

# VOLKSWAGEN

GROUP CHINA



Think Blue.  
Factory.



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**Production:** ca. 3.9 million vehicles (12/2016)

Feb. 2017

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**Models:**

**SAIC VOLKSWAGEN**

Volkswagen: New Polo, New Lavida, Gran Lavida, New Santana, Gran Santana, New Passat, Touran, All New Touran L, All New Tiguan L, Tiguan Silk Road, Lamando, PHIDEON, Teramont; engines. ŠKODA: Fabia, Octavia, Superb, Rapid, Yeti, Kodiaq

**FAW-VW**

Volkswagen: Jetta, New Bora, New Golf incl. GTI & Sportsvan, New Sagitar, Magotan, CC, C-TREK; engines, gearboxes  
Audi: Q3, Q5, A4L, A6L, A3

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**Employees:** ca. 95.000 (12/2016)

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**Management:** Prof. Dr. Jochem Heizmann

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**Management Production:**

Mr. Jörg Müller (Volkswagen Group China)  
Dr. Christian Vollmer (SAIC VOLKSWAGEN)  
Dr. Jürgen Unser (FAW-VW)

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**Ownership Structure:**

SAIC VOLKSWAGEN: 50% SAIC, 40% Volkswagen Aktiengesellschaft (incl. ŠKODA AUTO a.s.), 10% Volkswagen China Investment Company Ltd.

FAW-VW: 60% FAW, 20% Volkswagen Aktiengesellschaft, 10% AUDI AG, 10% Volkswagen China Investment Company Ltd.

## **Production**

Two joint ventures, SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED (SAIC VOLKSWAGEN) and First Automotive Works-Volkswagen Automobile Co., Ltd. (FAW-VW), produce Volkswagen Group brand models, including Volkswagen, Audi and ŠKODA passenger cars, in China, for the Chinese market. Engines, transmissions, chassis components and seat systems are also produced in China.

The Volkswagen Group is strategically positioned in China with a total of 20 production locations. In 2015, Volkswagen China opened a vehicle plant in Changsha and a new engine plant in Changchun. Two more vehicle plants, located in Qingdao and Tianjin, will be start their production in 2018.

The Volkswagen Group is among the most successful companies in the Chinese automobile industry. By 2019, the workforce is to increase to 120,000 people – that is some 30,000 more than today. Annual production capacity is set to grow from the current figure of about 3.9 million to almost 5 million units based on 250 working days per annum in 2020.

## **Investments**

Together with our joint venture partners, Volkswagen is reinvesting profits from China operations into new production facilities and local product development. Further investment is planned of the same level as 2016 of around 4 billion Euros.

Volkswagen Group China is focusing on supporting new models with a specific focus on our NEV offensive and continuing to invest in environmental friendly technology, green production and capacity expansion.

## **Corporate structure of Volkswagen in China**

The Volkswagen Group has two production companies in China, the joint ventures, SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED (SAIC VOLKSWAGEN) and First Automotive Works-Volkswagen Automobile Co., Ltd. (FAW-VW). The contract for SAIC VOLKSWAGEN was signed between Shanghai Automotive Industry Corporation (SAIC), Volkswagen Aktiengesellschaft and Volkswagen China Investment Co., Ltd (VCIC) in 1984. SAIC has a 50 percent shareholding, the Volkswagen Group 40 percent (incl. ŠKODA AUTO a.s.) and VCIC 10 percent. Official operations of SAIC VOLKSWAGEN started in 1985. In 2002, Volkswagen and SAIC extended the joint venture contract for SAIC VOLKSWAGEN until 2035. In 2015, SAIC VOLKSWAGEN is renamed from Shanghai Volkswagen Automotive Co., Ltd. into SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED (SAIC VOLKSWAGEN), effective from December 7th, 2015.

