SUSTAINABILITY REPORT

2017/18



ŠKODA
SIMPLY CLEVER

CONTENTS

Contents 2
Overview 3
Foreword 4
Company profile 5
Value chain 6

Strategy & Management 8

Strategy 2025 and sustainable development 9
Awards - TOP Responsible Company 10
Stakeholders 12
Relations with state and political institutions 13
Key topics related to sustainability 16
Sustainability management 17

Economics 18

Stable growth path 19
Supply chain 21
Sustainable mobility and innovation 24
Customer satisfaction 30
Corporate governance 32

Environment 35

GreenFuture 36
GreenFactory 37
GreenProduct 47
GreenRetail 51
Biodiversity 52

Social activities 53

Attractive employer 54
Health and safety 62
Education of employees and students 65
Social responsibility 67

Facts & figures 72

Economics 73
Environment 75
Social activities 80

Addendum 84

GRI Index 85

OVERVIEW



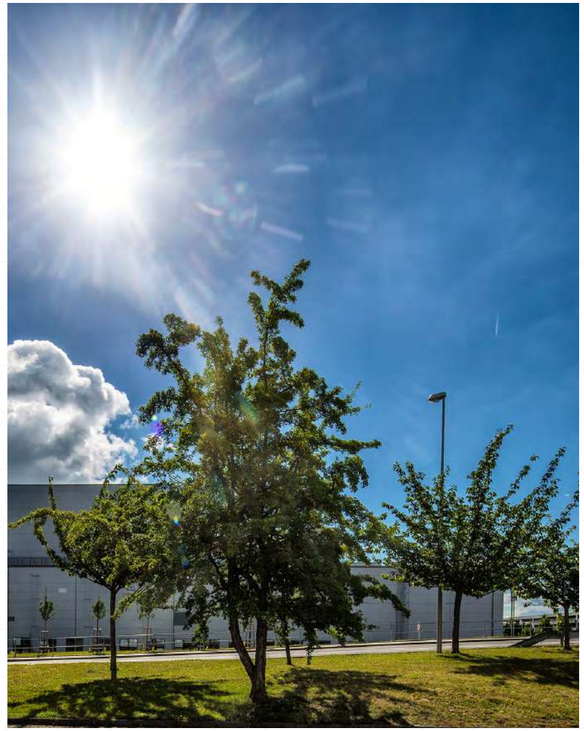
33,726 EMPLOYEES IN 2018



1,253,741 DELIVERIES
TO CUSTOMERS WORLDWIDE
IN 2018



TOP RESPONSIBLE COMPANY 2018



183 THOUSAND PLANTED **TREES**
DURING 2017-2018

FOREWORD

Dear reader,

Is our business sustainable?

This is one of the key issues we face every day at ŠKODA AUTO. This question is increasingly determining the long-term success of our company, especially now that the entire automotive industry is undergoing the most profound change since its inception.

That is why we have firmly anchored sustainability in our 2025 Strategy. It is our vision for ŠKODA to be the Simply Clever company for the best mobility solutions. We are committed to finding solutions that are sustainable in every sense of the word – for the protection of our environment, for our customers' individual mobility and for the job security of more than 36,000 members of the Škoda family.

One of our sustainability goals is to reduce our fleet's CO_2 emissions by 30% between 2015 and 2025. That is why we have launched the most significant investment programme in our company's history: over the next four years, we will be investing two billion euros in alternative drive technologies and new mobility services. The majority of these funds will be spent on electromobility. Projects are already underway throughout the company. 2019 is the start of the first two electrified cars: the first plug-in-hybrid car, the SUPERB iV and the first pure electric model, the CITIGO^e iV. By the end of 2022, we will have over ten partially or all-electric models in our portfolio.

Another of our goals is to convert the production at our Czech factories to 100% CO_2- neutral energy by the second half of the next decade. We strive to achieve this by the second half of the next decade. And when it comes to the recycling of our products, we are making every effort to be as environmentally friendly as possible. For example, 85% of the components in the SCALA, our new compact model, are already reusable or recyclable. And we are striving to increase this proportion even further.

What other steps are we taking? We are strengthening our compliance and sustainability standards this year. For example, in purchasing, sustainability will be considered as equally important as quality, development or logistics for potential business partners in the tender process.

At the end of 2018, we set up the ŠKODA AUTO Endowment Fund with 30 million euros to promote projects that sustainably increase the quality of life for people in the regions surrounding our production sites, especially in the Mladá Boleslav region. We plan to support concrete and innovative projects in the transport sector as well as in the fields of security, modern health care, social services and culture.

In doing so, we are fulfilling our social and political responsibility as a company, working closely with our partners in politics, the local government and civil society. Because, for us, it is clear that our obligations do not end at the factory gates!

ŠKODA AUTO will be celebrating its 125th anniversary next year. This motivates us to responsibly and consistently pursue our path into the future. This is another example of what we mean by sustainability.

Best wishes,

Bernhard Maier
CHAIRMAN OF THE BOARD OF MANAGEMENT ŠKODA AUTO A.S.



COMPANY PROFILE

ŠKODA AUTO is one of the oldest car manufacturers in the world. Its history stretches back to 1895 when Václav Laurin and Václav Klement set up a company that gave rise to a tradition of manufacturing Czech cars which has continued for over a hundred years. The position of the Company in the automotive industry has always been and always will be unmistakable, in a large part because it has been part of the Volkswagen Group for more than 25 years. It has become a strong, internationally successful company that is active on more than 100 markets and produces a total of 1.25 million cars each year.

ŠKODA AUTO has long been one of the pillars of the Czech economy, currently employing more than 36,000 people in the Czech Republic. It also makes sure it is a good neighbour in all the regions where it is active. The Company's extraordinary standing is reflected in its regular success in the Czech 100 Best awards, occupying the top spot in 2018 for the eighteenth time in the twenty-two year history of the award.

The Company is based in Mladá Boleslav, where one of its production plants is also located, another two can be found in Kvasiny and Vrchlabí. However, vehicles bearing the winged arrow are also manufactured in China, Russia, Slovakia, Germany, Algeria and India, mostly via Group partnerships, and in the Ukraine and Kazakhstan, in collaboration with local partners.

The business activity in which the Company is engaged primarily focuses on the development, manufacture and sale of cars, components, original parts, ŠKODA brand accessories and the provision of servicing. It currently offers its customers nine passenger-car series: the CITIGO, FABIA, RAPID, SCALA, OCTAVIA, KAROQ, KODIAQ, KAMIQ and SUPERB.

ŠKODA AUTO is undergoing a transformation to become Simply Clever in line with Strategy 2025 and is set to become a company that provides customers with the very best mobility solutions and associated digital services.

For the purposes of this report, the ŠKODA AUTO group refers to the parent company ŠKODA AUTO a.s. and its 100% owned subsidiaries ŠKODA AUTO Slovakia s.r.o., ŠKODA AUTO India Private Ltd and ŠKODA AUTO DigiLab s.r.o.

ŠKODA AUTO GROUP *

ŠKODA AUTO a.s.	**ŠKODA AUTO Slovensko s.r.o.**	**ŠKODA AUTO India Private Ltd.**	**ŠKODA AUTO DigiLab s.r.o.**
registered office: tř. Václava Klementa 869, Mladá Boleslav II, 293 01 Mladá Boleslav	registered office: Sabinovská 6, 821 02 Bratislava, Slovakia 100% holding of ŠKODA AUTO	registered office: Aurangabad, India 100% holding of ŠKODA AUTO	registered office: Jankovcova 1603/47a 170 00 Praha 7 100% holding of ŠKODA AUTO

* For purposes of this report, ŠKODA AUTO comprises the parent company ŠKODA AUTO a.s. and its fully consolidated subsidiaries.

ŠKODA AUTO Slovakia was established in 1993. It is an exclusive importer of ŠKODA AUTO cars in Slovakia. There are currently 65 authorised retail stores and 74 authorised ŠKODA service partners available for customers. In 2018, ŠKODA AUTO Slovakia delivered 19,355 vehicles. The company has been supporting cycling, ice hockey and, since 2018, Slovakian motorsport. As part of the ŠKODA HANDY ZŤP programme, ŠKODA AUTO is helping disabled and disadvantaged people to improve their mobility options in all Slovakian regions.

ŠKODA AUTO India is active on the Indian market since November 2001, having more than 63 retail and service spots all over the country. Currently, the company offers four passenger-car models to its customers: the RAPID, OCTAVIA, KODIAQ and SUPERB. With a new project within the GreenFuture strategy focussed on solar energy, the Aurangabad plant is able to cover up to 30% of its annual energy consumption using solar panels.

ŠKODA AUTO DigiLab is a think tank aiming to create a new ecosystem of services and digital solutions, with the ultimate goal of bringing high added value for ŠKODA customers. This is a creative workshop for developing new smart mobility solutions. It focuses on the latest technologies such as artificial intelligence or blockchain, especially their current and potential future implementation in the automotive industry. The company strives to find and test new business models learned from the global markets, which can bring innovative products and services to its customers.

VALUE CHAIN



R&D

Innovations play an important role in ŠKODA AUTO, in terms of digitalisation, new mobility solutions and connectivity

Number of employees in R&D: 2,088

Investments in R&D: CZK 22.5 billion

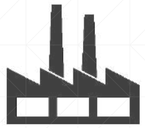


SUPPLY CHAIN

Sustainable supply chain is essential for the successful future of the company

Total turnover: CZK 252 billion

Number of suppliers: 7,884



PRODUCTION

Modern production processes and robotisation help to improve working conditions for our employees. Investments into infrastructure are constantly decreasing the company's environmental impact

Vehicles produced in 2018: 902,467

Number of plants: 16



LOGISTICS & TRANSPORT

It is our priority to introduce zero-emission forms of both in-house and external transport. The key activities include increasing use of alternative fuels and transition to rail transportation

Share of rail transport in shipping of vehicles: 58%



RETAIL & AFTER-SALES

Professionalism of our dealers and high-quality service is key for the highest possible customer satisfaction

Vehicles delivered: 1,253,741

Number of dealers: 4,995



RECYCLING

Recycling of materials used in production, as well as at the end of the vehicle's life cycle, significantly reduces the environmental impact

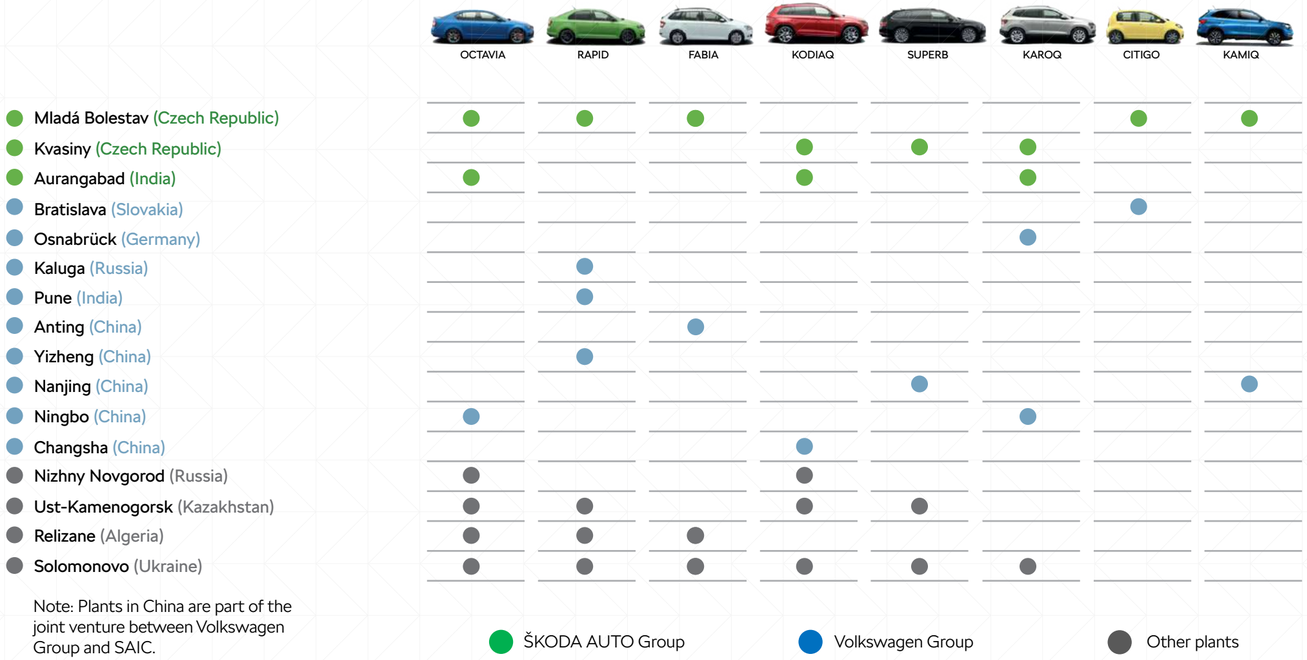
Share of recycled materials: 85%

ŠKODA AUTO Group Volkswagen Group External partners

This graphic provides an overview of the main activities of the company. The scope of this report takes into account the ŠKODA AUTO Group, i.e. activities marked with green colour.

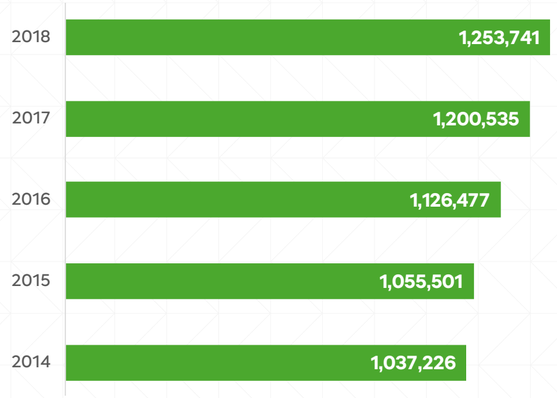
VALUE CHAIN

PRODUCTION OF ŠKODA VEHICLES BY PLANTS - WORLDWIDE



Note: Plants in China are part of the joint venture between Volkswagen Group and SAIC.

DELIVERIES TO CUSTOMERS - LAST 5 YEARS



WORLDWIDE DELIVERIES TO CUSTOMERS DURING 2018



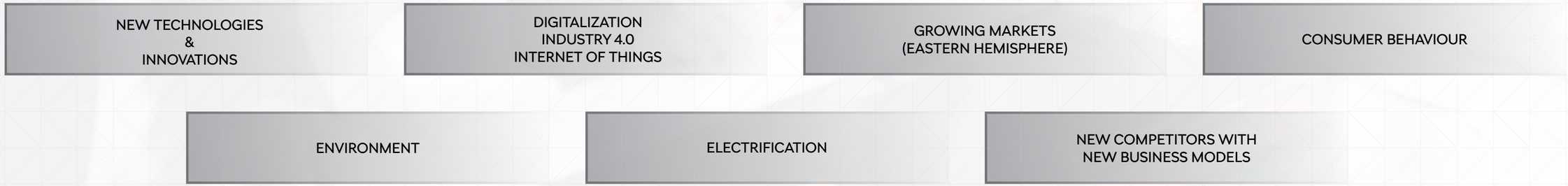
STRATEGY & MANAGEMENT

- STRATEGY 2025 AND SUSTAINABLE DEVELOPMENT
- AWARDS - TOP RESPONSIBLE COMPANY
- STAKEHOLDERS
- RELATIONS WITH STATE AND POLITICAL INSTITUTIONS
- KEY TOPICS RELATED TO SUSTAINABILITY
- SUSTAINABILITY MANAGEMENT



STRATEGY 2025 AND SUSTAINABLE DEVELOPMENT

Strategy 2025, introduced by ŠKODA AUTO in 2016, was built on the foundation of Volkswagen Group's TOGETHER – STRATEGY 2025. It sets the main strategic direction for the company's development to ensure further growth in the upcoming period of profound transformation of the automotive industry. Important topics include electromobility, autonomous driving and connectivity. Other areas of high importance include digitalisation of products and processes, entry into new markets, expansion of car production and the offer of new mobility-related services. In the current challenging period of major change, Strategy 2025 is designed to steer a smooth and successful transformation from a traditional car manufacturer into a Simply Clever company providing its customers with the best mobility solutions. In this respect, ŠKODA AUTO deems sustainable development essential for the company's further successful business activities.



Key market trends in the automotive industry and mobility relevant for determination of appropriate strategies.

Sustainable development goes hand in hand with a responsible approach to the neighbourhoods around production plants, not only from an environmental perspective, but also in terms of the development of staff, the region and all relevant social aspects. For this reason, a corporate environmental strategy has been established under the umbrella name GreenFuture. It pursues ambitious targets of environmental protection and minimising of the impact of the company's business activities on the environment. The corporate social responsibility (CSR) strategy concentrates on the support and care for staff in the first place. Moreover, CSR strategy embraces support for the regions in which the company operates. This specifically involves collaboration with local authorities in common support of the regions, municipalities and neighbourhoods of the production plants in Mladá Boleslav, Kvasiny and Vrchlabí. We would like to further interweave strategies in the environmental and social areas into a single solid sustainability strategy, which should become an integral part of all our business activities.

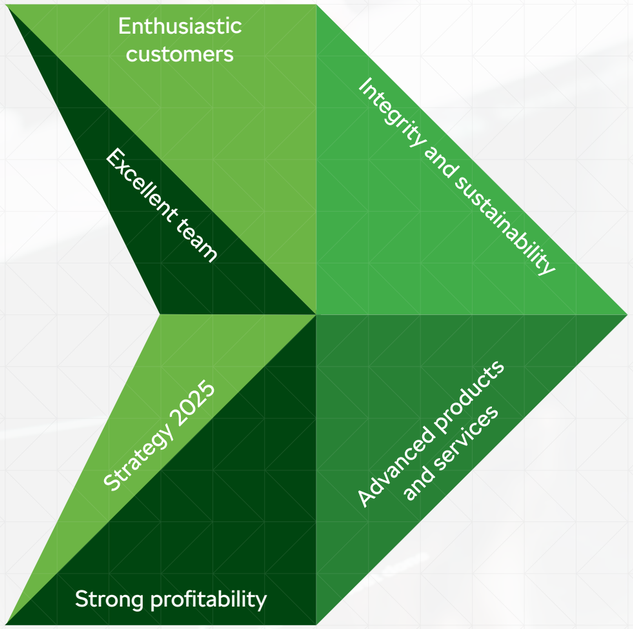
Strategy 2025 outlines the future key goals of ŠKODA AUTO and is derived from the Group strategy covering five target areas. We plan to carry out further development of the strategy and make it more detailed, including specific objectives and processes for monitoring the progress.

ENTHUSIASTIC CUSTOMERS

The main aim of our activities is to meet the diverse needs and wishes of our customers in terms of mobility. Together with top-quality vehicles, we offer effective and modern digital services closely related to comfortable use of vehicles. This path aims at winning over new and loyal customers as well as building long-term relationships with them.

EXCELLENT TEAM

Competent, innovative and happy employees play a crucial role in pursuing sustainable development. The company promotes staff satisfaction and long-term motivation by deploying new ways of organising work, improving the workplace, providing international experience options and supporting equal opportunities. The objective is to remain an attractive employer for all our current employees and capture the interest of potential new recruits.



INTEGRITY AND SUSTAINABILITY

As a major car manufacturer, ŠKODA AUTO fully recognises its society-wide influence and takes a conscientious approach to the environment and the safety of its products. The same applies to social responsibility. It places particular emphasis on reducing the environmental impact of its manufacturing and minimising the environmental footprint of its products. Moreover, ŠKODA AUTO develops the regions and locations of its business activities. The company's main business principles include compliance with international treaties, adherence to rules and legislation, as well as support for the cooperation and integrity at the workplace. The goal of this strategic target is to be a modern, transparent and sustainable company, which may serve as an example for others.

STRONG PROFITABILITY

Key performance indicators applicable throughout Volkswagen Group include goals in terms of economic efficiency and profitability. We plan to achieve sustainable economic growth through investments in auspicious projects, new business models with embedded digitalisation solutions. This enables the company not only to boost its competitive advantage in the volume segment, but also to contribute to the profitability and attractiveness of Volkswagen Group for investors.

ADVANCED PRODUCTS AND SERVICES

We want users to experience and associate comfort while driving our vehicles. It stands at the centre of our innovative effort when we develop new products and services. We improve each new vehicle with our "simply clever" ideas and solutions. We measure car experience in touchpoints and we strive to become a benchmark in the volume vehicle segment.

AWARDS - TOP RESPONSIBLE COMPANY

For the first time in its history, ŠKODA AUTO received the 'Top Responsible Large Company' award in 2018. The award is presented annually by the independent non-profit Business for Society organisation in recognition of companies that – over the long term and strategically – focus on responsible business behaviour, reduce their environmental impact and support their community and social activities. ŠKODA AUTO previously received the Gold Certificate in 2017 for its ŠKODA Future sustainability strategy, and in 2018 it became the overall winner in the category of large corporations. Bohdan Wojnar, ŠKODA AUTO Member of the Board for Human Resource Management, was recognised as a 'TOP Responsible Leader' in 2017. This award ceremony has taken place annually since 2011 under the auspices of the Chamber of Deputies, the Senate of the Czech Republic and Czech Ministry of Labour and Social Affairs. The panel of judges comprises dozens of representatives from the commercial and non-profit sectors, state administration, experts and distinguished personalities actively involved in market development in the Czech Republic.

This award confirms just how important responsible business and sustainable development is to ŠKODA AUTO. In addition to focusing on developing new business areas, including electromobility, digitalisation, connectivity and autonomous driving, the company is also intensively involved in collaboration with its partners in enhancing the attractiveness of regions in which it operates. The outcomes of these efforts include the establishment of the ŠKODA AUTO Endowment Fund for the development of the Mladá Boleslav region.



Member of the Board of Management for Human Resources, **Bohdan Wojnar**, accepts the 'Top Responsible Company 2018' award.

STAKEHOLDERS

Dialogue with our stakeholders is an essential part of planning the company's future development and its implementation. ŠKODA AUTO strives to gain a thorough understanding of the interests, needs and expectations of its partners in order to set up the right direction for its future initiatives. To facilitate stakeholder dialogue, the company provides transparent and complete information about its activities. Details about our progress are shared not only in this sustainability report, but also in press releases, on social media and in special publications reporting on existing projects and programmes.

ŠKODA AUTO obtains information about the expectations and requirements of the stakeholders involved via personal interviews and meetings as well as via participation in public discussions, seminars and university lectures. The company focuses on maintaining a continuous dialogue, in particular with its employees, suppliers, investors and shareholders, the media, customers, government bodies, schools and colleges, non-profit organisations and professional organisations. We deem it important to actively seek dialogue and aim to clearly determine the opinions of all stakeholders. In 2017, we conducted a survey to learn the expectations of our stakeholders in collaboration with PricewaterhouseCoopers. The research combined questioning techniques and analytical evaluation with trends in the automotive industry and also took into consideration ŠKODA AUTO's current programmes.

We chose to focus on the social pillar of the overall sustainability strategy. Municipalities, schools and universities as well as non-profit organisations were identified as directly affected stakeholder groups.

We conducted a dialogue with all the above-mentioned stakeholders. This way we obtained very reliable feedback on existing projects. Moreover, stakeholders suggested and prioritised new areas of future collaboration. Listed below are programmes which received top scores in stakeholder questionnaires. These are initiatives ŠKODA AUTO should focus on as part of its sustainable development strategy.

Our employees are an important stakeholder for continuous dialogue. We learn their opinions during the company's annual satisfaction survey and through continuous contact with representatives of the trade unions.

SURVEY RESULTS

Municipalities	Secondary schools	Universities	Non-profit organisations
Traffic safety and traffic solutions	Experience	ŠKODA AUTO employees' presentations	Safety on the road
Support and development of education	Excursions	Job fairs	Environmental protection and restoration
Support for sport and a healthy lifestyle	Sponsorship programmes – equipping of schools	Sponsorship programmes – equipping of schools	Assistance for physically disabled people

STAKEHOLDER DIALOGUE

Stakeholder	Topic	Form of communication	Frequency
Employees	- employee relations - working conditions - remuneration and collective wage agreements - vocational and professional training - personal development and social commitment - diversity, health, ergonomics	Collective bargaining	annually
		Employee representation in Supervisory Board	3x per year
		Internal meetings	ongoing
		Employee satisfaction survey	annually
		ŠKODA Mobil magazine	monthly
		Intranet	ongoing
		Weekly newsletter	weekly
Municipalities, community	- development - social engagement - cooperation	Media Meetings with local representatives Committees	on a regular basis, as needed
Investors, shareholders, analysts	- performance and strategies	Reports, personal meetings	annually
Media	- CSR activities, comments on regulations and political processes	Round-tables Press releases, emails	on a regular basis
Government bodies	- various - e.g. investments, strategies and regulations, healthcare, employee safety, anti-corruption measures	Meetings, calls, emails, committee meetings	as needed
		Membership in professional associations	ongoing
		Colloquium with Czech government	annually
Suppliers	- supplier and trade relations	Communication and meetings between purchasing department and individual suppliers, eLearning, questionnaires, audits, Group ombudsman	ongoing and at the start of the partnership
Customers	- 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	- support, programmes, etc.	Meetings, calls, emails, committee meetings etc.	as needed
NGOs	- various projects	Meetings, calls, emails, committee meetings etc.	as needed
Professional organisations	- regulatory framework, economic/employment policy, collective bargaining	Personal meetings, emails Membership in statutory bodies and expert teams	as needed

RELATIONS WITH STATE 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 trustworthy and sound relations with representatives of political parties, as well as public administrations and institutions. Having stated this, we would like to stress that ŠKODA AUTO is not involved in specific political discussions, nor does it provide any contributions to political parties. The company takes a responsible approach through its membership in various industrial unions and associations. As members of the Automotive Industry Association, we have been actively participating in carrying out measures defined by the Memorandum and Action Plan about 'Future Pact for the Czech Automotive Industry'. We have been working on these goals since 2017, when the Colloquium on the 'Future Pact for the Czech Automotive Industry' took place in Mladá Boleslav. We comply with applicable business regulations related to ethical conduct and compliance in all of our activities related to government relations and the general public.



Colloquium on the 'Future Pact for the Czech Automotive Industry'

In February 2017, a strategic automotive industry meeting took place in Mladá Boleslav, attended by senior officials from the government, trade unions, the energy and telecommunications sector, and universities. Colloquium participants worked on selecting and approving measures to support the development of electromobility, autonomous driving and vehicle digitalisation. However, support programs for science, research and education have been also developed. Dialogue with the government representatives about these topics will continue.

STRATEGIC MEMBERSHIP OF INDUSTRIAL AND ECONOMIC ASSOCIATIONS (SELECTION)

- Confederation of Industry and Transport of the Czech Republic
- Czech Chamber of Commerce
- Automotive Industry Association
- CzechGerman Chamber of Industry and Commerce
- CzechIsraeli Chamber of Commerce
- ICC – International Chamber of Commerce
- Czech Institute of Directors
- Business for Society
- Association for Transport Telematics of the Czech Republic
- Czech-Chinese Chamber for Mutual Cooperation
- Car Importer Association
- Czech Gas Association
- Chamber of Trade and Industry for CIS Countries
- Association for the development of collective bargaining and labour relations

PARTICIPATION IN GOVERNMENTAL ADVISORY BODIES

- Coordination group of the Czech Ministry of Industry and Trade fo-cussed on the future of the automotive industry
- Working group of the Czech Ministry of Industry and Trade focussed on electromobility and the Clean Mobility National Action Plan
- Working group of the Czech Ministry of Transport focussed on autonomous driving
- Working group of the Czech Ministry of Industry and Trade focussed on digitalisation, research, development and university education
- Body overseen by the Czech Minister for Regional Development fo-cussed on smart cities
- Regional tripartite of the Central Bohemian region
- Competitiveness Council of the Central Bohemian Region
- Regional tripartite of the Hradec Králové region
- Council for research, development and innovation
- National platform for technical education
- Board of Management of the Confederation of Industry and Transport
- Mladá Boleslav regional branch of the Chamber of Commerce

REPRESENTATION IN ACADEMIC INSTITUTIONS

- Academy of Arts, Architecture and Design in Prague
- Brno University of Technology
- Charles University in Prague
- Czech University of Life Sciences Prague
- Czech technical university in Prague
- Jan Evangelista Purkyně University in Usti nad Labem
- ŠKODA AUTO University
- Technical University of Liberec, School of Mechatronics
- Technical University of Ostrava
- University of Chemistry and Technology, Prague
- University of Economics, Prague – Academic Council

PUBLIC FUNDING FOR CONTINUED POSITIVE DEVELOPMENT

ŠKODA AUTO is a recipient of public aid in accordance with EU and Czech legislation. These funds are intended in particular for research support, technological development and innovations, along with the development of specific areas of business activity as well as environmental protection and staff training and development.

In 2017, ŠKODA AUTO received public support (mainly for non-investment expenditure) totalling CZK 63.8 million. These funds were invested in research as well as in professional development and training projects.

In 2018, the company received public support in the amount of CZK 67.9 million. These resources were used to continue and complete projects from previous years. Support from domestic sources and the EU was also used for the realisation of numerous non-investment projects in the training and professional development area where ŠKODA AUTO is a partner and/or applicant for public support in this area.

Public support also takes the form of investment incentives. Recipients may apply for income tax relief based on their fulfilment of conditions defined by respective laws. In 2018, ŠKODA AUTO obtained a promise of an investment incentive in the form of income tax relief for its investment activity involving the expansion of its electromobility product range. In 2018, the company exercised its entitlement to an income tax relief in the amount of CZK 737.95 million. This incentive relates to support of automatic gearbox production at the Vrchlabí plant completed in 2011.

