

# OUR STRATEGY

The “Next Generation Mobility” strategy continued to serve as our manifesto in 2019. Despite a challenging market environment, we moved forward with our objectives – the cornerstones of our strategic roadmap.

Our industry is beginning the biggest structural transformation it has ever seen. People want constantly available, affordable, clean and safe mobility – but the reality looks a little different: traffic jams, emissions and a lack of mobility services. Our “Next Generation Mobility” strategy rises to these challenges with new, holistic solutions that will enable us, as an integrated systems supplier, to play a decisive role in shaping future mobility.

Megatrends such as digitalization are now changing the mobility sector faster than expected, with software and artificial intelligence increasingly central to what lies ahead. Consequently, a raft of new players from other sectors are vying for a foothold in the mobility market to capitalize on its growth potential. Competition is set to intensify between not only manufacturers but also suppliers. We, too, are preparing ourselves for these developments by boosting our agility and broadening the appeal of our portfolio.

## A resolute technology-neutral stance

Zero-emission, automated and autonomous driving will make traffic safer, smoother and more comfortable in the medium to long term. The market requires innovative solutions based on the type of application. For passenger cars, intelligent driver assistance functions, also referred to as level 2+ systems, currently have the biggest potential. The commercial vehicle segments and particularly urban public transportation are more likely to be able to use fully automated systems. Autonomous driving functions used in self-contained areas –

such as depots and factory sites – as well as on specific routes are already paving the way.

Electromobility is extremely high on the automotive industry’s development agenda. ZF is taking a technology-neutral stance. We are convinced that this is an essential requirement for real innovation. In the long term, we expect purely electric drivelines to prevail in passenger cars and many commercial vehicles in markets with suitable infrastructure and favorable geography.

And we see plug-in hybrids as a vital solution for bringing electrification to the mass market. The plug-in hybrid offers the best of both worlds: local zero-emission driving and a good ability to cover long distances.

## Four technology fields for three customer segments

ZF is a global leader in driveline and chassis technology as well as in active and passive safety technology. We provide our customers in the passenger car, commercial vehicle and industrial technology segments with a wide-ranging product and service portfolio including aftermarket business.

In taking the company forward, our strategic focus is on electrification, digital networking and automation. In line with this we are further developing our product portfolio around four technology fields, combining them through integrated solutions:

- **Vehicle Motion Control:** The chassis, comprising intelligence and motion-related actuators, plays a major role in ensuring vehicle safety, comfort and efficiency. ZF can network and synchronize virtually all the systems that effect longitudinal, transverse, or vertical acceleration so that cars and commercial vehicles are quiet and safe regardless of whether they are driven or driverless.
- **Integrated Safety:** One day, autonomous driving and intelligent traffic routing will make accidents a thing of the past. Nevertheless, occupant safety will still be paramount. ZF already has the most comprehensive safety technology portfolio in the supplier industry. It ranges from electronic control units, sensors, brakes, steering systems and seat belts to airbags, electronics, supercomputers and active chassis that are equipped with systems such as the active adaptive rear axle.
- **Automated Driving:** Automated driving will make mobility safer and everyday life easier for people. Systems from ZF like sensors, central computers and actuators are already enabling cars to see, think and act as well as drive autonomously. This will also lead to innovative mobility concepts for which new suppliers are already positioning themselves. Moreover, for ZF as a systems supplier it is creating additional opportunities across the broad spectrum of mobility.
- **Electromobility:** Zero-emission local mobility is forging ahead throughout the world. Hybrid and fully electric vehicle drives have been a reality for some time and will grow at a substantial rate. ZF supplies both the core components for electromobility such as hybrid drives, electric motors and power electronics, as well as complete systems covering all vehicle types, focusing on passenger cars and commercial vehicles.

## Five objectives for balanced evolution

To ensure that the company evolves holistically, we are implementing our strategy around five objectives comprising areas of relevance for the Group.

**1. Innovation leadership and cost leadership:** Our extensive, unique portfolio already sets the benchmark for this, and we strengthen that position through constant innovation and investing in R&D. At the same time, by working on our efficiency and performance we guarantee a steady and substantial flow of funds with which to achieve this. Cost leadership is vital in safeguarding our global competitiveness.

