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SEPARATE  
COMBINED  
NON-FINANCIAL  
REPORT

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# ABOUT THIS NON-FINANCIAL REPORT

**Scope and reporting period** The content of this separate combined non-financial report pursuant to sections 289b (3) and 315b (3) of the German Commercial Code (HGB) ('non-financial report') covers both the parent company DEUTZ AG and the DEUTZ Group. Unless indicated otherwise, all quantitative and qualitative disclosures pertain to the Group as a whole ('DEUTZ'). Disclosures that relate only to DEUTZ AG are labeled accordingly. The reporting period is the 2021 financial year.

**Report content and framework** In accordance with section 315c in conjunction with sections 289c to 289e HGB, this non-financial report summarizes the key topics identified as a result of the materiality assessment of environmental matters, treatment of employees, social responsibility, respect for human rights, and measures to combat corruption and bribery. [See also 'Materiality assessment', p. 95 onward.](#)

Key topics	Aspects under the HGB
Product stewardship	<ul style="list-style-type: none"> <li>Social responsibility</li> <li>Environmental matters</li> </ul>
Corporate governance and compliance	<ul style="list-style-type: none"> <li>Treatment of employees</li> <li>Respect for human rights</li> <li>Measures to combat corruption and bribery</li> </ul>
HR management	<ul style="list-style-type: none"> <li>Treatment of employees</li> <li>Respect for human rights</li> </ul>
Occupational health and safety	<ul style="list-style-type: none"> <li>Treatment of employees</li> <li>Respect for human rights</li> </ul>
Supplier management	<ul style="list-style-type: none"> <li>Respect for human rights</li> <li>Measures to combat corruption and bribery</li> <li>Environmental matters</li> </ul>
Environmental and climate protection	<ul style="list-style-type: none"> <li>Environmental matters</li> </ul>

Material topics in connection with aspects other than the non-financial aspects defined in accordance with HGB were not identified.

The **German Sustainability Code** serves as the framework for this report. The content, for example, is based in part on the underlying aspects of the Code's criteria and in particular criteria 1–3, 5–9, 13–15, 17–18, and 20.

This non-financial report makes reference to further information provided elsewhere in the annual report. References to disclosures outside the scope of the consolidated financial statements,

the annual financial statements of DEUTZ AG, and the combined management report for 2021 do not form part of the non-financial report.

**Information on the Taxonomy Regulation (EU) 2020/852** In accordance with Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 ('EU Taxonomy Regulation'), any company that is required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU must disclose in its non-financial statement how and to what extent its activities are associated with economic activities that qualify as environmentally sustainable in the sense of Article 3 and Article 9 of the EU Taxonomy Regulation. In order to fulfill this requirement, DEUTZ will from now on be disclosing the relevant information in its non-financial report. [See also 'Information on the Taxonomy Regulation \(EU\) 2020/852', p. 119 onward.](#)

**Progress report on the implementation of the UNGC principles** DEUTZ has to submit a progress report once a year to meet its requirements as a member of the **United Nations Global Compact (UNGC)**. The **Communication on Progress (CoP)**, as the report is called, describes the practical actions that the Company has taken or plans to take in support of the ten **UNGC principles**. This non-financial report serves as DEUTZ's CoP, with the scope of its content corresponding to that of **GC Active CoP**. [See also 'UN Global Compact and sustainable development goals', p. 123 onward.](#)

**Risks pursuant to section 289c (3) nos. 3 and 4 HGB** Using the **net method**, no material risks were found in relation to DEUTZ's own business activities, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on those aspects subject to reporting requirements now or in the future. [See the combined management report, p. 78 onward, for information on risks and opportunities.](#)

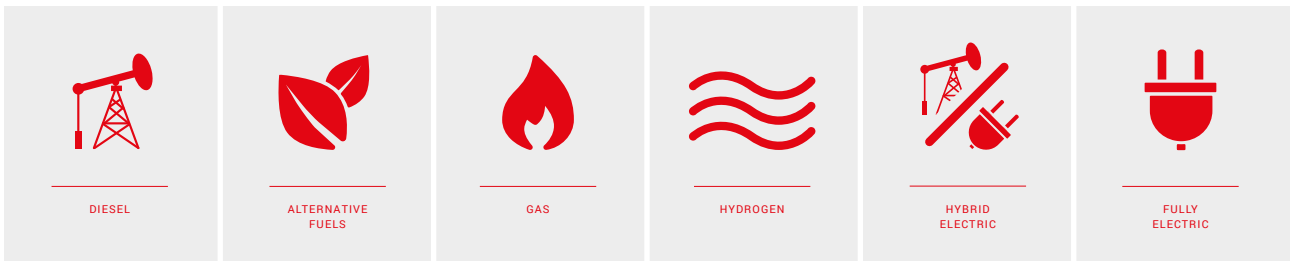
**Content review** On behalf of the Supervisory Board of DEUTZ AG, the non-financial report was voluntarily submitted for an external review with limited assurance pursuant to ISAE 3000 (Revised). [See p. 126 onward for the limited assurance engagement and the findings of the review.](#)

## BUSINESS MODEL

The DEUTZ Group's core competencies are the development, production, and distribution of drive solutions for off-highway applications. The Company was founded in 1864 and has around 4,600 employees worldwide. Its current portfolio extends from diesel and gas engines to hybrid and all-electric drives that are used in various applications, including construction equipment,

agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. DEUTZ also offers a comprehensive range of analog and digital services through more than 800 sales and service partners in over 130 countries. [See the combined management report, p. 22 onward](#), for further information on strategy and objectives.

### Portfolio of technology-neutral drive systems for different application segments



## SUSTAINABILITY ORGANIZATION AND MANAGEMENT

Sustainability is firmly anchored at senior management level in the DEUTZ Group, and overall responsibility lies with the Chairman of the Board of Management. The Sustainable Development Committee (SDC), which comprises the heads of the relevant departments and the individuals responsible for the key sustainability topics, provides the information that is used as the basis for making decisions related to corporate sustainability in the DEUTZ Group. Guided by the Group's Investor Relations function and the Quality Management team, the SDC sets non-financial targets, creates action plans for achieving them, and discusses the continuous improvement of sustainability efforts across the Group at regular intervals. Responsibility for implementing and monitoring strategic initiatives lies either with the relevant departmental

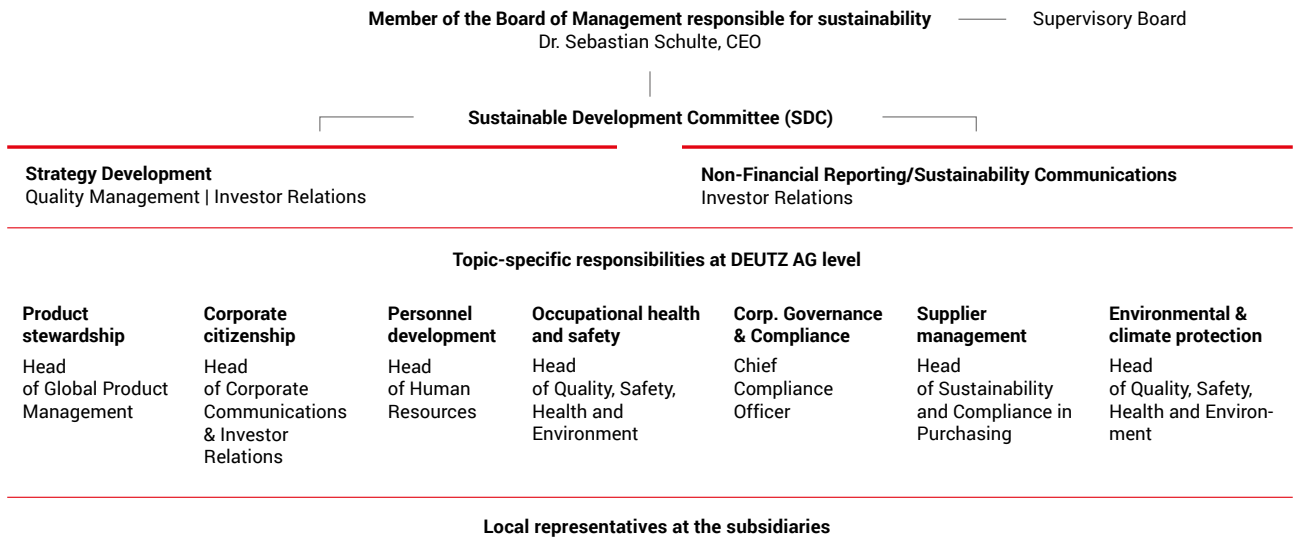
heads or the individuals nominated by them. In view of the fact that the DEUTZ Group is highly decentralized, they are supported in their work by local representatives at the subsidiaries.

The SDC reports to the Board of Management at least quarterly on progress with implementation of the sustainability strategy and on changes to its content. This reporting includes an update on the current situation with regard to the non-financial KPIs. The objective, as part of a preventive risk management approach, is to identify risks that might jeopardize the achievement of the targets at an early stage and to modify the action plan if necessary.

[See also 'Corporate governance and compliance', p. 98 onward.](#)

**DEUTZ-Sustainable Development Committee (SDC)**

Responsibilities and reporting structure



In 2021, in addition to the quarterly SDC meetings, DEUTZ held an interdepartmental CSR workshop. The aim of the workshop was to come up with new measures with which to achieve both the quantitative and the qualitative sustainability targets and to outline new targets for 2026. The specific targets will be defined in 2022 and published in the 2022 non-financial report. In addition, the workshop participants evaluated which of the 17 global **sustainable development goals** (SDGs) from the UN's 2030 Agenda should be prioritized, taking into account the specific targets under the goals, and what action DEUTZ can take to help achieve them. [See also 'UN Global Compact and sustainable development goals', p. 122 onward.](#) A separate SDC meeting was held to examine any negative effects that the Company's own business activities might have on the SDGs.


**Sustainability as a component of Board of Management remuneration** In accordance with the German Corporate Governance Code, remuneration for the Board of Management must be aligned with the sustainable, long-term growth of the Company and contribute to the delivery of the business strategy. The DEUTZ Group's sustainability strategy forms an integral part of the overarching corporate strategy, which means that incentives need to be put in place to ensure that it is implemented rigorously. For

this reason, the remuneration system for the Board of Management, which was revised in the reporting year and approved by the Annual General Meeting in April 2021, includes a sustainability target with effect from January 1, 2021. The specific performance criteria for the sustainability target, which applies not only to the Chairman of the Board of Management but to all its members equally, are specified on an annual basis by the Supervisory Board. These criteria relate to environmental and climate targets, alternative drives, corporate governance, occupational health and safety, diversity, personnel development, and supply chains. The structure of the current remuneration system is publicly accessible in the Corporate Governance section of the DEUTZ website.

[See also 'Remuneration report', p. 56 onward.](#)

The Board of Management and/or the SDC management update the Supervisory Board, in its function as an oversight body, at least once a year on developments in the Company's sustainability activities and on the progress of implementation, for example in regard to changes to reporting requirements.

## MATERIALITY ASSESSMENT

In 2021, the SDC and the Board of Management confirmed the findings of the 2020 materiality assessment and thus that DEUTZ continues to regard certain overarching topics as key to understanding the development, performance, and position of the Group and the impact of its business activities on the non-financial aspects defined in accordance with HGB. These topics are product stewardship, HR management (including occupational health and safety), corporate governance and compliance, supplier management, and environmental and climate protection. DEUTZ reports on its corporate citizenship activities on a voluntary basis.  See also the 2020 non-financial report – 'Materiality assessment', p. 72

onward, for further information on the materiality assessment carried out in 2020.

**Internal and external stakeholder survey** The materiality assessment was previously carried out by the members of the SDC on the basis of the DEUTZ Group's business activities, the corporate philosophy, the principles of the UN Global Compact, and the **Women's Empowerment Principles**.

At the end of 2021, a questionnaire-based stakeholder survey was conducted so that the views of further internal but particularly external stakeholders could be taken into account in the next phase. This was used to determine the specific individual topics that are regarded as material in respect of the aforementioned overarching topics. In order to ensure that a broad spectrum of potentially relevant individual topics are covered, the questionnaire also included those that have previously not been covered by either the groupwide sustainability strategy or the non-financial reporting. These topics were identified by analyzing the non-financial reports of certain peer group companies. The respondents also had the option of naming, in a free-text field, any further sustainability topics that they considered to be material.

The questionnaire was given to two main groups of stakeholders: representatives of the Group's workforce across various hierarchy levels, who evaluated the individual topics from the perspective of the Company, and external stakeholders – customers, suppliers, analysts, and investors as well as experts from trade associations and networks focused on sustainability issues.

The findings of the internal and external stakeholder questionnaire, which also forms the basis of the materiality assessment for 2022, will be published in the 2022 non-financial report.

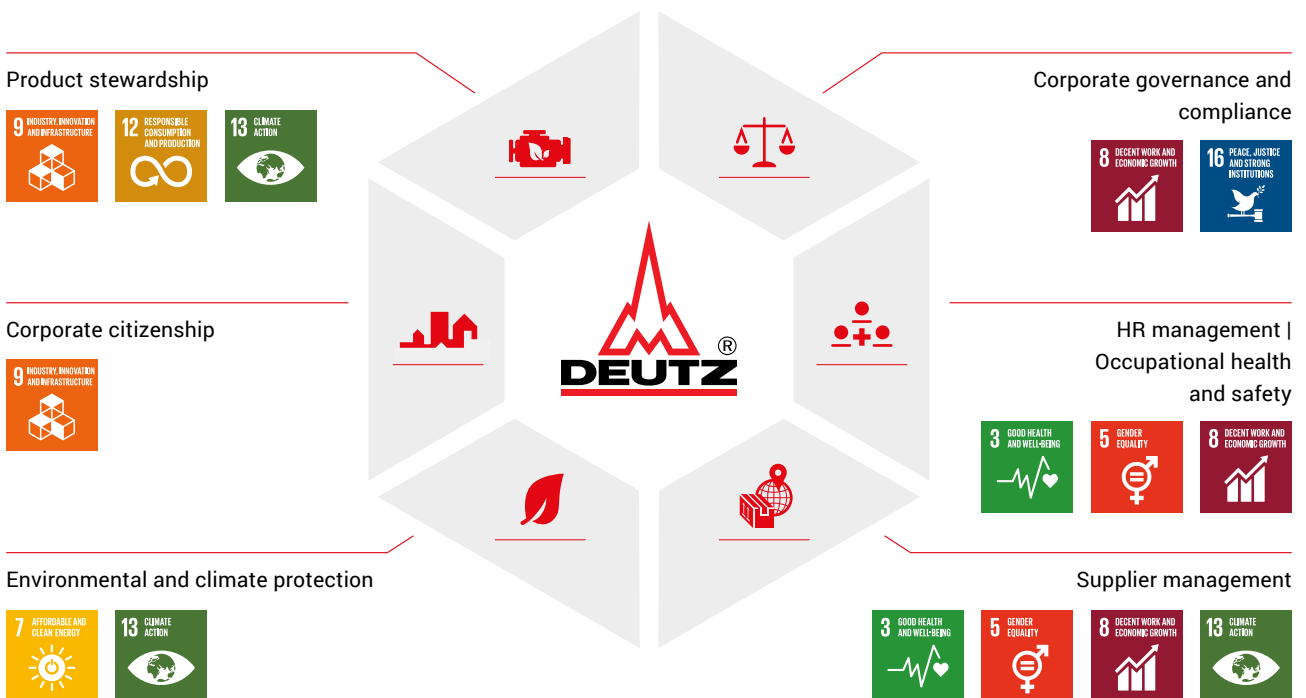
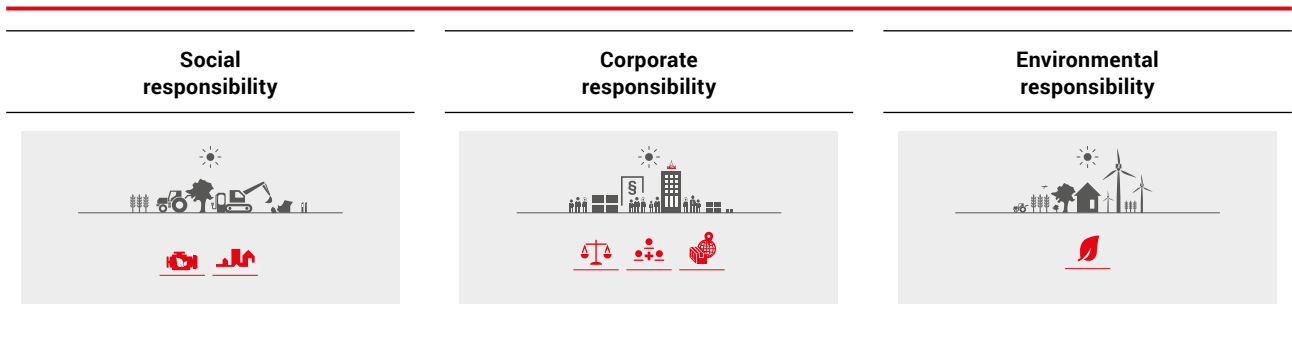
**Frequency of the materiality assessment** The sustainability topics that are found to be relevant by the materiality assessment not only determine the scope of the non-financial report, they also form the main components of the groupwide sustainability strategy. This is based on the belief that any topics regarded as material (in terms of how the Company's business activities affect the non-financial aspects defined in accordance with HGB) are also those that will have a bearing on the sustainable growth of the Company. In view of the fact that DEUTZ partly derives its medium-term sustainability strategy from its materiality assessment, the Company decided at the end of 2021 that it would involve external and internal stakeholders in all its materiality assessments going forward and always in conjunction with the definition of new medium-term targets. The members of the SDC will continue to conduct an annual internal review of the materiality assessment. Relevant information will be added to the non-financial report if this is required due to extraordinary events or developments, such as the outbreak of the coronavirus pandemic in 2020. The content of the non-financial report is also enhanced through ongoing analysis of sustainability-related questionnaires completed by customers and rating agencies, for example. This ensures that any information that is routinely surveyed but that DEUTZ itself does not yet report on can be added to the report on an annual basis, thus continually enhancing the level of transparency in the interests of the stakeholders.