The Czech government appreciated ŠKODA AUTO's extensive investments in the Kvasiny plant as it also resulted in creation of a large number of new jobs. In 2017, the government adopted Government Resolution No. 469 amending Government Resolution No. 69/2015 herewith committing to invest up to CZK 6 billion from public sources in support of regional public transport and technical infrastructure. Furthermore, these funds will make the development of new industrial zones and municipalities' surroundings possible. Similar support also became available for ŠKODA AUTO's Mladá Boleslav and Vrchlabí plants including its suppliers via approved Resolution No. 628/2018. This resolution was adopted based on dynamic development that had taken place previously. The funds will go into building up public roads and railway infrastructure in the vicinity of Mladá Boleslav. The estimated cost of the outlined development totals CZK 7.59 billion.

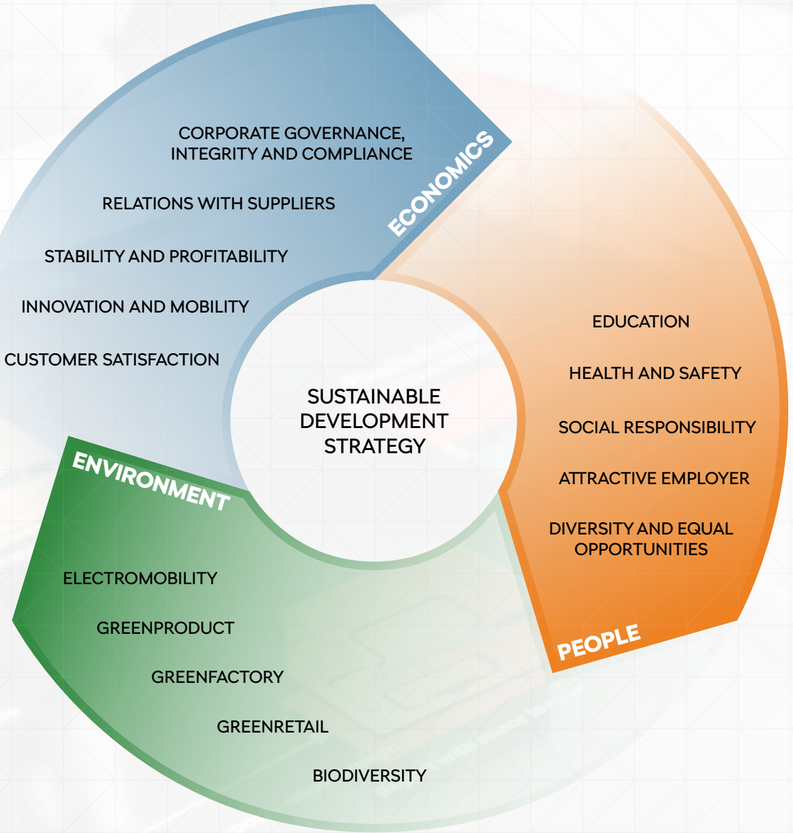


KEY TOPICS RELATED TO SUSTAINABILITY

As part of its Strategy 2025, ŠKODA AUTO defined the following key topics relating to sustainable development. These areas have evolved over the past two years with the goal of comprehensively supporting the company's sustainable development strategy.

Key areas are defined based on fundamental topics related to sustainable development as formulated by Volkswagen Group. ŠKODA AUTO defines these areas and accents those perceived as fundamental for its development and vital for the immediate vicinity of the production plants in Mladá Boleslav, Kvasiny and Vrchlabí, as well as for the plant in Aurangabad, India. To verify the scope of key areas of sustainable development, we have prepared an international benchmark of the automotive industry. Furthermore, we used external studies, which summarise the main priorities of stakeholders. Last but not least, we looked at the group of selected key topics through the lenses of the GRI Standards. From the broad framework of reporting areas, we selected those that correspond with the expectations of stakeholders. At the same time ŠKODA AUTO's long-term sustainability programmes were assessed as well as the materiality relevant for the automotive industry.

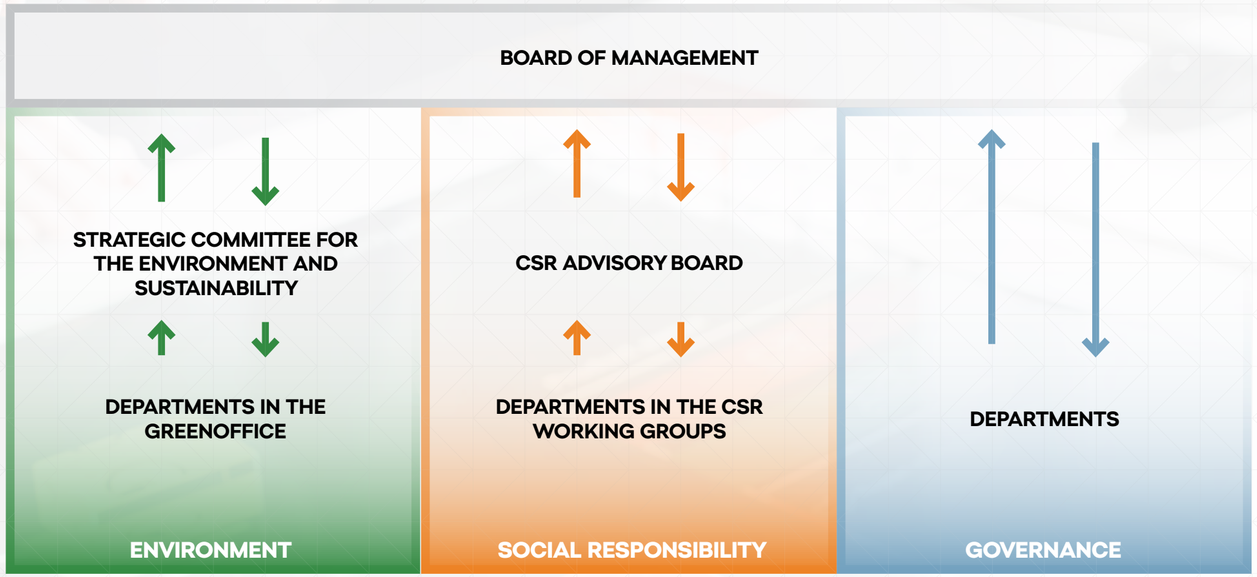
KEY TOPICS OF THE COMPANY'S SUSTAINABLE DEVELOPMENT STRATEGY



SUSTAINABILITY MANAGEMENT

At ŠKODA AUTO, the Board of Management represents the highest body for all sustainability-related issues. The Strategy Committee for Sustainability and Environmental protection and the CSR Advisory Board brief the Board of Management and submit draft proposals. Governance-related issues are discussed with the Board of Management directly at the level of individual divisions. GreenOffice, established as part of the overall GreenFuture strategy, is responsible for the coordination of key environmental activities. The topic-based CSR working groups are managed by CSR coordinators and they present project proposals to the Advisory Committee for Social Responsibility.

SUSTAINABILITY MANAGEMENT



ECONOMICS

- STABLE GROWTH PATH
- SUPPLY CHAIN
- SUSTAINABLE MOBILITY AND INNOVATION
- CUSTOMER SATISFACTION
- CORPORATE GOVERNANCE



STABLE GROWTH PATH

In 2017 and 2018, ŠKODA AUTO continued its growth trend. In 2018, it set a new sales record of 1,253,741 deliveries worldwide (2017: 1,200,535 vehicles). This represents an increase of 4.4% year-on-year. The threshold of one million vehicles delivered during a single year was exceeded for the fifth consecutive time.

In 2018, sales revenues of ŠKODA AUTO a.s. rose by 2.3% to CZK 416.7 billion (2017: CZK 407.4 billion). Following a record high operating profit in 2017 (CZK 40.5 billion), ŠKODA AUTO a.s. managed to maintain this indicator at a very solid level of CZK 33.8 billion in 2018 (-16.5%). Return on sales for 2018 reached 8.1% (2017: 9.9%).

As a result of continuous sales expansion and successful efficiency-boosting measures, ŠKODA AUTO a.s. has managed to maintain excellent financial stability and performance in the long term.

KEY FIGURES FOR ŠKODA AUTO A.S. ACCORDING TO IFRS

Income statement			**2018**	**2017**
Sales revenue		CZK million	416,695	407,400
Gross profit		CZK million	57,274	59,881
		% of revenues	13.7 %	14.7 %
Operating profit		CZK million	33,840	40,531
Return on sales		%	8.1 %	9.9 %
Profit before tax		CZK million	35,131	39,125
Return on sales before tax		%	8.4 %	9.6 %
Profit for the year		CZK million	28,892	31,841
Return on sales after tax		%	6.9 %	7.8 %

Other Key Figures				
Investments (w/o capitalised development costs)		CZK million	22,574	18,885
R & D expenditures		CZK million	22,514	15,398
Net cash flows		CZK million	19,005	42,815
Total assets		CZK million	219,318	250,859
Equity ratio		%	50.9 %	46.8 %
Debt-to-Equity ratio		%	96.4 %	113.5 %

PERFORMANCE IN STRATEGIC MARKETS

In the past two years, ŠKODA AUTO performed strongly in all major global markets. In Central Europe, the company managed to increase total sales in 2018 by 2.8% compared to the previous year. At the same time, its market share in the Czech Republic rose to 35.8%. Within the region, Croatia was another top performer with year-on-year sales growth of 11.5%.

The company's sales in Eastern Europe increased by 23.1% in 2018. ŠKODA AUTO was most successful in Russia with sales growing by 30.7% since 2017. Total sales also grew in Romania, the Baltic States, Serbia, Bulgaria, Bosnia-Herzegovina and Kazakhstan.

Sales in Germany, ŠKODA AUTO's second largest market, marked a slight upturn of 1.9% year-on-year in 2018. In other Western European countries, the company experienced double-digit growth in France, Spain, the Netherlands and Greece. On the other hand, there was a slight decrease in Great Britain (by 6.9%). Despite that, Great Britain maintained its position within the TOP 5 key markets.

In China, ŠKODA AUTO's most significant market, the number of vehicles delivered to customers rose by 4.9% in 2018. Record high sales were not even stopped by the stagnation of the local market, which was influenced by the trade war with the United States. The company also achieved positive sales values in countries such as Taiwan, Australia and India.

INVESTMENT IN PRODUCTION INFRASTRUCTURE

In the past two years, ŠKODA AUTO continued to invest significantly in its production capacities, in order to satisfy growing customer demand and to prepare for the future challenges of the dynamic market.

An important investment in the company's future is the new paint shop. The foundation stone of the new paint shop at the Mladá Boleslav plant, with a planned capacity of 600 bodies per day, was laid in December 2017. When it is put into operation in June 2019, it will become one of the most modern and environmentally-friendly paint shops in all of Europe. Numerous work operations will be taken over or supported by robots. The high degree of automation will make it possible to lay out the various workstations extremely economically.

In May 2017, ŠKODA AUTO put its state-of-the-art PXL II servo-press line into full operation. The main advantages of this press line are the ability to press aluminium parts and the speed at which tools can be replaced. Up to 20,000 press parts for various models can be turned out every day here. The PXL II makes the production process significantly more flexible and consumes 15% less energy than normal systems. Therefore, it is an important part of the GreenFuture environmental strategy. The new press line resulted in the creation of 140 new jobs in Mladá Boleslav.

A second AKL small-parts warehouse was put into operation at the Mladá Boleslav plant. This is another step towards the digitalisation of production and preparation for Industry 4.0. The warehouse technology is identical to the already existing AKL in Kvasiny, however the facility in Mladá Boleslav has greater capacity and more available space. The high degree of automation increases the speed of production logistics and minimises errors.



In 2018, the expansion of the warehouse for original parts, the ŠKODA Parts Centre, was completed. The company invested approximately EUR 22.5 million in this construction and also created 40 new jobs.

Ongoing preparations for the introduction of new models brought a need for additional investments in production infrastructure. This includes modernisation and expansion of the welding lines, preparation for robotisation and construction of containers in the paint shop, as well as installing new technology on the assembly line.

Opening of a new car parking building near gate number 6 was another significant investment in the infrastructure. The construction costs exceeded EUR 6 million and the new facility provides 1,150 additional parking places on five floors. After this expansion, there are currently a total of 5,444 parking spaces available for employees in the surroundings of the Mladá Boleslav production plant.

There was a significant increase in production capacity in Kvasiny, where a new welding line was put into operation. Nearly 40 new robots were installed into the local welding facilities, which reduced the required physical work and increased the daily number of bodies produced. With the infrastructure expansions, ŠKODA AUTO is also preparing for the production of hybrid vehicles. The company has opened a multi-purpose competence research centre at its Kvasiny plant, where mass production of the new ŠKODA SUPERB PHEV model will start. In this facility, a lot more sophisticated testing can be performed. The already mentioned small-parts warehouse for automated unloading has also been opened in Kvasiny. These measures constantly improve conditions at ŠKODA AUTO plants, especially in preparation for the manufacturing of electric vehicles.

SUPPLY CHAIN

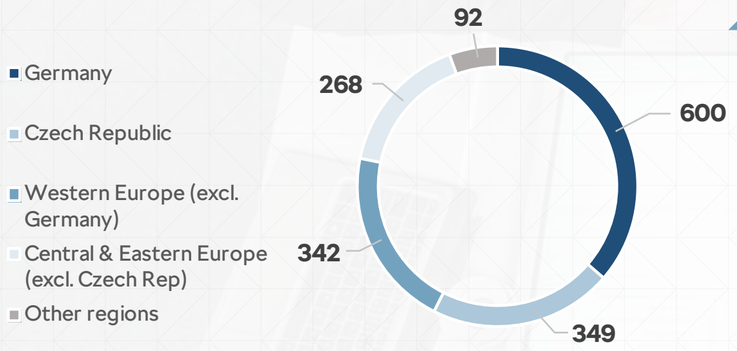
RESPONSIBLE CONCEPT OF A SUSTAINABLE SUPPLY CHAIN

We understand a sustainable supply chain strategy as much more than a formal concept in ŠKODA AUTO and the entire Volkswagen Group. The company has been systematically developing and clarifying its requirements relating to sustainability and it continually informs suppliers. As in the past two years, 2019 will also bring about a fundamental expansion of governance principles for suppliers leading to the implementation of a new unified assessment process of suppliers' sustainability and compliance. Moreover, we aim to increase transparency across the entire supply chain.

In 2018, the ŠKODA AUTO supply chain consisted of a total of 1,651 direct suppliers for production-related procurement line with a total turnover of CZK 213 billion. The main markets remain Germany and Western Europe; however, compared to the previous period, the trend seems to be partially shifting towards Eastern Europe. A slight decline can also be seen in turnover of suppliers from the Czech Republic.

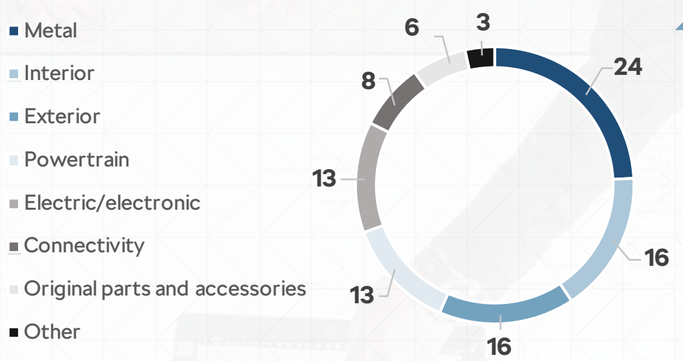
In the general procurement line an overwhelming majority of suppliers operate on the domestic market. In 2018, turnover in this area of procurement reached CZK 39 billion.

SUPPLIER STRUCTURE OF PRODUCTION PROCUREMENT
(NUMBER OF SUPPLIERS)

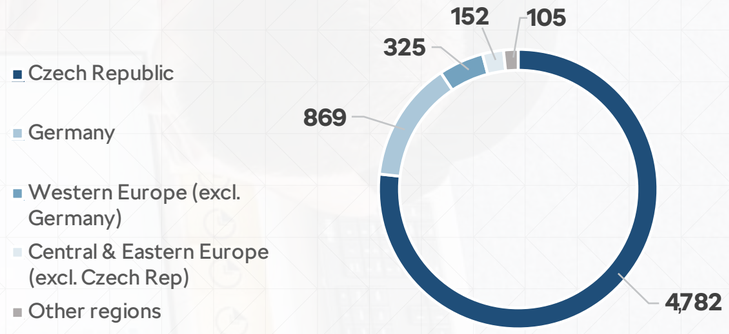


Total volume: CZK 213 billion

PRODUCTION PROCUREMENT BY COMMODITY
(% OF FINANCIAL VOLUME)



SUPPLIER STRUCTURE OF GENERAL PROCUREMENT
(NUMBER OF SUPPLIERS)



Total volume: CZK 39 billion

Compliance with our internal sustainability standards can only be attained in collaboration with our business partners. This concept, defined by Volkswagen Group applicable also for ŠKODA AUTO, is based on three main pillars: requirements, monitoring and trainings, and skills.

Within the framework described above, ŠKODA AUTO and Volkswagen Group define the sustainability requirements for suppliers as the first step. Subsequently, these requirements are shared with business partners via systemic tools. A monitoring tool provides supervision of compliance with the aforementioned requirements. We ensure the maximum degree of compliance with our sustainability standards by placing importance on related qualifications of suppliers and business partners. In order to ensure satisfactory results across the supply chain in all submarkets, we rely on continuous dialogue with our business partners. The effective exchange of information is performed via the network of procurement professionals.

SUSTAINABILITY IN SUPPLY CHAIN

REQUIREMENTS	MONITORING	TRAINING AND SKILLS
CONTRACTUALLY BINDING	VERIFICATION OF COMPLIANCE WITH REQUIREMENTS	TRAINING AND RAISING AWARENESS OF SUPPLIERS
› Environmental protection › Employee rights › Transparent business relationships › Safety in the workplace › Integration into internal processes	› Sustainability questionnaire › Geographical risk assessment › Evaluation of suppliers' integrity › Audit and ad-hoc cases › Reporting of improper behaviour	› E-learning program › Classroom training courses › Educational events for suppliers

PRECISE DEFINITION OF REQUIREMENTS

Volkswagen Group's prerequisites on the sustainability of its business partners (Code of Conduct for Business Partners) provides the formal basis for the sustainability standards of its suppliers. That document sets out contractually binding requirements related to the conduct of suppliers and business partners in terms of environmental protection, social aspects and compliance. We also encourage our direct suppliers to share our sustainability requirements and principles within their supply chain. Individual requirements are based on the UN Global Compact principles, ICC Business Charter for Sustainable Development and on the documents and methods defined by the International Labour Organisation.

The Code of Conduct for Business Partners has been revised in the last two years, tightening the requirements put on suppliers in relation to sustainable development. In particular, emphasis is placed on integrating sustainability-related topics into internal processes. Stricter rules have also been promoted in the area of occupational health and safety and personal protective equipment use. Another fundamental change concerns risk assessment within the suppliers' own supply chain. Upon request, the supplier has to provide a risk assessment and share information about sources of used materials. In 2019, the Code of Conduct for Business Partners will be supplemented with a practical manual for business partners. It will provide guidance on the implementation of Volkswagen Group's requirements into the supply chain.

To minimise potential risks arising from insufficient sustainability practices in the supply chain in a timely manner, ŠKODA AUTO deploys geographical risk assessments as an additional assessment tool. This tool is tied to the supplier's registered headquarters or production location. Another assessment tool is the verification of a supplier's integrity called Business Partner Check.

Prior to submitting an offer, the supplier is requested to formally confirm their sustainability requirements and to renew confirmation every 12 months. These sustainability standards are contractually binding for all suppliers in production-related as well as general procurement. Therefore, sustainability requirements for business partners apply regardless of type of goods purchased or the geographic origin of the supplier.

MORE EFFICIENT SUPPLIER MONITORING

Suppliers of ŠKODA AUTO remain obliged to complete a sustainability questionnaire. They confirm their adoption of required measures and report progress made in sustainability area. Therefore, the Self-Assessment Questionnaire (SAQ), a new well-structured tool, has been prepared with the support from CSR Europe and the Drive Sustainability working group. An obvious advantage of this self-assessment process is easily comparable output in the same format for all the manufacturers involved. Moreover, the new self-assessment process provides more comfort for the addressed suppliers and results in a higher level of quality of output data. With regards to production-related procurement, more than 80% of the suppliers of the ŠKODA AUTO brand have been transferred to the new platform as of present date. Based on the responses provided, we can easily uncover problematic areas and suggest effective measures for suppliers to adopt. The results show no breach of human rights in the supply chain for the reported period.

We plan to continue to elaborate the supplier assessment process in 2019 with an increased focus on sustainability as one of the essential criteria for establishing business relations with suppliers. We plan to launch a new supplier sustainability rating. The rating will combine the outcomes of the supplier self-assessment questionnaire and geographical risk assessment. This rating will be used at various levels of the supplier on-boarding process. An unsatisfactory rating result will preclude the establishment of business relationship and the supplier will be given feedback on adoption of essential sustainability measures. The supplier sustainability rating development is part of the long-term planned strategy, where the sustainability assessment will become essential selection criteria attaining the same importance as economic and technical requirements in ŠKODA AUTO supplier selection process.

We require environmental risks management certification (ISO 14001 and/or EMAS) from suppliers to document that environmental risks elimination procedures are in place. This is part of the environmental assessment. More than 80% of ŠKODA AUTO's relevant supplier portfolio meet these criteria. We also recommend that suppliers implement certified systems of occupational health and safety risk management, for example, OHSAS 18001, SA8000 or AA1000 standards.

Suppliers with high risk scores in the sustainability area may be selected for a audit conducted by a third party directly at the production plant. This comprehensive audit process includes a check of all Volkswagen Group's requirements in relation to sustainability standards of a business partner. Moreover, interviews with the supplier's employees will be conducted to obtain fair results and accurate values.

Ad-hoc checks are yet another tool for monitoring and evaluating the suppliers' sustainability principles. These checks apply to suppliers suspected of sustainability requirement breaches identified, for example, by the quality audit. These specific cases are then investigated by an expert from the ad-hoc team supported by the Volkswagen Group department. If necessary, corrective measures will be recommended. If the breach of sustainability requisites is confirmed, the supplier will be invited to provide a standardised report commenting on the audit findings. This way a supplier is given a chance to describe the actual situation in detail and outline corrective actions.

In 2018, two cases of filings were received relating to a breach of sustainability requirements. In one case, the suspected breach of principles was confirmed and a recommendation followed to exclude this particular supplier from future tenders. This suspicion was reported via Hinweisgebersystem, a whistleblowing system opened to employees and third parties for sharing suspicions of improper behaviour relating to sustainability in the supply chain. Additionally, a direct reporting option is to write at:
sustainability@vwgroupsupply.com

QUALIFICATIONS DEVELOPMENT OF SUPPLIERS AND EMPLOYEES

The qualification profile of staff in the procurement department has to encompass the ability to assess the sustainability readiness of suppliers and business partners. As in previous years, trainings were offered in collaboration with the Procurement Academy in the form of the Welcome Day module during the reported period. More than 40 newly hired purchasers were trained in this area to ensure expected knowledgeable relating to sustainability in the supply chain. We plan to include training events in our training schedule to address the practical use of the sustainability rating of suppliers. This planned training will further equip staff in the procurement department with the skills to use all available IT tools in a systematic way. ŠKODA AUTO closely collaborates with the relevant procurement divisions at Volkswagen Group on trainings and qualifications development support.

The e-learning module for business partners is still the fundamental tool for developing the sustainable supplier chain. E-learning courses are available in nine languages. By the end of 2018, the suppliers' rate of enrolment into these e-learning platforms exceeded 80%. This is in line with the reported rate of usage from previous periods.

SUSTAINABLE MOBILITY AND INNOVATION

The main pillars of ŠKODA AUTO's growth strategy include electromobility, digitalisation - including new business models, connectivity, the development and expansion of the production capacity, new markets and performance improvement. We prepare responsibly for new trends in individual mobility and we invest in state-of-the-art technologies. We develop new products and business processes with the aim of capitalising on the benefits of current trends. Therefore, an internal innovation-focussed team has been formed to monitor and disseminate new information about the use of modern technologies and the advantages of digitalisation in the company. This team empowers employees to come up with innovative ideas and put them into practice.

The main platform for innovative solutions is the Prague-based think tank, ŠKODA AUTO DigiLab, established in 2017. Its goal is to make future mobility more efficient, more comfortable and safer. ŠKODA AUTO Digilab emerged as an IT start-up and central development workshop for new digital solutions, services and technology. It aims to take gradual steps in the company's transformation process from a traditional carmaker into a mobility service provider. The main tasks of ŠKODA AUTO DigiLab include the exchange of knowledge with external innovators. ŠKODA AUTO DigiLab activities lead to the implementation of two important pillars of Strategy 2025 - digitalisation and connectivity.

ŠKODA AUTO also confirmed its ambition to materialise its vision of sustainable mobility by signing a declaration on urban mobility services development in collaboration with the city of Prague and the Czech Technical University. Electromobility and digital mobility services play an important role in this memorandum. New models of a shared economy and the exchange of data between cars and infrastructure are the cornerstone of these new concepts.

ⓘ More information in our press release.



SHARED ECONOMY

Due to emerging trends of the shared economy, customers can use a greater number of products even without direct ownership. The automotive industry is no exception. Car sharing progressively connects the owners of unused cars with people who want make use of a car but only on an occasional basis. Car sharing enables more efficient car use and it reduces demand for parking spaces. Both basic car sharing modes (free floating and peer-to-peer) enable perfect monitoring of the technical condition of the car. This reduces the cars' environmental impact. Moreover, car sharing is a community phenomenon and has a positive impact on the social climate, mainly in urban environments.

In the past two years, ŠKODA AUTO has significantly increased its investments in shared mobility and is constantly improving its position in this developing market. ŠKODA AUTO DigiLab has launched the car sharing platforms HoppyGo and Uniqway. These projects have received an award for the best smart city project aimed at communities and the public in 2018.

ŠKODA AUTO set specific goals for shared mobility as well. It intends to introduce its car fleet services and on-demand transport in 20 European cities by 2021. With this plan materialised, the carmaker will become one of the main providers of car-sharing services in Europe.

HoppyGo:

In 2018, the car-sharing platform HoppyGo was merged with the SmileCar service from Leo Express, all under the wings of ŠKODA AUTO DigiLab. Due to this merger, ŠKODA AUTO has become one of the most important players in peer-to-peer car sharing in the Czech Republic and has made HoppyGo a user-friendly platform for car sharing.

As the result of this project, mobility solutions such as car sharing combined with bus and rail transport became available. This promotes the mobility solutions offer to a new level and saves a lot of travel time. For example, a long-distance travel plan with a Leo Express train or bus may be completed with a rented car. Upon specifying their travel schedule HoppyGo users may also receive recommendations on their app including a combination of multiple modes of transport and specific information on connection options for various means of transport. The service works as follows: after completing their long-distance journey, the travellers' rent a car from the driver who has just arrived at the destination station in their vehicle, because he intends to continue their journey by a different means of transport. This new mobile app offers users a transport solution that is directly based on their needs. Another significant advantage is that this single app configures best travel options, calculates the fee per travel and provides a payment platform.

The entire concept is another important initiative leading to the development of comprehensive mobility services. Combining both projects into one expands the offer of cars: more than 750 models from various brands, categories and sizes. The vehicle fleet includes, naturally, various ŠKODA models offered for sharing by private owners.

42,000 USERS IN THE DATABASE, YEAR-TO-YEAR GROWTH OF **330 %**

1,500 VEHICLES IN THE PLATFORM

4 MILLION KM ALREADY TRAVELLED

3.5 DAYS – AVERAGE RENTAL LENGTH

31 YEARS – AVERAGE AGE OF THE HOPPYGO USER



Uniqway:

The unique pan-European car sharing platform was developed by students of the Czech Technical University, the University of Economics and the Czech University of Life Sciences. It entered into the everyday operation phase upon a successfully finished testing phase. Since 2018, the car sharing service has become available to students and teachers at the aforementioned universities.

ŠKODA AUTO and ŠKODA AUTO DigiLab provided financing and mentors, which helped to establish this platform. ŠKODA AUTO has also supplied 15 ŠKODA FABIA vehicles for the first phase of live operation. Students were in charge of the app development and graphic designs. They also promoted this service via marketing activities and they selected the fleet vehicles.

3 UNIVERSITIES INVOLVED IN THE PROJECT

15 VEHICLES IN THE PLATFORM

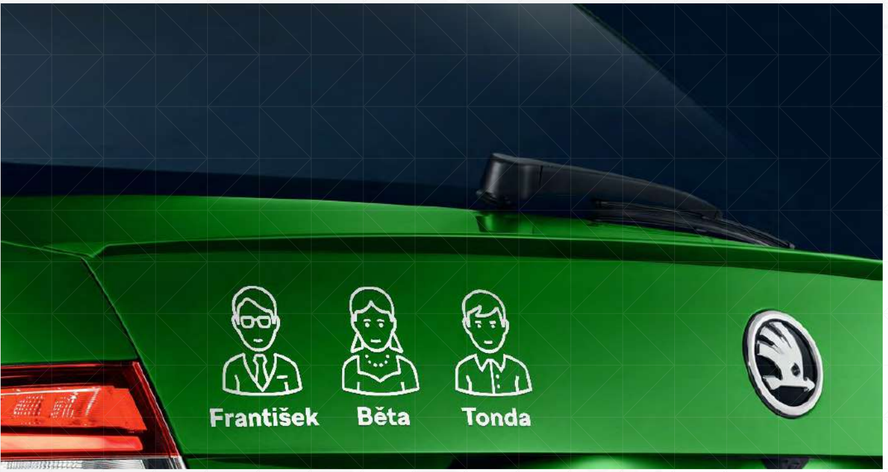
500 REGISTERED **USERS**

920 HOURS OF TOTAL TRAVEL TIME

17,000 KM ALREADY TRAVELLED



Uniqway entered the everyday operating phase in October 2018 upon a successfully finished testing phase.



