Charter on Labour Relations within the Volkswagen Group

Group executive management, the Volkswagen European Group Works Council and the Volkswagen Group Global Works Council herewith conclude the following Charter on Labour Relations for the companies and sites of the Volkswagen Group:

Preamble

With this Charter, the parties thereto establish the in-house participation rights of democratically elected employee representatives for the countries and regions represented on the European Group Works Council and the Group Global Works Council. Thus, this Charter constitutes a supplementation to existing agreements and declarations[1]. It additionally constitutes a further contribution to previously documented self-imposed commitments by the participating parties based on the concept of social responsibility[2].

Amidst increasingly fierce competition around the globe, the Volkswagen Group, like other organisations, is creating a growing foundation of network links between its Group sites and their business and production structures. This is resulting in a stronger standardisation of existing procedures aimed at raising productivity and efficiency levels and causing an increasingly greater measure of affect on the workplace and on working conditions. This circumstance means the Volkswagen Group is confronted with new challenges – not least in the area of social responsibility.

Sustainable corporate governance throughout the Group and HR policies founded on a performance-based and participatory culture help to secure and promote competitiveness and economic efficiency while also helping to secure and develop jobs and workforce employability. This approach is an appropriate means of addressing the challenges of market competition and of accommodating defined standards of labour relations within the Volkswagen Group.

In the context of a performance-based and participatory culture, "performance" stands for the active, competent and committed contribution by the workforce, employee representatives and management toward the collective success of the enterprise. "Participatory" means that the workforce is actively incorporated into the development of the organisation, with employees making their contributions to the continual improvement of processes and working conditions and having a stake in the success of the enterprise. Participation is characterised by co-operative, respectful interrelations among the parties concerned and by the understanding that all parties share responsibility for the enterprise and the workforce. Thus, the active definition and exercising of participation rights creates an innovative factor for development of the organisation.

Following this ideal of "performance and participation", the Charter offers defined participation rights at the operational level. As part of the local agreements, participation rights are implemented in concrete form between the local parties. This reciprocal obligation establishes the right balance between competitive ability, job security and the welfare of the workforce.

---

[1] Agreement on Co-Operation between Volkswagen Group Executive Management and the Volkswagen European Group Works Council; Agreement on Co-Operation between Volkswagen Group Executive Management and the Volkswagen Group Global Works Council; Declaration on Social Rights and Industrial Relations at Volkswagen; and the Volkswagen Group's Job Protection Policy.

[2] As is consistent with the objective of good global governance, i.e. a self-imposed obligation by all social and economic participants concerning the social, ethical and ecological principles which extend above and beyond the government-imposed framework in the global context.

1. Area of Application

This Charter shall apply for all companies and sites represented on the Volkswagen Group's European Group Works Council and Group Global Works Council.

2. Principles

(1) The Charter defines in-house participation rights in the said area of application. The parties concerned recognise country-specific trade-union traditions within the Volkswagen Group and herewith set out their objectives for the further development of collective labour relations at the operational level. In other words, the Charter provides a binding framework within which to further develop existing labour relations in a responsible manner and in a spirit of co-operative conflict management.

(2) For the purpose of defining the details of co-operation, respective employee-representative and management groups shall commit to accepting shared responsibility and to exercising active, trusting participation.

Participation in the spirit of co-operative conflict management requires that the form of co-operation is such to enable stable labour relations. What this means specifically is:

Respectively legitimate interests shall be recognised and taken into account in the joint establishment, further refinement and securing of acceptable, stable and viable forms of co-operation.

The parties involved at the operational level shall take a trusting, collective and constructive approach to pursuing economic success, employment security and the welfare of the workforce. They shall jointly adhere to a policy of social consensus. Preference shall be given to seeking to resolve problems through technically-oriented solutions arrived at by means of negotiation versus seeking conflict-oriented solutions.

The agreed decisions and results of negotiation shall be endorsed, factually communicated and complied with by both parties.

The self-imposed commitment by the concerned parties to jointly develop, implement and exercise responsibility for the enterprise and the workforce extends to the active definition and the continual further development of a culture of trust.

(3) The rights and obligations of the concerned parties in accordance with national laws and with other rights governing company practices shall remain unaffected by this Charter.

