Act4Impact | Playbook

Welcome to the Act4Impact Playbook for suppliers

Act4Impact is an initiative, one that seeks to unite suppliers to make an economic, ecological and social difference. Together, we aim to form a network driven by impact agents who will co-create solutions and enact positive change throughout the supply chain for a more sustainable future.

As supply chains are essential for achieving a more sustainable economy, working closely together makes all the difference. This is why we launched Act4Impact. The program unites suppliers to make an economic, ecological and social difference. By collaborating with more than 12,400 direct business partners around the globe, we want to develop solutions for our shared challenges. Our aim is to achieve positive change for a more sustainable future.

The Act4Impact Playbook is a key aspect of this. It focuses on the three most important pillars of our sustainability efforts in the supply chain: **Environment, People** and **Innovation**. Each of these core topics is dealt with in a separate module, providing you with background knowledge, guidance and examples of what we ourselves are doing to help you to make your work practices more sustainable.

Over the next pages, we will start by summarizing various **statutory requirements** as well as the basic expectations arising from our Code of Conduct for Business Partners and the Sustainability Rating process.

Use the Act4Impact Playbook as a source of inspiration, a basis for discussion and guidance – together let's build a robust and more sustainable supply chain. Together let us act as impact agents and make a real difference.

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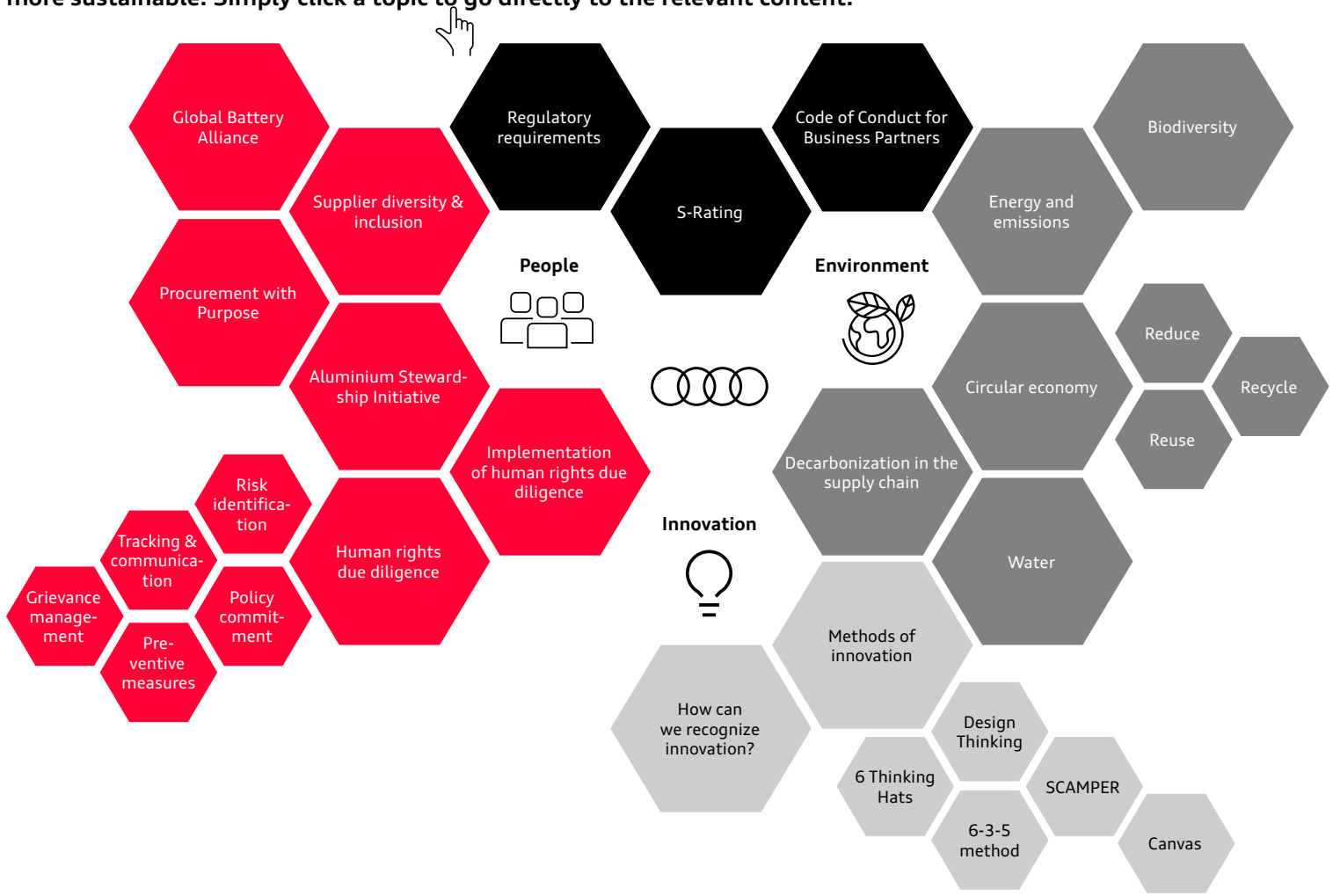
Act4Impact thematic map

Use the Act4Impact thematic map to guide you through the playbook. Starting with the topics of Environment, People and Innovation, learn more in the relevant subsections about how we can work together to make supply chains more sustainable. Simply click a topic to go directly to the relevant content.



Regulatory requirements

The regulations issued by legislative bodies in the context of responsible supply chains are becoming ever stricter as they strive to ensure sustainability and ethical business practices.
You will find a selection of such regulatory requirements below.

European Forced Labour Regulation (EU FLR)
EU FLR is an EU regulation prohibiting products made with forced labor from being sold, imported or exported in the EU.

Corporate Sustainability Due Diligence Directive (CSDDD)
As part of the EU Green Deal, the CSDDD aims to strengthen integration of human rights and environmental issues in business operation and management.

German Supply Chain Due Diligence Act (LkSG)
This German act obliges companies to comply with human rights and environmental standards.

EU Deforestation Regulation (EUDR)
EUDR defines binding rules EU-wide aimed at ensuring deforestation-free supply chains. Upon entry into force, products linked to deforestation and forest degradation may no longer be placed or made available on the European single market.

Corporate Sustainability Reporting Directive (CSRD)
The CSRD regulates the disclosure of non-financial ESG data, with the intention of improving comparability and quality. Its aim is to bring the level of non-financial reporting in the long term into line with that of financial reporting.

End-of-Life Vehicles Regulation (ELV)
The law is intended to ensure environmentally sound disposal and recycling of end-of-life vehicles.

European Battery Regulation (EU BR)
The regulation aims to minimize the environmental impact of batteries and to promote a circular economy. In addition, EU BR regulates requirements for corporate due diligence.

The Code of Conduct for Business Partners

In the Code of Conduct for Business Partners, we define binding expectations and requirements on the part of Audi – as part of the Volkswagen Group – for its partner companies.
The Code of Conduct for Business Partners applies along the entire value chain.

Specifically, the code of conduct contains the following points:

- Goals and area of application
- Basic sustainability requirements
- Sustainability requirements in environmental protection
- Sustainability requirements in the area of human rights and employee rights under labor law
- Sustainability requirements for corporate ethics
- Sustainability requirements for responsible supply chains
- Review of compliance with sustainability requirements by the Volkswagen Group
- Reporting misconduct

We have established a multi-stage process to contractually oblige suppliers to comply with the expectations formulated in the Code of Conduct for Business Partners and ensure their implementation along their supply chain. Before placing an order, our partner companies have to confirm that they accept the sustainability requirements of the Code of Conduct.

We take well-founded indications of breaches of these requirements very seriously. Are you aware of any breaches of the Code of Conduct by our partner companies or have you been directly impacted by any breaches? Please contact us at: **whistleblower-office@audi.de**. You can find further contact options **here**.

Where to start:

- ☐ Has your company already drawn up a Code of Conduct for Business Partners or a similar corporate declaration on sustainability standards in the supply chain and is it being implemented?
- ☐ Are you familiar with the training formats for the Code of Conduct for Business Partners, the S-Rating webinars or training courses for creating policies, or have you already completed such training?
- ☐ Have you taken measures to strengthen communication in your company in relation to sustainability standards in the supply chain? For example, by sharing codes of conduct such as the Code of Conduct for Business Partners with your partner companies or subcontractors?
- ☐ Is your Code of Conduct for Business Partners included as a contractual component, for example, in the General Terms and Conditions of Business?
- ☐ Which processes does your company have in place to check whether your suppliers meet the sustainability requirements from your Code of Conduct for Business Partners (e.g., audits, questionnaires on sustainability assessment, etc.)?

Related links www

Click here for **training opportunities**.

Here you can download the **Code of Conduct for Business Partners**.

Sustainability Rating

We will only consider working together with a supplier if they can demonstrate strong performance in the area of sustainability. Audi uses the Sustainability Rating (S-Rating) as proof of sustainability performance. With the S-Rating, you help us to create transparency in relation to sustainability performance at your location. The basis for issuing the S-Rating is provided by the self-assessment questionnaire, or SAQ. An on-site audit can be carried out additionally in some cases.

Five binding policy documents for all suppliers (with a workforce of more than 9 employees)

- Code of Conduct
- Working conditions and human rights
- Occupational health and safety
- Corporate ethics
- Environment

\+ An internationally recognized environmental management system is mandatory for production sites with a workforce of more than 100 employees.

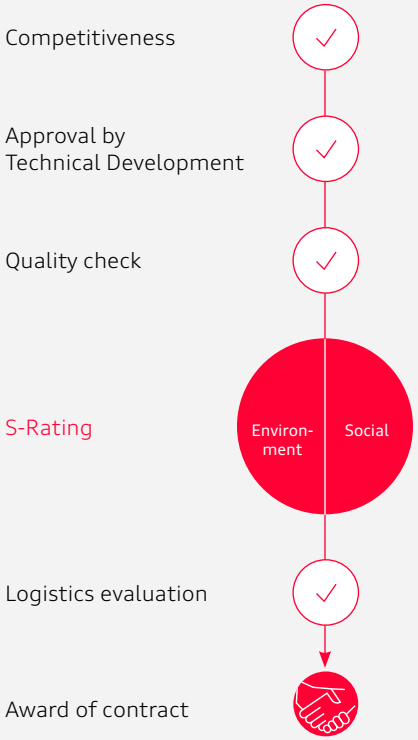
Self-assessment questionnaire (SAQ)

Your company location will be assessed using a standardized questionnaire for the automotive industry, which you have to fill out online. This self-assessment questionnaire, also known as the SAQ, determines - under the consideration of other factors - the result of your S-Rating, i.e., whether you can be awarded contracts or not. Regardless of the outcome, the SAQ can help you identify deficits and actively address them. For this purpose, the SAQ offers you specific suggestions for improvements to enhance your assessment. We recommend that you implement the suggestions for improvements and work constantly toward gaining your S-Rating. In addition, a risk-based on-site audit can be carried out for your site.

On-site audit

An on-site audit is generally commissioned by us as an additional auditing instrument if our partner NQC Ltd. identifies inconsistencies or major gaps or omissions when reviewing your SAQ. However, an on-site audit can also take place independently of the self-assessment questionnaire. Should deviations be discovered during the review, these will be transparently communicated and documented. We expect all deviations to be remedied on the basis of a suitable action plan within a strictly defined period.

The S-Rating gives sustainability equal status with other important criteria in the awarding process.



Related links www

For further information and training opportunities, please visit our S-Rating Hub here: **www.s-rating.audi** or contact us at **s-rating@audi.de**.

