
SEPARATE
COMBINED
NON-FINANCIAL
REPORT

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ABOUT THIS NON-FINANCIAL REPORT

Scope and reporting period The content of this separate combined non-financial report pursuant to sections 289b (3) and 315b (3) of the German Commercial Code (HGB) ('non-financial report') covers both the parent company DEUTZ AG and the DEUTZ Group. Unless indicated otherwise, all quantitative and qualitative disclosures pertain to the Group as a whole ('DEUTZ'). Disclosures that relate only to DEUTZ AG are labeled accordingly. The reporting period is the 2022 financial year.

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

also 'Materiality assessment', p. 97.

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

As a result of its 2022 stakeholder survey, DEUTZ also identified material topics that can only partly be assigned to the aspects defined under HGB. [See](#) also 'Materiality assessment', p. 97. These topics are therefore included in the preceding table under the non-HGB-defined 'Other' aspect. The war in Ukraine did not have any direct impact on the topics defined as material or on the related KPIs in 2022.

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

also information on the Taxonomy Regulation (EU) 2020/852, p. 125 onward.

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

This non-financial report makes reference to further information provided elsewhere in the annual report. References to disclosures outside the scope of the consolidated financial statements, the annual financial statements of DEUTZ AG, and the combined management report for 2022 do not form part of the non-financial report.

Risks pursuant to section 289c (3) nos. 3 and 4 HGB Using the net method, no material risks were found in relation to DEUTZ's own business activities, business relationships, products, or services or to aspects relating to the key topics pursuant to section 289c (3) nos. 3 and 4 HGB that are very likely to have a serious impact on those aspects subject to reporting requirements now or in the future. [See](#) the combined management report, risk report, p. 57 onward, for information on risks and opportunities.

Content review On behalf of the Supervisory Board of DEUTZ AG, the non-financial report was voluntarily submitted for an external review with limited assurance pursuant to ISAE 3000 (Revised).

[See](#) p. 136 onward for the findings of the review.

BUSINESS MODEL

The DEUTZ Group's core competencies are the development, production, and distribution of drive solutions for off-highway applications. The Company was founded in 1864 and has around 5,000 employees worldwide. Its current portfolio extends from diesel, gas, and hydrogen engines to hybrid and all-electric drives. DEUTZ drives are used in a wide range of applications including construction equipment, agricultural

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

Portfolio of technology-neutral drive systems for different application segments



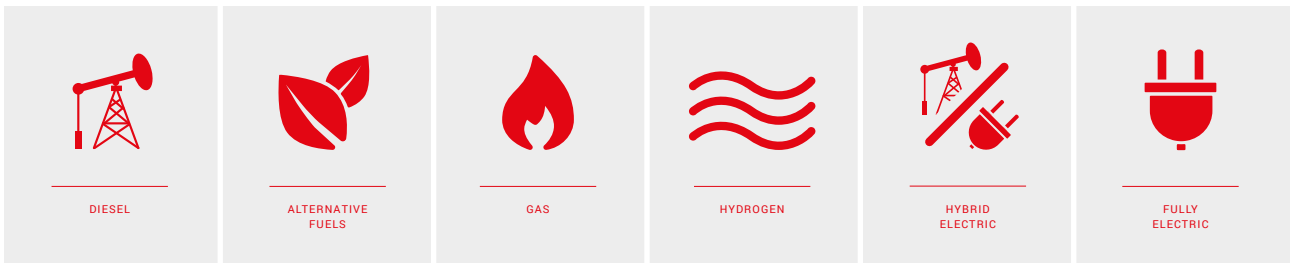
Construction machinery

Material handling

Agricultural machinery

Stationary systems

Other



DIESEL

ALTERNATIVE
FUELS

GAS

HYDROGEN

HYBRID
ELECTRIC

FULLY
ELECTRIC

SUSTAINABILITY ORGANIZATION AND MANAGEMENT

DEUTZ Sustainable Development Committee (SDC)

Responsibilities and reporting structure



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

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

See also 'Corporate governance and compliance', p. 100 onward.

The Supervisory Board, in its function as an oversight body, is updated by the Board of Management and/or the SDC management at least once a year on the Company's sustainability activities. In 2022, the Supervisory Board's Audit Committee was also provided with detailed information on how the non-financial reporting would need to be brought into line with the Corporate Sustainability Reporting Directive and the EU Taxonomy Regulation and what preparations are being made to this end.

MATERIALITY ASSESSMENT

Stakeholder survey The materiality assessment was previously carried out by the members of the SDC on the basis of the DEUTZ Group's business activities, the corporate philosophy, the principles of the United Nations Global Compact, and the **Women's Empowerment Principles**. In late 2021/early 2022, DEUTZ conducted a questionnaire-based stakeholder survey so that the views of further internal stakeholders, and especially those of external stakeholders, could be taken into account. This was used to determine the specific individual topics that are regarded as material in the context of the overarching topics that DEUTZ had previously included in its non-financial report. In order to ensure that a broad spectrum of potentially relevant individual topics are covered, the questionnaire also included those that have previously not been covered by either the groupwide sustainability strategy or the non-financial reporting. These topics were identified by analyzing the non-financial reports of certain peer group companies. The respondents also had the option of naming, in a free-text field, any further sustainability topics that they considered to be material. The questionnaire was given to two main groups of stakeholders: representatives of the Group's workforce across various hierarchy levels, who evaluated the individual topics from the perspective of the Company, and external stakeholders – customers, suppliers, analysts, and investors as well as experts from trade associations and networks focused on sustainability issues.

The stakeholder survey not only confirmed that the topics previously deemed as material were still considered as such, but also identified new topics as being material. These included data protection, product quality, and water consumption. DEUTZ reports on data protection and on product quality in this report and plans to make disclosures relating to water consumption for the first time in its 2024 non-financial report.

In 2022, the SDC confirmed the findings of the stakeholder survey and thus that DEUTZ continues to regard certain overarching topics, including the individual topics referenced above, as key to understanding the development, performance, and position of the Group and the impact of its business activities on the non-financial aspects defined in accordance with HGB. These topics are product stewardship, HR management (including occupational health and safety), corporate governance and compliance, supplier management, and environmental and climate protection. DEUTZ reports on its corporate citizenship activities on a voluntary basis in this report.

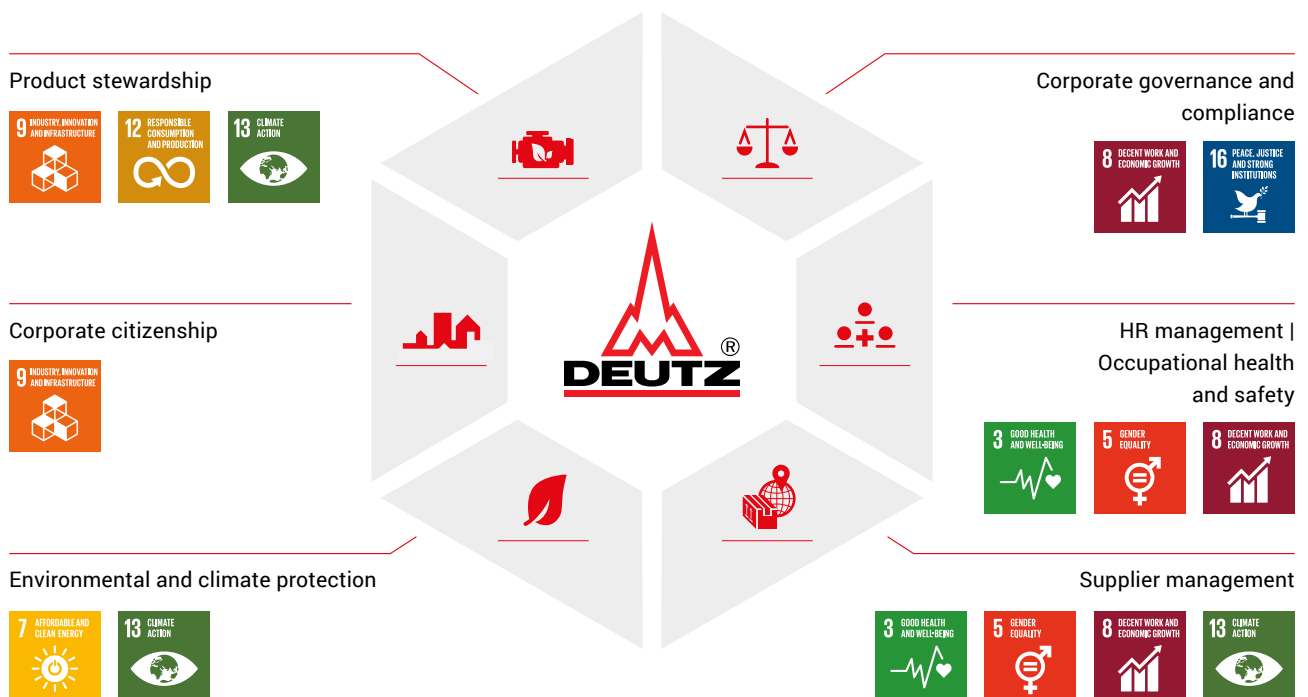
Frequency of the materiality assessment The sustainability topics that are found to be relevant by the materiality assessment not only determine the scope of the non-financial report, they also form the main components of the groupwide sustainability strategy. This is based on the belief that any topics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

SUSTAINABILITY STRATEGY AND OBJECTIVES

The name of the groupwide sustainability strategy, Taking Responsibility, reflects the Company's ambition of achieving its financial objectives while fulfilling its environmental, social and corporate governance responsibilities. Consequently, the DEUTZ Group's sustainability activities are divided into three fields of action to which the relevant key topics are assigned. DEUTZ had set quantitative targets for 2023 when adopting its sustainability strategy in 2019 and has now followed this up by setting new medium-term targets for 2026. [See DEUTZ Sustainability Vision 2023 and 2026 at a glance, p. 99.](#)

Because it operates within global value chains, DEUTZ has an influence on economic, environmental, and social developments. The Company is aware of the responsibility that comes with this, and as a consequence signed up to the United Nations Global Compact in 2021. As a member of the UNGC, DEUTZ has voluntarily undertaken – on the basis of ten universally accepted principles – to promote human rights, fair working conditions, environmental protection, and the fight against corruption and to support the achievement of the United Nations' general objectives, in particular its 17 sustainable development goals (SDGs). DEUTZ focuses on a total of eight of the 17 SDGs, which are incorporated into the strategic planning of groupwide sustainability activities, with the aim of continually raising its own contribution to their achievement.

Taking Responsibility – DEUTZ's sustainability strategy



Sustainability as a component of Board of Management remuneration

In accordance with the German Corporate Governance Code, remuneration for the Board of Management must be aligned with the sustainable, long-term growth of the Company and contribute to the delivery of the business strategy. The DEUTZ Group's sustainability strategy forms an integral part of the overarching corporate strategy, which means that incentives need to be put in place to ensure that it is implemented rigorously. The Board of Management remuneration system has included a sustainability target since 2021, for example. The specific performance criteria, which apply not only to all members of the Board of Management but also to other senior managers, are

specified on an annual basis by the Supervisory Board. These criteria relate to environmental and climate protection targets, alternative drives, corporate governance, occupational health and safety, diversity, personnel development, and supply chains. [See also 'Remuneration report', p. 70 onward.](#)

Sustainability-linked loan

DEUTZ restructured the Group's funding in 2022. [See also 'Financial position', p. 43 onward, for further information](#)

In addition to better overall terms and conditions, the new lending arrangements include an ESG component derived from the Company's sustainability strategy. An improvement in the recordable incident rate (RIR) and a reduction in CO₂ emissions were the specific key performance indicators that were agreed.

DEUTZ Sustainability Vision 2023 and 2026 at a glance

Key topics	Corresponding KPIs	Targets for 2023	Targets for 2026	Status in 2022
Corporate governance and compliance	<ul style="list-style-type: none"> Proportion of workforce to have completed compliance training¹ 	> 95 %	> 95 %	97.4 %
HR management	<ul style="list-style-type: none"> Proportion of women in the workforce² 	> 10 %	12 %	12.9 %
	<ul style="list-style-type: none"> Proportion of women in management positions³ 	> 20 %	18 % ⁴	15.4 %
	<ul style="list-style-type: none"> Ratio of trainees to total employees⁵ 	2.5–3.0 %	2.5–3.0 %	2.4 %
	<ul style="list-style-type: none"> Engagement⁶ 	78 %	80 %	–
	<ul style="list-style-type: none"> Enablement⁶ 	69 %	75 %	–
	<ul style="list-style-type: none"> Rate of staff turnover⁷ 	5–10 %	5–10 %	9.6 %
Occupational health and safety	<ul style="list-style-type: none"> Recordable incident rate⁸ 	8.5	7	8.8
Supplier management	<ul style="list-style-type: none"> Proportion of new production component suppliers to have had their compliance with the supplier code of conduct verified 	90 % ⁹	100 %	71 %
	<ul style="list-style-type: none"> Number of existing suppliers to have had their compliance with the supplier code of conduct verified (Cumulated numbers) 	55 ¹⁰	25 ¹¹	43
	<ul style="list-style-type: none"> Proportion of suppliers assessed against sustainability criteria¹² 	50 %	80 %	62 %
	<ul style="list-style-type: none"> Proportion of suppliers that have passed business partner compliance checks¹³ 	90 %	–	2 %
Product stewardship	<ul style="list-style-type: none"> (Proportion of) Consolidated revenue generated by the Green¹⁴ segment 	€60 – 100 million	5 – 10 % ¹⁵	3.3 %
Environmental and climate protection	<ul style="list-style-type: none"> CO₂ emissions from production sites (tonnes CO₂e)¹⁶ 	– 61 % ¹⁸	– 66 % ¹⁸	– 62.5 %
	<ul style="list-style-type: none"> CO₂ emissions from production sites per manufactured engine (kg CO₂e)¹⁷ 	– 66 % ¹⁸	– 70 % ¹⁸	– 68.1 %
	<ul style="list-style-type: none"> Waste for disposal 	– 10 % ¹⁹	15 % ¹⁹	– 22.3 %

¹ To be completed by all administrative employees of the DEUTZ Group.

² Including staff on fixed-term contracts but excluding temporary workers.

³ Including staff on fixed-term contracts but excluding temporary workers, second level below the Board of Management.

⁴ The reason for this reduction is because it is already clear that the target for the proportion of female managers in 2023 will not be achieved as even a small number of personnel changes in this narrow field has the potential to disproportionately affect the ratio.

⁵ 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.

⁶ Measured using a groupwide employee survey (all employees within the Group including staff on fixed-term contracts but excluding temporary workers), which was first carried out in 2019 and will be repeated in 2023.

⁷ Relates to all employees within the DEUTZ Group, excluding staff on fixed-term contracts and temporary workers. The calculation includes both resignations and dismissals.

⁸ 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.

⁹ 90 percent of the suppliers brought on board between 2020 and 2023.

¹⁰ 2020 to 2023; existing suppliers as at the end of 2019. Verified by way of on-site audits.

¹¹ 2023 to 2026; existing suppliers as at the end of 2023. Verified by way of on-site audits.

¹² Proportion of the top 150 suppliers as measured by DEUTZ's purchasing volume in the prior year.

¹³ Existing suppliers with which DEUTZ's purchasing volume for the prior year exceeded €0.5 million.

¹⁴ Including revenue of DEUTZ subsidiary Torqeedo.

¹⁵ Target for 2025.

¹⁶ 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.

