


EXCERPT;
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 labelled accordingly in this report. The reporting period is the 2020 financial year, i.e. the period January 1 to December 31, 2020.


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. The content of the report is based in part on the underlying aspects of certain criteria of the **German Sustainability Code** and in particular on criteria 1 (strategy), 2 (materiality), 3 (objectives), 5 (responsibility), 6 (rules and processes), 7 (control), 13 (climate-relevant emissions), 14 (employee rights), 17 (human rights), 18 (corporate citizenship), and 20 (conduct that complies with the law and policy).  See also

'Materiality assessment', p. 72 onward.

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 2020 do not form part of the non-financial report.

The extent to which the outbreak of the coronavirus pandemic in 2020 had any impact on the topics that have been defined as material and the related KPIs is described in the individual chapters below.

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.  **Fundamental information** on risks and opportunities is presented in the combined management report, p. 59 onward.

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).  Details of the limited assurance engagement and the findings of the review see p. 93 onward.

BUSINESS MODEL AND CORPORATE PHILOSOPHY

DEUTZ is one of the world's leading manufacturers of innovative drive systems. The Company was founded in 1864 and has around 4,600 employees worldwide. Its core competencies are the development, production, and distribution of innovative drive solutions with a power output of up to 620 kW for **off-highway** applications. The 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. We also offer a comprehensive range of services through more than 800 sales and service partners in over 130 countries.  **Further information** see 'Combined management report', p. 22 onward.

Corporate philosophy

Vision

DEUTZ builds the most advanced drive systems for professionals, providing outstanding performance to shape the world.



Mission

Through pioneering spirit and innovation, DEUTZ shaped the industrial revolution. Now, we are driving the next revolution – delivering efficiency, performance and sustainability for our customers.

MATERIALITY ASSESSMENT

The basis for the DEUTZ Group's sustainability activities is provided by the materiality assessment, which is carried out by the Company's Sustainable Development Committee (SDC) taking account of the Company's business activities and corporate philosophy. The materiality assessment must be approved by the Board of Management.

Business relevance is generally evaluated internally by the members of the SDC. In 2020, DEUTZ had intended to conduct a survey of external stakeholders too, and to use the survey findings in its review of the materiality assessment. The survey was put on hold due to the outbreak of the coronavirus crisis and the resulting impact on business activities, such as the introduction of short-time working. [See 'HR management', p. 80 onward.](#) However, in order to still take account of external stakeholders' views, DEUTZ compared the key topics defined in the previous year's materiality assessment (and the related key performance indicators) against the principles of the UN Global Compact and the sustainable development goals of the United Nations. This enabled it to identify any necessary adjustments. This process was based on the assumption that the aforementioned initiatives reflect the topics deemed by society to be requirements for companies and are regarded globally as important to sustainable development. The comparison did not focus on whether the defined key topics covered all of the content of the initiatives. Instead, it simply looked at whether they reflected the content. Based on the outcome of the comparison, DEUTZ confirmed the findings of its 2019 materiality assessment and therefore continues to regard the following six 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 the HGB.

The SDC did not see any need for adjustment in view of the outbreak of the coronavirus pandemic and its impact. Material topics in connection with aspects defined as non-financial under HGV were not identified.

The six topics are product stewardship, HR management, occupational health and safety, corporate governance and compliance, supplier management, and environmental and climate protection.

The topic of **corporate citizenship** falls under the category of 'social responsibility' in the HGB. In this report, DEUTZ provides information on this topic and its activities in this area on a voluntary basis.

SUSTAINABILITY STRATEGY

In 2019, DEUTZ developed its first groupwide sustainability strategy, drawing on the results of the materiality assessment at that time. The aim of the strategy is to link sustainability matters more closely with the corporate strategy and thereby present a more holistic picture of the Group's performance through the resulting incorporation of non-financial aspects. The name of the strategy, Taking Responsibility, describes our objective of striving for commercial success while increasing the focus on fulfilling our corporate, social, and environmental responsibilities.

After identifying the sustainability topics of material relevance, DEUTZ defined the corresponding key performance indicators and used them to set qualitative and quantitative targets for 2023. Potential action plans for achieving the targets were also drawn up. Since then, DEUTZ has been progressively implementing the action plans and expanding them on an ongoing basis. In 2020, DEUTZ added one key performance indicator – waste for disposal – to the quantitative targets for the topic of environmental and climate protection. All of the quantitative targets in the sustainability strategy are brought together in DEUTZ's 'Sustainability Vision' for 2023.



DEUTZ's Sustainability Vision for 2023 at a glance

Key topics	Corresponding KPIs	Targets for 2023
Product stewardship	Share of consolidated revenue attributable to E-DEUTZ products	5–10 % ¹
HR management	Engagement ²	78 %
	Enablement ²	69 %
	Rate of staff turnover ³	5–10 %
	Proportion of women in the workforce ⁴	> 10 %
	Proportion of women in management positions ⁵	> 20 %
	Ratio of trainees to total employees ⁶	> 1.5–2 %
Occupational health and safety	Recordable Incident Rate ⁷	7
Corporate Governance & Compliance	Proportion of workforce to have completed compliance training ⁸	> 95 %
Supplier management	Proportion of new suppliers to have had their compliance with the supplier code of conduct verified	90 % ⁹
	Number of suppliers that have passed business partner compliance checks	90 % ¹⁰
	Proportion of suppliers assessed against sustainability criteria	50 % ¹¹
Environmental and climate protection	CO ₂ emissions from production sites (tonnes CO ₂ e) ¹²	–20 % ¹³
	CO ₂ emissions from production sites per manufactured engine (kg CO ₂ e) ¹⁴	–20 % ¹³
	Nitrogen oxide emissions from production sites per manufactured engine (kg) ¹⁵	–3 % ¹⁶
	Particulate emissions from production sites per manufactured engine (g) ¹⁵	–3 % ¹⁶
	Waste for disposal	–10 % ¹⁶

¹ Target for 2023/2024.

² DEUTZ measures the levels of engagement (motivation) and enablement (empowerment) in its workforce (all employees within the Group including staff on fixed-term contracts but excluding temporary workers) using a groupwide employee survey, which it first carried out in 2019 and will repeat every three years going forward.

³ Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals.

⁴ Including staff on fixed-term contracts but excluding temporary workers.

⁵ 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.

⁶ 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.

⁷ 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.

⁸ 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.

⁹ 90 percent of the suppliers brought on board each year.

¹⁰ Relates to existing suppliers with whom DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

¹¹ 50 percent of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.

¹² CO₂e = carbon dioxide equivalents; CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. CO₂ figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.

¹³ Base year 2017.

¹⁴ Excluding joint ventures. CO₂e = carbon dioxide equivalents; CO₂ 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. CO₂ reporting covers Scope 1 (CO₂ emissions from diesel, natural gas, LPG, heating oil, and CNG caused by combustion in our own facilities) and Scope 2 (CO₂ 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.

¹⁵ 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.

¹⁶ Base year 2019.