“Environment” module

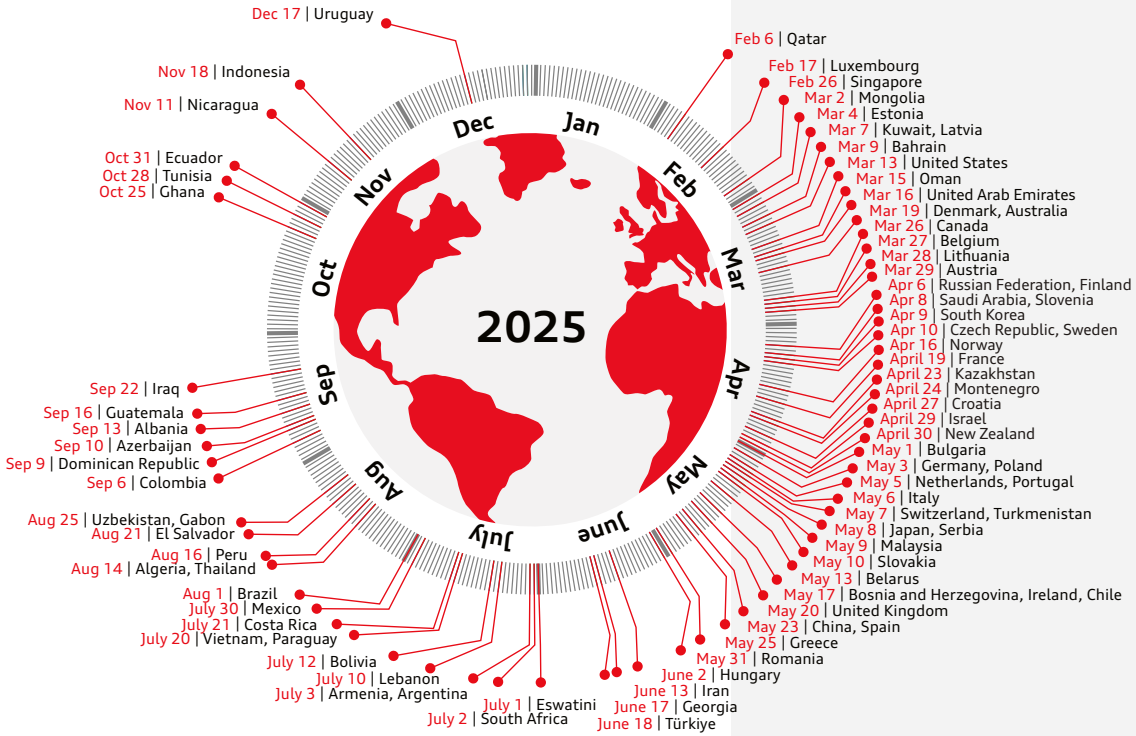
Introduction

Environmental protection is a central pillar of our responsible supply chain strategy at Audi.

The ever-advancing **Earth Overshoot Day** clearly shows that humanity is using more resources than what can be naturally recovered each year. Such activities are demonstrably threatening the resilience and stability of natural systems. One attempt to quantify the limits of **humanity's load on our planet** is the concept of **planetary boundaries** by scientists of the Stockholm Resilience Center under the leadership of Johan Rockström. These boundaries are already being significantly exceeded by humans in areas such as **climate change**, **fresh water use** and **biodiversity**.

Environmental sustainability is therefore the generational issue of our time. Together with our business partners, we need to step up and play our part here.

In this playbook module, we want to provide you with useful background knowledge. We outline principles and practices that will allow us all to promote responsible supply chains, circular economy approaches and environmental protection measures.



Earth Overshoot Day by country 2025
Source: Earth Overshoot Day, Country Overshoot Days 2025

Together with our suppliers, we want to continuously improve processes, products, services and business models, define ambitious goals and monitor relevant environmental performance indicators.
This approach is also laid down in our Volkswagen Code of Conduct for Business Partners. In addition to relevant national and international laws, we oblige our business partners to fulfill the requirements set out in our Code of Conduct.

Related links www

Further information can be found on audi.com: **Code of Conduct for Business Partners**

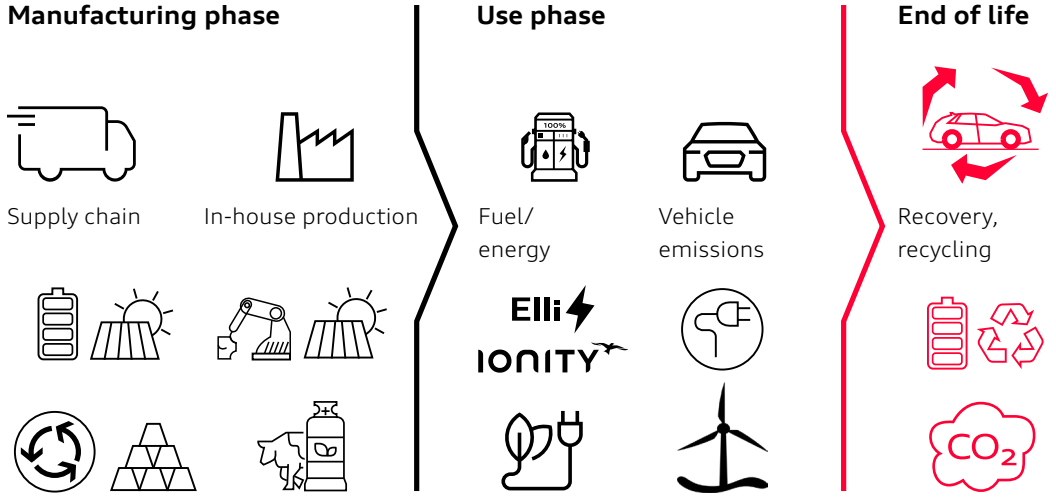
Energy and emissions

Greenhouse gas emissions are directly related to energy and how it is generated. The switch from fossil-powered to renewable energy sources is an important step toward a more sustainable society.

At the same time, companies need to reduce their emissions. A proven approach consists of the following four steps:

1. Calculate carbon footprint
2. Create a hotspot analysis of the main emission drivers
3. Set science-based targets
4. Develop decarbonization measures

Calculate carbon footprint
Companies must be in a position to calculate the carbon footprint of their activities and products and then apply the correct levers. This is best done via known tools and databases such as GaBi, Ecovadis or Umberto. International ISO standards provide further guidance.



Methods: Audi's carbon footprint

As part of the Volkswagen Group, we publish our carbon footprint, in other words our environmental balance or our **Life Cycle Assessment (LCA)**. We use an ISO-standardized method for LCAs to analyze the environmental impact of our products throughout their entire life cycle.

An LCA considers all environmental impact categories, such as carbon emissions or the potential to promote the growth of aquatic plants such as algae in water (**eutrophication potential**). Converted into CO_2 equivalents,[1] this results in a unit of measurement that makes the effect of all greenhouse gases on the climate comparable.

In general, an LCA analysis at the Volkswagen Group considers three phases – manufacturing, use and recycling – and considers all emissions throughout its vehicles' entire life cycle. In addition to **ISO 14040** (greenhouse gas balance) and **ISO 14044** (LCA), we also consider **ISO 14064** and **ISO 14067**, which explicitly regulate the way the carbon footprint is calculated.

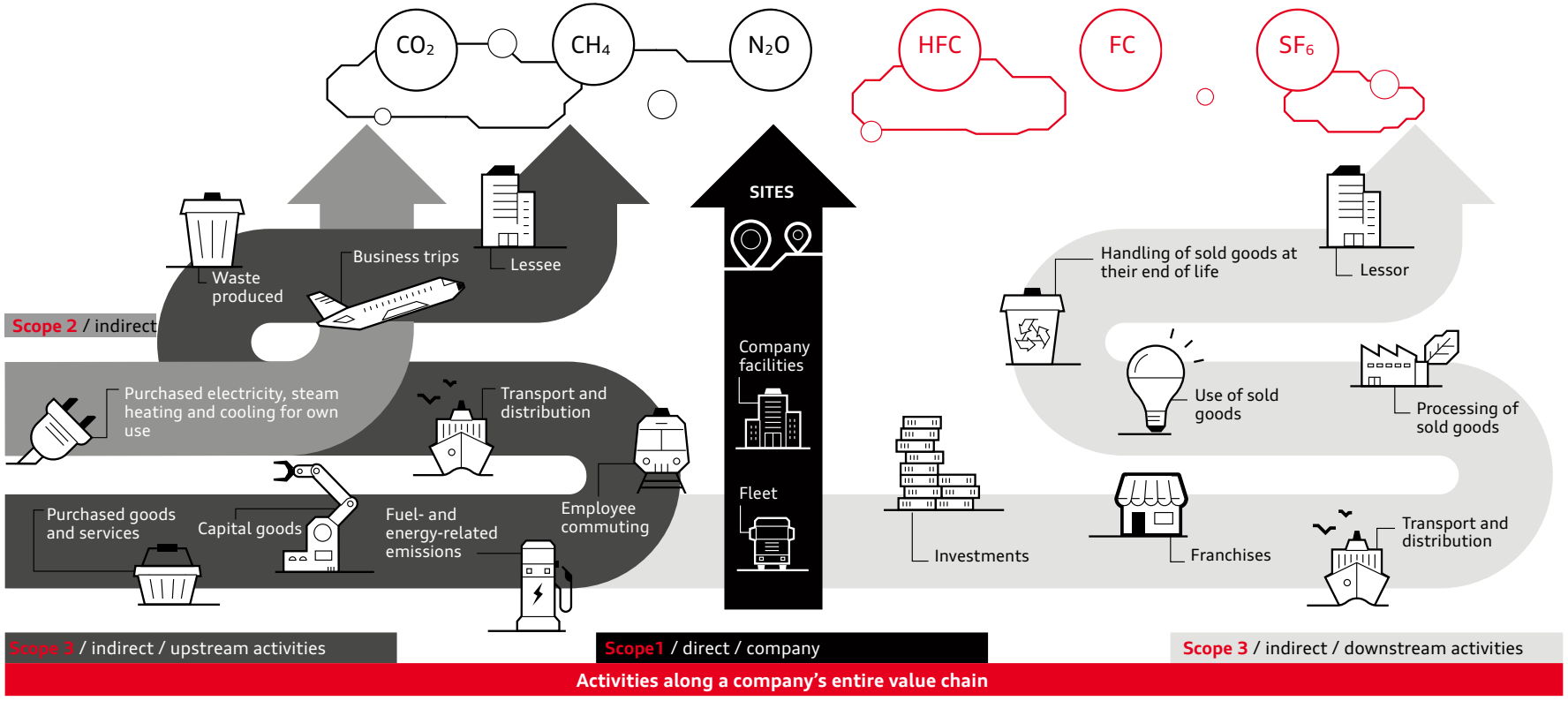
To consistently promote the decarbonization path, Audi launched the "Audi CO_2 Program" for the supply chain in 2018. As part of the initiative, we joined forces with suppliers to identify emission hotspots in Audi products such as battery materials, aluminum and steel.

[1] CO_2 equivalents are a unit of measurement used to standardize the climate impact of various greenhouse gases. Greenhouse gas emissions are converted into CO_2 equivalents and summarized.

Perform a hotspot analysis to identify levers

We recommend performing a hotspot analysis, since – as shown – greenhouse gas emissions can be calculated. This will allow you to identify where most emissions occur and originate. That said, emissions occur not only directly in the company, i.e., within its own production facilities (Scope 1[1]), or indirectly through the use of purchased energy sources (Scope 2[2]), but also in the upstream and downstream supply chain as well as in the use phase and the end-of-life or recycling phase of a product. These emissions are also called Scope 3 emissions[3] and, in most companies, they represent the most significant share of emissions.

Emissions sources at Audi



[1] Scope1: Direct CO_2 emissions. This figure is made up of CO_2 emissions generated by the use of fuel at the plant, and CO_2 emissions produced by the operation of test rigs. These emissions account for a significant portion of Scope 1 according to the GHG Protocol.

[2] Scope 2: Indirect CO_2 emissions. This figure comprises the CO_2 emissions generated during the production of purchased energy (electricity, heating, cooling). These emissions account for a significant portion of Scope 2 according to the GHG Protocol.

[3] A distinction is made in Scope 3 between upstream and downstream activities. Upstream activities relate, for example, to emissions generated on the supplier side (from manufacturing the product from raw materials up to the point of delivery to Audi, so-called cradle-to-gate). Business trips and waste produced are also included in this scope category. Downstream activities include, for example, emissions from transporting products sold and those generated by the end customer in the use phase of sold goods.

Example: Audi climate goals

Setting ambitious, science-based targets

Once a company knows its carbon footprint and emission distribution, it is important to set clear, **science-based targets** for the reduction of all emission types (Scope 1 – 3). This can include renewable energy objectives alongside measures that drive forward decarbonization along the entire value chain.