¹⁷ 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, CNG, gasoline and hydrogen 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 drives are counted.

¹⁸ Base year 2017.

¹⁹ Base year 2019.

CORPORATE RESPONSIBILITY

CORPORATE GOVERNANCE AND COMPLIANCE

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

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

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


The Compliance Officer and compliance coordinators hold regular meetings to plan the compliance activities that need to be initiated. The Compliance department also works closely with the Legal Affairs department, the Data Protection Officer, and Corporate Audit. The latter is involved in a supportive capacity in all key compliance activities and conducts ad hoc investigations, for example to uncover cases of corruption on behalf of

the Compliance Officer. It also carries out compliance audits to address other potential compliance violations or fraudulent acts. Corporate Audit's plan for these follows a risk-oriented approach that takes into account the Corruption Perceptions Index produced by Transparency International. There was one confirmed case of corruption in the DEUTZ Group in 2022.

DEUTZ code of conduct and human rights code | UNGC1-10 The successful and sustainable management of a company depends not only on the achievement of targets but also on the manner in which they are achieved. The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity and in accordance with the law. The code contains mandatory rules for behavior that cover areas such as respect for human rights, working conditions and social responsibility, anti-competitive practices, and data protection. It also sets out the Company's zero-tolerance approach to corruption and bribery. Organizational policies on specific topics supplement the code of conduct. They either summarize or provide more detail on laws and regulations as well as internal rules, and all employees are required to abide by them.

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

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

As a member of the United Nations Global Compact, DEUTZ attaches particular importance to respect for human rights. It is the Company's stated aim to ensure that they are upheld without exception and at all times. In 2022, in pursuit of this aim, DEUTZ adopted a groupwide human rights code. It serves to document the human rights principles that are most relevant to us and underlines our commitment to international conventions and declarations such as the UN Guiding Principles on Business and Human Rights, the UN Universal Declaration of Human Rights, and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. DEUTZ views compliance with the rights, obligations, and prohibitions set forth in these as an essential part of its internal and external interactions. The human rights code therefore applies not just to the Company itself but also to its employees, suppliers, and other business partners. DEUTZ's aim is to ensure that human rights are upheld within its own sphere of influence and that it is not indirectly complicit in human rights abuses.  See also 'Supplier management', p. 110 onward.

DEUTZ plans to update its general code of conduct in 2023 and will pay particular attention to aligning it with the human rights code.

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 employees¹ are assigned training modules that they are asked to complete by November 30 of that year. The modules are assigned according to the employees' individual areas of responsibility and finish with tests that confirm whether the e-learning course has been completed and the content of the training has been assimilated. Disciplinary action may be taken if an employee fails to participate in the e-learning, and they will still have to complete it the following year but in a shorter period of time.

To take account of recent developments, for example new laws or regulations, the content of the training is regularly reviewed and expanded with new topic areas as needed. In addition to the fixed modules (basic principles of compliance, anti-corruption, antitrust law, export controls and embargoes, health and safety in the office, prevention of money laundering/financing of terrorism, and information security), the training program includes further modules that change on an annual basis. These cover subjects such data protection for employees, the German General Equal Treatment Act (AGG) and non-discrimination, and how to handle trade secrets, deal with conflicts of interest, and prevent insider trading.

In 2022, a total of 3,280 (97.4 percent) of all administrative employees within the Group had successfully completed their e-learning. 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

%	2022	2021	2020	2019	2018
Proportion of workforce to have completed compliance training	97.4	99.1	97.3	98.1	93.5

¹ Only includes administrative employees.

Employees in the individual departments of DEUTZ AG and its subsidiaries are generally given additional training on topical compliance matters once a year as part of a classroom-based training course tailored to their areas of activity. Classroom-based training is provided every year for non-administrative employees, most of whom work in the plants. This training did not take place in 2022 due to the ongoing coronavirus pandemic.

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, DEUTZ has established a publicly accessible whistleblowing system for the purposes of reporting suspected compliance violations. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy.

The whistleblowing system is available to employees and to third parties, such as suppliers, on the Company website under Compliance. Strict secrecy and confidentiality are guaranteed both for whistleblowers and for the individuals involved. This is maintained during the course of any investigation that is launched if, following a careful review of the evidence, there are concrete indications that a law or regulation has been violated. People can also report actual or suspected compliance violations, anonymously if they so wish, by email, post, or fax. Again, the relevant contact details are published on the Company website under Compliance.

No confirmed human rights abuses were reported via the whistleblowing system in 2022.

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

¹ Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, as at November 30 of any given year and who are integrated into the Group's IT infrastructure and have access to a PC. 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.

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

In 2022, the business partner compliance tool was used to conduct checks on a total of 348 existing business partners. There was one case in which the findings led to an existing business relationship being terminated.

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

The DEUTZ Group generally conducts risk inventories four times a year. The Treasury department is responsible for identifying, assessing, and hedging financial risks as part of this. [See also the risk report in the combined management report, p. 57 onward.](#) Non-financial risks that arise as a result of the Company's own business activity, business relationships, and/or products and services and that could have a negative impact on the non-financial aspects defined in accordance with HGB have up to now been identified and evaluated manually under the supervision of the Sustainable Development Committee (SDC). At the end of 2022, the process was integrated into the Group's regular, system-based risk inventory. In 2023, the process is to be integrated into the Group's regular, system-based risk inventory. Risks related to the achievement of non-financial KPIs will continue to be examined manually and regularly reported to the Board of Management.

German Corporate Governance Code In addition to laws, regulations, and internal policies, the regulatory framework in which the Company operates encompasses other standards and guidelines such as the **Corporate Governance Code**. [See p. 223 onward](#) for the corporate governance declaration for DEUTZ AG and the Group and for the corporate governance report. In addition, the declaration of conformity issued by the Board of Management and Supervisory Board is published on the Company website under Corporate Governance.

Stakeholder engagement and dialogue A stakeholder is considered to be any person, organization, or company with which DEUTZ maintains relations or is in dialogue or that has an interest in, and seeks dialogue with, DEUTZ. Shareholders are an important stakeholder group. The shareholders of DEUTZ AG routinely exercise their rights of membership and rights of codetermination at the Annual General Meeting. The Annual General Meeting decides on matters such as the appropriation of profit and the formal approval of the actions of the Board of Management and Supervisory Board. It also elects shareholder representatives to the Supervisory Board. [See 'Composition of the Supervisory Board', p. 211 onward.](#) In addition, the Annual General Meeting rules on matters pertaining to the legal basis of the Company, such as amendments to the Statutes or corporate actions. It also passes advisory resolutions for the approval of the remuneration system for the Board of Management submitted by the Supervisory Board and for the details of the Supervisory Board's remuneration, and recommendatory resolutions for the approval of the remuneration report for the previous year.

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

DATA PROTECTION

The collection, processing, and storage of data is essential for the day-to-day running of the business. In addition to data relating to machinery, processes, and other applications, it includes the personal data of employees, suppliers, customers, etc. As an engine manufacturer, DEUTZ operates in a business-to-business market. This means that while the processing of personal data is not a core focus, it is still necessary for certain activities.

Data breaches and the misuse of personal data have the potential to significantly damage relationships with employees or business partners. All stakeholders need to be able to rely on the Company to protect their data against misuse. DEUTZ believes that upholding data protection rights forms part of its corporate responsibility. It is therefore critical for DEUTZ, not just from a legal perspective but also in our own interests as a company, to handle data responsibly and to comply with the relevant laws and regulations. This is a particular reason why the DEUTZ code of conduct also covers data protection.

Data protection organization The Data Protection department bears overall responsibility for the implementation of data protection laws, the monitoring of compliance with them, and ongoing improvements to the data protection organization. The department is the responsibility of DEUTZ AG's Data Protection Officer (DPO), who is not bound by instructions from the Company's management and reports directly to the Chief Financial Officer of DEUTZ AG on matters such as audits, complaints, and progress in implementing the data protection measures. In addition to handling complaints related to data protection, the DPO is also responsible for communicating with the regulatory body.

At operational level, each organizational unit within the DEUTZ Group must appoint a Data Protection Manager (DPM). The DPM's job is to ensure that any processes in place in their department involving the processing of personal data are documented and evaluated. [See also 'Documentation and evaluation processes', p. 104.](#)

The subsidiaries of the DEUTZ Group generally bear individual responsibility for compliance with local data protection laws and internal requirements. However, DEUTZ AG's data protection organization provides support if necessary.

To give the departments the best possible support, the DPO is supported by a data protection coordinator (DPC). The primary task of the DPC is to train the DPMs in the proper use of the data protection software and to advise on the implementation of processes relevant to data protection law.

Data protection policy Any personal data collected and stored by DEUTZ is processed solely for the intended purpose, in a verifiable manner, carefully, and in accordance with the applicable data protection laws. An overarching organizational policy covering data protection ('data protection policy') summarizes the basic rules for handling the personal data of employees and third parties. It is based on the provisions of the European General Data Protection Regulation (GDPR) and describes how to collect, process, and use personal data in compliance with the law, as well as the tasks and responsibilities of the Company's Data Protection Officer. The policy is mandatory for all employees of the DEUTZ Group. Specific data protection matters, such as the protocol for erasure and archiving, are detailed in supplementary organizational policies.

At the end of 2022, DEUTZ updated and extended its data protection policy, for example regarding the rights of affected individuals, responsibilities, and the role and remit of the DPM.

Data protection training To ensure as far as possible that its employees handle data in compliance with the law and relevant policies, all administrative employees in the DEUTZ Group are required to regularly complete data protection training as part of the compliance e-learning program. [See also 'Corporate governance and compliance', p. 100 onward.](#) Employees can also access various documents on the intranet, including practical guides and self-learning materials, that provide further information.

Violations of the organizational policies or of existing laws may result in disciplinary action, contractual measures, or consequences under criminal law. The procedure for reporting known or suspected breaches of data protection is described in the data protection policy. Employees can also submit reports using a form available on the intranet. The data protection team investigates all reports and notifies the relevant regulatory body if necessary. There was one incident in 2022 that needed to be reported to the regulatory body.

Documentation and evaluation processes At the end of 2020, DEUTZ introduced web-based data protection software with the aim of simplifying and standardizing its documentation and evaluation processes related to data protection. The software enables data processing activities to be comprehensively documented and evaluated at the same time, providing a basis for developing and initiating any necessary risk-mitigating measures.

In 2022, the focus on using the software to document new and existing data processing activities within the Group was maintained. The system was also rolled out to the European Group companies. The plan for 2023 is to integrate the remaining subsidiaries outside Europe, provided that this fulfills a legal requirement and is permitted under local regulations.

In addition, DEUTZ has continued to drive forward the groupwide standardization of data protection. For example, a Group Data Sharing Agreement (GDSA) was adopted to specify the shared responsibilities between the Group companies.

Assessment of data protection risk with regard to third parties The day-to-day running of the business requires us to work with various external partners, including customers and suppliers as well as companies to which certain processes and services are outsourced. The sharing and/or processing of personal data forms a routine part of this work. For DEUTZ to fulfill all its requirements with regard to data protection, it is essential that it not only monitors its own data processing activities but also ensures that third parties have adequate technical and organizational measures in place to protect personal data. In 2021, in pursuit of this aim, DEUTZ began to conduct **vendor risk assessments (VRA)** that are set to become a formal part of its purchasing conditions in 2023.

HR MANAGEMENT

At the end of 2022, the DEUTZ Group employed a total of 4,975 people.¹ They are based in around 20 countries and therefore subject to different local conditions, requirements, and legal systems. The DEUTZ Group’s human resources organization is essentially decentralized. This gives the subsidiaries the strategic and organizational freedom they need to tailor their HR management activities to their specific needs and thus respond flexibly to local circumstances.

Number of employees by region¹

	2022	2021
Europe	4,281	4,123
thereof Germany	3,434	3,273
Americas	398	339
Brazil	25	24
Australia	20	19
Asia-Pacific	30	37
India	6	–
Japan	5	–
Morocco	70	69
China	140	140
Total	4,975	4,751

¹ Full-time equivalents (FTE); excluding temporary workers.

In 2019, DEUTZ began to roll out an SAP-based IT environment for HR with the aim of centralizing HR management – where appropriate – and digitalizing processes. The first stage involved creating a standardized format for recording employee master data at DEUTZ AG sites. The format was subsequently rolled out to the Spanish subsidiary DEUTZ Spain in 2022 following its implementation at the Company’s US site in 2021.

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.

¹ Number of employees expressed as full-time equivalents (FTE); excluding temporary workers.

Corporate culture | UNGC 1, 3–6 DEUTZ strives to ensure a respectful, non-discriminatory, and prejudice-free working environment for all employees – regardless of their age, ethnicity, nationality, gender, gender identity, physical and mental capabilities, religious beliefs and worldview, sexual orientation, or social background. To lend weight to this endeavor, DEUTZ signed up to Germany’s Diversity Charter in 2021. The Company thus pledges its commitment to cultivating an organizational culture characterized by mutual respect and appreciation. This saw DEUTZ take part in Germany’s Diversity Day for the first time in 2022. It also raised rainbow flags, a symbol of tolerance and respect for diversity, at its sites in Germany and Spain from late May to late June.

In addition, DEUTZ attaches a high priority to maintaining a corporate culture that is shaped by team spirit and a sense of responsibility, and that fosters a culture of innovation. This corporate culture is encapsulated in the five corporate values of the DEUTZ Group. In 2022, to reinforce the perception of the Company being one team and to encourage a more open and more modern corporate culture, the DEUTZ Board of Management gave the entire workforce the option of addressing them by their first names.

DEUTZ Corporate Values



The DEUTZ code of conduct is the primary means of providing employees with guidance on how to conduct themselves with integrity in their day-to-day work. It contains mandatory rules for behavior, whose aims include creating a working environment that is free of discrimination, bullying, and harassment. The code of conduct applies across the Group and must be adhered to by all employees. [See also](#) ‘Corporate governance and compliance’ p. 100 onward.

Diversity and equality-friendly management culture | UNGC 1, 6 Diversity in society, influenced by globalization and by demographic and societal shifts, is also reflected in the world of work. DEUTZ firmly believes that having a diverse set of employees with different skills and talents opens up opportunities for innovative and creative solutions while also providing access to a wider pool of talent. It attaches a high priority to increasing the proportion of women in the Company, for example. Recruitment decisions should therefore be made solely on the basis of the candidate’s professional suitability and there should be equal pay for

women and men. This means that an employee's remuneration is essentially determined by their personal and professional qualifications and by the responsibilities assigned to them. For the approximately 91 percent of DEUTZ AG 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. Under the scheme, the mentee works in tandem with a mentor from a different company in order to gain insight into the structures and processes that are in place at another organization.

DEUTZ has set itself the target of increasing the proportion of women in the workforce as a whole to more than 10 percent and the proportion of female managers to more than 20 percent, in both cases by the end of 2023. For 2026, there is an increased target of 12 percent¹ for the proportion of women in the workforce as a whole but a lower target of 18 percent for the proportion of female managers. The reason for this reduction is that it is already clear that the target for the proportion of female managers in 2023 will not be achieved as even a small number of personnel changes in this narrow field has the potential to disproportionately affect the ratio.

DEUTZ Group: Proportion of women

%	2022	2021	2020	2019
Proportion of women in the workforce ¹	12.9	13.0	12.1	11.4
Proportion of women in management positions ²	15.4	11.4	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.

In 2022, women made up 12.9 percent of the total workforce, so the target for 2023 and the medium-term target for 2026 were both exceeded. At 15.4 percent, the percentage of women in management positions was noticeably higher than in 2021 but remained well below the target for 2023.