Following a contract signing in 1990, First Automotive Works-Volkswagen Automobile Co., Ltd. (FAW-VW) was officially established in 1991 as a joint venture between Volkswagen Aktiengesellschaft, AUDI AG and First Automotive Works Co., Ltd (FAW). FAW holds a 60 percent stake, the Volkswagen Group 20 percent, VCIC 10 percent, with AUDI AG holding the other 10 percent. On October 10, 2014, Volkswagen and its joint venture partner FAW extended the FAW-VW contract until 2041.

## **Management**

Prof. Dr. Jochem Heizmann has been member of the Board of Management of Volkswagen AG with responsibility for China since September 1, 2012, as well as President and CEO of Volkswagen Group China. Prior to this, he has been responsible for Group Commercial Vehicles, Group Production, and also Production and Logistics for the brand Volkswagen. Jochem Heizmann began his career in the automobile manufacturing industry in 1982 at Audi NSU AUTO UNION AG in Ingolstadt, Germany. In 1991, Jochem Heizmann transferred to Volkswagen AG. The various positions within Volkswagen AG he has held since have often led him to China.

## **Environment – Sustainable Production of Volkswagen in China**

Ecological sustainability is one of our most important strategies. Therefore top of our list are ecofriendly technology innovations “Made in China” and specially “Made for China” concerned with our plants.

All of our vehicle and component plants in region China continue to comply with the philosophy of Think Blue Factory and put it into effect. On the one hand, we build and extend production facilities according to advanced environmental technologies, e.g. wastewater treatment and reuse system, online energy metering system, waste management system etc. On the other hand, we continue to reconstruct our existing plants and upgrade the production technology, e.g. naturel gas boiler, photovoltaic power generation system and combined heat & power system instead of coal fired boiler; water-base paint shop instead of solvent paint shop. Worldwide our Chinese plants are a synonym for outstanding quality and highest environmental standards.

Sustainable and efficient production is part of our obvious advantages in competition. Our plants in region China follow the Volkswagen Group's global environmental standards throughout the whole production process from pre-production, over production, to post-production, to ensure that every step is environmental friendly and to minimize impact on the environment. Our goal is to reduce energy and water consumption, waste, solvent emissions and CO<sub>2</sub> emissions of each produced vehicle and component part.

In order to achieve our goal a holistic environmental program has been launched for years. Through an online platform the exchange of thousands of measures for using resources more efficiently and for reducing emissions with all our effective know-how at all production sites of the Volkswagen brand is enabled.

We have defined year 2016 as "year of water" for region China. A corresponding annual programme has been drawn out. The goals are to reduce water usage and increase awareness of water saving. A series of measures have been carried out, such as, rainwater recycling in SAIC VOLKSWAGEN CP Changsha, buildup of new paint shop in SAIC VOLKSWAGEN CP Anting, reuse of recycled water as cooling tower makeup in FAW-VW CP Foshan, condensation water recycling in VWPT. Through the implementation of effective measures in all the plants of region China around 13% less water consumption per vehicle compared to the first half-year of 2015 and over 1.34 mil. m<sup>3</sup> water saving have been achieved during the first half-year of 2016.

Just like over the past 30 years, Volkswagen will remain a driver for China's automotive future with “green” production at all our plants and with cutting-edge technology, developed and built in China.

## Corporate Social Responsibility (CSR) & Culture Program

Since 2013, the Volkswagen Group has been focusing on road safety for children. Together with its two joint ventures, SAIC VOLKSWAGEN and FAW-Volkswagen, and 6 group brands, Volkswagen, Audi, ŠKODA, SEAT, Porsche and Bentley, Volkswagen Group China launched the *Child Safety Initiative (CSI)* project in November 2013. As part of this project, educational roadshows have been organized in more than 100 cities across China since 2014, influencing more than 100,000 families and over 3 million people. Working together with the research center of the Ministry of Public Safety and the China Automobile & Technology Research Center (CATARC), Volkswagen Group China has supported “*The China Child Road Safety & Feasibility Study on the Compulsory Use of Child Passenger Restraint Systems in China*” for 3 years, starting in 2014.