Since 2015
Commitment to the Paris Climate Agreement (SBTI)

By 2050
Our goal is to achieve net carbon neutrality throughout the company.[1]

[1] Audi regards net carbon neutrality as a state in which, following the exhaustion of other possible measures aimed at reducing the still remaining CO_2 emissions caused by the products or activities of Audi and/or currently unavoidable CO_2 emissions within the scope of the supply chain, manufacturing and recycling of Audi vehicles, at least quantitative compensation is provided through voluntary and globally conducted compensation projects. Throughout the utilization phase of a vehicle, meaning from when a vehicle is delivered to a customer, CO_2 emissions produced are not taken into account.

Reducing CO_2 emissions is at the heart of any sustainability strategy.
Have you already set appropriate measures in motion?
The **Act4Impact training program** also provides support for reducing CO_2 emissions in the supply chain.

Decarbonization in the supply chain

Definition of decarbonization measures – internally within the company and along the supply chain

Once targets are set, the next step is to develop the most effective measures possible. Such measures can include increasing renewable energy usage (electrical and thermal), and the proportion of recycled materials, as well as closing resource cycles in the supply chain. They should not only impact the company itself, but should include Scope 3 emissions along the upstream and downstream value chain.

Development of decarbonization measures at Audi

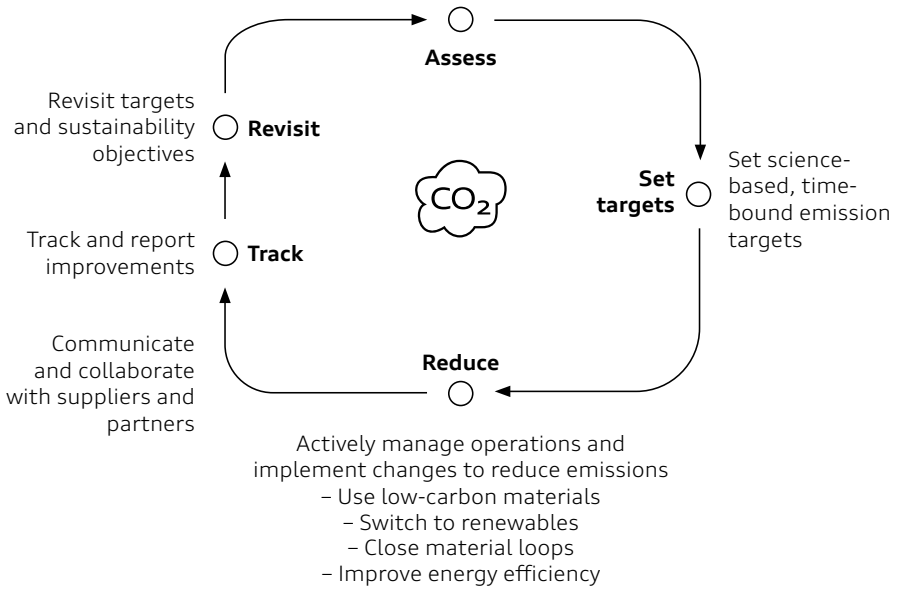
In close collaboration with our direct suppliers, we developed a comprehensive package of measures aimed at decarbonizing our product supply chains and manufacturing processes. These measures are an integral part of the sustainability efforts of AUDI AG as a whole. We will describe some practical examples on the next pages. We use the decarbonization index (DCI) to measure our progress and the effectiveness of the measures.

The table below shows what possible measures might look like.

Hotspot	CO_2-reduction measures (examples)
Aluminum	Aluminum Closed Loop
	Increasing use of secondary material (e.g., alloy wheels)
	Sourcing of “low-carbon” primary material
Steel	Steel production using hydrogen
	Increasing use of secondary material
Battery	Renewable energy for cell production
	Use of recycled materials
Plastics	Use of recycled materials and renewable sources
	Recycling of automotive plastics

An approach to how to reduce emissions

Find your emission hotspots



Closing of resource cycles

Use of renewable energies

Increased proportion of recycled materials

The decarbonization index (DCI) is a tool used in the Volkswagen Group and within the Audi brand to measure the amount of CO_2 and CO_2 equivalents emitted by Audi vehicle models over their entire life cycle. This allows us to better understand and control the impact our products have on the environment. The DCI states CO_2 emissions in metric tons per vehicle and includes all steps from the extraction of raw materials to vehicle recycling. Within the scope of the DCI, we consider both the direct and indirect CO_2 emissions of the individual production sites (Scope 1 and 2) and the emissions created during the useful life of a vehicle and at the end of its life cycle (supply chain, production, logistics, usage, recycling) (Scope 3).[1]

[1] A definition of Scope 1–3 emissions can be found in the description of the hotspot analysis on page 10.

Related links www

Audi.com: **Decarbonization**

In practice: decarbonization of the supply chain

Aluminum Closed Loop

To use less primary aluminum in manufacturing in the future, Audi launched the Aluminum Closed Loop. Any excess aluminum offcuts from the press shop are returned to the producer, where they are recycled. The recovered aluminum is fed back into the material cycle and used again in the press shop in the production process. This process reduces the energy requirement by 95 percent compared with the production of primary aluminum.

RS e-tron GT: using CO_2-reduced aluminum

A further example of the sustainable approach being adopted by Audi is the use of CO_2-reduced aluminum for the 20-inch wheel rims on the Audi RS e-tron GT. As part of a pilot project, Audi is sourcing these rims from a manufacturer that uses an innovative melting process. In this process, oxygen is released instead of carbon dioxide, which compared with traditional methods leads to no direct CO_2 emissions.

In 2023 alone, the Aluminum Closed Loop process as well as other measures (for example, the use of CO_2-reduced materials and the use of green electricity in the production of high-voltage battery cells) helped us to achieve net savings in the supply chain of more than 450,000 metric tons of CO_2.

Where to start?

- ☐ Is your company prepared for a new decision-making process that takes account of decarbonization issues?
- ☐ Is capacity and knowledge established for conducting an LCA analysis?
- ☐ Have all emission hotspots been identified and mitigation measures defined?
- ☐ Do emissions targets apply to all emissions? (Scope1–3)? Are they science-based, time-bound and defined at a company/ product level?
- ☐ Has your company already introduced active supply chain management?
- ☐ Have you implemented and communicated your decarbonization roadmap? Is tracking of the decarbonization roadmap in place?

Related links www

Audi.com (2021): **Aluminum Closed Loop**

Circular economy – an overview

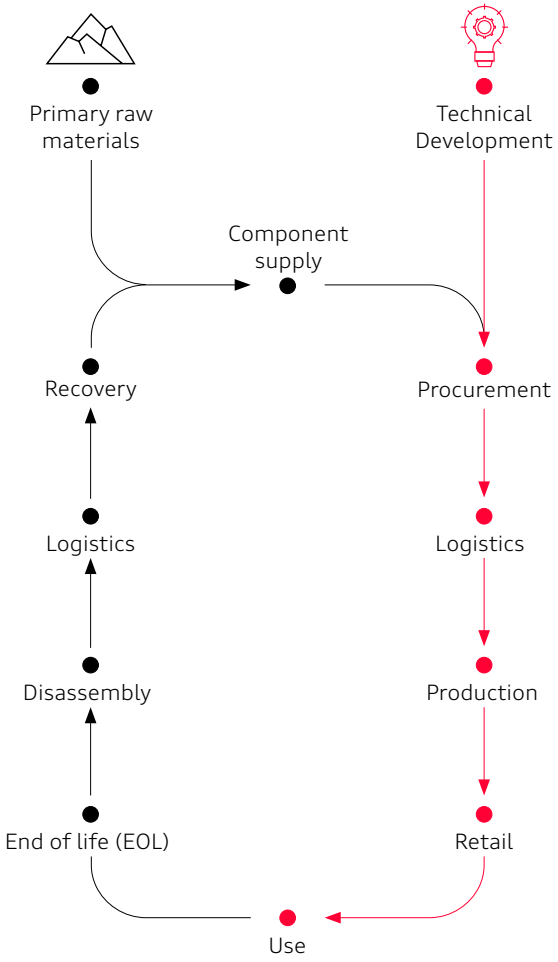
The responsible use of raw materials is of central importance for Audi. With this in mind, we focus on the principles of the circular economy and have set ourselves the goal of developing and manufacturing vehicles in a more resource-efficient and recycling-friendly manner. At the same time, vehicles should be used for as long as possible and optimally recycled at the end of their life.

Circular automotive industry (simplified)
This diagram shows the perspective of a circular automotive industry through a breakdown of the complete life cycle of an Audi vehicle: from the development process, through the circulation phase and the entire supply chain all the way to the end-of-life recycling process.

The following pages describe changing linear business practices and products to more circular approaches. Our examples show how Audi implements intelligent cycles.

Initial solutions have already reached product maturity. **In this respect, we carried out numerous projects in which we tested post-consumer material cycles.** In other words, we use materials that were remanufactured following use by end consumers. Among the materials already tested are steel, aluminum, plastic, glass and batteries. We use findings from these projects to increasingly establish the use of secondary materials in new vehicle generations.

Together with our partner companies, we want to continue learning and establish how the three levers of the circular economy (Reduce, Reuse and Recycle) can optimally and comprehensively save energy, natural and financial resources.

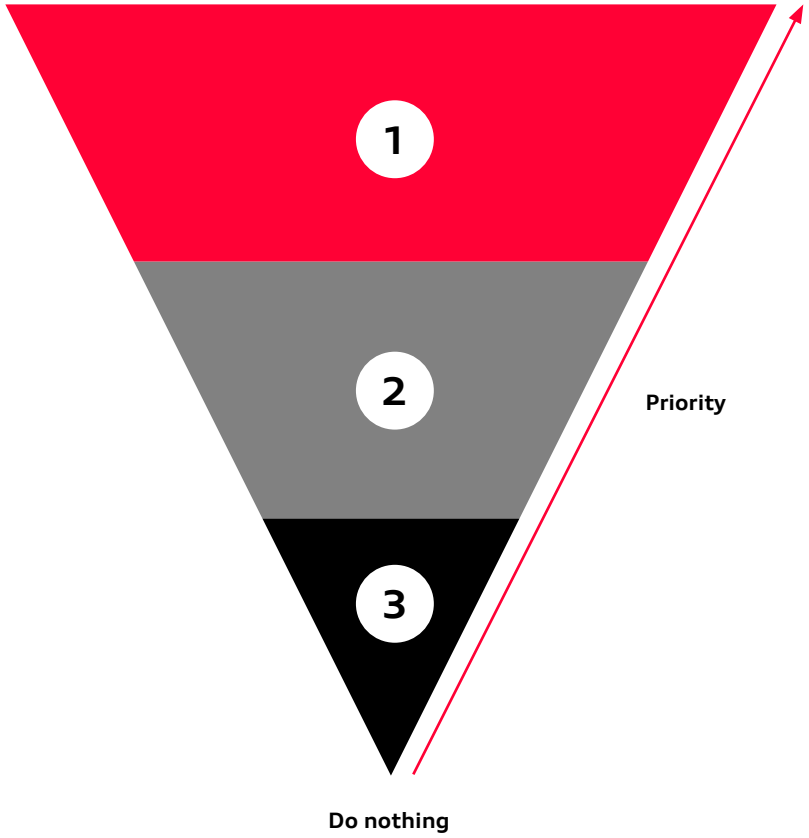


Circular economy in the automotive industry (simplified)

1 Reduce:
This principle involves measures during both the production process and the downstream utilization phase. Important aspects include the efficient use of materials and the extension of the product life cycle, for example, by repairing vehicles.

2 Reuse:
The principle of reuse can be subdivided into four approaches: remanufacturing, repair, used parts, second life. The main priority here is multiple use, for example by repairing defective parts, reusing remanufactured parts or repurposing intact vehicle components in non-automotive products.

3 Recycle:
When it comes to recycling, the motto is: reuse as many materials as possible, including from end-of-life vehicles, in the form of high-quality secondary materials.