Representation of interests and codetermination | UNGC 3, 6

Pay-scale employees in Germany, who make up the majority (89 percent²) of the DEUTZ AG workforce, are subject to the collective pay agreement of the metalworking and electrical engineering industry. Their interests are represented by the works councils at the individual sites. A key task for these works

councils is to monitor whether DEUTZ AG is fulfilling its responsibility to society as an employer. To enable them to perform this task, they are afforded the right to be informed about certain decisions and actions of the employer and to participate and have a say in them. HR matters such as working hours, pay, and occupational health and safety are among the key issues that are subject to this codetermination process. The works councils of DEUTZ AG therefore get involved in all employee-related matters regarding recruitment, remuneration, reassignment, and dismissal. Their primary objective is to agree mutually acceptable rules and arrangements for the matters at hand. The rights and obligations of the works councils in Germany are derived from the Works Constitution Act. An independent works council represents the interests of the Spanish employees at the site in Zafra.

The particular interests of staff with disabilities or equivalent impairments are additionally monitored and protected by a disabled persons' representative. Performing a similar role to that of the works council, this individual ensures that DEUTZ AG enforces the laws, collective pay agreements, and works agreements that are in place for disabled employees. Moreover, it appointed an inclusion officer in 2022. In 2022, to the best of its knowledge, the Company employed a total of 127 people with disabilities or equivalent impairments.

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

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

The bonus-driven ideas management scheme is a further tool for motivating the workforce to make a proactive contribution to the success of the Company. It allows any employee at DEUTZ AG to put forward ideas for discussion, such as how to improve product quality, enhance the portfolio of drive systems and services, make the working environment more efficient, and optimize existing processes. Not only does this help to foster a culture of

¹ The targets for 2026 were set at the end of 2021/start of 2022.

² Number of employees expressed as full-time equivalents (FTE); excluding temporary workers.

innovation in the Company, but it can also increase employees' motivation and give them a greater sense of empowerment, for example because they can suggest ways to improve their working conditions. A total of 732 ideas were submitted in 2022.

Internal communications DEUTZ uses various communication channels to ensure its employees are fully up to date on all the latest news. These channels include letters to staff, the intranet, the regular myDEUTZ employee magazine, and the employee app DEUTZ Mobile. This app gives access to a wide range of information about DEUTZ and can be downloaded by all employees of DEUTZ AG and of the Spanish subsidiary DEUTZ Spain (as well as US employees in the near future) on their personal or work smartphones and/or tablets. In terms of analog formats, a works meeting is held at the DEUTZ AG sites at least once a year, at which the Board of Management and works council inform employees of current developments.

Employee survey In 2019, DEUTZ carried out a groupwide employee survey for the first time in order to measure the levels of engagement and enablement in its workforce. The objective of the survey is to use the resulting insights to define specific measures that can motivate and empower employees to realize their potential to the fullest possible extent.

The employee survey carried out in 2019 found that 78 percent of DEUTZ employees were motivated (engagement) and 69 percent felt empowered to do their work (enablement). These results showed that DEUTZ compares favorably with other companies in Europe, and so it set itself the target of maintaining these levels up to 2023. The target for 2026, meanwhile, is to increase the levels of engagement and enablement to 80 percent and 75 percent respectively.

The employee survey was originally meant to be carried out every three years. However, the latest survey has been put back to 2023 because of the reorganization of the Board of Management in 2022 and the reallocation of responsibilities at this level and at the management level below.

Training DEUTZ attaches great importance to training. The Company's success in this area is evidenced by the fact that, in 2022, the Cologne Chamber of Industry and Commerce recognized its training center at the headquarters in Cologne, the Factory for Talents, for its outstanding achievements in vocational training for the twelfth time in succession. Moreover, a DEUTZ apprentice was named one of North Rhine-Westphalia's best, while four other DEUTZ apprentices achieved some of the best exam results in the city of Cologne.

In 2022, a total of 30 apprentices embarked on careers at DEUTZ AG. As a result, the ratio of trainees to total employees was 2.4 percent as at the end of 2022.

DEUTZ AG: Ratio of trainees to total employees¹

	2022	2021	2020	2019	2018
Ratio of trainees to total employees	2.4	2.7	3.2	2.6	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.

DEUTZ has set itself the target of maintaining the ratio of trainees to total employees at between 2.5 percent and 3.0 percent in each year up to 2026. The fact that this target was not quite met in 2022 is because the relevant number of employees in Germany usually rises as production volumes increase, whereas the number of trainees remains virtually the same every year and in 2022 the number of employees rose by 5.6 percent compared with the previous year.

Staff turnover DEUTZ believes that a healthy rate of staff turnover, while retaining the services of experienced workers in the organization, should also recognize that new employees bring with them new perspectives that can help a company to develop and improve its ability to innovate. HR activities are therefore aimed at ensuring the groupwide rate of staff turnover remains within a range of 5 to 10 percent up to 2026.

DEUTZ Group: Staff turnover¹

	2022	2021	2020	2019
Rate of staff turnover	9.6	10.5	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 2022, the rate of staff turnover for the DEUTZ Group was 9.6 percent and therefore within the targeted range.

OCCUPATIONAL HEALTH AND SAFETY

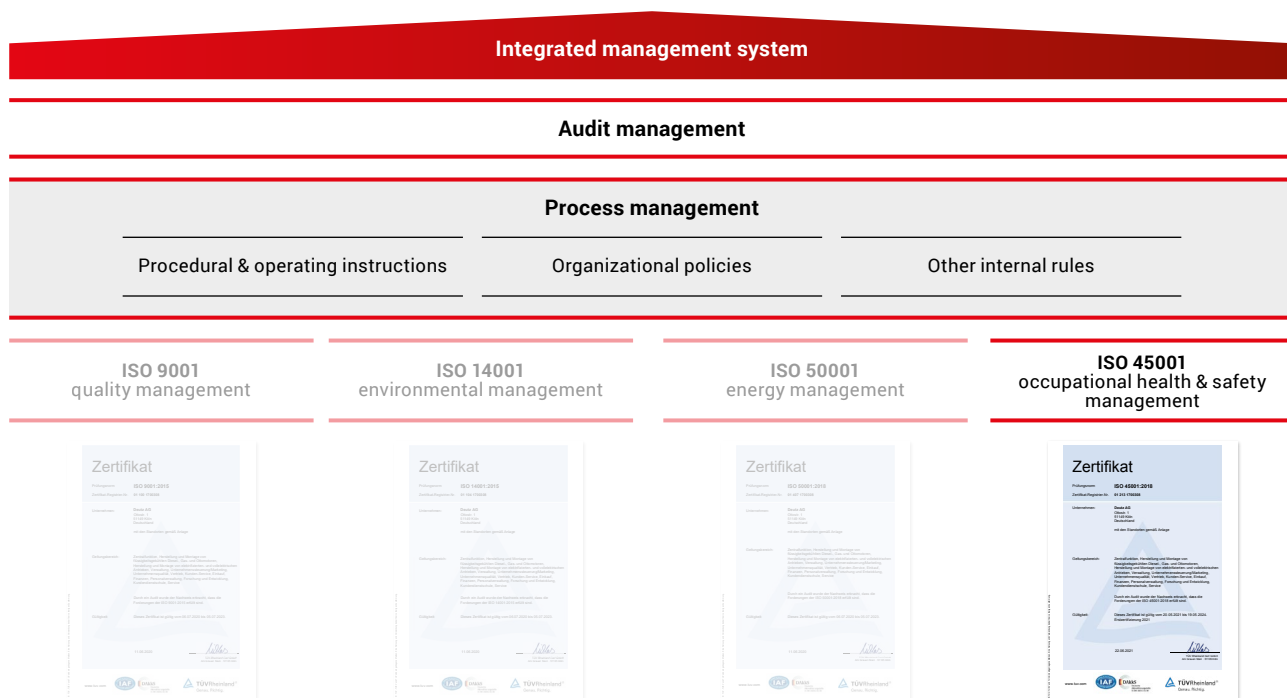
Financial considerations must never be allowed to compromise the health and safety of staff, because every individual has the fundamental right to health and physical well-being. DEUTZ recognizes that providing a safe working environment that is conducive to health is part of its responsibility as an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

At present, occupational health and safety within the DEUTZ Group is still largely managed at local level. This means that, unless indicated otherwise, the following information essentially relates to the sites of DEUTZ AG, where the majority of the Group's workforce – around 65 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. In 2022, in pursuit of this aim, DEUTZ began to put together a global safety board comprising the occupational health and safety representatives of the German and non-German Group companies. Their common objective is, in the medium term, to define minimum global standards for occupational health and safety and to establish best practice processes that are applicable across the Group.

¹ Percentage calculated on the basis of full-time equivalents (FTE); excluding temporary workers.

ISO 45001 certification | UNGC 1 In 2021, the integrated management system (IMS) that had been established in Germany was extended to cover occupational health and safety. [See 'Product quality', p. 117 onward](#), for further information on the IMS. This entailed a matrix certification process, in accordance with the global ISO 45001 standard, that started with the Cologne sites. ISO 45001 sets out the requirements for an effective system for managing occupational health and safety. The next step, which took place in 2022, involved assessment of the German sites in Ulm and Herschbach by the certification auditors. The production site in Zafra, Spain, has held ISO 45001 certification since 2019. Based on the number of people employed at production sites across the Group, the ISO 45001 certification covered around 75 percent of the Group's workforce as at December 31, 2022.¹

The management of occupational health and safety at DEUTZ AG is organized by the Health, Safety, and Environment department. Its overarching objective is to protect the health of employees over the long term while ensuring, as a consequence, that they can continue to perform to the required level. In addition to general preventive measures (for example those initiated as a result of near misses), its main tasks include the ongoing analysis and evaluation of potential hazards and the specification of suitable countermeasures to minimize risk. Regular training is provided to the key players in occupational health and safety to ensure that their knowledge is up to date and in keeping with the times.



Principles of corporate policy and overarching corporate strategy

In order to raise awareness of occupational health and safety among the workforce, all managers must provide their staff with relevant annual training. Furthermore, all of DEUTZ's administrative employees¹ are required to complete a training module on health and safety in the office as part of their annual compliance e-learning courses. [See 'Corporate governance and compliance', p. 100 onward](#) for further information on the e-learning courses.

Risk assessments and health and safety inspections | UNGC 1

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

Management of hazardous substances | UNGC 1

DEUTZ uses hazardous substances in its engine production that could cause harm to people and the environment if they are not handled properly. DEUTZ AG manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. These include training courses and manuals that provide employees with guidance on how to handle hazardous substances safely. Whereas the priority with regard to hazardous substances has up to now been on systematic documentation and establishing approval processes, the focus is now primarily on purchasing. The aim is to ensure, across the Group, that only approved hazardous substances are able to be purchased.

Occupational healthcare center and cooperating company doctors

Measures to protect employees' health are managed and offered centrally by the occupational healthcare center at the headquarters in Cologne and the company doctors at the Ulm site that cooperate with the center. In addition to regular consultation times, the offering includes PCR tests, mandatory check-ups and medicals, advice on nutrition, ergonomics, and addiction, a range of vaccinations (including against coronavirus), and a managed process of returning to work after illness or injury that is run in conjunction with the HR department.

Recordable incident rate The recordable incident rate (RIR) is one of the means of measuring and monitoring the effectiveness of the measures described above.

The DEUTZ Group's RIR improved year on year from 9.4 to 8.8 in 2022. This positive trend is proof that the ongoing implementation of the health and safety measures mentioned earlier is gradually paying off.

There were no fatal accidents in 2022.

DEUTZ Group: Recordable incident rate (RIR)¹

	2022	2021	2020	2019	2018 ²
RIR	8.8	9.4	7.4	11.2	15.0

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 week-ends are included if a medical certificate has been issued by an occupational health practitioner. Working hours are defined as the recorded or calculated actual time spent working and/or traveling by the employees. The working hours of permanent employees are counted, as are those of temporary workers, employees with fixed-term contracts, part-time staff, interns, and student workers.

² The figures for 2022–2019 are not directly comparable with the figure for 2018 because temporary workers were not included in the calculation before 2019.

As part of its Sustainability Vision for 2023, DEUTZ had been working toward the target of improving its RIR to 7 by the end of 2023. This target was changed to 8.5 during the reporting year. Achieving a RIR of 7 is now the medium-term target for 2026.

¹ Here, the term administrative employees includes all individuals who are employed by the DEUTZ Group, including its foreign affiliates, and who are integrated into the Group's IT infrastructure and have access to a PC.

SUPPLIER MANAGEMENT

DEUTZ maintains business relationships with around 5,900 suppliers in more than 60 countries. With a purchasing volume of nearly €1.4 billion worldwide, the DEUTZ Group's supply chain makes a significant contribution to its value creation process. As the Company's subsidiaries are mainly sales companies, overall responsibility for supplier management¹, including the approval of production component suppliers, lies predominantly with DEUTZ AG as the executive parent company. Despite this, the purchasing-related targets that DEUTZ has set as part of its sustainability strategy apply not only to DEUTZ AG but to the DEUTZ Group as a whole.

Standardization of Group purchasing DEUTZ intends to gradually centralize Group purchasing so that, in the medium term and as far as is reasonably practical, all subsidiaries will be subject to the same principles as apply at DEUTZ AG. In 2021, as a first step, it set up a groupwide organizational structure for purchasing and established the Purchasing Excellence department, which assumed global responsibility for the purchasing function's strategy, governance, processes, methods, and tools. DEUTZ also set up a platform that is able to provide a transparent overview of the global supplier base. The DEUTZ subsidiary Torqeedo and the DEUTZ companies in China and Morocco were integrated into this platform in 2022. A groupwide purchasing policy was also drawn up in 2022. Once signed off in 2023, it will require all procurement activities to be approved by Group purchasing.

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

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

In 2022, DEUTZ comprehensively revised its code of conduct for suppliers. The expectations that the code sets out were expanded and formulated in greater detail in line with national and international laws and guidelines, such as Germany's Supply Chain Due Diligence Act (LkSG), the Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises. Moreover, content that had previously taken the form of recommendations was turned into mandatory requirements that a supplier now has to fulfill in order to work with DEUTZ. The new Supplier Code was published at the beginning of 2023.

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

DEUTZ has set itself the target of conducting site audits of a total of 55 existing suppliers between 2020 and the end of 2023 regarding their compliance with the Supplier Code, as well as of 90 percent of all new production component suppliers taken on during this period. By 2026, the target is to have audited a further 25 existing suppliers and for 100 percent of new production component suppliers to have been audited. In 2022, site audits were conducted at a total of 23 existing suppliers. The proportion of new suppliers that were audited came to 0 percent. This is because DEUTZ only entered into contracts with two new suppliers last year and the volume of business in both cases was relatively insignificant. The cumulative total of new suppliers that have been audited came to 71 percent.

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

DEUTZ Group: Number of suppliers¹ to have undergone site audits regarding their compliance with the Supplier Code

	2022	2021	2020
Number of suppliers audited	23	16	4

¹ Existing suppliers as at the end of 2019.

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

%	2022	2021	2020
Proportion of new production component suppliers audited	0	83	0

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

'Corporate governance and compliance', p. 100 onward.