Jezdíme spolu:

"Jezdíme spolu" ('We commute together') is a programme intended for ŠKODA AUTO employees who commute to the Kvasiny and Mladá Boleslav plants. Via the TwoGo app, employees arrange trips to and from work by car with their colleagues. Employees receive points for car-pooling and may win prizes.

18 TONNES OF CO_2 SAVED BY CAR-SHARING

3,000 JOURNEYS ALREADY PERFORMED

150,000 KM ALREADY TRAVELLED

INNOVATION FOR MOBILITY OF THE FUTURE

Within its mobility services, ŠKODA AUTO DigiLab has established the Caredriver service. Upon request, qualified drivers transport people who need assistance (children, the elderly, disabled people, etc.) to a place where they are picked up by a member of their family. The service has been spreading gradually from Germany to other countries and cities. A Smart Parking app is under development. The app should improve problematic parking in city centres. ŠKODA AUTO DigiLab is developing as a special car-pooling solution to allow transportation to be arranged more easily in real time.

ⓘ More information in our press release.

ŠKODA AUTO DigiLab's innovative scope also includes intensive international collaboration. In 2017, it entered into a partnership in Israel. The aim is to exchange knowledge with players in the IT sector, businesses and universities. Besides that, the Israeli start-up scene offers access to technological trends and talent. In 2018, smart parking projects were in full swing along with new charging technology for electric vehicles.

EMPLOYEE INNOVATIONS

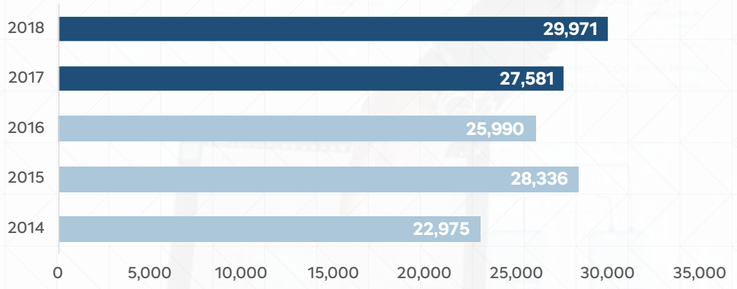
As part of its continuous improvement management approach, ŠKODA AUTO has already had an idea management system in place for several years. Its working name is ZEBRA. It is a motivational programme, which empowers employees' innovative spirit and transforms their ideas for cost reductions into real solutions. Since the implementation of a programme for systematically gathering ideas and regularly monitoring indicators in 2010, the number of submitted proposals increased from 11,620 to 29,971 in 2018. These efforts together represented savings of CZK 210 million. The ZEBRA programme became a very effective tool. It is supervised by the Improvement Department.

Benefits for employees represent material savings, increased efficiency of the production processes, enhanced occupational health and safety, improved workplace conditions and decreased environmental impact of production.

In 2018, an innovative on-line version of the ZEBRA programme was launched for submitting and handling improvement ideas under the name eZEBRA 2.0. It is more attractive, user-friendly and it ensures transparency of the entire process.

The Improvement Department hosts innovation breakfasts to motivate employees to participate in the innovative process and to nurture innovative potential at ŠKODA AUTO. Breakfast meetings are attended by representatives of all ŠKODA AUTO departments. External guests are invited to present inspiring stories on different topics. Some employees had the additional opportunity to increase their awareness of new trends in technology development at the FPP innovation festival, which took place in September 2018. The festival showcased the latest developments in technology. It also offered a recruitment campaign for students as well as the opportunity to become more familiar with the concept of the ŠKODA VISION X hybrid car.

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



ELECTROMOBILITY SERVICES

In line with the current trends, ŠKODA AUTO intends to invest EUR 2 billion in electromobility and new mobility-related services in the next five years. ŠKODA AUTO also supports the development of a nationwide charging infrastructure. Electric vehicle charging services are a necessary precondition, promising to boost the positive impact of electromobility on the urban environment - low noise and zero emissions.

Development of the nationwide infrastructure of electric vehicle charging is also one of the fundamental points in the memorandum about the Future of the Czech Automotive Industry. The memorandum was signed in October 2017 by Czech government representatives and Automotive Industry Association representatives. As a member of that association, ŠKODA AUTO was significantly involved in preparing both the memorandum and the action plan. ŠKODA AUTO cooperates with state institutions and supports the implementation of specific measures outlined in these documents.

In 2018, representatives of ŠKODA AUTO, the energy company ŠKO-ENERGO, and local government representatives opened a new 50-kW fast charging station for electric cars in Mladá Boleslav. This fast charger can be used by up to three electric vehicles with various charging systems at the same time. Another ten stations are already located at the carmaker's site. Development of the charging infrastructure will contribute as a joint project aimed at transforming Mladá Boleslav into a smart city. Mladá Boleslav will then become a pioneer on the path to a new era of electromobility.



E-MONA:

E-MONA

ŠKODA AUTO DigiLab has launched the testing of mobile charging stations for electric cars in Prague. The aim is to facilitate the switch from fuel powered cars to electric vehicles by building an alternative mobile charging infrastructure as a supplement to the stationary charging stations network.

The project was launched as a service for car-sharing platforms only. In the future, we plan to also expand the service for private users of electric vehicles. The E-MONA mobile vehicle charging station is the first of ŠKODA AUTO DigiLab's projects supporting electromobility as the arrival of the first electric ŠKODA vehicles is announced for 2019.

Mobile charging station E-MONA is a compact device which is attached to the electric bicycle. Therefore, it can reach quickly the desired destination upon customer's request. This service will be used primarily for company fleets and private drivers, who do not have enough battery capacity left to get to the nearest charging station. The service is currently available within the broader city centre of Prague.



CUSTOMER SATISFACTION

ŠKODA AUTO is consistently doing everything it can to link positive emotions and a positive experience with the ŠKODA AUTO brand. The Human Touch approach is a comprehensive programme that puts the customer at the centre of all of the company's activities. The aim of the programme is to maximise customer satisfaction, thus the customer service experience itself, but we also use our original tools and we motivate staff in dealerships.

CUSTOMER SERVICE

International satisfaction studies on all Group brands focus on the products, servicing and sales representation. In recent years, ŠKODA AUTO has significantly improved its satisfaction rating via the ŠKODA Customer Xperience project. Customer service is an area of great importance given the tough competitive environment. ŠKODA AUTO customers are contacted by e-mail and/or SMS 1 to 3 days after the vehicle is accepted into the service centre. The results are summarised in a clear report, where the development of customer satisfaction can be monitored in real-time, to identify potential problems and areas for improvement in our services.

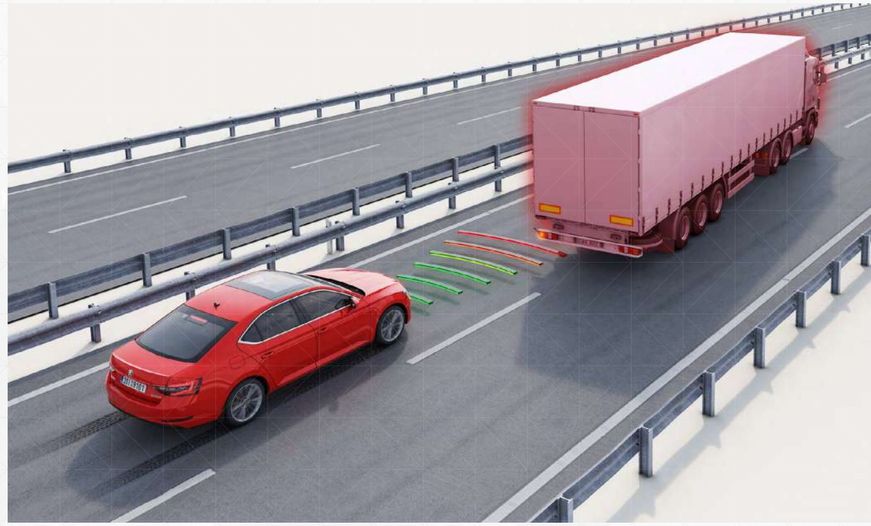
ŠKODA AUTO is currently focusing intensively on customers who were dissatisfied during their last dealership visit. We aim to uncover the cause of the dissatisfaction and thereby continuously improve our services. Unsatisfied customers receive a phone call no later than 72 hours after a visit. If necessary, the customer is given an additional explanation and the problem is investigated. This process adds to customer satisfaction and loyalty.

The importance of customer satisfaction for ŠKODA AUTO is also reflected in the warranty programme offered to each customer. A two-year warranty for defects in new vehicles is offered to customers as standard. In addition, ŠKODA AUTO provides a three-year body warranty against paint flaws and a twelve-year anti-corrosion warranty. As an additional feature, an extended warranty can be ordered for a new vehicle. A 5-year warranty is offered in two options depending on the distance travelled. The extended warranty is tied to a particular vehicle and may be passed to the new owner, in case the car is resold.

CUSTOMER SAFETY

Active and passive passenger safety is an important part of sustainable product development and is one of ŠKODA AUTO's main priorities. We concentrate our efforts on the permanent improvement of the safety features of our vehicles.

For this very reason, ŠKODA AUTO continually invests in innovative solutions and in the latest technology to improve safety of passengers. Yet another long-term goal of ŠKODA AUTO is to enhance safety for all road users and to shift technology common for the higher-tier segment to the compact car segment.



Front assist is an emergency braking system that can prevent an impending collision. It can activate automatic partial braking or triggers emergency braking in order to minimize consequences of the collision. Front assist also stops the vehicle when a pedestrian dangerously crosses the lane in front of the car.

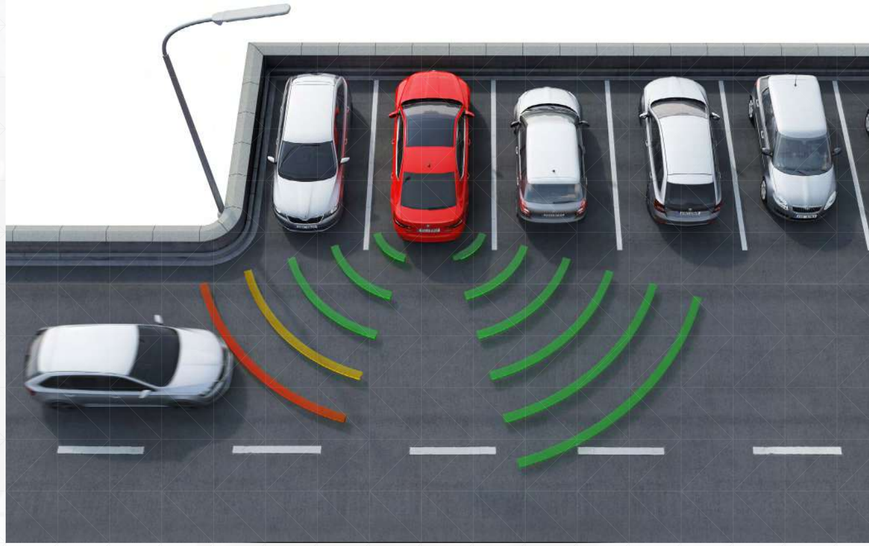
The new ŠKODA SCALA model is based on a flexible modular platform of the Volkswagen Group called MQB, which not only enables to use state-of-the-art parts for propulsion units and for chassis, but also provides access to many new assistance systems, which are available for the first time or in a more extensive version. So far, these features have only been available in higher-tier vehicles. The combination of assistance systems with many passive safety features raise the safety of the ŠKODA SCALA to a very high level.

Assistance systems in the standard equipement help to improve passengers' safety.

With the launch of the ŠKODA SCALA, the ŠKODA AUTO brand has set a new standard level for modern assistance systems on the European market. Assistance systems will help to improve passenger safety and reduce the number of dangerous situations or accidents on roads. These systems include Lane Assist and Front Assist, which come as standard. Front Assist includes City Emergency Brake and uses radar to monitor the space in front of the vehicle and helps to prevent accidents. One of the assistance systems available in the ŠKODA SCALA in extra equipment in the form of Side Assist. This system, which is available upon request, alerts the driver to vehicles approaching from behind with the intention to overtake or vehicles that are in the blind spot. While the current system used the Blind Spot Detect and a radar with a range of 20 meters, the new Side Assist can spot vehicles up to 70 meters away. It can also effectively warn of danger on motorways and high-speed roads. Side Assist includes the Rear Traffic Alert system.

ŠKODA AUTO brand vehicles also offer other assistance systems, mobile services, and service packages such as Infotainment Online and Care Connect, which significantly contribute to the overall improvement of passenger safety.

The general effort to achieve a maximum level of active and passive vehicle safety is reflected in the top results of ŠKODA vehicles in Euro NCAP crash tests. When introduced on the market, each ŠKODA AUTO brand model range may earn five stars in these vigorous safety tests. The same evaluation applies for the new generation of ŠKODA KAROQ SUV.



When reversing out of parking bays, **Rear Traffic Alert** recognises vehicle approaching from the sides. An acoustic signal warns of an impending collision and the relevant side of the vehicle gets highlighted on the infotainment display by yellow or red colour. In case of emergency the system automatically stops the car.

CORPORATE GOVERNANCE

At ŠKODA AUTO, transparency and openness are basic principles for communication with all involved parties. This approach is based on the company's status as one of the largest employers in the Czech Republic as well as an internationally recognised car manufacturer. In accordance with Volkswagen Group's rules, we assess risks relating to future development. We ensure that a clear framework for actively addressing issues relating to environmental protection, fair treatment of employees and social engagement is in place.

In view of the facts above, since 2007, ŠKODA AUTO has embraced the relevant recommendations and rules of the OECD Principles of Corporate Governance updated in 2018. The Company aims to continuously improve internal processes and rules in accordance with the OECD Principles of Corporate Governance to further encourage transparency and compliance with regulations and ethical business behaviour in the Czech Republic. More detailed information on this topic can be found in the 2018 Annual Report (page 14).

The internal governance processes of ŠKODA AUTO have been configured in accordance with the legislation framework of the Czech Republic. The sole shareholder of ŠKODA AUTO is Volkswagen Finance Luxembourg. There are seven members in ŠKODA AUTO's Board of Management. The Board of Management is also responsible for the entire area of sustainable development. The Supervisory Board has nine members and acts as a supervisory body, overseeing the activities of the company and its Board of Management. Three of the Supervisory Board members are nominated by trade unions as the representatives of ŠKODA AUTO employees.

In addition to its business values, ŠKODA AUTO's transparent and responsible approach is also based on a number of international agreements and laws that represent important rules of conduct for internationally active enterprises, including ŠKODA AUTO.

CODE OF CONDUCT

In November 2017, the company published the ŠKODA AUTO group's updated Code of Conduct. The Code of Conduct was distributed in printed form to staff at the end of 2017. The Code of Conduct stresses the legislative obligations which could bear down most heavily on the Company. It also encourages employees to comply with universally recognised social values.

The Code of Conduct thus clearly defines the company's general standards for employee behaviour. It reminds each employee of the duty to maintain the good reputation of the company, details the rules for avoiding conflicts of interest and corruption, and explains concepts such as human rights, equal opportunities, health protection, handling of data and the property of the company. The Code of Conduct also stipulates the basic rules of behaviour towards business partners and other individuals, and clearly articulates the interest of protecting fair competition. Each manager must ensure that staff in their area of responsibility are familiar with and comply with these rules of behaviour.

All staff in technical-economic and managerial positions have access to updated e-learning on this topic, where they can familiarise themselves with rules regarding the protection of human rights. Employees must undergo this training every two years. In addition to the specified e-learning, members of the Board of Management have also completed extended training regarding the Code of Conduct.

ŠKODA AUTO GROUP CODE OF CONDUCT

http://www.skoda-auto.com/company/sustainability-company-governance

COMPLIANCE

The company's approach in terms of compliance is based on the premises that, from a long-term perspective, the business can be successful only if it acts in accordance with moral principles and international law and if it fulfils its voluntary commitments and ethical principles. Therefore, the topic of compliance is a key part of the management of the company. The company's business activities are impacted by the legal environment of the international and domestic market. In order to pursue all these regulations, compliance is a very complex topic, which is one of the most fundamental principles determining the company's overall approach. The Division in charge of Governance, Risk & Compliance is responsible for identifying potential risks in this area and provides the management with recommendations, including the implementation of preventive measures and related corporate mechanisms. In the company, the Governance, Risk & Compliance division reports directly to the Chairman of the Board of Management.

In terms of compliance, we follow a precautionary principle, which is intended to lead to a corporate culture preventing potential infringements of the law and internal regulations before they occur. The company builds employee awareness of compliance with the rules and standards through regular communication using various information channels.

Even the most advanced system for managing compliance cannot be completely flawless, particularly in the case of such a complex corporate structure and the related risks as in the case of ŠKODA AUTO. However, compliance control cannot completely prevent failure of individuals either. Nor is it possible to avoid all legal disputes or judicial proceedings in the domestic and international environment. Such proceedings may, for example, pertain to relationships with suppliers, dealers, customers, employees or investors and can result in financial or other obligations being imposed on the company.

The company periodically verifies the compliance of its existing business partners and, in the most efficient way possible, it also vigorously screens new partners. Where possible and economically feasible, the company arranges adequate insurance coverage for such purposes. The remaining identifiable risks are covered by relevant measures.

More information on this topic can be found in the section on the management of risks in the ŠKODA AUTO Annual Report and in the section on the risks and opportunities in the Volkswagen Group Annual Report.

ANNUAL REPORT 2018

https://www.skoda-storyboard.com/en/annual-reports/

INTEGRITY

The company focuses in particular on its obligation to respect the rule of law, internal regulations along with ethical and other voluntarily adopted rules. In collaboration with all of its employees, the company actively encourages conduct in accordance with its principles of integrity, ethical standards and values.

The Division in charge of Corporate Governance and Compliance conducts compliance trainings for staff in leadership positions. For example, it provides training on the Code of Conduct, anti-corruption, and the protection of personal data and/or fraud prevention. The training is required for management and all clerical professions. We provide specialised training on the subject of competition for selected groups of employees in the company. In 2018, the topic of personal and corporate integrity was supported by multiple topic-related activities and workshops focussed in particular on staff in managerial positions.

PREVENTION OF CORRUPTION

Other important elements in the system of managing compliance in ŠKODA AUTO are the fight against corruption, the prevention of conflicts of interest and the commitment to promoting the principles of fair competition.

ŠKODA AUTO supports both domestic and international initiatives for the prevention of bribery and corruption, and strongly opposes any conduct that would contravene competition. It is equally important to prevent conflicts of interest between the personal interests of employees and the interests of the company. As a preventive measure against such situations, binding internal rules of conduct have been introduced covering subjects such as giving and receiving gifts, offering and accepting invitations in business negotiations and also rules associated with hospitality.

From their first day, all employees are trained on compliance and anti-corruption measures. An e-course about the prevention of corrupt practices and conflicts of interest is also mandatory for all staff in clerical and managerial positions. Selected employees and all members of the Board of Management undergo this training every two years.

A number of corresponding training programmes have been put into practice, including classroom training in the company as well as at its subsidiaries. Besides these training programmes, we provide advice on various topics.

COMMITMENT TO FAIR COMPETITION

In 2017 and 2018, training on protecting fair competition continued, in particular by means of an e-learning. All selected employees regularly complete the e-learning focusing on the principles of anti-monopoly policy and the protection of fair competition. At the same time we offered class room trainings on all the aforementioned topics.

Employees are required to comply with the rules of competition and anti-trust legislation. 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.

ŠKODA AUTO is committed to the 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.

PERSONAL DATA PROTECTION

The agenda on the personal data protection of customers and employees and all people whose data is internally handled is covered by ŠKODA AUTO and Volkswagen Group regulations. In accordance with these rules, we process personal data only to the extent necessary based on the purpose of the processing being in accordance with the General Data Protection Regulation (GDPR). We ensure that personal data is handled in a transparent manner. Our approach prescribes that any processing of data respects the standards of information security. Every employee in the company is obliged to act in accordance with the requirements regarding the protection of personal data and the legal and business rules for information security. Therefore, each employee must undergo compulsory training immediately after joining the company.

To ensure that personal data is handled transparently and lawfully, we have built up a central and comprehensive system for protecting personal data in the company, including the establishment of the Office for Personal Data Protection and appointing a Data Protection Officer responsible for the protection of personal data in the entire company. This system is in place in order to meet the legal obligations and requirements of data subjects. Data subjects may enforce the ‘right to be forgotten’, withdrawal of consent, right to data portability, restrictions on data processing, file objections, right to be informed, and right to be excluded from automatic decision making.

In 2017 and 2018, we received 120 requests from data subjects to exercise their rights. For the aforementioned periods, we have no record of any leakage, theft or loss of any customer’s personal information that, as per the GDPR, would qualify for reporting to the supervisory authority as a personal data breach.

GRIEVANCE MECHANISM

Effective from 1 July 2017, ŠKODA AUTO introduced a new grievance system mechanism in the company. The mechanism shall recognise in time and immediately eliminate the consequences of the violation of applicable laws or internal rules. The grievance system is an important part of effective governance relating to compliance.

Should a breach of applicable laws or internal rules be specifically suspected, employees as well as business partners, customers and third parties have a discreet way of reporting any misconduct. For submitting complaints, both internal and external contact points are available. For example, it is possible to use a 24-hour telephone line, e-mail or online form. In addition to the above-listed options for reporting misconduct, the services of one of the two independent ombudsmen can be used. These are external lawyers who have been appointed by Volkswagen Group and are available to the whistle-blower wishing to submit reports. The ombudsman is bound by confidentiality in relation to Volkswagen Group, and the identity of the whistle-blower will be made public only with the whistle-blower’s permission.

An investigation will be initiated only if specific information on infringements of rules has been submitted. All information reported is thoroughly investigated and recorded. Until an infringement of the rules is proven, the presumption of innocence is to be applied. Within the framework of established processes in the system for resolving reports, whistle-blowers are protected against discrimination and retaliation. Suspected individuals shall be ensured due process.

In 2017 and 2018, ŠKODA AUTO received a total of five reports of grievances of a serious nature, which required attention from the members of the Board of Management. In these cases, the corresponding investigation and remedy were carried out in accordance with applicable laws and the regulations of the company. None of the reports were classified as legitimate cases of discrimination.

ENVIRONMENT

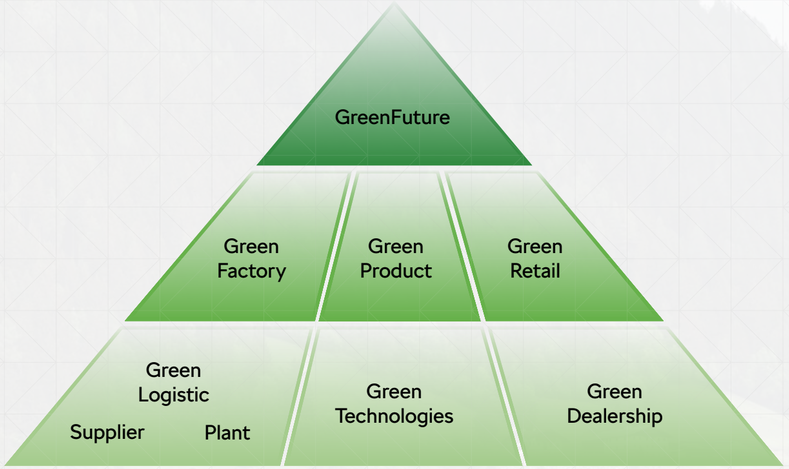
- GREENFUTURE
- GREENFACTORY
- GREENPRODUCT
- GREENRETAIL
- BIODIVERSITY



GREENFUTURE

The ŠKODA GreenFuture strategy is an umbrella for all of the company's activities, related to the management and effective control of all aspects of environmental protection. This strategy defines particular measures at the production, product and processes levels. Sustainability aspects are considered by ŠKODA AUTO throughout all product life-cycle phases, guided by ISO standards 14001 (Environmental Management) and 50001 (Energy Management Systems). Moreover, all investment projects are assessed in terms of their environmental impact. This approach focusses on the development of cars with a smaller environmental footprint, sustainable production and environmentally-friendly sales and customer service. The three main pillars of the GreeFuture strategy are: eco-friendly production (GreenFactory), eco-friendly vehicles (GreenProduct) and efficient retail stores (GreenRetail). The GreenFuture strategy also reflects current development in the Volkswagen Group and proceeds in accordance with ŠKODA AUTO's ambitious objectives defined in Strategy 2025.

The overall goal of **GreenFactory** is to continuously reduce the environmental impact of the company's production activities. ŠKODA AUTO meets this objective through the continuous implementation of state-of-the-art technologies across all ŠKODA AUTO production plants.



GreenProduct strategy is directed at sustainable mobility. ŠKODA's model fleet for the European market is now equipped with modern and environmentally-friendly engines, meeting the requirements of the Euro 6 emissions standard. ŠKODA AUTO also offers three G-TEC models powered by natural gas, and the company is about to launch its first hybrid and fully electric vehicles. In 2018, ŠKODA started to thoroughly assess the eco-friendliness of its cars during their life cycle, particularly their CO_2 emissions. Decarbonisation, circular economy and the use of alternative eco-friendly materials in the interior are areas which we outlined as key for the future. All ŠKODA AUTO cars now meet the minimum 85% standard of materials recyclability, which is in line with current EU rules.

The **GreenRetail** strategy seeks to continuously improve sustainability at its authorised dealerships and workshops. It provides support for importers and dealers in questions related to primary sources and energy, and waste management generated during car servicing, including the prevention of waste and conservation of air and water. ŠKODA AUTO follows the Extended Producer Responsibility concept focussed on the waste management at the end of a product's life cycle. Extended Producer Responsibility covers not only the vehicle itself, but also batteries and accumulators, as well as electronic equipment.



GREENFACTORY

Responsible and sustainable production is a vital part of ŠKODA AUTO's overall environmental strategy. By the end of 2018, the environmental impact of car production was reduced by 56% compared to the benchmark year of 2010. Monitoring and measurement of energy and water consumption, quantity of disposable waste per one vehicle and volatile organic compounds (VOC) and CO_2 emissions are key drivers of the positive progress.

Data presented in this section (including data per vehicle produced) are relevant to all vehicles manufactured at the ŠKODA AUTO facilities in the Czech Republic and at the ŠKODA AUTO India Private Ltd facility, i.e. all ŠKODA AUTO Group production plants.

ENVIRONMENT AND SUSTAINABILITY MANAGEMENT OVERVIEW

	2010	2017		2018	
	Base	Current status	Δ %	Current status	Δ %
Energy (MWh/vehicle)	2.18	1.48	32.4 %	1.39	36.2 %
CO2 emissions (kg/vehicle)	1,070	483	54.9 %	429	59.9 %
Waste (kg/vehicle)	28.30	0.82	97.1 %	0.78	97.2 %
Water (m3/vehicle)	2.77	1.77	36.2 %	1.71	38.2 %
VOC emissions (kg/vehicle)	2.76	1.49	46.1 %	1.41	48.9 %
Production (vehicles)	533,405	870,496	63.2 %	902,467	69.2 %
Reducion of environmental impact			**Ø 53.3 %**		**Ø 56.1 %**

The goal of reducing the environmental impact of production by 50% by 2018 was overcome by 6%.

In November 2018, ŠKODA AUTO was recertified for environmental management as per ISO 14001:2015 and energy management as per ISO 50001:2011. These certifications granted by TÜV NORD are valid for all three ŠKODA AUTO plants in the Czech Republic. All manufacturing operations, technological development, Quality Management Department and also fire service station underwent the audit. No case of misconduct related to environmental law was reported during the reported period.

INVESTMENTS IN THE ENVIRONMENTALLY-FRIENDLY PRODUCTION

ŠKODA AUTO continuously invests in environmental protection at its facilities. Significant investments go into construction of new buildings and technologies, as well as into the implementation of specific environmental objectives within management systems as defined by ISO 14001 and ISO 50001 standards. It is compulsory to use the Best Available Techniques approach for each new investment.

The programme for continuous improvements acknowledges best projects on regular basis. Out of a total of 85 projects implemented in 2017, three following projects were selected and author teams were rewarded in May 2018.

Filtration of polluted process oils
The new mobile facility cleans process oil directly at the machine. As a result, the amount of restored oil equals to the amount used in production to produce 10,000 vehicles annually.

Installation of the oil separator
This measure reduced the amount of oil in the waste water, because the oil can now be disposed of separately. As a result the water purification facility works more efficiently, which in turn improved the entire recycling process at the plant.

Reverse osmosis for production of demineralised water from vehicle body rinsing in the paint shop
A number of new, more advanced cleaning systems have been installed in the paint shops. Those devices are equipped with extremely smooth membrane filters. Here the waste water is treated in modern filtration systems and then returned to the circulation, so that it can be used multiple times. This measure further reduces the consumption of fresh water and also the waste stream of polluted water.



Reverse osmosis for production of demineralised water from vehicle body rinsing in the paint shop

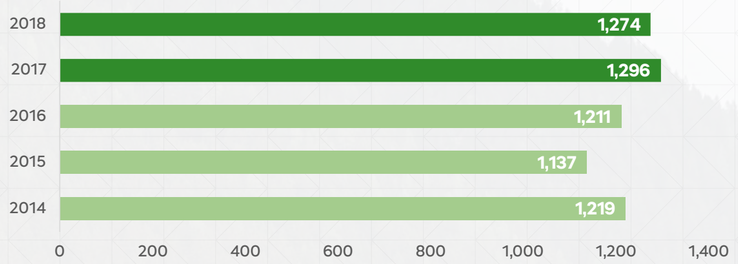
PREVENTION OF AIR POLLUTION

In accordance with European legislation, ŠKODA AUTO refrains from using air conditioning equipment with ozone depleting substances in its production facilities. The company pays special attention to the issues of cooling and air conditioning, in order to meet new rules set by the European Union (EU Regulation No. 517/2014). This directive particularly aims at preventing leaks of specific substances into the atmosphere. One of the measures taken includes regular checks conducted by qualified personnel and recovery of cooling agents from phased-out facilities. Our main goal is to use coolants with low global warming potential in new equipment to minimising the negative impact in case of leakage. Small leakages from existing devices occurred during the reporting period.