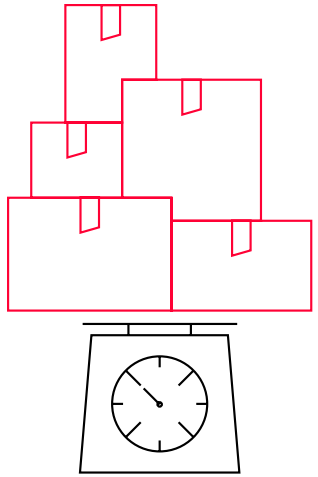


Reduce

It is crucial that we design products and processes that consume less material. In addition, extending the life cycle is essential for reducing material requirements. How can this be achieved in a workable and innovative way?

In the framework of the “Audi reloaded” project, Audi pursues the goal of extending the useful life of its vehicles through remanufacturing and upgrades. This involves thoroughly checking and reconditioning used vehicles, replacing wear parts and providing a 36-month manufacturer warranty for the vehicle. In addition, customers can have optional equipment retrofitted to adapt the vehicles precisely to suit individual needs.

Audi is also working in logistics to optimize packaging. Wherever possible, packaging is eliminated completely. If packaging material has to be used, we give preference to the use of recyclable and/or renewable resources.



The goal is to increase the percentage of recyclable packaging for new vehicle projects to more than 90 percent from 2030.

Where to start:

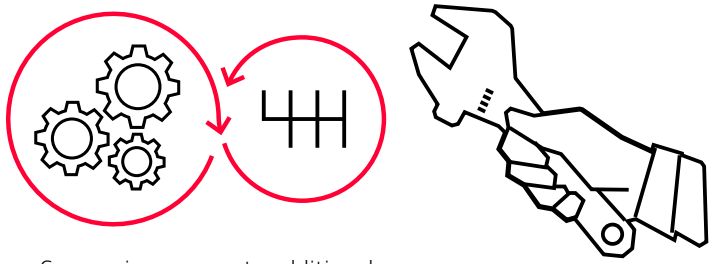
- ☐ Has capacity building and awareness-raising taken place for relevant personnel?
- ☐ Has your company defined clear goals for reduction throughout the whole production and sourcing process?
- ☐ Have defined waste reduction programs been developed?
- ☐ Is there an agreed process for reporting progress?

Reuse
Reuse is another fundamental part of the circular economy. Repairing before replacing and recycling is an effective lever, for example, as it may save resources and extend the life of the equipment.

Example: remanufacturing of used parts
Remanufacturing involves the industrial overhaul of used parts to produce original high-quality products. This type of reuse approach can substantially reduce the demand for new raw materials in production and even provide commercial benefits. Audi operates the reuse pillar both internally and together with external partners.

The Audi Exchange 2.0 project demonstrates the high priority of remanufacturing used parts for Audi. Because the remanufactured parts are resold through the spare parts business, the project generates significant added value, not just environmentally but also economically.

Example: used parts
When repairing a vehicle involved in an accident, it is often no longer economically viable to replace all defective parts with new parts. However, a repair may make economic sense again if less expensive used parts can be used. This is why we developed the “Audi Genuine Used Parts” portfolio. Since 2024, it has been rolled out gradually in EU markets – either online or via the Audi Service Partners. Thanks to Genuine Used Parts, vehicles that would otherwise be treated as a write-off can continue to be used. The replacement part portfolio includes lights, body parts such as fenders and doors, but also complete engines and transmissions.



Companies can create additional revenues through post-sales repair services

Where to start:

- ☐ Have you considered all opportunities for product repair within the manufacturing and sourcing process?
- ☐ Has your company defined and agreed on clear KPIs for product repair?
- ☐ Is there a mechanism for feedback on repairs from customers?
- ☐ Has a repair-before-repurchase culture been instilled in the organization?
- ☐ Is there awareness of proper use and maintenance among users?
- ☐ Is the full life cycle considered when making equipment purchases?

Related links www

Audi.com: **Replace 2.0: implementing a circular economy in distribution**

Recycle

When the option to reduce or reuse is not available, recycling can be used to repurpose secondary raw materials and therefore decrease our impact on the environment. Recycling and recyclability play an essential role in the circular economy. They are a focal point for Audi Procurement and therefore for collaboration with our suppliers.

Together with partner companies from the supply chain, we want to use secondary materials wherever technically possible, environmentally meaningful and economically feasible. We focus in this context on the material flows steel, aluminum, plastic, glass and batteries.

Recycling can help to reduce CO_2 emissions and positively impact raw material requirements and water consumption. Advanced recycling technologies can help recovery of materials previously thought to be non-recyclable.

Closed loops for steel and glass

The steel required for the exterior roof parts in the production of the Audi Q6 e-tron is also partly produced using post-consumer scrap steel from end-of-life vehicles. The material gives an insight into future vehicle generations.

Furthermore, in collaboration with partner companies as part of the GlassLoop project, Audi successfully established a material loop for car windows in series production. Since September 2023, we use automotive glass with a recycled content of up to 30 percent in the production of windshields for the Audi Q4 e-tron, which is recovered from car windows that can no longer be repaired. The recycled glass comes from the Volkswagen Group dealership network among other sources.

Support, essential requirements and process steps for using recyclates are available via the **Act4Impact training scheme.**

Where to start:

- ☐ Has design for recycling been established within the development process?
- ☐ Have material selection and sourcing decisions been reconsidered with a view to recycling requirements?
- ☐ Have potential upcycling options been investigated?
- ☐ Has investment been made in recycling technologies? Has a full audit of recyclable and nonrecyclable raw materials used in production been carried out?
- ☐ Have alternative recyclable materials been considered for non-recyclable materials?
- ☐ Have short- and long-term recycling targets been defined and approved?

Related links www

Ellen MacArthur Foundation: **It's time for a circular economy**

United Nations Industrial Development Organization (2020): **Circular economy**

Audi.com: **New panes from recycled car windows for the Audi Q4 e-tron**

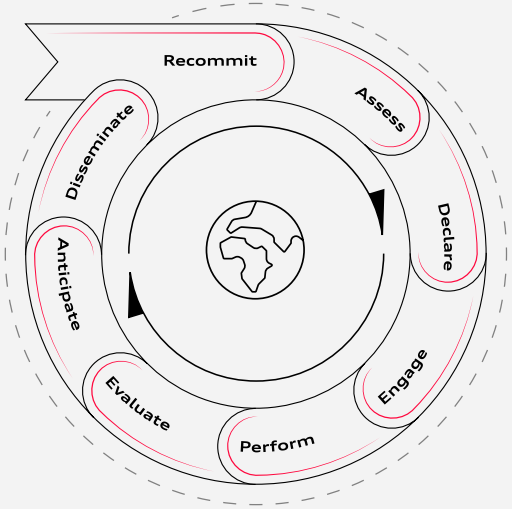
Environmental stewardship

Sustainable corporate governance with minimal negative environmental impact requires strict topic- and site-specific environmental stewardship.

International standards such as ISO 14001 or ISO 50001, the **Eco-Management and Audit Scheme (EMAS) of the European Union** or the **four pillars of the United Nations Global Compact** provide guidance for companies on establishing such a management system.

In this section, we look at which approaches, processes and measures can be implemented to achieve effective environmental stewardship – and therefore a more sustainable supply chain – based on the topics of **water** and **biodiversity**.

Continuous improvement wheel according to UN Global Compact



Source: UN Global Compact: Environmental Stewardship Strategy 2010

The wheel identifies steps that leaders can take to implement an environmental stewardship strategy.

Biodiversity

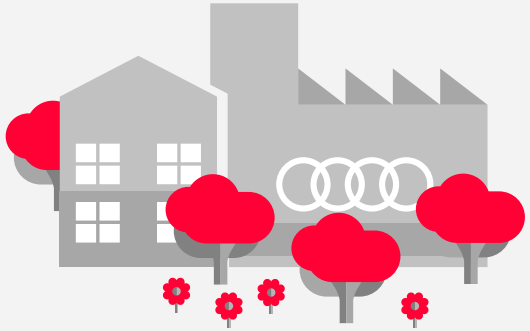
The term biodiversity describes the diversity of life. It includes the diversity of species and ecosystems as well as genetic material. This is of fundamental importance for the functioning and resilience of ecosystems.

Our lives and businesses are in turn dependent on intact ecosystems – both in terms of the availability of resources, such as food, fresh water and clean air, as well as for protection against illnesses or mitigation of extreme weather events. The loss of biological diversity therefore represents a serious threat.

Protecting or restoring biodiversity is therefore one of the most pressing and complex problems of our time. Among the primary drivers of biodiversity loss are land use changes (e.g., deforestation), overuse of resources, such as fresh water, and pollution (air, ground, water).

Companies find themselves in a special position in this context: They are reliant on biodiversity, but often themselves cause increased pressure on ecosystems through their business activities along the value chain. The urgency to act here is also reflected in increasing regulatory requirements, such as at European level through the passing of the Corporate Sustainability Due Diligence Directive (CSDDD), which obliges companies to avoid negatively impacting biological diversity.

For these reasons, we want to resolutely tackle conservation of biodiversity together with our partners. If companies use natural **resources responsibly**, **reduce greenhouse gas emissions** and **avoid waste and pollution wherever possible**, they can make a real difference here. Whether in terms of their own strategic alignment or specific biodiversity measures at sites.



The basic functions of ecosystems from which we as a society benefit are referred to as ecosystem services. They could not be more important in terms of society as a whole, and yet are an underestimated economic factor. According to the **World Economic Forum**, roughly 50 percent of global gross domestic product (GDP) is dependent on nature and ecosystem services – and thus exposed to the risks of biodiversity loss.

Related links www

Audi.com (2022): **AUDI AG Progress Report on the Leadership Commitment of the "Biodiversity in Good Company" Initiative**

Development of a biodiversity strategy

These questions can help companies to make biodiversity an integral part of their corporate focus:

- Have you thoroughly analyzed the impact of company activity on biological diversity?
- Are there particular biodiversity risks at your sites or in their surroundings? Is your company active in areas that are especially valuable and/or at risk in terms of biological diversity?
- Has the protection of biological diversity been included in your company's environmental management system?
- Are especially valuable or at-risk areas and locations prioritized accordingly?
- Has your company established a function that is responsible for steering biodiversity measures and reporting to the leadership team?

Frameworks for international initiatives can provide guidance when developing a biodiversity strategy. For example, the **Science-Based Targets Network** provides specific guidelines for companies, including the **"Corporate Manual for setting science-based targets for nature."** This manual provides support for:

- Assessing and prioritizing biodiversity risks
- Setting science-based targets and
- Defining and implementing effective measures (act, track)

Companies are equipped in this way to examine the different impacts of their business activities on biodiversity and ecosystems, including from the perspective of land use, pollution, water usage and greenhouse gas emissions.

Related links www

Biodiversity in Good Company: **Without biological diversity, no economic diversity**

Science Based Targets: **Ambitious Corporate Climate Action**

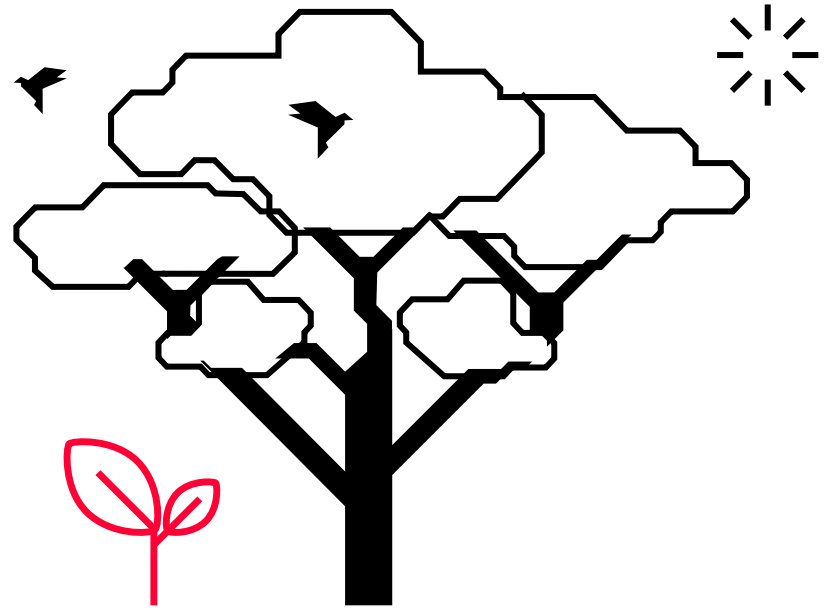
WWF: **WWF Risk Filter Suite**

In practice: protecting biodiversity locally
Companies can use targeted biodiversity measures to encourage biological diversity at their factory sites or in the vicinity of their subsidiaries. Protection concepts for selected indicator types, lists of endangered plants and regular monitoring by external species experts can help to preserve species diversity and document progress.