UN GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS

At the end of 2020, we began the process of joining the UN Global Compact (UNGC) to underline our overarching objective of striving for commercial success while increasing the focus on fulfilling its corporate, social, and environmental responsibilities. We have thereby committed ourselves to supporting the ten principles of the Global Compact, which relate to human rights, labor, the environment, and anti-corruption, and to promote them within our sphere of influence. We have also undertaken to take account of the UNGC principles in any updates to the groupwide sustainability strategy, in particular by considering the UN's sustainable development goals. The 17 sustainable development goals (SDGs) of the United Nations are regarded as the most important objectives in the context of a global sustainability policy and thus provide guidelines for the global sustainable development of society, culture, and the economy.

As an international company that operates within global value chains, DEUTZ too has an influence on economic, environmental, and social developments. When the SDC reviewed the materiality assessment in 2020, it evaluated the extent to which – and through which targets defined in the sustainability strategy – DEUTZ believes it is already making a positive contribution to certain SDGs or aspects of them. The SDC's evaluation identified six SDGs. Examples are provided below of the measures, targets, and projects with which DEUTZ is making a contribution to these goals. Negative influences that the Company's business activities may have on the SDGs were not evaluated.

Goal 3 | Good Health and Well-Being – To ensure the health and well-being of its employees in the workplace, DEUTZ complies across the Group with the statutory requirements on occupational health and safety that apply from country to country. This involves implementing measures that are designed to ensure that employees are exposed to as few dangers as possible at work and to minimize the risk of accidents. The Company also offers its

employees an extensive range of healthcare and sports programs and has provided the option of flexible working time models, such as pre-retirement part-time employment. [See also 'Occupational health and safety', p. 83, and 'HR management', p. 80.](#)

Goal 5 | Gender Equality – We are supporting gender equality through our targets for increasing the proportion of women in senior management and in the workforce as a whole. [See also 'HR management', p. 80.](#)

Goal 8 | Decent Work and Economic Growth – We help to secure decent working conditions, both directly and indirectly, by respecting all human rights within our Company and through the steps that we have taken to monitor and encourage the safeguarding of human rights in our supply chain. [See also 'HR management', p. 80 onward, 'Occupational health and safety', p. 83 onward, and 'Supplier management', p. 87.](#)

Goal 9 | Industry, Innovation and Infrastructure – We are proactively driving technological progress in the off-highway and marine sectors, and thereby helping to combat climate change, by developing innovative engines based on alternative drive systems – some of which are carbon-neutral – and steadily reducing the fuel consumption of our traditional internal combustion engines. We support innovations and innovativeness through our annual innovation prize, the Nicolaus August Otto Award, which encourages innovative ideas in the fields of alternative drive systems, transportation, energy efficiency, innovative technology, and pioneering research. [See also 'Environmental and climate protection', p. 89, and 'Corporate citizenship', p. 79.](#)

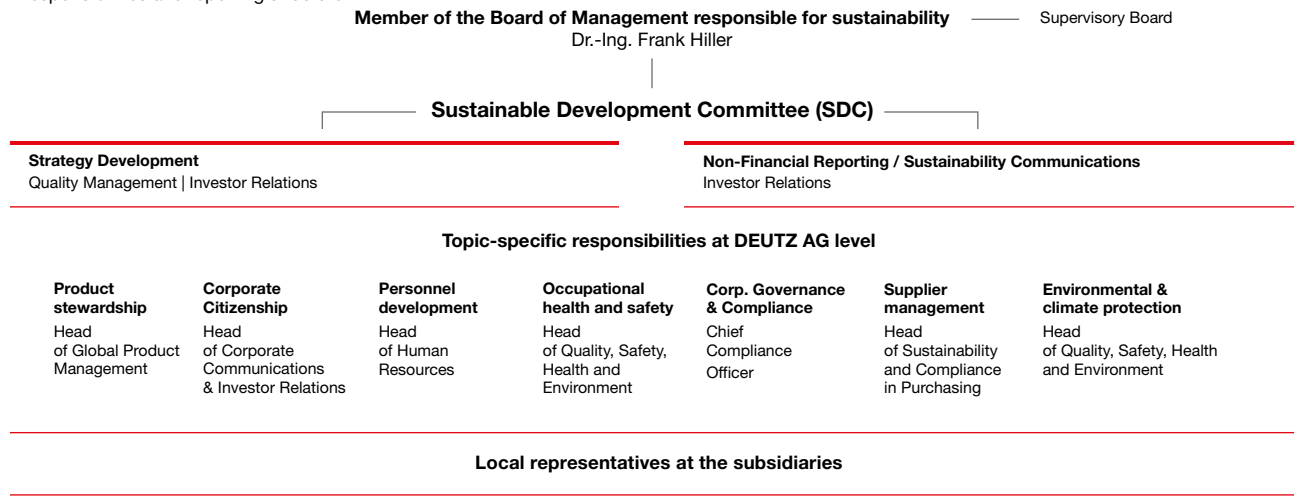
Goal 12 | Responsible Consumption and Production – We extend the lifecycle of our products and are thus making a contribution to sustainable consumption by offering reconditioned engines and spare parts through our Xchange program. At the same time, we are making our production more sustainable, for example by taking steps to reduce our use of resources or to use them more efficiently. [See also 'Product stewardship', p. 77, and 'Corporate citizenship', p. 79.](#)

Goal 13 | Climate Action – By continually refining our innovative portfolio of drive systems and implementing our electrification strategy, we are playing an active part in shaping a sustainable future for off-highway and marine applications and thereby contributing to the successful decarbonization of the economy. We also contribute to the fight against climate change through our targets aimed at lowering our emissions of CO₂, particulates, and nitrogen oxide and reducing the volume of waste at our production sites. [See also 'Product stewardship', p. 77, and 'Environmental and climate protection', p. 89.](#)

Having signed up to the UN Global Compact, DEUTZ will publish an annual communication on progress from 2021 onward. In this report, it will describe the measures taken and initiated in order to implement the UNGC principles and provide information on its achievement of the defined key performance indicators and qualitative targets.

DEUTZ-Sustainable Development Committee (SDC)

Responsibilities and reporting structure



SUSTAINABILITY ORGANIZATION AND MANAGEMENT

Sustainability is anchored at senior management level in the DEUTZ Group, and overall responsibility lies with the Chairman of the Board of Management. The 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.

As part of the preventive risk management approach, internal monitoring and reporting to the Board of Management on the implementation status of the sustainability strategy take place each quarter. The objective 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. 85.

NON-FINANCIAL REPORT

DEUTZ has divided its sustainability activities into three fields of action to which the relevant key topics are assigned: social responsibility, corporate responsibility, and environmental responsibility. This non-financial report has the same structure.

Field of action	Key topics	Aspects under the HGB
Social responsibility	Product stewardship	▪ Social responsibility
	Corporate citizenship ¹	▪ Social responsibility
	HR management	▪ Treatment of employees
	Occupational health and safety	▪ Treatment of employees ▪ Respect for human rights
Corporate responsibility	Corporate governance and compliance	▪ Measures to combat corruption and bribery ▪ Respect for human rights ▪ Measures to combat corruption and bribery
	Supplier management	▪ Environmental matters ▪ Environmental matters
	Environmental and climate protection	▪ Environmental matters

¹ Based on the results of the materiality assessment conducted in 2020, the topic of corporate citizenship has lower relevance for the Company and its stakeholders. In this report, DEUTZ reports on its activities in this area on a voluntary basis.

