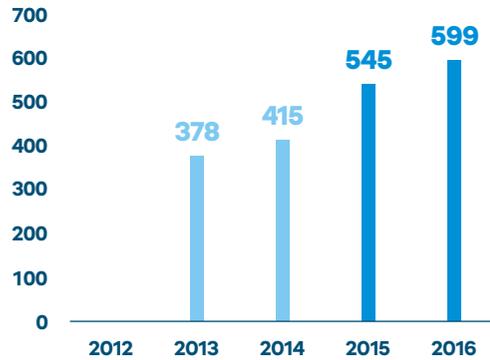


WATER CONSUMPTION – VEHICLE
(m³)

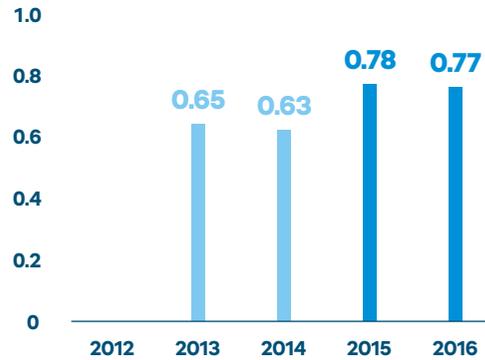




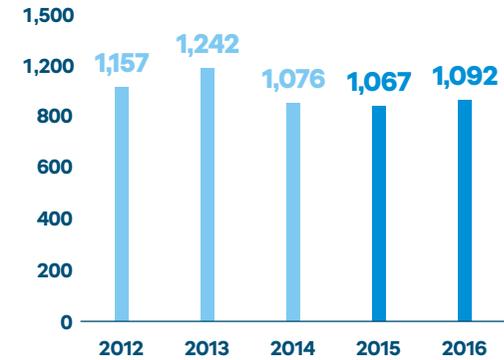
RECYCLED WATER – TOTAL
(thousand of m³)



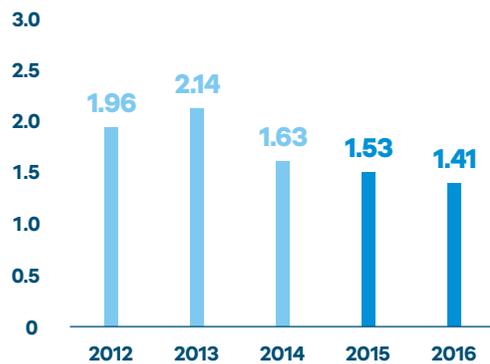
RECYCLED WATER – VEHICLE
(m³)



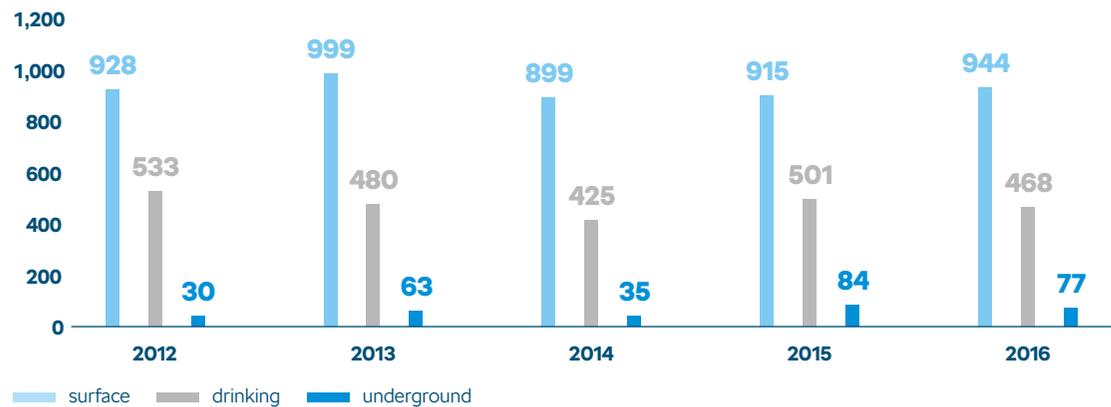
WASTE WATER – TOTAL
(thousands of m³)



WASTE WATER – VEHICLE
(m³)



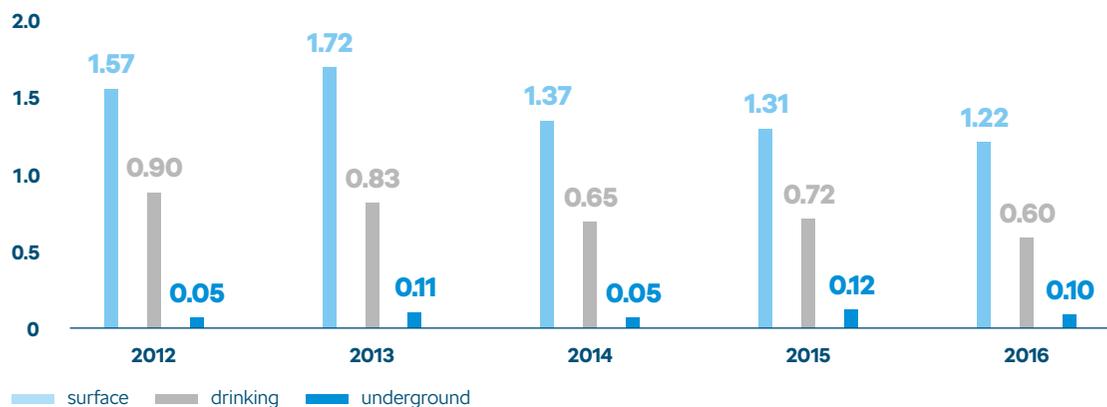
WATER CONSUMPTION BY SOURCE – TOTAL
(thousands of m³)





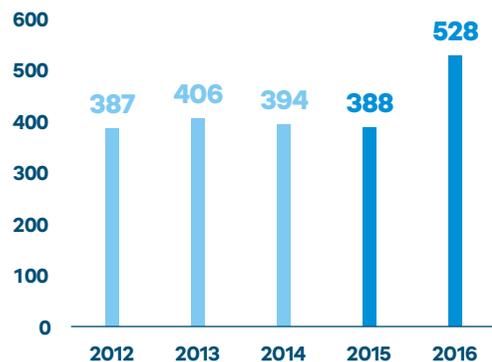
WATER CONSUMPTION BY SOURCE - VEHICLE

(m³)