At Audi, for example, we have selected the following approaches:

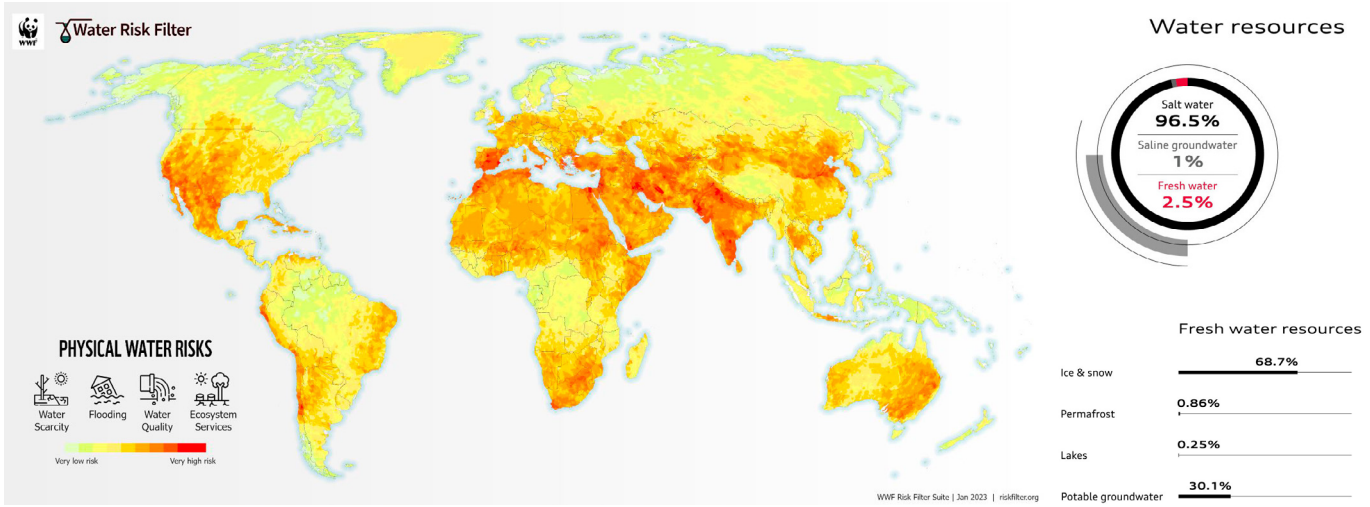
Reforestation and research with partner companies
Audi México launched a large-scale reforestation project in Santa Cruz del Bosque in cooperation with the city of Nopalucan. The aim is to plant 42,900 trees on 39 hectares and therefore regenerate a forest damaged by bark beetles. This ecosystem is important for local biodiversity and ecological balance, improves air quality and provides a recreation area for the local population. In addition, Audi is committed to protecting the local fauna: An inventory taken in collaboration with the University of Veracruz records the current state of biodiversity to enable protection measures to be developed on this basis.

Audi China: urban diversity at a glance
Audi China promotes urban diversity with the “Audi China Biodiverse City Initiative.” In the context of this initiative, Audi China published the “Beijing Biodiverse City Birdwatching Guidebook” in cooperation with the environmental organization “Friends of Nature.” The guidebook presents 15 parks and 4 routes in Beijing for birdwatchers and nature fans, to encourage an environmentally-aware lifestyle and provide knowledge of local bird species and their habitats.



Water stewardship in companies

Water risks and sustainable water stewardship
In addition to biodiversity, water is a core topic for Audi in terms of environmental stewardship – both internally within the company and for more sustainable supply chains. As a resource, water is characterized by its scarcity and inequitable availability globally. It must therefore be handled responsibly. Even though more than two-thirds of our planet is covered by water, less than one percent of this is readily accessible fresh water (UNEP Water). Inefficient water stewardship, increasing pollution and events such as droughts and extreme fluctuations in precipitation as a result of climate change are leading in many regions to rising levels of water stress (**UNEP Water**).



Global water stress map
Source: **WWF (2023): Water Risk Filter**

Consideration of regional or site-specific risks

While CO_2 emissions have similar consequences globally, water risks have to be examined at a regional and local level. Companies therefore need to evaluate the risk exposure for their business sector and along their supply chain on a site-by-site basis. They can use free online tools to do this, such as the WWF's Water Risk Filter.

Acute water shortages also pose risks for industrial production and can cause interruptions in the global supply chain. Companies should therefore carefully examine the existing water risks locally and associated water stewardship. On the next pages, we outline possible approaches for more sustainable water stewardship.

Orientation to international frameworks
When designing a water stewardship program, guidance can be provided by frameworks like the water stewardship approach.
According to the definition by the **UN CEO Water Mandate**, it can help businesses manage risks, cut costs and build trust, while promoting long-term water security.

The following steps allow you to actively establish more sustainable water stewardship in your company:

1. **Calculate water consumption and water risks**
   Install water meters in crucial water facilities and regularly check your water supply grid for leakages – primarily at locations with high levels of water stress and older infrastructure.

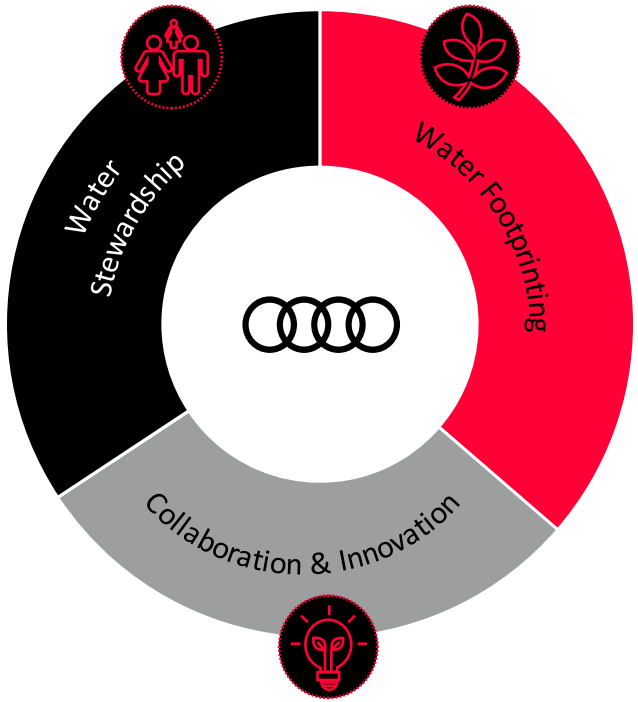
2. **Set the right priorities, targets and indicators for environmental stewardship**
   Align your environmental stewardship to avoid or mitigate risks of water shortage or pollution. Focus, for example, on reducing your company's fresh water consumption and improving the water quality or wastewater treatment.
   We show you options for doing this on the following pages.

3. **Commitment to local water resources based on the water stewardship approach**
   Take responsibility for the water resources in your vicinity. For example, join water initiatives, support implementation of projects with local stakeholder involvement or involve stakeholders in your own supply chain.

The Audi approach to sustainable water stewardship in the supply chain

Specific measures
- Participate in water-related initiatives
- Develop concepts to improve local availability and quality of water
- Contribute to the fulfillment of SDG 6 “Clean water and sanitation”
- Regional pilot projects

Specific measures
- Identify relevant hotspots
- Detect and evaluate competing interests, as well as common benefits with regard to CO_2 and the circular economy
- Compare water footprint of BEV/PHEV/ICE



Specific measures
- Best practice sharing with suppliers
- Identify water-saving potential of new renewable materials
- Increase supply chain transparency in water hotspots (water use quality)

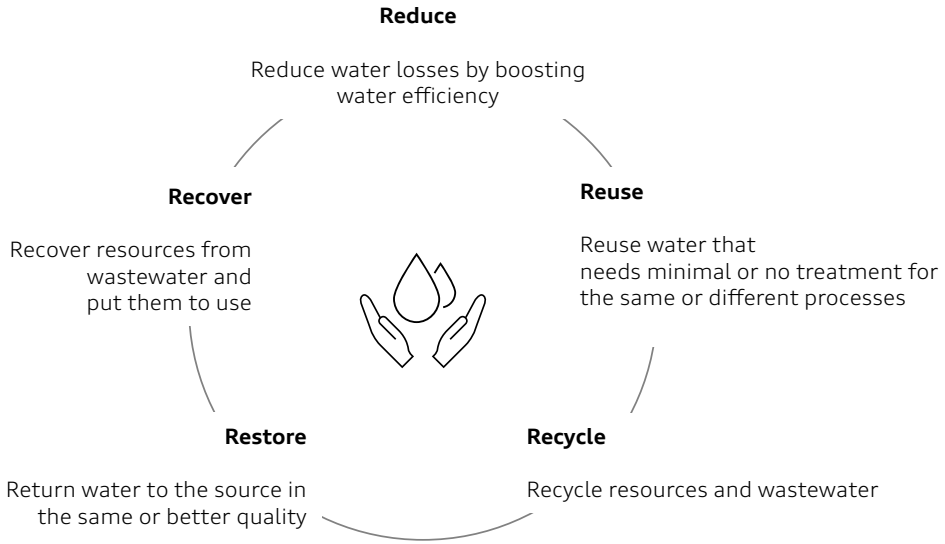
In 2023, Audi became the first premium carmaker to join the **Alliance for Water Stewardship (AWS)**. This global association comprising companies, NGOs and the public sector is committed to the concept of ecological and social responsibility for water resources throughout the value-adding chain.

Reducing water usage and consumption
The principles of the **circular economy** offer a good basis for more sustainable water stewardship.

Water monitoring: progress review and savings potential
To understand and track water use at a specific site, companies should install water meters at crucial water facilities and regularly check their water supply grid for leakages. This is especially important for sites with high levels of water stress and with older infrastructure.

Reducing fresh water consumption
Reducing fresh water consumption is one of the most prominent environmental objectives for companies and an absolute must-have in regions of water scarcity. Appropriate measures may consist of reducing the water demand of production processes, such as minimal quantity lubrication for tooling machines. Such measures not only benefit the local availability of water, but can also be a driver in cost savings.

Reusing and recycling water
The storage, treatment and use of rainwater are effective measures to relieve pressure on fresh water sources, especially in regions with high seasonal or annual rainfall variability. Companies can use rainwater for their production processes, for irrigation or for cooling either directly or after previous treatment.



Source: Water Stewardship:
Water Stewardship At Your Own Operations

Water stewardship: water quality and wastewater treatment

Despite the increasing global water demand and negative impacts of climate change, many regions have an abundance of water. However, sustainable water stewardship is also vital in those regions as the local environment and general public rely on clean water supply, particularly in countries with less strict wastewater treatment and discharge regulations. What is the best way to proceed here?

- **Minimizing and monitoring use of substances hazardous to water in production**
  Improvements can be achieved by substituting chemicals with alternative products of lower toxicity, such as biodegradable detergents or lubricants.
- **Regularly checking and maintaining operational processes and machines**
  This approach allows you to prevent or intervene early on to resolve leakages or improper use of chemicals.
- **Economic advantages of innovative wastewater treatment**
  Reducing the use of hazardous materials can also minimize the costs and effort of treating wastewater. In addition to or in connection with modern wastewater treatment techniques, such as reverse osmosis, you can create closed wastewater loops.

Audi México is setting standards in sustainable water stewardship in the water-scarce region. Since 2018, Audi México is the first premium car manufacturer worldwide to produce vehicles without any wastewater. An important aspect of this success is a large rainwater reservoir with a retention capacity of 234,000 cubic meters. Audi México also uses multi-level treatment processes for production wastewater, including in a biological wastewater treatment plant located on the plant premises. Since the end of 2023, Audi México has been the first automobile plant to be certified according to the standards of the Alliance for Water Stewardship (AWS).