SOCIAL RESPONSIBILITY

PRODUCT STEWARDSHIP

An ever-growing global population, limited natural resources, and the steady march of climate change present fundamental challenges for the future of mobility, not only in the on-highway sector but also in the off-highway and marine sectors. As a leading manufacturer of innovative drive solutions, DEUTZ believes it has a responsibility to society to make products that move us toward a future of locally carbon-neutral off-highway vehicles and marine vessels, thereby contributing to the prevention of climate change.

The ongoing development of our drive portfolio is heavily influenced by legislation to reduce emissions and limit noise pollution. The DEUTZ Group's development activities are focused on bringing its engines into line with current and future emissions standards, such as **EU Stage V** and **China IV**. To establish whether an engine meets the legal requirements, it has to undergo mandatory certification processes that 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.

In view of the fact that different applications require different drive solutions, DEUTZ strives to develop its engine portfolio with an open mind for new technologies. Our product range comprises the latest diesel technology as well as gas, hybrid, electric, petrol, and hydrogen drives, as well as solutions that use alternative fuels.

E-DEUTZ strategy The E-DEUTZ program, initiated in 2017, is aimed at creating a locally carbon-neutral product portfolio that includes a scalable range of hybrid and all-electric drives for customers' specific requirements in the off-highway and marine sectors. Fully electric drive systems are locally carbon-neutral, whereas hybrid systems reduce total carbon emissions per application by **downsizing** engine capacity while maintaining overall system performance.

The acquisition of Futavis at the end of 2019 enabled DEUTZ to expand its know-how in the crucial field of battery technology and to supplement Torqeedo's existing expertise in the field of electric drives with a high-voltage battery management system. As a development services provider for battery management hardware and software, Futavis has extensive technical capabilities in electronics, software, battery technology, and battery testing, and in ensuring functional safety.

The system and battery design work and the building and testing of prototypes within the DEUTZ-Futavis-Torqeedo group of companies generally takes place in Cologne, while the battery management system work (including battery electronics) is carried out at the Futavis site. The part of the development team that is based at Torqeedo is responsible for the certification of electric motors and performance electronics components, and for analyzing and approving battery modules that have been sourced externally.

DEUTZ® - Roadmap



ALL-ELECTRIC

360 volt base drive system

for compact applications up to 75 kW in ground support equipment, construction equipment, and agriculture

48 volt base drive system

for smaller applications below 25 kW in construction equipment, horticulture/agriculture, material handling equipment, and working platforms

HYBRID-ELECTRIC

360 volt hybrid system

for mid-range applications up to 130 kW in ground support equipment, construction equipment, and agriculture

48 volt hybrid system

for small applications below 75 kW in construction equipment, horticulture/agriculture, material handling equipment, and working platforms

2020

End of 2023

In the coming years, the E-DEUTZ development team working from multiple sites will focus on developing four basic drive train designs (some all-electric and some hybrid) for customer applications in the low and medium power output range, for example ground support equipment, construction equipment, and agricultural machinery. The aim is for these solutions to reach market maturity by the end of 2023. This means that DEUTZ is evolving from being a demonstrator towards full-scale series production. Step one will be the introduction of an all-electric 360-volt drive system in the market from 2021. In 2020, a prototype agreement was concluded with a customer and an initial drive system prototype has been delivered. The agreement covers a custom-made 42 kWh lithium-ion battery that was tested by the TÜV product standards regulator and passed key functional and safety tests in accordance with the ECE R100 directive, which defines safety technology requirements for electric-powered road vehicles. In the second step, a 48-volt base drive train, a 360-volt hybrid **powerpack**, and a 48-volt hybrid powerpack will be introduced by the end of 2023.

In addition, DEUTZ employees sketched out the idea of a mobile E-DEUTZ charging station for electric-powered construction vehicles at the DEUTZ pitch event in 2020. An interdisciplinary team subsequently developed a technical concept for such a charging station and implementation of the project began in collaboration with a key customer at the end of 2020.

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.

Before the adoption of the sustainability strategy in the 2019 financial year, DEUTZ had already set itself the target of raising the proportion of consolidated revenue that is generated from electric drive systems to between 5 and 10 percent by 2022. In 2020, this target (first formulated in 2018) was amended to reflect that its achievement is now expected in 2023/2024 due to coronavirus. In addition, DEUTZ has extended its method of calculating the E-DEUTZ share of revenue to include not only electric drive systems, i.e. electric motors, but also E-DEUTZ components and services as well as batteries from the DEUTZ subsidiary Futavis, which was acquired at the end of 2019.

DEUTZ Group: E-DEUTZ share¹ of consolidated revenue

	2020	2019 ²
E-DEUTZ share	3.2	1.7

¹ From 2020, the calculation of the proportion of revenue attributable to E-DEUTZ will include not only electric motors but also E-DEUTZ components and services as well as batteries from DEUTZ subsidiary Futavis.

² This figure has been adjusted retroactively in accordance with the extended calculation method. Because Futavis was acquired in October 2019, only its revenue for the fourth quarter of 2019 is included.

In 2020, the share of consolidated revenue attributable to E-DEUTZ products amounted to 3.2 percent. The sharp year-on-year rise was due to the significant fall in consolidated revenue as a result of coronavirus combined with a small year-on-year increase in revenue from E-DEUTZ products.

Innovative internal combustion engines In the years ahead, internal combustion engines will continue to predominate for mobile machinery, which is why our activities will remain focused 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. In addition to natural gas, which produces markedly lower CO₂ emissions due to the more favorable bonding of hydrocarbon compounds, an example of a sustainable energy source is hydrogen (H₂), an element with a high energy density 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.

Back in 2018, a hydrogen-based prototype based on a 7.8 liter DEUTZ engine was developed in partnership with Munich-based start-up KEYOU. Following the signing of a memorandum of understanding about the expansion of our established activities and the existing cooperation in 2019, DEUTZ and KEYOU realized a joint preliminary development project in 2020 which achieved an encouraging increase in the power output of a hydrogen-fueled engine. In addition, DEUTZ initiated the pilot project for an H2 genset, i.e. a hydrogen-based power generation unit. It is scheduled to be presented in the second half of 2021.

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 basis. The system, called the DEUTZ Advanced Configurator, enables us to offer bespoke solutions that reduce carbon emissions, fuel consumption, and overall costs while still responding quickly and flexibly to technological advances and changing market requirements.

Environmentally responsible and resource-efficient services – DEUTZ-Xchange and professional diesel particulate filter cleaning DEUTZ believes that it has a responsibility to continually reduce the fuel consumption and emissions of its engines and to develop carbon-neutral drive solutions in order to play its part in mitigating climate change. 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, except that they benefit from technological progress because the latest expertise from the manufacturing of new engine parts is incorporated during reconditioning. 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 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.

Both the DEUTZ Xchange program and the professional diesel particulate filter cleaning are also intended to make a positive contribution to sustainable consumption and production in the spirit of the United Nations' twelfth sustainable development goal.

CORPORATE CITIZENSHIP

In its role as a corporate citizen, 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. At the end of 2019, DEUTZ drew up a groupwide donation and sponsorship strategy to provide a framework for its activities in these areas. A related organizational policy was issued in the first half of 2020. As well as

defining responsibilities and decision-making processes, this policy sets out the principles for corporate citizenship activities and aims to ensure their effectiveness and legal integrity – particularly with regard to potential conflicts of interest – by laying down binding rules.