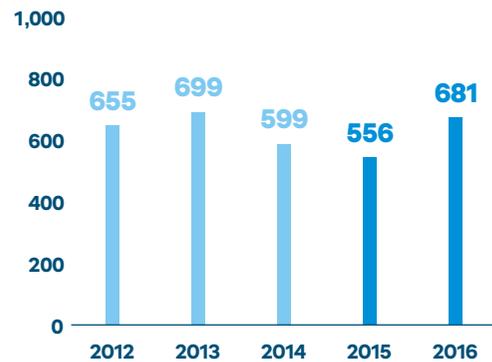
CHEMICAL OXYGEN DEMAND - TOTAL

(t)



CHEMICAL OXYGEN DEMAND - VEHICLE

(g)





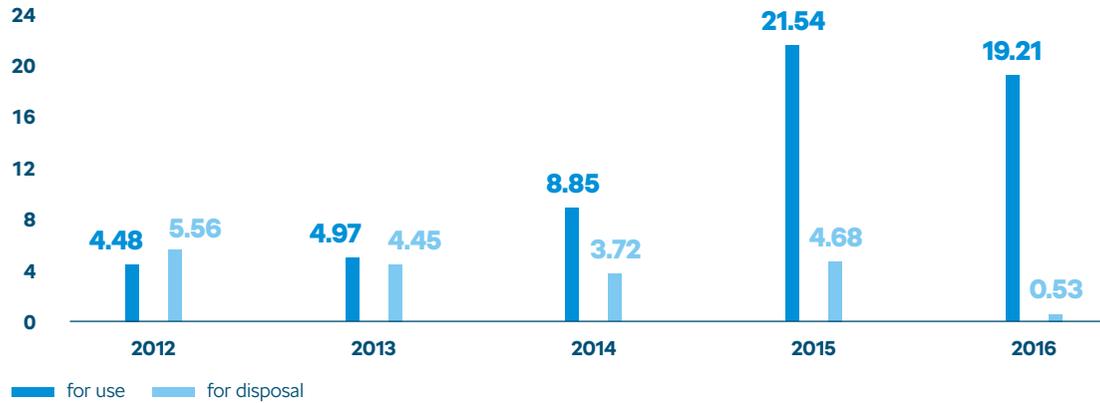
SOURCES OF INDUSTRIAL WATER AFFECTED BY WITHDRAWAL

Name	Area of the drainage basin upstream to the withdrawal profile in km ²	Long-term average flow Qa m ³ /s	Watercourse important for water management	Order according to Gravelius	Protected areas at the site of water withdrawal or discharge	Environmental quality of the watercourse – type of water as per Decree 169/2006 Coll.
Jizera River	1,734.81	25.24	Yes	II.	No	47K, 48K carp water
Bělá River	59.40	1.22	Yes	IV.	No	11 L salmon water
Labe River	93.35	2.63	Yes	I.	No	2 L. salmon water
Godawari River	312,812.00	3,505.00	Yes	I.	Yes - Jayakwadi Bird Sanctuary	-

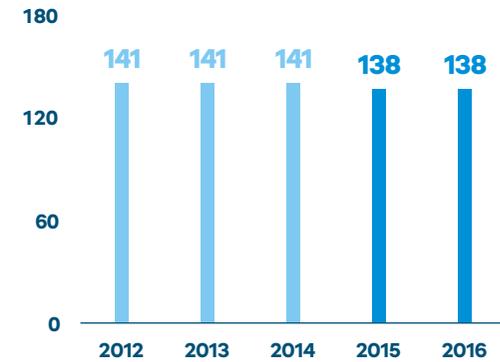
GROUNDWATER SOURCES

Name	Hydrogeological zone	Area in km ²	
Podorlická křída	4222 Povodí Orlice (Orlice River Basin)	434.5	Classification is in accordance with legal water protection requirements and VÚV TGM (T.G. Masaryk Water Research Institute) and ČHMÚ (Czech Hydrometeorological Institute) databases.

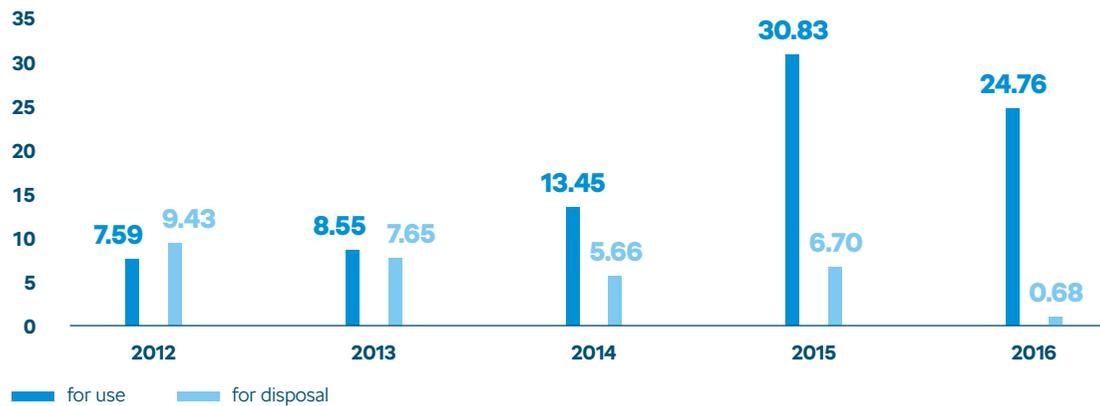
OTHER WASTE FOR USE AND DISPOSAL - TOTAL
(thousands of t)



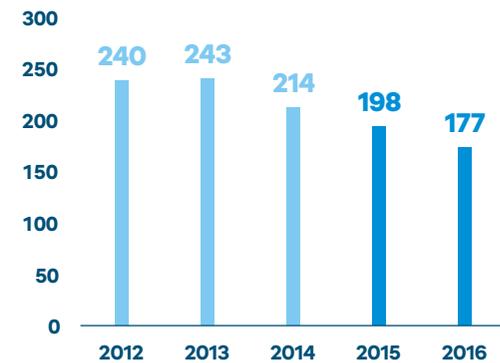
METAL WASTE - TOTAL
(thousands of t)