Related links www

CDP: **Water security**

United Nations Global Compact (2024): **Water Stewardship Toolbox**

United Nations Industrial Development Organization: **Water Stewardship**

WWF (2023): **Water Risk Filter**

WWF: **Tools to help businesses identify their water risks and opportunities, and get involved in water stewardship**

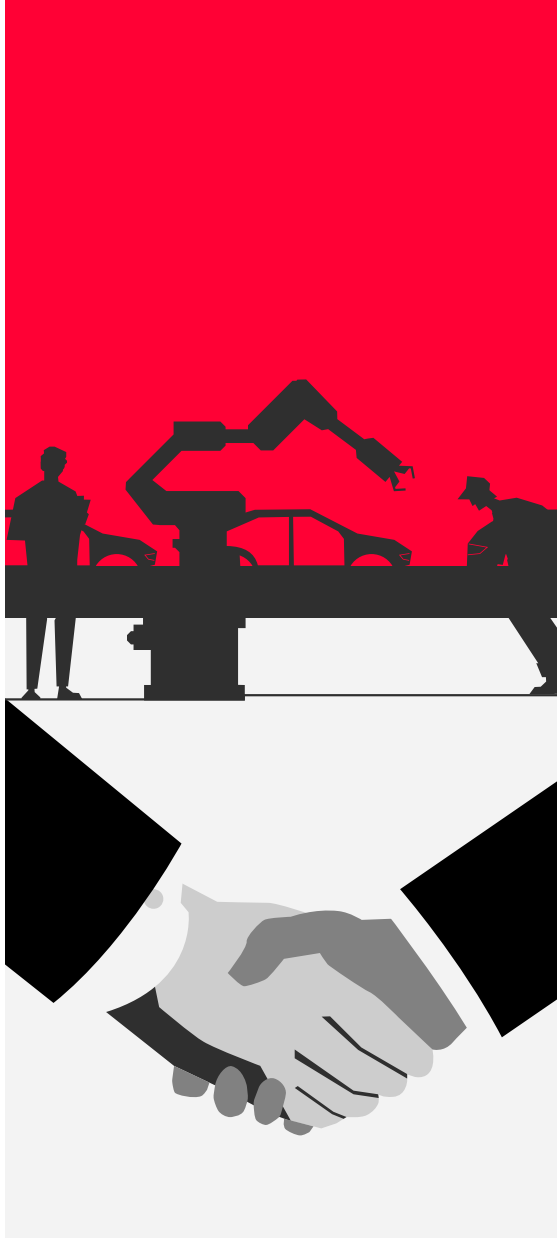

Act4Impact Playbook
“People” module

Introduction

In addition to climate action and environmental protection, Audi also focuses on social challenges in the supply chain, because the conditions of purchase are also important for us. That is why “People” is a central pillar of our responsible supply chain strategy. We are continuously committed to respect for human rights and better working conditions along the supply chain, for example when handling critical raw materials.

This requires strong alliances and collaboration with other companies, civil society and rights holders. This module sets out guidelines to adhere to and deliver against best practice in human rights **due diligence** while also promoting greater diversity and **inclusion** in the supply chain. The objective of this module is to provide guidance to our partners to put robust principles and suitable practices in place.

For the Volkswagen Group, respecting internationally recognized human rights forms the basis of all business relationships. Our business partners undertake to respect the rights of employees and other stakeholders and to treat them according to the rules of the international community.



Related links www

Audi.com: **Code of Conduct for Business Partners**

Human Rights Due Diligence

What are human rights?
Human rights are rights we have simply because we exist as human beings. These universal rights are inherent to us all, regardless of nationality, sex, national or ethnic origin, color, religion, language, or any other status. They range from the most fundamental – the right to life – to those that make life worth living, such as the right to food, education, work, health and liberty.

Human rights in business
Positive and negative impacts of human rights can be found throughout the value chain. Human rights due diligence is the management approach to put respect for human rights into business practice. It is an ongoing risk management process that a company should follow to identify and prevent violations of human rights and to mitigate negative effects. In addition, companies need to account for how they address potentially adverse human rights impacts.

Human rights in raw material supply chains
Compliance with human rights can give rise to social risks especially in global, widely distributed raw materials supply chains. Effective risk mitigation measures require systematic analysis of each individual raw material to determine the raw materials and processing areas that give rise to the serious risks of human rights violations.

In the Volkswagen Group we established the “Raw Materials Due Diligence System” (RMDDMS) in this context. This system supports us in fulfilling our human rights due diligence obligations in our raw materials supply chains, too. We have identified 18 raw materials as being particularly risk-prone in relation to human rights, including aluminum, cobalt and leather. The risk-based approach defines steps to identify, prevent and reduce the actual and potential negative impacts in the supply chains.

Related links www

Global Compact Network Germany (2015): **Respecting Human Rights – An Introductory Guide for Business**

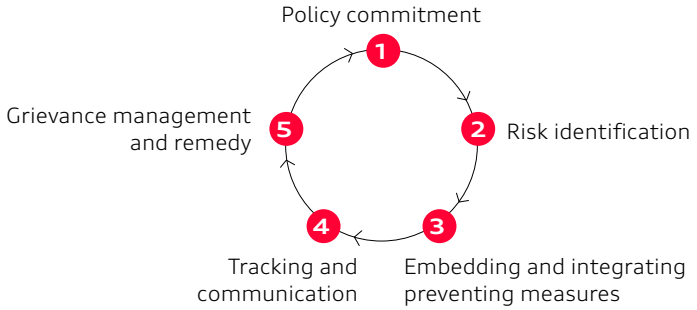
Volkswagen Group (2024): **Responsible Raw Materials Report**

Implementation of human rights due diligence

On the following pages we show you what a human rights due diligence system might look like in practice. The **UN Guiding Principles on Business and Human Rights** define a five-step approach companies can follow to implement human rights due diligence. The individual steps are:

1_Policy commitment
2_Risk identification
3_Embedding and integrating preventing measures
4_Tracking and communication as well as
5_Grievance management and remedy

Measures may vary based on company size, risk context and products or services. Also, companies are not expected to start from scratch, but to build on their existing practices.
These steps are also reflected in current regulations such as the German Supply Chain Due Diligence Act (LkSG) and the EU Corporate Sustainability Due Diligence Directive (CSDDD). They set out binding requirements for companies to fulfill human rights due diligence obligations along their supply chains.



The **Act4Impact training program** provides support for suppliers with regard to establishing an effective human rights due diligence system.

Related links www

Global Compact Network Germany (2019):
5 Steps Towards Managing the Human Rights Impacts of your Business

Global Compact Network Germany (2014):
Guiding Principles on Business and Human Rights

Agency for Business and Economic Development:
10 practical tips on human rights due diligence in core business operations

1_Policy commitment

A human rights policy is a guiding document that explains how a company understands its responsibility to respect human rights in a business context. It lays out clear expectations, guidance and requirements for employees, suppliers and other business partners.

A human rights policy commitment:

- Includes a commitment to fundamental human rights (at minimum the International Bill of Human Rights and ILO core conventions)
- Defines which standards apply to the salient human rights risks
- Is approved at the most senior level of a company
- Is published and communicated to employees, suppliers and business partners

Where to start:

- ☐ Does your company already have relevant policy commitments on which you can build?
- ☐ Have you identified the most important internal and external stakeholders for your company? How can these stakeholders be consulted for the review process?
- ☐ Are you in ongoing dialogue with your stakeholders in order to inform them about progress and measures?

Related links www

United Nations Global Compact (2012): **A Guide for Business – How to Develop a Human Rights Policy**

Federal Ministry of Labor and Social Affairs (2022): **Guideline for the core element Policy statement**

Global Compact Network Germany (2015): **Stakeholder Engagement Human Rights Due Diligence**

2_Risk identification

Each company must define its own risks and impacts, both in its own business sector and within its supply chain. This should begin with a systematic risk assessment, identifying how all its activities and business relationships may pose risks to its people. One approach to risk identification is to reflect about the people and groups who might be more vulnerable and therefore at an increased risk of having their human rights negatively impacted. This can be done by means of a comprehensive industry and country risk analysis, which takes account of specific risk factors and local circumstances.

Two examples:

- Contract workers can often be more at risk of being exploited than regular workers due to their contract type or the regularity of their work.
- A local community's right to water can be at risk through a company's intensive water use.

Where to start:

- ☐ Which vulnerable persons/groups are affected by your company's business activities?
- ☐ What are the most important human rights risks for these persons/groups?

Related links www

Federal Office for Economic Affairs and Export Control: (2022): **Identifying, weighting and prioritizing risks**

Federal Office for Economic Affairs and Export Control: (2023): **BAFA Risk Database**

Federal Ministry of Labor and Social Affairs (2022): **Guideline for the core element Risk analysis**

Global Compact Network Germany (2015): **Assessing human rights risks and impacts**

Dutch Ministry of Foreign Affairs: **CSR Risk Check**

3_Embedding and integrating preventing measures

Respect for human rights should be embedded and integrated into a company's culture and processes. Appropriate measures should specifically address the human rights risks and violations identified and prioritized.

Two examples:

› Integrate risk-specific requirements into contracts with labor agencies in order to avoid exploitative working conditions for contract workers.

› Implement water-efficient production technology and effective water treatment methods into business practice so that the water rights of communities at and in the vicinity of sites are not compromised.

Where to start:

- ☐ Have you designated a person or department to take responsibility for managing human rights risks and violations?
- ☐ Which processes need to be defined, adapted or revised to better address risks and violations?

Related links www

Global Compact Network Germany:
What does effective human rights risk management look like?

4_Tracking and communication

Once processes and measures are in place, they need to be tracked and results need to be communicated both externally and internally. Companies should aim to implement the most effective processes and measures. It is important in this sense to create transparent communication channels and to regularly report on the progress and challenges of implementing human rights due diligence.

Two examples:

- Conduct regular interviews with contract workers to assess their working conditions and satisfaction, and then discuss results and potential for improvement with the relevant labor agency.

- Add water-related KPIs to your environmental tracking measures and engage with local communities to assess the impact of your measures on their water rights.

Where to start:

- ☐ Which KPIs can you define or adapt in order to measure both implementation and effectiveness?
- ☐ Which communication channels are already in place both internally and externally? How can you adapt these if need be?

Related links www

Federal Ministry of Labor and Social Affairs (2022): **Guideline for the core element Measures and effectiveness tracking**

5_Grievance management and remedy

Companies should provide appropriate and effective channels to allow people to escalate their concerns if human rights are violated or at risk. If a company's action has caused or contributed harm to people, the company should allow for access to remedy. Instead of companies establishing their own grievance mechanism, they can also connect to existing external channels.

Five features of effective grievance mechanisms:

- Accessible for target groups with different needs
- Transparent regarding its procedures and outcomes
- Based on dialogue with potential users
- Possibility of anonymous reporting
- Protection of whistleblowers from reprisals

Do you know...

... of any breaches by our business partners of the Code of Conduct, or have you been directly impacted by any breaches?

Please contact us via the channels of the **Audi Whistleblower System**.

Where to start:

- ☐ Who are potential users of your grievance mechanism and what might be their concerns?
- ☐ Which grievance channels already exist? Which gaps can be identified (e.g., regarding coverage, availability, language)?

Related links www

Global Compact Network Germany (2018): **Worth Listening – Understanding and implementing human rights grievance management**

Federal Office for Economic Affairs and Export Control: (2022): **Organizing, implementing and evaluating complaints**

Federal Ministry of Labor and Social Affairs (2022): **Guideline for the core element Grievance mechanism**

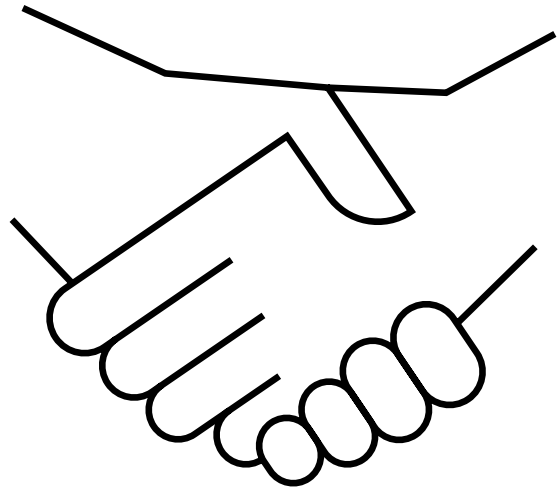
In practice: Aluminium Stewardship Initiative

Aluminium Stewardship Initiative (ASI)
In order to comply with human rights in the raw material supply chains, it makes sense to prioritize the level of risk of the individual raw materials. We identified a total of 18 raw materials on this basis at Audi and in the Volkswagen Group. In addition, we developed a clear system to regulate the processing of these raw materials within the Group. The measures differ depending on the raw material. For example, Audi is responsible for due diligence in the case of aluminum in the Volkswagen Group.