DEUTZ Business School DEUTZ regards education as the foundation of a sustainable society. This is why DEUTZ Spain, for example, started work on the DEUTZ Business School in the Spanish town of Zafra in 2017. As well as providing targeted support for economic development in this region, where such educational institutions are rare, the objective of the school is to equip young people with all the knowledge and skills they need to meet current and future requirements of business and of the labor market. In addition to university lecturers, managers from DEUTZ Spain are also on hand to share and spread their knowledge for the benefit of the Zafra site and beyond. The programs on offer are geared toward the needs of companies in all sectors and focus on dual vocational training, university courses in lean management, language courses with official certification, and continuing professional development.

Nicolaus August Otto Award 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. To support advances in society and help to proactively address global challenges such as the steady march of climate change, DEUTZ looks to promote innovative ideas in the fields of alternative drives, transport, energy efficiency, cutting-edge technology, and future-focused research, while at the same time recognizing the visionaries of today. In 2019, to fulfill this objective, the Company launched the Nicolaus August Otto Award. This annual innovation award, endowed with prize money of €30,000, is named for the founder of DEUTZ AG and co-inventor of the four-stroke engine.

The Nicolaus August Otto Award for 2020 was presented to Professor Wolfgang Reitzle in recognition of his work in the field of hydrogen drives and fuel cell technology. Reitzle believes that hydrogen drive systems are a realistic alternative to today's internal combustion engines and battery-powered motors and that they can pave the way for zero-emission transport and thus play a key part in the transport mix needed to achieve the EU's climate protection targets for 2030.

CORPORATE RESPONSIBILITY

HR MANAGEMENT

At the end of 2020, the DEUTZ Group employed a total of 4,586¹ people. They are based in more than 15 countries and therefore subject to different local conditions and requirements. 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.

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 took place in 2020 and involved standardizing the format of employee master data at the sites of DEUTZ AG. The next biggest sites – those in Spain and the USA – are to be connected to the system in the medium term.

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.

Impact of the coronavirus crisis on staffing levels The outbreak of the coronavirus pandemic had a major impact not only on the Group's operating performance but also on other areas such as staffing levels. In order to take account of the lower capacity utilization resulting from the coronavirus-related collapse in demand, DEUTZ decided to freeze hiring, to only continue fixed-term contracts in the departments where there was evidence of need, and, wherever possible, to discontinue the use of all temporary workers in the production and assembly operations. At the end of March 2020, an application was also made for Company-wide short-time working at all German sites.² This was approved for Cologne, Herschbach, and Ulm until December 2020.

In light of the aforementioned developments, the motivation and empowerment of employees took on particular significance in 2020. The relevant section of this chapter sets out which measures were adopted in this regard. The restrictions that were put in

place to minimize the risk of infection from coronavirus are detailed on page 84 of this non-financial report in the chapter 'Occupational health and safety'.

Personnel adjustment as part of the 'Transform for Growth' efficiency program At the start of the reporting year, before the outbreak of the coronavirus pandemic, DEUTZ launched a Company-wide efficiency program, 'Transform for Growth'. The aim is to generate gross annual cost savings of around €100 million from the end of 2022 onward in order to maintain the Company's long-term competitiveness, with 2019 serving as the base year for comparison.  See also 'Transform for Growth', p. 25.

As well as adjusting operating costs, a large part of the savings are to be achieved by reducing staff costs. This will involve making a substantial reduction in jobs across the Group. The top priority is to minimize the social impact of the reduction for all employees. In this context, DEUTZ reached agreement with the employee representatives on a key issues paper in the third quarter of 2020. It includes a voluntary redundancy program for 350 employees at the German sites, 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. Participation in the voluntary redundancy program also requires the approval of the Company. In imposing this requirement, DEUTZ wants to make sure that we do not lose workers with the skills and knowledge that we need.

The offer to participate in the voluntary redundancy program runs from September 1, 2020 to March 31, 2021 and had been taken up by a total of 171 employees by the end of 2020.

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 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.

In 2020, restructuring costs totaling €31.9 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. 120.

¹ The number of employees is expressed in FTEs (full-time equivalents).

² See the ad hoc disclosure dated March 25, 2020.

Representation of interests and codetermination In the DEUTZ Group, codetermination matters, i.e. matters in which the workforce has a say in decision making, are also essentially managed on a decentralized basis due to local differences. All pay-scale employees in Germany, who make up the majority with approx. 92 percent of the Group's workforce, are subject to the collective pay agreement of the metalworking and electrical engineering industry and their interests are represented by the works councils at the individual sites. The works councils get involved in all employee-related matters at DEUTZ AG, for example regarding recruitment, remuneration, reassignment, and dismissal, in accordance with the applicable collective pay agreements and laws. The objective is to agree mutually acceptable rules and arrangements for the matters at hand. 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.

Internal communications At the end of 2019, DEUTZ added to its existing communication channels, such as the intranet and the regular myDEUTZ employee magazine, by launching an employee app called DEUTZ Mobile. The new app gives access to a wide range of information about DEUTZ and can be downloaded by all employees of DEUTZ AG on their personal or work smartphones and/or tablets. DEUTZ Mobile was originally only available in German for employees of DEUTZ AG, but an English-language version was rolled out for our site in Spain at the start of 2021 and an English-language version is also due to be rolled out in China later in the year.

DEUTZ also arranges other types of event, such as works meetings and other information events, to establish dialog with the workforce on important matters, for example the implementation of the efficiency program. The coronavirus pandemic meant that DEUTZ made greater use of video messages in the reporting year.

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. Consequently, DEUTZ endeavors to provide its employees with a working environment that, at every stage of their working life, motivates and empowers them while, at the same time, ensuring the availability of skilled workers over the long term. The measures offered by DEUTZ AG in this context include flexible working time models to enable employees to balance work with family life, a comprehensive training program, the agreement of individual targets, and a wide variety of healthcare and sports programs.

During the reporting year, employee motivation was a hugely important issue in view of the coronavirus crisis and the subsequent introduction of short-time working at the end of March 2020. As a sign of its appreciation for the continued commitment shown by employees during this challenging time, DEUTZ AG offered free lunches to employees at its main site in Cologne for several weeks. In addition to topping up the short-time working allowance, DEUTZ gave the option of working from home to those employees whose role enabled them to do so and who had the necessary equipment, in particular to enable them to balance work with childcare during the national lockdowns.

One of the ways of motivating the workforce to make a proactive contribution to the success of the Company is the bonus-driven ideas management scheme. It allows any employee at DEUTZ AG to put forward ideas for discussion, such as how to make the working environment more efficient or how to optimize existing processes, and helps to foster a culture of innovation in the Company. This can not only improve employees' motivation but also give them a greater sense of empowerment, for example because they can suggest ways to improve their working conditions. A total of 573 ideas were submitted in 2020. The DEUTZ innovation center at the main site in Cologne, where interdisciplinary teams apply agile working methods, is the result of a successful idea submitted by employees in previous years.

DEUTZ Corporate Values



DEUTZ firmly believes that working conditions play a key part in employees' motivation levels and, ultimately, their productivity. The Company therefore attaches a high priority to maintaining a corporate culture that is shaped by team spirit, a sense of responsibility, and respect, that shuns behavior such as discrimination, bullying, and harassment, and that fosters a culture of innovation. This corporate culture is encapsulated in the five corporate values of the DEUTZ Group.