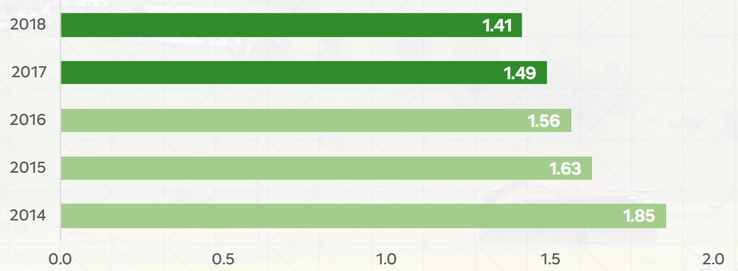
Of all the pollutants released into the atmosphere, 83% were volatile organic compounds (VOC), 96% of which originated in paint shops. Continuous optimisation of technologies in paint shops, as well as the use of water-soluble paints, ensure that VOC emissions are far below legislative limits at all times. Mainly as a result of using a new clear coat, new flushing media with a minimum VOC content and modernising afterburner equipment, VOC emissions in 2018 decreased to 15.45 grams per square metre of painted surfaces, which is around 8% less than in 2016. The current legal threshold is 45 grams.

Furthermore, VOC are also used in other production plants and the focus is to minimise their volume. For example, in the welding shop in Kvasiny, the original product used for vehicle body cleaning containing 100% VOC was replaced with another product with much lower VOC content. The measure saved approximately 1.2 tonnes of VOC emissions. Another example is the use of detergents in the tool room. These products are used for degreasing individual parts of the pressure forms prior to the repair process. In 2015, the original detergent with 100% VOC was replaced with a product containing a smaller amount of volatile substances. In 2018, an entirely new cleaning product was introduced – 100Plus with zero VOC content. Due to this measure, the tool room saves 565 kg of volatile organic compound emissions annually.

VOC EMISSIONS – TOTAL (t)



VOC EMISSIONS – VEHICLE (kg)



ENERGY MIX

ŠKODA AUTO uses four main types of energy in its production facilities. Electricity is purchased from ŠKO-ENERGO, which is the company's subsidiary. ŠKO-ENERGO either purchases electricity on the market from renewable sources or produces it at a thermal plant in Mladá Boleslav. Apart from brown coal, biomass in the form of pellets is used here as a renewable source of energy.

The second medium is compressed air used for the pneumatic control of robots in welding facilities or during the process of manufacturing components. Compressed air is produced in compressors at different pressure levels. The compressors are powered by electricity.

The third medium is water used for heating in buildings or in paint shop processes. ŠKO-ENERGO supplies heat for ŠKODA AUTO, as well as for numerous residential buildings in Mladá Boleslav.

The last medium is natural gas which is used in the rapid cooling facility, paint shops, as well as for heating at the Kvasiny and Vrchlabí plants. At these two plants, we also use natural gas to effectively produce electricity and heat in co-generation units.

ŠKODA AUTO also operates a plant in Aurangabad, India, where electricity is the only type of energy being used. Since the end of 2018, this plant has been operating its own solar electric power plant, which saves up to 30% of energy purchased from the grid.

REDUCTION OF ENERGY CONSUMPTION AND CO_2 EMISSIONS

CO_2 emissions, which are directly related to car production, come exclusively from natural gas combustion and from electricity produced from brown coal. CO_2 emissions are also closely related to the reduced energy consumption. In order to reduce CO_2 emissions, ŠKODA AUTO focuses particularly on implementing measures to reduce energy consumption, purchasing electricity from environmentally-friendly sources and using more biomass for energy production in the Mladá Boleslav plant. Moreover, potential transition to alternative fuels is currently being tested.

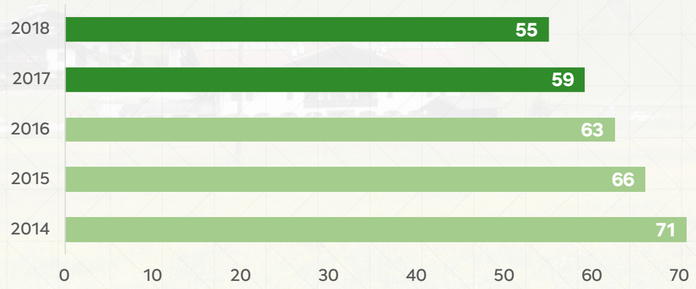
1.39 MWh OF ENERGY CONSUMED PER VEHICLE IN 2018

148 MEASURES INTRODUCED TO DECREASE ENERGY CONSUMPTION



Pellets now account for 30% of the total fuel mix. In the future, it is expected that 100% of fossil fuels will be replaced by non-coal sources.

DIRECT CO_2 EMISSIONS – VEHICLE (kg)

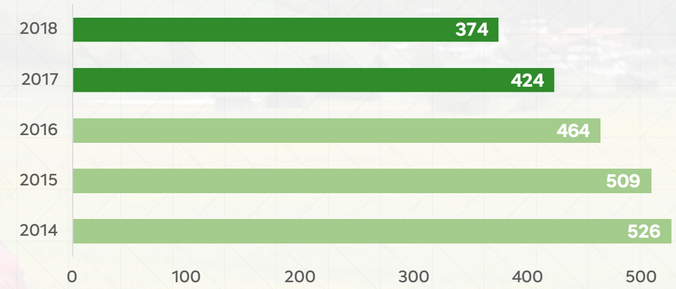


The recalculated amount of CO_2 from leaked refrigerants represents 0.25% of the total CO_2 emissions. Since this is an insignificant amount, the presented data contains only CO_2 emissions.

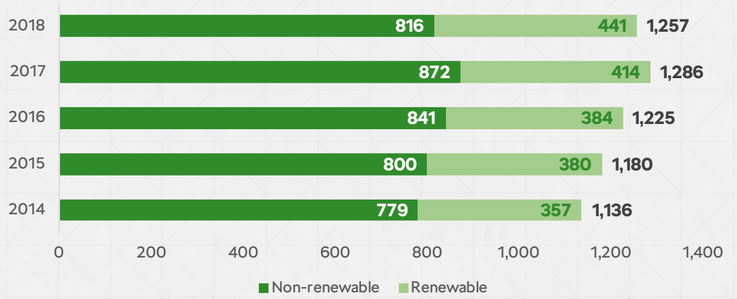
Direct emissions (scope 1) are emissions from the energy consumed directly in the factory. In the case of ŠKODA AUTO, direct emissions primarily include natural gas burnt in the premises of the rapid cooling facility and paint shops and for heating purposes in Vrchlabí and Kvasiny. Indirect emissions (scope 2) are emissions from the production of purchased electricity and heat.

Currently, 96% of CO_2 emissions come from the production of electricity in a thermal plant. Following the recent decision that all purchased energy should come from renewable sources, we launched a programme called GoToZero. It should look for ways how the company can achieve zero CO_2 emissions from car production in the future.

INDIRECT CO_2 EMISSIONS – VEHICLE (kg)

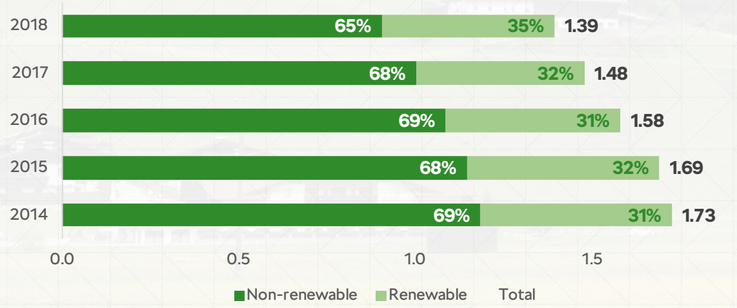


ENERGY CONSUMPTION – TOTAL (GWh)



Share of renewable sources increased from 32% to 35% in 2018.

ENERGY INTENSITY – VEHICLE (MWh)



The statistic includes energy consumption inside the organization.

According to its general principles, the company always seeks to use the state-of-the-art equipment and software in all of the new ŠKODA AUTO facilities. This approach ensures optimal energy consumption and significantly reduced CO_2 emissions. Energy consumption per vehicle produced at the ŠKODA AUTO production facilities in the Czech Republic and India was reduced from 1.48 MWh in 2017 to 1.39 MWh in 2018.

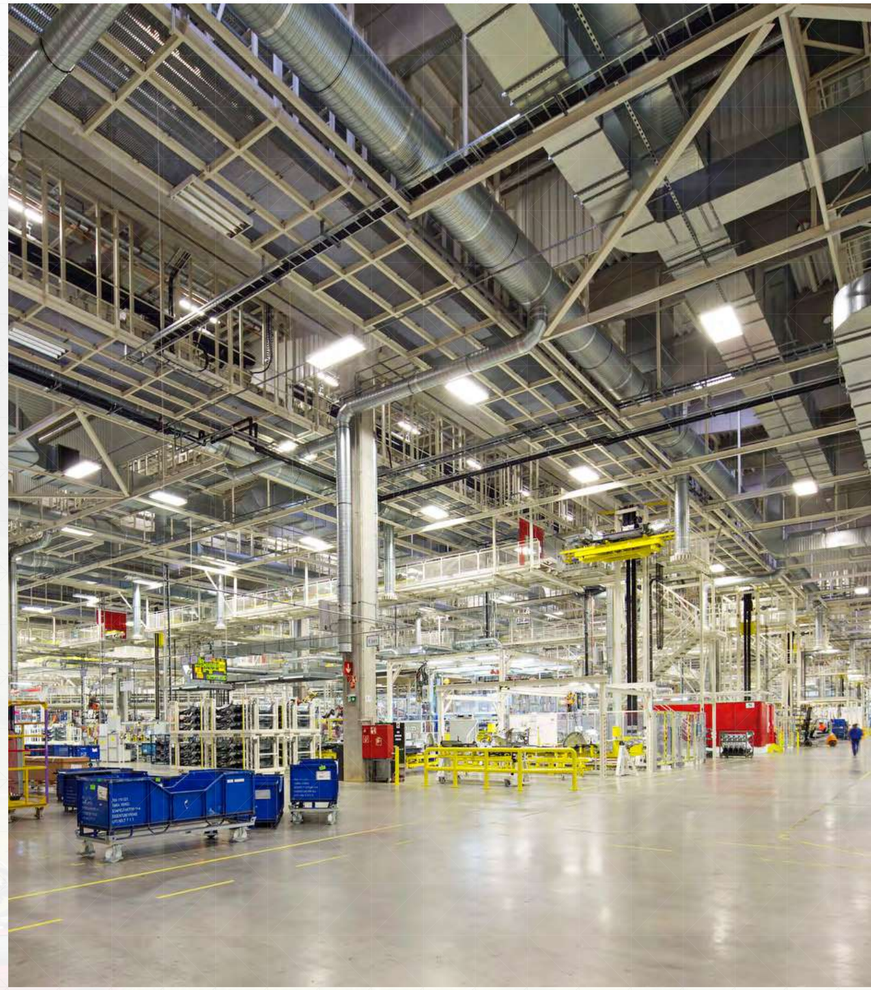
In the past two years, a total of 148 implemented measures contributed to the more efficient use of energy, focusing on 5 main areas:

› Lighting – new LED technology and regulation of light intensity
› HVAC (heating, ventilation and air conditioning) equipment – better control of HVAC equipment, use of frequency converters
› Cooling water – regulation of flow-through appliances, more effective use
› Compressed air – efficient production, elimination of leaks, consumption optimisation
› Heat – regulation of heating and reduction of leaks through windows, lighting and gates

In 2018, the modernisation of lightings took place in halls of the press shop, logistics, the paint shop and on the roofs of the press shop and logistics centre. In total, ŠKODA AUTO installed 1,932 LED lights at its Mladá Boleslav plant with an estimated savings of CZK 11.7 million per year. The combination of the new LED technology and new regulation saves up to 70% of electricity used for lighting in these facilities.

Optimisation of the cooling circuits' operation in the facilities was yet another important project for our company. For example, water in the paint shop M17 flowed continuously through five compressors, although the technology required simultaneous deployment of only two to four compressors. Similar actions have brought electricity savings of CZK 4 million per year.

ⓘ More information in our press release.



Lighting in Kvasiny

WATER CONSUMPTION AND GROUNDWATER PROTECTION

Proper management of water consumption and the discharge of waste water has always been of great importance to the ŠKODA AUTO environmental strategy. The company is well aware of water scarcity. Therefore, it is constantly developing and implementing new provisions for saving water at all of its plants.

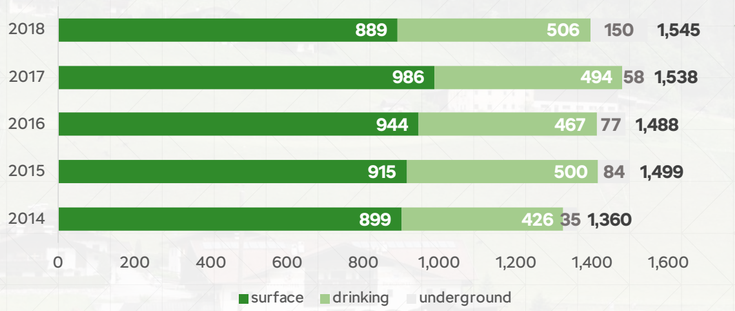
During the reference period, specific consumption of water was reduced to the current 1.71 m^3 per vehicle.

NEW EFFICIENT SOLUTIONS IN THE PAINT SHOP

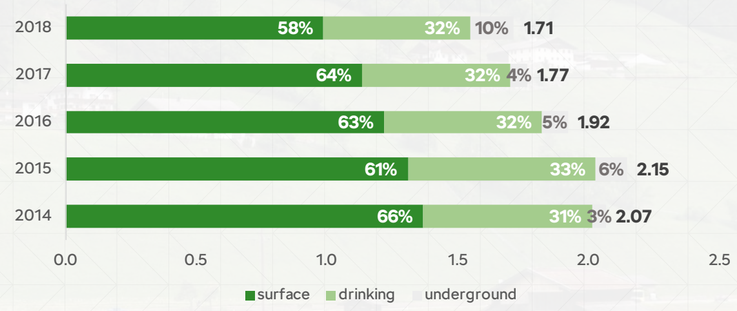
In paint shop M16 in Mladá Boleslav, demineralised water is used for the final rinse of the vehicle body before it enters the drying stage following immersion painting. This water must then be cleaned of the remnants of paint and purified in a biological waste water treatment plant. For this process a new innovative project using membrane technology has been introduced. It separates the water used from the contaminated liquid mixed with paint. This water can then be reused to rinse the vehicle body. Paint from the liquid mixture is also separated and further processed. The data that was first reported confirmed the anticipated results in 2017: water consumption in the paint shop decreased by 6.5%, representing a savings of 75 litres per vehicle body.



WATER CONSUMPTION - TOTAL (thousands of m^3)



WATER CONSUMPTION - VEHICLE (m^3)



In the production process, mostly surface and underground water is used. The vast majority of the drinking water is used in sanitary facilities intended for core staff, agency workers and external firms operating at the company premises. A smaller amount of drinking water is used for technology, e.g. air humidifying at the workplace, cleaning or cooling.

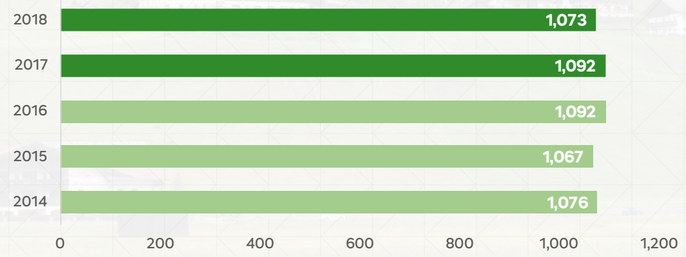
Compared to 2010 figures, ŠKODA AUTO has managed to reduce specific water consumption in car production by more than 37%. In 2018, the volume of recycled water reached a total of 640,145 m^3, which represents over 42% of the company's total water consumption.

ⓘ More information in our press release.

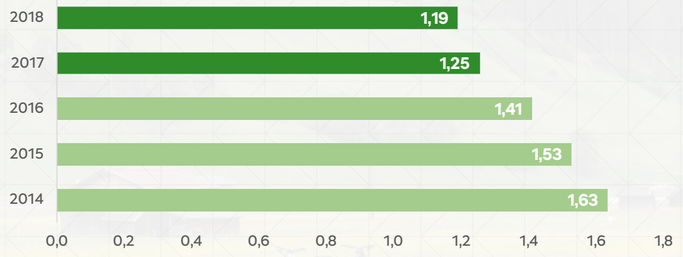
In the Czech Republic, all three production plants are mostly supplied with surface water from the nearby rivers (2017: 65%, 2018: 59%). None of these rivers are substantially affected by the water withdrawal. In Mladá Boleslav, industrial water is taken from the River Jizera, in Vrchlabí from the River Labe and in Kvasiny from the River Bělá. As a preventive measure, deep wells have been drilled at the Kvasiny plant, enabling a sufficient supply during major drought periods. During the period in 2018 when there was an extreme lack of rainfall, these deep wells sufficed to provide water to the entire Kvasiny plant, which could continue its operation. The production plant in Aurangabad, India, is supplied with water from the Jayakwadi Dam. In comparison with its total volume (2,903 km^3), the water collected by ŠKODA AUTO is minimal (in 2018: 32,844 m^3 per year – 0.0000011% tank capacity) and does not have a significant environmental impact. It is ensured that the overall waste water quality complies with legislative requirements. Waste water with a total volume of 1,083,000 m^3 (1.6 m^3/car) in 2017 and 1,064,000 m^3 (1.20 m^3/car) in 2018 is always discharged separately and purified based on its degree of contamination.

Legislative requirements are met by ŠKODA AUTO by pre-treating waste water in several phases. It is done either directly at the source, in special systems of ŠKO-ENERGO, the company's energy supplier, or at municipal biological effluent treatment plants. Purified water is then released back into the rivers. At the Aurangabad plant, the waste water is treated at two separate waste water treatment facilities. Upon satisfying the qualitative requirements of the local authorities, it is used for irrigation.

WASTE WATER - TOTAL (thousands of m^3)



WASTE WATER - VEHICLE (m^3)



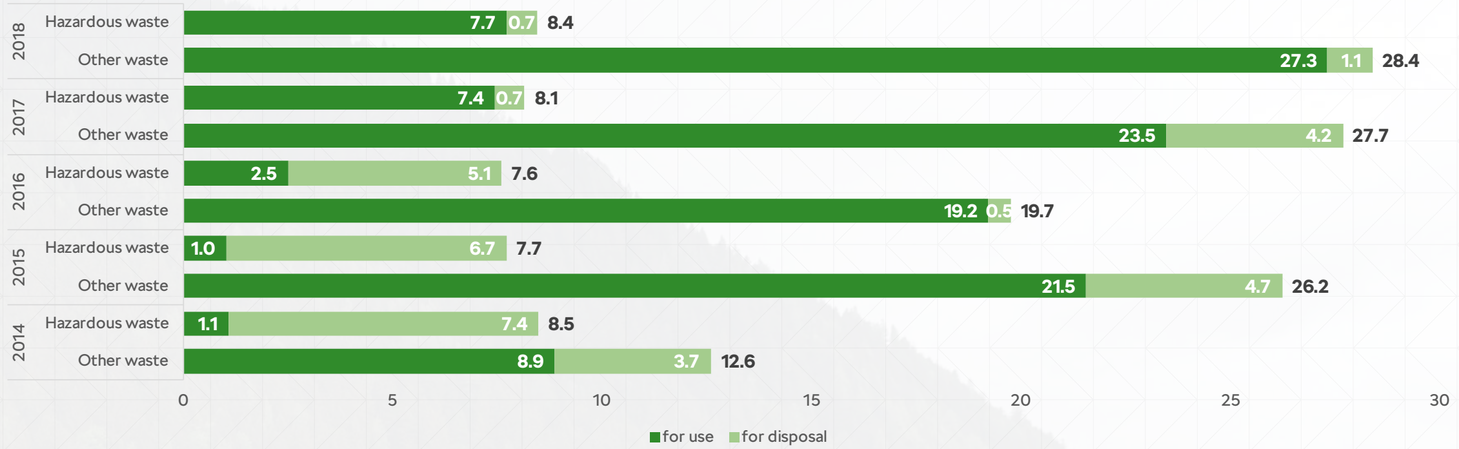
TREATMENT OF DANGEROUS SUBSTANCES

Substances which may pose a risk to the environment are handled solely in secure areas and designated facilities. Although it is unlikely that any substances should leak, emergency plans have been prepared. In 2017 and 2018, there was no leakage of dangerous substances outside the plant site. Small-scale oil leaks from trucks on paved roads were resolved immediately. There was no leakage into the soil, groundwater or waste disposal system.

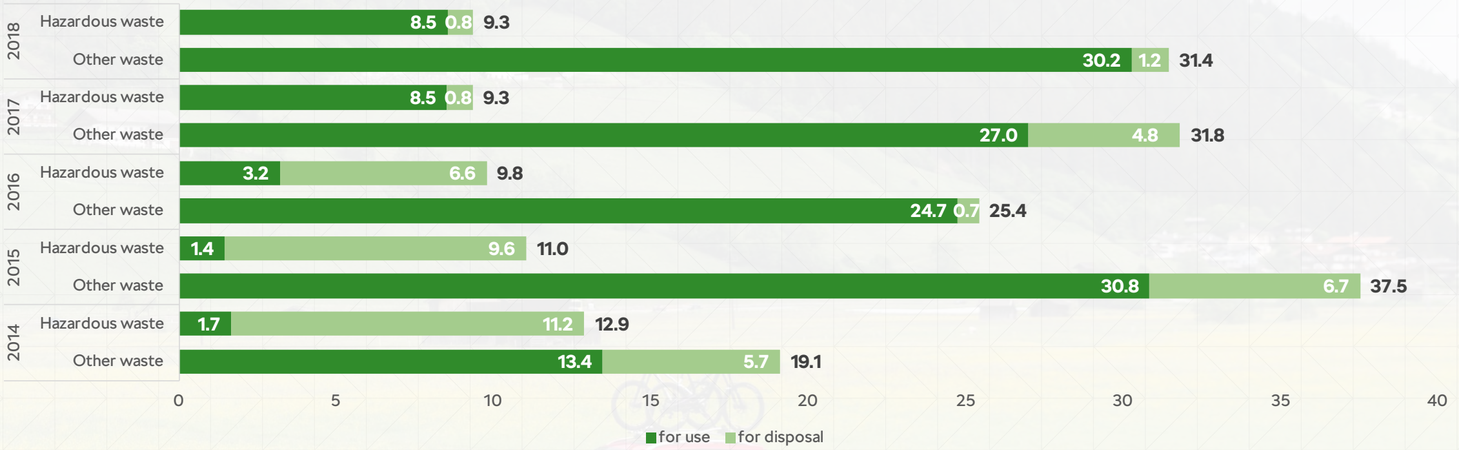
WASTE MANAGEMENT

Waste generated as a result of the manufacturing process is managed by a waste hierarchy system, which is effectively applied, i.e. material and energy recovery of waste is preferred to landfilling. In 2018, the amount of landfill waste decreased again, to less than 0.78 kg per car produced – an improvement of more than 97% compared to 2010.

OTHER AND HAZARDOUS WASTE - TOTAL (t)



OTHER AND HAZARDOUS WASTE - VEHICLE (kg)



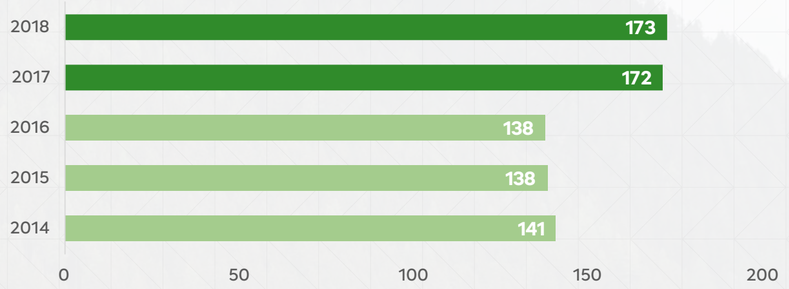
Current trend in the management of hazardous waste is to minimise its landfilling. This waste is sorted according to type and, if possible, incinerated at a hazardous waste incinerator. Here, we try to use the energy recovered from combustion to the maximum possible extent, e.g. for heating the premises.

As a member of the Czech Waste Management Association, ŠKODA AUTO strives to apply environmentally-friendly principles of waste management. One of the examples is the use of recycled solvents during the cleaning process in paint shops.

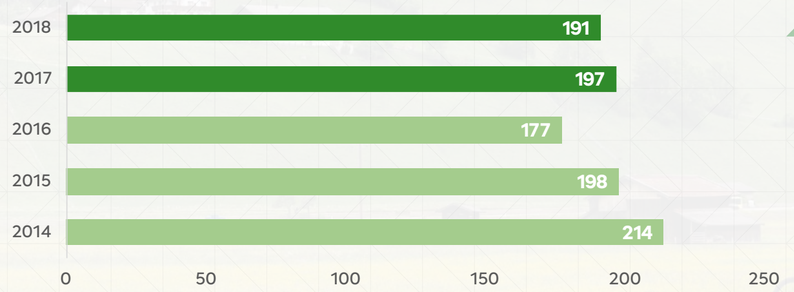
Similar to previous years, metallic waste represents by far the biggest share of the total waste. It is sorted according to its type and category, handed over for material reuse and processed in foundries and steelworks not only in the Czech Republic, but also in other EU member states.

The company is also actively reducing disposable plastic packaging. An example is the introduction of water stations to provide drinking water to its employees. The staff can now repeatedly fill their bottles instead of disposing of a plastic bottle after each use. This measure has saved approximately 1.2 million bottles per year, which would otherwise have ended up in waste.

METAL WASTE - TOTAL (thousands of t)



METAL WASTE - VEHICLE (kg)

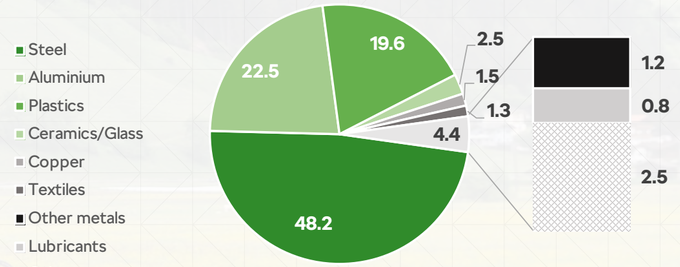


MATERIALS AND RECYCLING

All the car models currently produced by ŠKODA AUTO are homologated in compliance with the recycling requirements as defined in Directives 2005/64/EC and 2009/1/EC. When developing new cars, the company uses recycled and environmentally-friendly materials, as well as components from recycled materials which have the same qualities as new materials. Among other components, this applies to wheel-wall linings, bumpers and floor damping. For example, the ŠKODA KAROQ uses 11.5 kg of recycled material, while the ŠKODA KODIAQ uses just under 16 kg.

Vehicle parts labelling includes information about the materials used. This helps to clearly determine the composition of each vehicle part, simplifying the subsequent sorting and processing of waste according to different material groups. This decreases the overall environmental impact of the product and increases the share of recycled materials, which can be used as a substitute for primary raw materials.

MATERIAL COMPOSITION OF ŠKODA SCALA (%)



GREENLOGISTICS

ŠKODA AUTO is aware of the importance and significant environmental impact of transport and logistics, therefore it has integrated GreenLogistics into the GreenFuture strategy. The main goal of GreenLogistics is to reduce the negative impact of transport and logistics on the environment.

In order to develop successful eco-friendly logistics within the company, ŠKODA AUTO introduced a clearly defined strategy made up of 8 strategic areas. Measures defined by GreenLogistics help to establish climate-neutral transport, which is the long-term goal of the Logistics Department. These include continuous optimisation of transport routes and packaging, as well as maximal utilisation of transportation facilities. The GreenLogistics' approach also focuses on broader use of alternative fuels as well as logistics with zero consumption of paper and packaging material. As an integral part of the strategy, the Logistics Department constantly monitors the latest trends on the market and puts them into practice.

During 2017-2018, GreenLogistics focussed on the following major projects:

1) Further development of alternative fuels in in-house logistics
2) Switching from road to rail transport
3) Centralisation of material flows and storage streamlining
4) Optimisation of packaging

Transition to alternative fuels in in-house logistics processes is one of the main goals of GreenLogistics. In 2017, four trucks powered by compressed natural gas (CNG) were added to the eco-friendly logistics fleet at the Mladá Boleslav plant. These trucks transport material among the production facilities. During test runs, trucks running on natural gas showed significantly less emissions compared to conventional fuels – CO_2 emissions decreased by 25%, particulate matter emissions dropped by 95% and emissions of nitrogen oxides were decreased (NO_x) by up to 90%.

In order to arrange environmentally-friendly means of transport to the Krkonoše Mountains, the company deployed a truck powered by CNG to take material from Mladá Boleslav to the Vrchlabí plant.

