

Compliance Management System

The Compliance Management System is organized according to 7 elements:

1. Compliance culture & values
2. Compliance objectives
3. Compliance risks
4. Compliance program & processes
5. Compliance organization
6. Compliance communication & training
7. Compliance monitoring & improvement

1. Compliance culture & values

The Company promotes compliance, demonstrates its commitment to the corporate value of compliance and fosters a culture of compliance as the foundation of the Company's business conduct by setting examples and by communication activities. The Company demonstrates its commitment to the Škoda Auto Group/VW Group-wide Code of Conduct by promoting the Code of Conduct, embedding its content into the organization, and reflecting its principles with regard to the specific working environment.

All levels of management and all employees of the Company display responsible and ethical behaviour as well as act with integrity and honesty all the time. This includes being familiar with the applicable legislation and internal regulations and complying with them at any time.

2. Compliance objectives

The primary objective of the Company's CMS is to provide the framework and to develop measures, which protect the Company and its employees from wrong decisions and inappropriate conduct regarding the compliance focus topics mentioned above. Based on the Company's CMS and in line with the business objectives and the business strategy the respective entities of the Škoda Auto Group set objectives and define compliance activities to make compliance an integral part of business processes and business decisions. Compliance objectives serve as the basis for assessing and mitigating compliance risks.

The Company's compliance organization has defined the compliance objectives for the Company's CMS within the context of its responsibility and, thus, has defined both its minimum scope and the requirements for the whole Škoda Auto Group.

3. Compliance risks

The continuous and effective assessment of significant compliance risks and potential mitigation needs is a fundamental principle of the Company's CMS.

The periodic process of the Internal Compliance Risk Assessment (hereinafter „ICRA“) serves to identify and evaluate the compliance risk situation of all ŠKODA AUTO Group entities in scope. Based on the ICRA results, measures are derived in order to effectively manage and mitigate the identified risks. Entities reflect their entity-specific risk situation and ensure an effective identification and evaluation of compliance risks. All relevant compliance risks shall be subject to the Company's Board of Management reporting on regular basis or ad-hoc (if relevant).

4. Compliance program & processes

The compliance program and its framework protect the Company and its employees from wrong decisions and inappropriate conduct regarding the compliance focus topics mentioned above. The overall compliance strategy is defined by the VW Group Compliance and determines the objectives of the CMS. This especially includes the determination of the relevant compliance elements, the applicable legislation and internal regulations as well as the economic aspects. Procedures and processes are put in place to ensure an adequate mitigation of identified compliance risks and thus preventing an inappropriate conduct and compliance breaches.

Within the Compliance Management System, there have been implemented essential processes to mitigate compliance risk and to ensure compliance with applicable legislation and internal regulations. These processes reflect especially a periodic assessment of compliance risks through the ICRA process (see "Compliance risks"); Whistleblower System; HR Compliance (Procedures regarding hiring, retention, promotion, compensation and disciplinary processes) (led by the respective HR department); Processes concerning prevention of money laundering and terrorism financing; Processes relating to gratuities incl. potential conflicts of interest; Processes relating to sponsorships and donations; A uniform, Group-wide Business Partner Due Diligence process (IT-based) (different responsibilities of Sales, Procurement and Compliance departments) (hereinafter „BPDD“); Processes relating to Business and Human Rights (hereinafter „BHR“).

5. Compliance organization

The independent compliance organization is headed by the Chief Compliance Offices and comprises the entire compliance network within the ŠKODA AUTO Group, including the respective Compliance Officers. The mission of the compliance organization is to safeguard business through the sustainable compliance activities and to act as a reliable partner.

The roles and responsibilities (duties) as well as the organizational and operational structures are clearly specified. The resources, which are needed to establish and operate an effective CMS, are provided. The compliance organization provides the employees with an adequate and comprehensive consultancy in all compliance-relevant matters and implements and monitors relevant risk-based compliance processes and concepts. In order to identify the areas of responsibility and the contact persons and, thus, ensure the transparency and targeted actions, the responsibilities is clearly defined and communicated.

6. Compliance communication & training

To foster a cultural change and to support a compliant behaviour, the Company actively provides target group-oriented, continuous, and clear communication and training activities via effective and accessible channels and procedures throughout the organization.

These activities provide and increase transparency, awareness and acceptance as well as promote sensitivity on the importance of compliance to relevant stakeholders and business partners. Relevant employees and management are informed about the Company's compliance program and defined roles and responsibilities. The guiding rules, regulations as well as behavioural and operational instructions have to be brought into the entity and to relevant stakeholders in order to ensure sufficient knowledge of the risks, duties and consequences. Following a risk-based approach, employees, members of management, relevant stakeholders and relevant third parties are regularly trained on compliance topics, procedures and rules of conduct in their area of activity. The consultancy and recommendations are given to create awareness and enable target groups to act responsibly and prevent misconduct.

The compliance consultation process serves to advise employees on compliance-relevant topics and questions and is intended to support employees during their daily work regarding the focus topics mentioned above.

7. Compliance monitoring and improvement

Compliance monitoring and improvement is an essential element of the Company's CMS and aims at a continuous improvement of all elements of the Company's CMS by systematically assessing the appropriateness and effectiveness of the respective compliance measures.

The compliance monitoring is performed along operative procedures and centrally guided by the VW Group compliance. The essential source is the information gained within the ICRA process. ICRA provides the Company's management with an evaluation of the implementation status and effectiveness of selected compliance measures. Additional sources, which can be considered within the compliance monitoring, are the effectiveness indicators developed and assessed by the Company's compliance organization. The Company ensures that the implemented compliance measures are effective in mitigating identified compliance risks and in preventing compliance breaches. The entities monitor and update compliance measures to ensure their adequacy and effectiveness.