Monitoring and assessing the sustainability performance of suppliers | UNGC 2–7, 10

Supplier management had previously focused primarily on the quality of the supplied components, lead times, availability, and commercial conditions. The implementation of the groupwide sustainability strategy, however, now means that increasing consideration is given to sustainability criteria as well. DEUTZ has created a tool that draws on publicly accessible information to ensure that potential sustainability risks in its supply chain are monitored on an ongoing basis. Using pre-defined data sources, such as those provided by the World Health Organization, the tool identifies any reports that pertain to relevant risks, for example in connection with human rights issues or labor practices, selects them, and automatically forwards them to the appropriate employees in the purchasing department. These reports are also incorporated into the system-based assessment of the general risk of working with that supplier.

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

DEUTZ has set itself the target of having audited the sustainability performance of 50 percent of its top 150 suppliers – as measured by its purchasing volume in the prior year – by the end of 2023 and 80 percent of them by 2026. The proportion of suppliers to have undergone such an audit came to 62 percent at the end of 2022. 77 percent of the audited suppliers achieved silver, gold, or platinum status.

DEUTZ Group: Proportion of suppliers¹ assessed against sustainability criteria

%	2022	2021	2020
Proportion of suppliers assessed	62	55	31

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

In the next step, DEUTZ plans to establish a process that will make it possible to systematically capture and document the assessment findings and any weaknesses identified. This documentation will then be used as a starting point for the definition of remedial measures in collaboration with the suppliers.

Business partner compliance | UNGC 1–6, 10

As part of a preventive risk management approach, business partners are also checked regarding any potential misconduct – e.g. in connection with money laundering, unfair competitive practices, or corruption and/or bribery – in addition to the assessment of their sustainability performance using EcoVadis. DEUTZ introduced a business partner compliance tool for this purpose at the end of 2020. [See also](#) 'Corporate governance and compliance', p. 100 onward.

DEUTZ's original target for 2023 was to have used – or be using – the business partner compliance tool to conduct checks on 90 percent of all existing suppliers with which its purchasing volume for the prior year exceeded €0.5 million. At the beginning of 2023, it tightened up this KPI to only include suppliers that had undergone and actually completed the business partner compliance checks and therefore no longer find themselves within the audit process. The target for 2023 was adjusted to 20 percent as a result.

At December 31, 2022, 67 percent of existing suppliers were undergoing business partner compliance checks. 2 percent of existing suppliers had already undergone and completed business partner compliance checks by this time.

DEUTZ AG: Suppliers¹ that have undergone and completed business partner compliance checks

%	2022	2021	2020
Proportion of suppliers audited	2	11	0

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

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

The Materials Compliance function is tasked with ensuring compliance with the aforementioned regulations. Its main responsibilities include continually assessing developments at regulatory and policy level and determining whether the engines that are produced fulfill the criteria of all the many environmental laws and regulations. The function is also responsible for optimizing processes with regard to the materials and substances that are used. This includes introducing conformity checks in the product development process and in the purchased parts approval process. To achieve these aims, it works closely with Component Purchasing for Series Production and the Supplier Quality department and stipulates the criteria for the selection of production component suppliers with regard to materials compliance. DEUTZ uses an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes.

As it does not purchase any minerals directly, DEUTZ has to work in conjunction with its business partners in order to exercise its responsibility in this respect. In order to avoid minerals from conflict-affected and high-risk areas in the supply chain and counteract illegal or unethical procurement practices, DEUTZ has put in place a corporate policy on conflict minerals 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. Since 2022, it has been mandatory for the corporate policy on conflict minerals to be included in all new supplier contracts. DEUTZ carries out surveys on the use of conflict minerals at regular intervals to ensure compliance with this policy to the greatest possible extent. These surveys use the Conflict Minerals Reporting Template, which was developed by the Responsible Minerals Initiative (RMI) to support companies in their efforts to provide their customers with accurate information on the countries of provenance of certain minerals and the smelting plants and refineries they use.

Implementation of the Supply Chain Due Diligence Act The Supply Chain Due Diligence Act entered into force in Germany on January 1, 2023. It is intended to prevent, minimize, or eliminate risks relating to human rights and the environment. In the second half of 2021, DEUTZ, under the direction of the purchasing department, established a cross-departmental task force that has since been working on implementing the resulting requirements. These requirements include conducting regular risk analyses and developing and implementing preventive and remedial measures aimed at minimizing risk. There is also a legal requirement to publish a declaration of principles. As well as a description of how a company fulfills its due diligence obligations, this should set out the results of the risk analysis and the expectations that the company makes of its suppliers on this basis. DEUTZ will publish such a declaration for the first time during the course of 2023, which it will then update at least once a year.

SOCIAL RESPONSIBILITY

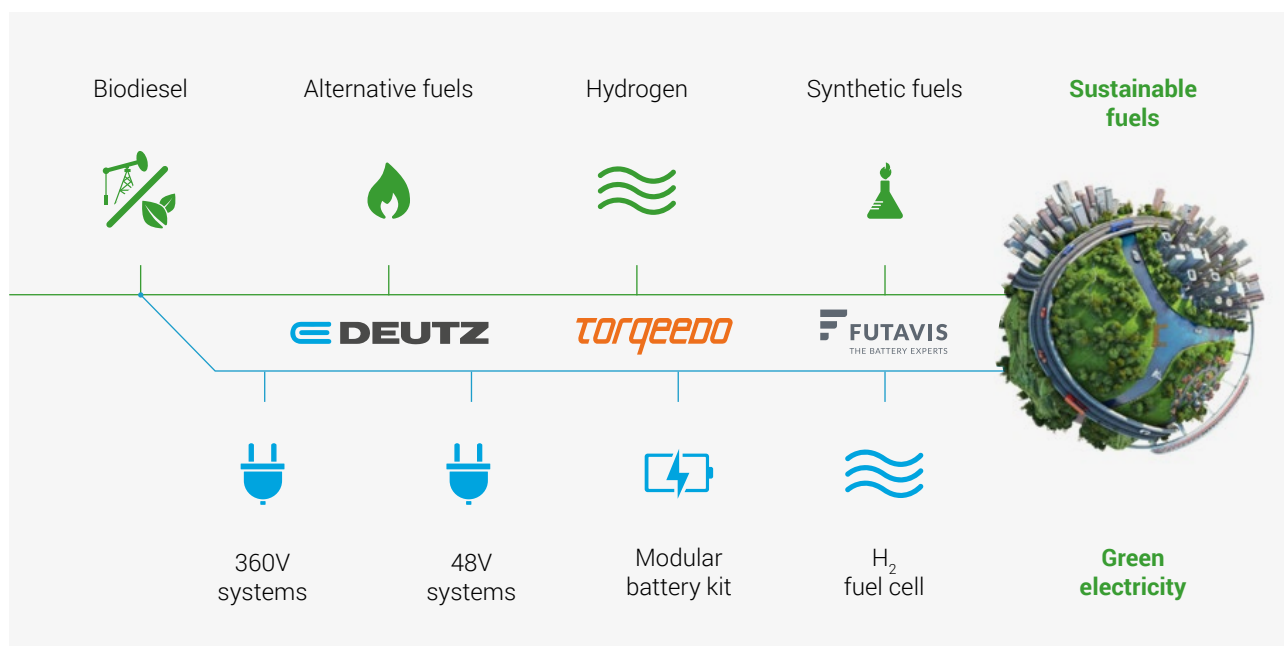
PRODUCT STEWARDSHIP

An ever-growing global population, finite natural resources, and the steady march of climate change as a result of global warming present fundamental challenges for the future of mobility, and not just in the on-road sector. The **Paris Agreement** from 2017 aims to limit global warming to 1.5 degrees by 2030. The off-highway sector also needs to play its part in the achievement of this target by reducing, as far as possible, the amount of harmful CO₂ emissions that it produces. As a leading manufacturer of engines for off-highway applications, DEUTZ believes it has a responsibility to society to make products that move us toward a future of carbon-neutral off-highway vehicles and marine vessels, thereby contributing to the achievement of the Paris climate goals. Which is why DEUTZ has set the target in its Dual+ strategy to offer a climate-neutral portfolio of products and technologies by no later than 2050.

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

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

Technology-neutral approach to development of the drive portfolio



Electric drive systems | UNGC 7–9 The E-DEUTZ strategy, initiated back in 2017, plays an instrumental role in the development of green off-highway drive solutions. In the medium term, it aims to create a scalable product portfolio of electric drives and hybrid variants for specific customer requirements that can be used in areas such as ground support, construction, and agricultural applications. Electric drive systems are classed as carbon-neutral, whereas hybrid systems reduce total carbon emissions by downsizing engine capacity while maintaining overall system performance.

In 2022, DEUTZ launched an electric 360-volt drive system on the market. It is used in the MOROOKA MST-700VDR crawler carrier and the all-electric Maeda CC 1485 crawler crane. With an output of 40 kW generated by two lithium-ion batteries, this zero-emission construction-site vehicle has a load capacity of six tonnes. Both vehicles were presented to visitors at bauma 2022 in Munich, the world's leading trade fair for construction equipment, building material machines, mining equipment, construction vehicles, and plant and machinery. Also on show were the first battery-powered concrete pumps made by PUTZMEISTER. The pumps use a 360-volt drive system from E-DEUTZ instead of the usual 2.2 liter DEUTZ diesel engine, providing up to eight hours of power. The iONTRON concrete pump can also be powered via a charging cable. KTEG, a manufacturer of specialist construction machinery, also presented the KTEG ZE20 mini excavator, powered by a 48-volt drive system from E-DEUTZ.

DEUTZ plans to take the 360-volt system, which had reached pre-production by the end of 2022, to full production readiness in 2023.

Mobile rapid charging station | UNGC 7–9 Electric drive systems are restricted in their autonomy and take longer to 'refuel' (recharge) than conventional internal combustion engines. Which is why DEUTZ developed the PowerTree, a mobile rapid charging station for electric construction vehicles that won the 2022 Diesel Progress Summit Award in the category 'Electric or Hybrid Application of the Year'. Built into a ten-foot container, the PowerTree's integrated battery storage system means that machines can be charged on site even when there is no access to mains power. Downtime is reduced to a minimum thanks to a rapid-charge function that is capable of delivering up to 150 kW.

In 2022, DEUTZ received the first volume production order for its PowerTree, with KTEG, a manufacturer of specialist construction machinery and pilot customer for the first PowerTree units, ordering 17 of them.

Hydrogen-powered drive solutions | UNGC 7–9 DEUTZ firmly believes that the internal combustion engine will continue to have a dominant role in mobile machinery applications in the years ahead, helping to facilitate a smooth transition to more sustainable drive systems. Which is why the DEUTZ Group's development activities are directed not only at alternative drive solutions, such as electrification, but also toward making internal combustion engines more climate-friendly by running them on alternative or sustainable energy sources such as HVO, e-fuels, or hydrogen. '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.

After embarking on the development of its first production-ready hydrogen engine, the TCG 7.8 H2, in 2021, DEUTZ made further progress with the implementation of its hydrogen strategy in 2022. A stationary H2 genset went into operation in a joint pilot project between DEUTZ and Cologne-based energy provider RheinEnergie. The combination of a DEUTZ hydrogen engine and a generator delivered electric power of up to 170 kilovolt-amperes during the initial six-month test phase. This electricity was fed directly into the local power grid. In a second step, the waste heat from the genset will also be captured and used to supply heating. The solution being piloted by DEUTZ and RheinEnergie has huge potential for the local, carbon-neutral supply of energy in urban centers and areas without power infrastructure. DEUTZ has also joined forces with AVS and the Voith Group to develop a mobile H2 genset. It quietly and efficiently generates power for electrical applications, and if green hydrogen is used, it is carbon-neutral. The genset can be used as a mobile power supply in areas without access to the main power grid, such as construction sites. Furthermore, DEUTZ joined the HyCET (Hydrogen Combustion Engine Trucks) research project consortium in 2022. HyCET aims to demonstrate the sustainability potential of trucks with hydrogen combustion engines in transportation logistics. As part of the project, two 18-tonne trucks will be developed and fitted with DEUTZ TCG 7.8 H2 hydrogen engines. The trucks will then be put through their paces by using them in the regular logistics operations of the BMW Group and DEUTZ. The four-year research project has a total investment volume of €19.5 million, of which €11.3 million will be funded by the German Federal Ministry for Digital and Transport (BMDV).

The hydrogen engine, which meets current emissions standards for zero-emission heavy commercial vehicles, is set to go into production at the end of 2024.

New segment: Green | UNGC 7–9 With effect from January 1, 2022, DEUTZ put in place a new reporting structure and introduced the Green and Classic segments. The Company's aim is to provide a more transparent picture of its work on off-highway technology for a carbon-neutral future. All activities connected with the development and production of non-diesel drives are assigned to the Green segment. This includes E-DEUTZ drive systems, the subsidiaries Torqeedo and battery management provider Futavis, hydrogen engines, and the related service business.

The introduction of the new segment reporting structure means that the previous E-DEUTZ KPI has been superseded. The target is now to raise the proportion of consolidated revenue generated by the Green segment to between 5 and 10 percent by 2023/2024. Currently, the segment's revenue is almost exclusively derived from the business with the Torqeedo subsidiary's electric boat drives. According to DEUTZ's latest business outlook, the Green segment is expected to contribute revenue of between €60 million and €100 million in 2023. But because demand for alternative drives beyond the Torqeedo business is taking longer than anticipated to ramp up, DEUTZ now does not expect the Green segment's proportion of consolidated revenue to reach the 5 to 10 percent range until 2025.

In 2022, the Green segment accounted for 3.3 percent of consolidated revenue, which was roughly the same level as its contribution in 2021.

DEUTZ Group: Proportion of revenue attributable to Green segment

%	2022		2021
Green segment ¹	3.3		3.3

¹ Electric boat drives of the subsidiary Torqeedo, battery systems of the subsidiary Futavis, all-electric, hybrid-electric, and hydrogen-powered drives, mobile rapid charging stations.

Innovative diesel engines | UNGC 7–9 Commercial vehicles, tractors, and construction equipment are used for heavy-duty applications and for extended operating periods, so they need a fuel with a high energy density and short refueling times. E-fuels may be the answer. They are synthetic fuels such as paraffinic diesel fuels that are made on a renewable basis using electricity, water, and carbon dioxide (CO₂). The combustion of e-fuels produces a lower or equivalent level of emissions compared to those generated from the combustion of conventional fuels. Furthermore, if the electricity used to make them is produced entirely from renewable sources and the necessary CO₂ is taken from the atmosphere or from biomass, they can power an internal combustion engine on a fully carbon-neutral basis.


At the end of 2022, DEUTZ approved its entire TCD engine range for operation with alternative diesel fuels. This means that paraffinic diesel fuels such as HVO (hydrotreated vegetable oil) can now be used to run all DEUTZ engines that meet the EU Stage V emissions standard. HVO is an innovative biofuel produced from biological waste, slurry, and used cooking oils and fats, and is therefore not in competition with food production. The use of HVO fuels reduces the carbon footprint of DEUTZ's internal combustion engines by up to 95 percent.

The TCD 5.2 is another example of how environmental compatibility and a long service life are priorities in the development of DEUTZ's drive portfolio. This diesel engine has four cylinders and a displacement of 5.2 liters and, looking ahead, is intended to replace larger six-cylinder engines. It does not use exhaust gas recirculation and is instead equipped with an efficient nitrogen oxide (NOx) aftertreatment system and a catalytic soot filter for reducing particulate emissions. The elimination of exhaust gas recirculation means the engine can be made more powerful, which allows its capacity and thus also fuel consumption to be reduced. Combustion efficiency is improved as well, reducing fuel consumption even further. The TCD 5.2 can be run on alternative fuels such as biodiesel and is also primed for hybrid operation thanks to the 48-volt electric drive option. After supplying prototypes for a range of customer applications in 2021 and 2022, DEUTZ plans to start full production in 2023.