OTHER WASTE FOR USE AND DISPOSAL - VEHICLE
(kg)

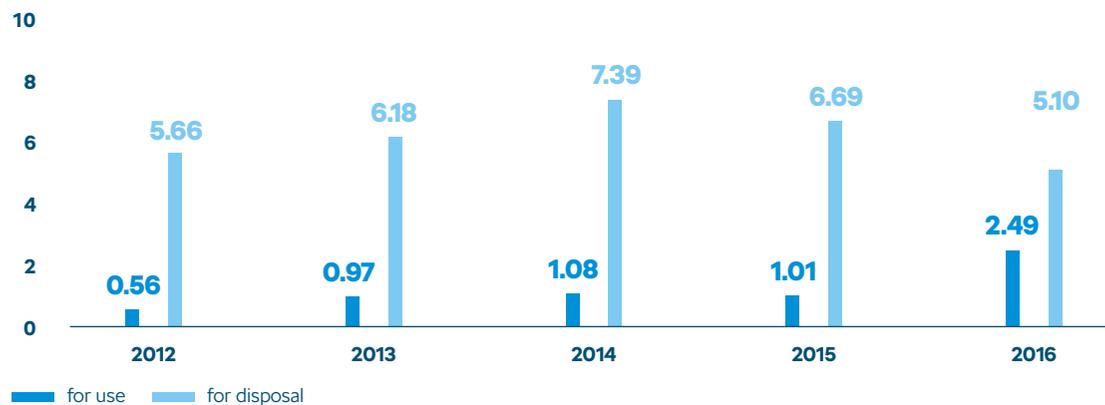


METAL WASTE - VEHICLE
(kg)



**HAZARDOUS WASTE FOR USE AND DISPOSAL – TOTAL**

(thousands of t)

**HAZARDOUS WASTE FOR USE AND DISPOSAL – VEHICLE**

(kg)



ŠKODA AUTO has to register and report production of hazardous waste (waste which exhibits one or more dangerous properties, e.g. explosiveness, flammability, toxicity etc.). This definition of hazardous waste derives from national law, but it is in accordance with the Basel Convention and other European laws. In 2016, ŠKODA AUTO exported 1.32 t of dangerous waste to Germany for recycling purpose. This waste consisted of discarded traction batteries from technical development.



OVERVIEW OF RELEVANT PROTECTED AREAS

Mladá Boleslav plant

Category	Name	Distance	Direction	Area (ha)	Object of protection & notes
Protected landscape area	Český ráj	10	NE	18,152.3	The purpose of this area is to preserve and restore the natural environment, particularly ecosystems of wild animal and plant species, and to maintain the typical character of the landscape while developing environmentally optimal use of the land and its natural resources.
Nature reserve	Vrch Baba u Kosmonos	2.2	N	249.61	The complex forest and non-forest natural ecosystems (forest borders, edges, grassland) with high concentration of major habitats, plant and animal taxa and significant geological and geomorphological phenomena – the exposed open space and crack-seal basalt veins.
National natural monument	Radouč	1.6	W	1.47	To protect significant calcicole and thermophilic communities of argillaceous rocks with a unique occurrence of needle sunrose (<i>Fumana procumbens</i>) in Bohemia.
Natural monument	Bezděčín	2	SW	75.11	Protection of the critically endangered species, European ground squirrel; its population is residing in grassed areas of this natural monument.
Natural monument	Podhradská tůň	3.4	N	3.07	A landscape with significant natural and aesthetic values, especially the dead arm of the Jizera River as a remnant of the meandering of the watercourse with a characteristic ecosystem of water surface areas, floodplain forest, natural dead arm vegetation stands, including a strip of riparian and aquatic plants, while allowing for semi-intensive fish farming and sport fishing, with the requirement to maintain the equilibrium state and achieve recovery of this ecosystem.
Natural monument	Lom u Chrástu	4.3	SW	1.47	Significant paleontological deposits of Cretaceous middle Turonian fauna, which is one of the baseline supporting profiles for stratigraphy of the Czech Cretaceous layer.
Nature park	Chlum	1.5	S	1,319	Most of the territory is covered by forests – mainly oak and hornbeam forests, locally with acidophilic oak woods or herb-rich beech forests. The most abundantly represented trees are summer and winter oaks, small-leaved lime, hornbeam, sycamore maple, common ash, and common beech. The herbaceous layer contains rare or protected species of plants, such as white helleborine, common hepatica, Lily of the valley, hazelwort, hairy sedge, wood sedge (<i>Carex sylvatica</i>), Chinese lantern, sweet woodruff, Turk's cap lily, wood anemone, Solomon's seal, salisbury (<i>Dryopteris pulchella</i>), baneberry, and others. The area also harbours many insect species, such as mallow skipper, purple emperor, large poplar longhorn beetle (<i>Saperda carcharias</i>), several species of longhorn beetles and jewel beetles. The birds are represented by European robin, great spotted woodpecker, Eurasian nuthatch, Eurasian collared dove, Eurasian jay, common buzzard, willow warbler, European green woodpecker. Other animals include amphibians, such as common water frog, European water frog, European tree frog, and common toad.
Nature park	Jabkenicko	9	SE	556	The main reason for establishment of this nature park was a continuous forest area, absence of larger settlements and a system of mainly forest ponds supplied with water from forest complexes, and thus uncontaminated with washes from the fields and wastes from the municipalities. It is a system of ponds in Jabkenický potok creek, the largest of which is Vidlák, and the system on Svatojiřský (Hladoměřský) potok creek and a variety of small ponds on forest streams. Geology: The entire area is located on upper Turonic marls that only come to the surface in the valley indentations and then in the lower deforested areas. The bedrock of the entire forest is formed by Jizera River gravels during the early Pleistocene epoch. Fauna and flora: Oak trees in Jabkenická obora. In botanical terms, this area represents poor forest communities – originally pine oak forests, now mostly converted to cultural pine forests with smaller areas of native oaks, but also non-native trees, especially spruce. More varied vegetation is located in the valley indentations, with preserved fragments of hornbeam-oak woodlands, wet alder forests in the floodplain, and wet floodplain meadows. Of paramount importance is the system of forest ponds, which serves as a refuge for a number of formerly common, now vanishing aquatic animals and plants. Fallow deer is primarily bred in the Jabkenická obora game preserve.