# SUSTAINABILITY STRATEGY AND OBJECTIVES

The name of the groupwide sustainability strategy, Taking Responsibility, reflects the Company's ambition of achieving its financial objectives while fulfilling its social, corporate, and environmental responsibilities. Consequently, the DEUTZ Group's sustainability activities are divided into three fields of action to which

the relevant key topics are assigned. All of the quantitative targets that DEUTZ set in 2019 under its sustainability strategy are brought together in the DEUTZ Sustainability Vision for 2023.

## Taking Responsibility – DEUTZ's sustainability strategy



## DEUTZ Sustainability Vision 2023 at a glance

Key topics	Corresponding KPIs	Targets for 2023	Status in 2021
Corporate governance and compliance	<ul style="list-style-type: none"> <li>Proportion of workforce to have completed compliance training<sup>1</sup></li> </ul>	> 95 %	99.1 %
HR management	<ul style="list-style-type: none"> <li>Proportion of women in the workforce<sup>2</sup></li> <li>Proportion of women in management positions<sup>3</sup></li> <li>Ratio of trainees to total employees<sup>4</sup></li> <li>Engagement<sup>5</sup></li> <li>Enablement<sup>5</sup></li> <li>Rate of staff turnover<sup>5</sup></li> </ul>	> 10 % > 20 % 2.5–3.0 % 78 % 69 % 5–10 %	13.0 % 11.4 % 2.7 % – – 10.5 %
Occupational health and safety	<ul style="list-style-type: none"> <li>Recordable incident rate<sup>7</sup></li> </ul>	7	9.4
Supplier management	<ul style="list-style-type: none"> <li>Proportion of new suppliers to have had their compliance with the supplier code of conduct verified</li> <li>Number of existing suppliers to have had their compliance with the supplier code of conduct verified<sup>8</sup></li> <li>Proportion of suppliers assessed against sustainability criteria</li> <li>Suppliers that have passed business partner compliance checks</li> </ul>	90 % <sup>9</sup> 55 50 % <sup>10</sup> 90 % <sup>11</sup>	83 % 16 55 % 11 %
Product stewardship	<ul style="list-style-type: none"> <li>Share of consolidated revenue attributable to E-DEUTZ products</li> </ul>	5–10 % <sup>12</sup>	3.3 %
Environmental and climate protection	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions from production sites (tonnes CO<sub>2</sub>e)<sup>13</sup></li> <li>CO<sub>2</sub> emissions from production sites per manufactured engine (kg CO<sub>2</sub>e)<sup>14</sup></li> <li>Nitrogen oxide emissions from production sites per manufactured engine (kg)<sup>15</sup></li> <li>Particulate emissions from production sites per manufactured engine (g)<sup>15</sup></li> <li>Waste for disposal</li> </ul>	–20 % <sup>16</sup> –20 % <sup>16</sup> –3 % <sup>17</sup> –3 % <sup>17</sup> –10 % <sup>17</sup>	–61 % –65 % +103 % +21 % –20 %

<sup>1</sup> The term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at December 31 of any given year and who are integrated into the Group's IT infrastructure, have access to a PC, and speak either Chinese, English, French, German, Italian, Russian, or Spanish, as the e-learning modules are available only in these languages. It excludes employees who left the Company during the year, were on parental leave, or were absent for more than 50 percent of the year due to long-term sick leave.

<sup>2</sup> including staff on fixed-term contracts but excluding temporary workers.

<sup>3</sup> including staff on fixed-term contracts but excluding temporary workers, second level below the Board of Management.

<sup>4</sup> Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.

<sup>5</sup> Measured using a groupwide employee survey (all employees within the Group including staff on fixed-term contracts but excluding temporary workers), which was first carried out in 2019 and will be repeated every three years going forward.

<sup>6</sup> Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals.

<sup>7</sup> For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but weekends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.

<sup>8</sup> Existing suppliers as at the end of 2019. Verified by way of on-site audits.

<sup>9</sup> 90 % of the suppliers brought on board between 2020 and 2023.

<sup>10</sup> 50 percent of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.

<sup>11</sup> Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

<sup>12</sup> Target for 2023/2024.

<sup>13</sup> CO<sub>2</sub>e = carbon dioxide equivalents; CO<sub>2</sub> emissions from the production sites of the DEUTZ Group excluding joint ventures. CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.

<sup>14</sup> Excluding joint ventures. CO<sub>2</sub>e = carbon dioxide equivalents; CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol. The 'emissions per engine' figure is calculated by dividing total emissions by the number of engines made. CO<sub>2</sub> reporting covers Scope 1 (CO<sub>2</sub> emissions from diesel, natural gas, LPG, heating oil, and CNG caused by combustion in our own facilities) and Scope 2 (CO<sub>2</sub> emissions relating to purchased energy (e.g. electricity, district heating)). Only internal combustion engines and electric motors are counted, i.e. no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines.

<sup>15</sup> Excluding joint ventures; the figures 'nitrogen oxide per manufactured engine' and 'particulate emissions per manufactured engine' are calculated by dividing the total emissions of each from test bays by the number of engines made. Only internal combustion engines are counted, i.e. no electric motors and no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines. Electric motors do not produce nitrogen oxide emissions or particulate emissions.

<sup>16</sup> Base year 2017.

<sup>17</sup> Base year 2019.



# CORPORATE RESPONSIBILITY

## CORPORATE GOVERNANCE AND COMPLIANCE

DEUTZ understands good corporate governance and **compliance** to mean acting responsibly and in accordance with the laws of the countries in which it operates. It also understands this to mean showing integrity and adopting an ethical and moral approach in day-to-day business conduct toward not only business partners and employees but also investors and other stakeholders of the Company. As this represents the foundations for a sustainable and successful system of corporate governance, the key tasks of the groupwide compliance organization include cementing the importance of integrity and compliance in the mind of every DEUTZ employee, effectively preventing or limiting the manifestation of risks, and taking rigorous action against breaches of the rules.

**Compliance organization** DEUTZ has established a groupwide compliance organization to ensure that the Company and its employees act in accordance with the prescribed rules and regulations. At the heart of the organization is the internal compliance management system (CMS), whose function includes combating corruption and bribery, tackling money laundering, and ensuring compliance with export regulations and antitrust laws. As measures to combat corruption and bribery form an integral part of the CMS, these issues and the topics introduced above are explained together in the following section.

In accordance with the schedule of responsibilities, the Supervisory Board of DEUTZ AG has delegated overall responsibility for the groupwide compliance organization to the Chairman of the Board of Management of DEUTZ AG. He appoints the Compliance Officer, and together they appoint individual compliance coordinators who are responsible for compliance in their respective departments. Twice a year, the coordinators submit a written report to the Compliance Officer, who in turn reports to the Board of Management and the Audit Committee of the Supervisory Board. As well as information on changes to the legal situation, the reports also focus on compliance-relevant matters, possible risks associated with these matters, and the countermeasures in place to mitigate or eliminate the risks. The basic principles of the compliance organization are set forth in a groupwide compliance policy.

The Compliance Officer and compliance coordinators hold regular meetings to plan the compliance activities that need to be initiated. The Compliance department also works closely with the Legal Affairs department, the Data Protection Officer, and Corporate Audit. Corporate Audit, for example, provides support with all key compliance activities and conducts ad hoc investigations, including to uncover cases of corruption. It also carries

out compliance audits to address other potential compliance violations or fraudulent acts. The audit plan for these follows a risk-oriented approach that takes into account the Corruption Perceptions Index produced by Transparency International. No confirmed cases of corruption were identified within the DEUTZ Group in 2021.

**DEUTZ code of conduct and topic-specific organizational policies | UNGC 1–6, 10** The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity and in accordance with the law. The code contains mandatory rules for behavior that cover areas such as respect for human rights, working conditions and social responsibility, anti-competitive practices, and data protection. It also sets out the Company's zero-tolerance approach to corruption and bribery. Organizational policies on specific topics supplement the code of conduct. They either summarize or provide more detail on laws and regulations as well as internal rules, and all employees are required to abide by them.

Because of the Company's global activities, the employees of the DEUTZ Group operate within different legal frameworks and value systems. To ensure that every employee follows standardized rules of behavior in spite of this, the code of conduct is applicable across the Group and available in seven languages.

The latest version of the code of conduct is available to download for employees on the intranet and for third parties on the Company website under Compliance.

### **E-learning courses and classroom-based training | UNGC 1–6, 10**

To support employees in their efforts to avoid breaking the law or breaching regulations, they are required to complete annual compliance training in the form of e-learning courses or classroom-based training. At the start of the year, all of DEUTZ's administrative employees<sup>1</sup> are assigned training modules that they are asked to complete within the space of a year. The modules are assigned according to the employees' individual areas of responsibility and finish with tests that confirm whether the e-learning program has been completed and the content of the training has been assimilated. Disciplinary action may be taken if an employee fails to participate in the e-learning, and they will still have to complete it the following year but in a shorter period of time.

<sup>1</sup> Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at December 31 of any given year and who are integrated into the Group's IT infrastructure, have access to a PC, and speak Chinese, English, French, German, Italian, Russian, or Spanish as the e-learning modules are available in these languages only. It excludes employees who left the Company during the year, were on parental leave, or were absent for more than 50 percent of the year due to long-term sick leave.

To take account of recent developments, for example new laws or regulations, the content of the training is regularly reviewed and expanded with new topic areas as needed. In addition to the fixed modules covering occupational health and safety, fair competition, and anti-corruption, the program includes a further module that alternates annually between data protection and information security. In 2021, a new module on emissions compliance was introduced for employees working in sales and in development.

By the end of 2021, a total of 3,208 (99.1 percent) of all administrative employees within the Group had successfully completed the e-learning course. In the reporting year, DEUTZ therefore again exceeded the target of increasing the proportion of the workforce to have successfully completed compliance training to more than 95 percent, a target that it was aiming to achieve by 2023.

#### DEUTZ Group: Proportion of workforce to have completed compliance training<sup>1</sup>

%	2021	2020	2019	2018 <sup>2</sup>
Proportion of workforce to have completed compliance training	99.1	97.3	98.1	93.5

<sup>1</sup> Only includes administrative employees.

<sup>2</sup> The proportion of the workforce to have completed compliance training was recorded for the first time in 2018.

Employees in the individual departments of DEUTZ AG and its subsidiaries are generally given additional training on topical compliance matters once a year as part of a classroom-based training course tailored to their areas of activity. Classroom-based training is provided every year for non-administrative employees, most of whom work in the plants. This training did not take place in 2021 due to the ongoing coronavirus pandemic.

**Whistleblowing system | UNGC 1-2, 3-6, 10** To identify, at the earliest possible stage, behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, DEUTZ has established a publicly accessible whistleblowing system for the purposes of reporting suspected compliance violations. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy.

The whistleblowing system is available to employees and to third parties, such as suppliers, on the Company website at [www.deutz.com/en](http://www.deutz.com/en) under Compliance. Strict secrecy and confidentiality are guaranteed both for whistleblowers and for the

individuals involved. This is maintained during the course of any investigation that is launched if, following a careful review of the evidence, there are concrete indications that a law or regulation has been violated. People can also report actual or suspected compliance violations, anonymously if they so wish, by email, post, or fax. The relevant contact details are published on the Company website at [www.deutz.com/en](http://www.deutz.com/en) under Compliance.


No confirmed human rights abuses were reported via the whistleblowing system in 2021.


**Business partner compliance tool | UNGC 1-6, 10** DEUTZ expects not only its employees to act in compliance with the law but also its business partners. At the end of 2020, DEUTZ implemented an IT-based business partner compliance tool that enables it to respond appropriately and at an early stage to matters such as suspected money laundering, anti-competitive practices, corruption, or bribery on the part of its business partners. The tool provides a web-based self-declaration form that business partners are asked to fill out and then checks both the company itself and the members of its governing and supervisory bodies as well as the beneficial owners against up-to-date sanctions lists. On the basis of the information obtained, the business partners are classified using an internal DEUTZ risk model and, if required, action is taken to minimize risks. To support these mandatory checks carried out with the business partner compliance tool, DEUTZ issued a groupwide business partner compliance policy when the tool was introduced.


Since the end of 2020, the business partner compliance tool has been used at the sites in Germany to conduct compliance checks on new business partners of DEUTZ AG. At the same time, work began on progressively applying these checks to existing business partners as well. The tool will be rolled out to DEUTZ companies based outside Germany in the medium term.

In 2021, a total of 118 existing business partners were migrated to the business partner compliance tool. In one case, findings identified during this process resulted in existing contracts no longer being fulfilled.

**Risk management** Dealing responsibly with risks is an important part of good corporate governance. The Board of Management holds primary responsibility for groupwide risk management. With the help of DEUTZ's internal risk management system, it is able to proactively identify groupwide risks so that it can respond rapidly to potentially relevant changes in the risk profile. Because all the departments are integrated into the risk management system, the monitoring of risks can be said to be comprehensive and it includes those that may arise in relation to corruption and bribery. Corporate Audit evaluates the system at regular intervals to verify whether it is functioning effectively.

The DEUTZ Group generally conducts risk inventories four times a year. The Treasury department is responsible for identifying, assessing, and hedging financial risks as part of this.  See also the risk report in the combined management report, p. 78 onward. **Non-financial risks** that arise as a result of the Company's own business activity, business relationships, and/or products and services and that could have a negative impact on the non-financial aspects defined in accordance with HGB are identified and evaluated at the end of each year, with SDC management initiating the identification process. Integration into the Group's regular, system-based risk inventory is planned in the medium term. Risks related to the achievement of non-financial KPIs are also examined manually and are reported to the Board of Management on a quarterly basis.