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

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

Digital solutions are a priority for DEUTZ in the expansion of its service portfolio, as they can provide an eco-friendly alternative to previously analog-only formats. These digital services include S-DEUTZ Telematics, for example, which allows the customer to plan service events with greater efficiency thanks to digital engine condition checks with integrated diagnostics and fault interpretation. The technician at the service outlet is able to use the digitally collected data to plan ahead and make sure that the parts and tools needed to fix a fault are available at the right time. In addition, it allows for planned maintenance and unplanned repairs to be combined, reducing the number of visits to the service outlet.

Innovation platform | UNGC 7-9 To complement its ideas management system, DEUTZ AG established an additional format in 2021 called the innovation platform, which allows employees to work together on a range of ideas for enhancing the drive and service portfolio. The theme of the current campaign is 'green construction sites', focusing on the three aspects of energy logistics, energy storage, and energy management. It is accompanied by a series of webinars designed to give employees a deeper understanding of the questions that are currently being asked and the challenges that they pose. In a spirit of openness to new technologies, the innovation campaigns are essentially aimed at pursuing approaches based on all kinds of different drive systems. The platform not only fosters a culture of innovation at the Company but also allows for the exploration of new ideas for green drive systems that are tailored to the requirements of customers in the off-highway sector.  See also 'HR management', p. 105 onward, for further information on ideas management.

PRODUCT QUALITY

The success of a company depends to a large extent on the satisfaction of its customers. After all, this is crucial if these relationships are to continue or be stepped up. Customer satisfaction is, of course, directly influenced by having an innovative product offering that is firmly focused on customers' needs and expectations. However, the quality of our products and services is equally important.

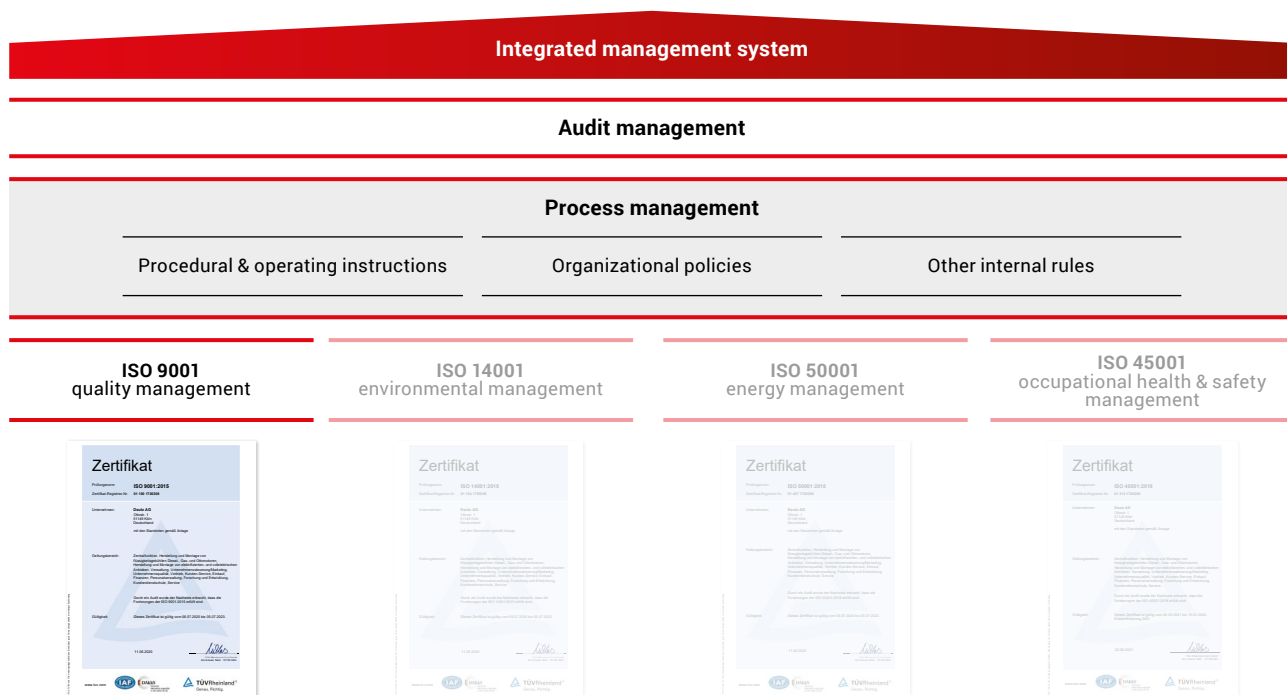
DEUTZ acts as a strategic partner for its customers and plays a key role in their value chains. That means that defective products, for example, may result in production delays at the installation stage for our customers, or even to end customers experiencing malfunctions while subsequently using the application in the field. At the same time, quality defects and the resulting complaints may lead to additional financial costs and investments in resources for us as well. Consequently, a high standard of product and service quality ensures not only that our customers can remain competitive and well positioned in their markets but also that we maintain our long-term position.

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

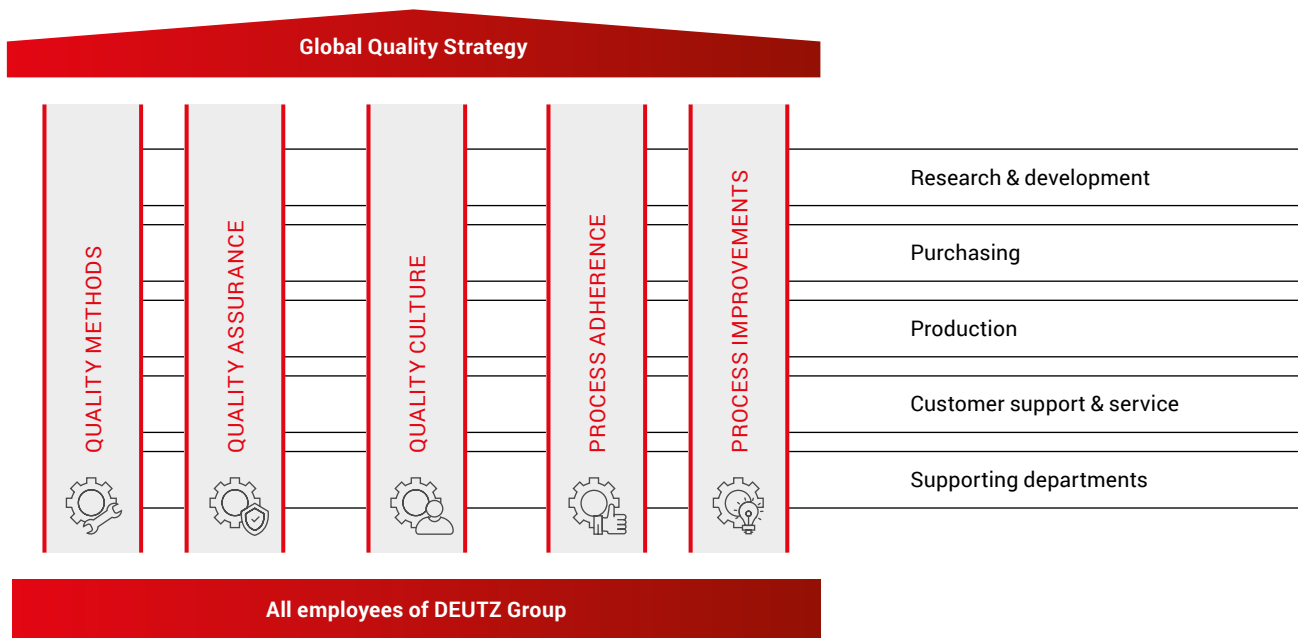
Quality management forms part of the integrated management system and sets out a central strategy covering the entire DEUTZ Group. It is designed to ensure that all processes, from the development to the delivery of our engines, adhere to strict quality guidelines.

The Corporate Quality Department is responsible for the continuous improvement of quality management. This is achieved, for example, through harmonization of processes and methods and through permanent, standardized monitoring of all quality management processes. The ongoing analysis and internal audits that this involves are aimed at identifying potential for improvement so that appropriate measures can be devised to enhance quality across the Group on a continual basis.

The Corporate Quality Department is led by the Head of Quality, Safety, Health, and Environment, who reports directly to the Chairman of the Board of Management.



Principles of corporate policy and overarching corporate strategy



ISO 9001 certification The central plank for quality management systems is the DIN EN ISO 9001 international standard for quality management systems. An independent auditor conducts regular reviews to verify whether the relevant quality requirements are being met. As at the end of 2022, all DEUTZ Group production sites had been certified either independently or as part of the Group certification.


Quality strategy Across all units, DEUTZ pursues the overarching objective of preventing defects from occurring in the first place. This is preferable to having to rectify them further down the line, which can tie up resources and be expensive. For this reason, we have a wide-ranging quality and process management system in place to address the risks resulting from quality defects. It covers everything from development, purchasing, and production to aftersales care and the handling of complaints. There is also a particular focus on the ongoing optimization of process efficiency.

The assessment of product quality requires the use of quality targets that can be further broken down into quality criteria and quality specifications. Product-related quality targets may cover, for example, durability, delivery quality, quality in the field, delivery reliability, and the length of time taken to rectify defects. Various key figures are identified and calculated throughout the value chain so that the achievement of these targets can be measured. As well as the zero-hour defect rate and rate of defects in the field, these include metrics for measuring the performance of our suppliers, such as adherence to delivery schedules and supply quality.


To monitor the quality situation, DEUTZ has established a quality dashboard that provides round-the-clock access to all relevant key figures. In 2022, the dashboard was rolled out to the production sites outside Germany, in Spain, the US, and China, meaning it is now possible to get an overview of quality almost right across the Group.

- **Quality in development** The basis for high-quality products is to a large extent created during the development stage. In order to meet customers' expectations of reliable products that offer high performance and durability in the field, DEUTZ makes use of both preventive and reactive methods. Examples of the preventive development methods include clearly setting out the product specifications in a document at the beginning of each project and use of failure mode and effects analysis (FMEA). The latter is a systematic, prevention-focused form of analysis that identifies and evaluates risks and/or sources of risk in technical systems so that measures to minimize the risks can then be taken. The reactive methods include reliability projections, analysis of data from the field to ensure any design errors made in the past are not repeated, and the identification of the most important **zero-hour defects** and **field defects**. DEUTZ uses various quality tools for these purposes, one of which is the cause-and-effect diagram. This provides a means of systematically tracking down the potential causes of a problem that has occurred or may occur and visualizing the interrelationships. The root cause of the defect, e.g. the material, the machine, the method, or the manpower, can then be identified, investigated, and resolved in a targeted manner.

- Quality in purchasing** Component defects not only have the potential to cause issues at the assembly stage of the production process, but they can also lead to malfunctions further down the line. A single engine contains an average of around 650 individual parts, over 90 percent of which DEUTZ sources from external suppliers. The quality of an engine therefore depends to a large extent on the quality of the supplied components.

DEUTZ uses a supplier cockpit to evaluate and categorize the performance of its suppliers. Its evaluation method covers the four areas of purchasing, logistics, quality, and development and draws on various key figures such as delivery reliability, defect rate, sample quality, and complaints about manufacturing. The information obtained is used as the basis for continuous supplier development. DEUTZ also carries out regular site audits to ensure its suppliers are meeting the defined quality requirements.  See also 'Supplier management', p. 110 onward.

- Quality in production** Quality management in the production units of the DEUTZ Group is largely organized at local level. For example, each production site, including those outside Germany, has its own quality department, and there are also quality departments for the different areas, such as assembly and production.

Various quality assurance methods and tools are used to ensure the products have a high level of maturity. These include the lean management system  See also 'Production and logistics' in the combined management report, p. 29 onward. and the use of quality gates. The latter are checkpoints in the production process that require predefined and measurable quality criteria to be met before approval can be given to proceed to the next phase of production. This means that if there is a documented failure to meet the predefined quality criteria, it will not be possible to commence the subsequent assembly phase.

In addition, DEUTZ uses statistical process control (SPC) as a prevention-based tool to maintain process stability in mechanical fabrication at the shaft center and at the production facility in Zafra, Spain. SPC involves the real-time measurement or monitoring of production and/or process parameters. If statistically preselected warning and intervention limits are exceeded, a decision as to whether to intervene in the process is made on the basis of statistical probabilities. The objective in doing so is to improve product quality.

In order to continually improve production processes, data from production and assembly processes are analyzed on an ongoing basis, internal audits are conducted to identify potential for improvement, and quality control loops are put in place. These loops, with the aid of certain indicators, serve to combine the processes of target definition, measurement of target achievement, and formulation of appropriate measures for improvement.


- Complaints management** In the event of product complaints or defects, DEUTZ endeavors to swiftly come up with effective resolutions and at the same time to take action that will permanently remedy the issues identified so that repeat occurrences are avoided. Cross-functional teams handle product complaints using the 8D problem resolution method. This eight-stage process begins with a description of what caused the problem and runs through various other steps before immediate measures are taken to rectify the fault. It also targets a continuous process of improvement. A cause-and-effect diagram is used to identify the cause of the defect.

 See also 'Quality in development', p. 118.

Quality awareness Quality management is an ongoing process that is seen as a core task for the Company and needs to be put into practice every day by every employee. Cross-departmental workshops are held regularly as a means of strengthening quality awareness and the Company's zero-error culture. The focus here is on imparting knowledge and establishing a 'lessons learned' culture that is geared toward continuous improvement. In addition, all employees have the opportunity to participate in training on the application of the tools and methods used in quality assurance.

CORPORATE CITIZENSHIP


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

In its Powering Progress program, DEUTZ focuses on more than simply improving its commercial performance.  See also 'Sustainability strategy and objectives', p. 98 onward. It also features an area of action called 'Passion', under which the Company intends to pursue objectives such as reorganizing its donation and sponsorship strategy. Step one of the process saw a cross-departmental workshop take place that asked the question: How can the DEUTZ Group build on its engagement as a corporate citizen in a targeted way? Whereas the main focus in 2022 was on gathering ideas, the objective in 2023 is to select the best ones and flesh them out into specific initiatives and projects.

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. DEUTZ also aims to support advances in wider society by promoting innovative ideas in fields such as alternative drives, mobility, and pioneering spirit. That is why, in 2019, it established the Nicolaus August Otto Award, named for the founder of DEUTZ AG and co-inventor of the four-stroke engine. The award is presented annually and endowed with prize money of €30,000.

In 2022, DEUTZ presented the Nicolaus August Otto Award to Zara Rutherford in recognition of her pioneering spirit and passion for technology. At the age of 19, the Belgian-British aviator became the youngest woman to fly solo around the world and the youngest person ever to circumnavigate the world alone in an ultralight aircraft.

Nurturing young people DEUTZ regards education as the foundation of a sustainable society. This is why DEUTZ Spain started work on the DEUTZ Business School (DBS) at its site in Zafra in 2017. The objective was, and still is, to support economic development in a region where educational institutions such as the business school are rare. The DBS aims to equip young people with the knowledge and skills they need to meet current and future requirements of business and of the labor market. In addition to university lecturers, the teaching is also provided by managers from DEUTZ Spain who are certified lecturers. The programs on offer are geared toward the needs of companies in all sectors. They focus on dual vocational training, university courses in lean management, and language courses with official certification. Around 975 students gained a certificate after completing on DBS courses in 2022.