(4) At the local level, the respectively involved parties shall define implementation of this Charter into a "site-specific participation agreement".

3. Participation Terminology

(1) The right to **information** means that on-site employee representatives must be given comprehensive information in due time in order to have opportunity to assimilate the facts of a given circumstance and form an opinion. "In due time" means that information concerning measures must be provided at the time of commencement of any planning process. "Comprehensive" means that all relevant aspects and data must be relayed in comprehensible form. Information must previously have been provided before any measure can be implemented.

(2) The right to **consultation** refers to the necessity for active dialogue between on-site employee representatives and management. The aim of consultation is to give employee representatives opportunity for initiative or protest concerning a given issue or circumstance and, where necessary, for discussion about how to prevent detrimental effects. Consultation must have transpired before any measure can be implemented.

(3) The right to **co-determination** means the right of on-site employee representative to consent, control and initiative in connection with any shared active decision-making or responsibility. Prior consent must be solicited before any measure can be implemented.

4. Participation of the Works Council on Economic Matters

(1) The regular and early provision of information to employee representatives concerning economic matters is a fundamental prerequisite for the qualified and responsible exercising of all further defined participation rights.

(2) The company shall provide regular and early information to employee representatives concerning the economic situation, strategy planning, product events, medium-term allocation scheduling, products and investments.

(3) The company shall observe the right of employee representatives to be consulted concerning fundamental changes in production procedures, processes and products and concerning restructuring measures. This shall also extend to the relocation or outsourcing of business processes.

(4) Employee rights in the event of corporate restructuring, most particularly with respect to planned cross-border relocations, have been regulated in final form as part of the Agreement on Co-Operation between Group Executive Management and the Volkswagen Group Global Works Council and the Agreement on Co-Operation between Group Executive Management and the Volkswagen European Group Works Council. They are not affected, not limited and not extended by this Charter.

(5) Once annually, a site symposium will be held between management and employee representatives at each of the sites for the purpose of dialog and information sharing on development of the site for the respective planning period.

5. Works Council Participation Rights Concerning Site-Relevant HR and Social Matters

(1) Participation rights for employee representatives shall be guaranteed in the following areas of regulation:

1. HR and social regulations
2. Work organisation
3. Remuneration systems
4. Information and communication
5. Vocational and advanced training
6. Occupational safety and healthcare
7. Process controlling
8. Social and ecological sustainability

(2) The targeted forms of participation right are outline in the Enclosure, with allocations made for each area of regulation.

6. Procedure for the Conclusion of a "Site-Specific Participation Agreement"

Base on this Charter, employee representatives and management at the local level shall conclude "site-specific participation agreements". The procedure for such agreement shall comprise four key steps:

(1) Assessment of the current situation

Employee representatives and management at the respective site shall jointly formulate an assessment of the current co-operation situation as a basis for outlining the prevailing rights and obligations of both sides.

(2) Selection of participation rights and the specification of regulation content

2.1. The on-site employee representatives will select the participation rights they wish to include in negotiations for the "site-specific participation agreement". The selection of participation rights shall be the responsibility of employee representatives.

2.2. The detailed content of regulation shall be agreed in concrete form by the parties involved, and a corresponding development path will be formulated.

(3) Multi-phase schedule and training measures

3.1. The "site-specific participation agreement" shall contain a multi-phase time and content schedule for implementation of the Charter.

3.2. Employee representatives and management at the respective site will jointly prepare this schedule.

3.3. The schedule must contain defined information on the date of implementation of the cited participation rights and the necessary conditions for implementation.

3.4. The multi-phase schedule will specify the on-site work and coordination structures necessary to enable the participation rights to be exercised. A time schedule for implementation of the new structures will be prepared.

3.5. In order to enable the participation rights set out in the "site-specific participation agreement" to be exercised, employee representatives will be required to take part in regular training measures relevant to their particular function and duties.

The parties concerned will agree specific training measures to be conducted for the relevant employee representatives, which measures will enable them to acquire the required skills. These measures will be included in the multi-phase schedule. The agreed training measures shall be either provided or funded by the company.

(4) Provision of information to the workforce

4.1. The workforce at the respective site shall receive information about the content of this Charter and the content of the locally agreed participation contract.