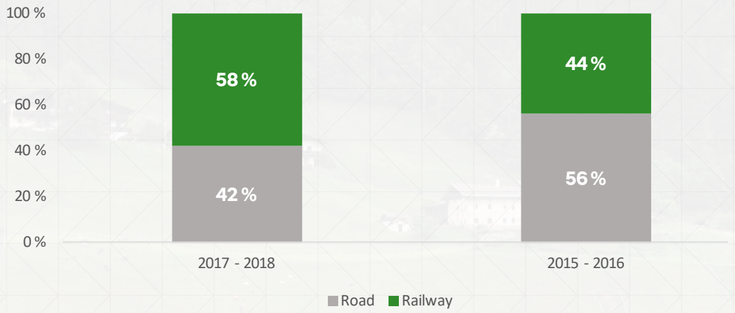
As part of the expansion of electrification, a zero-emission vehicle was deployed to transport people within the Mladá Boleslav plant. ŠKODA AUTO aims to gradually replace the existing in-house truck fleet with a truck fleet running on alternative fuels.

EIGHT STRATEGIC AREAS OF GREENLOGISTICS IN ŠKODA AUTO

- ALTERNATIVE FUELS
- COMPLIANCE WITH EMISSION STANDARDS
- UTILISATION OF TRANSPORT FACILITIES
- EFFICIENT PACKAGING
- NEW TRANSPORT OPTIONS
- PAPERLESS LOGISTICS
- COLLABORATION WITH EDUCATIONAL INSTITUTIONS
- SYNERGIES WITH VOLKSWAGEN GROUP

ŠKODA AUTO is also shifting transport of fully built units (FBUs) from road to railroad. In the reported period, the share of rail transport of FBUs was 58%. In 2017, a total of 33,465 wagons carrying fully built units were dispatched from Mladá Boleslav. If we connected these wagons into a single train, the train would stretch out from Mladá Boleslav to Paris. Every single train fully loaded with FBUs eliminates 23 trucks from the road. The company's medium-term goal to increase the share of rail transport of fully built units was therefore fulfilled. More frequent railroad transport is also being tested for other transport concepts within ŠKODA AUTO Logistics.

PROPORTION OF TRANSPORT MODES IN SHIPPING OF FULLY BUILT UNITS



In May 2018, the railway fleet at the Mladá Boleslav plant was reinforced with two new green EffiShunter 500 locomotives. They operate in a continuous three-shift arrangement and, in addition to fully built units, they also transport vehicles to other group plants in case of a specific project. Both locomotives fall under the scheme concerning recent technological trends. They increase safety and provide improved ergonomic conditions for employees who operate them. At the same time, they reduce fuel consumption, thus also CO_2 emissions.

During 2017 and 2018, ŠKODA AUTO's logistic department brought new automatic small parts warehouses (SPWs) into operation at the Mladá Boleslav and Kvasiny plants. The transition to the SPWs is one of the largest logistics projects in the company's recent history. Both warehouses are located in the middle of the production plants, in order to meet the requirement of reducing in-house transport. The storage area in the new warehouse is environmentally friendly, not only because of the location of the building but also because of the use of the materials and technological equipment used. These lower operational costs of the warehouse and reduce its ecological footprint.

For example, the Kvasiny plant realised 20% savings of space due to SPWs, reduced costs, improved ergonomics at the workplace and improved work safety. The transport of material from SPWs to assembly lines shows zero-emissions due to the deployment of the right handling equipment.

The Packaging Department continues to develop and optimise packaging by constantly introducing lighter packaging materials and foldable packaging in line with the waste management approach of ŠKODA AUTO. For example, a new pallet was developed for transporting fuel lines in 2018. Currently, it is used for the full range of ŠKODA models, except the FABIA. The new pallet is 106 kg lighter than its predecessor, moreover it is foldable and stackable during return transport. This type of pallet can bring annual savings of up to 900 tonnes, as well as CO_2 emissions reduced by 66 tonnes during return transport annually.

GreenLogistics has been recognised by an expert panel in the nation-wide competition EcoLOGI for its solutions and contributions to environmental protection. In November 2017, ŠKODA AUTO Logistics won the prize for the best eco-friendly project in logistics in 2017.



ŠKODA AUTO is choosing eco-friendly solutions in areas of transport and logistics.
ŠKODA AUTO is further expanding its environmentally-friendly logistics fleet by deploying two brand new technologically advanced locomotives in Mladá Boleslav.

GREENPRODUCT

ŠKODA AUTO's environmental strategy is based on responsible and sustainable production of energy-efficient vehicles. Current strategic plans for production and product development focusses on implementing the European fuel efficiency directives for 2020, 2025 and 2030 and integrating some of the other ambitious goals into strategic considerations.

By the end of 2022, ŠKODA AUTO will have launched over 30 new models, more than ten of which will be partially or fully electrified.

ŠKODA AUTO's strategic development and production plans fully concentrate on the production of cars with hybrid and all-electric drive. The rise in electromobility is a main trend for the near future and a response to requirements of current and future legislative developments. It is reflected in the Volkswagen Group strategy, which intends to produce and sell up to three million all-electric vehicles annually by 2025. To meet the goals set out in Strategy 2025, ŠKODA AUTO will have launched over 30 new models by the end of 2022, more than ten of which will be partially or fully electrified.

ŠKODA AUTO is committed to developing vehicles that are as environmentally-friendly as possible while taking into account social and economic factors. As a rule, each new generation of ŠKODA vehicles has lower fuel consumption, lower CO_2 emissions and better aerodynamics than previous models. ŠKODA vehicles are equipped with efficient engines and a wide range of modern fuel-saving technologies, such as low rolling resistance tyres. These features help to minimise the overall environmental impact.

All ŠKODA AUTO models use environmentally-friendly engines that meet the strictest levels of the Euro 6 emissions - AG, AD and BG. Ranging from the ŠKODA CITIGO to the ŠKODA SUPERB, all ŠKODA AUTO models are equipped with the latest petrol engines from the EA 211/EA 888 series or with TDI common-rail diesel engines from the Volkswagen Group's EA 288 series, including first- and second-generation stop-start systems and brake energy recovery.

As a result of changes in European legislation for reporting fuel consumption and CO_2 emissions, ŠKODA AUTO started to use the new measurement methodology WLTP as of mid-2018. This methodology monitors parameters specific for individual vehicles, for example, weight and rolling resistance. Although WLTP is a laboratory method, the reported values are significantly closer to the real-traffic data than results obtained by the NEDC method used up to mid-2018.

CNG VEHICLES

Natural gas vehicles are another integral part of ŠKODA AUTO's sustainable product strategy.

These models also help to meet European requirements on fleet fuel consumption and emissions. ŠKODA AUTO currently offers three attractive G-TEC models: the CITIGO GTEC, OCTAVIA GTEC and OCTAVIA COMBI GTEC. The ŠKODA CITIGO G-TEC is an example of a successful combination of intelligent design with a surprisingly spacious interior and eco-friendly technologies. It achieves emissions as low as 79 grams CO_2/km. With CNG consumption of only 2.9 kg/100 km (4.4 m^3), this city car offers a range of 350 km when running solely on eco-friendly compressed natural gas.

ⓘ More information in our press release.



ELECTRIC VEHICLES

Development of hybrid vehicles and all-electric vehicles with zero emissions is another important ŠKODA AUTO priority. ŠKODA AUTO will leverage the potential of current and future Volkswagen MQB and MEB platforms, while at the same time maintaining typical ŠKODA-brand values. The first partially electric car will be the ŠKODA SUPERB introduced in 2019. Its CO_2 emissions will be reduced to just 30 g/km (WLTP). The first all-electric ŠKODA models will enter the market in 2020. These should be two zero-emissions models within segment A. Their range will reach up to 500 km on a single battery charge. It is planned that the next electric ŠKODA AUTO models will be introduced after 2020.

ⓘ More information in our press release.





ŠKODA VISION RS



ŠKODA VISION E



ŠKODA VISION X

LIFE CYCLE ASSESSMENT

ŠKODA AUTO is constantly working to improve technologies and materials used in cars, with the vehicle's life cycle in mind. As part of the product sustainability strategy, a specialised team was set up in 2018. Members of the team deal with deploying environmentally-friendly materials in the interior. Moreover, they assess the entire product life cycle, which is fully in line with Volkswagen Group's Strategy 2025. Progress in meeting the environmental objectives is documented using the DKI indicator (the decarbonisation index). This indicator measures CO_2 emissions of vehicles in the entire production chain. It is calculated as a CO_2 footprint per the total number of cars produced. DKI includes both direct and indirect emissions of production facilities, as well as other CO_2 emissions emitted during the car's life cycle – from sourcing of raw materials up to recycling phase at the end of its service life.

DKI provides a transparent and comprehensive evaluation and monitoring of the goals, which we set on the path to sustainable, eco-friendly mobility. Together with other Volkswagen Group brands, we are currently setting target values for 2025, which should reflect specific goals of the Paris Agreement. One of the objectives is to keep the global temperature increase significantly below 2°C – a target set at the Climate Change Conference at the end of 2015.

RECYCLING

Minimising consumption of primary raw materials in our vehicles is another pivotal concern. In line 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 proportion of recycled materials in new models in order to improve their overall environmental footprint. ŠKODA AUTO intends to also continue this trend in the following years, together with further deployment of new eco-friendly materials.

All ŠKODA vehicles are compliant with the legislative requirements for recyclability. In the case of the ŠKODA SCALA, more than 85% of the materials can be reused or recycled at the end of the vehicle's life cycle without harming the environment. Once all recycling possibilities are exhausted, the remaining material is used safely for energy recycling. Only a marginal amount of waste (less than 5%) is disposed.

GREENRETAIL

GreenRetail's primary strategic objective is to establish long-term sustainable development of energy management within the authorised retail and service network.

The portfolio of environmental activities is diverse, involving the waste management, handling of chemicals as well as the conservation of air and water resources. We provide classroom and online trainings, advisory services and voluntary certifications to our dealership network. The advisory services and voluntary certifications have been in place for over 20 years now (the first service partner was certified in 1996). In 2012, a classroom training was added to advisory services. The training focussed on knowledge expansion. Since its introduction, more than 200 experts in dealerships have been trained on sustainable approach.

The latest addition is an e-learning which aims to educate all employees of ŠKODA AUTO's retail network and service partners on the requirements and standards related to environmental protection and sustainable development. For this purpose, a simple and highly effective tool was created in 2018 which can deliver specific and complex information in an easy-to-understand form. Since the beginning of 2019, the e-learning has been available to all of ŠKODA AUTO's importers. As the employees can do the training on their own computers, their travel time has been eliminated.

In addition to trainings and expansion qualifications, we offer assistance in putting knowledge into practice to our authorised retail and service network. For example, more than 100 tonnes of waste have been collected within our pilot programme for recycling all the glass used in the vehicle, plastic components (bumpers, wheel arches, instrument panels, etc.) and packaging materials. This material has been processed in an eco-friendly way and later on used in the production of new parts. In the spirit of the principles of extended producer responsibility, ŠKODA AUTO also operates a take-back system for tyres in the Czech Republic. Worn-out tyres can be handed over free of charge to the authorised service network and other selected partners. Since 2009, more than 7,000 tonnes of tyres have been taken back at approximately 300 collection points. In collaboration with our business partners, we have managed to reprocess the majority of this waste into secondary raw materials for further use. The outcome was a significant reduction in the consumption of primary resources. The granulate from tyres is used, for example, during production of shock and vibration elements, urban facilities, children's playground equipment and in the packaging industry.

END OF LIFE PRODUCT RECYCLING*

		2018	2017	2016	2015	2014
Vehicles	Collected (pcs)	4,629	4,252	4,618	4,457	3,785
	Recycling rate (%)	N/A	N/A	96.2	96.8	92.8
Used tyres	Collected (pcs)	251,965	218,272	194,500	82,600	61,500
	Recycling rate (%)	N/A	N/A	99.9	99.9	99.9
Used Pb accumulators	Collected (pcs)	975	875	638	1,114	1,037
	Recycling rate (%)	N/A	N/A	80.4	73.5	65.2

* data on take-back and recycling by ŠKODA AUTO within Czech market
Recycling rate is not reported in the relevant period due to its limited accuracy.

As a next step towards reducing the environmental footprint of ŠKODA AUTO's authorised retail and service network, we intend to create a methodological tool to increase energy efficiency. The key elements here are new innovative ways of processing available data and clear and intelligible feedback on energy handling to enable quick and appropriate responses. The main goal of this tool is to set up swift processes aimed at reducing energy consumption in all parts of the operations. The methodology and related tools should be available at the end of 2019.

ENERGY STORAGE

Recent development of electromobility opens up new opportunities of electricity storage, other than in electric vehicle batteries. Production plans for high volumes of cars with hybrid or all-electric drive bring enormous potential for storing electricity. The 'Smart charging' option, which would allow customers to use the electricity stored in vehicles to supplement the grid, is being considered.

The electromobility era seen through sustainability lenses brings up the idea of batteries being reused after their degradation and loss of capacity. This refers to the '2nd life of the battery' normally occurring after five to eight years of vehicle operation. At this point, the battery capacity falls to 70-80% of the original maximum, which is directly proportional to the vehicle range. This presents an ideal opportunity to use these batteries for electrical storage purposes. The negligible costs of such batteries make it possible to build energy storage facilities with large capacities.

ŠKO-ENERGO, our subsidiary, intends to actively prepare to make use of the '2nd life of the battery' opportunity. It is preparing a study in collaboration with Siemens and the Czech Technical University of Prague. This study will run a pilot test with approximately 100 batteries, and indicate if the project would be useful and efficient on a larger scale.

Upon successful completion of the pilot project, the next step is to build a fully automated repository for up to 1,000 used batteries with a total capacity of 30-40 MWh close to the ŠKO-ENERGO thermal plant. The energy storage facility of this kind will be able to offer system services for the very high-voltage system of ČEPS. Furthermore, it will also cover for peaks in electricity consumption related to increased electricity consumption due to electric vehicles charging or electric vehicles being production.

ⓘ More information in our press release.

BIODIVERSITY

Volkswagen Group considers the protection of biodiversity to be one of the most important responsibilities of a modern company. 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. We also made biodiversity an important component of the company's own environmental management approach.

Continuous environmental impact assessments (EIA) have confirmed that ŠKODA AUTO's operations have a minimal impact on biodiversity. To ensure the same results in the future, all of the company's activities are safeguarded against environmental damage. Expansions of buildings and production plants continues to be subject of legally required environmental impact assessments. In the proximity of ŠKODA AUTO facilities, there are no protected territories that would be affected by the development, production, sale or servicing of motor vehicles, components and tools.

There are approximately 1,500 trees and 571,200 m^2 of vegetation at the main production site, including shrubs, hedges, lawns, vines and seasonal greenery. The production site is also home to four extremely valuable and quality tree specimens – especially due to their crowns, size, age and environmental benefits: two Chinese metasequoia trees by the aluminium forging facility and foundry, a black poplar by facility V13 and a white poplar by the parking area for facility D19. The tree planting project has been under way since 2015; until now 441 trees have been planted at the factory in Mladá Boleslav and 93 in Vrchlabí.

Green roofs and frontages have a positive impact on an employee's mood and the environment. During the summer, they cool the buildings by capturing rainwater. Roofs are decorated with plants that are able to withstand harsh conditions; these plants include various types of grasses, alpine plants and dry weather plants.

SOCIAL ACTIVITIES

- ATTRACTIVE EMPLOYER
- HEALTH AND SAFETY
- EDUCATION OF EMPLOYEES AND STUDENTS
- SOCIAL RESPONSIBILITY



ATTRACTIVE EMPLOYER

It is crucial for ŠKODA AUTO to acquire and continue to develop talent for further successful growth of the company. We are trying to appeal to new prospective employees interested in taking part in the positive development of a renowned car manufacturer. We try to keep all our employees satisfied by creating a pleasant atmosphere, taking care of them, attending to their wishes, and making sure that legal as well as ethical standards are complied with.

ŠKODA AUTO recruits talented and suitable candidates in the Czech Republic and abroad. We respect diversity, and provide equal opportunities and fair remuneration. We work on building a lasting and close relationship with thousands of our employees, who might have very diverse scopes of work and development goals.

Employee rights are codified in our code of conduct and we consistently stick to the letter of relevant labour laws in all countries in which we operate. Furthermore, we accommodate the suggestions and wishes of our staff to the largest extent possible. This includes open communication with employees and labour unions, the right to organise regular collective bargaining and other activities. We do our best to ensure health and safety at work, for all professions.

FUTURE CHALLENGES AND STRATEGIES

Our human resource strategy is focussed on the acquisition, development and retention of motivated and skilled personnel. We believe that an excellent team, which is one of the main goals set out in our Strategy 2025, can be achieved only when our employees are happy in their jobs. We believe that the commitment and personal development of each individual has to be nurtured by their managers by providing appropriate support. Whether these are training programmes, benefits, optimal working conditions or the integration of employees with disabilities, our aim is to set up these programmes to best suit individual needs and reflect individual career paths.

Management staff is key to achieving the objectives of the human resource strategy. One of the strategic pillars of the overall HR strategy, Leadership and performance in the team, is focussed on them. Great leaders support innovations, new ideas and practices. They focus on areas of their responsibility, learn from mistakes and build confidence in teams. Great leaders promote diversity, support an environment free of prejudice and they promote their colleagues' potential. Great leaders achieve the intended results and set ambitious goals fairly, in a sustainable manner. Leadership in this sense doesn't only include the people management, but it also involves the empowering of staff, putting issues at the forefront and, last but not least, acting as an example for others.



RECOGNITION FOR THE HR DEPARTMENT

As one of the most important employers in the Czech Republic, we are well aware of the fact that the success of the company is based on its long history and outstanding products. This is all a result of the excellent work of our motivated employees. ŠKODA AUTO's attractiveness as an employer is confirmed by the acknowledgements that the carmaker received in 2018 for its extraordinary care for its employees:

THE HR AWARD FOR THE BEST PROJECT OF 2018:
› 1st place – the Backend Stories campaign focussed on the recruitment of IT professionals
› 3rd place – sheltered workshops/profile centre providing jobs for staff with health or social challenges

EMPLOYER OF THE YEAR 2018
› 1st place and the main prize in the category of companies with more than 5,000 employees

THE MOST POPULAR EMPLOYER AMONG STUDENTS IN THE CENTRAL BOHEMIAN AND HRADEC KRÁLOVÉ REGIONS

THE EMPLOYEE POPULARITY SURVEY 'RANDSTAD EMPLOYER BRAND RESEARCH'
› 2nd place

TOP EMPLOYER STUDY (see photo, right**):**
› 1st place – survey of more than 10,000 university students
› 1st place – category of automotive and mechanical engineering industries

THE SURVEY CONDUCTED BY THE INTERNATIONAL COMPANY UNIVERSUM
› 1st place in the survey of students of technical studies



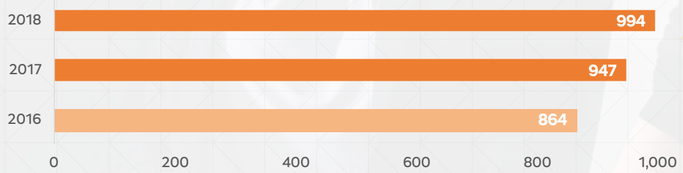
SEARCH FOR A NEW TALENT

Due to company's fast-paced development, the recruitment requirements across our departments are increasing significantly. A readiness to respond to our customers' expectations puts increased pressure on the recruitment process. The current situation on the labour market and recent demographic trends underline the importance of focusing on long-term cooperation with talented students and trainees. We offer an attractive work-environment, a wide range of job opportunities and diverse activities. As a result of significant support for talent programmes, the number of trainees hired by ŠKODA AUTO continues to grow. In 2018, we employed 994 students. The proportion of foreign students is also growing. In 2018, the ratio was around 23%. In 2018, the first official meeting of the company's trainees took place at the Trainees Day event. In 2017, we launched the new Student Talent Pool programme with the aim to select the best talent, to develop skills and increase the attractiveness of internships for students of technical studies and information technology. In addition to regular activities in their jobs, programme participants promote recruitment and we appreciate them for all their efforts in this area. They can also receive priority information from recruiting centres, are able to develop themselves within the product and development training and meet with managers from the company. Since the creation of the programme in 2017, 237 interns have participated in the selection procedure. 27 students were selected and, in 2018, this increased to 44 students.

The international programme for university graduates entitled ŠKODA Trainee celebrated its 25th anniversary in 2018. Its participants gain valuable experience through the opportunity to try out positions in various departments, both at ŠKODA AUTO and at a Volkswagen Group plant abroad. In 2018, a total of 29 trainees participated in the programme, one third coming from abroad. This was around 50% more than in the previous year. In 2017, a mentoring programme was launched. The programme works as follows. At the beginning of the year, each of the trainees was assigned a specialist from the target department as a mentor to support them in their career growth. The programme also includes activities outside of work and participation in events as part of corporate social responsibility (CSR). For example, in 2018, the trainees helped at Centre 83, the Centre for Everyone and to organise the TeriBear run.

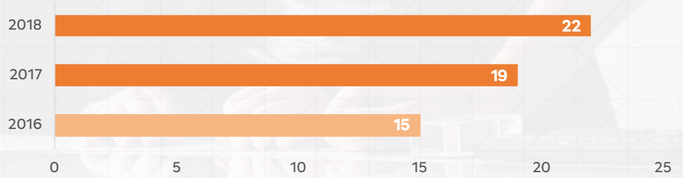
Since 2013, support has also been available for students of Ph.D. programmes via the professional management of dissertation thesis and a number of options for professional development. In 2018, a total of 22 students mainly from technical fields were accepted into the programme, 4 of whom came from abroad. In the same year, the first meeting of the Group's doctoral students was held in Mladá Boleslav, where the participants had the opportunity to present the results of their projects. An example of the project outcome is the robot deployed in the production process in the welding shop.

NUMBER OF ACCEPTED TRAINEES



The data are relevant for ŠKODA AUTO a.s.

NUMBER OF DOCTORAL CANDIDATES IN THE PROGRAMME



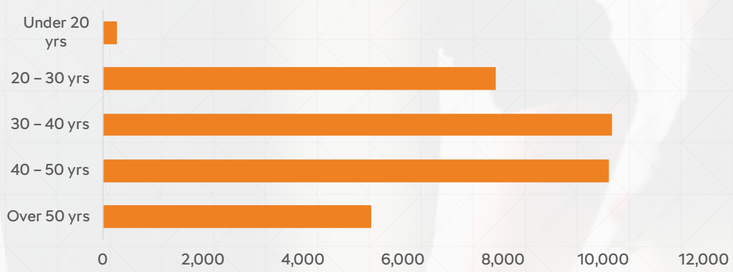
The data are relevant for ŠKODA AUTO a.s.

EMPLOYEES

Corresponding with the long-term growth of the company, 2,025 new jobs were created in 2018. The number of core staff increased to 33,726, an increase of over 6% compared to 2017. From the total number of employees in 2018, 32,738 were employed by ŠKODA AUTO a.s. and 988 by its subsidiaries. The number of temporary workers fell by almost 1%, from 2,802 in 2017 to 2,789 in 2018.

The largest group of employees is aged 30-40 years (10,164 in 2018). Similar in size is the age group of 40- to 50-year-olds (10,105 in 2018). 7,845 employees in 2018 fall into the 20-30 age group.

AGE STRUCTURE OF THE CORE STAFF IN 2018 (NUMBER OF EMPLOYEES)



The data are relevant for ŠKODA AUTO a.s.

LABOUR RELATIONS

ŠKODA AUTO fully supports the fundamental right of all employees to organise in labour unions. At the same time, we take professional relationships with staff members as an integral part of corporate culture. In accordance with Czech labour law, 100% of the core staff at ŠKODA AUTO in the Czech Republic are covered by the collective contracts and agreements.

The ongoing collaboration of ŠKODA AUTO and three KOVO unions is valued as one of the most effective in the Czech Republic. The management at ŠKODA AUTO conducts intensive dialogues with the representatives of the employees. This sets the ground for maintaining a balance of interests and involving the workforce as much as possible in the decision-making process. Collective bargaining results are codified in a wide range of agreements with the employee representatives.

In case of staff complaints regarding potential violations of applicable laws or internal regulations, a clear procedure is followed. An employee has the opportunity to contact the Human Resources department or a relevant representative of the labour union organisation. If the case is serious, the matter will be handed over to a commission made up of a chairperson representing the trade unions and a member of the company's Board of Management responsible for Human Resource Management. An employee may also lodge a complaint in the form of a grievance, which will be then be resolved according to a valid organisational standard.

If it is necessary to follow an anomalous work schedule, ŠKODA AUTO tries to reach an agreement with trade unions organisations four months in advance. Employees are informed at least two months before these measures are adopted. In the case of a 'flexikonta' schedule, which stands for increasing or decreasing the number of hours employees work in a shift, the labour unions are informed ten days in advance, and the workforce at least seven days beforehand.

HUMAN RIGHTS

The protection of human rights is an integral part of the company's policy in all of its activities. It is also part of the Code of Conduct issued for each company in the Volkswagen Group. The company follows all applicable local and international laws. As part of Volkswagen Group, SKODA AUTO follows the Group's guidelines. We also require our business partners, suppliers and employees to comply with all the rules of the Code of Conduct.

To prevent any breach of the obligations relating to human rights, the company uses internal rules and procedures. Should any suspicion arise, the entire matter will be investigated swiftly. We regularly raise employee awareness in the area of human rights and educate our employees comprehensively. Human rights training is part of the induction training for all new employees.

ŠKODA AUTO group Code of Conduct

http://www.skoda-auto.com/company/sustainability-company-governance

FAIR AND EQUAL TREATMENT

ŠKODA AUTO strongly promotes the fair and equal treatment of all employees. The company acknowledges its legal obligations with the relevant provisions of the International Labour Organisation (ILO) and rejects the use of any form of forced, compulsory or child labour. With regard to the minimum age of employees, ŠKODA AUTO follows applicable government regulations, the global directives of Volkswagen Group, particularly the Social Charter, the International Charter of Labour Relations and the Charter of Agency Work.

Fundamental rights relating to work relations are also codified in Volkswagen Group's Charter of Labour Relations, which sets standards for co-decision rights, shared responsibility and entitlement to information at the level of the entire group.

The company promotes the principle of equal opportunities and equality regardless of ethnic origin, colour, sex, disability, world view, religion, nationality, sexual orientation, social background or political views if they are based on democratic principles and tolerance towards people of different mind-sets. The Code of Conduct provides rules for this area.

19.8% OF WOMEN AMONG CORE STAFF

4,443 FOREIGN **NATIONALS**

50 DIFFERENT **NATIONALITIES**

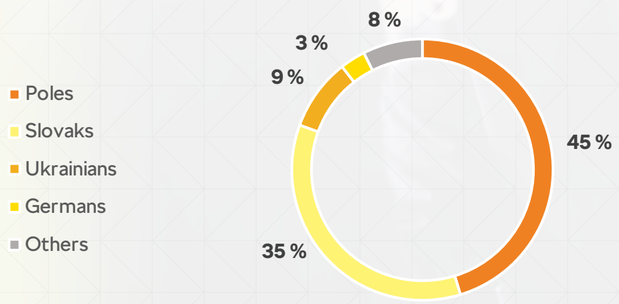
13.6% OF **FOREIGNERS** AMONG THE WORKFORCE

16.3% GROWTH OF **FOREIGNERS** SINCE 2017

INTERNATIONAL EMPLOYEES

In the Czech Republic, ŠKODA AUTO employed a total of 4,443 foreign nationals from 48 countries at the end of 2018, representing 13.6% of all staff. The ratio increased by 1.2% compared to 2017. International staff are offered business language courses and intercultural training. Translators are available in the workplace. The largest group of foreign nationals are: Polish nationals (45.3%), followed by citizens of Slovakia (35.2%), Ukraine (8.9%) and Germany (3.1%).

SHARE OF FOREIGN NATIONALS AMONG CORE STAFF (%)



The data are relevant for ŠKODA AUTO a.s.

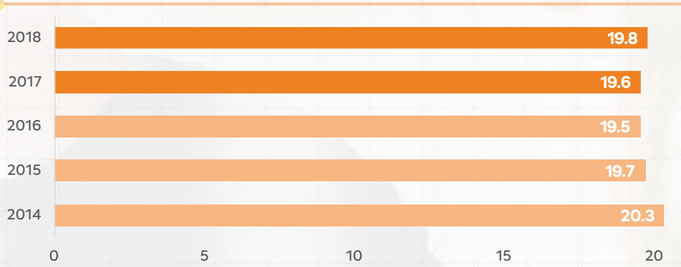
The aim of ŠKODA AUTO's employment policy is to increase the ratio of senior management positions represented by locals. In the Czech Republic, ŠKODA AUTO employed a total of 117 international managers from 14 countries by the end of 2016. The proportion of international staff in management positions has reached 18.0% representing a 0.7% increase compared to 2017. The largest group of international staff at the managerial level were Germans (62%), followed by citizens of Slovakia (15.4%) and France (4.3%). In 2018, 83 international staff (26.4%) held senior management positions (including the Board of Management). The largest group of international staff in senior management positions were German (72.3%) and Slovaks (9.6%) nationals.

WOMEN AT ŠKODA AUTO

In 2018, women occupied more than 20% of the company's management positions. We support women by offering specially designed programmes such as the ŠKODA AUTO talent pool. We promote the recruitment of women. Through various activities, such as Family Day, we support the return of staff from their maternity or parental leave. In 2018, we hosted a day for supervisors tailored for women in supervisory positions. Members of individual departments took part in it as well as the social partner, the KOVO trade unions. A total of 28 women served as supervisors at ŠKODA AUTO in 2018. This is 27% increase compared to 2011.

We strive to encourage more young women to apply for jobs at ŠKODA AUTO. In 2018 more than 200 girls interested in studying technical subjects

SHARE OF WOMEN AMONG CORE STAFF (%)



The data are relevant for ŠKODA AUTO a.s.

participated in various activities, such as the Day for Girls organised by the ŠKODA Academy. The aim of this event was to increase interest among girls in studying at the company's engineering vocational school. This school was attended by 116 girls in 2018.