Social causes are also a focus of the training center at the headquarters in Cologne.  See also 'HR management', p. 105 onward. For more than 20 years, DEUTZ has worked with the charity IN VIA to provide training and labor market integration support at the center. The participants are young women and men who have difficulties finding a job after leaving school. Over a period of ten months, they are prepared for working life and receive basic training in metalwork and warehouse logistics.

Donations for Ukrainian refugees In 2022, DEUTZ and its employees arranged for humanitarian support to be sent to Ukrainian refugees. Shortly after the war in Ukraine broke out, the Company set up collection points at the DEUTZ AG sites in Germany where staff could drop off relief items such as non-perishable food, toiletries, school materials, sleeping bags, and medical products. The Company itself joined in by making in-kind donations worth around €5,000. Once the collection drive was over, DEUTZ employees took care of packaging and palletizing the donations. By the end, they had put together a full truckload of supplies that was handed over to an aid organization in the Polish city of Bydgoszcz. DEUTZ also donated a sum of €25,000 to Aktion Deutschland hilft, an alliance of German relief organizations.

ENVIRONMENTAL RESPONSIBILITY

ENVIRONMENTAL AND CLIMATE PROTECTION

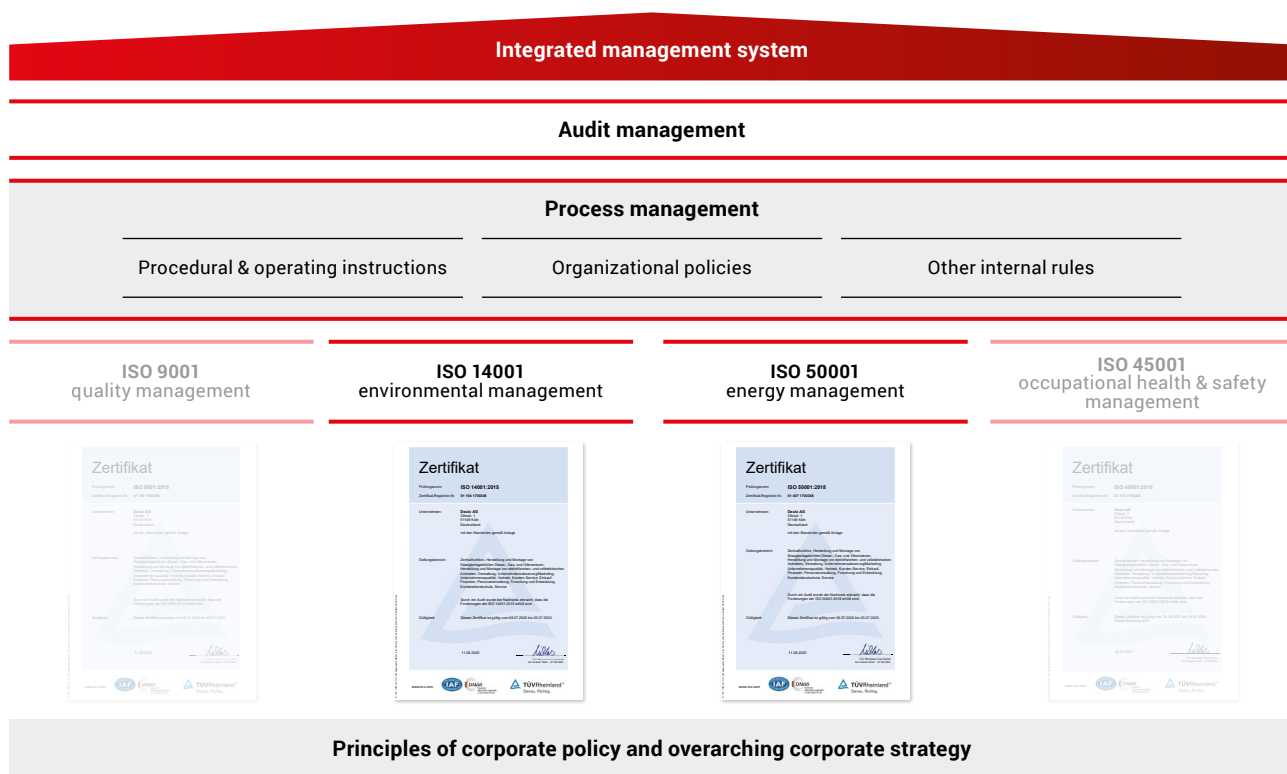
DEUTZ believes that part of its responsibility to society is to help to improve the protection of the environment and climate around the world by developing innovative drive solutions for its customers. The Company also strives to fulfill its responsibility in this area by continuously optimizing the 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.


¹ Excluding joint ventures.

ISO 14001 and ISO 50001 certification The integrated management system (IMS) used by DEUTZ AG and its Spanish subsidiary DEUTZ Spain covers areas such as environmental protection and energy. [See also 'Product quality', p. 117 onward](#) for further information on the IMS.

The environmental management system, which is intended to help to continually improve the Company's overall environmental performance, meets the criteria of the international standard DIN EN ISO 14001:2015. The energy management system, meanwhile, meets the requirements of the energy management standard DIN EN ISO 50001:2018. It enables the continuous monitoring of consumption and energy flows, which in turn facilitates the effective planning and implementation of optimization measures. The conformity of the IMS with regard to the various scopes is reviewed annually by an independent certification body and was recertified in the reporting year.

The ISO 14001:2015 and ISO 50001:2018 certifications cover around 77 percent of the DEUTZ Group's 2022 sales volume.



Controls and legal conformity | UNGC 7 The activities of certain operational areas of the business, such as research and development, mechanical metalworking, the assembly line, and the paintshop, carry a risk of having harmful effects on the environment. An internal team of specialists together with external experts and certification bodies inspect these areas regularly to enable possible hazards and potential for improvement to be identified at an early stage. The inspections focus on verifying compliance with the Company's own objectives and specifications and with statutory requirements. The 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). An approval procedure ensures that the use of hazardous substances in production that could be detrimental to the safety of employees, or harmful to the environment if they are improperly handled, is minimized wherever possible.  See 'Supplier management', p. 110 onward, for further information on materials compliance.

Measures to reduce energy consumption | UNGC 7–9 In 2022, with the aim of progressively optimizing energy consumption, DEUTZ continued to pursue the measures that had been initiated in the prior year. 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 analyzing the potential for optimizing the heating network at the head office in Cologne-Porz and the compressed air system at the Cologne-Kalk plant. The elimination of a leak that had been detected at the latter should significantly reduce the amount of electricity used by the compressors. In addition, DEUTZ is gradually expanding the use of the cold tests that had been introduced in 2020 for testing certain diesel engines. Unlike in conventional hot testing, cold testing involves running diagnostic programs with hardly any fuel being used. Both hot and cold tests replicate the real-life operation of an engine to check whether it is functioning properly. Furthermore, the phased replacement of conventional lighting with LED lighting was continued in 2022.

A progressive reduction of electricity consumption is not all that DEUTZ is striving to achieve, however. It also intends to promote the generation of power from alternative or renewable energy sources, which is why all of DEUTZ AG's German production sites have been purchasing only green electricity since the beginning of 2021. In addition, photovoltaic systems were brought on stream at various sites in 2022. At the site in Zafra, Spain, for example, DEUTZ Spain switched on the solar cells that had been installed on its parking lot roofs (total output of 800 kWp), while a photovoltaic system with an output of 50 kWp was installed at the head office in Cologne. Meanwhile, DEUTZ also made preparations for the installation of further systems with a combined output of up

to 700 kWp. These are scheduled to go into operation in 2023. The DEUTZ subsidiary Magideutz, based in Sapino, Morocco, has also installed solar energy facilities and – for storing energy – battery modules, some of which draw on products from the E-DEUTZ program. From 2023, DEUTZ wants these systems to be supplying all of the electricity required by its local production and administration unit. The plan is also to run the buildings' heating and air conditioning systems using green power.

DEUTZ Group: Energy consumption at the production sites¹

MWh	2022	2021	2020	2019	2018	2017 ²
Electricity	86,860	85,629	72,678	87,334	94,999	84,605
Natural gas	27,842	33,558	29,158	35,989	38,271	35,277
District heating	9,825	13,984	11,262	10,969	12,349	12,223
Heating oil ³	2,563	2,954	2,317	2,685	3,359	3,653
Diesel fuel ⁴	23,586	22,590	18,951	20,764	18,165	19,218
CNG ⁵	0	0	108	72	0	0
LPG ⁶	137	160	245	390	633	421
Gasoline ⁷	667	50	0	0	0	0
Hydrogen ⁸	133	41	0	0	0	0
Total	151,614⁹	158,966¹⁰	134,720	158,205	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 At 8.55 kWh/liter (mean).

⁸ At 33.3 kWh/kg and 3 kWh/Nm³.

⁹ As a result of differing accounting periods, the total for 2022 includes an extrapolated figure for the Atlanta production for December 2022.

¹⁰ Due to differing accounting periods, the total published in the 2021 non-financial report included an extrapolated figure for the Atlanta production site for December 2021. The total figure for 2021 was retrospectively adjusted in line with the actual consumption.

In 2022, overall energy consumption at DEUTZ Group production sites decreased by 5.4 percent year on year to 151,614 megawatt hours. This fall is mainly attributable to the significant reduction in the consumption of gas and district heating, which went down not only due to cost-cutting measures introduced in response to the energy crisis but also due to the mild weather.

CO₂ emissions | UNGC 7-9 The majority of the scope 1 emissions¹ from the DEUTZ Group's production sites are generated in connection with testing in the area of research and development and with production quality controls. This testing involves using rigs to replicate the real-life operation of engines, which of course produces emissions. The majority of the scope 2 emissions¹ are generated in connection with production processes and other business operations. To reduce the emissions, existing equipment is being progressively optimized and processes are being trialed and introduced that could allow DEUTZ to dispense with some of the tests currently run for quality control. This includes the aforementioned cold test.

DEUTZ Group: CO₂ emissions from production sites¹

Tonnes CO ₂ e ²	2022	2021	2020	2019	2018	2017 ³
CO ₂ -emissions (scope 1) ⁴	12,774	13,590	11,565	13,590	13,530	13,239
CO ₂ -emissions (scope 2) ⁵	6,420	6,467	33,159	38,828	42,240	38,012
Total CO₂ emissions	19,195⁶	20,057	44,724	52,418	55,770	51,251

¹ CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance).

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, CNG, gasoline and hydrogen caused by burning these fuels in our own facilities.

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

⁶ The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2022 will be cancelled in the first half of 2023.

DEUTZ Group: CO₂ emissions from production sites per manufactured engine¹

CO ₂ e (kg) ²	2022	2021	2020	2019	2018	2017 ³
Emissions per engine	95.4 ⁴	104	331	250	257	299

¹ Excluding joint ventures. 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, CNG, gasoline and hydrogen 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 drives are counted, i.e. no other components such as batteries, gearwheels, or conrods for non-DEUTZ engines. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance)

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 The guarantees of origin for electricity from renewable sources are cancelled in the German register of guarantees of origins (HKNR). The guarantees for electricity used in 2022 will be cancelled in the first half of 2023.

Reflecting the decrease in overall energy consumption, CO₂ emissions from production sites fell by 4.3 percent in 2022 compared to 2021 despite a significant increase in production volume and a persistently high level of research activity at the Cologne-Porz site. Over the same period, CO₂ emissions per manufactured engine went down by 8.3 percent. This is mainly because the KPI is, by definition, dependent on the production volume in the relevant year, which increased by 3.9 percent in 2022.

Under its sustainability strategy, DEUTZ had set itself the target for 2023 of reducing CO₂ emissions by 20 percent compared to the base year 2017, both for its production sites as a whole and per manufactured engine.² Last year, this target was exceeded comfortably and well ahead of schedule thanks to all of DEUTZ AG's German production sites switching to purchasing only green electricity from the start of 2021. For this reason, the Company revised its original target at the beginning of 2022 so that, by the end of 2023, the CO₂ emissions generated by its production sites are to be reduced by 61 percent and the CO₂ emissions per manufactured engine by 66 percent. The equivalent targets for 2026 are for reductions of 66 percent and 70 percent respectively.

¹ CO₂ emissions from the production sites of the DEUTZ Group excluding joint ventures. Scope 1 and Scope 2 emissions are calculated in accordance with the Greenhouse Gas Protocol using the BAFA emissions factors and emissions factors of local energy providers (market-based method pursuant to the Greenhouse Gas Protocol's Scope 2 guidance); scope 1: CO₂ emissions from diesel, natural gas, LPG, heating oil, CNG, gasoline and hydrogen caused by burning these fuels in our own facilities; scope 2: CO₂ emissions relating to purchased energy, for example electricity and district heating.

² Excluding joint ventures.

Based on the figures for 2022, the production sites' CO₂ emissions fell by 62.5 percent and the CO₂ emissions per manufactured engine by 68.1 percent compared with 2017. This means that DEUTZ slightly exceeded its targets for 2023 during the reporting year. However, it should be remembered that the KPI CO₂ emissions per manufactured engine is, by definition, dependent on the production volume in the relevant year.

Calculation of scope 3 emissions and product carbon footprint DEUTZ previously only recorded and reported its scope 1 and scope 2 emissions, but in 2022 it began working with an external consultancy on calculating its scope 3 emissions for the first time, on the basis of data from 2021. Scope 3 emissions made up the vast majority (99.9 percent) of the Company's total emissions. The main intention, in a first step, was to identify the emissions hotspots that will form the starting point for the development of an evidence-based climate strategy. DEUTZ plans to report on its scope 3 emissions for the first time in its 2023 non-financial report. In addition, a **product carbon footprint** review was carried out for the TCD 2.9 engine and for the 360-volt system from the E-DEUTZ program.

Becoming climate-neutral by 2050 | UNGC 7-9 The DEUTZ Group's primary objective is to proactively push ahead with the use of alternative, carbon-neutral drive systems in the off-highway sector. This raises the prospect of significantly reducing the carbon footprint of the applications in which they are deployed. The Company is also playing its part in lowering emissions and achieving the Paris climate goals by endeavoring to continually optimize its processes. That is why DEUTZ has set the target in its Dual+ strategy to make its business climate-neutral along the entire process chain and offer a completely climate-neutral portfolio of products and technologies by no later than 2050. It intends to achieve this by carrying out various initiatives under its Powering Progress program.  See also 'Product stewardship', p. 113 onward, and 'Strategy and objectives', p. 22 onward.

Waste | UNGC 7-9 The majority of the waste produced at the DEUTZ Group's production sites is directly related to the manufacturing of engines and metal products as well as to their painting and subsequent shipping. The types of waste that occur therefore comprise recyclable metal fragments and bits of wood, plastic, and paper, plus liquids that are used to treat, clean, and cool the metal surfaces of engine components. Because these liquids contain oil, they mainly constitute waste for disposal.

In 2021, in order to reduce the amount of waste for disposal, the Company took steps to introduce a process to reduce its use of aqueous cleaners. Implementation is planned for 2023. A system for optimizing wastewater treatment was brought on stream at the start of 2022. This reduces wastewater discharge and the use of chemicals and enables the water to be fed back into the process cycle.

DEUTZ is also making efforts to gradually reduce its volume of waste for recovery. In spare part logistics, for example, it looked into how goods inward and goods outward could be made more sustainable with regard to packaging types and bundle sizes. For example, depending on the customer, certain spare parts are now packed and shipped in bundles rather than as single shrink-wrapped items. They are then transported in reusable boxes.