Category	Name	Distance	Direction	Area (ha)	Object of protection & notes
Nature park	Čížovky	9	SE	386	<p>The Čížovka Nature park is a protected area, which was established in 1998 in the surrounding of the Petkovy, Domousnice and Lhotky communities. It is a little affected landscape with sparse, scattered settlements and minimal post-war construction. The protected area includes the surroundings of the Křesovský potok stream, which is a source of water for several ponds, and Křemenice hill (336 m above sea), representing the eastern end of the prominent Chloumecký hřbet landform. The landscape here is a mosaic of water areas, wetlands, meadows, remnants of old orchards, while the valley slopes are covered with forests. These habitats provide an environment for many different species of plants and animals.</p> <p>Fauna and flora: Animals known to occur in the area of the nature park include several species of endangered amphibians, owls, kingfisher (<i>Alcedo atthis</i>), white wagtail (<i>Motacilla alba</i>) and grey wagtail (<i>M. cinerea</i>), great spotted woodpecker (<i>Dendrocopos major</i>) and lesser spotted woodpecker (<i>Dendrocopos minor</i>), red-backed shrike (<i>Lanius collurio</i>), Eurasian coot (<i>Fulica atra</i>), garden warbler (<i>Sylvia borin</i>), sedge warbler (<i>Acrocephalus schoenobaenus</i>) and several species of bats (a colony of bats residing in the mill below the dam of one of the ponds). The park area harbours many interesting habitats, for example pigra, fescue and sedge meadows. Many plant species grow in the park, including marsh fern (<i>Thelypteris palustris</i>), shining pondweed (<i>Potamogeton lucens</i>), horned pondweed (<i>Zannichellia palustris</i>), pepper saxifrage (<i>Silaum silaus</i>) field wormwood (<i>Artemisia campestris</i>), several sedge species, such as soft-leaved sedge (<i>Carex montana</i>), greater tussock-sedge (<i>Carex paniculata</i>) and cyperus sedge (<i>Carex pseudocyperus</i>), common centaury (<i>Centaureum erythraea</i>), northern bedstraw (<i>Galium boreale</i>), valerian (<i>Valeriana dioica</i>), Kashubian vetch (<i>Vicia cassubica</i>), mountain parsley (<i>Peucedanum oreoselinum</i>), and others.</p>
Kvasiny plant Category	Name	Distance	Direction	Area (ha)	Object of protection & notes
Protected landscape area	Orlické Hory	5.5	NE	23,387	The purpose of this area is to protect the landscape, its appearance and its typical characters so that these values create a balanced environment; the distinctive features of the landscape include in particular its surface profile, including watercourses and water areas, vegetation cover and its wild fauna, as well as the layout and use of forest and agricultural land fund, settlement structure of the areas, urban structure of settlements, local vernacular architecture, and construction works of monumental or dominant character.
Nature reserve	Skalecký háj	8	N	3.16	Forest vegetation with natural composition of tree species and rich herbaceous layer (common cowslip, wild arum, and rue-leaved isopyrum <i>Isopyrum thalictroides</i>). The most important plant species is a rare Czech endemic orchid species <i>Epipactis albensis</i> , which has its global occurrence bound only to Bohemia and Moravia.
Natural monument (proposed) Special Area of Conservation (SAC)	Uhřínov-Benátky	5	NE	4.94	To support and stabilise the population of a highly endangered animal and European important species, dusky large blue, including active protection of its habitat and appropriate interventions and management of the watercourse, grasslands and other vegetation concerned to ensure stability of the population and support its further spread in the locality.
Nature park	Les Včelný	3.5	SE	235.78	A pond known as Ivanské jezero was built in the North-Eastern part of the park on the Javornický potok creek. The slopes and plateaus are covered with forest stands, dominated by coniferous trees, or with mixed stands. The original vegetation in the area was composed of oak and hornbeam woodlands. A total of about 400 plant species were identified in this area. Given the character of the habitats, forest vertebrates are predominant species in the park. The wetlands around the pond harbours several species of amphibians, while forest bird species nest in the nearby forest stands.



Vrchlabí plant

Category	Name	Distance	Direction	Area (ha)	Object of protection & notes
National park	Krkonoše National Park	11	N	36,300	Preservation and improvement of the natural environment, in particular protection or restoration of self-control functions of the natural systems, strict protection of wild fauna and flora, maintaining the typical appearance of the landscape, fulfilling scientific and educational goals, as well as the use of the national park for ecologically viable tourism and recreation, not worsening the environment, SAC site No. CZ0524044, bird region CZ0521009.
Natural monument	Lom Strážné	7	N	4.22	Calcicole and thermophilic plant communities (including specially protected species), which developed by succession after the exploitation on a very unusual bare limestone bedrock. This site harbours the largest population of common spotted orchid in the Krkonoše mountains. If the uninterrupted succession continues, emergence of additional calcicole species can be undoubtedly expected in the future. Botanical reasons of protection are further supported by geological (protection of the remaining lenses of crystalline limestone formed in the inner schist series of the Krkonoše mountains bedrock) and geomorphological reasons (protection of karst areas), as well as by protection of animal species included in the category of endangered species that live in this area (amphibians in ponds at the bottom of the quarry, reptiles on dry sites and wintering bats in the mine drainage), as well as landscape (aesthetic) reasons.
Natural monument	Herlíkovické štoly	7	N	0.0025	Protection of permanent hibernacula of various species of bats in old adits.
Natural monument	Labská soutěska	7.5	N	2.8	Protection of unique evorsion structures and riffles in muscovite orthogneiss of the upper Elbe.