We want to improve our understanding of potential risks in relation to the smelting, processing and origin of raw materials and have established contact with our direct suppliers and a series of external interest groups, including several NGOs. We are also actively involved in the Aluminium Stewardship Initiative (ASI) in this regard.

This is a global multi-stakeholder organization that sets standards to ensure the responsible production, procurement and management of aluminum. Audi has been a member of ASI since 2013 and our production sites are gradually being certified by external audit firms according to ASI standards. We make sure that ASI criteria are been complied with effectively. **Audi became the first car manufacturer in the world to be awarded the ASI Performance Standard (2018) and ASI Chain of Custody (2021) certificates.**

Through its involvement in the ASI, Audi has been able to help develop and successfully implement a global standard for more sustainable aluminum. The standard requires, for instance, that mining companies strictly comply with ecological, social and governance criteria when mining bauxite aluminum ore, thus considering the concerns of the local residents. For this reason as well, representatives of indigenous peoples are an integral part of the organizational structure of ASI.

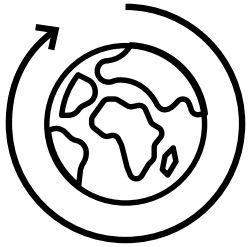


Related links www

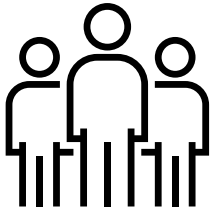
Aluminium Stewardship Initiative: **Vision, Mission and Values**

In practice: Global Battery Alliance

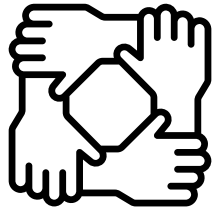
As a member of the Global Battery Alliance (GBA), which came about as a result of an initiative by the World Economic Forum, Audi strongly advocates for responsible production of batteries. The alliance comprises more than 170 partner organizations from the public and private sector, covering the entire battery supply chain. In its Vision 2030, the GBA stated its aim of ensuring the social and ecological sustainability of the battery raw materials value chain and implementing circular economy approaches. The members of the alliance represent industry, science and startups and are currently working on the Battery Passport, among other programs. The digital battery passport should convey information in the future on all relevant ESG requirements throughout the entire life cycle. In addition, it should contribute to comparable and verifiable supply chains and promote repair, reuse and recycling by providing specific information.



Battery supply chain
Creating a circular battery supply chain across the world



Job security
Creating new jobs and economic value within the battery chain



Protection
Safeguarding human rights and economic development

Related links www

Global Battery Alliance: **Establishing a Sustainable and Responsible Battery Value Chain**

Supplier diversity & inclusion

The equal participation of people with diverse backgrounds and skills strengthens innovation and creativity. This is true not only for a company's own employees but also for its supplier base. Representing a diverse society in business relationships can often enable companies to increase the quality of products and services for their customers. This also results in positive economic effects. Companies with above-average diversity on their management levels have an innovation revenue that was 19 percentage points higher than that of companies with less diversity. At the same time, supplier diversity programs create business opportunities for people who are often underrepresented in a business context. What does this mean for Audi's business relationships, and how does Audi integrate diversity and inclusion here? You will find some more insights on the next page.

Do you recognize yourself in the definition of a diverse partner company and are interested in contributing this strength as part of your service portfolio? Feel free to get in touch with us: **act4impact@audi.de**

Where to start:

- ☐ Who are underrepresented groups in a company's procurement markets?
- ☐ Does the company have a clear and shared understanding of a diverse supplier?
- ☐ Do business relationships already exist with diverse suppliers?
- ☐ Which cultural or procedural obstacles exist for diverse companies that apply to be suppliers?
- ☐ In which areas can diverse suppliers develop their full potential in terms of creativity and innovation?
- ☐ How can a dialogue with diverse suppliers be established?
- ☐ Which departments are already involved in the company's diversity and inclusion program?
- ☐ Which initiatives and like-minded businesses exist to discuss and exchange ideas?

Related links www

Boston Consulting Group (2018): **How Diverse Leadership Teams Boost Innovation**

In practice: Procurement with Purpose

Audi wants to pave the way to greater diversity in its business relationships

Promoting diverse suppliers

With our Procurement with Purpose initiative, we are committed to greater diversity and openness among our partner companies. We support the economic participation of companies with diverse management and social orientation.

As part of the initiative, Audi holds workshops and training programs to familiarize its employees with processes, structures and possible levers for identifying the potential of diverse suppliers. In this way we follow Audi's vision of a fairer, more sustainable and successful future. We are also responding to civil society's wish for companies to actively acknowledge their social responsibility.

Strengthening social and minority-owned businesses

We are working to strengthen the integration of social businesses and minority-owned businesses into our value chain. In 2023, for example, Audi piloted social business initiatives in eight countries where the Audi brand group is represented (including Hungary, Italy, Brazil and Mexico) together with its partner **Yunus Social Business (YSB)**. These included workshops and training programs for employees and pitch days. Following on from the project, orders were placed with companies in various countries (e.g., in the area of event catering, food products and products for customers and employees as well as upcycling giveaways for events). In addition, Audi is actively involved in diversity and inclusion networks in the supply chain and, for example, is a member of the European **LGBTIQ Chamber of Commerce** and the **WEConnect International** network.

Diverse suppliers can be defined as companies that are at least 51 percent owned or managed by members of underrepresented groups. Depending on a company's procurement markets, underrepresented groups might include BIPOC,* members of the LGBT*IQ** community, women or people with disabilities. Social businesses are businesses whose purpose is to solve social and environmental problems. Their profits are usually reinvested in sustainable and social causes, scaling the impact effect of their total operations.

* Black, Indigenous, People of Color

** Lesbians, Gays, Bisexuals, Trans*, Inter* & Queers

Related links www

Audi.com (2022): **A concept for greater diversity in the supply chain**

Audi.com (2022): **Audi is campaigning for more diversity and inclusion in business relationships**

Yunus Social Business (yunussb.com): **Driving innovation and sustainability in supply chains**

“Innovation” module

Introduction

The complex challenges on the path toward more sustainable global supply chains require innovative approaches. For us this means: collaboration, creative ideas, ongoing stakeholder dialogue, new technologies and a more sustainability-focused view of the world.

Innovation is a central pillar of our sustainability strategy for the supply chain. Together with our suppliers, we want to set things in motion and play our part in creating a more sustainable future. Expert knowledge and innovative strength are crucial for developing solutions that not only address ecological and social problems, but also create new business opportunities and meet the needs of our customers.
At Audi, new ideas are generated in joint workshop and collaborative formats among others. Use the Act4Impact Playbook as a practical set of tools to provide inspiration – and develop your own approach for innovation and sustainability in your company.

Methods of innovation

In a business context, only those organizations that look ahead and constantly challenge the status quo will be successful in the long term. It is therefore our responsibility to find innovative and holistic solutions to create a more sustainable economy. No aspect should be overlooked when it comes to topics like digitalization, human rights and climate action. The entire product life cycle must be considered: from upstream materials in the supply chain, packaging, fuel, transport and ecosystems, right through to downstream investments, retail, recycling and end-of-life management.

Innovation experts have developed numerous methods to promote the ability to innovate in the most varied industries. These methods and approaches can be used individually, in workshops or as part of a comprehensive process. In this way, companies can identify new and systematic approaches to promoting innovation and effectively record progress. On the next pages you will find a selection of **5 methods,** which can promote a broad range of creative ideas.

Do you use innovative ideas to create more sustainable supply chains? Would you like to share these ideas? Become part of Act4Impact.
Email: **act4impact@audi.de**
Audi.com: **Welcome to Act4Impact**

Online tools such as whiteboards in Microsoft Teams can help in projects and workshops to develop ideas collaboratively, document progress and define the next steps. Teams can also use such tools to collaborate successfully when working remotely.

1_Design Thinking

Design thinking is an innovative and user-driven approach to solving complex problems. This method combines empathetic understanding, creative brainstorming and rational analytical ability to create innovations that actually meet the needs of people. The method has its origin in design research and was developed in the early 2000s by Stanford professors Larry Leifer, Terry Winograd and David Kelley. Design thinking is used in many areas today – from business strategy to social innovation. The method promotes a culture of collaboration, rapid development of prototypes and continuous learning. The process is not linear, rather iterative. This means that teams can move back and forth flexibly between the different phases to find the best possible solution. The strength of design thinking lies in creating solutions that are both creative and practical.

This is how the method works

This is how the method works:

1. **Understand:** Define the problem and ensure a common understanding within the team. Answer the questions (Who? How? What? Where? When? Why?) and thus create a clear framework for yourself.

2. **Observe:** Immerse yourself in the target group's everyday life to understand their needs. Use various sources of inspiration such as discussions with employees, customer feedback and exchanges with experts.

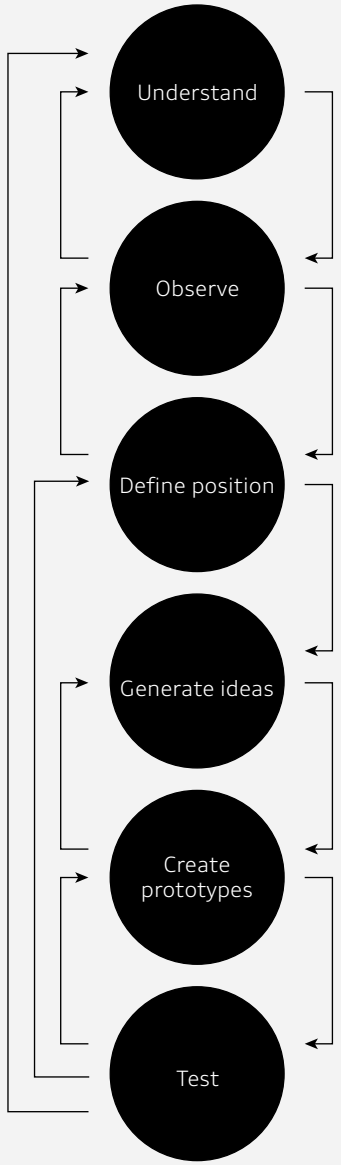
3. **Define position:** Summarize the insights gained in a common position. Different techniques such as personas, storytelling, sketches and sketchnotes help to systematically evaluate input from the respondents and to create a common knowledge base.

4. **Generate ideas:** Develop as many ideas as possible using various creativity techniques. First of all collect all ideas suggested in the team. As a second step, define criteria you want to use to structure and prioritize these ideas (e.g., How feasible is it to implement an idea? Does it make sense financially? Can it remain competitive?).

5. **Create prototypes:** Implement selected ideas quickly using simple models or concepts. The prototype should illustrate ideas for target groups; a perfectly thought out solution is not necessary. The focus is on trying out creative approaches that might be implemented.

6. **Test:** Engage openly with the target group and collect feedback on the prototypes. Discard ideas that do not work; develop promising ideas iteratively based on the feedback from the target group.

Source: **Design Thinking – From the Idea to the Solution in 6 Stages (digitaleneuordnung.de)**



2_6-3-5 method

The 6-3-5 method is particularly suitable for the first phase in the creative process. It is used to collect ideas – without analyzing them. The name of the method is derived from the process: Six participants note down three ideas each. The participants' notes are passed on within the group after an agreed time (e.g., five minutes); the ideas are therefore expanded or further developed in five iterations. Up to 108 ideas can therefore emerge within a short space of time.