**Corporate governance** In addition to laws, regulations, and internal policies, the regulatory framework in which the Company operates encompasses other standards and guidelines such as the German **Corporate Governance Code**.  See p. 212 onward for the corporate governance declaration for DEUTZ AG and the Group and for the corporate governance report. In addition, the declaration of conformity issued by the Board of Management and Supervisory Board is published on the Company website at [www.deutz.com/en](http://www.deutz.com/en) under Corporate Governance.

**Stakeholder engagement and dialog** A stakeholder is considered to be any person, organization, or company with which DEUTZ maintains relations or is in dialog or that has an interest in, and seeks dialog with, DEUTZ. Shareholders are an important stakeholder group. The shareholders of DEUTZ AG routinely exercise their rights of membership and rights of codetermination at the Annual General Meeting. The Annual General Meeting decides on matters such as the appropriation of profit and the formal approval of the actions of the Board of Management and Supervisory Board. It also elects shareholder representatives to the Supervisory Board.  See 'Composition of the Supervisory Board', p. 200. In addition, the Annual General Meeting rules on matters pertaining to the legal basis of the Company, such as amendments to the Statutes or corporate actions. It also passes advisory resolutions for the approval of the remuneration system for the Board of Management submitted by the Supervisory Board and for the details of the Supervisory Board's remuneration, and recommendatory resolutions for the approval of the remuneration report for the previous year.

With regard to general capital market communications, DEUTZ undertakes to comply with the transparency guidelines in the German Corporate Governance Code, always communicating with private shareholders, investors, financial analysts, and all other interested capital market players comprehensively, promptly, and openly. Each quarter, for example, a conference call for investors and analysts and one for journalists are held to coincide with the publication of the Company's latest financial results. The Board of Management and the Investor Relations management team are also available for talks with interested parties from the capital markets at conferences, roadshows, and private meetings. Other current developments and significant events are communicated by means of press releases. DEUTZ also proactively seeks to engage in ad hoc dialog with proxies, for example, in order to discuss matters such as their expectations or the business decisions that have been made and to jointly reflect on the underlying reasons.

## HR MANAGEMENT

At the end of 2021, the DEUTZ Group employed a total of 4,751<sup>1</sup> people. They are based in more than 15 countries and therefore subject to different local conditions, requirements, and legal systems. The DEUTZ Group’s human resources organization is essentially decentralized. This gives the subsidiaries the strategic and organizational freedom they need to tailor their HR management activities to their specific needs and thus respond flexibly to local circumstances.

### Number of employees by region<sup>1</sup>

	2021	2020
Europe	4,123	4,028
thereof Germany	3,273	3,302
Americas	339	302
Brazil	24	22
Australia	19	18
Asia-Pacific	37	36
Morocco	69	67
China	140	113
<b>Total</b>	<b>4,751</b>	<b>4,586</b>

<sup>1</sup> Full-time equivalents (FTEs); excluding temporary workers.

In 2019, implementation of an SAP-based IT environment for HR got under way with the aim of centralizing HR management – where appropriate – and digitalizing processes. The first stage of the implementation, which facilitated a standardization format for employee master data at the sites of DEUTZ AG, took place in 2020. As of 2021, this has also been facilitated for the site in the USA. The standardization of the format of employee master data at the Spanish subsidiary was originally also meant to take place in 2020. However, because of resource bottlenecks and changes to the company’s management, implementation is now scheduled for 2022.

Under its sustainability strategy, DEUTZ has set various targets for HR management that – unless indicated otherwise below – relate to the entire Group, despite the largely decentralized organizational structure.

**Corporate culture | UNGC 1, 3–6** DEUTZ strives to create a respectful and non-discriminatory working environment for all employees – regardless of their age, ethnicity, nationality, gender, gender identity, physical and mental capabilities, religious beliefs and worldview, sexual orientation, or social background. To lend weight to this endeavor, DEUTZ ratified Germany’s Diversity Charter in 2021. The Company thus pledges its commitment to cultivating an organizational culture characterized by mutual respect and appreciation and to creating the foundations on which employees can acknowledge and share these values and put them into practice.

The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity in their day-to-day work. It contains mandatory rules for behavior, whose aims include creating a working environment that is free of discrimination, bullying, and harassment. The code of conduct applies across the Group and must be adhered to by all employees. [See also 'Corporate governance and compliance', p. 98 onward.](#)

In addition, DEUTZ attaches a high priority to maintaining a corporate culture that is shaped by team spirit and a sense of responsibility, and that fosters a culture of innovation. This corporate culture is encapsulated in the five corporate values of the DEUTZ Group.

### DEUTZ Corporate Values



### Representation of interests and codetermination | UNGC 3, 6

Pay-scale employees in Germany, who make up the majority (92 percent<sup>2</sup>) of the Group’s workforce, are subject to the collective pay agreement of the metalworking and electrical engineering industry. Their interests are represented by the works councils at the individual sites. A key task for these work councils is to monitor whether DEUTZ AG is fulfilling its responsibility to society as an employer. To enable them to perform this task, they are afforded the right to be informed about certain decisions and actions of the employer and to participate and have a say in them. HR matters such as working hours, pay, and occupational health and safety are among the key issues that are subject to this codetermination process. The works councils of DEUTZ AG therefore get involved in all employee-related matters regarding recruitment, remuneration, reassignment, and dismissal. Their primary

<sup>1</sup> Full-time equivalents (FTEs); excluding temporary workers.

<sup>2</sup> Percentage calculated on the basis of full-time equivalents (FTEs); excluding temporary workers.

objective is to agree mutually acceptable rules and arrangements for the matters at hand. The rights and obligations of the works councils in Germany are derived from the Works Constitution Act. An independent works council represents the interests of the Spanish employees at the site in Zafra.

The particular interests of staff with disabilities or equivalent impairments are additionally monitored and protected by a disabled persons' representative. Performing a similar role to that of the works council, this individual ensures that DEUTZ AG enforces the laws, collective pay agreements, and works agreements that are in place to benefit disabled employees. In 2021, to the best of its knowledge, the Company employed a total of 162 people with disabilities or equivalent impairments.

An elected Senior Staff Committee represents the interests of senior managers. Both the works council and senior managers also appoint representatives to the Company's Supervisory Board, thereby exercising their right of codetermination.

**Employee motivation and empowerment** A company's success and capacity for innovation depends to a large extent on its employees' motivation and satisfaction (engagement) and empowerment (enablement), and not just on their ability to do their job. DEUTZ endeavors to provide its employees with a working environment that, at every stage of their working life, motivates and empowers them. The measures offered by DEUTZ AG in this context include fair pay, paid vacation, flexible working time models for balancing work with family life, a comprehensive training and development program, the agreement of individual targets, a wide variety of healthcare and sports programs, and an equality-friendly management culture.

The bonus-driven ideas management scheme is a further tool for motivating the workforce to make a proactive contribution to the success of the Company. It allows any employee at DEUTZ AG to put forward ideas for discussion, such as how to improve product quality, enhance the portfolio of drive systems and services, make the working environment more efficient, and optimize existing processes. Not only does this help to foster a culture of innovation in the Company, but it can also increase employees' motivation and give them a greater sense of empowerment, for example because they can suggest ways to improve their working conditions. A total of 602 ideas were submitted in 2021. DEUTZ Spain has also established an ideas management system. The employees there submitted a total of 15 ideas via the system in 2021.

**Diversity and equality-friendly management culture | UNGC 1,**

**6** Diversity in society, influenced by globalization and by demographic and societal shifts, is also reflected in the world of work. DEUTZ firmly believes that having a diverse set of employees with different skills and talents opens up opportunities for innovative and creative solutions while also providing access to a wider pool of talent. It attaches a high priority to increasing the proportion of women in the Company, for example. Recruitment decisions should therefore be made solely on the basis of the candidate's professional suitability and there should be equal pay for women and men. This means that an employee's remuneration is essentially determined by their personal and professional qualifications and by the responsibilities assigned to them. For the 92 percent of employees covered by a binding collective pay agreement, gender-specific differences in salaries for equal tasks are excluded from the outset.

DEUTZ has set itself the target of increasing the proportion of women in the workforce as a whole to more than 10 percent and the proportion of female managers to more than 20 percent, in both cases by the end of 2023.

**DEUTZ Group: Proportion of women**

	2021	2020 <sup>3</sup>
Proportion of women in the workforce <sup>1</sup>	13.0	12.1
Proportion of women in management positions <sup>2</sup>	11.4	11.4

<sup>1</sup> Including staff on fixed-term contracts but excluding temporary workers.  
<sup>2</sup> Including staff on fixed-term contracts but excluding temporary workers. The second level below the Board of Management, i.e. all female managers who report directly to a manager in the top level of senior management and have managerial responsibility.  
<sup>3</sup> The proportion of women in the workforce as a whole and in management positions was first recorded in 2020.

In 2021, women made up 13.0 percent of the total workforce, meaning that the medium-term goal was exceeded again during the reporting period. At 11.4 percent, the percentage of women in management positions remained the same as in 2020.

**Internal communications** DEUTZ uses various communication channels to ensure its employees are fully up to date on all the latest news. These channels include letters to staff, the intranet,

the regular myDEUTZ employee magazine, and the employee app DEUTZ Mobile. This app gives access to a wide range of information about DEUTZ and can be downloaded by all employees of DEUTZ AG (and, since 2021, by employees of the Spanish subsidiary DEUTZ Spain) on their personal or work smartphones and/or tablets. In terms of analog formats, an annual works meeting is held at the DEUTZ AG sites, at which the Board of Management and works council inform employees of current developments.

**Employee survey** In 2019, DEUTZ carried out a groupwide employee survey for the first time in order to measure the levels of engagement and enablement in its workforce. The objective is to use the resulting insights to define specific measures that can motivate and empower employees to realize their potential as fully as possible. The employee survey, which is to be conducted at three-year intervals, is taking place for the second time in 2022.

The first employee survey, carried out in 2019, found that 78 percent of DEUTZ employees were motivated (engagement) and 69 percent felt empowered to do their work (enablement).<sup>1</sup> Based on these results, DEUTZ compares favorably with other companies in Europe, and so it has set itself the target of maintaining these levels up to 2023.

**Training** DEUTZ attaches great importance to training. The Company's success in this area is evidenced by the fact that, in 2021, the Cologne Chamber of Industry and Commerce recognized its training center at the headquarters in Cologne, the Factory for Talents, for its outstanding achievements in vocational training for the eleventh time in succession. Moreover, the German Chamber of Industry and Commerce named two DEUTZ apprentices as the best examinees in their respective vocations in Germany. In 2021, a total of 30 apprentices embarked on careers in five different vocations at DEUTZ AG.

#### DEUTZ AG: Ratio of trainees to total employees<sup>1</sup>

%	2021	2020	2019	2018	2017 <sup>2</sup>
Ratio of trainees to total employees	2.7	3.2	2.6	2.5	2.5

<sup>1</sup> Number of trainees at the sites in Cologne, Ulm, and Herschbach (Germany) in relation to the number of employees in Germany, including staff on fixed-term contracts but excluding temporary workers, Torqeedo, and Futavis.

<sup>2</sup> The calculation for the ratio of trainees to total employees in 2017 was based on the number of employees including Torqeedo. The ratio has not been retrospectively adjusted.

In 2021, the ratio of trainees to total employees was 2.7 percent. The year-on-year decline is due to the fact that the total number of apprentices at the end of 2021 was below the level in 2020, as


comparatively more apprentices completed their training in 2021. This is because the length of apprenticeships can vary depending on the particular vocation.

DEUTZ has set itself the target of maintaining the ratio of trainees to total employees at between 2.5 percent and 3.0 percent up to 2023.

**Personnel adjustment as part of Transform for Growth** In 2020, DEUTZ launched an organization-wide efficiency program called 'Transform for Growth' in order to maintain the Company's long-term competitiveness. By implementing all defined restructuring, process improvement, and cost reduction measures, DEUTZ intends to achieve gross annual cost savings of around €100 million compared with the base year of 2019. In addition to an adjustment in operating costs, the announced savings are to be achieved through a reduction in staff costs. To this end, DEUTZ introduced a voluntary redundancy program in September 2020 for its sites in Germany, originally for 350 employees. By the time that the program ended on March 31, 2021, it had been taken up by a total of 361 employees, 133 of whom had left the Company by December 31, 2020.

The top priority was to minimize the social impact of the reduction for all employees. Agreement was therefore reached with the employee representatives on a key issues paper in the third quarter of 2020 that covered the voluntary redundancy program, the establishment of an interim employment company, and a social compensation plan. The interim employment company takes on employees who have left the Company under the program and supports them for a period of no longer than twelve months in finding a new job, for example through training. While at the interim employment company, each former employee receives a salary consisting of a short-time working allowance for interim employment.

After reaching agreement on the aforementioned key issues paper, the IG Metall labor union and the employers' association agreed on a supplementary collective pay agreement ('DEUTZ pact for innovation and the future') with a three-year term. As part of this agreement, employees made certain undertakings in order to secure the future of the German sites, including unpaid increases in working hours during the term of the agreement.

 See also 'Transform for Growth', p. 25 in the 2020 Annual Report.

In 2021, restructuring costs totaling €3.1 million were recognized. These costs mainly encompass severance payments and other costs that are directly related to the restructuring. For the relevance of this to the consolidated financial statements, see the notes to the consolidated financial statements, p. 152.

<sup>1</sup> 61 percent of all Group employees took part in the survey, including staff on fixed-term contracts but excluding temporary workers.

**Staff turnover** DEUTZ believes that a healthy rate of staff turnover, while retaining the services of experienced workers in the organization, should also recognize that new employees bring with them new perspectives that can help a company to develop and improve its ability to innovate. Our HR activities are therefore aimed at ensuring the groupwide rate of staff turnover is within a range of 5 to 10 percent up to 2023. This target was not adjusted as a result of the global efficiency program and the accompanying reductions in the number of jobs.

**DEUTZ Group: Staff turnover<sup>1</sup>**

	2021	2020
Rate of staff turnover	10.5	6.3

<sup>1</sup> Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers; number of employees calculated as full-time equivalents (FTE). The calculation includes both resignations and dismissals.

In 2021, the rate of staff turnover for the DEUTZ Group was 10.5 percent. This increase compared with the prior year was mainly due to employees leaving as part of the voluntary redundancy program.