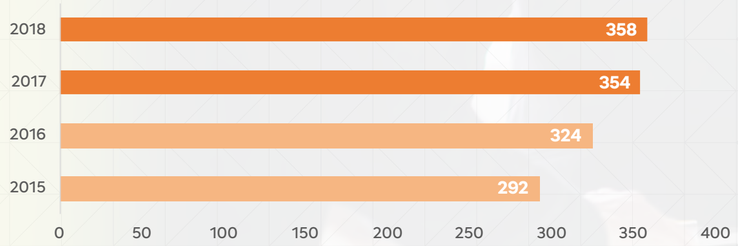
The company also supports the education of women and children in the area of information technology. In cooperation with the non-profit organisation Czechitas (one of its kind worldwide), we organise short-term and long-term courses for women interested in gaining an insight into the IT industry (e.g. Digital Academy focussed on data analytics, courses in programming, various programming languages, website design, etc.) We also help unemployed women to obtain jobs with an IT focus. Besides supporting women in their IT knowledge build up, ŠKODA AUTO supports the Czechitas organisation. Czechitas provides IT focussed trainings, camps and summer schools for girls attending secondary school, who are planning to enter higher technical studies or IT disciplines after completing their secondary education. Since 2012, we have taken part in the summer school for secondary school girls organised by the Faculty of Information Technology at VUT Brno.

SHELTERED WORKSHOPS AND INTEGRATION OF THE ELDERLY

ŠKODA AUTO is a pioneer in the Czech Republic with its employment policy focussed on people with disabilities and reduced mobility. At its local plants, the company operates six sheltered workshops and employs more than 300 people with disabilities. In these sheltered workshops we continually improve ergonomics and we follow the latest trends. In the newest sheltered workshop in the CKD centre, people with disabilities are working alongside other staff for the first time at ŠKODA AUTO. In 2017 and 2018, we extended the sheltered workshops programme by offering new positions. We provide integration options directly at the workplaces in Mladá Boleslav, Kvasiny and Vrchlabí production plants. This allows for the effective employment of people with disabilities, and maintains diversity and inclusion at ŠKODA AUTO. These activities have been recognised positively through the award of The Best HR Project in the Czech Republic of 2018.

The company has a special programme tailored towards the needs of older and long-time employees. This programme offers options for re-training, transfer to another job within the company with a guarantee of income, rehabilitation exercise programmes, five additional days of paid sick leave and benefits in the form of a two-week long stay at a health and wellness resort.

NUMBER OF EMPLOYEES IN SHELTERED WORKSHOPS



The data are relevant for ŠKODA AUTO a.s.



REMUNERATION OF EMPLOYEES AND BENEFITS

ŠKODA AUTO applies a fair wage system with no differences in remuneration based on gender within the entire group. Employee wages are subject to collective agreements which are valid for all employees of the company in the Czech Republic. Collective agreements are also in place at Škoda Auto India Private Ltd.

Wages consist of a basic tariff and a variable personal evaluation. Additional pay can be earned for overtime, on-call availability and work on public holidays. Wages and provided benefits for a standard working week never fall below the relevant amount of the national minimum wage or minimum wage in the industry in the relevant country. The entry-level wage of the ŠKODA AUTO workforce is almost double the minimum wage in the Czech Republic. The basic principles of remuneration are based on the Labour Code and related Czech legislation.

BENEFITS FOR OUR STAFF

We offer our employees an extensive system of benefits and we improve it continually to effectively cover the individual needs of our employees. Employee benefits include:

› A contribution to supplementary retirement savings (in 2018, this amounted to CZK 1,100 per month. 85% of employees took advantage of it)

› An interest-free loan for housing (CZK 500,000 for the acquisition of a house or apartment and CZK 150,000 for the renovation of housing, used by about 500 employees annually)

› An interest-free loan for the purchase of a ŠKODA vehicle (up to CZK 300,000)

› A special offer of ŠKODA vehicle operative leasing

› Arranged commute for employees living in locations with limited or no access to public transport

› Accommodation for employees who cannot commute to work every day

› A wide range of healthcare programmes

› Subsidised meals and healthy food options in canteens

› Accident insurance for all employees 24 hours per day

› Travel insurance abroad for staff and their family members

The benefits budget in 2018 reached CZK 270 million, CZK 20 million more compared 207. All benefits are granted to employees regardless of full-time or part-time arrangement. Moreover, the company also offers attractive benefits to agency staff, discount offers for cars and equipment or participation in selected training in particular. This area is governed by the Charter of Agency Employment at ŠKODA AUTO.

SOCIAL EXPENDITURES (CZK)

	2018	2017	2016
Recreation, health programmes, recreational activities	85,905,000	78,215,000	55,508,835
Service awards	84,000,000	94,400,000	81,482,251
Bonus for birth of a child	6,170,000	6,000,000	5,905,000
Social assistance	22,260,000	12,560,000	9,711,650
Vocational school	300,000	300,000	261,855
Retired employees	350,000	350,000	255,984
Factory catering	67,090,000	52,500,000	49,821,658
Daycare	410,000	400,000	227,402

The data are relevant for ŠKODA AUTO a.s.

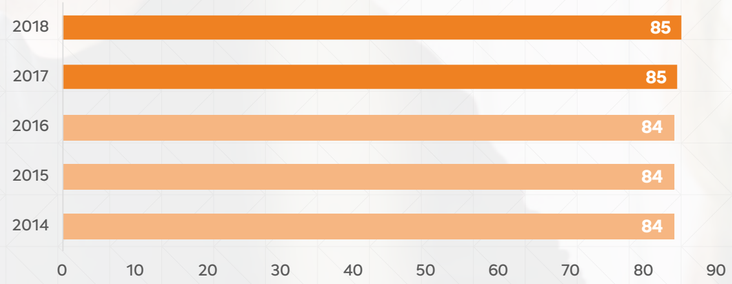
WORK-LIFE BALANCE

The harmonious balance between work and private life is one of the key factors driving employee satisfaction. For ŠKODA AUTO, this is one of the main priorities when we speak about care for employees. We continue to expand the range of flexible work options. Employees can opt for mobile work, which is already in place across all departments. A pilot project for job sharing is also being developed. This enables one job role to be held by multiple employees. Job sharing helps the company to keep staff who either do not wish to work full-time or cannot. Another common form of flexibility involves reduced working hours. We support families with children by providing the following benefits: financial childbirth allowance, day care contributions, and extra paid holidays for parents who care for children up to 12 years of age. During maternity and parental leave, employees can keep on top of their professions and their teams through various forms of work. We also organise Family Days – How to combine family and work.

STAFF SATISFACTION

The cornerstone of a successful company is satisfied employees. Using a questionnaire each year, ŠKODA AUTO determines the degree of employee satisfaction. We use the Volkswagen Group's Stimmungsbarometer (Mood Barometer) tool, an application which anonymously collects responses from employees to 24 standardised questions regarding work activities, the working environment, collaboration, fit for the company and integrity. Since 2016, the Stimmungsbarometer has been conducted annually. We respond to the survey's results and we actively address the identified issues. Therefore, our employees have the opportunity to contribute to improving their workplace. In 2017, a total of 857 improvement measures were implemented based on this survey. The success of the concept is confirmed by several years of increased satisfaction, which reached a score of 85.2 in 2018.

EMPLOYEE SATISFACTION SURVEY (SATISFACTION INDEX)



Participation in the survey is stable since 2015, reaching 89% of core employees.

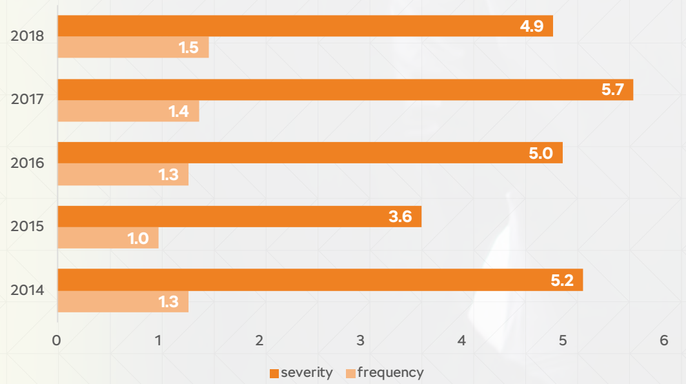
HEALTH AND SAFETY

Hand in hand with the preventive measures, we emphasize continuous improvement of safety in the workplace. For 25 years, ŠKODA AUTO has been using a system governed by a work-safety and ergonomics committee, which sets strategies and objectives for the entire company. In the autumn of 2019, the committee will meet for its 100th time. The plant and department work safety and ergonomics committees pursue a defined corporate strategy for this area. They also address specific measures with the aim of achieving comprehensive health and safety standard.

In 2018, there was a slight increase in the number of injuries. This was reflected in the increased index of injuries - 1.5 compared to 1.4 in 2017. At the same time, employee absence rate due to work related injuries was reduced. This proves that injuries were less serious and it didn't require long-term treatment, neither did it imply permanent consequences. Employees missed 2,500 days in 2018, in total a drop by 7.8% compared to 2017.

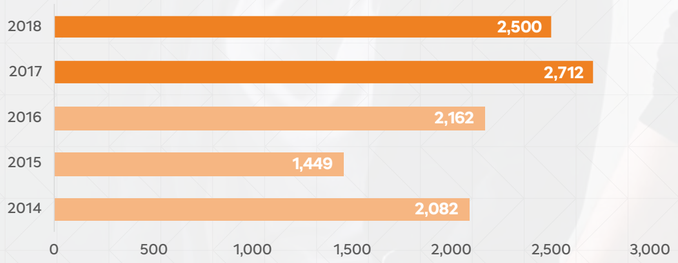
We investigated the causes of work injuries. Results show that we can rarely influence these injuries. Most injuries result from inattentiveness by the workforce or breaches of work discipline. The most frequent causes of work injuries include movement at the workplace and on roads, material handling and transport technology. In 2017 and 2018, there were no fatal injuries.

FREQUENCY VS. SEVERITY OF INJURIES



Frequency of injuries = Number of injuries per 1,000,000 of working hours
Severity of injuries = Number of absence days x 100,000 / number of working hours
The data are relevant for ŠKODA AUTO a.s.

ABSENCE (DAYS)



The data are relevant for ŠKODA AUTO a.s.

HEALTH CARE

ŠKODA AUTO is the only company in the Czech Republic with its own healthcare facility, a clinic that provides comprehensive healthcare services for employees and their families. In 2017, the clinic also provided treatment to 181,000 external patients. In the same year, the building was renovated and an area for VIP patients was reconstructed. A year later, a children's play corner was opened. Since the second half of 2017, all patients at the clinic have had a blood lab service available. They do not have to go to a hospital for blood tests anymore. Improvement of the health-care system continued in 2018. We newly opened two medical offices at Řepov and Kvasiny, and at the assembly location for the OCTAVIA and in the welding facility.

ŠKODA AUTO provides a wide range of preventive programmes for its employees. Interested staff can receive information about illnesses and treatment options as well as consult medical staff regarding preventive methods. In 2017, one of the first major preventive activities was launched, 'Breasts Matter'. We aimed to draw attention to the risk of breast or testicular cancer and to provide information about prevention methods and their importance. The subsequent campaign focussed on skin cancer - 'Skin Matters'. Within this preventive campaign, dermatologists were invited to examine skin moles and prevent or identify cancer. A total of 1,774 employees were examined, and 23 malign melanomas were discovered. Affected employees were immediately given treatment options. Due to the great interest of employees and high ratio of malign melanomas identified, the preventive campaign 'Skin Matters' will continue in 2019.

In 2018, we also promoted the anti-smoking campaign 'Lungs Matter'. Employees had the opportunity to receive consultation in the pulmonary clinic with the recommendation of nicotine replacement therapy leading to quitting smoking. Timely diagnosis of blood sugar levels has become the goal of another campaign, 'Sugar Matters'. As a result of this preventive campaign, 44 people were diagnosed with diabetes in time and they obtained recommendations regarding follow-up care. We regularly organise Health Days. These involve a wide range of activities promoting a healthy lifestyle directly in the workplace. In 2017 and 2018, Health Days were attended by 1,303 employees and students of the ŠKODA Academy. In 2018, we prepared Health Days for the public in shopping centres of Mladá Boleslav for the first time. 365 visitors took advantage of the opportunity to have skin moles examined by a dermatologist, to have their blood sugar checked and to receive consultations regarding proper dental care.

In 2017, we initiated the development of the ŠKOFIT project. The aim was to bring employees from across the country together with the idea and motivation to support activities that improve their physical and mental health. ŠKOFIT has already offered regular running trainings for non-runners who want to get in shape. Under ŠKOFIT, we also provide healthy back exercises in the fitness centre of the Kvasiny plant. As part of the project, since 2017, we have also regularly met for volleyball trainings. Summer outdoor yoga courses have also been started.



Within the ŠKOFIT project, we designed the Endomondo application offering participation in various sports challenges. ŠKOFIT project currently has 536 members, 36% of whom are women and 64% are men.

All of the company's employees are offered vaccinations against influenza. In 2018, we vaccinated more than 4,070 people representing 12.5% of all employees. Every year the effectiveness of these preventive measures is assessed. Since 2017, we also distribute vitamin products to all employees to strengthen their immune system in the autumn and winter months. In 2018, 39,039 workplace medical checks and 29,500 detailed medical examinations took place, about 50% more than in 2016.

Various forms of physiotherapy exercises are popular. In the past two years, new rehabilitation programmes have been offered, such as circuit training, hormonal yoga and trainings for women. In 2018, 1,500 employees took part in rehabilitation exercises at the main plant.

In November 2016, an external audit evaluating the quality and safety of healthcare services was successfully completed. The audit was conducted by the Joint Accreditation Commission, which is authorised by the Czech Ministry of Health to evaluate the quality and safety of healthcare services. The certificate was issued for three years. During 2017 and 2018, we conducted regular internal audits. These are part of quality and safety management process. In November 2019, another external audit will take place to assess the quality and safety of healthcare services with the aim of obtaining a renewed certificate for the next three years.

PSYCHOLOGICAL STRAIN

Since 2017, the topic of psychological strain has been one of the main aspects of Strategy 2025 and reflects an effort by ŠKODA AUTO to ensure that employees are happy in their workplace. We are raising awareness about mental health and prevention of stress, for example, in the framework of regular Health Days. Employees have the option to meet a counsellor. As of May 2018, all employees in Mladá Boleslav can consult with an external psychologist in a discreet fashion. As of November 2018, this service is offered in Kvasiny and, at the beginning of 2019, it is planned to also be available in Vrchlabí.

We have been monitoring the latest developments, and we actively determine ways that the employer can contribute to easing stress in the workplace. In autumn 2018, we hosted a conference on stress prevention in the workplace. This conference was attended by representatives of companies from all over the Czech Republic. The conference was very positively gauged by psychological professionals and by the State Medical Institute.

We continue to assess the physical demands of various jobs roles in cooperation with external occupational psychology experts. The objective is to provide employees working in stressful jobs with an individually designed programme of personal development consisting of trainings and seminars and increased healthcare if needed. In 2018, pilot testing of the methodology was carried out successfully. In the next phase, we will focus on development and implementation.

ERGONOMICS IN THE WORKPLACE

Risks factors are evaluated all over the workplace. This helps to continuously improve the work environment. Evaluation of office space is done by medical professionals, who discuss the ergonomically suitable arrangement of the workspace. If the space requires adjustment, suitable solutions are proposed as a set of steps for improvement.

Already in the planning phase of a future vehicle model, we collaborated with the Technical Development department to set up the ergonomic layout of the new production line. In 2018, in this way we prepared a production line for the new SCALA model.



EDUCATION OF EMPLOYEES AND STUDENTS

ŠKODA Academy is responsible for the qualifications and development of apprentices, employees and managers of ŠKODA AUTO.

In total, 93,293 employees participated in face-to-face technical, soft skills or language courses during 2017-2018. In 2017, the average time spent by an employee in these courses was 22 hours; in 2018, it was 29 hours. For comparison, in 2016, the average time spent in face-to-face courses was 23 hours per person. Aside from face-to-face courses, eLearnings are also one of the crucial qualification tools for employees. In 2018, a total of 120,733 employees studied one of the eLearning courses.

93,293 EMPLOYEES IN FACE-TO-FACE **TRAININGS**

29 TRAINING HOURS PER EMPLOYEE ON AVERAGE

120,733 EMPLOYEES STUDYING **E-LEARNINGS**

TRAINING FOR ELECTROMOBILITY AND INDUSTRY 4.0

ŠKODA AUTO is awaiting dynamic development in the near future in accordance with its growth strategy. As Industry 4.0 is approaching – a new era of automation and connection of the real with virtual worlds, ŠKODA AUTO is making sure that its employees have all the necessary skills and competencies. Therefore, it continues to invest in human resources and the development of new qualification programmes. A good example is the preparation for e-mobility, for which more than 10,000 employees have already been trained by the ŠKODA Academy lecturers in 2017-2018.

Producing cars with alternative drives requires not only the corresponding technical measures, but also appropriate staff training to make sure their qualifications comply with the safety regulations. Based on the Volkswagen Group's experience, qualifications are comprised of three levels according to the type of activity performed by employees working on electric cars. From the safest tasks where workers do not have contact with dangerous voltage, to electro-technical tasks where experts perform specialised live diagnostics. A modular training system has been created for these groups.

As part of the education for Industry 4.0, ŠKODA AUTO also launched trainings for employees operating welding robotic work stations in virtual reality. In the Kvasiny plant, more than 100 new tool setters and servicemen from all shifts have been trained. The entire training is divided into several levels according to its level and difficulty. Another simulator of the same kind is also used for practical training of apprentices from the ŠKODA vocational school in Mladá Boleslav. This modern form of virtual training prepares its participants not only for their future work, but also for adhering to occupational health and safety regulations.

CORPORATE CULTURE OF THE FUTURE

Training qualified employees is not only focussed on professional skills. It is also important to be able to navigate through the ever-changing cultural environment and possess soft skills. For example, recent attention has been paid to changing the corporate culture, which was supported by a series of cultural workshops at the beginning of 2018. During the first series of corporate culture workshops, managers discussed various subjects relating to ŠKODA AUTO's code of collaboration, including six main values (trust, honesty, non-complicated cooperation, acting without prejudice, equality and mutual assistance). The second main topic was integrity, a term which participants associated with honesty, credibility, trust and courage. Aspects of the first workshops described above were used as a basis for preparing the second wave, focussed on management and integrity.

The third wave of these workshops are planned for the first part of 2019. They will mainly focus on Volkswagen Group principles and on the shrinking of hierarchical structures in the company.

In 2017, preparations for a new management development path also took off within Volkswagen Group, which takes into consideration the requirements of the new generation and reflects our changing world. The potential of future managers is now being evaluated in real-life situations, an approach that replaced testing via assessment centres. The new development into management supports an open culture, diversity and reinforces the employees' own responsibility. Implementation of this process started in June 2018.

MODERNISATION OF TRAINING PREMISES

ŠKODA AUTO considers personal development and training of employees to be one of its tools for growth. As part of its extensive investment programme aiming to improve working conditions for employees, the company also set up ŠKODA Academy training spaces at the Kvasiny plant in the autumn of 2018. The company invested more than CZK 20 million in the local development and modernisation, with a total area of 645 m^2.

In the new premises, numerous trainings and specialised courses will take place, including language courses. Apart from that, courses for supervisors, team leaders and department leaders, as well as other activities related to training are going to be launched. These type of premises are unique at the Kvasiny plant, since until now training and courses took place in conference rooms, at external companies, or participants travelled to Mladá Boleslav in order to participate.

Intensive collaboration by the company with the KOVO trade union organisation is an important aspect of issues regarding the training premises. This social partner participates in designing projects to improve working conditions for employees and supports their implementation.

The vocational engineering school run by ŠKODA AUTO a.s. is not only working on modernising its equipment and spaces in the school, it is also perfecting professional development, training and informational aspects for students and instructors alike. It put emphasis on the professional development, as well as on the personal approach combined with promoting social and multicultural awareness. The entire process begins with a Welcome Week for new students; during further studies the students are involved in CSR projects, mostly beyond the scope of training. In the 2017/2018 school year, 948 students were educated in 5 foundation and 10 apprenticeship courses. In the current school year, the three-year Logistics Operator course had its debut. Out of the total number, more than 12% of the students were women. Apart from full-time daily attendees, the vocational school also trains company's employees in post-secondary studies and through apprenticeships. Three-year courses also include special classes, which already have a 30-year history at the vocational school. They are focussed on engineering work, intended for students with special learning needs.

ⓘ More information in our press release.

CONNECTION WITH THE FUTURE

In 2017, ŠKODA AUTO celebrated its 90th anniversary of professional training, becoming a symbolic connection of the past, present and future. Back in the 1920s, the carmaker from Mladá Boleslav was already looking for the best way to prepare students for their future profession. In 1927, the first own apprenticeship school was opened. Over time, the number of students grew, as well as number of apprenticeships. With the introduction of new machines and technology, demands for employee qualification increased. At the end of the 1970s, four-year apprenticeships with graduation were added to reflect these changes. A breakthrough development at the beginning of the 90s required major investments in the vocational school, amounting more than CZK 100 million. Another large wave of modernisation of ŠKODA AUTO's vocational school, which has been part of the ŠKODA Academy since 2013, occurred from 2013 to 2018. During this period, total costs for the modernisation, better equipment at the premises, and improved quality of teaching and resources for employees exceeded CZK 260 million.

Azubi car, a very successful project for creating a student vehicle, is still ongoing. This initiative enables students to build the car of their dreams. The fourth and fifth prototypes were the ŠKODA ELEMENT, based on the design of the CITIGO model, and the ŠKODA SUNROQ, using parts from the ŠKODA KAROQ compact SUV. There was a new aspect in the case of the last vehicle - students also got customers and enthusiasts of the ŠKODA brand involved. Specifically, they had the opportunity to submit their suggestions for the name via social media. SUNROQ eventually won out of the few hundred names. The person who came up with the winning proposal was invited to the official event, where the SUNROQ study was presented to reporters. The winner also met with the students and had the opportunity to try out the new car.

SOCIAL RESPONSIBILITY

CREATING A BETTER FUTURE

For ŠKODA AUTO, the concept of corporate social responsibility represents one of the fundamental pillars of its sustainability strategy. CSR projects are planned in accordance with the strategic objectives which combine social and economic benefits and guarantee long-term sustainability. The company has unified its message under a single motto, 'ForFuture'.

Our fundamental regional priority in terms of social responsibility is an increase in the attractiveness of regions where our production plants are located. In 2018, the ŠKODA AUTO Endowment Fund was established to support this initiative, with the aim of increasing the attractiveness of the Mladá Boleslav region. The second integral part of regional activities focuses on employees.

In addition to local priorities with a social focus, we also support projects directly promoting our objectives, including international markets where we do not operate.

CZK 6.2 MILLION DISTRIBUTED IN GRANTS

2,500 EMPLOYEES INVOLVED IN VOLUNTARY DONATIONS

183,000 PLANTED **TREES** DURING 2017-2018

FORFUTURE DIAGRAM

REGIONAL PRIORITIES	MAIN PRIORITIES		
ATRACTIVENESS OF REGIONS	**ROAD SAFETY**	**TECHNICAL EDUCATION**
› Co-operation with regions where ŠKODA AUTO has production facilities (Mladá Boleslav, Kvasiny, Vrchlabí) › ŠKODA AUTO Endowment fund	**Projects** › Road safety search › Safe Friday › Playful ŠKODA › Grant schemes	**Projects** › Support of Technical Education system › Cooperation with schools › Motivating teachers › Young Designer › iQLANDIA Liberec › Grant schemes
EMPLOYEE CARE	**CHILDREN CARE**	**BARRIER-FREE MOBILITY**
› Social benefits, Health care, Protected workshops, Employee giving, Volunteering	**Projects** › Supporting children in need by Tereza Maxová Children (Get Started!, Education Fund ŠA, TERIBEAR) › Clinic Clowns › Grant schemes	**Projects** › ŠKODA Handy › Driving license for disable › CZEPA, 'Centrum paraple', 'Cesta za snem' › Rehabilitation institutes › Grant schemes

REGIONAL PRIORITIES

ATTRACTIVENESS OF REGIONS

In regions where we ŠKODA AUTO operates, we contribute tens of millions of CZK each year to support culture, sport and other forms of active leisure. At the same time, we invest into infrastructure development, road safety, social and health-care services, technical education; we support the development of public spaces and environmental protection. For this purpose, the company has established strategic partnerships with municipalities in the Mladá Boleslav, Kvasiny and Vchlabí regions to learn about local community-specific needs.

To support these initiatives, we have established grant programmes, which are focussed on a range of activities aimed at improving community life in selected regions. In 2017, ŠKODA AUTO distributed nearly CZK 5 million in grants and, in 2018, we distributed more than CZK 6.2 million. Through the seven grant schemes, these funds were divided up among more than 120 applicants selected from a record number of 397 applications submitted by municipalities, schools, non-profit organisations, civic associations etc.

ACTIVITIES IN REGIONS

In collaboration with the city of Mladá Boleslav and the District Chamber of Commerce, ŠKODA AUTO has supported dozens of projects in various areas in the past two years. The strategic support for technical education includes both material and financial support for teaching STEM subjects in Mladá Boleslav primary schools. The support also includes secondary schools, nurseries and selected cultural events in the region. The company has contributed to planting greenery in several parts of the city and helped to construct bike racks. In terms of social aspects, it has supported the service of 'in the field' social work, equipment for the Klaudián Hospital and exercising for the elderly. In terms of safety, ŠKODA AUTO has provided the municipal police with a financial contribution and a donation of ŠKODA vehicles. To further develop the city, we are co-financing numerous urban and landscape studies, such as smart city plan, development in the Krásné Louky area and noise studies. The company also supports numerous sports activities, including not only professional hockey and football teams, but also a floorball club.

ŠKODA AUTO also supports the Kvasiny region, where close collaboration with municipalities is essential. We emphasise projects focussing on safety, including road safety, technical education, social services and leisure activities. Two new vehicles and a financial contribution were donated to the municipal police in Rychnov nad Kněžnou. A nursing home in Rychnov nad Kněžnou and a medical centre in Solnice were given new equipment. The ambulance service in the Hradec Králové region received a donation from ŠKODA AUTO in the form of two new vehicles. With regard to road safety, more than two dozen regional projects were supported (walkways accessible to the disabled, illumination of pedestrian crossings, revitalisation of lighting and support for the development of cycling paths). In amateur sport, four youth groups and 15 sports organisations received support. It was also possible to jump-start the extensive construction of children's and sports playgrounds. In terms of culture, the company supports initiatives such as the Poláč Summer of Music, ŠKODA drive-in and open-air cinema, the Solnice's end of summer celebration, winter skating and the Sport Day. The company also financially supported the construction of a statue of Czechoslovakia's first president T. G. Masaryk to mark the 100th anniversary of Czechoslovakia's founding.

In the region of Vrchlabí, the company traditionally supports projects in road infrastructure and safety, technical education, sport and culture. In the past two years, an illuminated pedestrian crossing was built in Nerudova Street, along with a bridge featuring a cycling path leading to the ŠKODA plant and speed detectors in the city centre. The 'in the field' social service received a new car. As part of the strategic focus on technical education, all local primary schools and selected secondary schools have been supported. ŠKODA AUTO has contributed long-term to the Vrchlabí summer music festival and organised Christmas performances for employees. In amateur sports, ŠKODA AUTO has been focusing long-term on regional football and hockey. The project to create a local association of volunteer firefighters is one example of how the company is helping local communities.



ŠKODA AUTO has provided the municipal police with a financial contribution and a donation of ŠKODA vehicles.

EMPLOYEE CARE

In 2018, the company decided to invest EUR 30 million in developing the attractiveness of the Mladá Boleslav area in the years to come. This decision was accompanied by the establishment of the ŠKODA AUTO Endowment Fund. We also initiated the Nové Boleslavsko programme, the aim of which is to contribute to improving life in the region. The programme is being supported by the KOVO labour union and we cooperate with the Municipality of Mladá Boleslav, the city of Kosmonosy, surrounding villages, the Central Bohemian region and the government of the Czech Republic.

The mission of the fund and the entire programme is to provide targeted investments so that the company's economic development goes hand in hand with the development of the region. The goal is to ensure sustainability of the Mladá Boleslav plant, keep options for further growth open and to increase the attractiveness of the Mladá Boleslav region for its inhabitants and for visitors.

The partners of the programme for long-term development of the Mladá Boleslav region intend to focus on ten areas of life in the region over the next few years: transport, healthcare, social services, housing, education, safety, culture and sport, establishment of civil society, smart mobility and urban development. In 2018, a public opinion survey was conducted in which respondents named safety, transport, public space and housing as the most important priorities. Other issues fall under the category of long-term priorities.

As part of the programme, the public opinion survey '10 weeks for the new Boleslav area' was started in 2018. The survey provided citizens with the opportunity to express their opinions. It has been divided into the aforementioned topic areas, where each interested individual could come up with their own ideas for projects that would improve life in the Mladá Boleslav area.

VOLUNTEERING

For many years, there has been a tradition of ŠKODA AUTO getting employees involved in charitable activities and employee fundraising campaigns. Each employee has the opportunity to make a voluntary donation to one of six selected non-profit organisations via a monthly deduction from their wages. ŠKODA AUTO then doubles these donations, and a proportion of the collected sums is used to support children from an orphanage in Aurangabad, India. Employee fundraising has thus even taken on an international dimension.

Nearly 2,500 employees have gotten involved in the second round of fundraising, and their gifts in 2018 totalled CZK 3.1 million (2017: 2.6 million). Thanks to the support from the company, a total of CZK 10.3 million has been invested in projects run by the non-profit highway safety organisation Bezpečně na silnicích, the children's charities Život dětem, Helppes, Světluška, Orion and ČSOP Klenice, and more than CZK 1 million has been donated to the orphanage in Aurangabad, India.