In May 2015, Volkswagen Group China officially established the *Volkswagen Group China Child Safety Fund* in partnership with the China Women’s Development Foundation (CWDF). In order to advance the Group’s long-term commitment to Chinese society and the local communities in which it operates, Volkswagen Group China opened its first community-based Child Safety Experience Center in Beijing in 2015, rolling out initiative to Shanghai and Dalian in 2016. Volkswagen Group China plans to establish more centers to cover a total of 13 cities across China by the end of 2017.

To assist the development of youth football in China, Volkswagen Group has participated since 2013 in the Rainbow Bridge Project, initiated by the Chinese People’s Association for Friendship with Foreign Countries (CPAFFC), to support youth football development in less economically-developed areas in China. As a further step, in 2014 Volkswagen Group initiated the Volkswagen - VfL Wolfsburg Football School Tour, working together with VfL Wolfsburg’s football school. To date, more than 1,000 Chinese children have benefited from the program.

Volkswagen Group China has further enhanced its support of China’s youth football development by establishing the *Volkswagen Group China Junior Football Development Fund*, together with the China Sports Foundation, in 2015. Three projects, including regular football camps and annual Train the Trainer and Summer Camp Contest, have been successfully supported by the fund. The Volkswagen Junior Football Camps were launched in Beijing, Tianjin and Dalian, with 120 selected young players in each city, aged between 10 and 12, receiving professional football training on a regular basis. To build strong youth football coaching capacity in China, an annual four-week Train the Trainer project, has been held for the past 2 years, providing professional coaching courses to 160 youth football trainers from around 40 cities each year. To give young footballers more high-level match experience, Volkswagen Junior Football Summer Camp, the third project to be supported by the fund, was held in July 2016. During the 7-day Camp, a total of 210 footballers from nine cities took part in 64 matches over 16 rounds.

In terms of environmental protection, Volkswagen Group China and China Environmental Protection Foundation signed an agreement in June 2016, in the presence of Chinese Premier Li Keqiang and German Chancellor Angela Merkel to establish the *China Environmental Protection Foundation – Volkswagen Environmental Education Fund*, which will expand the sustainability efforts of Volkswagen Group China into a new dimension by supporting environmental education training for 1000 teachers across the country every year.

Volkswagen Group China also presented its cultural exchange strategy “PACE”, short for Participation, Connection, Education and Exchange. This strategy has made cultural activities come alive, including the support of Theatertreffen Berlin’s China Tour, which staged three theatrical masterpieces for Chinese audiences, the setting up of a cultural exchange fund with RMB 1 million endowment to foster Sino-German exchange projects, and the support of the Sino-German Youth Communication Celebration Concert.

In 2017-2018, Volkswagen Group China will initiate an innovative cultural program, named Artistic Engagement Program China (AEP-China), together with the Shanghai and Guangzhou Symphony Orchestras, Yo-Yo Ma, Long Yu and other outstanding cultural experts.

## **Human Resource development and education**

Employees of Volkswagen Group China benefit from continuous personal development, with a view to strengthening competences and providing the best possible training to carry out the highly demanding tasks required of the Chinese automotive industry. To this end, Volkswagen Group China has centralized all qualifications and personnel development in China at its headquarters in Beijing, with the company developing a curriculum that combines modern training with practical tasks and transfer of knowledge. To build on this center of excellence, roles have been established to improve professional training and develop personnel and talent. This ensures that Volkswagen's high quality standards will be maintained in the future and that the growth strategy for Volkswagen Group China and its two joint venture companies in China is pursued consistently. The Purchasing Academy and Product Management Academy of Volkswagen Group China that help train up employees in these two disciplines, have already met with great success. Further such internal academies will be introduced in the near future.