DEUTZ’s groupwide code of conduct sets out rules on appropriate behavior in the workplace and other matters. It must be adhered to by all employees. See also ‘Corporate governance and compliance’, p. 85.

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 aim is to use the resulting insights to define specific measures, implementation of which can motivate and empower employees to put their skills to use for the benefit of the Company and to realize their potential as fully as possible. Once the results had been evaluated, workshops and other activities took place so that employees could play an active role in defining what measures needed to be taken.

The first employee survey, carried out in 2019, found that 78 percent of all DEUTZ employees were motivated and 69 percent felt empowered to do their work.¹ DEUTZ has set itself the target of maintaining these levels up to 2023.

Under the sustainability strategy adopted at the end of 2019, DEUTZ had planned to conduct the groupwide employee survey every two years. However, it decided in 2020 to extend this to every three years, mainly in view of the introduction of the ‘Transform for Growth’ program.

Equality-friendly management culture DEUTZ endeavors to consciously harness diversity for the success of the Company in order to gain a better understanding of changing markets, access a larger pool of talent, and benefit from additional creativity and innovation.

In the spirit of both the United Nations’ fifth sustainable development goal (gender diversity) and the Women’s Empowerment Principles, DEUTZ strives to drive forward the representation of women in management and in the workforce generally, and to establish a leadership culture based on equal opportunities. Consequently, recruitment decisions are made solely on the basis of the candidate’s professional suitability. DEUTZ AG also attaches

importance to the principle of equal pay for women and men. This means that an employee’s remuneration is essentially determined solely on the basis of their personal and professional qualifications and the responsibilities assigned to them. For employees covered by a binding collective pay agreement, gender-specific differences in salaries for equal tasks are excluded from the outset.

With a view to advancing the careers of women within the Group, DEUTZ participates in a cross-mentoring program for female management trainees, in which a mentee works in tandem with a mentor from a different company. This enables the mentor to give the mentee insights into the structures and processes that are in place in another organization.

DEUTZ has set itself the target of increasing the proportion of women in the workforce as a whole² to more than 10 percent and the proportion of female managers³ to more than 20 percent, in both cases by the end of 2023. In addition, the Supervisory Board specified in 2017 that there should be at least one female member of the Board of Management as at June 30, 2022.

In 2020, women made up 12.1 percent of the total workforce, meaning that we were able to exceed our medium-term goal during the reporting period. 11.4 percent of managers were female.

DEUTZ Group: Proportion of women

	%	
	2020	2019
Proportion of women in the workforce ¹	12.1	11.4
Proportion of women in management positions ²	11.4	12.4

¹ Including staff on fixed-term contracts but excluding temporary workers.

² 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.

Training DEUTZ attaches great importance to training. The Company’s success in this area is evidenced by the fact that the training center at the headquarters in Cologne, the Factory for Talents, was recognized by the Cologne Chamber of Industry and Commerce for its outstanding achievements in vocational training for the tenth time in succession in 2020. Moreover, the German Chamber of Industry and Commerce named two DEUTZ apprentices as the best examinees in their respective vocations in Germany.

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

In 2020, a total of 20 apprentices embarked on careers in six different vocations at DEUTZ AG. As a result, the ratio of trainees to total employees was 3.2 percent.

DEUTZ AG: Ratio of trainees to total employees¹

%	2020	2019	2018	2017 ²
Ratio of trainees to total employees	3.2	2.6	2.5	2.5

¹ 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.

² 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.

A survey is carried out each year in order to ascertain the number of apprentices required overall and in each individual vocational field. The exact number is then fixed in consultation between the Board of Management and the DEUTZ AG works council commission, which is made up of equal numbers of employer representatives and workforce representatives. On the basis of the latest survey, a decision was made to lower the original target for 2023 for the ratio of trainees to total employees⁴ from over 3 percent to between 1.5 and 2 percent. This takes account of factors such as the overall personnel adjustments that are planned in connection with 'Transform for Growth'.

Staff turnover DEUTZ firmly believes that new employees bring with them new perspectives that can help a company to develop and improve its ability to innovate. HR activities are therefore aimed at ensuring the groupwide rate of staff turnover⁵ in 2023 is within a range of 5 to 10 percent. This target was not adjusted as a result of the global efficiency program and the accompanying reductions in the number of jobs.

DEUTZ Group: Rate of staff turnover¹

%	2020	2019
Rate of staff turnover	6.3	6.3

¹ 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 2020, the rate of staff turnover⁵ for the DEUTZ Group was 6.3 percent, which is the same level as in the prior year. However, it should be noted here – with respect to the reduction in the number of jobs across the Group as part of the global efficiency program and the discontinuation of the use of temporary workers due to the coronavirus crisis – that at the end of 2020 the number of employees who had left the Company by participating in the voluntary redundancy program was still only in the low double digits and that neither staff on fixed-term contracts nor temporary workers are included in the underlying calculation.


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, it complies with the statutory requirements on occupational health and safety that apply from country to country. This involves implementing measures that are in line with local rules and are designed to ensure that employees are exposed to as few dangers as possible at work and to minimize the risk of accidents.

At present, occupational health and safety is still largely managed at local level, so the following information essentially relates to the sites of DEUTZ AG (unless indicated otherwise), where the majority of the Group's workforce – around 72 percent¹ – 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.

DEUTZ SICHERHEIT The subsidiary DEUTZ SICHERHEIT GmbH is a centralized entity responsible for overall safety management and operational support for the German sites in Cologne and Herschbach. Its CEO reports directly to the Head of Quality Management, Environmental Protection, and Occupational Health and Safety at DEUTZ AG. Operational support comprises aspects such as plant safety and the works fire brigade for the Cologne sites as well as occupational health and workplace safety.

Management of occupational health and safety The management of occupational health and safety at DEUTZ AG and its Spanish subsidiary DEUTZ Spain centers on internal inspections. The frequency of these inspections is determined by the extent and type of risk presented by the machinery or workspace. In assembly and production, for example, teams made up of experts from various disciplines carry out these inspections. Any issues identified are documented in action plans that specify a timeframe for remedial measures to be taken.

In respect of the handling of hazardous substances, the Company has been working on the phased implementation of a hazardous substances management framework for the German sites since the end of 2019. This initiative involves measures such as the preparation of operating manuals on the handling of hazardous materials, which describe/define relevant safety measures and will be provided to employees. The objective is to ensure compliance with statutory requirements and prepare the ground for the planned certification in accordance with ISO 9001, ISO 14001, and ISO 45001.  See also 'Environmental and climate protection', p. 89.

Integrated management system By the end of 2021, DEUTZ intends to extend the integrated management system (IMS) that it has established in Germany so that it also covers occupational health and safety. To this end, the production sites of DEUTZ AG are to be successively certified in accordance with the global ISO 45001 standard. ISO 45001 sets out the requirements for an effective system for managing occupational health and safety.