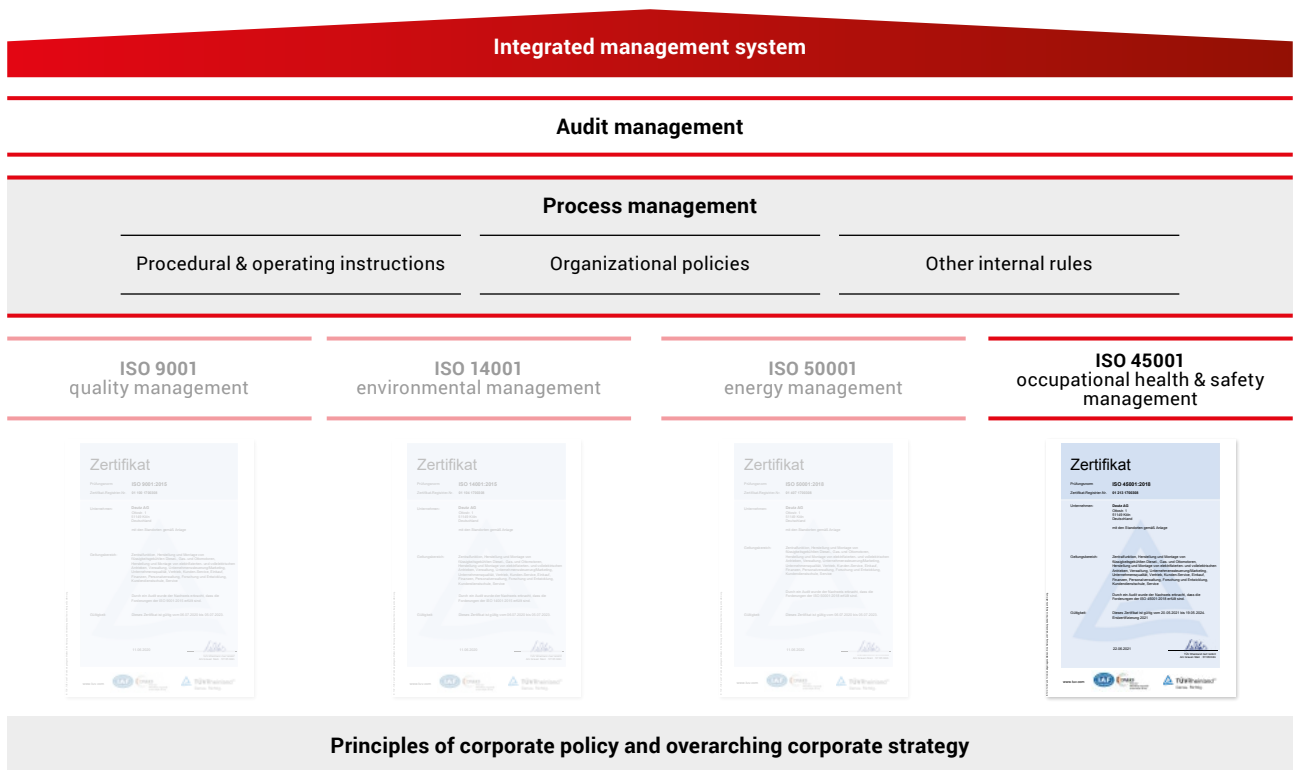
OCCUPATIONAL HEALTH AND SAFETY

Financial considerations must never be allowed to compromise the health and safety of staff, because every individual has the fundamental right to health and physical well-being. DEUTZ recognizes that providing a safe working environment that is conducive to health is part of its responsibility as an employer. Across the Group, the Company therefore complies with the statutory requirements on occupational health and safety that apply from country to country and implements measures based on local circumstances.

At present, occupational health and safety within the DEUTZ Group is still largely managed at local level. This means that, unless indicated otherwise, the following information essentially relates to the sites of DEUTZ AG, where the majority of the Group's workforce – around 65 percent<sup>1</sup> – is based. However, the Company aims to set up a centralized organization and, going forward, to initiate planned health and safety activities on a groupwide basis.

**Integrated management system** DEUTZ AG's integrated management system (IMS) specifies the rules and processes for certain organization-wide functions and thus provides the basis for collaboration between all employees. The IMS is grounded in the general principles of the corporate policy as well as the overarching corporate objectives. Its functioning is subject to regular review by internal audit management as the monitoring body.

<sup>1</sup> Percentage calculated on the basis of full-time equivalents (FTEs); excluding temporary workers.



After it had been established as the system for quality and environmental protection across the DEUTZ Group, the IMS was extended to cover the ISO 45001 occupational health and safety management standard at the Cologne-Porz and Cologne-Kalk sites in 2021.

### **Management of occupational health and safety and ISO 45001 certification | UNGC 1**

In 2021, the IMS that has been established in Germany was extended to cover occupational health and safety. This entailed a matrix certification process, starting with the Cologne sites in accordance with the global ISO 45001 standard. ISO 45001 sets out the requirements for an effective system for managing occupational health and safety. The next step will involve assessment of the German sites in Ulm and Herschbach by the certification auditors in 2022/2023. The production site in Zafrá, Spain, has held ISO 45001 certification since 2019. Based on the number of people employed at production sites across the Group, the ISO 45001 certification covered 75 percent of the Group's workforce as at December 31, 2021.<sup>1</sup>

The management of occupational health and safety in accordance with the requirements of DIN ISO 45001 is organized by the Health, Safety, and Environment department. Its overarching objective is to protect the health of employees over the long term while ensuring, as a consequence, that they can continue to perform to the required level. In addition to general preventive measures (for example those initiated as a result of near misses), its main tasks include the ongoing analysis and evaluation of potential hazards and the specification of suitable countermeasures to minimize risk.

### **Risk assessments and health and safety inspections | UNGC 1**

Internal risk assessments and subsequent inspections play an integral role in how workplace safety is managed at DEUTZ AG and its Spanish subsidiary, DEUTZ Spain. The frequency with which these take place depends on the extent and type of the risk presented by the machinery or workspace. Any issues identified are documented in action plans that specify a timeframe for remedial measures to be taken. In addition to internal audits, there are also audits conducted at regular intervals by the authorities as well as health and safety inspections.

### **Handling of hazardous substances | UNGC 1**

DEUTZ uses hazardous substances in its engine production that could cause harm to people and the environment if they are not handled properly. DEUTZ AG manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures.

In 2021, DEUTZ AG found substitutes for 388 hazardous substances, which reduced the total that it uses from 1,205 to 817. Other measures included the establishment of processes for hazardous substance approval and the development of training in the form of manuals. The latter are intended to provide employees with instructions on how to safely handle hazardous substances.

Whereas the priority with regard to hazardous substances has up to now been on establishing approval processes, the next step will focus on purchasing.

### **Occupational healthcare center and cooperating company doctors**

Measures to protect employees' health are managed and offered centrally by the occupational healthcare center at the headquarters in Cologne and the company doctors at the Ulm site that cooperate with the center. In addition to regular consultation times, the offering includes mandatory check-ups and medicals, advice on nutrition, ergonomics, and addiction, a range of vaccinations, and a managed process of returning to work after illness or injury that is run in conjunction with the HR department. Safety days are also organized, typically on an annual basis, in order to raise employees' awareness of matters related to health and safety. The coronavirus pandemic meant that it was not possible to hold a safety day in 2021.

Regular training is provided to the key players in occupational health and safety to ensure that their knowledge is up to date and in keeping with the times.

### **Restrictions to contain the spread of coronavirus**

Protecting the health of employees took on even greater significance in 2020 in the wake of the outbreak of the coronavirus pandemic. DEUTZ AG set up a coronavirus crisis management team in February 2020 in order to minimize the risk of infection and fulfill its contractual duty of care and protection. The team is led by the Head of HSSE (Health, Safety, Security, and Environment) and has been meeting on a regular basis since its creation. The team is responsible for developing and implementing an operational action plan for the targeted protection of employees' health that can be adapted to the prevailing situation at any given time and thus fulfills the requirements of SARS CoV-2 occupational health and safety standards. The planning and implementation of this action plan takes place in close consultation with the works council.

<sup>1</sup> Percentage calculated on the basis of full-time equivalents (FTEs); excluding temporary workers.



Coronavirus-related health and safety measures that have been implemented include, alongside rules on social distancing and wearing face masks, steps to create a safe work environment in terms of infection control, increased cleaning cycles, the provision of hand sanitizer in entrance areas, sanitary facilities, and communal areas, and – for employees in administrative functions – the option of working from home. Furthermore, DEUTZ SICHERHEIT set up coronavirus testing centers at the headquarters in Cologne in January 2021 in which up to 500 employees a day volunteered to be tested and thus proactively helped to break chains of infection. And after vaccine prioritization ended in Germany, inhouse vaccination centers were set up at DEUTZ AG sites, where employees and their family members were able to get a jab to protect themselves against coronavirus.

In order to ensure that staff understand and comply with the new preventive and occupational safety measures, the Company has, since the outbreak of the coronavirus pandemic, been communicating relevant information extensively and in a targeted manner using a variety of different channels. In addition to regular notifications, for example on the intranet and the DEUTZ Mobile app, it also uses noticeboard announcements and clear signs and labels, for example to remind employees to follow personal hygiene procedures such as minimizing aerosol spread when coughing and sneezing.

**Frequency of accidents** The effectiveness of the aforementioned measures is monitored and measured using various key figures.

The recordable incident rate (RIR) for the DEUTZ Group in 2021 was 9.4, up from 7.4 in the prior year. This increase is due to coronavirus-related factors having a positive impact on the figure in 2020. For example, the number of production runs was significantly reduced as a result of the decrease in the production program. The RIR has improved when compared to the pre-pandemic year of 2019. A contributing factor here was the involvement of the occupational health and safety department early on in the implementation of upgrade measures in production, for example when a new assembly line was brought on stream. In addition,

workspaces in production are planned using 3D tools to further optimize ergonomics. Thanks to the introduction of standardized accident analyses, potential dangers can be identified at an early stage and protective measures put in place. Any insights and experiences gained are communicated to all sites. DEUTZ also implemented a variety of measures to optimize the occupational health and safety organization, some of which were a result of the ISO 45001 certification process.

There were no fatalities as a result of work-related injuries in 2021.

**DEUTZ Group: Recordable incident rate (RIR)<sup>1</sup>**

	2021	2020	2019 <sup>2</sup>	2018	2017
RIR	9.4	7.4	11.2	15.0	13.4

<sup>1</sup> For the production sites in the DEUTZ Group, excluding joint ventures. The recordable incident rate (RIR) is the number of reportable accidents at work per year per one million hours worked. An accident is deemed reportable if it occurs during working hours on the Company's premises while an insured activity is taking place and results in an absence of more than three calendar days. The day of the accident itself is not counted, but week-ends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.

<sup>2</sup> The figure for 2019 is not directly comparable with the figures for the previous years because temporary workers were not included in the calculation before 2019.

As part of its Sustainability Vision for 2023, DEUTZ set itself the medium-term target of improving the RIR to 7 by the end of 2023.

## SUPPLIER MANAGEMENT

DEUTZ maintains business relationships with more than 4,500 suppliers in more than 40 countries. With a purchasing volume of nearly €1.2 billion worldwide, the DEUTZ Group's supply chain makes a significant contribution to its value creation process. As the Company's subsidiaries are mainly sales companies, overall responsibility for supplier management, including the approval of production component suppliers, lies predominantly with DEUTZ AG as the executive parent company.<sup>1</sup>

The general objective is to gradually centralize Group purchasing so that, in the medium term, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. In 2021, as a first step, a groupwide organizational structure for purchasing was set up and a global platform was created that is able to provide a transparent overview of the global supplier base. DEUTZ also established a new Purchasing Excellence department that took on global responsibility for the purchasing function's strategy, governance, processes, methods, and tools.

Supplier management had previously focused primarily on the quality of the supplied components, lead times, availability, and commercial conditions. The implementation of the groupwide sustainability strategy, however, now means that the selection of suppliers is increasingly also based on sustainability criteria. The Company has already initiated a whole host of measures in this regard and has also defined a variety of targets under its sustainability strategy that apply not just to DEUTZ AG but to the entire DEUTZ Group.

**Supplier management system** DEUTZ AG systematically manages its suppliers using a 'supplier cockpit', which it uses to monitor the performance of key suppliers primarily from a purchasing, logistics, and quality perspective. In 2020, in order to be able to query and evaluate various aspects of sustainability, the Company also introduced a web-based assessment platform for global supply chains and a business partner compliance tool. DEUTZ initiated a digitalization process in 2021 with the aim of combining these previously stand-alone assessment platforms into a single supplier cockpit in the medium term. The objective is to ensure that, from the outset, the assessment of suppliers takes particular account of aspects such as respect for human rights, measures to combat corruption and/or bribery, and compliance with certain environmental and social standards. Employees in the purchasing department should, with the help of specialist training, be able to give sufficient consideration to this information when selecting suppliers and to utilize it in their purchasing negotiations.

<sup>1</sup> The information in this section relates to direct suppliers that have a contractual relationship with DEUTZ.

**Code of conduct for suppliers | UNGC 2–6, 10** The DEUTZ code of conduct for suppliers (Supplier Code) is a key instrument in the Company's efforts to communicate sustainability aspects to its supply chain. The code sets out mandatory groupwide requirements, for example with regard to ensuring compliance with occupational health and safety standards and certain environmental protection standards as well as respecting human rights. Among other objectives, the code thus helps to ensure that DEUTZ does not make itself complicit in human rights abuses as defined in the second principle of the UN Global Compact. It also expresses the Company's expectation that suppliers should impose the same requirements on their supply chain that DEUTZ imposes on them.

The Supplier Code is available in German, English, and Chinese and has been an integral part of all new supplier contracts and the general purchasing conditions since January 1, 2020.

In order to ensure and track the effectiveness of the Supplier Code to the greatest possible extent, the Company conducts site audits of both existing and new suppliers to assess their compliance with the requirements set out in the code. The Supplier Code, which is referenced in all standard supplier contracts, specifies that DEUTZ reserves the right to conduct such audits.

In 2019, under its Sustainability Vision for 2023, DEUTZ set itself the target of conducting site audits at 30 existing suppliers a year between 2020 and the end of 2023 regarding their compliance with the Supplier Code and of auditing 90 percent of all new suppliers over the same period. The outbreak of the coronavirus pandemic meant that the 30 site audits of existing suppliers that had originally been planned for each year did not take place in either 2020 or 2021. This prompted DEUTZ to adjust its target so that it now intends to locally audit a total of 55 existing suppliers by 2023.

In 2021, site audits were conducted at a total of 16 existing suppliers. The proportion of new suppliers that were audited was 83 percent.

**DEUTZ Group: Number of suppliers<sup>1</sup> audited regarding their compliance with the Supplier Code**

	2021	2020
Number of suppliers audited	16	4

<sup>1</sup> Existing suppliers as at the end of 2019.

**DEUTZ Group: Proportion of new suppliers audited regarding their compliance with the Supplier Code**

	2021	2020
Proportion of new suppliers audited	83	0

Suspected violations of the Supplier Code can be reported at any time via a publicly accessible whistleblowing system. [See also](#)

'Corporate governance and compliance', p. 98 onward.

As part of its implementation of the German Supply Chain Due Diligence Act, DEUTZ plans to comprehensively revise its current Supplier Code in 2022 and to roll it out in further language versions.

**Monitoring and assessing the sustainability performance of suppliers | UNGC 2–7, 10** DEUTZ has created a tool that draws on publicly accessible information to ensure that potential sustainability risks in its supply chain are monitored on an ongoing basis. By filtering predefined data sources, such as those provided by the World Health Organization, the tool identifies reports that pertain to relevant risks, for example in connection with humans rights issues or labor practices, and automatically forwards them to the appropriate employees in the purchasing department. These reports are also incorporated into the system-based assessment of the general risk of working with that supplier.

At the end of 2020, DEUTZ also began using EcoVadis, a web-based assessment platform for global supply chains, in order to gain a rounded picture of the sustainability performance of its biggest suppliers by revenue. The assessment criteria cover environmental and ethical topics, labor rights, human rights, and sustainable sourcing.

DEUTZ has set itself the target, for the end of 2023, of auditing 50 percent of its top 150 suppliers as measured by its purchasing volume in the prior year. The proportion of suppliers audited in this way in 2021 was 55 percent.

**DEUTZ Group: Proportion of suppliers<sup>1</sup> assessed against sustainability criteria**

	2021	2020
Proportion of suppliers assessed	55	31

<sup>1</sup> Top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.

In the next step, DEUTZ plans to develop a process that will make it possible to systematically detect and document weaknesses identified as part of the assessment of sustainability performance. This documentation will then be used as a starting point for the definition of improvement measures in collaboration with the suppliers.

**Business partner compliance | UNGC 1–6, 10** As part of a preventive risk management approach, business partners are also checked regarding any potential misconduct – e.g. in connection with money laundering, unfair competitive practices, or corruption and/or bribery – in addition to the assessment of their sustainability performance using EcoVadis. DEUTZ introduced a business partner compliance tool for this purpose at the end of 2020. [See also](#) 'Corporate governance and compliance', p. 98 onward.

The target for 2023 is to use the newly established tool to conduct compliance risk assessments for 90 percent of all existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million. In 2021, the proportion of existing suppliers to have undergone business partner compliance checks came to 11 percent.