Volkswagen Group China continues in its efforts to introduce the system of dual vocational training in China. One such example is that in 2014, a cooperation agreement was established between Volkswagen Group China and the Chinese government to step up development of dual vocational training in the country. Plans for this include the establishment of nine competence centers to train instructors and introduce training curricula that combine theory with practice, closely following the model for German vocational training. The first two centers have already been established at Yizheng and Changchun. Prior to this agreement, in July 2013 Volkswagen AG, Volkswagen Group China and FAW-Volkswagen also signed a cooperation agreement with local Chinese government bodies and institutions in Changchun regarding the establishment of a further certification center to train senior instructors in the field of vehicle mechatronics.

Volkswagen Group China also cooperates with a large number of universities, colleges and institutes throughout China. In close cooperation with top universities such as Tsinghua University (Beijing) and Tongji University (Shanghai), the Group sponsors a number of support programs for highly talented students. These programs enable students to receive scholarships and internships, as well as have the opportunity to participate in research projects. The Volkswagen Group also maintains strong ties with vocational colleges throughout China where production sites are located, such as Changchun, Dalian and Chengdu. This means that Chinese students are brought into contact with the Group at a very early stage. In addition, another focus of Volkswagen Group China's educational activities is to sponsor the endowment of professorships in areas such as vehicle safety, sustainability, product development, human resource management, car electronics and labor relations.

## **Distribution network and marketing competence**

At the end of 2015, Volkswagen Group China operates a network of around 3,000 dealer outlets. The sales network for the Volkswagen brand consists of three sales structures, assigned to SAIC VOLKSWAGEN and FAW-VW, and Volkswagen Group Import Company (VGIC) respectively. The two JVs operate independent sales structures for their own products while business for all import models of the Volkswagen brand are coordinated by VGIC.

By 2020, we target a further increase of the dealerships to over 3,400 (all VGC passenger car brands), while boosting the retail workforce to around 500,000 employees by 2020.

# Volkswagen Group China

12 car plants & 18 component plants in total

SAIC VOLKSWAGEN AUTOMOTIVE COMPANY LIMITED		
1. Anting plant*	Volkswagen: New Polo, Tiguan, Touran, New Lavida, Gran Lavida, PHIDEON; ŠKODA: Fabia, Yeti; components: engines	*3 car plants 2 engine plants
2. Nanjing plant	Volkswagen: New Lavida, New Passat; ŠKODA: Superb	
3. Yizheng plant	Volkswagen: New Santana, Gran Santana; ŠKODA: Rapid, Rapid Spaceback	
4. Urumqi plant	Volkswagen: New Santana	
5. Ningbo plant	Volkswagen: Lamando, Teramont; ŠKODA: Octavia, Octavia Combi, Yeti (11/17)	
6. Changsha plant	Volkswagen: New Lavida, All New Touran L; ŠKODA: Kodiaq	
FAW-Volkswagen Automotive Co., Ltd.		
7. Changchun plant*	Volkswagen: New Bora, Bora C-Trek, Magotan, CC; Audi: A4L, A6L, Q3, Q5; components: engines, gearboxes	*2 car plants 2 transmission plants 1 engine plant
8. Chengdu plant*	Volkswagen: Jetta, Sagitar; Components: engines	*1 car plant 1 engine plant
9. Foshan plant	Volkswagen: Golf, Golf Sportsvan; Audi: A3 Limousine, A3Sportback	
VOLKSWAGEN Automatic Transmission (Dalian) Co., Ltd.		
10. Dalian plant	components: gearboxes / Audi Valvelift System	
VOLKSWAGEN Automatic Transmission (Tianjin) Co., Ltd.		
11. Tianjin plant*	components: gearboxes	*1 DQ-transmission plant 1 DL-transmission plant
Volkswagen FAW Platform Co., Ltd.		
12. Changchun plant	components: chassis components	
13. Chengdu plant	components: chassis components	
14. Foshan plant	components: chassis components	
Volkswagen FAW Engine Co., Ltd.		
15. Dalian plant	components: engines	
16. Changchun plant	components: engines	
VOLKSWAGEN Transmission (Shanghai) Co., Ltd.		
17. Anting plant	components: gearboxes	
Shanghai Volkswagen Powertrain Co., Ltd.		
18. Loutang plant	components: engines	
MAN Diesel & Turbo Shanghai Co., Ltd.		
19. Changzhou plant	components: turbochargers, superchargers	
Sitech Dongchang Automotive Seating Technology Ltd.		
20. Baoshan plant	components: complete seats and seat metal structures	