In 2018, we supported the area in which the Aurangabad production plant is located via sports activities. Employees had the opportunity to participate in 16 sport challenges, during which they monitored the kilometres covered, calories burnt and training commenced. We then converted them to financial rewards, which were used for CSR projects. These were financial support of vaccinations, support of education in orphanages and schools in the surroundings of Aurangabad.

Another long-term project, which we continually pursue since 2007, is the ŠKODA Trees project. We plant one tree for every ŠKODA vehicle sold in the Czech Republic. This involves a grant for non-commercial organisations. This included employees as well as their families. Interns and students of the vocational school of engineering have been also involved in this volunteering activity since 2010. Since 2017, through authorised dealers, customers have also had the opportunity to plant their own trees. In 2017, the label ŠKODA Alej was also introduced, Labels are placed on wooden signs where trees are planted. For the 12 years of its existence, more than 820,000 trees have been planted on a total area equal to the size of 260 football fields. In 2017 and 2018, approximately 183,000 trees were planted. Areas with the largest numbers of newly planted trees include long-standing partners such as the Giant Mountains National Park, the Czech Switzerland National Park, the Šumava National Park, the Ivan Dejmal Foundation and the Kolowrat forests. Unlike in previous years, planting is being done not only in regions where ŠKODA AUTO is active, but throughout the Czech Republic.

For two years, employees, representatives of the KOVO trade union, trainees and vocational students have also been actively involved in cleaning activities as part of the countrywide clean-up campaign 'Let's Clean the World, Let's Clean-up the Czech Republic'. ŠKODA AUTO has been a partner of the campaign since 2015. Cleaning locations are carefully selected in production plant regions, specifically in the areas of Mladá Boleslav, Kvasiny and Vrchlabí, where hundreds of volunteers have collected dozens of tonnes of waste.



MAIN PRIORITIES

ROAD SAFETY

ŠKODA AUTO has long been focussed not only on the safety of its own vehicles, but also on the road safety and safe infrastructure in municipalities, including the organisation of educational activities for all age groups. In 2018, ŠKODA AUTO came up with the 'Safe Friday' concept, placing emphasis on the importance of informing the general public about road safety and raising awareness of this issue, in order to improve safety on the roads in the Czech Republic.

SAFE FRIDAY

According to statistics from the Czech police, the highest number of deaths on Czech roads occurs on Fridays during trips to weekend get-away destinations. ŠKODA AUTO decided to react to this trend and, in June 2018, it established the 'Safe Friday' campaign, intended to make roads safer. 'Safe Friday' represents an education platform, which is accompanied by a number of events and informative flyers that explain how to avoid traffic danger. As a result of the project, by the end of 2018, more than 2,000 children were involved at schools, and 234,000 people participated in various instructional and educational events. The platform's website offers practical information about road safety and traffic behaviour. It also provides advice to students of driving schools.

TECHNICAL EDUCATION

Technical education is one of ŠKODA AUTO's strategic areas. We cooperate on specific projects with dozens of schools at all levels of education, and we have our own vocational school, company university and the ŠKODA Academy. Thanks to these activities, we are able to educate our own experts who fall short on the labour market.

SCIENCE HAS A FUTURE

Since 2013, ŠKODA AUTO has been a partner of the Science Has a Future project run by the non-profit organisation AISIS. Its aim is to increase the motivation of teachers, directors and counsellors at primary and secondary schools as well as increase the appeal of science and technical subjects for students. A teacher who has a clear awareness of new trends can share this interest with students. In the past five years, 216 teachers have completed the programme.

SUPPORT FOR SCHOOLS IN THE REGIONS

To support the development of technical education, in 2017 and 2018, we took several steps to deepen ties with secondary schools and universities. We have collaborated with forty secondary schools and twelve universities focussed mainly on technical, business and IT subjects in the Czech Republic. At an international level we have collaborated with eight universities abroad. Financial support of research projects also continued and, in 2018, the number of donated engines (55 engines) increased five-fold year-on-year. The number of donated components and complete non-homologated vehicles also increased. In both of the past two years, more than 170 events were arranged and supported.

40 COLLABORATING COLLEGES

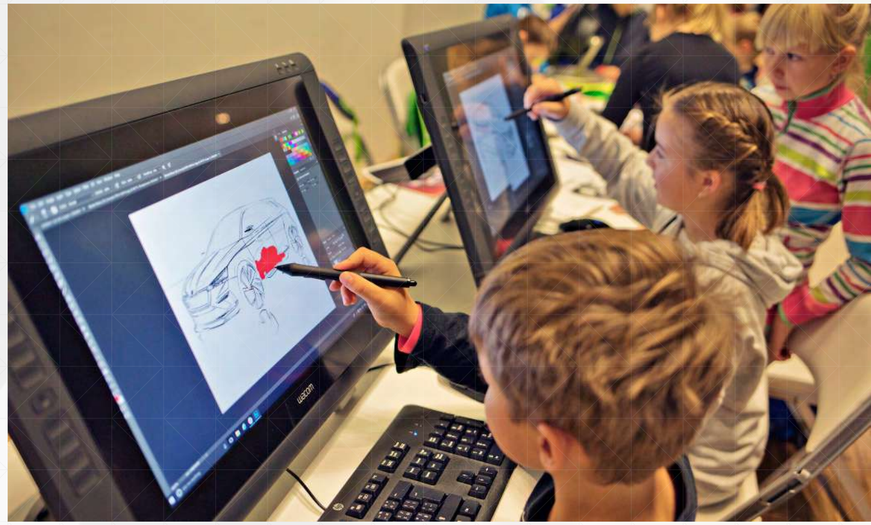
19 COOPERATING UNIVERSITIES

8 COOPERATING FOREIGN UNIVERSITIES

In 2017, ŠKODA AUTO started a unique survey at primary schools in Mladá Boleslav to identify the weaknesses and strengths of individual schools. Moreover, new projects qualified for receiving financial support from us.

YOUNG DESIGNERS

Under the auspices of ŠKODA Design, ŠKODA AUTO has held the Young Designer competition since 2013. This competition is intended to promote creativity in the youngest children attending primary schools all over the Czech Republic. In the past two years, the children created a record number of 859 art works. The best artists were given awards during a ceremony, which is traditionally held in the ŠKODA Museum. Via this competition, we seek to promote talent and support children's creativity, initiate their interest in technology and strengthen their teamwork skills.



iQLANDIA

Since 2014, we have been cooperating with the iQLANDIA Centre in Liberec. We strive to make natural sciences and technical fields more popular in a fun way. We are presenting the results of our research related to road safety along with promoting talented students from the vocational school. The outdoor exhibition includes new ŠKODA models.

BARRIER-FREE MOBILITY

Helping our fellow citizens with disabilities is another of the company's corporate social responsibility projects. Within our program focussed on barrier-free mobility, we help people with limited mobility to easily overcome obstacles resulting from their condition.

ŠKODA HANDY

The ŠKODA HANDY project has been supporting people with disabilities and their family members since 2010. In 2018, we started to offer yet another benefit for disabled motorists. The ŠKODA HANDY programme was joined by authorised dealerships, and now disabled motorists can find these dealerships easily, because these are marked with the ŠKODA HANDY centre label. Specially trained dealers help clients choose the right car, with the appropriate adjustments in car equipment. Dealers also help to complete the applications for social financial support for these specific needs. For the duration of essential repair service, clients can use a modified car as a substitute for their own car or they can rent one of 17 modified cars for a short period of time. During the last five years, more than 3,000 customers have used the services of the ŠKODA HANDY programme.

SUPPORT FOR PARAPLEGICS

We have collaborated with the Czech Paraplegic Association (CZEPA) since 2014, most notably during the creation of the VozejkMap database, which makes it easier for disabled people to plan trips. Wheelchair users themselves add information to the database. To support the mobility of CZEPA clients on a larger scale, ŠKODA AUTO lent CZEPA two OCTAVIA COMBI vehicles.

ŠKODA NEŘÍDIT

The ŠKODA Neřídit programme, which literally means 'It's a pity not to drive', is a new grant that was introduced in 2018 and financially supports and motivates disabled people to obtain driving licences. Up to CZK 15,000 is given to applicants who meet the grant conditions specified at www.skoda-neridit.cz and who are selected by a commission comprised of representatives of ŠKODA AUTO and the Konto Bariéry charity.



CHILDREN'S CARE

The company's focus on caring for children stems from the company's history: the company's predecessors, Laurin & Klement, already supported disadvantaged children. ŠKODA AUTO is moving this idea forward by adding its own expertise and supporting children, particularly in education. The projects specified below are put into practice in long-term collaboration with the Teresa Maxová Children's Foundation.

ROZJEDU TO!

The aim of the project ROZJEDU TO! is to effectively motivate young people from children's homes to get an education and develop their personalities. Regular tutoring and support creates conditions for improving academic success. Children also have the opportunity to visit selected workplace areas of ŠKODA AUTO during excursions. Since 2013, the programme has supported 83 children from six children's homes. In 2018, ŠKODA AUTO organised a weekend camping trip for children in collaboration with the non-profit organisation Czechitas to increase their interest in technology and motivate them to continue their studies.

2,807 LESSONS TAUGHT

225 HOURS OF PSYCHOLOGICAL CARE

28 EXCURSIONS

EDUCATION FUND

Students aged 15 and older can benefit from the ŠKODA AUTO Education Fund, which further develops the Rozjedu to! programme and provides financial support for classroom supplies, accommodation, travel, transportation, special courses and even driving licences. So far, 100 children have completed this programme. ŠKODA AUTO offers the option to study at a vocational school for interested students and eventually may also offer them employment.

TERIBEAR GETS PRAGUE AND MLADÁ BOLESLAV MOVING

Since 2015, ŠKODA AUTO has been the general partner of the charity event TERIBEAR. Both events helped so far succeeded to raise a record sum of CZK 22 million in Prague and Mladá Boleslav, which was distributed to orphanages near ŠKODA AUTO plants, support also went to other organisations. The ŠKODA team has traditionally taken part in these charitable runs, and hundreds of our staff actively helped to reach the fundraising goal.

For the seventeenth year so far, the company is helping the non-profit organisation Zdravotní klaun (Medical Clown). This organisation helps children and the elderly in hospitals. The Na kole dětem cycling children's charity event is one of several traditionally supported activities and the money raised is used to help children recovering from cancer treatment.

FACTS & FIGURES

- ECONOMICS
- ENVIRONMENT
- SOCIAL ACTIVITIES



ECONOMICS

VALUE ADDED GENERATED BY THE ŠKODA AUTO GROUP

Source of funds in € million	2018		2017	
Sales	17,293		16,559	
Other income	387		700	
Material costs	-13,093		-12,103	
Depreciation and Amortization	-678		-858	
Other upfront expenditures	-1,257		-1,636	
Value added	**2,652**		**2,662**	

Appropriation of funds in € million	2018	in %	2017	in %
to shareholders (dividends)	1,124	42.4 %	1,258	47.3 %
to employees (wages, benefits)	1,221	46.0 %	1,054	39.6 %
to the state (taxes, duties)	225	8.5 %	313	11.8 %
to creditors (interest expenses)	23	0.9 %	20	0.7 %
to the Company (reserves)	60	2.3 %	16	0.6 %
Value Added	**2,652**	**100.0 %**	**2,662**	**100.0 %**

Value Added - change in % 2018/2017 -0.3 %

Value for the purposes of Volkswagen Group consolidation, subsidiaries of ŠKODA AUTO a.s. and its controlled entities.

DELIVERIES TO CUSTOMERS BY REGION

	ŠKODA vehicles		Change in %	Share of passenger car market (%) **	
	2018	2017	2018/2017	2018	2017
Central Europe *	212,928	207,143	2.8 %	18.3%	19.0 %
Eastern Europe	127,533	103,634	23.1 %	5.8%	5.3 %
Western Europe	486,356	477,735	1.8 %	3.4%	3.3 %
Overseas/Asia	426,924	412,023	3.6 %	0.7%	0.6 %
Total	**1,253,741**	**1,200,535**	**4.4 %**	**1.5%**	**1.4 %**

* including the Czech Republic

** total markets

DELIVERIES TO CUSTOMERS – BIGGEST MARKETS

	ŠKODA vehicles		Change in %
	2018	2017	2018/2017
Total	**1,253,741**	**1,200,535**	**4.4 %**
China	341,000	325,009	4.9 %
Germany	176,638	173,302	1.9 %
Czech Republic	93,586	95,017	-1.5 %
Russia	81,459	62,302	30.7 %
United Kingdom	74,512	80,056	-6.9 %
Poland	71,057	66,582	6.7 %
France	32,035	27,272	17.5 %
Spain*	27,017	24,230	11.5 %
Italy	26,401	24,700	6.9 %
Austria	24,939	24,254	2.8 %
Slovakia	21,894	21,017	4.2 %
Turkey	21,340	24,996	-14.6 %
Israel	20,949	23,351	-10.3 %
Belgium	20,032	19,240	4.1 %
Switzerland	17,724	18,853	-6.0 %

* excluding Canary Islands

Table represents total deliveries of ŠKODA vehicles to customers, irrespective of where they were produced.

DELIVERIES TO CUSTOMERS BY MODEL

	ŠKODA vehicles		Change in %
	2018	2017	2018/2017
CITIGO	**39,161**	**37,115**	5.5 %
FABIA	123,356	130,186	-5.2 %
FABIA COMBI	67,524	76,313	-11.5 %
FABIA total	**190,880**	**206,499**	-7.6 %
RAPID	132,671	136,729	-3.0 %
RAPID SPACEBACK	58,806	74,751	-21.3 %
RAPID total	**191,477**	**211,480**	-9.5 %
OCTAVIA	210,482	236,309	-10.9 %
OCTAVIA COMBI	177,749	182,458	-2.6 %
OCTAVIA total	**388,231**	**418,767**	-7.3 %
SUPERB	86,143	94,522	-8.9 %
SUPERB COMBI	51,998	56,388	-7.8 %
SUPERB total	**138,141**	**150,910**	-8.5 %
ROOMSTER	**0**	**1**	-
KAMIQ	**27,868**	**0**	-
YETI	**13,063**	**69,467**	-81.2 %
KAROQ	**115,725**	**6,335**	1726.8 %
KODIAQ	**149,195**	**99,961**	49.3 %
Total	**1,253,741**	**1,200,535**	**4.4 %**

ECONOMICS

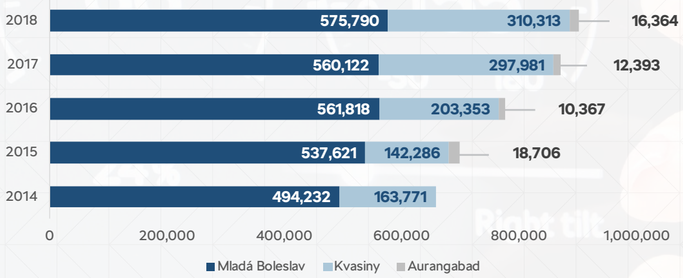
PRODUCTION AT ŠKODA AUTO GROUP

ŠKODA AUTO a.s.	Vehicles 2018	Vehicles 2017	Change in % 2018/2017
Production of ŠKODA vehicles			
FABIA	112,863	119,730	-5.7 %
FABIA COMBI	64,800	76,292	-15.1 %
FABIA total	**177,663**	**196,022**	**-9.4 %**
RAPID	28,813	31,561	-8.7 %
RAPID SPACEBACK	47,187	49,553	-4.8 %
RAPID total	**76,000**	**81,114**	**-6.3 %**
OCTAVIA	83,070	89,667	-7.4 %
OCTAVIA COMBI	174,962	180,102	-2.9 %
OCTAVIA total	**258,032**	**269,769**	**-4.4 %**
SUPERB	40,575	47,697	-14.9 %
SUPERB COMBI	50,912	57,211	-11.0 %
SUPERB total	**91,487**	**104,908**	**-12.8 %**
YETI	**0**	**24,555**	**-**
KAROQ	**100,249**	**14,998**	**568.4 %**
KODIAQ	**81,697**	**76,108**	**7.3 %**
Total	**785,128**	**767,474**	**2.3 %**
Production of SEAT vehicles			
TOLEDO	10,151	13,146	-22.8 %
ATECA	90,824	77,483	17.2 %
Total	**100,975**	**90,629**	**11.4 %**
Total ŠKODA AUTO a.s. production	**886,103**	**858,103**	**3.3 %**

PRODUCTION AT ŠKODA AUTO GROUP

SKODA AUTO INDIA PRIVATE LTD. IN AURANGABAD	Vehicles 2018	Vehicles 2017	Change in % 2018/2017
Production of ŠKODA vehicles			
OCTAVIA	2,891	2,406	20.2 %
SUPERB	1,752	1,502	16.6 %
KODIAQ	2,224	838	165.4 %
Total	**6,867**	**4,746**	**44.7 %**
Production of other VW Group brands			
VOLKSWAGEN	2,055	1,134	81.2 %
AUDI	7,442	6,513	14.3 %
Total	**9,497**	**7,647**	**24.2 %**
Total production at Skoda Auto India Private Ltd.	**16,364**	**12,393**	**32.0 %**
Total ŠKODA AUTO Group production	**902,467**	**870,496**	**3.7 %**

PRODUCTION AT ŠKODA AUTO GROUP BY LOCATION (VEHICLES)

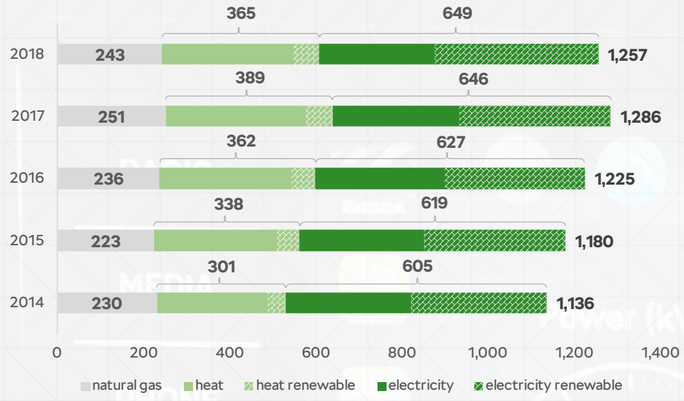


PRODUCTION OF ŠKODA VEHICLES IN OTHER VW GROUP PLANTS

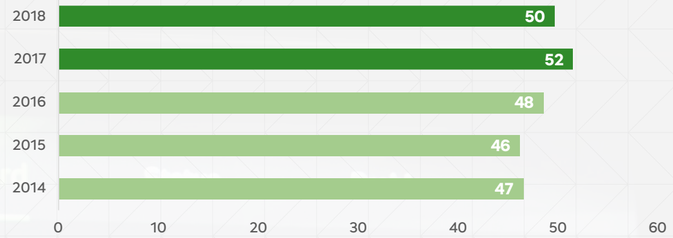
	Vehicles 2018	Vehicles 2017	Change in % 2018/2017
Production of ŠKODA vehicles in India (Pune)			
RAPID	9,989	11,800	-15.3 %
Total	**9,989**	**11,800**	**-15.3 %**
Production of ŠKODA vehicles in Slovakia			
CITIGO	37,101	38,749	-4.3 %
Total	**37,101**	**38,749**	**-4.3 %**
Production of ŠKODA vehicles in Germany			
KAROQ	1,458	0	-
Total	**1,458**	**0**	-
Production of ŠKODA vehicles in Russia			
RAPID	38,109	32,956	15.6 %
OCTAVIA	33,677	21,479	56.8 %
YETI	910	22,543	-96.0 %
KODIAQ	18,043	20	-
Total	**90,739**	**76,998**	**17.8 %**
Production of ŠKODA vehicles in China			
FABIA	8,550	13,449	-36.4 %
RAPID	71,172	83,966	-15.2 %
OCTAVIA	105,610	127,157	-16.9 %
SUPERB	43,746	40,693	7.5 %
KAMIQ	39,553	0	-
YETI	0	19,527	-
KAROQ	31,756	447	-
KODIAQ	51,478	47,036	9.4 %
KODIAQ GT	2,122	0	-
Total	**353,987**	**332,275**	**6.5 %**
Total ŠKODA vehicles in other VW Group plants	**493,274**	**459,822**	**7.3 %**
Total ŠKODA vehicles and other VW Group brand	**1,395,741**	**1,330,318**	**4.9 %**

ENVIRONMENT

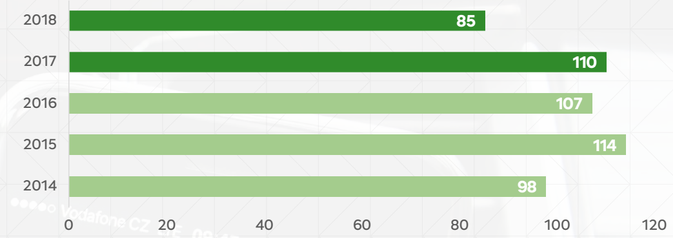
FORMS OF ENERGY – TOTAL (GWh)



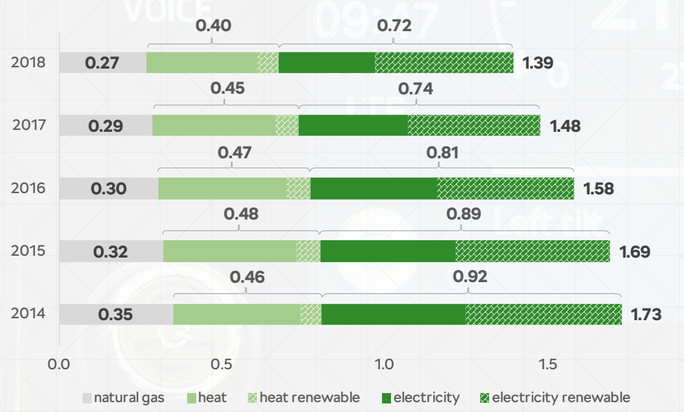
DIRECT CO_2 EMISSIONS – TOTAL (thousands of t)



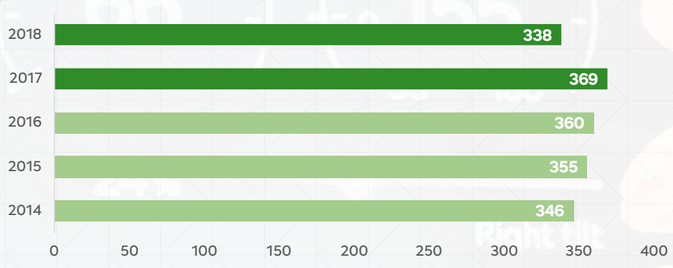
DIRECT NO_x EMISSIONS - TOTAL (t)



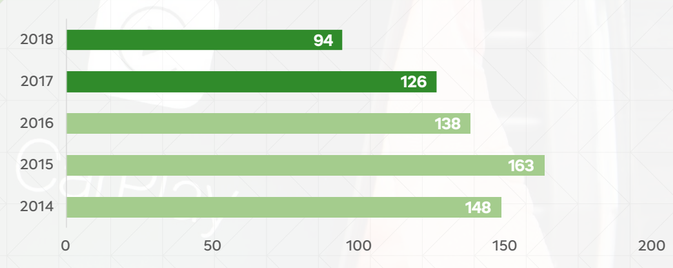
FORMS OF ENERGY – VEHICLE (MWh)



INDIRECT CO_2 EMISSIONS – TOTAL (thousands of t)



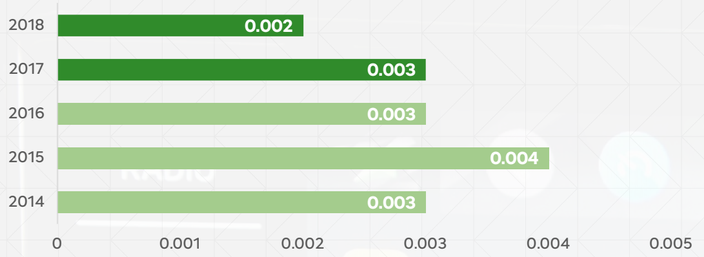
DIRECT NO_x EMISSIONS - VEHICLE (g)



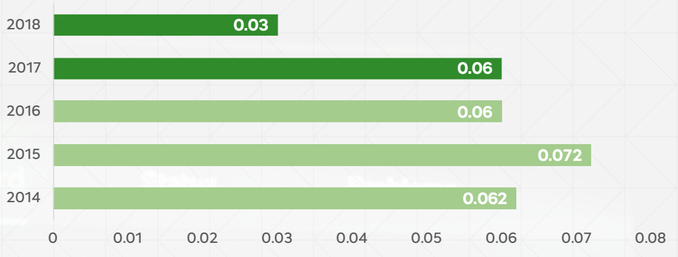
THE DATA DEPICTED HERE ARE RELEVANT FOR PRODUCTION.

ENVIRONMENT

DIRECT SO_2 EMISSIONS - TOTAL (t)

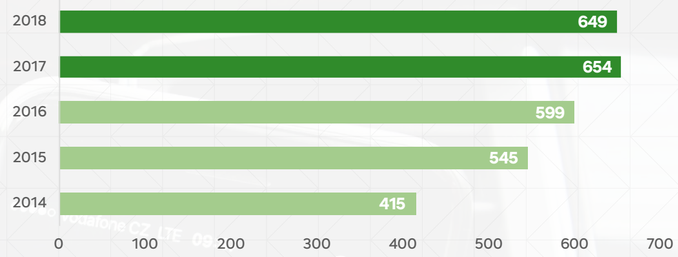


EMISSIONS OF OZONE-DEPLETING SUBSTANCES - TOTAL (t)



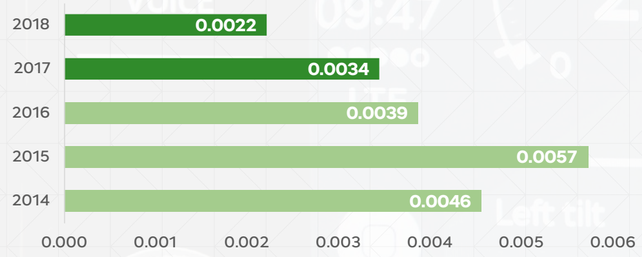
Values include marginal leaks of substances which damage ozone. In accordance with current legislation, the cooling equipment is no longer filled with those substances and is gradually replaced by machines with

RECYCLED WATER - TOTAL (thousands of m^3)

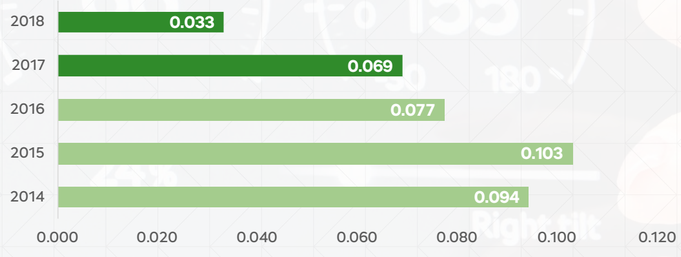


Recycled water is used multiple times during the production process - e.g. final rinse in the paint shop or circulating water in the water test working as washer. Data also include waste water which can be reused, e.g.

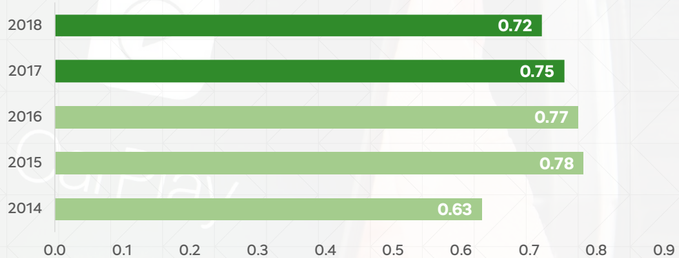
DIRECT SO_2 EMISSIONS - VEHICLE (g)



EMISSIONS OF OZONE-DEPLETING SUBSTANCES - VEHICLE (g)



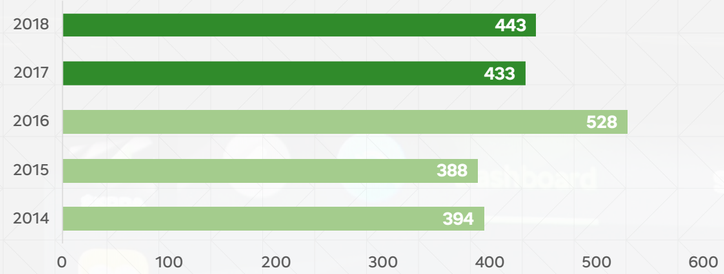
RECYCLED WATER - VEHICLE (m^3)



THE DATA DEPICTED HERE ARE RELEVANT FOR PRODUCTION.

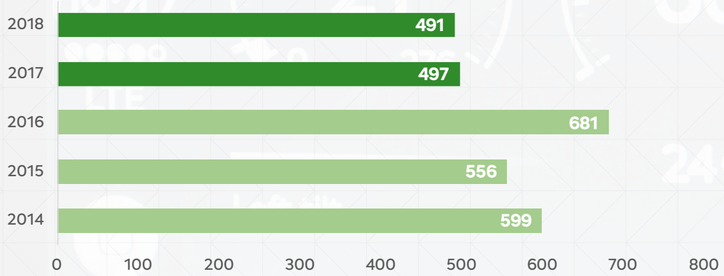
ENVIRONMENT

CHEMICAL OXYGEN DEMAND - TOTAL (t)



Chemical oxygen is used for measuring pollution of waste water. Amount of oxygen used in the chemical reaction corresponds to the amount of organic compounds in the waste water. This is the basic parameter

CHEMICAL OXYGEN DEMAND - VEHICLE (g)



SOURCES OF INDUSTRIAL WATER AFFECTED BY WITHDRAWAL AND DISCHARGE

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	59.4	1.22	Yes	IV.	No	11 L salmon water
Labe River	93.35	2.63	Yes	I.	No	2 L salmon water
Godawari (Jayakwadi Dam)	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.