END OF LIFE PRODUCT RECYCLING (CZECH MARKET)

	Vehicles		Used tyres		Used Pb accumulators	
	Collected (pcs)	Recycling rate (%)	Collected (pcs)	Recycling rate (%)	Collected (t)	Recycling rate (%)
2008	8,789	87.2	6,600	98.5	479	65.5
2009	9,238	95.1	12,000	99.0	485	65.5
2010	8,165	91.7	34,000	99.9	511	65.5
2011	6,416	92.2	35,500	99.9	656	66.2
2012	4,912	92.4	36,900	99.9	577	66.5
2013	3,668	91.9	58,000	99.9	735	65.1
2014	3,785	92.8	61,500	99.9	1,037	65.2
2015	4,457	96.8	82,600	99.9	1,114	73.5
2016	4,618	96.2	194,500	99.9	638	80.4



EMPLOYEE STRUCTURE OF THE ŠKODA AUTO GROUP ACCORDING TO TYPE OF EMPLOYMENT AND SUBSIDIARIES

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
CORE staff – ŠKODA AUTO Group	25,585	24,891	25,000	25,757	28,667
of which: ŠKODA AUTO a.s.	23,978	23,689	23,748	24,567	27,462
of which: subsidiaries	1,607	1,202	1,252	1,190	1,205
of which: SAD*	326	326	326	344	357
of which: SAS**	77	59	62	60	61
of which: SAIPL***	1,204	817	864	786	787
Temporary workers – ŠKODA AUTO Group	2,798	2,815	2,556	2,772	3,480
of which: ŠKODA AUTO a.s.	2,768	2,800	2,542	2,757	3,467
of which: subsidiaries	30	15	14	15	13
of which: SAD*	20	15	14	15	13
of which: SAS**					
of which: SAIPL***	10	0	0	0	0
Apprentices – ŠKODA AUTO Group	819	867	889	889	913
of which: ŠKODA AUTO a.s.	810	859	883	885	911
of which: subsidiaries	9	8	6	4	2

* ŠKODA AUTO Deutschland GmbH

** ŠKODA AUTO Slovensko, s.r.o.

*** Skoda Auto India Private Ltd.

**EMPLOYEE STRUCTURE OF THE ŠKODA AUTO GROUP BY GENDER**

	men			women			total		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
Production workers	12,022	12,653	14,747	2,600	2,778	3,280	14,622	15,431	18,027
Non-production workers	8,174	8,138	8,388	2,204	2,188	2,252	10,378	10,326	10,640
Apprentices	779	769	806	110	120	107	889	889	913
Total workforce	20,975	21,560	23,941	4,914	5,086	5,639	25,889	26,646	29,580

ANNUAL EMPLOYEE TURNOVER

(%)



**NEW EMPLOYEE HIRES**

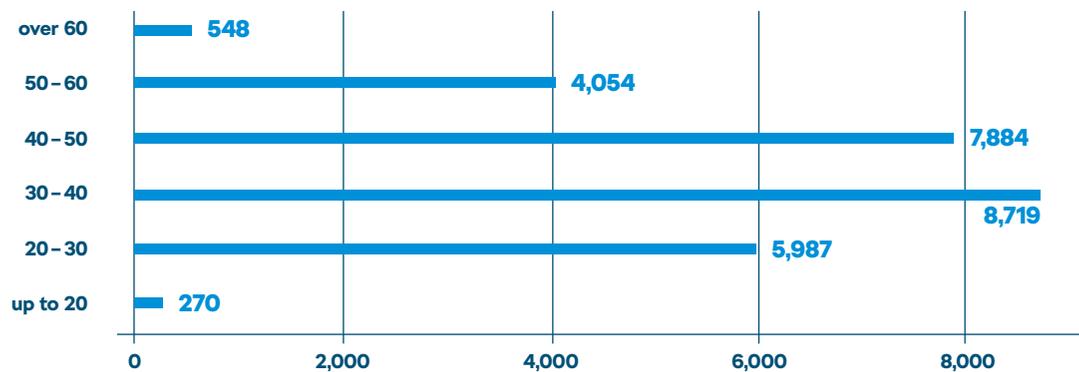
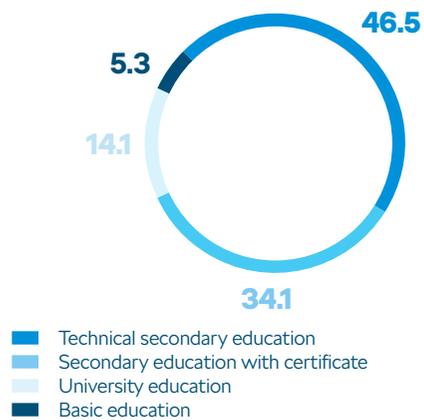
2014	age at hiring	men	women	total
	up to 20 years	164	12	176
	20-30 years	465	108	573
	30-40 years	143	56	199
	40-50 years	62	23	85
	over 50 years	25	3	28
total		859	202	1,061
2015	age at hiring	men	women	total
	up to 20 years	354	37	391
	20-30 years	727	188	915
	30-40 years	259	96	355
	40-50 years	140	41	181
	over 50 years	45	14	59
total		1,525	376	1,901
2016	age at hiring	men	women	total
	up to 20 years	295	44	339
	20-30 years	1,824	389	2,213
	30-40 years	963	221	1,184
	40-50 years	435	182	617
	over 50 years	115	25	140
total		3,632	861	4,493

**EMPLOYEE DEPARTURES (EXCLUDING MATERNITY LEAVE, PARENTAL LEAVE ETC.)**

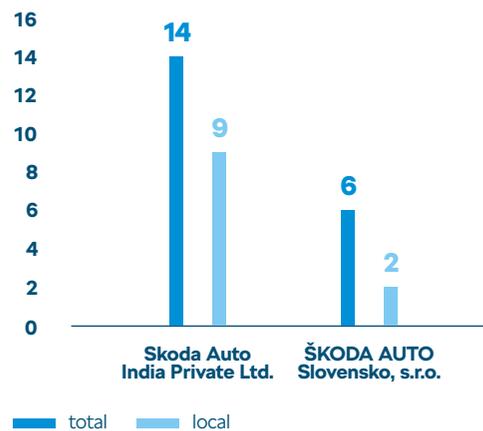
2014	age at departure	men	women	total
	up to 20 years	10	1	11
	20-30 years	176	20	196
	30-40 years	137	16	153
	40-50 years	89	17	106
	over 50 years	335	147	482
total		747	201	948
2015	age at departure	men	women	total
	up to 20 years	24	1	25
	20-30 years	222	28	250
	30-40 years	165	21	186
	40-50 years	100	9	109
	over 50 years	314	135	449
total		825	194	1,019
2016	age at departure	men	women	total
	up to 20 years	39	3	42
	20-30 years	476	35	511
	30-40 years	308	28	336
	40-50 years	145	28	173
	over 50 years	327	114	441
total		1,295	208	1,503

