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Volkswagen agrees digital transformation roadmap for administration and production

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- Volkswagen Passenger Cars and Volkswagen Components are modernizing and becoming more agile
 - Up to €4 billion to be invested in digitalization
 - At least 2,000 new digital jobs through 2023
 - Up to 4,000 jobs in non-production units could be shed
 - Partial retirement options for employees born from 1962 to 1964
 - Employment guarantee for VW AG and VW Sachsen through 2029
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Wolfsburg – Volkswagen continues to forge ahead with the company's modernization and digitalization: Volkswagen will be investing up to €4 billion in digitalization projects through 2023 – mainly in administration but also in production. At least 2,000 new jobs related to digitalization are to be created. This has been agreed by the Board of Management and the General Works Council in their "digital transformation roadmap". Agile working methods, improved processes and digitalization are to reduce the burden on employees and speed up processes. Tasks that used to be performed manually are to be simplified through improved IT. Consequently, up to 4,000 jobs in non-production units at Volkswagen AG Passenger Cars, Volkswagen Group Components and Volkswagen Sachsen GmbH will not be restaffed over the coming four years. A precondition for this is that tasks are eliminated as a result of digitalization, process optimization and organizational streamlining. In addition, further investments in Industry 4.0 and an associated increase in productivity of five percent per year in production units through 2023 were also agreed. Furthermore, the budget for training is to be increased by a further €60 million to a total of €160 million to take account of the human resources transformation under Volkswagen's digitalization offensive. A uniform employment guarantee for Volkswagen AG and Volkswagen Sachsen GmbH through 2029 has also been agreed.

Ralf Brandstätter, Chief Operating Officer of the Volkswagen brand, said: "Our digital transformation roadmap adds further momentum to the modernization of Volkswagen. We are laying the sustainable foundation for making the company fit for the digital era. We are accumulating new digital expertise, and making all areas of our organization faster, leaner and more competitive. At the

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same time, we are creating new, modern digital and agile jobs and improving our productivity. 'New Volkswagen' is becoming more tangible for our employees. If we have to eliminate jobs as a result of digitalization we are doing so along the demographic curve in the most socially responsible manner possible." The cost reductions accompanying the investments also help Volkswagen to finance the transformation from its own resources. The brand has set its sights on achieving an operating return on sales of 6 percent by 2022. That is three years earlier than originally planned.

Thomas Schmall, CEO of Volkswagen Group Components, added: "For our components plants, the digital transformation roadmap is the catalyst for our transformation to e-mobility. Going forward, we will be taking responsibility for battery cells and battery systems through electric drives to charging infrastructure and recycling – for that we need process digitalization, greater software expertise and lean and agile steering of our worldwide component activities."

The Chairman of the General Works Council, Bernd Osterloh, said: "The employment guarantee through 2029 rules out compulsory layoffs for the next ten years. That sends an important signal: digitalization brings change, but jobs at Volkswagen remain secure. As far as possible job cuts are concerned, it has to be clear that the tasks are genuinely redundant – otherwise, every post that becomes vacant will be restaffed because we will not accept increased workloads. Another important aspect for us was extending age group eligibility for partial retirement."

The Board Member for Human Resources, Gunnar Kilian, said: "With the digital transformation roadmap, Volkswagen has come up with a strong response to the challenges of the modern working world. With our investment plan for modern IT systems, we are making work more efficient. At the same time, though, we are also making it more attractive for our employees. And with our strategic workforce planning instrument, we are painting a picture of the future for all areas that not only shows us the quantitative side to our workforce requirements, but also identifies the skills we need to succeed in competition. Transformation and digitalization can only succeed with a highly-skilled team committed to a common goal and with the right team spirit. We are jointly laying the solid foundation for that with the digital transformation roadmap. We are increasing the budget for training, setting up an online university, strengthening learning via online platforms, adapting vocational training to the new requirements. And we are making the 'AGEBI+' development program and Faculty 73 an integral part of vocational training at Volkswagen.



Key elements of the digital transformation roadmap

Investments: Volkswagen AG will be investing up to €4 billion in digitalization projects through 2023 and beyond. These projects include cutting-edge IT solutions such as SAP 4/Hana, in particular for administrative applications, a highly-efficient purchasing system and new standard human resources applications.

New digital jobs: Volkswagen will be creating at least 2,000 new jobs in the field of digitalization in the Group and brand and at Components through 2023. These jobs, which are separate from the commitment to future-oriented jobs already set out in the pact for the future, will be created in all Board of Management functions and will center on the Wolfsburg location, where an additional 1,000 square meters of agile workplaces is to be set up.

Intensified training: €60 million will be added to the budget for training under the pact for the future through 2023. Consequently, €160 million will be available going forward to safeguard training requirements as a result of the transformation. Training will be tailored to vocations and departments affected by the transformation. Volkswagen is also setting up an online university and sustainably strengthening learning via online platforms.

Strengthening vocational training: Vocational training will be oriented to future requirements. The AGEBI+ program for fully qualified vocational trainees who wish to combine practical experience with a degree program, as well as Faculty 73 are to become an integral part of vocational training at Volkswagen. Through 2023, they will account for up to 250 vocational training places per year out of the 1,400 under the collective agreement. Investment commitments amounting to €8.5 million between 2019 and 2021 have also been given for electric and IT labs as well as project workshops at Volkswagen AG's six locations.

Employment guarantee: A uniform employment guarantee until 2029 has been agreed for Volkswagen AG and Volkswagen Sachsen GmbH. Compulsory layoffs during this period are therefore ruled out.

Lean and agile organization: Through 2023, up to 4,000 jobs in non-production units (Volkswagen AG Passenger Cars, including Volkswagen Components and Volkswagen Sachsen GmbH) in addition to the arrangements under the pact for the future will not be restaffed if the tasks performed become redundant as a result of digitalization, process optimization and organizational streamlining. Working groups will formulate the concrete definition of these tasks by the end



of August 2019. Workforce deployment across departments and locations is to be made more flexible to safeguard the necessary transformation.

Partial retirement: Partial retirement is to be made available for employees in production and non-production units born between 1962 and 1964. Each of these three years will be released for partial retirement once the personnel, financial and productivity targets have been met. Outplacement options will be available for management staff.

Productivity targets: The company and the Works Council agree that further productivity gains of five percent per year through 2023 are needed in production units to safeguard competitiveness.

About the Volkswagen brand:

The Volkswagen Passenger Cars brand is present in more than 150 markets throughout the world and produces vehicles at over 50 locations in 14 countries. In 2018, Volkswagen delivered 6.2 million vehicles including bestselling models such as the Golf, Tiguan, Jetta or Passat. Currently, 195,878 people work for Volkswagen across the globe. The brand also has 10,000 dealerships with 86,000 employees. Volkswagen is forging ahead consistently with the further development of automobile production. E-mobility, smart mobility and the digital transformation of the brand are the key strategic topics for the future.

Volkswagen Group Components

Volkswagen Group Components is an independent business unit under the umbrella of Volkswagen AG responsible for the development and manufacture of strategic components for the vehicle-producing brands of the Group. In five business areas – engine and foundry, gearbox and electric drive, chassis, seats and e-mobility – 80,000 employees work in 62 plants worldwide at 47 production locations. They develop and manufacture vehicle components, shape future topics such as charging infrastructure or battery recycling, and thus make a crucial and valuable contribution to the Volkswagen Group, its brands and products.