4.2. The works council will be given opportunity within the framework of respective company practice to conduct information briefings for the workforce together with management.

7. General Rules of Procedure Subsequent to the Closure of Agreement

(1) Declaration on maintaining secrecy

1.1 Employee representatives shall not be permitted to pass on company or site information,

either internally or externally, which is marked "confidential".

1.2. This obligation shall remain in force even after expiration of their respective term in office. Members of the works council shall sign a written declaration on maintain secrecy.

(2) External consultants

2.1 Works councils shall have the right to consult external experts concerning the exercising of the participation rights set out in this Charter.

2.2. Management at the respective sites shall be notified about any use of external experts.

2.3. A contract must be concluded with such experts, which contract shall include regulation of the necessity to maintain secrecy.

(3) Clarification and agreement procedures

3.1. The parties concerned shall install a local agreement committee.

3.2. Should agreement not be reached at this level, the president and secretary-general of the Volkswagen European Group Works Council or the Volkswagen Group Global Works Council on the one side and the director of labour and head of Group HR International on the other shall be called upon to help resolve the situation. The bodies concerned shall be informed accordingly.

(4) Communication with the workforce

4.1. The works council may convene up to four works assemblies per calendar year at which to present activities reports and discuss matters of economic or social concern, environment-policy matters or matters concerning trade agreements. Management must be invited to attend these events and shall be entitled to speak at them.

4.2. At least once each calendar year, management shall provide information at such an assembly regarding the economic situation and development of the site and regarding developments in the area of HR management and social policy.

(5) Control group

5.1. A control group shall be formed comprising the president and secretary-general of the Volkswagen European Group Works Council and the Volkswagen Group Global Works Council as well as the labour director and the head of Group HR International. It shall maintain a system of regular progress reports on the sites and companies, which reports shall be agreed among the parties.

5.2. The control group will support the implementation process using the device, among others, of training measures and the installation of an electronic platform onto which the agreements and regulations laid down for each site shall be posted for retrieval by the parties concerned.

(6) Costs

The costs incurred in connection with the aforesaid process shall be borne by the respective company. This shall include the assumption of costs for material and financial outfitting of the works council and the assumption of costs for training measures and external consultation services for the works council.

8. Other Provisions

(1) Language

This Charter has been composed in German. Should translation of the original version of this Charter into another language produce deviations and thus uncertainty, the German version shall be ultimately applicable.

(2) Legal effect

This Charter shall provide no grounds whatsoever for any claims by local or third parties. The Volkswagen Group shall ensure that the Group companies in each respective country implement this Agreement by means of binding regulations.

(3) Modification clause

If so desired by both sides, this Agreement may be consensually modified. Should any provision of this Agreement be invalid, the parties shall agree to replace it with a new one which comes as close as possible to the invalid provision.

The Charter shall come into effect upon being signed; it shall not be retroactively effective.

Place, date

on behalf of the Volkswagen
Board of Management

on behalf of the Volkswagen European
Group Works Council and the Volkswagen
Group Global Works Council

on behalf of the International Metalworkers'
Federation

Enclosure

Areas of regulation / Rights	Information	Consultation	Co-Determination
1. HR and Social Regulations			
HR procurement			X
HR support			X
HR development			X
HR release			X
2. Work Organisation			
Personnel scheduling		X	
Work organisation (e.g. group work, CIP, ideas management, workplace conception, definition of work standards)			X
Production systems, technologies and methods			X
Working hours			X
3. Remuneration Systems			
Pay, performance-assessment and target-agreement systems			X
Social benefits			X
4. Information and Communication			
Information provision to employees and management staff	X		
Employee survey		X	X
Work rules / conduct guidelines			X
Data protection			X
5. Vocational and Advanced Training			
Vocational and advanced training, process-proximate learning (infrastructure and concepts, e.g. learning centre, learning factory, pro room, sample championship, etc.)			X
6. Occupational Safety and Healthcare			
Occupational safety, healthcare and accident prevention			X
Deployment of older and performance-disabled members of the workforce			X
7. Controlling			
Process controlling (auditing and key-indicator clusters, e.g. on production processes, customer satisfaction, finances, employee satisfaction)		X	
Additional module: Social and Ecological Sustainability			
On-site envrionmental protection		X	
Resource and energy efficiency		X	