**AGE STRUCTURE OF THE COMPANY'S CORE STAFF IN 2016**

(Number of employees)

**QUALIFICATION STRUCTURE OF THE COMPANY'S CORE STAFF IN 2016 (%)****SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY AT SIGNIFICANT LOCATIONS OF OPERATION IN 2016**

(Number of senior management personnel)

**SENIOR MANAGEMENT NATIONALITY AT ŠKODA AUTO A.S. IN 2016**

Nationality	Number	%
Austrian	1	0.4%
Bulgarian	2	0.8%
Czech	200	75.5%
German	49	18.5%
French	3	1.1%
British	1	0.4%
Polish	1	0.4%
Russian	1	0.4%
Slovak	7	2.6%
Total	265	100%

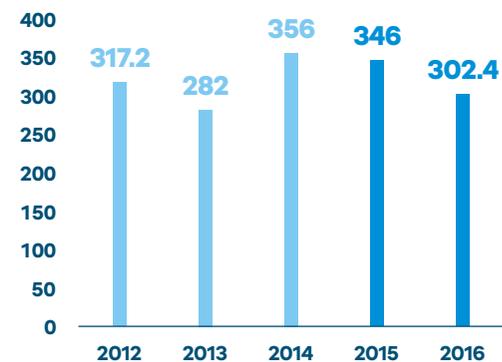
**MATERNITY AND PARENTAL LEAVE, UNPAID LEAVE UP TO 4 YEARS OF CHILD'S AGE**

period	departures – exemption from the registration status for maternity and parental leave and on unpaid leave up to 4 years of child's age		
	men	women	total
2012	2	203	205
2013	8	185	193
2014	7	216	223
2015	6	204	210
2016	6	221	227

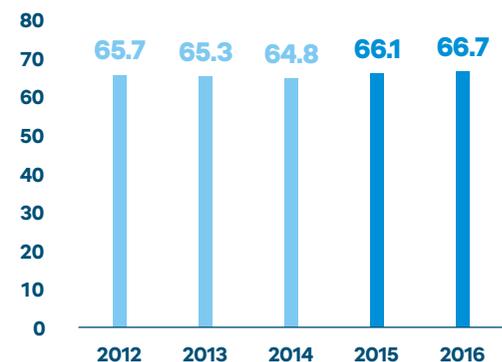
period	returns from maternity and parental leave and on unpaid leave up to 4 years of child's age		
	men	women	total
2012	2	230	232
2013	2	199	201
2014	5	200	205
2015	7	178	185
2016	2	166	168

BENEFITS FROM Z.E.B.R.A. PROPOSALS

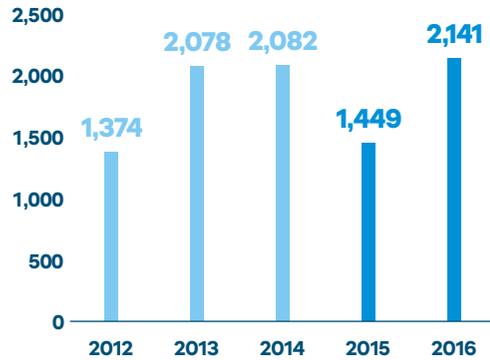
(mil. CZK)

**SUCCESS RATE OF PROPOSALS SUBMITTED TO THE Z.E.B.R.A. PROGRAMME**

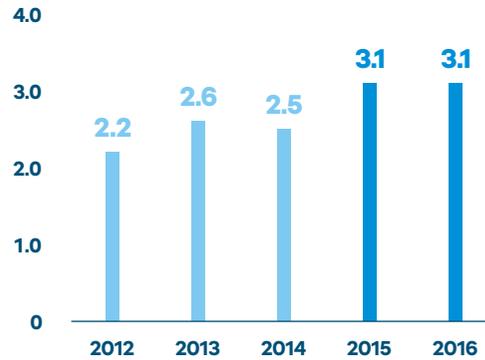
(%)



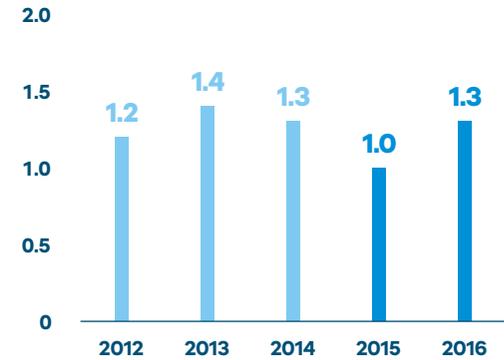
ABSENCE
(Days)



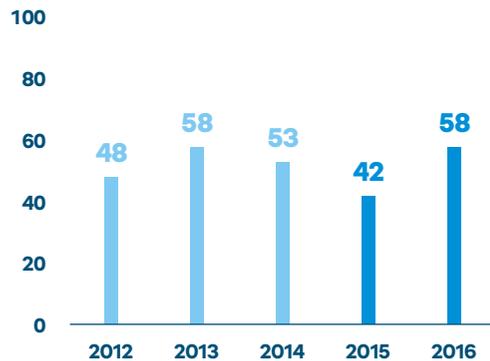
AVERAGE ABSENCE RATE OF THE COMPANY'S CORE STAFF (%)



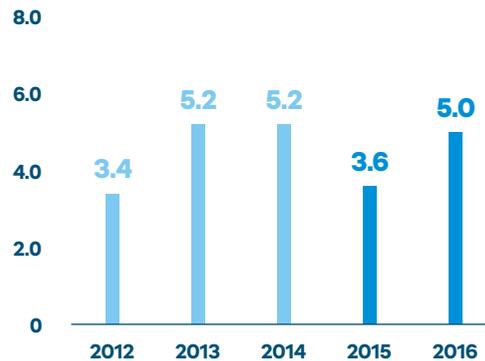
FREQUENCY OF INJURIES
(Number of accidents per million hours of work)