DEUTZ Group: Volume of waste from the production sites¹

Tonnes	2022	2021	2020	2019
Waste for disposal	4,926	5,061	4,312	6,337
Waste for recycling	17,328	17,366	11,892	14,160
Total waste	22,254	22,427	16,204	20,498

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

Despite the large increase in production volume, the amount of waste generated at the production sites in 2022 declined by 0.8 percent in total compared to 2021; the volume of waste sent for disposal declined by 2.7 percent.

By 2023, DEUTZ intends to have reduced waste for disposal from its production sites¹ by a total of 10 percent compared with 2019. The target for 2026 is for a reduction of 15 percent.

The volume of waste for disposal generated in 2022 fell by 22.3 percent compared to 2019 despite a comparable production program. This means that DEUTZ would have exceeded its target for 2023 and 2026 already during the reporting year.

¹ Excluding joint ventures.

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

Global warming means that sustainability is becoming ever more important and this can now increasingly be seen in the financial sector too, not least since the European Commission introduced its **Sustainable Finance Action Plan**. Both the **Paris Agreement** and the European **Green Deal**, which aims to make Europe the first climate-neutral continent by 2050, place particular emphasis on sustainable investment, as capital markets can play a key supporting role in achieving environmental objectives by channeling private financial resources into sustainability-oriented investments (sustainable finance). If these goals are to be achieved, it is critically important to harness the full potential of the internal market. One of a number of packages of measures in this area, Regulation (EU) 2020/852 (EU Taxonomy Regulation) came into force in July 2020 and was required to be applied for the first time for reporting periods commencing on or after January 1, 2021. It provides a classification system that is designed to establish a common understanding of the sustainability of economic activities.

As a first step, the EU Taxonomy Regulation is primarily focusing on environmental objectives. These objectives are (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems. Reporting on environmental objectives (1) and (2) is required for the 2022 reporting year; reporting on all six environmental objectives is planned for the 2023 financial year at the earliest.

KEY PERFORMANCE INDICATORS, CALCULATION RULES, AND TECHNICAL SCREENING CRITERIA

Pursuant to Article 8 of the EU Taxonomy Regulation and Article 10 (4) of the Delegated Act (Commission Delegated Regulation (EU) 2021/2178), the key performance indicators to be disclosed for 2022 are the proportions of consolidated revenue, capital expenditure (CapEx), and operating expenses (OpEx) that DEUTZ generates from taxonomy-eligible and taxonomy-aligned economic activities in connection with the currently applicable environmental objectives of (1) climate change mitigation and (2) climate change adaptation.


A taxonomy-aligned economic activity continues to be an economic activity that is described in the delegated acts supplementing the EU Taxonomy Regulation and the current Climate Delegated Act. It must also meet certain technical screening criteria and must be carried out in accordance with the criteria for the minimum safeguards pursuant to Article 18 of the EU Taxonomy Regulation. The following rules apply with regard to taxonomy alignment:

1. The economic activity makes a substantial contribution to both or at least one of the currently applicable environmental objectives. With regard to climate change mitigation, an economic activity makes a substantial contribution if:
 - the activity itself is associated with very low or no greenhouse gas emissions;
 - the activity supports the transition to a climate-neutral economy by 2050 and there is no alternative to it; and
 - the activity enables another economic activity to protect the environment.
2. The economic activity does not significantly harm any of the other environmental objectives ('do no significant harm' (DNSH), pursuant to Article 17 of the EU Taxonomy Regulation and the Delegated Act).
3. The minimum safeguards have been implemented.

The aforementioned minimum safeguards relate to human rights (including labor rights), bribery and corruption, taxation, and fair competition. The underlying frameworks are the OECD Guidelines, the fundamental conventions of the International Labour Organization (ILO), the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights.

Companies must implement the following six steps regarding human rights due diligence in order to satisfy the criteria for the minimum safeguards:

1. A responsible approach to business is firmly enshrined in the management systems, policies, and strategies.
2. The negative effects of a company's own business activities, supply chains, and business relationships are identified and evaluated.
3. Negative and/or disadvantageous effects are stopped, avoided, or reduced.
4. The implementation of measures, and the outcomes, are tracked.
5. The way in which negative effects are dealt with is communicated.
6. Where appropriate, remedial action is initiated or supported.

Revenue-related KPI¹ The proportion of total revenue generated from taxonomy-eligible and taxonomy-aligned economic activities is the amount of consolidated revenue – pursuant to point 1.1.1 of Annex I of Article 8 of the EU Taxonomy Regulation – that is derived from products and services associated with taxonomy-eligible and taxonomy-aligned economic activities, divided by consolidated revenue for 2022 pursuant to IAS 1.82(a).  See also the consolidated financial statements, p. 138 onward.

KPI related to capital expenditure (CapEx KPI) The taxonomy-eligible and taxonomy-aligned CapEx KPI is calculated by dividing taxonomy-eligible and taxonomy-aligned capital expenditure by total CapEx. This encompasses additions to property, plant and equipment and intangible assets during the reporting period before depreciation, amortization, and any remeasurements, including those resulting from remeasurements and impairment for the year concerned and excluding fair value changes. The CapEx KPI also encompasses the acquisition of property, plant and equipment pursuant to IAS 16, paragraph 73, letter e), (i) and (iii), including right-of-use assets in accordance with IFRS 16 Leases, paragraph 53, letter (h), and additions to intangible assets pursuant to IAS 38, paragraph 118, letter e), (i). Goodwill is not included in the CapEx KPI because it is not defined as an intangible asset pursuant to IAS 38.^{2,3}

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

- a) Capital expenditure related to assets or processes that are associated with taxonomy-aligned economic activities
- b) Capital expenditure that is part of a capital expenditure plan to expand taxonomy-aligned economic activities or to allow taxonomy-eligible economic activities to become taxonomy-aligned (not currently applicable to DEUTZ)
- c) Capital expenditure that is related to the purchase of output from taxonomy-aligned economic activities and individual measures pursuant to the EU Taxonomy Regulation that enable certain target activities to become low-carbon or that lead to greenhouse gas reductions. Capital expenditure is also deemed taxonomy-aligned if the products purchased or the individual measures correspond to the description of the particular economic activity and the technical screening criteria and adhere to the minimum safeguards.

KPI related to operating expenses (OpEx KPI) The taxonomy-eligible/aligned OpEx KPI is defined as the OpEx KPI associated with taxonomy-eligible/aligned economic activities divided by total OpEx. This covers direct, non-capitalized costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and any other direct expenditure relating to the day-to-day maintenance and repair of property, plant and equipment. The taxonomy-eligible/aligned OpEx KPI also covers operating expenses that are part of a capital expenditure plan (CapEx plan) to expand taxonomy-aligned economic activities or to transform taxonomy-eligible economic activities into taxonomy-aligned economic activities. Expenditure related to day-to-day operations is not included.

¹ Key performance indicator.

² See p. 144 onward for further details of the accounting standards.

³ See 'Statement of changes in non-current assets' in the notes to the consolidated financial statements, p. 153 onward.

The OpEx KPI consists of the following items:

- Research and development expenditure that is recognized as an expense during the reporting period; in accordance with IAS 38.126, all non-capitalized expenses and amortization and impairment on development expenditure already capitalized that can be directly assigned to the research and development activities.
- The volume of non-capitalized leases was determined in accordance with IFRS 16 and includes expenses for short-term leases.¹
- Maintenance and repair costs and other direct expenditure relating to ongoing maintenance of property, plant and equipment were determined on the basis of the maintenance and repair costs allocated to the internal cost centers. The relevant cost items are included in various line items in the income statement. Building renovation work that helps to reduce carbon emissions is also included here. As a rule, the cost items are staff costs, costs for services, the cost of materials for maintenance, and costs for regular and unscheduled maintenance and repair work.

To ensure that nothing was counted more than once for the purposes of the OpEx and CapEx KPIs, DEUTZ first determined all capital expenditure and operating expenses in category c) and then determined the remaining capital expenditure and operating expenses in category a). Any unassigned capital expenditure is non-taxonomy-eligible. The DEUTZ Group's capital expenditure and operating expenses can be assigned to categories a) and c) only. Revenue is recorded at the level of the individual companies to ensure that it is not counted more than once.

TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ECONOMIC ACTIVITIES IN THE DEUTZ GROUP

Business model The DEUTZ Group's core competencies are primarily the development and production of drive systems for off-highway applications. These drives are used in a wide range of applications including construction equipment, agricultural machinery, material handling equipment such as forklift trucks and lifting platforms, commercial vehicles, rail vehicles, and boats used for private or commercial purposes. The Company's operating activities are divided into the Classic and Green segments. The Classic segment encompasses all activities related to the development, production, distribution, and maintenance of diesel and gas engines as well as the related service business. The Green segment consists of all activities related to new drives.

See also 'Business model and segments', p. 21.

In view of DEUTZ's business model, the economic activities that are taxonomy-eligible and taxonomy-aligned are essentially those relating to alternative drive solutions. Examples are DEUTZ's hydrogen engine, which is being used in applications such as stationary equipment for the generation of electricity, and the activities relating to the electrification of the engine portfolio under the E-DEUTZ name. The latter include the manufacture of all-electric and hybrid drive systems (e.g. for use in construction-site vehicles and ground support equipment), the manufacture of battery management systems and components by the DEUTZ subsidiary Futavis, and the manufacture of batteries and electric boat drives by the DEUTZ subsidiary Torqeedo. In addition to these activities from which DEUTZ generates external revenue, investing activities that exclusively result in taxonomy-aligned CapEx were also identified. These activities relate to interdisciplinary topics and individual measures in connection with optimizing energy efficiency within operations.


Identification of taxonomy-eligible and taxonomy-aligned economic activities in the DEUTZ Group As the first step in identifying taxonomy-eligible and taxonomy-aligned economic activities, DEUTZ assessed which of its business activities might potentially be relevant. It did this by referring to Annexes 1 and 2 of Delegated Act 2021/2139 supplementing the EU Taxonomy Regulation.

¹ See also 'Leases', note 25, p. 187 onward.


The following table shows the taxonomy-eligible economic activities – pursuant to Annex 1 of Delegated Act 2021/2139 – in the DEUTZ Group that can be assigned to the environmental objective of (1) climate change mitigation.

Overview and assignment of taxonomy-eligible economic activities in the DEUTZ Group

Activity pursuant to Annex 1	Economic activity at DEUTZ
3.2. Manufacture of equipment for the production and use of hydrogen	Manufacture of hydrogen engines that produce electricity in combination with a generator in stationary equipment
3.4. Manufacture of batteries	Futavis subsidiary: manufacture of battery management systems and components Torquedo subsidiary: manufacture of battery modules, battery management systems, and battery casings in collaboration with suppliers
3.6. Manufacture of other low carbon technologies	Manufacture of electric drive systems, e.g. for use in construction-site vehicles and ground support equipment Torquedo subsidiary: manufacture of electric boat drives
6.5. Transport by motorbikes, passenger cars and light commercial vehicle	Use (including leasing) of company cars with an electric, hybrid, or hydrogen drive
7.1. Construction of new buildings, non-residential	Construction of the new fire station at the Cologne-Porz site
7.3. Installation, maintenance and repair of energy efficiency equipment	Replacement of conventional lighting with LED lighting Use of solar shading to optimize the thermal performance of the glazing in the assembly hall at the Cologne-Porz site Optimization of the thermal performance of the glazing in the boiler house at the Cologne-Porz site
7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	Installation of electric charging stations at the Cologne-Porz site
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	Maintenance and expansion of the energy monitoring system to include new electricity meter points at the Cologne and Ulm sites in order to measure consumption and energy flows at additional points
7.6. Installation, maintenance and repair of renewable energy technologies	Installation of a photovoltaic system on top of the new fire station at the Cologne-Porz site Implementation of preparatory measures for installing a photovoltaic system on top of a factory building at the Cologne-Porz site Installation of heat pumps with pipes in the new fire station at the Cologne-Porz site
7.7. Acquisition and ownership of buildings	New logistics center
9.1. Close-to-market research, development and innovation	Use of HVO in internal combustion engines Operation of internal combustion engines on test rigs where the brakes are linked to an electric drive that generates electricity

The second step was to analyze the economic activities identified as taxonomy-eligible (listed above) to assess their taxonomy alignment.  See 'Key performance indicators, calculation rules, and technical screening criteria', p. 125 onward, for details of the requirements for taxonomy alignment.

1. Substantial contribution In an in-depth analysis, DEUTZ identified a substantial contribution to at least one of the six environmental objectives and, specifically, to the environmental objective of (1) climate change mitigation. On the basis of data recorded in 2021, DEUTZ calculated a **greenhouse gas footprint** (scopes 1, 2, and 3) and a **product carbon footprint** for its electrical 360-volt drive system and, for comparison purposes, for its TCD 2.9 diesel engine in 2022 in order to provide evidence of the substantial contribution of the core activities 3.2/3.4 and 3.6 to climate change mitigation. The table 'Overview and assignment of taxonomy-eligible economic activities in the DEUTZ Group' indicates the extent and nature of the substantial contributions. A substantial contribution from economic activity 7.3 is achieved through optimization of the thermal performance of the glazing of production buildings and replacement of conventional lighting with LED lighting. The substantial contribution from economic activity 7.6 is achieved through the installation of photovoltaic systems.

2. Adherence to the DNSH criteria DEUTZ believes that part of its responsibility to society is to help to 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 negative impact on the environment and to continuously improve its management of resources. To this end, DEUTZ has established an environmental management system certified in accordance with the international DIN EN ISO 14001:2015 standard.  See also 'Environmental and climate protection', p. 121 onward.

To assess whether the economic activities assigned to environmental objective (1) do no significant harm to the environmental targets (2) to (6), a review was conducted pursuant to Commission Delegated Regulation (EU) 2021/2139, appendices A to D:

2.1 Adherence to the DNSH principle for environmental objective (2) climate change adaptation DEUTZ conducted a climate risk analysis with the assistance of an external consultancy and a climatologist in order to identify the physical climate risks that are material to its taxonomy-eligible economic activities. The analysis covered the following sites, reflecting the location of DEUTZ's taxonomy-eligible economic activities: Cologne, Ulm, Aachen, Wessling, and Herschbach in Germany and Zafra in Spain. Future climate-related risks in the categories temperature, wind, water, and solid matter were evaluated for these sites. DEUTZ took into account both chronic climate risks, i.e. those that persist

over a long period of time, and acute (short-term) but severe climate risks. Four different emissions scenarios were used for the future climate outcomes: RCP2.6, RCP4.5, RCP6.0, and RCP8.5. The analysis was carried out for the current and future climate. The necessary data was either taken from the ERAS reanalysis (weather maps) and from official climate models from the Intergovernmental Panel on Climate Change (IPCC) or was compiled and processed using external hazard and risk data sets. No material physical climate risks resulting from the economic activities identified as taxonomy-eligible were ascertained.

2.2 Adherence to the DNSH principle for environmental objective (3) sustainable use and protection of water and marine resources To identify risks in connection with maintaining water quality and avoiding water shortages, DEUTZ developed an evaluation form that sites can use to conduct a self-assessment relating to water pollution control, water supply, water disposal, and water consumption. The content of the evaluation form was based on the mandatory environmental impact assessment in accordance with the German Environmental Impact Assessment Act (UVPG). No negative impact resulting from the economic activities was ascertained.

