

ŠKODA Annual Press Conference 2015

Mladá Boleslav, 16 March 2015

Bohdan Wojnar

ŠKODA AUTO Board Member for Human Resources

– The spoken word prevails –

Speech for Bohdan Wojnar
ŠKODA AUTO a.s., Annual Press Conference 2015
on 16 March 2015

Ladies and Gentlemen,

I too would like to offer you a warm welcome to the ŠKODA press conference.

2014 was also an intensive year for Human Resources Management, albeit a successful one. And things are no less exciting when looking at this year and the next few years. There are many opportunities ahead of us, but also significant challenges. The fourth Industrial Revolution has begun and will change our working environment. More about this later.

Slide: 'Our employees – the heart of the brand'

2014 was a good year for ŠKODA. More than a million cars sold for the first time within one year – this milestone would not have been possible without our employees. They are the foundations of ŠKODA's success story.

We are proud of our committed and competent workforce. Our employees 'live' ŠKODA. Numerous families have worked for the company for generations. Employee loyalty is extremely high: the average length of service is around 13 years.

As the largest industrial employer in the Czech Republic, we have a special responsibility towards our staff. We are meeting this in a variety of ways.

Slide: 'A promising future for the Czech plants'

With our three production sites in Mladá Boleslav, Kvasiny and Vrchlabí, we are safeguarding jobs for tens of thousands of people and making a significant contribution to securing the future of this country's automotive industry.

The employment agreement reached with the KOVO union two years ago offers our employees secure career prospects. 2014 brought some important decisions for the future. I would particularly like to mention the expansion in production capacity for the DQ 200 gearbox in Vrchlabí and the decision to add a new product to the Kvasiny site.

Overall, ŠKODA is creating some 2,300 new jobs.

Slide: 'Importance of the younger generation'

The training and education of young people is particularly close to ŠKODA's heart. The ŠKODA Vocational School is a focus of our activities, alongside other initiatives that we also support.

Around 1,000 young people are currently being trained in technical subjects at the ŠKODA Vocational School. All graduates are offered employment after completing their training.

We are also making significant investments in training quality and provision. In 2014, we invested more than 50 million korunas in new equipment and in refurbishment work for the Vocational School. Investment for this year and the next few years is already budgeted for. This will allow us to maintain the high standard level of the education for the long term.

At this point I would like to emphasise: it is fundamental to win young people over, particularly for technical careers. Ensuring that they are appropriately qualified is vital for the competitiveness of the Czech economy and is therefore an objective for society as a whole. This discussion has ŠKODA AUTO started and it is also highly supported by the company.

Slide: 'Good social dialogue is substantially valued'

Ladies and Gentlemen,

A key factor in our company's positive development is the close dialogue with the KOVO union and their leader, Jaroslav Povšík.

During their joint visit to ŠKODA last year, President Miloš Zeman and the German President, Joachim Gauck, also stressed the importance of a good partnership between the company and the employees' representatives.

Slide: 'Co-determination and shared responsibility are 2 sides of the same coin'

Collaboration, co-determination and shared responsibility characterise Volkswagen Group's and the ŠKODA organisation's successful model.

The development over recent years demonstrates that this sort of dialogue pays off **for both sides**.

The **average salary** of a ŠKODA employee has **increased by a quarter over the last 4 years**. This is far more than the national average and higher than the Czech automotive industry's average salary.

Slide: 'Maintaining the top position as regards employer attractiveness'

ŠKODA has more to offer than many other companies, not just as far as salary is concerned, but also in relation to other employee benefits. ŠKODA offers to its employees also a possibility of further development; the company leads a quality social dialog with unions KOVO and is active in many CSR activities. It is a logical consequence that ŠKODA is becoming more and more attractive as an employer and comes out on top in relevant surveys. In the 'Trendence Graduate Barometer Czech Republic' survey, ŠKODA is the most popular employer both for prospective economists, as well as for future engineers and IT experts. This is also the case in the 'Universum' survey.

Slide: 'The working environment will change significantly'

Good remuneration, high-quality training opportunities, extensive employee benefits – all of this will only work in the long term if we remain productive and flexible. This applies to all areas of the company.

This is even more true in light of dramatic changes in the automotive industry. Prof. Dr. Vahland has already mentioned the main parameters.

Digitalisation is the key challenge for Human Resources Management. It is revolutionising the entire working environment.

The **Internet of Things** – that is to say, the networking of machines, robots, production areas and plants – is changing the nature of production and administration in the company for the long term. We are entering the **fourth Industrial Revolution**.

Every company must be prepared for this massive transformation. In addition, there are new technical challenges, significant changes to sales markets with new regional priorities, as well as the increasing demographic change. Structures and processes must be adapted accordingly. This also applies to ŠKODA. Only in this way will we be able to react to the increased pace of change with the requisite speed.

This is why we initiated the 'High Performance Organisation' project in 2014.

Slide: 'High Performance Organisation'

I am occasionally asked why the company is bothering to dedicate time to this project in these current 'good times'. The answer is clear. We have to take advantage of these good times to prepare ourselves for the challenges identified. This is our corporate responsibility. Anything else would be irresponsible. It is about keeping ŠKODA adaptable, agile, quick and flexible.

That is why HPO is a big opportunity for ŠKODA and our whole team. Because one thing is clear: those who fail to adapt, will be adapted.

- For example, within the framework of HPO, we have succeeded in simplifying the **organisational structure** and speeding up the flow of information. All of this speeds up **decision-making** processes.
- **Redesigning career paths** has allowed us to open up new development opportunities for our employees.
- We have put together new, cross-functional **project teams**, allowing quicker and more effective collaboration between individual departments.
- And we have already significantly reduced bureaucracy.

The implementation is taking place **in intensive social dialogue with the KOVO union**. I would especially like to thank Unions chairman Mr. Povšík and

his colleagues for their fair cooperation thus far, particularly relating to the optimisation of management levels as well as the topics of spans of control and reducing bureaucracy.

Ladies and Gentlemen,

- with outstanding cars,
- a top workforce
- and in close cooperation with our social partners

we have written a unique success story over the last few years. Together with our employees, we are well-equipped to pursue this course successfully into the future.

Thank you for listening!