In 2020, this process commenced with the implementation of the system at the Cologne-Porz and Cologne-Kalk sites. At the same time, preparatory steps such as a gap analysis were conducted to help the Company identify relevant fields of action for the integration of the first sites. The initial audit and certification are scheduled to take place in 2021 and a section on occupational health and safety will subsequently be added to the integrated management handbook. Step two will involve certification of the sites in Ulm and Herschbach in 2022.

The production site in Zafra, Spain, already holds ISO 45001 certification.

Occupational health and safety measures In the wake of the outbreak of the coronavirus pandemic, protecting the health of employees has been of particular importance in 2020. In order to minimize the risk of infection and fulfill its contractual duty of care and protection, DEUTZ AG set up a coronavirus crisis management team in February 2020. This team is led by the Head of Group Safety and has been meeting on a weekly 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 places in close consultation with the works council.

Coronavirus-related health and safety measures that have been implemented over the course of the year include rules on social distancing and wearing face masks, which were distributed by DEUTZ free of charge, as well as steps to create a safe work environment in terms of infection control, increased cleaning cycles, and the provision of hand sanitizer in entrance areas, sanitary facilities, and communal areas. A special risk assessment was conducted for all workplaces to inspect working conditions and necessary safeguards. Depending on the level of severity of the pandemic at any given time, the Company carried out/offered body temperature checks at the entrance to certain premises such as the headquarters in Cologne and the Zafra plant in Spain. Working from home was facilitated and even encouraged, especially for employees in administrative functions.

In order to ensure that staff understand and comply with the new preventive and occupational safety measures, the Company has been communicating relevant information extensively and in a targeted manner using a variety of different channels. In addition to regular notifications, e.g. 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.

Coronavirus-related health and safety measures were largely managed in a centralized manner and rolled out consistently across the Group, despite the fact that the underlying organizational structure is still largely decentralized.

With regard to other occupational health and safety measures to be introduced groupwide, DEUTZ began to define the 'seven golden rules' in 2020, a set of uniform safety rules that will be communicated to every employee in writing. In addition, there are medium-term plans for a collective assessment of individual workplaces with regard to workflows and risks.

Frequency of accidents The frequency of accidents in 2020 halved, while the number of hours worked was slightly below the 2019 level due to the pandemic. Consequently the recordable incident rate (RIR)⁶ of the DEUTZ Group improved to 7.4, compared to 11.2 in the prior year. The significant decrease is due partly to the ongoing intensification of occupational health and safety management and partly to coronavirus-related factors. The ongoing production modernization program helped to prevent or minimize accident risks. Measures included improving workflows using a 3D workplace design tool (ema) and the introduction of

an end-to-end, process-driven approach in production planning. Further measures were implemented from occupational health and safety optimization plans that were developed in preparation for the planned certification to ISO 45001 in 2021 and as the result of internal inspections. At the same time, the reduced number of production cycles due to the significant – pandemic-related – decrease in the production program also had a positive impact on the RIR.

DEUTZ Group: Recordable incident rate (RIR)¹

	2020	2019 ²	2018	2017
RIR	7.4	11.2	15.0	13.4

¹ 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.

² 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 the 'Sustainability Vision for 2023', DEUTZ has set itself the medium-term target of improving the RIR¹ to seven by the end of 2023. This figure was nearly achieved in 2020, but the aforementioned effects resulting from the impact of the coronavirus pandemic on the Company's business activities have to be taken into account, as these are likely to have had a positive effect on the RIR.

CORPORATE GOVERNANCE & COMPLIANCE

DEUTZ understands good corporate governance and compliance to mean acting responsibly and in accordance with the laws of the countries in which the Company operates. It also understands it to mean showing integrity and adopting an ethical and moral approach in day-to-day business conduct toward not only customers 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 mitigating compliance 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. The Chairman of the Board of Management, for his part, appoints the Compliance Officer as well as 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.

DEUTZ code of conduct and topic-specific organizational policies 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 was rolled out in five further languages in 2020 after it had previously only been available in German and English. This should prevent any difficulties in comprehension due to language barriers and ensure that the content of the code is understood in all countries.

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 at www.deutz.com/en/about-us/compliance/code-of-conduct.

E-learning courses and classroom-based training 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 employees⁷ are assigned training modules that they are asked to complete before the end of the 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.

Whereas previously it was only possible to complete the e-learning courses in German and English, versions in Chinese, Russian, Italian, French, and Spanish were added in 2020.

Employees of 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 usually provided every year for non-administrative employees, most of whom work in the plants. Disciplinary action may be taken against these employees if they fail to attend the training or complete the e-learning courses despite having been sent automatically generated reminders.

⁷ 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 expanded with new topic areas regularly and as needed. Since 2020, for example, the program has included a further module on data protection in addition to the existing ones covering health and safety, fair competition and anti-corruption.

By the end of 2020, a total of 3,012 (97.3 percent) of all administrative employees¹ 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 training¹

	2020	2019	2018 ²	2017 ²
Proportion of workforce to have completed compliance training	97.3	98.1	93.5	–

¹ Only includes administrative employees.

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

Business partner compliance tool DEUTZ expects not only its employees to act in compliance with the law but also its business partners – whether they are customers, suppliers, or service providers.

In 2019, DEUTZ began to implement a new IT-based business partner compliance tool that will enable it to respond appropriately and at an early stage to matters such as suspected money laundering, anti-competitive practices, corruption, and bribery on the part of its business partners. It uses this to provide business partners with a web-based self-declaration form and then checks both the company itself and the members of its governance 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.

Since the end of 2020, the business partner compliance tool has been used at German sites 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 original plan was to start integrating the DEUTZ companies based outside Germany that use the SAP R/3 system from 2020. However, there were delays due to the outbreak of the coronavirus pandemic, meaning that this integration will not commence until 2021.

To support these mandatory checks on business partners carried out with the new tool, DEUTZ issued a groupwide business partner compliance policy when the tool was introduced.

Whistleblowing system To identify, at the earliest possible stage, behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, a publicly accessible whistleblowing system was established 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 on the Company website at www.deutz.com/en/about-us/compliance/. Strict secrecy and confidentiality are guaranteed both for whistleblowers and 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/about-us/compliance/code-of-conduct/.

Risk management system Dealing responsibly with risks is a particularly important part of good corporate governance. With the help of DEUTZ's internal risk management system, the Board of Management 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.

DEUTZ had intended to integrate the identification and evaluation of other risks related to the aspects defined as material into the Company's regular IT-based internal risk inventory process in 2020. However, due to cost-cutting measures related to coronavirus, the IT-supported integration has been delayed to 2021, which is why these risks were still identified and evaluated manually in 2020. Risks related to the achievement of non-financial KPIs were also examined manually and began to be reported regularly to the Board of Management in the year under review.

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**. The corporate governance report, the declaration of conformity issued by the Board of Management and Supervisory Board, and the corporate governance declaration for DEUTZ AG and the Group are published on the Company website at www.deutz.com/en/investor-relations/corporate-governance/declaration-of-conformity/.

SUPPLIER MANAGEMENT

DEUTZ maintains business relationships with nearly 550 suppliers in more than 40 countries. With nearly €900 million in direct materials purchased annually worldwide, DEUTZ AG'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 management¹, including the approval of production component suppliers, lies predominantly with DEUTZ AG as the executive parent company. 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.