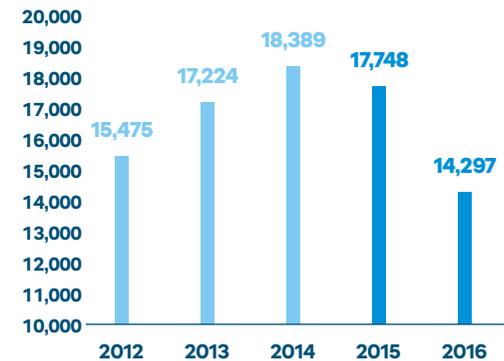
OCCUPATIONAL INJURIES
(Number of injuries)



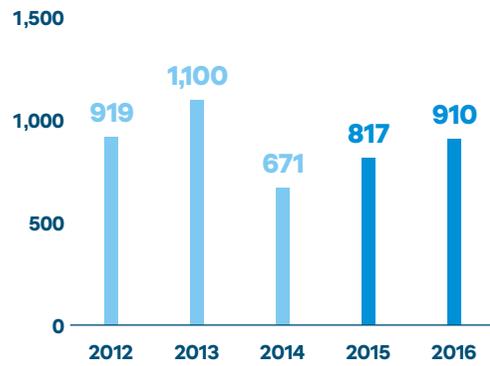
SEVERITY OF INJURIES
(Days of absence x 100,000 / number of hours at work)



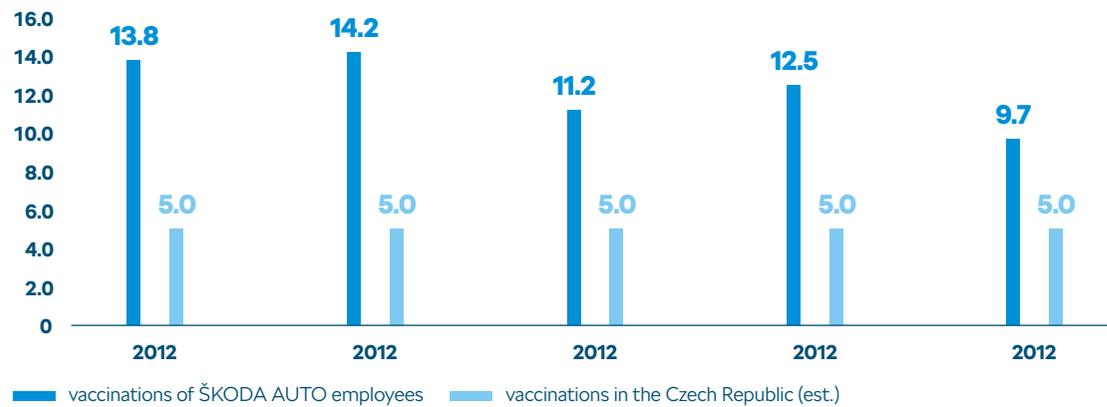
ŠKODA AUTO CHECK-UP
(Number of participants)



REHABILITATION PROGRAMMES (Number of participants)



VACCINATIONS AGAINST FLU (%)





SUPPLEMENT

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Organisation of stakeholder dialogue

ŠKODA AUTO identifies relevant stakeholder needs and requirements through ongoing personal discussions, meetings, participation in public forums, seminars and university lectures. The Company is primarily focused on maintaining contact with employees, high potentials, suppliers, investors, the media, partners, customers, politicians, state administrators, academics, NGOs and schools. We share our findings at Group level through Volkswagen Group interfaces, supporting discussion of relevant stakeholder issues from a broader perspective.

In 2016, ŠKODA AUTO launched a process of stakeholder assessment in cooperation with PricewaterhouseCoopers. After starting the process in 2016, it will be continued in 2017 by organising a stakeholder dialogue.

STAKEHOLDER DIALOGUE

Stakeholder	Topic	Form of communication	Frequency
Employees	<ul style="list-style-type: none"> employee relations working conditions remuneration and collective wage agreements vocational and professional training personal development and social commitment diversity health, ergonomics 	Collective bargaining	1x per year
		Employee representation in Supervisory Board	3x per year
		Internal meetings	ongoing
		Employee satisfaction survey	1x per year
		ŠKODA Mobil magazine	monthly
		Intranet	ongoing
		Weekly newsletter	weekly
Municipalities, community	<ul style="list-style-type: none"> development, social engagement cooperation, 	Media Meetings with local representatives	on a regular basis, as needed
Investors, shareholders, analysts	<ul style="list-style-type: none"> performance and strategies 	Reports, personal meetings	yearly
Media	<ul style="list-style-type: none"> CSR activities, comments on regulations and political processes 	Round-tables Press releases, emails	on a regular basis
Government bodies	<ul style="list-style-type: none"> various – e.g. investments, strategies and regulations, healthcare, employee safety, anti-corruption measures 	Meetings, calls, emails, committee meetings etc.	as needed
Suppliers	<ul style="list-style-type: none"> supplier and trade relations 	Communication and meetings between purchasing department and individual suppliers, eLearning, questionnaires, audits, Group ombudsman	ongoing or at the start of the partnership
Customers	<ul style="list-style-type: none"> information about products and terms of sale (to dealers and retail customers) future corporate plans and strategy sustainability 	Conferences, meetings, media – social media, print media, TV	ongoing
Schools and colleges	<ul style="list-style-type: none"> support, programmes, etc. 	Meetings, calls, emails, committee meetings etc.	as needed
NGOs	<ul style="list-style-type: none"> various projects 	Meetings, calls, emails, committee meetings, etc.	as needed
Professional organisations	<ul style="list-style-type: none"> regulatory framework, economic/ employment policy, collective bargaining 	Personal meetings, emails	as needed