THE DATA DEPICTED HERE ARE RELEVANT FOR PRODUCTION.

ENVIRONMENT

OVERVIEW OF RELEVANT PROTECTED AREAS

Mladá Boleslav plant

Category	Name	Distance (km)	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	249.6	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	1.5	To protect significant calcicole and thermophilic communities of argillaceous rocks with a unique occurrence of needle sunrose (Fumana procumbens) in Bohemia.
Natural monument	Bezděčín	2	SW	75.1	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	3.1	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	1.5	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 (Carex sylvatica), Chinese lantern, sweet woodruff, Turk's cap lily, wood anemone, Solomon's seal, salisbury (Dryopteris pulchella), baneberry, and others. The area also harbours many insect species, such as mallow skipper, purple emperor, large poplar longhorn beetle (Saperda carcharias), 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.
Nature park	Čížovky	9	SE	386	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. Fauna and flora: Animals known to occur in the area of the nature park include several species of endangered amphibians, owls, kingfisher (Alcedo atthis), white wagtail (Motacilla alba) and grey wagtail (M. cinerea), great spotted woodpecker (Dendrocopos major) and lesser spotted woodpecker (Dendrocopos minor), red-backed shrike (Lanius collurio), Eurasian coot (Fulica atra), garden warbler (Sylvia borin), sedge warbler (Acrocephalus schoenobaenus) 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 (Thelypteris palustris), shining pondweed (Potamogeton lucens), horned pondweed (Zannichellia palustris), pepper saxifrage (Silaum silaus) field wormwood (Artemisia campestris), several sedge species, such as soft-leaved sedge (Carex montana), greater tussock-sedge (Carex paniculata) and cyperus sedge (Carex pseudocyperus), common centaury (Centaurium erythraea), northern bedstraw (Galium boreale), valerian (Valeriana dioica), Kashubian vetch (Vicia cassubica), mountain parsley (Peucedanum oreoselinum), and others.

ENVIRONMENT

OVERVIEW OF RELEVANT PROTECTED AREAS

Kvasiny plant

Category	Name	Distance (km)	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 ráj	8	N	3.2	Forest vegetation with natural composition of tree species and rich herbaceous layer (common cowslip, wild arum, and rueleaved isopyrum Isopyrum thalictroides). The most important plant species is a rare Czech endemic orchid species Epipactis albensis, which has its global occurrence bound only to Bohemia and Moravia.
Natural monument (proposed) Special Area of Conservation (SAC)	Uhřínov-Benátky	5	NE	4.9	To support and stabilise the population of an 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	235.8	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 (km)	Direction	Area (ha)	Object of protection & notes
National park	Krkonoše National Park	1.1	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	4.2	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	0.003	Protection of permanent hibernacula of various species of bats in old adits.
Natural monument	Labská soutěska	7.5	N	2.8	Protection of unique eversion structures and riffles in muscovite orthogneiss of the upper Elbe.

SOCIAL ACTIVITIES

EMPLOYEE STRUCTURE ACCORDING TO TYPE OF EMPLOYMENT AND SUBSIDIARIES

	2018	2017	2016	2015	2014
Core staff - ŠKODA AUTO Group	**33,726**	**31,714**	**28,310**	**25,413**	**24,674**
of which: ŠKODA AUTO a.s.	32,738	30,690	27,462	24,567	23,748
of which: subsidiaries	988	1,024	848	846	926
of which: SAS*	62	61	61	60	62
of which: SAIPL**	896	943	787	786	864
of which: SADL***	30	20	0	0	0
Temporary workers - ŠKODA AUTO Group	**2,789**	**2,802**	**3,467**	**2,757**	**2,542**
of which: ŠKODA AUTO a.s.	2,789	2,802	3,467	2,757	2,542
of which: subsidiaries	-	-	-	-	-
of which: SAS*	-	-	-	-	-
of which: SAIPL**	-	-	-	-	-
of which: SADL***	-	-	-	-	-
Apprentices - ŠKODA AUTO Group	**958**	**936**	**913**	**889**	**889**
of which: ŠKODA AUTO a.s.	958	936	913	889	889

* ŠKODA AUTO Slovensko s.r.o.
** Skoda Auto India Private Ltd.
*** ŠKODA AUTO Digilab s.r.o.
Data are valid for 31.12. of each reporting year.

Social data are relevant for ŠKODA AUTO a.s.

EMPLOYEE STRUCTURE BY GENDER

		2018	2017	2016	2015	2014
Direct employees	Men	17,209	16,431	14,252	12,153	11,442
	Women	4,245	3,822	3,280	2,778	2,600
	Total	**21,454**	**20,253**	**17,532**	**14,931**	**14,042**
Indirect employees	Men	8,868	8,210	7,843	7,609	7,177
	Women	2,416	2,227	2,087	2,027	1,994
	Total	**11,284**	**10,437**	**9,930**	**9,636**	**9,171**
Apprentices	Men	842	825	806	769	779
	Women	116	111	107	120	110
	Total	**958**	**936**	**913**	**889**	**889**
Temporary workers	Men	1,980	2,017	2,767	2,159	2,064
	Women	809	785	700	598	478
	Total	**2,789**	**2,802**	**3,467**	**2,757**	**2,542**

Direct employees are production workers.
Indirect employees include overhead workers, office employees and management.
Core staff = Direct employees + Indirect employees

MANAGEMENT STRUCTURE BY GENDER

		2018	2017	2016	2015	2014
Board of Directors	Men	7	7	7	7	7
	Women	-	-	-	-	-
	Total	**7**	**7**	**7**	**7**	**7**
Supervisory Board	Men	8	7	7	7	5
	Women	1	1	1	1	-
	Total	**9**	**8**	**8**	**8**	**5**
Senior Management	Men	284	258	235	218	217
	Women	31	34	30	23	20
	Total	**315**	**292**	**265**	**241**	**237**
Management total*	Men	567	536	502	491	476
	Women	84	82	76	68	59
	Total	**651**	**618**	**578**	**559**	**535**

* includes senior management

AGE STRUCTURE OF THE CORE STAFF (NUMBER OF EMPLOYEES)

		2018	2017	2016	2015	2014
Direct employees	under 30	6,049	6,007	5,006	3,871	3,616
	30 - 50	12,341	11,448	9,974	8,723	8,207
	over 50	3,064	2,798	2,552	2,337	2,219
Indirect employees	under 30	1,822	1,457	1,251	1,148	1,192
	30 - 50	7,212	6,839	6,211	6,055	6,062
	over 50	2,250	2,141	1,890	1,874	1,917

AGE STRUCTURE OF THE MANAGEMENT (NUMBER OF EMPLOYEES)

		2018	2017	2016	2015	2014
Board of Directors	under 30					
	30 - 50					1
	over 50	7	7	7	7	6
Supervisory Board	under 30	0	0	1	1	0
	30 - 50	1	2	2	2	2
	over 50	8	6	5	5	3
Senior Management	under 30	0	0	0	0	0
	30 - 50	211	208	189	169	217
	over 50	104	84	76	72	20
Management total	under 30	0	0	0	2	1
	30 - 50	459	444	417	386	364
	over 50	192	174	160	171	170

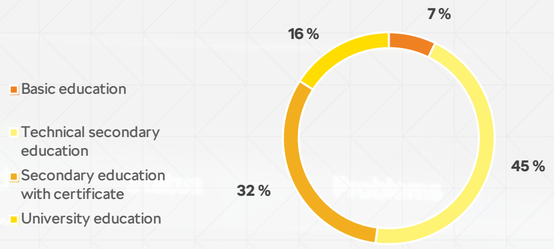
SOCIAL ACTIVITIES

NATIONALITY STRUCTURE OF EMPLOYEES IN 2018

	Direct employees	Indirect employees	Management*	Senior Management**
Czech Republic	17,604	10,691	534	232
Poland	1,977	23	4	3
Slovakia	1,297	259	18	8
Ukraine	365	28	1	
Germany	2	137	73	60
Other	209	146	21	12

* Management is subset of Indirect employees
** Senior management is subset of Management

QUALIFICATION STRUCTURE OF THE CORE STAFF IN 2018 (%)



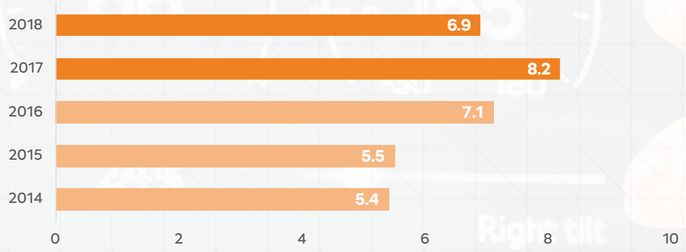
NEW EMPLOYEE HIRES

2018	age at hiring	men	women	total
	under 30	1,676	460	**2,136**
	30-50	1,232	504	**1,736**
	over 50	118	44	**162**
total		3,026	1,008	**4,034**
2017	**age at hiring**	**men**	**women**	**total**
	under 30	2,394	514	**2,908**
	30-50	1,828	456	**2,284**
	over 50	142	43	**185**
total		4,364	1,013	**5,377**
2016	**age at hiring**	**men**	**women**	**total**
	under 30	2,119	433	**2,552**
	30-50	1,398	403	**1,801**
	over 50	115	25	**140**
total		3,632	861	**4,493**
2015	**age at hiring**	**men**	**women**	**total**
	under 30	1,081	225	**1,306**
	30-50	399	137	**536**
	over 50	45	14	**59**
total		1,525	376	**1,901**
2014	**age at hiring**	**men**	**women**	**total**
	under 30	629	120	**749**
	30-50	205	79	**284**
	over 50	25	3	**28**
total		859	202	**1,061**

NATIONALITY OF SENIOR MANAGEMENT IN 2018

Nationality	Count	%
Austrian	4	1.3 %
Bulgarian	2	0.6 %
Czech	232	73.7 %
German	60	19.0 %
French	4	1.3 %
Polish	3	1.0 %
Russian	2	0.6 %
Slovak	8	2.5 %
Total	**315**	**100 %**

ANNUAL EMPLOYEE TURNOVER (%)



During 2017-2018 the total annual employee turnover was monitored. Is is calculated as a ratio of number of staff movements and average number of employees.

SOCIAL ACTIVITIES

EMPLOYEE DEPARTURES

(EXCLUDING MATERNITY LEAVE, PARENTAL LEAVE, ETC.)

2018	age at departure	men	women	total
	under 30	635	74	**709**
	30-50	622	109	**731**
	over 50	261	89	**350**
total		1,518	272	**1,790**
2017	**age at departure**	**men**	**women**	**total**
	under 30	757	49	**806**
	30-50	725	116	**841**
	over 50	261	77	**338**
total		1,743	242	**1,985**
2016	**age at departure**	**men**	**women**	**total**
	under 30	515	38	**553**
	30-50	453	56	**509**
	over 50	327	114	**441**
total		1,295	208	**1,503**
2015	**age at departure**	**men**	**women**	**total**
	under 30	246	29	**275**
	30-50	265	30	**295**
	over 50	314	135	**449**
total		825	194	**1,019**
2014	**age at departure**	**men**	**women**	**total**
	under 30	186	21	**207**
	30-50	226	33	**259**
	over 50	89	147	**236**
total		501	201	**702**

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

	Departures		
period	Men	Women	Total
2018	**11**	**242**	**253**
2017	6	220	**226**
2016	6	221	**227**
2015	6	204	**210**
2014	7	216	**223**

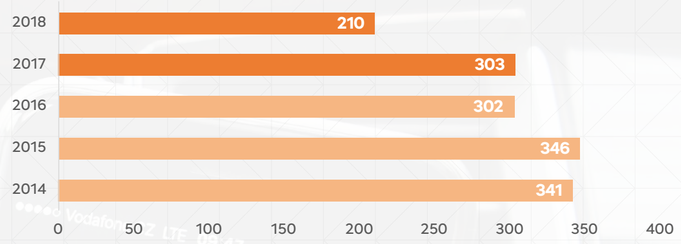
	Returns		
period	Men	Women	Total
2018	**6**	**136**	**142**
2017	8	172	**180**
2016	2	166	**168**
2015	7	178	**185**
2014	5	200	**205**

RETENTION AFTER 12 MONTHS AFTER RETURN FROM PARENTAL LEAVE

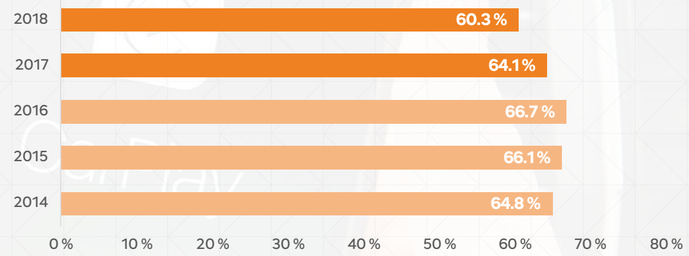
Return	Back	Still out	Departed	Total
from maternity leave	10	2	0	12
from parental leave	110	16	0	126
from upaid leave up to 4 yrs of child's age	33	4	5	42
Total	**153**	**22**	**5**	**180**

Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work ('Back'). Category 'Still out' represents employees that are still on their parental/maternity leave.

BENEFITS FROM Z.E.B.R.A. PROPOSALS (MIL. CZK)

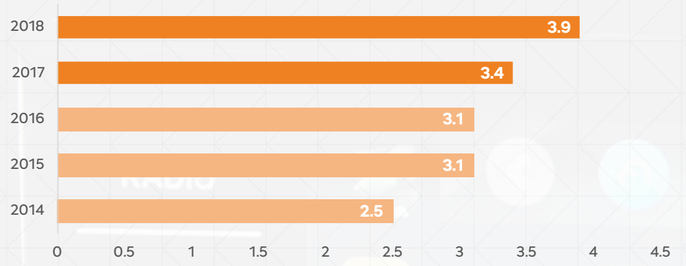


SUCCESS RATE OF PROPOSALS SUBMITTED TO THE Z.E.B.R.A. PROGRAMME (%)



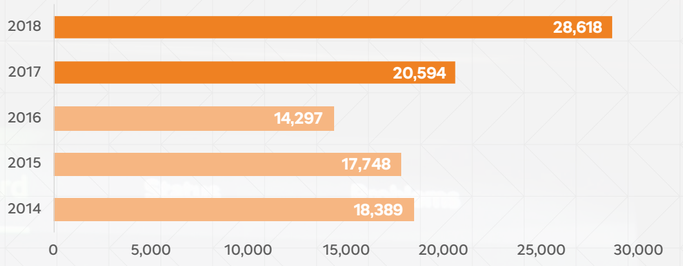
SOCIAL ACTIVITIES

AVERAGE ABSENCE RATE OF THE CORE STAFF (%)

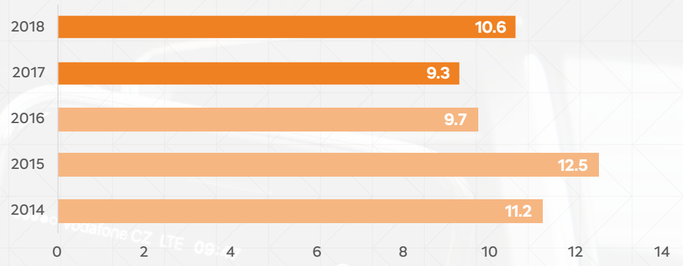


Values represent average percentage of absence days from the total number of working days.

ŠKODA AUTO CHECK-UP (NUMBER OF PARTICIPANTS)

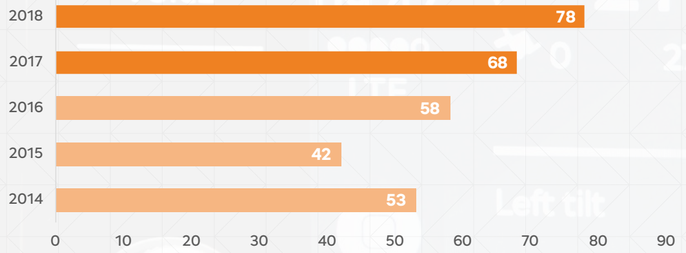


VACCINATIONS AGAINST FLU (%)

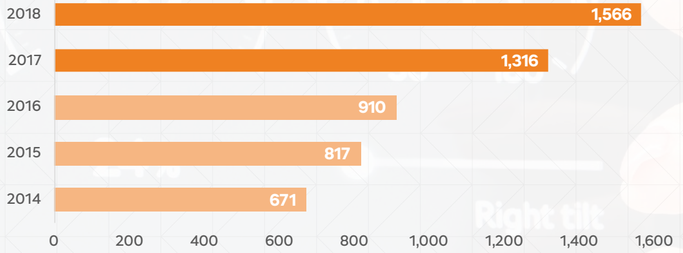


Statistic on vaccinations is relevant for core employees.
The data are relevant for the core staff. After inclusion of apprentices and temporary workers, in total 12.5% of employees were vaccinated in 2018.

OCCUPATIONAL INJURIES (NUMBER OF INJURIES)



REHABILITATION PROGRAMMES (NUMBER OF PARTICIPANTS)



ABOUT THIS REPORT

ŠKODA AUTO has been issuing its Sustainability Report every two years since 2007. The current report contains information and data for 2017 and 2018, including comparable data from previous periods for all major indicators.

For the purposes of this report, the ŠKODA AUTO group refers to the parent company ŠKODA AUTO a.s. and its directly controlled subsidiaries: Škoda Auto Slovakia s.r.o., Škoda Auto India Private Ltd and ŠKODA AUTO Digilab s.r.o., which was founded in 2017.

ŠKODA AUTO a.s. publishes separate financial statements and an annual report. The financial results of ŠKODA AUTO and its subsidiaries are then consolidated on the Volkswagen Group level, together with associates in which ŠKODA AUTO a.s. exercises significant influence. The non-financial indicators of associates are also reported at the Volkswagen Group level.

The indicators relating to the manufacture of vehicles and components by joint ventures or external partners are not included in the data reported herein. The indicators for the manufacture of vehicles and components by subsidiaries and associates of Volkswagen Group are included in the Volkswagen Group Sustainability Report.

The sources of the data for this sustainability report include standardised IT data management systems of Volkswagen group, e.g. relating to procurement, technical development, manufacturing and logistics, and ŠKODA AUTO's own information systems. The data used for the compilation of this report is contained in Volkswagen Group's sustainability report, which is subject to external assurance. Therefore, ŠKODA AUTO does not seek an independent verification of its sustainability report.

During the reported period, there were no changes to the contents or scope of reported topics. We made only minor adjustments necessary for the transition from the GRI G4 reporting framework to the new GRI Standards. As in previous years, the report focusses on the direct impacts which occur inside the organisation (ŠKODA AUTO refers to the group, ŠKODA AUTO a.s. to the parent company). Beyond that, where possible, we also disclose our management approach to impacts occurring outside of the organisation, to which we indirectly contribute through the supply chain and the life cycle of our products.

This report has been prepared in accordance with the GRI Standards: Core option. To avoid unnecessary duplication of information, we refer in some places to the Annual Report of ŠKODA AUTO a.s.

We welcome your feedback and we would be pleased to answer questions regarding this report or issues relating to sustainable development at ŠKODA AUTO.

Please contact us by e-mail at:

sustainability@skoda-auto.cz

GRI INDEX

GRI Standard	Disclosure Title	References	Comments
GRI 101: Foundation (2016)			
GENERAL DISCLOSURES			
GRI 102: General Disclosures (2016)			
Organizational profile			
102-1	Name of the organization	5, 84	
102-2	Activities, brands, products, and services	5-7	
102-3	Location of headquarters	5	
102-4	Location of operations	5, 74	
102-5	Ownership and legal form	32	
102-6	Markets served	19, 73	
102-7	Scale of the organization	5, 7, 19, 56, 73-74, 80	Data on page 19 are relevant for ŠKODA AUTO a.s. For the purposes of financial reporting according to IFRS, other entities within the Group are consolidated at the Volkswagen Group level.
102-8	Information on employees and other workers	56, 80	
102-9	Supply chain	6, 21-23	
102-10	Significant changes to the organization and its supply chain	21	
102-11	Precautionary Principle or approach	33, 22-23, 36	
102-12	External initiatives	14	
102-13	Membership of associations	14	
Strategy			
102-14	Statement from senior decision-maker	4	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	32-34	
Governance			
102-18	Governance structure	17	
Stakeholder engagement			
102-40	List of stakeholder groups	12	
102-41	Collective bargaining agreements	12, 57	
102-42	Identifying and selecting stakeholders	12	
102-43	Approach to stakeholder engagement	12-13	
102-44	Key topics and concerns raised	12-13, 16	

GRI Standard	Disclosure Title	References	Comments
Reporting practice			
102-45	Entities included in the consolidated financial statements	5, 84	Sustainability report covers only subsidiaries of ŠKODA AUTO. It does not include affiliated companies which are consolidated at the Volkswagen Group level (Annual Report - Notes to the separate financial statements, section 7. Investments in associates).
102-46	Defining report content and topic Boundaries	12, 16, 84	
102-47	List of material topics	16	
102-48	Restatements of information	-	There were no adjustments.
102-49	Changes in reporting	84	Data on page 19 are relevant for ŠKODA AUTO a.s. For the purposes of reporting according to IFRS, subsidiaries and affiliates are consolidated at the Volkswagen Group level.
102-50	Reporting period	84	
102-51	Date of most recent report		Sustainability report for period 2015-2016 was published in 2017.
102-52	Reporting cycle	84	
102-53	Contact point for questions regarding the report	84	
102-54	Claims of reporting in accordance with the GRI Standards	84	
102-55	GRI content index	85-88	
102-56	External assurance	84	This report is not externally audited.
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary	12,16	Methodology for determining materiality of topics is described in chapters Stakeholders and Key topics related to sustainability.
103-2	The management approach and its components	19-34: Economics 36-52: Environment 54-71: Social activities	The management approach for each specific material topic is described in detail in individual chapters.
103-3	Evaluation of the management approach	73-74: Ekconomics 75-79: Environment 80-83: Social activities	Evaluations within specific areas are presented in the respective chapters and in the chapter Data & Facts.

GRI INDEX

GRI Standard	Disclosure Title	References	Comments
MATERIAL TOPICS			
GRI 200: ECONOMIC			
GRI 201: Economic Performance (2016)			
103	Management approach	9-10	
201-1	Direct economic value generated and distributed	73	The table presents economic value generated by the ŠKODA AUTO Group. For purposes of IFRS consolidation at the Volkswagen Group level, the calculated value includes all other affiliated companies, that are not the subject of this report.
201-4	Financial assistance received from government	15	
GRI 202: Market Presence (2016)			
103	Management approach	58	
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	60	
202-2	Proportion of senior management hired from the local community	81	
GRI 203: Indirect Economic Impacts (2016)			
103	Management approach	13, 15, 20, 24, 68-71	
203-1	Infrastructure investments and services supported	14-15, 20, 27-29	
203-2	Significant indirect economic impacts	24-27, 68-69, 82	
GRI 204: Procurement Practices (2016)			
103	Management approach	21-23	
204-1	Proportion of spending on local suppliers	21	
GRI 205: Anti-corruption (2016)			
103	Management approach	33	
205-2	Communication and training about anti-corruption policies and procedures	33	
205-3	Confirmed incidents of corruption and actions taken	-	None
GRI 206: Anti-competitive Behavior (2016)			
103	Management approach	34	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	None

GRI Standard	Disclosure Title	References	Comments
GRI 300: ENVIRONMENTAL			
103-1	Explanation of the material topic and its Boundary	36: GreenFuture strategy 37-46: GreenFactory 47-50: GreenProduct 51: GreenRetail 52: Biodiversity	The GreenFuture strategy refers to management of all significant environmental impacts as a direct consequence of activities within ŠKODA AUTO.
GRI 301: Materials (2016)			
103	Management approach	44, 51	
301-1	Materials used by weight or volume	44	ŠKODA SCALA is used as an example.
301-2	Recycled input materials used	44	ŠKODA SCALA is used as an example.
301-3	Reclaimed products and their packaging materials	51	
GRI 302: Energy (2016)			
103	Management approach	38-40, 51	
302-1	Energy consumption within the organization	40, 75	
302-3	Energy intensity	40	
302-4	Reduction of energy consumption	40, 45-46	
302-5	Reductions in energy requirements of products and services	47-50	
GRI 303: Water (2016)			
103	Management approach	41-42	
303-1	Water withdrawal by source	41	
303-2	Water sources significantly affected by withdrawal of water	77	
303-3	Water recycled and reused	76	
GRI 304: Biodiversity (2016)			
103	Management approach	52	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	78-79	
304-2	Significant impacts of activities, products, and services on biodiversity	52	The related text refers to the direct consequences of company's activities. Impacts of ŠKODA AUTO products are described in the chapter GreenProduct.

GRI INDEX

GRI Standard	Disclosure Title	References	Comments
GRI 305: Emissions (2016)			
103	Management approach	37-40, 48-50	
305-1	Direct (Scope 1) GHG emissions	75	
305-2	Energy indirect (Scope 2) GHG emissions	75	
305-4	GHG emissions intensity	39	
305-5	Reduction of GHG emissions	39, 45-46	
305-6	Emissions of ozone-depleting substances (ODS)	76	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	38, 75	
GRI 306: Effluents and Waste (2016)			
103	Management approach	43-44	
306-1	Water discharge by quality and destination	42, 77	
306-2	Waste by type and disposal method	43-44	
306-3	Significant spills	43	There were no significant spills during the relevant period.
GRI 307: Environmental Compliance (2016)			
103	Management approach		
307-1	Non-compliance with environmental laws and regulations	37	None
GRI 308: Supplier Environmental Assessment (2016)			
103	Management approach	21-23	
308-1	New suppliers that were screened using environmental criteria	22-23	100 % of suppliers
GRI 400: SOCIAL			
GRI 103: Management approach (2016)			
103-1	Explanation of the material topic and its Boundary		Materiality of social topics is determined mainly by the type of business activities and by interests of main stakeholders.
103-2	The management approach and its components		The approach for managing the main social impacts is described in detail in individual chapters.
103-3	Evaluation of the management approach		Evaluations within specific social areas are presented in the respective chapters and in the chapter Data & Facts.

GRI Standard	Disclosure Title	References	Comments
GRI 401: Employment (2016)			
103	Management approach	54-56, 61	
401-1	New employee hires and employee turnover	56, 81-82	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	60	
401-3	Parental leave	82	
GRI 402: Labor/Management Relations (2016)			
103	Management approach	57, 61	
402-1	Minimum notice periods regarding operational changes	57	
GRI 403: Occupational Health and Safety (2016)			
103	Management approach	62-64, 83	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	62, 83	
403-3	Workers with high incidence or high risk of diseases related to their occupation	83	Workers with high incidence or high risk of diseases related to their occupation represent 0.9 % of the total number of employees.
403-4	Health and safety topics covered in formal agreements with trade unions	62-64, 83	
GRI 404: Training and Education (2016)			
103	Management approach	65-66	
404-1	Average hours of training per year per employee	65	
404-2	Programs for upgrading employee skills and transition assistance programs	65-66	
404-3	Percentage of employees receiving regular performance and career development reviews	65	
GRI 405: Diversity and Equal Opportunity (2016)			
103	Management approach	58-59	
405-1	Diversity of governance bodies and employees	58-59, 80-81	
405-2	Ratio of basic salary and remuneration of women to men	60	
GRI 406: Non-discrimination (2016)			
103	Management approach	57	
406-1	Incidents of discrimination and corrective actions taken	34	No incidents of discrimination in the relevant period.

GRI INDEX

GRI Standard	Disclosure Title	References	Comments
GRI 407: Freedom of Association and Collective Bargaining (2016)			
103	Management approach	57	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	22-23, 57	
GRI 408: Child Labor (2016)			
103	Management approach	21, 32, 57	
408-1	Operations and suppliers at significant risk for incidents of child labor	22-23, 57	
GRI 409: Forced or Compulsory Labor (2016)			
103	Management approach	21, 32, 57	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	22-23, 57	
GRI 410: Security Practices (2016)			
103	Management approach	21, 32, 57	
410-1	Security personnel trained in human rights policies or procedures	57	
GRI 411: Rights of Indigenous Peoples (2016)			
103	Management approach	-	
411-1	Incidents of violations involving rights of indigenous peoples	-	Not relevant for sites of ŠKODA AUTO operations.
GRI 412: Human Rights Assessment (2016)			
103	Management approach	22-23, 57	
412-1	Operations that have been subject to human rights reviews or impact assessments	22-23	
412-2	Employee training on human rights policies or procedures	22-23, 57	
GRI 413: Local Communities (2016)			
103	Management approach	12, 67	
413-1	Operations with local community engagement, impact assessments, and development programs	15, 68-71	

GRI Standard	Disclosure Title	References	Comments
GRI 414: Supplier Social Assessment (2016)			
103	Management approach	21-23	
414-1	New suppliers that were screened using social criteria	22-23	
GRI 415: Public Policy (2016)			
103	Management approach	13-14	
415-1	Political contributions	13	Not provided.
GRI 416: Customer Health and Safety (2016)			
103	Management approach	30-31, 47	
416-1	Assessment of the health and safety impacts of product and service categories	30, 47	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	VZ	Annual report 2018, p. 146 (Contingent liabilities)
GRI 417: Marketing and Labeling (2016)			
103	Management approach	47	
417-1	Requirements for product and service information and labeling	47	
417-2	Incidents of non-compliance concerning product and service information and labeling	VZ	Annual report 2018, p. 146 (Contingent liabilities)
GRI 418: Customer Privacy (2016)			
103	Management approach	34	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	34	None
GRI 419: Socioeconomic Compliance (2016)			
103	Management approach	21-23, 33	
419-1	Non-compliance with laws and regulations in the social and economic area	23, 34	Annual report 2018, p. 133 - 134 (Non-current and current provisions), p. 146 (Contingent liabilities)

CREATED BY:

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