Supplier management focuses primarily on the quality of the supplied components, lead times, and commercial conditions. But as part of the implementation of the groupwide sustainability strategy, there will also be a growing focus on sustainability criteria – especially those relating to respect for human rights, combating corruption and/or bribery, and maintaining certain environmental and social standards – in the supplier selection and assessment process. The Company has already initiated a whole host of measures in this regard and has also defined a variety of targets under its Sustainability Vision for 2023 that apply not just to DEUTZ AG but to the entire DEUTZ Group.

The responsibility for sustainability-related matters in purchasing and for materials compliance lies with the Non-Production Purchasing, Sustainability, and Compliance in Purchasing department, which is part of the Finance function.

Supplier management system DEUTZ AG systematically manages its suppliers using a 'supplier cockpit', which assists in monitoring the performance of key suppliers primarily from a purchasing, logistics, and quality perspective. The insights obtained via the cockpit are used to draw up and initiate measures to improve the performance of suppliers as necessary.

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

In 2020, DEUTZ introduced a web-based assessment platform for global supply chains and a business partner compliance tool. The plan for 2021 is to establish processes that integrate the assessment results into the supplier management process.

Code of conduct for suppliers The DEUTZ code of conduct for suppliers (Supplier Code), which was introduced in 2019, 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. Amongst 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 our 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 become an integral part of all new supplier contracts and the general purchasing conditions with effect from January 1, 2020.

In order to ensure and track the effectiveness of the Supplier Code to the greatest possible extent, the Company conducts **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.

Under the Sustainability Vision for 2023, DEUTZ has set itself the target of auditing 30 existing suppliers a year between 2020 and 2023 regarding their compliance with the Supplier Code and of auditing 90 percent of all new suppliers over the same period.

Due to the outbreak of the coronavirus pandemic, it was not possible to conduct the full set of audits that had originally been scheduled for 2020. The total number of existing suppliers audited regarding their compliance with the Supplier Code came to just four. Because of coronavirus, it is unlikely that the scheduled number of audits will be completed in 2021 either.

Assessment of the sustainability performance of suppliers using EcoVadis Our objective is to obtain a transparent overview of material sustainability risks in the supply chain that enables us to address these risks appropriately. With this in mind, DEUTZ established the global supply chain platform EcoVadis in 2020, which can be used to assess the sustainability performance of suppliers and identify potential for continuous improvement. The assessment criteria cover environmental and ethical topics, labor rights, human rights, and sustainable sourcing and take account of country-specific and industry-specific aspects as well as the size of the supplier.

DEUTZ has set itself the target of auditing and rating 50 percent of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year via the EcoVadis online assessment. The proportion of suppliers audited in this way in 2020 was 31 percent.

For 2021, DEUTZ plans to develop a process that will make it possible to systematically detect and document weaknesses identified as part of the EcoVadis assessment. This documentation will then be used as a starting point for the definition of improvement measures in collaboration with the suppliers. At the same time, DEUTZ wants to put in place processes that will enable it to identify and assess suppliers with regard to potential sustainability risks, irrespective of purchasing volumes, and to subsequently conduct EcoVadis audits for them.

Business partner compliance 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 via EcoVadis. To this end, DEUTZ introduced a business partner compliance tool in the fourth quarter of 2020.

 See also 'Corporate governance and compliance', p. 85.

The target for 2023 is to use the newly established tool to conduct compliance risk assessments for 90 percent of all existing suppliers with whom DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

Compliance with international regulations On account of its business activities, its products, the components of these products, and the processes used to manufacture them, DEUTZ is subject to regulations pertaining to the registration, evaluation, authorization, and restriction of chemicals (**REACH**), to the restriction of the use of certain hazardous substances in electrical and electronic equipment (**RoHS**), and to the use of conflict minerals.

In order to ensure compliance with the aforementioned regulations, DEUTZ set up the Materials Compliance function within the Non-Production Purchasing, Sustainability, and Compliance in Purchasing department in the previous reporting year. The responsibilities of this function include assessing the materials and substances used in products from a legal perspective, monitoring and assessing developments at regulatory and government policy level, as well as progressively expanding the level of collaboration with suppliers of production materials, and optimizing processes with regard to the materials and substances that are used. To achieve these aims, the function works closely with Component Purchasing for Series Production and the Supplier Quality department, including in an advisory capacity, and stipulates the criteria for the selection of production component suppliers with regard to materials compliance. In addition, an online database for materials declarations was 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 was launched to implement a materials compliance software solution, which will help to further process information on materials over the course of the product life cycle.

In light of the fact that DEUTZ does not purchase any minerals directly, the Company 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. Among other sources, this policy reflects the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. DEUTZ carries out surveys on the use of conflict minerals at regular intervals to ensure compliance with this guidance and other regulatory requirements 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.

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 sites¹ of the Group as a whole.

Internal inspections and legal conformity Areas of the business whose activities could have harmful effects on the environment, such as the assembly line and paintshop, are inspected at least once a year by an internal team of auditors and experts to certify compliance with the Company's own objectives and specifications and with statutory requirements. This enables possible hazards and potential for improvement to be identified at an early stage, progress with the implementation of measures already introduced and the impact of such measures to be monitored, and new measures to be initiated.

The statutory requirements in Germany 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).

On account of its production processes and product components, DEUTZ is also subject to international regulations. These include 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.  See also 'Supplier management', p. 87.

An approval procedure ensures that the use in production of substances that could be detrimental to the safety of our staff, or harmful to the environment, is minimized as far as is possible. Responsibility for this lies with the Materials Compliance function, which was established in 2019 and forms part of the Non-Production Purchasing, Sustainability, and Compliance in Purchasing department. 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. 87.

Integrated management system (IMS) DEUTZ AG's integrated management system, which currently covers environmental protection, energy, and quality, meets the requirements of the international environmental management standard DIN EN ISO 14001:2015, the energy management standard ISO 50001:2018,

¹ Excluding joint ventures.

and the quality management standard ISO 9001:2015. Conformity 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 aforementioned 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.

In 2020, DEUTZ AG's energy management system, which enables the continuous monitoring of consumption and energy flows and in turn facilitates the effective planning and implementation of optimization measures, was recertified to ISO 50001:2018 at the Cologne and Ulm sites without any nonconformities. The next monitoring audit will take place in 2021.

DEUTZ AG's environmental management system, which is intended to help continually improve the overall environmental performance of DEUTZ AG, was also recertified to ISO 14001:2015 at the Cologne site in 2020 and extended to all of DEUTZ AG's German plants and to the Company's second-largest production facility at the headquarters of DEUTZ Spain in the Spanish town of Zafra.

Measures to reduce energy consumption In 2020, 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 the optimization of several compressor units and the introduction of cold testing for certain diesel engines, during which diagnostic programs are run without any fuel being used – unlike in the past. The phased replacement of conventional lighting with LED lighting was also continued in 2020 and is likely to be completed in 2021.

A progressive reduction of electricity consumption is not the extent of DEUTZ's ambition, however. The Company is also committed to promoting 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.

In respect of other projects launched in the prior year, DEUTZ finalized plans to install photovoltaic systems on larger roof areas and completed the analysis of the supply of heating in the industrial and winter networks and the feasibility of installing a combined heat and power unit. However, due to cost-cutting measures brought in as a result of the coronavirus crisis, the implementation of these projects was put on hold.