2.3 Adherence to the DNSH principle for environmental objective (4) transition to a circular economy The vast majority of the components used by DEUTZ in its production processes are designed to last for a very long time and to be capable of being refurbished/overhauled, thereby extending their useful life. The components are recyclable and still have significant value at the end of their useful life because they contain materials such as steel, aluminum, or copper. After being recycled by a third party, the recovered materials can be used as a secondary resource in the production of new goods. For example, old batteries are added to a register of old electrical goods maintained by Stiftung Elektro-Altgeräte-Register before important raw materials are recovered from them using efficient metallurgical, chemical, and mechanical recycling processes.

Sustainable waste management is a key component of the DEUTZ Group's environmental management system. The Company's waste, such as metal, wood, paper, cardboard, cardboard packaging, and plastic, is sold so that it can be recycled and reused by a third party.

2.4 Adherence to the DNSH principle for environmental objective (5) pollution prevention and control DEUTZ purchases components and raw materials for use in engine production that contain an extensive range of pure substances and minerals and that could cause harm to people and the environment if they are not handled properly. Some of these substances and minerals are subject to international regulations, including the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH) and the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS).

An engine has an average of 650 parts, and a variety of different substances are contained in these parts or are used in their manufacturing process. The Materials Compliance function makes sure that the engines produced are continually assessed for compliance with the many environmental laws and regulations and that processes are incrementally optimized with regard to the materials and substances used. This includes introducing conformity checks in the product development process. In addition, the Company defines materials compliance criteria to be applied when selecting production component suppliers. In 2020, DEUTZ introduced an online database for materials declarations with the aim of monitoring supplier compliance with these criteria and improving the management of processes. Over time, all materials processed and used by the Company will be recorded in the database. This means it will include the full range of substances and minerals, and not just those that are subject to the regulation pertaining to the registration, evaluation, authorization, and restriction of chemicals (REACH) and to the directive restricting the use of certain hazardous substances in electrical and electronic equipment (RoHS).

DEUTZ intends to use the information on materials declarations held in its database not only to ensure compliance with the law and relevant policies, but also to take steps that will help to avoid pollution caused by the use of chemicals and their placement in the market. [See also 'Supplier management', p. 110 onward.](#) The Company manages hazardous substances in such a way that the related hazards are either avoided entirely through the use of substitutes or reduced to a minimum as a result of technical and organizational measures. [See also 'Occupational health and safety', p. 108 onward.](#)

2.5 Adherence to the DNSH principle for environmental objective (6) protection and restoration of biodiversity and ecosystems The evaluation form referred to in 2.2 above sets out criteria for assessing the protection of ecosystems and biodiversity in addition to the criteria on assessing the sustainable use of water resources. No significant adverse effects on the protection of ecosystems and biodiversity resulting from the economic activities were ascertained. None of the sites evaluated that are relevant to DEUTZ's taxonomy-eligible economic activities are near to areas with fragile biodiversity.

3. Adherence to the minimum safeguards A responsible approach to business, including in relation to human rights, bribery and corruption, taxation, and fair competition, is a high priority for DEUTZ and therefore firmly enshrined in its management systems, policies, and strategies. This is also reflected in the content of various internal organizational policies and of the groupwide codes of conduct for employees, suppliers, and other business partners. The codes are based on the Supply Chain Due Diligence Act (LkSG), the UN Universal Declaration of Human Rights, the ILO's fundamental conventions, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the ten principles of the United Nations Global Compact (UNGC), and other sources.

Regular classroom-based courses and annual compliance training are provided to ensure that employees understand the content of the code of conduct and that they act in accordance with pertinent laws and regulations. The various modules include anti-corruption, antitrust law, health and safety in the office, and the German General Equal Treatment Act (AGG) and non-discrimination. [See also 'Corporate governance and compliance', p. 100 onward.](#) With regard to taxation, DEUTZ has established a system for managing tax compliance that is designed to ensure lawful conduct in relation to tax matters and to minimize and avoid financial risk, reputational risk, and consequences under criminal law that could arise in the event of unlawful behavior.

Using the internal control system (ICS), the ICS coordinator and Corporate Audit regularly evaluate the processes established in the Group and, if necessary, initiate and implement any need for action that is identified.

As a member of the United Nations Global Compact, DEUTZ attaches particular importance to respect for human rights and measures to combat corruption. At the end of 2022, DEUTZ adopted a human rights code in order to emphasize its zero-tolerance approach to human rights abuses. The code applies to employees, suppliers, and business partners alike. [See also 'Corporate governance and compliance', p. 100 onward,](#) and ['Supplier management', p. 110 onward.](#)

To identify, as far as possible, any behavior that violates laws or regulations and to immediately put a stop to any proven misconduct, DEUTZ has provided a publicly accessible whistleblowing system on its website for the purposes of reporting suspected violations of DEUTZ's codes of conduct. Every suspected violation is documented in a uniform way and treated in accordance with the groupwide compliance policy. [See also 'Corporate governance and compliance', p. 100 onward.](#)

DEUTZ has various instruments at its disposal that allow it to identify and evaluate any negative effects on its business activities, supply chains, and business relationships. For example, it conducts quarterly risk inventories for its business activities that also cover risks relating to human rights, bribery and corruption, taxation, and fair competition. With regard to its business partners, DEUTZ has established a business partner compliance tool with which it checks for aspects such as potential misconduct, e.g. in connection with money laundering, unfair competitive practices, and corruption and/or bribery. [See](#) also 'Corporate governance and compliance', p. 100 onward. In addition, DEUTZ uses a tool that draws on publicly accessible information so that it can monitor suppliers on an ongoing basis. Compliance with the DEUTZ supplier code of conduct is also checked during on-site audits. [See](#) also 'Supplier management', p. 110 onward.

If any negative or disadvantageous effects were to be identified, e.g. regarding human rights, bribery and corruption, taxation, and fair competition, DEUTZ would take action to stop or reduce them and to avoid them in the future. Implementation of the measures above, and the outcomes, would be tracked. Using a suitable channel, DEUTZ would also communicate the way in which negative effects are dealt with and, where appropriate, would initiate or support remedial action for confirmed violations, including those relating to human rights, bribery, and corruption. In relation to negative effects attributable to its suppliers, DEUTZ will publish an annual declaration of principles pursuant to the LkSG from 2023 onward. The declaration includes a description of how DEUTZ fulfills its due diligence obligations regarding human rights and the environment, the results of the regular risk analyses, and the implementation of preventive and remedial measures aimed at minimizing risk. [See](#) also 'Supplier management', p. 110 onward.

Based on the information in this section, DEUTZ concludes that it satisfies the criteria for the minimum safeguards. Moreover, it has not identified any violations relating to the aforementioned topics in connection with its business activities. Consequently, there have been no convictions in court in respect of such violations.

The DEUTZ Group's taxonomy-aligned economic activities encompass those taxonomy-eligible economic activities that verifiably satisfy all criteria in Article 3 of the EU Taxonomy Regulation. [See](#) 'Key performance indicators, calculation rules, and technical screening criteria', p. 125 onward.

The following tables show the proportion of total revenue, total CapEx, and total OpEx associated with the economic activities that are taxonomy-eligible pursuant to the EU Taxonomy Regulation and, based on the analysis and checking process described above, can be considered taxonomy-aligned.

DEUTZ does not engage in any economic activities related to nuclear power and the use of natural gas, and therefore does not disclose information using the relevant reporting forms.

Proportion of revenue in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities

Economic Activities	Code(s)	Absolute Turnover currency in €	Proportion of turnover %	Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)				Taxonomy aligned proportion of turnover (year 2022) %	Taxonomy aligned proportion of turnover (year 2021) %	Category (enabling activity) E	Category (transitional activity) T			
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N					Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.4 Battery manufacture ²	3.4	14,242,159.69	0.73	100	0	0	0	0	0	– ³	YES	YES	YES	YES	YES	YES	0.73	–	E	–
Turnover of environmentally sustainable activities (Taxonomy aligned) (A1)		14,242,159.69	0.73														0.73			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies ^{1,2}	3.6	49,774,368.74	2.55																	
Turnover of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		49,774,368.74	2.55														–	–	–	–
Total (A.1.) + (A.2.)		64,016,582.43	3.28														0.73	–	–	–
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy non eligible activities (B)		1,889,431,262.96	96.70																	
Total (A) + (B)		1,953,447,845.39	100.00																	

¹ The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.
² The allocation of Torqeedo's turnover figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.
³ Not applicable.

Proportion of CapEx in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities

Economic Activities	Code(s)	Absolute CapEx currency in €	Proportion of CapEx %	Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)						Minimum safeguards	Taxonomy aligned proportion of CapEx (year 2022) %	Taxonomy aligned proportion of CapEx (year 2021) %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.2 Manufacture of equipment for the production and use of hydrogen	3.2	226,006.83	0.19	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	0.19	-	E	-
3.4 Battery manufacture ²	3.4	2,607,409.68	2.15	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	2.15	-	E	-
7.3 Lighting with LED lamps, thermal optimization of buildings	7.3	481,596.62	0.40	100	0	0	0	0	0	- ³	YES	- ³	- ³	YES	- ³	YES	0.40	-	E	-
7.4 E-charging station installation	7.4	13,053.73	0.01	100	0	0	0	0	0	- ³	YES	- ³	- ³	- ³	- ³	YES	0.01	-	E	-
7.5 Maintenance and expansion of the energy monitoring system (electricity meter) to determine consumption levels	7.5	13,006.70	0.01	100	0	0	0	0	0	- ³	YES	- ³	- ³	- ³	- ³	YES	0.01	-	E	-
7.6 Installation of a photovoltaic system, installation of heat pumps	7.6	236,819.27	0.19	100	0	0	0	0	0	- ³	YES	- ³	- ³	- ³	- ³	YES	0.19	-	E	-
9.1 Market oriented research, development and innovation	9.1	62,005.85	0.05	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	0.05	-	E	-
CapEx of environmentally sustainable activities (Taxonomy aligned) (A1)		3,639,898.68	3.00														3.00			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies ^{1,2}	3.6	9,736,427.18	8.01																	
6.5 Operation of company cars with electric, hybrid and hydrogen drives ⁴	6.5	196,252.75	0.16																	
7.1 New construction of the fire station ⁵	7.1	2,147,290.00	1.77																	
7.7 Acquired, rented and leased buildings ⁵	7.7	2,430,519.30	2.00																	
CapEx of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		14,510,489.23	11.94																	
Total (A.1.) + (A.2.)		18,150,387.91	14.94														3.00	-	-	-
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy non eligible activities (B)		103,348,335.05	85.06																	
Total (A) + (B)		121,498,722.96	100.00																	

¹ The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.

² The allocation of Torqeedo's CapEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.

³ Not applicable.

⁴ The economic activities listed under 6.5 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable contribution to the transition to a circular economy and are therefore reported as taxonomy-eligible, but not taxonomy-aligned; required manufacturer declarations from purchasing to production are not available.

⁵ The economic activities listed under 7.1 and 7.7 do not satisfy the technical screening criteria for EU taxonomy alignment with regard to making a substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.

Proportion of OpEx in 2022 attributable to goods or services that are associated with taxonomy-aligned economic activities.

Economic Activities	Code(s)	Absolute OpEx currency in €	Proportion of OpEx %	Substantial contribution criteria						DNSH Criteria (Do No Significant Harm)						Taxonomy aligned proportion of OpEx (year 2022) %	Taxonomy aligned proportion of OpEx (year 2021) %	Category (enabling activity) E	Category (transitional activity) T	
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					Minimum safeguards Y/N
A. TAXONOMY ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy aligned)																				
3.2 Manufacture of equipment for the production and use of hydrogen	3.2	8,086,697.00	6.13	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	6.13	-	E	-
3.4 Battery manufacture ²	3.4	3,597,956.19	2.73	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	3.44	-	E	-
9.1 Market oriented research, development and innovation	9.1	1,681.00	0.00	100	0	0	0	0	0	- ³	YES	YES	YES	YES	YES	YES	0.00	-	E	-
OpEx of environmentally sustainable activities (Taxonomy aligned) (A1)		11,686,334.19	8.86														8.86			
A.2. Taxonomy Eligible but not environmentally sustainable activities (non taxonomy aligned activities)																				
3.6 Manufacture of other low-carbon technologies ^{1,2}	3.6	23,030,060.01	17.45																	
6.5 Operation of company cars with electric, hybrid and hydrogen drives ⁴	6.5	43,505.14	0.03																	
OpEx of Taxonomy eligible but not environmentally sustainable activities (non Taxonomy aligned) (A.2.)		23,073,565.15	17.48																	
Total (A.1.) + (A.2.)		34,759,899.34	26.34														8.86			
B. NON TAXONOMY ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy non eligible activities (B)		97,247,667.75	73.67																	
Total (A) + (B)		132,007,567.09	100.00																	

¹ The economic activities listed under 3.6 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable substantial contribution and are therefore reported as taxonomy-eligible, but not taxonomy-aligned.

² The allocation of Torqeedo's OpEx figures to the economic activities 3.4 (20 percent) and 3.6 (80 percent) were calculated on the basis of its reported revenue.

³ Not applicable.

⁴ The economic activities listed under 6.5 do not fully satisfy the technical screening criteria for EU taxonomy alignment with regard to making a verifiable contribution to the transition to a circular economy and are therefore reported as taxonomy-eligible, but not taxonomy-aligned; required manufacturer declarations from purchasing to production are not available.

Quantitative breakdown of CapEx (€)

Delegated Act 2021/2178	Annex 1 art. 1.2.3.2. a		
Economic activity	Additions to property, plant and equipment	Additions to internally generated or acquired intangible assets	Additions through right-of-use assets
3.2	226,006.83	0.00	0.00
3.4	712,849.75	94,249.84	1,800,310.09
7.3	481,596.62	0.00	0.00
7.4	13,053.73	0.00	0.00
7.5	13,006.70	0.00	0.00
7.6	236,819.27	0.00	0.00
9.1	62,005.85	0.00	0.00
Total	1,745,338.75	94,249.84	1,800,310.09

Quantitative breakdown of OpEx (€)

Delegated Act 2021/2178	Annex 1 art. 1.2.3.3. a
R&D costs	33,218,384.90
Building renovation measures	0.00
Non-capitalized leases	108,325.30
Maintenance and repair	1,433,189.14
Total	34,759,899.34

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

To DEUTZ AG, Köln

We have performed a limited assurance engagement on the combined separate non-financial report of DEUTZ AG, Köln, (hereinafter the "Company") for the period from 1 January 2022 to 31 December 2022 (hereinafter the "Combined Separate Non-financial Report").

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

RESPONSIBILITY OF THE EXECUTIVE DIRECTORS

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

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

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.

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

INDEPENDENCE AND QUALITY CONTROL OF THE AUDIT FIRM

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

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

RESPONSIBILITY OF THE ASSURANCE PRACTITIONER

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

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the Company's Combined Separate Non-financial Report, other than the external sources of documentation or expert opinions mentioned in the Combined Separate Non-financial Report,

is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report.

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

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

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

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

ASSURANCE OPINION

Based on the assurance procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Combined Separate Non-financial Report of the Company for the period from 1 January 2022 to 31 December 2023 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "INFORMATION ON REGULATION (EU) 2020/852 – TAXONOMY REGULATION" of the Combined Separate Non-financial Report.

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

RESTRICTION OF USE

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

Frankfurt, 13 March 2023

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke
Wirtschaftsprüfer
[German public auditor]

ppa. Benjamin Wolf