**DEUTZ AG: Suppliers<sup>1</sup> that have undergone business partner compliance checks**

	2021	2020
Proportion of suppliers audited	11	0

<sup>1</sup> Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

**Materials compliance | UNGC 7–8** DEUTZ purchases components and raw materials for use in engine production that contain an extensive range of pure substances and minerals. As a result, the Company is subject to international regulations including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH), the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS), and provisions governing the use of **conflict minerals**.

The Materials Compliance function, which is part of the Purchasing Excellence department, is tasked with ensuring compliance with the aforementioned regulations. Its main responsibilities include continually assessing developments at regulatory and policy level, such as the EU chemicals strategy, and determining whether the engines that are produced fulfill the criteria of all the many environmental laws and regulations. The function is also responsible for optimizing processes with regard to the materials and substances that are used. This includes introducing conformity checks in the product development process and in the purchased parts approval process. To achieve these aims, it works closely with Component Purchasing for Series Production and the Supplier Quality department and stipulates the criteria for the selection of production component suppliers with regard to materials compliance. An online database for materials declarations has been established with the aim of monitoring supplier compliance with these criteria and improving the management of processes. This will eventually cover all suppliers. Building on this, an IT project launched to implement a materials compliance software solution was completed in 2021. This will help to further process information on materials over the course of the product lifecycle.

As it does not purchase any minerals directly, DEUTZ has to work in conjunction with its business partners in order to exercise its responsibility in this respect. In order to avoid minerals from conflict-affected and high-risk areas in the supply chain and counteract illegal or unethical procurement practices, a corporate policy on conflict minerals was implemented in 2020 as a supplement to the Supplier Code. This policy reflects sources such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and will form part of new supplier contracts from 2022 onward. DEUTZ carries out surveys on the use of conflict minerals at regular intervals to ensure compliance with this guidance and its recommendations to the greatest possible extent. These surveys use the Conflict Minerals Reporting Template, which was developed by the Responsible Minerals Initiative (RMI) to support companies in their efforts to provide their customers with accurate information on the countries of provenance of certain minerals and the smelting plants and refineries they use.

**Implementation of the Supply Chain Due Diligence Act** The Supply Chain Due Diligence Act will enter into force in Germany on January 1, 2023. It is intended to prevent, minimize, or eliminate risks relating to human rights and the environment. In the second half of 2021, DEUTZ, under the direction of the purchasing department, established a cross-departmental task force that is working on implementing the resulting requirements. As well as appointing a human rights officer, these requirements include putting in place a risk management system, conducting regular risk analyses, and developing and implementing preventive and remedial measures. From the beginning of 2023, DEUTZ will report annually on the aforementioned issues and any related developments in its non-financial report. And by the end of 2022, the Company will adopt a groupwide declaration of principles with regard to its human rights strategy and make this publicly accessible on its website.

# SOCIAL RESPONSIBILITY

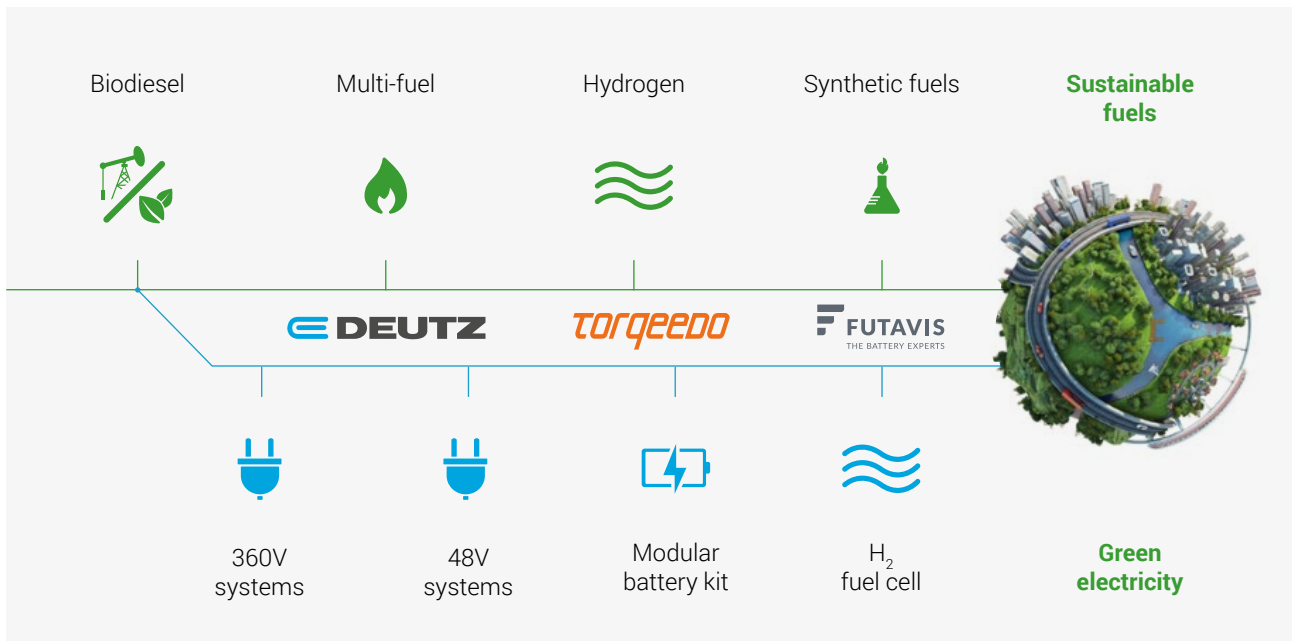
## PRODUCT STEWARDSHIP

An ever-growing global population, finite natural resources, and the steady march of climate change as a result of global warming present fundamental challenges for the future of mobility, and not just in the on-road sector. The **Paris Agreement** from 2017 aims to limit global warming to 1.5 degrees by 2030. The off-highway sector also needs to play its part in the achievement of this target by reducing, as far as possible, the amount of harmful CO<sub>2</sub> emissions that it produces. As a leading manufacturer of engines for off-highway applications, DEUTZ believes it has a responsibility to society to make products that move us toward a future of carbon-neutral off-highway vehicles and marine vessels, thereby contributing to the achievement of the Paris climate goals.

The ongoing development of our drive portfolio is, of course, also influenced by legislation aimed at reducing emissions and limiting noise pollution. To establish whether an engine meets the legal requirements, it has to undergo mandatory certification processes. These are carried out by bodies such as Germany's Federal Motor Transport Authority or equivalent foreign authorities like the US Environmental Protection Agency. With regard to conventional diesel-powered internal combustion engines, DEUTZ continually assesses older engine series that are coming to the end of their lifecycle, particularly if they cannot be converted to meet future emissions standards. This means that engines which do not comply with current standards or cannot be upgraded to achieve compliance will be progressively withdrawn from the portfolio.

Different applications with varying power requirements call for a range of drive solutions. Construction equipment and agricultural machinery, for example, need a great deal more power than forklift trucks or lifting platforms. In view of this fact, DEUTZ adopts a technology-neutral approach to the development of its engine portfolio. Its products therefore range from diesel technology to solutions that use alternative fuels and include gas, hybrid, electric, petrol, and hydrogen drives.

### Technology-neutral approach to development of the drive portfolio



**E-DEUTZ | UNGC 7–9** The E-DEUTZ strategy, initiated back in 2017, plays an instrumental role in the development of green off-highway drive solutions. It aims to create a scalable product portfolio of electric drives and hybrid variants for specific customer requirements in off-highway and marine applications. Electric drive systems are carbon-neutral, whereas hybrid systems reduce total carbon emissions during operation by **downsizing** engine capacity while maintaining overall system performance.

In the coming years, the E-DEUTZ development team working from multiple sites will focus on commercializing four basic drive systems for customer applications in the low and medium power output range, for example ground support equipment, construction equipment, and agricultural machinery. In 2021, in step one of this process, DEUTZ developed an electric 360-volt drive system to the preproduction stage. The focus in 2022 is on launching the finished product on to the market. The plan for the second step is to develop a 48-volt base drive system and a 360-volt split system by the end of 2023.

In 2020, DEUTZ employees had sketched out the idea of a mobile E-DEUTZ charging station, the Powertree, for electric-powered construction vehicles. Electric drive systems are restricted in their autonomy and take longer to ‘refuel’ (recharge) than conventional internal combustion engines. This is where the DEUTZ Powertree comes in. The Powertree’s integrated battery means that machines can be charged on site even when there is no access to mains powers. Downtime is reduced to a minimum thanks to the rapid-charge function that is capable of delivering up to 150 KW. DEUTZ supplied the first prototypes to a customer in 2021.

The various departments involved provide regular updates to the Board of Management on the progress of development in the E-DEUTZ program. Action plans for achieving individual targets are drawn up on an ongoing basis, for example for the launch of customer projects.


In 2021, the share of consolidated revenue attributable to E-DEUTZ products amounted to 3.3 percent.

**DEUTZ Group: E-DEUTZ share<sup>1</sup> of consolidated revenue**

%	2021	2020	2019 <sup>2</sup>
E-DEUTZ share	3.3	3.2	1.7

<sup>1</sup> Revenue with electric motors, E-DEUTZ components and services as well as batteries from DEUTZ subsidiary Futavis.

<sup>2</sup> Because Futavis was acquired in October 2019, only its revenue for the fourth quarter of 2019 is included.

**New segment: Green** With effect from January 1, 2022, DEUTZ is putting in place a new reporting structure and introducing the Green segment. The Company’s aim is to provide a more transparent picture of its work on off-highway technology for a carbon-neutral future. All activities connected with the development and production of non-diesel drives will be assigned to the Green segment. This includes E-DEUTZ drive systems, the subsidiary Torqeedo, the battery management service provider Futavis, hydrogen-powered engines, and developments related to fuel cells, as well as the assimilation of new technologies through strategic investments and acquisitions. The introduction of the new segment reporting structure means that the previous E-DEUTZ target has been superseded. The target is now to raise the proportion of consolidated revenue generated by the Green segment to between 5 and 10 percent by 2023/2024.  See also the management report – ‘Strategy and objectives’, p. 22 onward.

**Innovative internal combustion engines | UNGC 7–9** In the years ahead, internal combustion engines will continue to predominate for mobile machinery. For this reason, the DEUTZ Group’s development activities will focus not only on electrification but also on the development of innovative internal combustion engines that can run on a carbon-neutral basis by using sustainable energy sources. Hydrogen is one of these sustainable energy sources that can be used as a fuel for carbon-neutral internal combustion engines. ‘Green’ hydrogen, which is generated from solar, hydro, or wind power, offers the possibility to convert energy from renewable sources into a storable gas for efficient use.

DEUTZ commenced development work on its first production hydrogen engine in the third quarter of 2021. The TCG 7.8 H2 complies with the CO<sub>2</sub> threshold set by the EU for zero emissions. Agreement has been reached with a regional utility company that it will be piloted in stationary equipment for power generation. The hydrogen engine in this instance produces electricity in combination with a generator. Although this pilot project is relatively small in scale, it should deliver insights into the decentralized, sustainable, and greenhouse-gas-free supply of energy in urban centers. The plan is for the TCG 7.8 H2 to go into full production at the end of 2024. DEUTZ had already signed a cooperation agreement with the German Aerospace Center (DLR) regarding a joint project focused on making construction sites more environmentally friendly. The aim of the project is to develop solutions for running construction-site vehicles and agricultural machinery on hydrogen.

Commercial vehicles, tractors, and construction equipment are used for heavy-duty applications and for long hours, so they need a fuel with a high energy density and short refueling times. E-fuels may be the answer. They are synthetic fuels such as paraffinic diesel fuels that are made on a renewable basis using electricity, water, and carbon dioxide (CO<sub>2</sub>). The combustion of e-fuels produces the same level of emissions as conventional fuels. However, if the electricity used to make them is produced entirely from renewable sources and the necessary CO<sub>2</sub> is taken from the atmosphere or from biomass, then internal combustion engines can run on a carbon-neutral basis. In August 2021, DEUTZ approved all its model series that meet the EU V emissions standard for use with paraffinic diesel fuels. At the same time, the Company approved the majority of its latest-generation engines for biodiesel blends (biodiesel mixed with petroleum diesel). The use of these alternative fuels significantly reduces the carbon footprint of DEUTZ's engines and raises the prospect of it making its engines carbon-neutral in the future by running them on 100 percent biodiesel.

DEUTZ joined the eFuel Alliance in the third quarter of 2021. The organization represents the interests of companies involved in producing synthetic fuels from renewable energies on an industrial scale. Its mission is to drive forward the production of e-fuels as an alternative to conventional fuels, help them to become broadly accepted, and in doing so contribute to the protection of the climate.

The TCD 5.2 is another example of how environmental compatibility and a long service life are priorities in the development of DEUTZ's drive portfolio. This diesel engine has four cylinders and a displacement of 5.2 liters and, looking ahead, is intended to replace larger six-cylinder engines. It does not use **exhaust gas recirculation** and is instead equipped with an efficient nitrogen oxide (NO<sub>x</sub>) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The elimination of exhaust gas recirculation means the engine can be made more powerful, which allows its capacity and thus also fuel consumption to be reduced. Combustion efficiency is improved as well, reducing fuel consumption even further. The TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid operation thanks to the integrated 48V electric motor option. DEUTZ supplied the first prototypes for a range of customer applications in 2021. The plan is to go into production in 2022.

As part of an event held across several days in November 2021, under the banner 'Moving the world sustainably', DEUTZ unveiled prototypes of a wide range of new developments to the capital markets, the press, and its customers and used live demonstrations of specific applications to show them how it is paving the way for green off-highway drive solutions. In addition to mobile electric charging stations, the Company presented all-electric excavators with various power profiles, a small, all-electric construction-site crane truck, and an electric-powered aircraft tug. Zero-emission operation and minimal noise emissions are the standout features of these applications. On the agricultural machinery side, the Company showcased a downsizing solution for a tractor.


**Modular product system** DEUTZ gives its customers the option of individually configuring their ideal drive solution from a set of product modules, based on defined parameters such as application segment, power output, emissions characteristics, and technical specification. The system enables the Company to offer bespoke solutions that can reduce carbon emissions, fuel consumption, and overall costs while allowing it to still respond quickly and flexibly to technological advances and changing market requirements.

#### **Environmentally-friendly and resource-efficient services | UNGC**

**7-9** DEUTZ play its part in mitigating climate change by continually reducing the fuel consumption and emissions of its engines and developing carbon-neutral drive solutions. But the Company goes further than that. It also offers its customers a variety of services that help to reduce pollution and the use of resources. One example is the provision of reconditioned engines and spare parts under the DEUTZ Xchange program. Old engines are professionally reconditioned and wearing parts are replaced with genuine DEUTZ components. At the end of the process, the engines are as good as new and identical to the original ones in every respect. This extends the lifecycle of engines and provides a cost-effective and, above all, environmentally friendly alternative to purchasing a brand-new engine.

The cleaning of diesel particulate filters (DPF) is another example of the environmentally responsible and resource-efficient services we offer. The main function of the DPF is to filter the exhaust gas and capture any residual ash from the engine's combustion process to prevent it from being released into the atmosphere. But the absorption capacity of particulate filters is limited, meaning that these filters need to be replaced or professionally cleaned on a regular basis. The DPF is cleaned using an environmentally friendly method that involves thermal treatment and subsequent removal of ash residue using compressed air. The DPF's effectiveness in the exhaust aftertreatment process can thus be restored without any need to use harmful chemicals and the engine can continue to operate at optimum fuel consumption and emission levels. The typical useful life of the DPF is significantly extended by this process and filter replacements, which would normally be required regularly due to issues such as clogging, are needed much less frequently.