DEUTZ Group: Energy consumption at the production sites¹

MWh	2020	2019	2018	2017 ²
Electricity	72,672	87,316	94,999	84,605
Natural gas	28,945	35,989	38,271	35,277
District heating	11,262	10,969	12,349	12,223
Heating oil ³	2,317	2,685	3,359	3,653
Diesel fuel ⁴	18,951	20,764	18,165	19,218
CNG ⁵	108	72	0	0
LPG ⁶	245	390	633	421
Total	134,502⁷	158,186	167,777	155,397

¹ Excluding joint ventures.

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

³ At 10.5 kWh/liter (mean).

⁴ At 9.85 kWh/liter (mean).

⁵ At 10.0 kWh/m³ for CNG (H) (mean) and 8.2 kWh/m³ for CNG (L) (mean).

⁶ At 12.8 kWh/kg (mean).

⁷ As a result of differing accounting periods, the total for 2020 includes an extrapolated figure for the Atlanta production for December 2020.

The consumption of energy fell by 15 percent in total year on year, reflecting the significant 36 percent contraction in production volume. The reason why the decline in consumption is not directly proportional to the reduction in the production volume is that base load consumption continually occurs in the plants even during non-production periods.

CO₂ emissions The majority of the scope 1 emissions from the DEUTZ Group's production sites¹ 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 emissions² are generated in connection with production processes and other business operations.

¹ CO₂e = carbon dioxide equivalents; CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. CO₂ 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: CO₂ emissions from diesel, natural gas, LPG, heating oil, and CNG caused by burning these fuels in our own facilities.

² CO₂e = carbon dioxide equivalents; CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. CO₂ 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: CO₂ emissions relating to purchased energy, for example electricity and district heating. Excluding joint ventures.

In addition to our overarching objective of driving forward the use of alternative drive systems we are focusing on continually optimizing our processes in order to be able to lower emissions over the long term. For example, existing systems are being progressively optimized and methods such as the aforementioned cold testing are being trialed and introduced that could allow DEUTZ to dispense with some of the tests currently run for quality control. With regard to the cold testing introduced in 2020, the objective for 2021 is for at least 40 percent of engines with capacities of less than 4 liters to be tested using this method.

DDEUTZ Group: CO₂ emissions from production sites¹

Tonnes CO ₂ e ²	2020	2019	2018	2017 ³
CO ₂ -emissions (scope 1) ⁴	11,565	13,590	13,530	13,239
CO ₂ -emissions (scope 2) ⁵	33,159	42,240	42,240	38,012
Total CO₂ emissions	44,724	52,418	55,770	51,251

¹ CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. CO₂ figures are reported in accordance with the Greenhouse Gas Protocol and are determined by multiplying the energy consumed by the relevant emissions factor.

² CO₂e = carbon dioxide equivalents.

³ 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.

⁴ Scope 1: CO₂ emissions from diesel, natural gas, LPG, heating oil, and CNG caused by burning these fuels in our own facilities.

⁵ Scope 2: CO₂ emissions relating to purchased energy, for example electricity and district heating.

Despite ongoing research activities at the site in Cologne-Porz, the significantly reduced production volume at the production sites¹ led to a drop in overall energy consumption and related CO₂ emissions (scope 1 and 2) of around 15 percent year on year.

DEUTZ Group: CO₂ emissions² per manufactured engine¹

Emission pro Motor	2020	2019	2018	2017 ³
CO ₂ e (kg)	331	250	257	299

¹ Excluding joint ventures. CO₂e = carbon dioxide equivalents; CO₂ 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. CO₂ reporting covers scope 1 (CO₂ emissions from diesel, natural gas, LPG, heating oil, and CNG caused by burning these fuels in our own facilities) and scope 2 (CO₂ 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.

² CO₂e = carbon dioxide equivalents.

³ 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.

The key figure of CO₂ emissions per manufactured engine is, by definition, dependent on the production volume in the relevant year. While the production volume fell by 36 percent year on year, the key figure increased by around 32 percent. This divergence is due to the fact that consumption continues in engine development even during non-production periods.

Under its sustainability strategy, DEUTZ has set itself the target for 2023 of reducing CO₂ emissions by 20 percent compared to the base year 2017, both for its production sites¹ as a whole and per manufactured engine¹.

Nitrogen oxide and particulate emissions 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 sites¹. The majority of these emissions are produced by the running of combustion processes in the development plant's test rigs and by the bays used for hot testing, which replicate the real-life operation of engines and thus burn diesel and LPG.

The ongoing development of our engines is heavily influenced by laws and legislation, for example in the form of ever stricter emissions restrictions. Because of this, our development activities are aimed at continually optimizing the performance of the exhaust aftertreatment systems and the technical configuration of our products 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 well 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.

¹ Excluding joint ventures.

Nitrogen oxide and particulate emissions per manufactured engine^{1,2,3}

	2020	2019	2018	2017
Nitrogen oxide (kg)	0.47	0.33	0.19	0.25
Particulate (g)	3.70	2.70	1.80	2.21

¹ 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.

² 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.

³ For the Ulm production site, the measurement of nitrogen oxide used in the calculation is based on the extrapolated figure from 2016.

Analogous to the CO₂ emissions per manufactured engine, the nitrogen oxide and particulate emissions per manufactured engine at the production sites are dependent on the production volume of the relevant year. Given that a certain level of fuel consumption occurs independently of the production volume as a result of the specified scope of testing, the content of which cannot be reduced nor the duration shortened, the nitrogen oxide and particulate emissions per manufactured engine at the production sites rose year on year by around 42 percent and 37 percent respectively.

Under its sustainability strategy, DEUTZ has set itself the target for 2023 of reducing both nitrogen oxide and particulate emissions per engine manufactured at its production sites¹ by 3 percent compared to the base year 2019.

Waste 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 our

engine components also make up a not insignificant proportion of the waste produced. These contain oil, among other things, which is why they mainly constitute waste for disposal.

DEUTZ Group: Volume of waste at the production sites¹

Tonnes	2020	2019
Waste for disposal	4,312	6,337
Waste for recycling	11,892	14,160
Total waste	16,204	20,498

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

The amount of waste produced in 2020 fell by around 21 percent year on year due to the significantly lower production volume as a result of the coronavirus pandemic; the volume of waste sent for disposal fell by around 31 percent.

DEUTZ has set itself the target for 2023 of reducing waste for disposal at its production sites¹ by a total of 10 percent compared with 2019. Related measures planned for the coming years include the introduction of pallet pooling, an overhaul of the painting plant, and the elimination of secondary packaging.

¹ Excluding joint ventures.

INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING¹

To DEUTZ AG, Cologne

We have performed a limited assurance engagement on the combined separate non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB "Handelsgesetzbuch": "German Commercial Code") of DEUTZ AG, Cologne, (hereinafter the "Company") for the period from 1 January to 31 December 2020 (hereinafter the "Non-financial Report").

RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal controls as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

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.

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the information in the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the 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 allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

¹ 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.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Inquiries of the Company's personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of selected disclosures in the Non-financial Report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

ASSURANCE CONCLUSION

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January to 31 December 2020 has not been prepared, in all material aspects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

INTENDED USE OF THE ASSURANCE REPORT

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement. The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt, 10 March 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

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Wirtschaftsprüfer
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