## Chronicle

Year	Event
1978	The Volkswagen Group and representatives of the Chinese government agree on the local assembly of Volkswagen brand models in the Chinese mainland.
1985	Start of operations for Shanghai-Volkswagen Automotive Company Ltd. Volkswagen AG holds a 40 percent stake and VCIC holds a 10 percent stake in the Sino-German joint venture with Shanghai Automotive Industry Corporation (SAIC), which holds the remaining stake.
1988	License agreement with First Automobile Works in Changchun for the production of the Audi 100 in China.
1991	Start of operations for First Automobile Works-Volkswagen Automobile Co., Ltd. FAW holds a 60 percent stake, the Volkswagen Group 20 percent, VCIC 10 percent, with AUDI AG holding the other 10 percent.
1997	Establishment of FAW-Volkswagen Sales Company.
1998	Shanghai Volkswagen celebrates production of the millionth Volkswagen Santana.
2002	Volkswagen Group China and its joint venture partner SAIC extend their contract by 20 years.
2004	Establishment of Volkswagen Finance (China) Co, Ltd,
2008	Volkswagen Group China announces the sale of 1,024,008 vehicles in the Chinese market.  Shanghai Volkswagen inaugurates its fourth automobile plant, with a capacity of 60,000 vehicles per year, in Nanjing.
2011	The Chinese government approves the construction of two automobile plants with an annual capacity of 300,000 vehicles each, which Volkswagen is to construct in cooperation with its joint ventures, Shanghai Volkswagen in Yizheng, Eastern China, and FAW-Volkswagen in Foshan, Southern China.
2012	The New Lavida, an A-segment notchback saloon produced by Shanghai Volkswagen, makes its debut at Auto China. Following two years of construction, Shanghai Volkswagen inaugurates its new plant at Yizheng, Eastern China, designed for annual production capacity of 300,000 vehicles, with a workforce of 3,700 employees. The New Santana produced by Shanghai Volkswagen makes its world debut in Wolfsburg. The first generation had been launched 31 years previously, before the model started its success story in China, with almost 4 million vehicles sold from 1982 onwards.
2013	Shanghai Volkswagen celebrates a total of 10 million vehicles produced; in the same month, FAW-Volkswagen celebrates the production of 8 million vehicles. New engine plant of FAW Engine in Changchun. EA 888 engines with capacities of 1.8 and 2.0 liters are produced in an area of 94,000 m2. For the first time in China, these engines meet Euro-6 standards. From mid-2014, annual capacity is to reach 450,000 engines for Volkswagen Passenger Cars and Audi models. Production of the Skoda Superb starts at the FAW-Volkswagen facility in Ningbo. For the first time, more than 3 million vehicles are delivered to customers on the Chinese mainland and in Hong Kong.
2014	Volkswagen Group China and its joint venture partner FAW extend their contract by 25 years. Inauguration of a component plant of the 100% wholly-owned Volkswagen subsidiary, Volkswagen Automatic Transmission (Tianjin) Co., Ltd., in Tianjin for the production of dual-clutch gearboxes (DSG). Annual capacity is 450,000 gearboxes, to be expanded to 1.2 million units by 2016. Groundbreaking ceremony for the construction of a new vehicle plant in Qingdao, East China, with joint venture company FAW-Volkswagen.
2015	Inauguration of new vehicle plant in Changsha with joint venture Shanghai Volkswagen, with a capacity of up to 300,000 vehicles per year.