Digital technologies are also a priority for DEUTZ in the expansion of its service portfolio, as they can present an eco-friendly alternative to previously analog-only formats. In 2021, DEUTZ introduced S-DEUTZ Telematics, which now makes it possible to plan service events with greater efficiency thanks to digital engine condition checks with integrated diagnostics and fault interpretation. The technician at the service outlet is able to use the digital diagnostics and fault interpretation to plan ahead and make sure that the parts and tools needed to fix a fault are available at the right time. In addition, the digital engine condition checks allow for planned maintenance and unplanned repairs to be combined. This reduces the number of trips that need to be made to the service outlet, which has a positive impact on the carbon footprint.

**Innovation platform | UNGC 7–9** To complement its ideas management system  See also 'HR management', p. 101 onward DEUTZ AG established an additional format in 2021 called the innovation platform, which allows employees to work together on a range of ideas for enhancing the drive and service portfolio. The theme of the current campaign is 'green construction sites', focusing on the three aspects of energy logistics, energy storage, and energy management. It is accompanied by a series of webinars designed to give employees a deeper understanding of the questions that are currently being asked and the challenges that they pose. For energy logistics, for example, the question is: How does the energy get to the construction site? For the accompanying webinars: What are the parameters for working with urban and non-urban construction sites? What can construction site operators expect from this infrastructure? How can we as a Company customize our offerings to cater to these requirements? In a spirit of openness to new technologies, the innovation campaigns are essentially aimed at pursuing approaches based on all kinds of different drive systems. The new platform not only fosters a culture of innovation at the Company but also allows for the exploration of new ideas for green drive systems that are tailored to the requirements of customers in the off-highway sector.




## CORPORATE CITIZENSHIP

DEUTZ endeavors to make a positive and sustainable contribution to society and to the regions in which it operates. The emphasis is on the promotion of education, innovation, and environmental projects. A groupwide donation and sponsorship strategy and an accompanying organizational policy provide a mandatory framework for its activities in these areas. As well as defining responsibilities and decision-making processes, they set out the principles for corporate citizenship activities and aim to ensure their effectiveness and legal integrity – particularly with regard to potential conflicts of interest and measures to combat corruption and bribery – by laying down binding rules.

**Nicolaus August Otto Award | UNGC 7–9** DEUTZ regards innovation and a pioneering spirit as the driving force behind progress of any kind, and nowhere is this reflected more than in the corporate values that are put into practice across the Group. It also aims to support advances in wider society. In order to pave the way for green off-highway drive solutions, for example, DEUTZ is championing innovative ideas, technologies and future-focused research in the fields of alternative drives, transportation, and energy efficiency. That is why, in 2019, it established the Nicolaus August Otto Award, named for the founder of DEUTZ AG and co-inventor of the four-stroke engine. The award is presented annually and endowed with prize money of €30,000.

In 2021, DEUTZ presented the Nicolaus August Otto Award to Professor Anke Kaysser-Pyzalla. The Chair of the Executive Board of the German Aerospace Center (DLR) received the innovation prize in recognition of her achievements in research and management in the fields of space exploration, aeronautics, energy, transportation, security, and digitalization.

**Nurturing young people** DEUTZ regards education as the foundation of a sustainable society. This is why DEUTZ Spain started work on the DEUTZ Business School (DBS) at its site in Zafra in 2017. The objective was, and still is, to support economic development in a region where educational institutions such as the business school are rare. The DBS aims to equip young people with the knowledge and skills they need to meet current and future requirements of business and of the labor market. In addition to university lecturers, the teaching is also provided by managers from DEUTZ Spain who are certified lecturers. The programs on offer are geared toward the needs of companies in all sectors. They focus on dual vocational training, university courses in **lean management**, and language courses with official certification. Around 1,200 students were enrolled on DBS courses in 2021.

Social causes are also a focus of the training center at the headquarters in Cologne.  See also 'HR management', p. 101 onward. For more than 20 years, DEUTZ has worked with the charity IN VIA to provide training and labor market integration support at the center. The participants are young women and men who have difficulties finding a job after leaving school. Over a period of ten months, they are prepared for working life and receive basic training in metalwork and warehouse logistics. In 2021, DEUTZ built a bridge to the world of work for a total of 18 young people through this initiative.

**DEUTZ gensets for a good cause** In 2021, DEUTZ arranged for material support to be provided to the Burkina Faso Institute of Technology (BIT), a private university that was founded four years ago. In addition to the main university building, its grounds feature a high school, a range of sports facilities and, as the most recent addition, student accommodation. Power has so far been provided by a solar plant that is now reaching the extent of its capacity because of the rising number of facilities. Until a new solar plant can be installed, a DEUTZ genset is ensuring that local power supply is maintained. This summer, DEUTZ gensets were also deployed in Germany as a means of ensuring a basic supply of electricity after some regions were hit by severe weather in July 2021. Torrential rain led to flash floods and massive flooding in the affected regions that destroyed a large part of the infrastructure, including that used to supply gas, electricity, and water. Together with the dealer DEMTECH and the customer VISA, DEUTZ swiftly arranged for gensets, pumps, and other equipment – including immersion pumps and devices to suck out or move water – to be provided to the disaster zones. In addition, DEUTZ's safety management unit coordinated the distribution of equipment offered privately by DEUTZ staff. The Company also exempted any employees affected by the floods from having to work and continued to pay their wages.

# ENVIRONMENTAL RESPONSIBILITY

## ENVIRONMENTAL AND CLIMATE PROTECTION

DEUTZ believes that part of its responsibility to society is to help improve the protection of the environment and climate around the world by developing innovative drive solutions for its customers. The Company also strives to fulfill its responsibility in this area by continuously optimizing the processes and activities associated with its own business operations with regard to their impact on the environment and society.

The production sites of the DEUTZ Group are largely managed at local level due to differing circumstances at each location, which is why the following remarks refer in the main to the DEUTZ AG network of production sites.

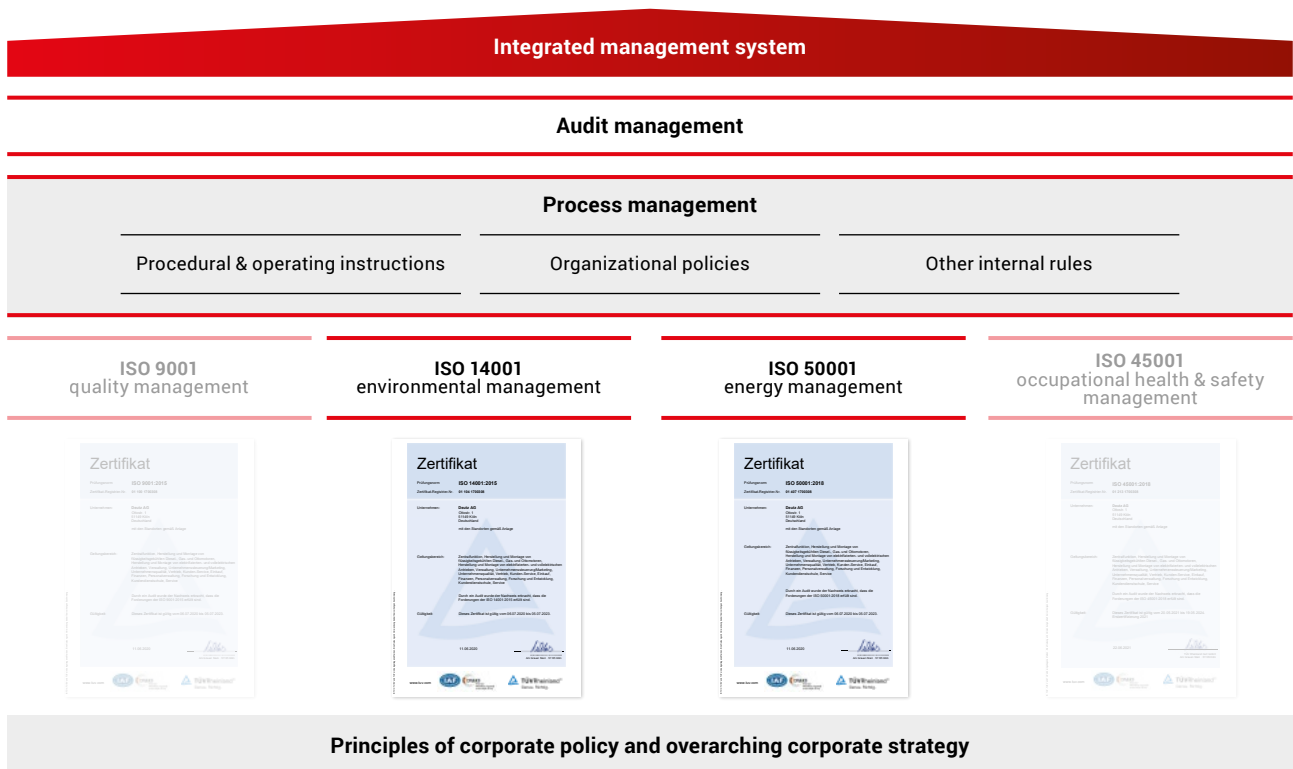
Despite its decentralized organizational structure, DEUTZ has set a number of targets as part of its sustainability strategy that – unless otherwise specified – relate to the production sites<sup>1</sup> of the Group as a whole.

<sup>1</sup> Excluding joint ventures.

**Internal inspections and legal conformity | UNGC 7** The activities of certain areas of the business, such as the assembly line or paintshop, carry a risk of having harmful effects on the environment. An internal team of auditors and experts inspect these areas at least once a year to enable possible hazards and potential for improvement to be identified at an early stage. The inspections focus on verifying compliance with the Company’s own objectives and specifications and with statutory requirements. In Germany, these statutory requirements derive, for example, from the Act on the Prevention of Harmful Effects on the Environment Caused by Air Pollution, Noise, Vibration and Similar Phenomena (Federal Immission Control Act – BImSchG) and the Act to Promote Circular Economy and Safeguard the Environmentally Compatible Management of Waste (Circular Economy Act – KrWG).

An approval procedure ensures that the use of hazardous substances in production that could be detrimental to the safety of our staff, or harmful to the environment if they are improperly handled, is minimized wherever possible. Responsibility for this lies with the Materials Compliance function, which forms part of the new Purchasing Excellence department (Non-Production Purchasing, Sustainability, and Compliance in Purchasing). The remit of this function, in addition to assessing products from a legal perspective, includes the incremental optimization of processes with regard to the materials and substances that are used.

 See also 'Supplier management', p. 107 onward.



**Integrated management system and certifications** The integrated management system (IMS) used by DEUTZ AG and its Spanish subsidiary DEUTZ Spain covers areas such as occupational health and safety, environmental protection, and energy. The environmental management system, which is intended to help continually improve the Company's overall environmental performance, meets the criteria of the international standard DIN EN ISO 14001:2015. DEUTZ AG's energy management system, and from 2021 also that of DEUTZ Spain, meets the requirements of the energy management standard DIN EN ISO 50001:2018. It enables the continuous monitoring of consumption and energy flows, which in turn facilitates the effective planning and implementation of optimization measures. The ISO-14001:2015 and ISO-50001 certifications cover around 81 percent of the DEUTZ Group's 2021 sales volume.

The conformity of the IMS with regard to the various scopes is reviewed annually by an independent certification body and was recertified in the reporting year. In addition to the external review, internal audits are regularly carried out in close collaboration with the departments and the most senior level of management. The primary objective is to use the insights gained to draw up measures that will improve processes and achieve defined targets and to monitor the implementation of these measures.

**Measures to reduce energy consumption | UNGC 7–9** In 2021, with the aim of progressively optimizing energy consumption, DEUTZ continued to pursue the measures that had been initiated in the prior year at its head office in Cologne. The focus was on ongoing efforts to increase the energy efficiency of existing buildings and facilities and on the optimization of existing systems. This included optimizing the ability of a compressed air supply station to recover heat, which the aim of reducing primary energy requirements. The system is expected to be signed off at the beginning of 2022. In addition, DEUTZ expanded the use of the cold tests that had been introduced in 2020 for testing certain diesel engines. Unlike in conventional hot testing, cold testing involves running diagnostic programs with hardly any fuel being used. Both hot and cold tests replicate the real-life operation of an engine to check whether it is functioning properly. Furthermore, the phased replacement of conventional lighting with LED lighting was continued in 2021 and is scheduled to be completed in 2022.

A progressive reduction of electricity consumption is not all that DEUTZ is striving to achieve, however. It also intends to promote the generation of power from alternative or renewable energy sources, which is why since January 1, 2021 all of DEUTZ AG's German production sites have been purchasing only green electricity. At the Spanish site in Zafra, DEUTZ Spain made preparations for installing solar cells on car park roofs and production halls in 2022. The aim is to prevent around 255 tonnes of CO<sub>2</sub> a year from being emitted. Plans for similar projects in Cologne were finalized in 2021, with the first photovoltaic system also set to be brought on stream there in 2022.

### DEUTZ Group: Energy consumption at the production sites<sup>1</sup>

MWh	2021	2020	2019	2018	2017 <sup>2</sup>
Electricity	85,629	72,678	87,334	94,999	84,605
Natural gas	33,558	29,158	35,989	38,271	35,277
District heating	13,984	11,262	10,969	12,349	12,223
Heating oil <sup>3</sup>	2,954	2,317	2,685	3,359	3,653
Diesel fuel <sup>4</sup>	22,590	18,951	20,764	18,165	19,218
CNG <sup>5</sup>	0	108	72	0	0
LPG <sup>6</sup>	160	245	390	633	421
Gasoline <sup>7</sup>	50	0	0	0	0
Hydrogen <sup>8</sup>	41	0	0	0	0
<b>Total</b>	<b>158,965<sup>9</sup></b>	<b>134,720<sup>10</sup></b>	<b>158,205</b>	<b>167,777</b>	<b>155,397</b>

<sup>1</sup> Excluding joint ventures.

<sup>2</sup> The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqueedo, which was acquired in 2017, is only included in the calculation of the KPI from the start of 2018.

<sup>3</sup> At 10.5 kWh/liter (mean).

<sup>4</sup> At 9.85 kWh/liter (mean).

<sup>5</sup> At 10.0 kWh/m<sup>3</sup> for CNG (H) (mean) and 8.2 kWh/m<sup>3</sup> for CNG (L) (mean).

<sup>6</sup> At 12.8 kWh/kg (mean).

<sup>7</sup> At 8.55 kWh/liter (average).

<sup>8</sup> At 33.3 kWh/kg and 3 kWh/Nm<sup>3</sup>.

<sup>9</sup> As a result of differing accounting periods, the total for 2021 includes an extrapolated figure for the Atlanta production for December 2021.

<sup>10</sup> Due to differing accounting periods, the total published in the 2020 non-financial report included an extrapolated figure for the Atlanta production site for December 2020.

The total figure for 2020 was retrospectively adjusted in line with the actual consumption.

In 2021, overall energy consumption at DEUTZ Group production sites increased by 18.0 percent year on year to 158,965 megawatt hours. This trend was mainly driven by a significant increase in production capacity utilization of around 43 percent compared to 2020. Furthermore, since 2021 the energy balance includes hydrogen and gasoline used as fuels in the course of research and development for new drive systems, such as the new hydrogen engine. See also 'Product stewardship', p. 110 onward.

**CO<sub>2</sub> emissions | UNGC 7-9** The majority of the scope 1 emissions<sup>1</sup> from the DEUTZ Group's production sites are generated in connection with testing in the area of research and development and with production quality controls. This testing involves using rigs to replicate the real-life operation of engines, which of course produces emissions. The majority of the scope 2 emissions<sup>2</sup> are generated in connection with production processes and other business operations.

The DEUTZ Group's primary objective is to push ahead with the use of alternative, carbon-neutral drive systems in the off-highway sector. This raises the prospect of significantly reducing the carbon footprint of the applications in which they are deployed. [See also 'Product stewardship', p. 110 onward.](#) DEUTZ also plays its part in lowering emissions and achieving the Paris climate goals by endeavoring to continually optimize the processes associated with its engine production. In this context, existing equipment is being progressively optimized and processes are being trialed and introduced that could allow DEUTZ to dispense with some of the tests currently run for quality control. This includes the aforementioned cold test.

