VOLKSWAGEN
AKTIENGESELLSCHAFT

SALZGITTER AG
Mensch, Stahl und Technologie

Media Information

NO. 28/2022

Volkswagen Group and Salzgitter AG sign Memorandum of Understanding on supply of low-CO_2 steel from the end of 2025

- **Salzgitter AG plans to start production of low-CO_2 steel on new production route from the end of 2025. Expected CO_2 savings after completion of the transformation: more than 95 percent.**
- **Volkswagen Group wants to become one of the first major industrial customers in the same year.**
- **Both companies are planning closed-loop recycling of steel between the Salzgitter and Wolfsburg plants.**
- **Murat Aksel, Member of the Group Board, responsible for Purchasing: "With green steel and a recycling loop, we will make Volkswagen's supply chains even more environmentally friendly in the future."**
- **Gunnar Groebler, CEO of Salzgitter AG: "Our joint project is an excellent example of the new way of doing business in partnership"**

Wolfsburg/Salzgitter, 21 March 2022. The Volkswagen Group and Salzgitter AG have enjoyed a close partnership for over 60 years. Now both want to open the next chapter together in the decarbonisation of their processes and products. The companies are today announcing a Memorandum of Understanding under which Volkswagen will become one of the first customers for the low-CO_2 steel that Salzgitter AG plans to produce on a new production route at its headquarters in Lower Saxony from the end of 2025. According to Salzgitter AG, this will enable over 95 per cent of CO_2 emissions in steel production to be saved in future on the basis of hydrogen and renewable energies. The Volkswagen Group plans to use the low-CO_2 steel from the end of 2025 in important future projects such as the Trinity[1] e-model, which will be produced in Wolfsburg from 2026.

Green steel for more climate protection: Volkswagen AG and Salzgitter AG open a new chapter in their cooperation.
Picture: Salzgitter AG

For Volkswagen, the reduction of CO_2 emissions in the supply chain is a key element in the Group's strategy to gradually become a carbon-neutral mobility provider by 2050. In doing so, the manufacturer is pursuing the approach of a so-called hot spot analysis: it is concentrating on reducing CO_2 emissions where they are mainly generated during the production of a car. In addition to the battery-electric powertrain and aluminium components, this is particularly the case with steel. In future projects such as Trinity - the fully connected electric car of the next generation, which will be manufactured in Wolfsburg from 2026 - the use of CO_2-reduced steel can therefore make a significant contribution to improving the overall CO2 balance sheet. By the end of 2022, both partners intend to concretise and contractually agree on purchase quantities for the low-CO_2 steel in the period 2025 to 2030.

For its part, Salzgitter AG has set out to massively reduce CO_2 emissions in steel production with the transformation program "SALCOS - Salzgitter Low CO_2-Steelmaking". In contrast to pig iron production using carbon-based blast furnaces, the steel and technology group wants to produce steel in future using green hydrogen and renewable energies on a new production route. Hydrogen electrolysers, direct reduction plants and electric furnaces are being built in Salzgitter for this purpose. Step by step, the steel producer wants to reduce CO_2 emissions by more than 95 per cent by 2033. This would avoid one percent of Germany's total CO_2 emissions.

Cooperation between the two companies on so-called "green steel" has already begun. Last year, Volkswagen AG processed sample quantities of CO_2-reduced steel from the Salzgitter AG for the first time. This is produced on the scrap-based electric steel route in Peine and has a 66 percent reduced CO_2 footprint. This year, Volkswagen plans to purchase a further 3,000 tonnes.

Another aspect of the joint agreement is the goal of establishing a closed-loop recycling system for steel between Volkswagen's main plant in Wolfsburg and the integrated steelworks in Salzgitter. Accordingly, the Volkswagen Group makes the steel residues from production available again to Salzgitter AG, which melts them down, processes them into new steel products and delivers them to Wolfsburg for car production again. The aim is to extend this "closed loop" for steel to other Volkswagen Group production sites in the future.

Murat Aksel, Group Board Member for Purchasing at Volkswagen AG, emphasised the strategic importance of the cooperation: "Purchasing is a decisive factor for the Volkswagen Group on the road to CO_2 neutrality. And we want to achieve this goal by 2050 at the latest. Even today, parts of our production are CO_2-neutral in balance sheet terms - for example, in ID.3 production in Zwickau. The transformation to e-mobility is significantly increasing the importance of corporate purchasing in terms of decarbonisation: while the supply chain has so far been responsible for 17 percent of CO_2 emissions over the entire life cycle of the Golf, this figure has already risen to 42 percent for the ID. 3. For the further improvement of our CO_2 balance, the use of materials - above all the raw material steel - plays a central role. The use of $C0_2$-reduced steel is an important step here, as is the recycling of steel residues.

With green steel and a recycling loop, we will make Volkswagen's supply chains even more environmentally friendly in the future."

Gunnar Groebler, Chairman of the Executive Board of Salzgitter AG, welcomes the expansion of the long-standing cooperation with Volkswagen to include this important purpose for the future: "The decarbonisation of society and the economy can only succeed with the cooperation of strong partners. Our joint project is an excellent example of this new way of doing business - the circular economy with closed material flows. The close proximity of steel and car production is another ecological plus of this planned cooperation. By supplying green steel and taking back the steel residues from car production, we are supporting our long-standing customer Volkswagen in achieving its climate targets. This is another very concrete step towards expanding and strengthening the market-based structures of the Circular Economy."

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1) Study

About the Volkswagen Group:

The Volkswagen Group, with its headquarters in Wolfsburg, is one of the world's leading automobile manufacturers and the largest carmaker in Europe. Ten brands from seven European countries belong to the Group: Volkswagen Passenger Cars, Audi, SEAT, Cupra, ŠKODA, Bentley, Lamborghini, Porsche, Ducati and Volkswagen Commercial Vehicles. The passenger car portfolio ranges from small cars all the way to luxury-class vehicles. Ducati offers motorcycles. In the light and heavy commercial vehicles sector, the products range from pick-ups to buses and heavy trucks. Every weekday, 672,800 employees around the globe are involved in vehicle-related services or work in other areas of business. The Volkswagen Group sells its vehicles in 153 countries.

In 2021, the total number of vehicles delivered to customers by the Group globally was 8.9 million (2020: 9.3 million). Group sales revenue in 2021 totaled EUR 250.2 billion (2020: EUR 222.9 billion). Earnings after tax in 2021 amounted to EUR 15.4 billion (2020: EUR 8.8 billion).

About the Salzgitter-Group:

Die Salzgitter AG ist einer der führenden Stahl- und Technologiekonzerne in Europa mit einem Außenumsatz von rund 9 Mrd. Euro, über 24.000 Mitarbeitern und knapp 160 nationalen und internationalen Tochter- und Beteiligungsgesellschaften. Er gliedert sich in die Geschäftsbereiche Flachstahl, Grobblech/Profilstahl, Mannesmann, Handel und Technologie. Der Flachstahlbereich produziert eine breite Palette hochwertiger Spezial- und Markenstähle für anspruchsvolle Kundenbranchen wie beispielsweise die Automobilindustrie und ist international führend bei der Dekarbonisierung der Stahlproduktion.