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Procurement: Working with external partners to maximise sustainability

- › Realigning procurement with sustainability criteria and circular economy principles
- › Code of conduct and S-rating for suppliers as well as continuously monitoring supply chains
- › Direct collaboration with external partners to source sustainable materials and components

Mladá Boleslav, 19 September 2022 – The Czech carmaker has realigned its purchasing under the banner of ‘NEW PROCUREMENT’ as part of its NEXT LEVEL – ŠKODA STRATEGY 2030. Sustainability criteria play a decisive role in procuring materials and components. ŠKODA AUTO is increasing its use of recycled and recyclable raw materials in line with circular economy principles. The basis for this is a code of conduct, clear specifications and a comprehensive assessment system for suppliers, including regular checks.

Karsten Schnake, ŠKODA AUTO Board Member for Procurement, says: “ŠKODA recognises its responsibility for the world we all live in – and that’s why sustainability is so important to us. In this context, we’re not just focusing on producing engines with the lowest possible emissions but also looking at the bigger picture. After all, everything produced anywhere in the world has an ecological footprint. Throughout our company and in close collaboration with our partners, we are therefore committed to developing sustainable technical solutions for current and future models for our customers.”

As a car manufacturer, ŠKODA AUTO is acutely aware of its responsibility for the climate and the environment and is committed to achieving even greater sustainability in procurement. In the context of responsible supply chain management, this applies to the materials purchased as well as how they are manufactured and transported. ŠKODA AUTO selects suppliers who primarily use recycled and recyclable feedstock to manufacture sustainable products and who have a low carbon footprint. In addition, the company engages in intensive and detailed discussions with its partners on innovative ideas for new models. These include, for example, sustainable interior and exterior materials, alloy wheels with an increased recycled content, environmentally friendly front masks and door panels.

Assessing and monitoring suppliers

A code of conduct and sustainability rating (S-rating) from the Volkswagen Group form the basis for collaboration between ŠKODA AUTO and its suppliers and business partners. The code of conduct defines binding specifications for environmental protection, human rights, labour rights, transparent business relationships, fair market conduct, due diligence to promote responsible feedstock supply chains and the integration of sustainability requirements into the organisation and processes. The S-rating is based on a self-disclosure questionnaire for suppliers and must have a positive result for a business relationship to be established. Nine large international automotive groups collaborated in the ‘Drive Sustainability Initiative’ to develop this questionnaire.

The Volkswagen Group’s S-rating also includes an on-site inspection of an applicant if required. While working with a partner, compliance with the specifications can be checked at any time. For example, suppliers of high-voltage batteries must use at least 20% renewable energy in their



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manufacturing processes. In some cases, compliance with sustainability requirements is also verified by accredited certification. At its Czech plants, for example, ŠKODA AUTO used 1,469 tonnes of certified 'green' X-CARB- steel from Arcelor Mittal in 2021, cutting 3,104 tonnes of CO₂. These savings are expected to increase significantly over the coming years.

Exemplary partnerships: Fabrics made from PET bottles and repairable umbrellas.

Many product innovations are the result of fruitful partnerships with major international and regional suppliers. For example, global suppliers Sage Automotive and Aunde Interiors produce the upholstery for the ŠKODA ENYAQ iV family. The covers are made from up to 70% recycled PET bottles. With the aim of increasing its sustainability in procurement, ŠKODA is also taking a closer look at the details: The future generation of umbrellas, which are one of the best-known Simply Clever features in a ŠKODA vehicle, will be made entirely from recycled materials and have a handle made of hemp fibres. If necessary, they can be repaired at the Austrian umbrella manufacturer Doppler and then reused. Another example of a successful and innovative partnership is with the internationally active Trèves Group: The company cleans, disinfects and shreds old mattresses that would otherwise end up in landfill to produce acoustic insulation.

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ŠKODA AUTO

- › is successfully steering through the new decade with the NEXT LEVEL – ŠKODA STRATEGY 2030.
- › aims to be one of the five best-selling brands in Europe by 2030 with an attractive line-up in the entry-level segments and additional e-models.
- › is emerging as the leading European brand in important growth markets such as India and North Africa.
- › currently offers its customers twelve passenger-car series: the FABIA, RAPID, SCALA, OCTAVIA and SUPERB as well as the KAMIQ, KAROQ, KODIAQ, ENYAQ iV, ENYAQ COUPÉ iV, SLAVIA and KUSHAQ.
- › delivered over 870,000 vehicles to customers around the world in 2021.
- › has been a member of the Volkswagen Group for 30 years. The Volkswagen Group is one of the most successful vehicle manufacturers in the world.
- › independently manufactures and develops not only vehicles but also components such as engines and transmissions in association with the Group.
- › operates at three sites in the Czech Republic; has additional production capacities in China, Russia, Slovakia and India primarily through Group partnerships, as well as in Ukraine with a local partner.
- › employs 45,000 people globally and is active in over 100 markets.