**DEUTZ Group: CO<sub>2</sub> emissions from production sites per manufactured engine<sup>1</sup>**

Tonnes CO <sub>2</sub> e <sup>2</sup>	2021	2020	2019	2018	2017 <sup>3</sup>
CO <sub>2</sub> -emissions (scope 1) <sup>4</sup>	13,590	11,565	13,590	13,530	13,239
CO <sub>2</sub> -emissions (scope 2) <sup>5</sup>	6,467	33,159	38,828	42,240	38,012
<b>Total CO<sub>2</sub> emissions</b>	<b>20,057<sup>6</sup></b>	<b>44,724</b>	<b>52,418</b>	<b>55,770</b>	<b>51,251</b>

<sup>1</sup> CO<sub>2</sub> emissions from the production sites of the DEUTZ Group excluding joint ventures. CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.  
<sup>2</sup> CO<sub>2</sub>e = carbon dioxide equivalents.  
<sup>3</sup> The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqeedo, which was acquired in 2017, is only included from the start of 2018.  
<sup>4</sup> Scope 1: CO<sub>2</sub> emissions from diesel, natural gas, LPG, heating oil, and CNG caused by burning these fuels in our own facilities.  
<sup>5</sup> Scope 2: CO<sub>2</sub> emissions relating to purchased energy, for example electricity and district heating.  
<sup>6</sup> The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2021 will be cancelled in the first half of 2022.

**DEUTZ Group: CO<sub>2</sub> emissions from production sites per manufactured engine<sup>1</sup>**

CO <sub>2</sub> e (kg) <sup>2</sup>	2021	2020	2019	2018	2017 <sup>3</sup>
Emissions per engine	104 <sup>4</sup>	331	250	257	299

<sup>1</sup> Excluding joint ventures. CO<sub>2</sub>e = carbon dioxide equivalents; CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol. The 'emissions per engine' figure is calculated by dividing total emissions by the number of engines made. CO<sub>2</sub> reporting covers scope 1 (CO<sub>2</sub> emissions from diesel, natural gas, LPG, heating oil, and CNG caused by burning these fuels in our own facilities) and scope 2 (CO<sub>2</sub> emissions relating to purchased energy (e.g. electricity, district heating). Only internal combustion engines and electric motors are counted, i.e. no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines.  
<sup>2</sup> CO<sub>2</sub>e = carbon dioxide equivalents.  
<sup>3</sup> The figures for 2017 are only partly comparable with subsequent years because the subsidiary Torqeedo, which was acquired in 2017, is only included from the start of 2018.  
<sup>4</sup> The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2021 will be cancelled in the first half of 2022.

CO<sub>2</sub> emissions from production sites fell by around 55 percent in 2021 compared to 2020 despite a significant increase in production volume and persistently high research activity at the Cologne-Perz site. Over the same period, CO<sub>2</sub> emissions per manufactured engine saw an even greater drop of around 69 percent. This is mainly due to the fact that this KPI is by definition dependent on the production volume of the respective year, which increased by around 43 percent in 2021. At the same time, the switch to green electricity also made a substantial contribution to reducing CO<sub>2</sub> emissions.

Under its sustainability strategy, DEUTZ has set itself the target for 2023 of reducing CO<sub>2</sub> emissions by 20 percent compared to the base year 2017, both for its production sites<sup>3</sup> as a whole and per manufactured engine. Based on the figures for 2021, the reduction compared to 2017 amounted to 61 percent and 65 percent respectively. As a result, DEUTZ has already exceeded its target by a large margin in 2021.

**Nitrogen oxide and particulate emissions | UNGC 7-9** Due to the nature of the DEUTZ Group's product portfolio and manufacturing processes, both nitrogen oxide and particulate emissions are released at its production sites. The majority of these emissions are produced by the running of combustion processes in the development plant's test rigs and in the test bays. These replicate the real-life operation of engines and thus burn diesel and LPG.

<sup>1</sup> CO<sub>2</sub> emissions from the production sites of the DEUTZ Group excluding joint ventures. CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor; scope 1: CO<sub>2</sub> emissions from diesel, natural gas, liquefied petroleum gas (LPG), heating oil, and CNG caused by burning these fuels in our own facilities.  
<sup>2</sup> CO<sub>2</sub> emissions from the production sites of the DEUTZ Group excluding joint ventures. CO<sub>2</sub> figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor; scope 2: CO<sub>2</sub> emissions relating to purchased energy, for example electricity and district heating.

<sup>3</sup> Excluding joint ventures.

The ongoing development of the Company's engines is heavily influenced by laws and legislation, for example in the form of ever stricter emissions restrictions. Because of this, the DEUTZ Group's development activities are aimed at continually optimizing the performance of the exhaust aftertreatment systems and the technical configuration of its drive systems with the objective of continually reducing nitrogen oxide and particulate emissions. Routine measurements carried out by experts at the DEUTZ AG production sites confirm that we are in line with or even below approved thresholds. DEUTZ is thereby contributing to the protection of the climate and the environment not only at its production sites but also, in particular, with regard to the subsequent use of its engines in the field.

**DEUTZ Group: Nitrogen oxide and particulate emissions from the production sites per manufactured engine<sup>1,2</sup>**

	2021	2020	2019	2018	2017
Nitrogen oxide <sup>3</sup> (kg)	0.67	0.83	0.33	0.19	0.25
Particulate (g)	3.27	3.70	2.70	1.80	2.21

<sup>1</sup> Excluding joint ventures; the figures 'nitrogen oxide per manufactured engine' and 'particulate emissions per manufactured engine' are calculated by dividing the total emissions of each from test bays by the number of engines made. Only internal combustion engines are counted, i.e. no electric motors – as these do not produce nitrogen oxide and particulate emissions – and no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines.

<sup>2</sup> The figures for 2019–2020 are not directly comparable with the figures for the previous years because the nitrogen oxide and particulate emissions in 2018 and 2017 were only collected for the production sites of DEUTZ AG and the scope was widened in 2019 to cover the DEUTZ Group as a whole.

<sup>3</sup> For the Ulm production site, the measurement of nitrogen oxide used in the calculation for 2021 and 2020 is based on a measurement from 2019; for 2017 to 2019 it is based on a measurement from 2016. The figures for 2020 were recalculated in 2021.

Despite an increase in engine testing in its test bays, the nitrogen oxide and particulate emissions from its production sites per engine manufactured fell by around 19 percent and 12 percent respectively year on year. The reason for this lies in the KPI definition and therefore in the large increase in production.

Under its sustainability strategy, DEUTZ has set itself the target for 2023 of reducing both nitrogen oxide and particulate emissions from its production sites<sup>1</sup> per engine manufactured by 3 percent compared to the base year 2019. However, 2021 saw an increase of 103 percent and 21 percent respectively compared to 2019. This is because the conditions under which the measurements were taken at the site in Ulm in 2016 and 2019 were not comparable.

<sup>1</sup> Excluding joint ventures.

**Waste | UNGC 7–9** The majority of the waste produced at the DEUTZ Group's production sites is directly related to the manufacturing of engines and metal products as well as to their painting and subsequent shipping. The types of waste that occur therefore mainly comprise recyclable metal fragments, wood, plastic, and paper. Liquids used to treat, clean, and cool the metal surfaces of engine components also make up a not insignificant proportion of the waste produced. Because these liquids contain oil they mainly constitute waste for disposal.

**DEUTZ Group: Volume of waste from the production sites<sup>1</sup>**

Tonnes	2021	2020	2019
Waste for disposal	5,061	4,312	6,337
Waste for recycling	17,366	11,892	14,160
<b>Total waste</b>	<b>22,427</b>	<b>16,204</b>	<b>20,498</b>

<sup>1</sup> Volume of waste from the DEUTZ Group's production sites, excluding joint ventures.

Due to the large increase in production volume, the amount of waste generated at the production sites in 2021 rose by around 38 percent in total compared to 2020; the volume of waste sent for disposal increased by around 17 percent.

By 2023, DEUTZ intends to have reduced waste for disposal from its production sites<sup>1</sup> by a total of 10 percent compared with 2019. In 2021, as part of its efforts to achieve this target, the Company introduced a process to reduce its use of aqueous cleaners and began work on reducing paint waste by optimizing wastewater treatment. The plan for 2022 is also to review whether it would be viable to introduce pallet pooling and reusable packaging.

The volume of waste for disposal generated in 2021 fell by 20 percent compared to 2019 despite a comparable production program. This means that DEUTZ has already exceeded its target in 2021. The packaging types and bundle sizes used in spare parts logistics are continuously being optimized, so further reductions in the volume of waste for recovery can be expected along the supply chain in the years ahead.

## INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION


The growing importance of sustainability can now increasingly be seen in the financial sector too, not least since the European Commission introduced its **Sustainable Finance Action Plan**. The Action Plan is aimed at improving the flow of money into sustainable economic activities throughout the European Union, thereby contributing to the European Green Deal. One of a number of packages of measures in this area, Regulation (EU) 2020/852 (EU Taxonomy Regulation) came into force in July 2020 and was required to be applied for the first time in 2021. It provides a classification system that is used to define companies' environmentally sustainable economic activities.

### KEY PERFORMANCE INDICATORS AND CALCULATION RULES

Pursuant to Article 8 of the EU Taxonomy Regulation and Article 10 (2) of the Article 8 Delegated Act (Commission Delegated Regulation (EU) 2021/2178), the key performance indicators to be disclosed for 2021 are the proportions of consolidated revenue, capital expenditure (CapEx), and operating expenses (OpEx) associated with taxonomy-eligible and taxonomy-non-eligible economic activities that DEUTZ generates from taxonomy-eligible economic activities in connection with the currently applicable environmental objectives of (1) climate change mitigation and (2) climate change adaptation.

A taxonomy-aligned economic activity is an economic activity that is described in the delegated acts supplementing the EU Taxonomy Regulation and the current Climate Delegated Act. The economic activity must also satisfy the following criteria:


- it contributes substantially to one or both of the currently applicable environmental objectives,
- it complies with the technical screening criteria described in the Delegated Acts supplementing the EU Taxonomy Regulation and the Climate Delegated Act,
- it does not significantly harm any of the other environmental objectives, and
- it is carried out in compliance with the minimum safeguards.

**Taxonomy-eligible revenue** The proportion of our total revenue generated from taxonomy-eligible economic activities is the amount of consolidated revenue for 2021 – pursuant to point 1.1.1 of Annex I of the Article 8 Delegated Act – that is derived from products and services associated with taxonomy-eligible economic activities, divided by consolidated revenue for 2021 pursuant to IAS 1.82(a).  See also the consolidated financial statements, p. 130.

**Taxonomy-eligible CapEx** Taxonomy-eligible CapEx is calculated by dividing our taxonomy-eligible capital expenditure by our total CapEx. This encompasses additions to property, plant and equipment and intangible assets during the reporting period before depreciation, amortization, and any remeasurements, including those resulting from remeasurements and impairment for the year concerned and excluding fair value changes. This also encompasses the acquisition of property, plant and equipment pursuant to IAS 16, including right-of-use assets in accordance with IFRS 16, and additions to intangible assets in accordance with IAS 38.<sup>1</sup> Goodwill is not included in CapEx because it is not defined as an intangible asset pursuant to IAS 38.

Capital expenditure is taxonomy-eligible if it can be assigned to the following three categories a), b), or c).

- a) capital expenditure related to assets or processes that are associated with taxonomy-eligible economic activities,
- b) capital expenditure that is part of a capital expenditure plan to align taxonomy-eligible economic activities with the EU Taxonomy Regulation or to expand taxonomy-eligible economic activities, or
- c) capital expenditure that is related to the purchase of output from taxonomy-eligible economic activities and individual measures pursuant to the EU Taxonomy Regulation that enable certain target activities (generally our taxonomy-non-eligible activities) to become low-carbon or to lead to greenhouse gas reductions. Capital expenditure is also deemed taxonomy-eligible if the products or individual measures purchased correspond to the description of the particular economic activity.

The DEUTZ Group's economic activities can be assigned to categories a), b), and c).  See also the table 'Overview and assignment of taxonomy-eligible economic activities', p. 121.

<sup>1</sup> See also 'Statement of changes in non-current assets' in the notes to the consolidated financial statements, p. 141 onward.

**Taxonomy-eligible OpEx** Taxonomy-eligible OpEx is defined as our OpEx associated with taxonomy-eligible economic activities divided by our total OpEx. This covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day maintenance and repair of property, plant and equipment. Expenditure related to day-to-day operations is not included.

OpEx consists of the following items:

- Research and development expenditure that is expensed in the income statement during the reporting period. In accordance with IAS 38.126, all non-capitalized expenses and amortization and impairment on development expenditure already capitalized that can be directly assigned to the research and development activities.
- The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases.<sup>1</sup>
- Maintenance and repair costs and other direct expenditure relating to ongoing maintenance of property, plant and equipment were determined on the basis of the maintenance and repair costs allocated to the internal cost centers. The relevant cost items are included in various line items in our income statement. This also applies to building renovation measures. As a rule, the line items are staff costs, costs for services, and the cost of materials for maintenance and for regular and unscheduled maintenance and repair work.

OpEx is taxonomy-eligible if it can be assigned to the three categories a), b), or c) as described above under 'Taxonomy-eligible CapEx'. [See also the table 'Overview and assignment of taxonomy-eligible economic activities', p. 121.](#)

## IDENTIFICATION OF TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN THE DEUTZ GROUP

The first step in identifying the taxonomy-eligible economic activities was to assess which of our business activities might potentially be relevant. We did this by referring to Annexes 1 and 2 of the Delegated Act supplementing the EU Taxonomy Regulation. In cooperation with the relevant contact persons for each of the different areas, we then conducted a detailed analysis of these potentially taxonomy-eligible economic activities. To ensure that nothing was counted more than once, we first determined all capital expenditure and operating expenses in category c) and then assigned the remaining capital expenditure and operating expenses to category a) or category b), or defined them as taxonomy-non-eligible economic activities. [See also the table 'Overview and assignment of taxonomy-eligible economic activities', p. 121.](#)

## TAXONOMY-ELIGIBLE ECONOMIC ACTIVITIES IN THE DEUTZ GROUP

The DEUTZ Group's core competencies are primarily the development and production of drive systems for off-highway applications. These drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. [See also 'Business model', p. 93.](#)

In view of our business model, our economic activities that are taxonomy-eligible are essentially those relating to alternative drive solutions. These include our hydrogen engine, which is being used in stationary equipment for the generation of electricity, and the activities relating to the electrification of our engine portfolio under the E-DEUTZ name. The latter include the manufacture of electric drive systems (e.g. for use in construction-site vehicles and ground support equipment), the mobile charging station for electric-powered construction-site vehicles (DEUTZ Powertree), the manufacture of battery management systems and components by our subsidiary Futavis, and the manufacture of batteries and electric boat drives by our subsidiary Torquedo. In addition to these activities from which we generate external revenue, we also identified investing activities that exclusively result in taxonomy-eligible CapEx. These activities relate to the optimization of energy efficiency within our operations.

<sup>1</sup> See also p. 176 onward.

The following table shows the taxonomy-eligible economic activities – pursuant to Annexes 1 and 2 of the Delegated Act – in the DEUTZ Group in connection with the environmental objectives of (1) climate change mitigation and (2) climate change adaptation. DEUTZ has decided to assign the taxonomy-eligible economic

activities to the first environmental objective (climate change mitigation) because this is considered more suitable with regard to the activities listed and the EU Taxonomy Regulation does not permit activities to be counted more than once.