ŠKODA AUTO goals

Action	Goals and actions	Status	Deadline
Strategy and Sustainability Management			
Stakeholder dialogue	Stakeholder assessment in cooperation with PricewaterhouseCoopers	First stakeholder dialogue will take place in Q2 2017	2017
Sustainability management	Expand sustainability management at ŠKODA AUTO		ongoing
Economy			
Stability and profitability	Profitability and financial strength		ongoing
Customer satisfaction	Volkswagen Group target: Satisfaction regarding product and dealership and in all core markets	New goals are part of Strategy 2025.	2025
	Improve customer satisfaction through employee training at the Service Training Centre		2018
Quality	Volkswagen Group target: Strengthen innovation and technology leadership	Investment in innovative solutions in production; Investments of EUR 378 million in R & D in 2016	ongoing
Growth and internationalization	Sales: 2 million vehicles worldwide	1,055,501 deliveries in 2015 and 1,126,477 deliveries in 2016	2025
Model offensive	Launch of a new or revised model every six months on average	New generation of the ŠKODA SUPERB in 2015 and the new SUV, the ŠKODA KODIAQ, and the revised ŠKODA OCTAVIA in 2016	ongoing
	Strategic "spearhead" focused on price/value, practicality and spaciousness		ongoing
Compliance, risk management, governance	Support networking of compliance organization and activities within the Volkswagen Group		ongoing
	Firmly embed compliance culture and improve awareness of relevant compliance values and principles in the workforce	Information supplied to specific target groups via different media.	ongoing
	Ongoing optimization of integrity checking of business partners (Business Partner Check)		ongoing
	Carry out and enhance compliance training for various target groups	Risk-based approach in classroom and online training courses	ongoing
	Volkswagen Group target: Reorganization of the Group-wide whistleblowing system	Supporting Volkswagen Group target to establish Group-wide minimum standards; start of rollout in 2017	ongoing
Supplier relations	Volkswagen Group target: Extension of eLearning Tool and questionnaire Sustainability	Supporting Volkswagen Group target	ongoing
	Volkswagen Group target: Supplier trainings regarding sustainability	Supporting Volkswagen Group target	ongoing



Action	Goals and actions	Status	Deadline
Environment and Product			
Ecologically friendly production	Through the use of innovative technology reduction of environmental impact by 50% compared to 2010 using the following key performance indicators: › Energy consumption (MWh/vehicle) › CO ₂ emissions (kg/vehicle) › waste (kg/vehicle) › water consumption (m ³ /vehicle) › air emissions, especially VOCs (kg/vehicle)	Goal for 2016: reached	2018
	Continue planting and maintaining green areas, avoid pollution through preventative measures	Ongoing project "One car one tree"	ongoing
	Replacing majority of the existing in-house vehicle fleet with trucks running on alternative fuels		2021
Environmentally friendly products	Volkswagen Group target: Cut European new car fleet CO ₂ emissions to 95 g CO ₂ /km	Supporting Volkswagen Group target	2020
	Volkswagen Group target: Every new model generation to be 10-15% more fuel-efficient than its predecessor	Supporting Volkswagen Group target	ongoing
	Five models with electric drive		2025
Ecologically friendly retail	Active consultation on ŠKODA sales organization regarding the following topics: › Ecological resource management › Ecological take-back and repairs		
Social Affairs			
Attractive employer	ŠKODA AUTO: TOP employer in the automotive sector in Central and Eastern Europe	In 2015 and 2016 ŠKODA attained leading positions in several employer rankings	2025
Qualification	Strengthen dual vocational education and training. Introduce personnel development in leadership and management to same standards worldwide		2018
	Expand employee training in light of increasing internationalisation of ŠKODA AUTO		ongoing
Health	Promote health, fitness and ergonomics: extension of the check-up and follow-up screening and training programs	On average over 16,000 check-ups were carried out in 2015 and 2016	ongoing
	Continuous improvement of preventive health measures and training provision	Introducing an IT platform, ŠKOFIT, with access for employees and their family members	2018
	Reduce number of working days lost due to illness, especially among older employees	Support older people through project of ergo-diagnostics.	2018
Occupational safety	Improve Group occupational safety management system at all production locations		ongoing
Diversity and equal opportunities	Improve work-life balance, especially for women in management positions		ongoing



Action	Goals and actions	Status	Deadline
Diversity and equal opportunities	Increase the proportion of women at all levels of management by 0.7% p.a.	achieved	2016
	Company regulation on mobile work for all employee groups	implemented	2016
Social responsibility	ŠKODA CSR strategy in line with VW Guidelines	implemented	ongoing
	Development of the main Czech production regions Mladá Boleslav, Kvasiny and Vrchlabí. Focus on infrastructure, environment and CSR priorities	Intensifying cooperation with respective municipalities and other stakeholders based on mutual understanding	ongoing
	Foster volunteering by VW Group employees	The pilot project in volunteering under ŠKODA brand in 2016 - participation in the international „Engage days initiative“ under the Business for society association, involving over 40 employees. Goals for 2017: Involving more employees in several volunteering events throughout the year. Starting database of employees who are willing to volunteer as well as to motivate more of them to take part in similar initiatives.	ongoing
	Volkswagen Group target: Introduce Group-wide analysis of the effectiveness of CSR projects and incorporate into sustainability management system (2015)	Introducing of ŠKODA specific criteria for the analysis of CSR projects, setting KPIs - media value and CSR net score set as the KPIs for CSR projects.	ongoing
	Volkswagen Group target: Introduce guidelines for developing and carrying out CSR projects at Group, brand and company level	Informing and introducing the main goals of those guidelines.	ongoing



GRI CONTENT INDEX

The present sustainability report follows the fourth edition (G4) of the reporting guidelines of the Global Reporting Initiative (GRI) in line with the "Core" option. The guidelines require information on standard disclosures as well as management approaches and specific indicators in economic, environmental and social categories.

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G4-13	Changes of the reporting organisation or its supply chains	3
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G4-15	Externally charters, principles, or other initiatives	20-21
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G4-20	Material Aspects within the organisation	3, 10

Indicator	Description	Reference
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G4-EC4	Financial assistance received from government	26
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G4-DMA	Management approach for market presence	8, 14-16
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Indicator	Description	Reference
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G4-DMA	Management approach emissions	28-31, 33
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G4-DMA	Management approach overall (environmental expenditures)	28-30
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G4-DMA	Management approach occupational health and safety	55-58
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G4-DMA	Management approach to protect indigenous rights	Not relevant for ŠKODA AUTO's operation sites

Indicator	Description	Reference
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Indicator	Description	Reference
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G4-PR9	Significant fines concerning the provision and use of product and services	24; Fines, Sanctions and litigations are listed in the annual report if significant, VW AR 2016

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