This is how the method works:

1. Form a group with six participants and distribute prepared worksheets with a table (three columns, six lines).
2. Define the problem or task to be solved. Write this at the top of each worksheet.
3. In the first round, each participant jots down three ideas for solving the problem in the first line of the worksheet.
4. After the time has elapsed, all participants pass their worksheet on to the next participant.
5. In the next rounds, each participant reads the previously noted ideas and adds three further ideas in the next line. The ideas added can pick up on previous ideas or be completely new.

This process is repeated five times until all six lines are filled. After six rounds, the method is complete. The group then discusses and evaluates the ideas collected and chooses the most promising one to develop.

Related links www

Kreativitätstechniken.info (2024):
The 6-3-5 Brainwriting Method: 108 ideas in 30 minutes

3_SCAMPER

The SCAMPER method is a creativity technique used to improve existing products, processes or ideas and to develop new approaches. The name SCAMPER is an acronym and stands for seven principles, each of which represents a question you can ask yourself to alter an existing concept. SCAMPER is based on a checklist proposed by Alex Faickney Osborn in 1953 and further developed in 1971 by Bob Eberle.

This is how the method works:

1. Have a question or an idea in mind.
2. Ask questions relative to each of the seven SCAMPER principles.
3. To take full advantage of the power of SCAMPER, integrate all the values, market determinations and other related facets relevant to the needs of the ideation session.
4. Review the answers that were generated and consider whether any could pass as viable solutions worthy of further exploration.
5. Select viable solutions for further development.

Consider different approaches to innovate on a given problem.
For example: “How can we improve our environmental sustainability?”:

S ubstitute	Replace hazardous waste with less hazardous substances
C ombine	Optimize the material and design of packaging and reduce waste
A dapt	Switch off technology when not in use and lower energy usage
M agnify / Minify / Modify	Print only what you need to and reduce excess waste
P ut to other uses	Use recyclable containers and packaging materials
E liminate	Avoid CO_2 emissions by using green energy
R everse / Rearrange	Reverse negative effects on biodiversity by reducing the use of pesticides

Related links www

Eberle, B (1996): **Scamper: Games for Imagination Development**

4_6 Thinking Hats

The Six Thinking Hats creativity technique developed by Edward de Bono is a proven method for scrutinizing, refining and classifying innovations. To do this, we don six different thinking hats. Each hat is symbolic of a specific perspective or a particular approach. By considering the various perspectives, we allow space for alternative approaches and can include different points of view when evaluating innovations.

This is how the method works:

1. Choose an idea or problem you would like to consider.
2. Define a sequence for the hats. There are no fixed rules, but make sure that all six hats are worn.
3. Ensure that you allocate each hat equal time, e.g., 5-10 minutes.
4. Start with the first hat and consider the idea exclusively from this perspective.
5. Write down all your thoughts and insights that arise from this perspective.
6. When the time has elapsed, put on the next hat.
7. Repeat the process until you have worn all six hats.
8. Do not permit any ideas that contradict that mode of thinking to enter until it is that mode of thinking's allocated slot. In each phase, make sure to only adopt the approach for that particular hat.

Once all hats have been used, summarize the findings and discuss the results.

Neutral and objective. It is concerned with facts and figures.

Emotional. It gives an emotional, heartfelt point of view.

Cautious and careful. It is critical and identifies weaknesses in an idea.

Positive. It helps identify the value and benefit of an idea.

Creative. It acts creatively and builds on new ideas.

Manager. It represents control and organization of all the other hats.

Now take different perspectives and write down your findings.

Related links www

The de Bono Group: **Six Thinking Hats**

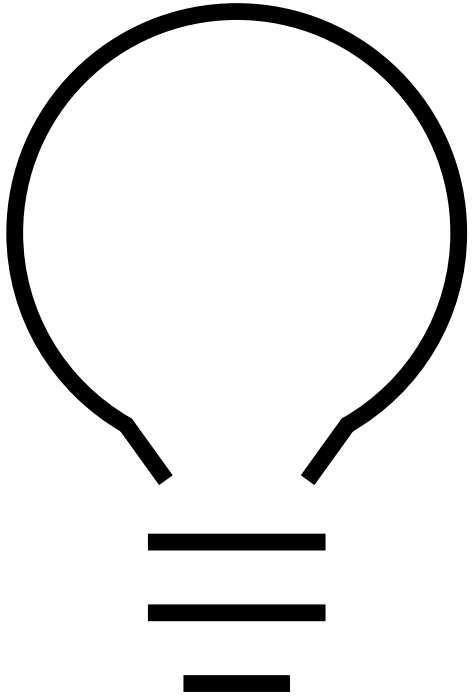
5_Canvas

A canvas in the context of business and innovation methods is a template used to clearly depict complex ideas, strategies or business models on a single page. It is a presentation method that organizes various key elements of a concept into predefined areas. A canvas offers a clearly laid out matrix in which you can enter existing approaches and ideas and which can support you when further developing your own solutions.

On the next pages, we outline our suggestion for canvases on the topics of the environment, human rights due diligence obligations and sustainability innovation in the supply chain.

This is how the method works:

- Work through the individual sections from left to right.
- Use the completed canvas to create a practical and comprehensive analysis of your sustainability activities in the above-mentioned categories in your company.



Act4Impact Canvas – Environment

Are there specific environmental regulations that apply to your company?

Emissions, water and wastewater management, energy, ...

To what extent is the concept of ecological sustainability embedded in your company?

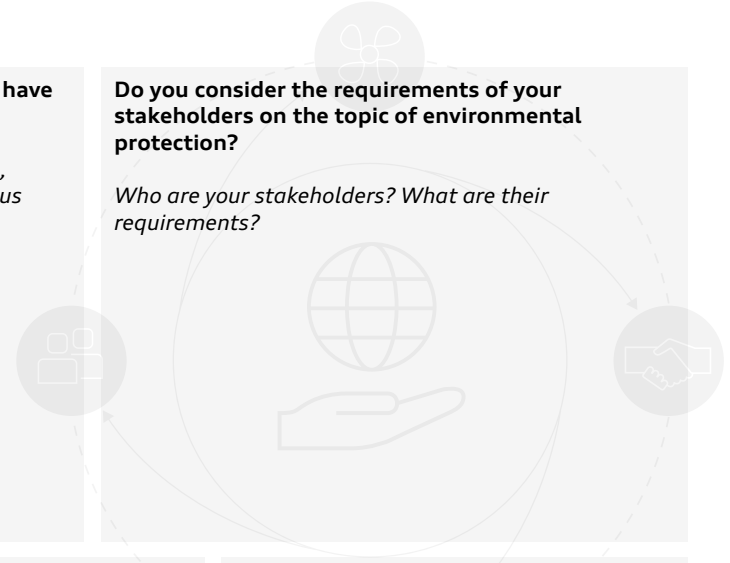
Can you calculate your ecological footprint? Have you integrated sustainability criteria in your decision-making processes?

Which ecologically relevant processes do you have in your company? What are their effects?

Procurement, wastewater treatment, paint shop, cooling, compressed air, heating, use of hazardous substances, etc.

Do you consider the requirements of your stakeholders on the topic of environmental protection?

Who are your stakeholders? What are their requirements?



What does raw materials management look like in your company?

Which materials do you use in production and day-to-day business? Where do you source these materials? Do you use secondary or low-carbon materials? Check with your suppliers to see if they use renewable energy sources for components, materials or at corporate level?

RAW MATERIALS

Which energy sources do you use? Does your company generate its own energy?

Which processes consume the most water/ energy? How are wastewater and emissions treated/cleaned? Have you assessed the impact of your business activities on biodiversity?

PRODUCTION

Describe the distribution of your product (inbound & outbound logistics).

Which means of transport do you use (e.g., rail, sea, combined transportation or alternative transport systems)? How can the environmental impact of these processes be reduced?

DISTRIBUTION

Describe the use phase of your product.

What environmental impacts arise from the use of your product?

USE PHASE

Is ecological sustainability an integral part of your product development?

What happens at the end of the product life? Have you considered a design for recycling approach for the development phase?

END OF LIFE

Relevant industry initiatives and certifications: *e.g., Water Stewardship Initiative, Aluminium Stewardship Initiative, Science Based Targets Initiative, ISO 14001, ISO 50001, EMAS, ...*

What can you do to improve the environmental impacts in and with your company?

Act4Impact Canvas – Human rights due diligence

Which relevant statements of principle already exist in the company?

Start at the very beginning and get input from the responsible departments (HR, Compliance, Sales, etc.).

Who are the most important internal stakeholders who should be incorporated in the development or review process?

Make contact with experienced colleagues in your company to benefit from their knowledge.

Which persons or groups are at risk of their human rights being violated by your company's business activities?

Consider which persons/groups are at risk in your company.

Consider which persons/groups are at risk in your supply chain.

Which risks arise for these persons/groups as a result of these business activities?

Consider which risks exist for these persons/groups in your company.

Consider which risks exist for these persons/groups in your supply chain.

Which processes need to be defined, adapted or revised to better address human rights risks and violations?

Consider to what extent this affects processes for managing your company or your value chain.

Which hurdles had to be overcome in order to define, adapt or revise these processes.

Include different aspects in your considerations (e.g., finance, culture, capacity).

What opportunities do the adapted processes offer?

Include different aspects in your considerations (e.g., finance, culture, capacity).

Which KPIs can be defined or adapted in order to measure both implementation and effectiveness?

Consider to what extent this affects existing follow-up mechanisms, e.g., in the HR department.

Which communication channels already exist?

Include internal and external channels in your considerations.

Who are the potential users of your grievance mechanism and what might be their concerns?

Consider who could use this channel in your company or in your value chain.

Which grievance channels already exist?

Consider how grievances were submitted in the past.

Which hurdles have to be overcome in order to use the existing grievance channels?

Ask potential users why they did not report grievances in the past.

Act4Impact Canvas – Sustainability innovation

Do your business activities have relevant effects?

Describe positive effects (maximization) and negative effects (minimization) of your company.

Describe your strategic priorities and challenges?

What are your strategic priorities, e.g., in relation to energy and emissions, the circular economy, biodiversity and water? What challenges do you need to overcome to achieve these priorities?

What are your critical assets?

Which hard assets (e.g., infrastructure, technology) and soft assets (e.g., knowledge, staff, corporate culture) are crucial for your sustainability strategy? How can these assets be used optimally?

Are there internal and external initiatives or potential partnerships?

Which existing initiatives and potential partnerships can you use internally and externally for your sustainability objectives? How can you strengthen and build on these partnerships?

Which inspiring examples are there of sustainability innovations in your industry?

Electric mobility, carbon-neutral products, autonomous driving, ...

What is your sustainable value proposition?

Which problem does your sustainable value proposition solve? What added value do you create for your stakeholders through sustainable innovations?

Which inspiring examples are there of sustainability innovations in your industry?

Who are your stakeholders and what are their requirements? How can you meet or exceed these requirements and expectations.

Describe your vision, purpose and mission in relation to sustainability.

What is your long-term vision with respect to sustainability? What purpose and mission are you pursuing to achieve this vision?

Which markets and regions are relevant for your sustainability strategy?

Which existing and future markets are relevant for your sustainability strategy? Which sales and distribution channels do you use to reach these markets?

What is your cost structure and what are your additional costs?

What is your cost structure and what additional costs are associated with your sustainability initiatives? What are the expected costs and investments associated with your sustainable projects?

Describe your revenue?

Can you offer a unique advantage? Are your customers willing to pay more for sustainability?

How can we recognize innovation?

Once the various approaches to innovation have been explored, how do you know if you have arrived at an innovative idea?

Ask yourself the following four questions.

Question 1
Is the idea new to the company?
If not, the proposition may be determined as an improvement of existing processes rather than an actual innovation.

Question 2
Does the idea solve a significant problem?
If not, the proposition may be determined as a creative idea rather than an innovative solution.

Question 3
Does the idea generate a tangible benefit for people or the environment?
If not, the proposition may be determined as a new – potentially technically interesting – idea rather than a marketable innovation with practical benefits.

Question 4
Are we able to generate profit with the idea?
If not, the proposition may be determined as a speculation rather than an innovation.

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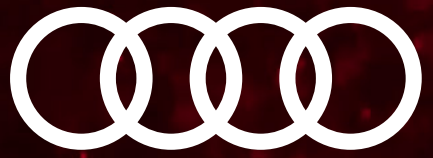

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