#### Overview and assignment of taxonomy-eligible economic activities

Section in Annex 1	Economic activity at DEUTZ	Revenue	CapEx (a, b, c)	OpEx
3.2. Manufacture of equipment for the production and use of hydrogen	Manufacture of hydrogen engines that produce electricity in combination with a generator in stationary equipment		b)	X
3.4. Manufacture of batteries	Futavis subsidiary: manufacture of battery management systems and components	X	a)	X
	Torqueedo subsidiary: manufacture of battery modules, battery management systems, and battery casings in collaboration with suppliers	X	a)	X
3.6. Manufacture of other low carbon technologies	Manufacture of electric drive systems, e.g. for use in construction-site vehicles and ground support equipment		b)	X
	Manufacture of electric boat drives at our subsidiary Torqueedo	X	a)	X
6.15 Infrastructure enabling low-carbon road transport and public transport	Manufacture of mobile rapid-charging stations (DEUTZ Powertree) for battery-powered electric (i.e. zero-emission) applications	X	a)	X
7.3. Installation, maintenance and repair of energy efficiency equipment	Replacement of conventional lighting with LED lighting		c)	
	Use of solar shading to optimize the thermal performance of the glazing in the assembly hall in Cologne-Porz		c)	
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Installation of electric charging stations at the headquarters in Cologne		c)	
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	Maintenance and expansion of the energy monitoring system to include new electricity meter points at the Cologne and Ulm sites in order to measure consumption and energy flows at additional points		c)	

The following table shows the proportion of total revenue, total CapEx, and total OpEx associated with taxonomy-eligible and taxonomy-non-eligible economic activities pursuant to the EU Taxonomy Regulation.

#### Proportion of total revenue, total CapEx, and total OpEx associated with taxonomy-eligible and taxonomy-non-eligible economic activities

	Total	Proportion associated with taxonomy-eligible economic activities		Proportion associated with taxonomy-non-eligible economic activities	
Revenue	€1,617.3 million <sup>1</sup>	3.3% <sup>2</sup>	€53.6 million	96.7%	€1,563.7 million
CapEx	€72.5 million	6.2%	€4.5 million	93.8%	€68.0 million
OpEx	€99.8 million	23.0%	€22.9 million	77.0%	€76.9 million

<sup>1</sup> See also 'Income statement' in the notes to the consolidated financial statements, p. 130.

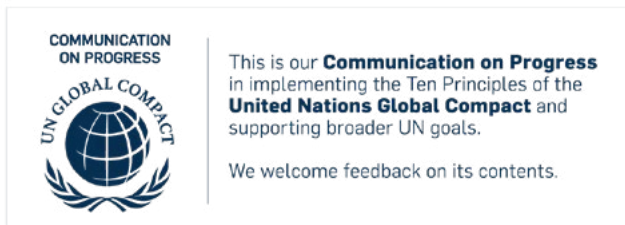
<sup>2</sup> See also 'Product stewardship', share of consolidated revenue attributable to E-DEUTZ, p. 111.



## UN GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

Because it operates within global value chains, DEUTZ has an influence on economic, environmental, and social developments. The Company is aware of the responsibility that comes with this, and as a consequence signed up to the **United Nations Global Compact** at the end of March 2021. DEUTZ has thus joined an international movement from the realms of business, politics, and civil society that has the common goal of making globalization more sustainable by making it work better for society and the environment.

As a member of the UNGC, DEUTZ has voluntarily undertaken – on the basis of ten universally accepted principles – to promote human rights, fair working conditions, environmental protection, and the fight against corruption. The Company must also submit a progress report once a year. The communication on progress (CoP), as the report is called, describes the practical actions that the Company has taken or plans to take in support of the ten UNGC principles.



This non-financial report serves as DEUTZ's CoP. The following table lists the chapters in this non-financial report that illustrate the implementation of the ten UNGC principles.

### UNGC index

#### Human rights

##### 1. Businesses should support and respect the protection of internationally proclaimed human rights.

HR management, p. 101 onward  
Occupational health and safety, p. 104 onward  
Corporate governance and compliance, p. 98 onward

##### 2. Businesses should make sure that they are not complicit in human rights abuses.

Corporate governance and compliance, p. 98 onward  
HR management, p. 101 onward  
Supplier management, p. 107 onward

#### Labour

##### 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

HR management, p. 101 onward  
Supplier management, p. 107 onward

##### 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

Corporate governance and compliance, p. 98 onward  
HR management, p. 101 onward  
Supplier management, p. 107 onward

##### 5. Businesses should uphold the effective abolition of child labour.

Corporate governance and compliance, p. 98 onward  
Supplier management, p. 107 onward

##### 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

HR management, p. 101 onward

#### Environment

##### 7. Businesses should support a precautionary approach to environmental challenges.

Product stewardship, p. 110 onward  
Environmental and climate protection, p. 115 onward  
Supplier management, p. 107 onward

##### 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Environmental and climate protection, p. 115 onward  
Supplier management, p. 107 onward  
Corporate citizenship, p. 114

##### 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Product stewardship, p. 110 onward  
Environmental and climate protection, p. 115 onward  
Corporate citizenship, p. 114 onward

#### Anti-corruption

##### 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Corporate governance and compliance, p. 98 onward  
HR management, p. 101 onward  
Supplier management, p. 107 onward

SDGs prioritized by the DEUTZ Group

# SUSTAINABLE DEVELOPMENT GOALS



In addition to the ten principles outlined above, signatories to the UNGC are also called upon to support the achievement of the United Nations' general objectives and, in particular, its 17 sustainable development goals (SDGs). The goals describe the key challenges and objectives in the context of a global sustainability policy and thus provide guidelines for the sustainable development of society, culture, and the economy.

DEUTZ used the SDG Action Manager tool to define the SDGs that are relevant to, or are to be prioritized by, the Company. Based on the findings, the DEUTZ Sustainable Development Committee (SDC) identified those SDGs to which the Company is already making a relatively high positive contribution through the implementation of the groupwide sustainability strategy. Going forward, the prioritized SDGs will be incorporated into the strategic planning for all groupwide sustainability activities. At the end of 2021, for example, the SDC ran a workshop in which it analyzed the SDG targets and defined specific measures aimed at steadily increasing the contribution that DEUTZ makes to achieving them.

The following index presents the key aspects of the DEUTZ sustainability strategy in the context of the SDGs and targets prioritized by the Company.

**SDG index**

Sustainable development goals		How DEUTZ is helping to achieve them	
Goal	Targets	Activities and actions	Key figures
<b>SDG 3   Ensure healthy lives and promote well-being for all at all ages</b>	<ul style="list-style-type: none"> <li>3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination</li> </ul>	<ul style="list-style-type: none"> <li>Occupational health and safety management and ISO 45001 certification (p. 105)</li> <li>Risk assessments and health and safety inspections (p. 105)</li> <li>Handling of hazardous substances (p. 105)</li> </ul>	<ul style="list-style-type: none"> <li>Recordable incident rate (p. 106)</li> </ul>
<b>SDG 5   Achieve gender equality and empower all women and girls</b>	<ul style="list-style-type: none"> <li>5.1 End all forms of discrimination against all women and girls everywhere</li> <li>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</li> </ul>	<ul style="list-style-type: none"> <li>Corporate culture (p. 101)</li> <li>Diversity and equality-friendly management culture (p. 102)</li> <li>DEUTZ code of conduct (p. 98)</li> <li>Whistleblowing system (p. 99)</li> <li>Code of conduct for suppliers (p. 107)</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of women in the workforce (p. 102)</li> <li>Proportion of women in management positions (p. 102)</li> </ul>
<b>SDG 7   Ensure access to affordable, reliable, sustainable and modern energy for all</b>	<ul style="list-style-type: none"> <li>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</li> <li>7.3 By 2030, double the global rate of improvement in energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Measures to reduce energy consumption (p. 116)</li> <li>Nicolaus August Otto Award (p. 114)</li> </ul>	–
<b>SDG 8   Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>	<ul style="list-style-type: none"> <li>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead</li> <li>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</li> <li>8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training</li> <li>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</li> <li>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</li> </ul>	<ul style="list-style-type: none"> <li>Materials compliance (p. 109)</li> <li>E-DEUTZ (p. 111)</li> <li>Innovative internal combustion engines (p. 111)</li> <li>Environmentally responsible and resource-efficient services (p. 112)</li> <li>Innovation platform (p. 113)</li> <li>Nicolaus August Otto Award (p. 114)</li> <li>Measures to reduce energy consumption (p. 116)</li> <li>Carbon emissions (p. 117)</li> <li>Nitrogen oxide and particulate emissions (p. 117)</li> <li>Volume of waste (p. 118)</li> <li>DEUTZ code of conduct (p. 98)</li> <li>Corporate culture (p. 101)</li> <li>Representation of interests and codetermination (p. 101)</li> <li>Diversity and equality-friendly management culture (p. 102)</li> <li>Training (p. 103)</li> <li>Staff turnover (p. 104)</li> <li>Supplier management (p. 107)</li> <li>Code of conduct for suppliers (p. 107)</li> <li>Monitoring and assessing the sustainability performance of suppliers (p. 108)</li> <li>Nurturing young people (p. 114)</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ share (p. 111)</li> <li>Reduction of carbon emissions at the production sites (p. 117)</li> <li>Reduction of carbon emissions per manufactured engine at the production sites (p. 117)</li> <li>Reduction of nitrogen oxide emissions per manufactured engine at the production sites (p. 118)</li> <li>Reduction of particulate emissions per manufactured engine at the production sites (p. 118)</li> <li>Proportion of workforce to have completed compliance training (p. 99)</li> <li>Proportion of new suppliers to have had their compliance with the supplier code of conduct verified (p. 108)</li> <li>Number of suppliers that have undergone business partner compliance checks (p. 108)</li> <li>Proportion of suppliers assessed against sustainability criteria (p. 108)</li> <li>Ratio of trainees to total employees (p. 103)</li> <li>Staff turnover (p. 104)</li> </ul>

**Sustainable development goals**

Goal	Targets	Activities and actions	Key figures
<b>SDG 9   Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>	<ul style="list-style-type: none"> <li>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ (p. 111)</li> <li>Innovative internal combustion engines (p. 111)</li> <li>Innovation platform (p. 113)</li> <li>Nicolaus August Otto Award (p. 114)</li> <li>Measures to reduce energy consumption (p. 116)</li> <li>Carbon emissions (p. 117)</li> <li>Nitrogen oxide and particulate emissions (p. 117)</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ share (p. 111)</li> </ul>
<b>SDG 12   Ensure sustainable consumption and production patterns</b>	<ul style="list-style-type: none"> <li>12.2 By 2030, achieve the sustainable management and efficient use of natural resources</li> <li>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment</li> <li>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</li> </ul>	<ul style="list-style-type: none"> <li>Materials compliance (p. 109)</li> <li>E-DEUTZ (p. 111)</li> <li>Innovative internal combustion engines (p. 111)</li> <li>Environmentally responsible and resource-efficient services (p. 112)</li> <li>Innovation platform (p. 113)</li> <li>Nicolaus August Otto Award (p. 114)</li> <li>Measures to reduce energy consumption (p. 116)</li> <li>Carbon emissions (p. 117)</li> <li>Nitrogen oxide and particulate emissions (p. 117)</li> <li>Volume of waste (p. 118)</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ share (p. 111)</li> <li>Reduction of carbon emissions at the production sites (p. 117)</li> <li>Reduction of carbon emissions per manufactured engine at the production sites (p. 117)</li> <li>Reduction of nitrogen oxide emissions per manufactured engine at the production sites (p. 118)</li> <li>Reduction of particulate emissions per manufactured engine at the production sites (p. 118)</li> <li>Reduction in the volume of waste requiring disposal (p. 118)</li> </ul>
<b>SDG 13   Take urgent action to combat climate change and its impacts</b>	<ul style="list-style-type: none"> <li>13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries</li> <li>13.2 Integrate climate change measures into national policies, strategies and planning</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ (p. 111)</li> <li>Innovative internal combustion engines (p. 111)</li> <li>Innovation platform (p. 113)</li> <li>Nicolaus August Otto Award (p. 114)</li> <li>Measures to reduce energy consumption (p. 116)</li> <li>Carbon emissions (p. 117)</li> <li>Nitrogen oxide and particulate emissions (p. 117)</li> <li>Volume of waste (p. 118)</li> </ul>	<ul style="list-style-type: none"> <li>E-DEUTZ share (p. 111)</li> <li>Reduction of carbon emissions at the production sites (p. 117)</li> <li>Reduction of carbon emissions per manufactured engine at the production sites (p. 117)</li> <li>Reduction of nitrogen oxide emissions per manufactured engine at the production sites (p. 118)</li> <li>Reduction of particulate emissions per manufactured engine at the production sites (p. 118)</li> </ul>
<b>SDG 16   Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</b>	<ul style="list-style-type: none"> <li>16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children</li> <li>16.5 Substantially reduce corruption and bribery in all their forms</li> </ul>	<ul style="list-style-type: none"> <li>DEUTZ code of conduct (p. 98)</li> <li>E-learning courses and classroom-based training (p. 99)</li> <li>Whistleblowing system (p. 99)</li> <li>DEUTZ code of conduct for suppliers (p. 107)</li> <li>Monitoring and assessing the sustainability performance of suppliers (p. 108)</li> <li>Business partner compliance (p. 99, 108)</li> </ul>	<ul style="list-style-type: none"> <li>Proportion of workforce to have completed compliance training (p. 99)</li> <li>Proportion of new suppliers to have had their compliance with the supplier code of conduct verified (p. 108)</li> <li>Number of suppliers that have undergone business partner compliance checks (p. 108)</li> <li>Proportion of suppliers assessed against sustainability criteria (p. 108)</li> </ul>

# INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING<sup>1</sup>

To DEUTZ AG, Köln

We have performed a limited assurance engagement on the combined separate non-financial report of DEUTZ AG, Köln, (hereinafter the "Company") for the period from 01 January 2021 to 31 December 2021 (hereinafter the "Combined Separate Non-financial Report").

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

## RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Combined Separate Non-financial Report in accordance with §§ (Articles) 315c in conjunction with 289c to 289e HGB ("Handelsgesetzbuch": "German Commercial Code") and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder, as set out in section Information on the Taxonomy Regulation (EU) 2020/852 of the Combined Separate Non-financial Report.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Group that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as the executive directors consider necessary to enable the preparation of a Combined Separate Non-financial Report that is free from material misstatement whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section Information on the Taxonomy Regulation (EU) 2020/852 of the Combined Separate Non-financial Report. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

## INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis - IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

Our responsibility is to express a conclusion with limited assurance on the Combined Separate Non-financial Report based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report, are not prepared, in all material respects, in accordance with §§ 315c in conjunction

<sup>1</sup> PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent practitioner's report in German language, which is authoritative. The following text is a translation of the independent practitioner's report.

with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section Information on the Taxonomy Regulation (EU) 2020/852 of the Combined Separate Non-financial Report.

In a limited assurance engagement the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgement of the assurance practitioner.

In the course of our assurance engagement, we have, amongst other things, performed the following assurance procedures and other activities:

- Gain an understanding of the structure of the Group's sustainability organisation and stakeholder engagement
- Inquiries of relevant employees involved in the preparation of the Combined Separate Non-financial Report about the preparation process, about the internal control system relating to this process and about disclosures in the Combined Separate Non-financial Report
- Identification of likely risks of material misstatement in the Combined Separate Non-financial Report
- Analytical procedures on selected disclosures in the Combined Separate Non-financial Report
- Reconciliation of selected disclosures with the corresponding data in the consolidated financial statements and group management report
- Evaluation of the presentation of the Combined Separate Non-financial Report
- Evaluation of the process to identify taxonomy-eligible economic activities and the corresponding disclosures in the Combined Separate Non-financial Report

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

## ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 01 January 2021 to 31 December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section Information on the Taxonomy Regulation (EU) 2020/852 of the Combined Separate Non-financial Report.

We do not express an assurance opinion on the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report.

## RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

Frankfurt, 09 March 2022

PricewaterhouseCoopers GmbH  
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke  
Wirtschaftsprüfer  
[German public auditor]

ppa. Juliane v. Clausbruch