**2. Balanced market penetration:** Where our customers go, we go – worldwide. Our aim is a **balanced presence** in all markets. Alongside Europe and the USA we are focusing particular attention on regions with further medium-term growth potential: China and India. Equally, we strive for a well-balanced customer portfolio. So in parallel with maintaining our traditional customer base, we are developing our customer relations in mobility solutions.

**3. Financial independence:** We aim to make business decisions from a position of financial stability at all times, while also further increasing the company’s value to fulfill the economic interests of our owners. To achieve this, we **manage our finances proactively** in line with a solid balance sheet structure and appropriate **free cash flow**. We stay fully abreast of opportunities and risks, and continuously improve our operational fitness.

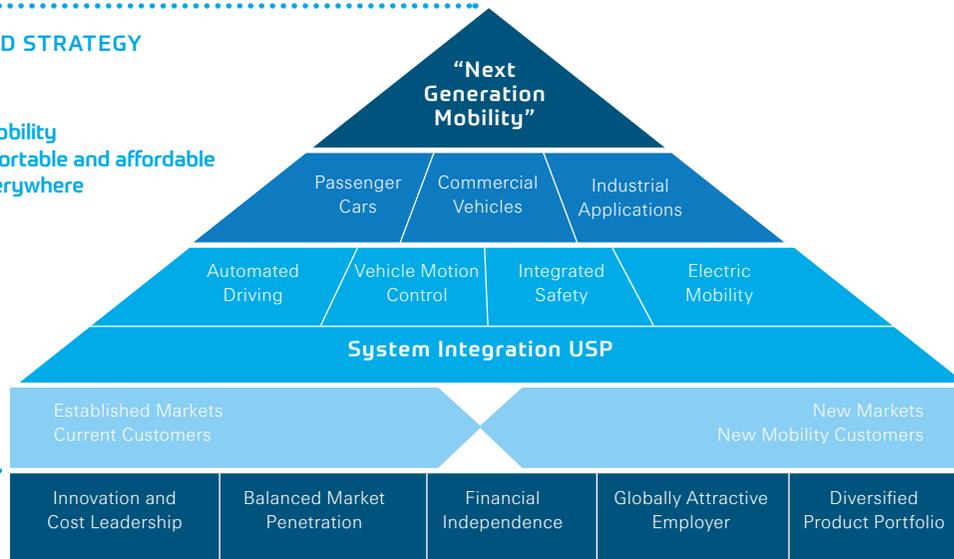
**4. Globally attractive employer:** We currently have employees in 41 countries. Our market success demands highly trained people who are motivated to move forward with the company and its aspirations for systems leadership. Consequently, we are boosting our **agility** and developing working arrangements that enhance our appeal as an employer. Equally, we are refining our employer branding in order to raise our profile.

**5. Diversified product portfolio:** We are committed to a wide-ranging portfolio. As a result, we are developing our business activities in a decentralized manner, based on our business areas, to increase customer proximity, monitor individual markets for **new business opportunities** and tailor our solutions to market and customer needs. Diversification also provides the Group with stability and makes it easier for us to deal with temporary market fluctuations.

## G\_01 The road to Next Generation Mobility

### OUR MISSION AND STRATEGY

- Clean and safe mobility
- Automated, comfortable and affordable
- For everyone, everywhere



### OUR OBJECTIVES

## Sustainability: carbon-neutral by 2040

We want our solutions to help reconcile society’s mobility needs with nature’s ecological boundaries. Consequently, we worked very hard on our Group carbon-neutrality strategy last year, setting a deadline of 2040 for all of our locations – from supply chain to product use. This means no more CO<sub>2</sub> emissions from all power generated and electricity purchased (Scope 1 and 2 under the Greenhouse Gas Protocol). By 2030, ZF aims to reduce CO<sub>2</sub> emissions in these areas by 50 percent compared to 2018. To do so, we are targeting a 20 percent increase in energy efficiency in our plants and will procure more of our power from renewable energy sources. At the same time, we will reduce emissions across our entire supply chain and minimize the environmental impact of our products (Scope 3).