

planning. In conjunction with the current succession planning, this enables us to fill vacant managerial positions with people from within our own ranks. The numbers validate this approach: eleven managerial positions have been filled by graduates of the talent programme since 2011.

In 2014, we held numerous internal seminars and training courses focused on 'social and methodological skills' and on 'leadership' for employees and managers from various parts of the Company. These include the DEUTZ 'management driving licence', a modular management training course that has now been completed by 39 people. To upgrade the skills of our shopfloor staff, we worked with a training provider specialised in production management and lean management. As part of the Excellence development programme, a number of workshops were held with managers in which measures were devised for optimising the four key areas of structure, processes, employees and leadership.

Health promotion initiatives extended The 'Ergonomics in the workplace' pilot project has been running very successfully since 2013. Our aim is to firmly establish this initiative at DEUTZ because it will only begin to yield positive results after rigorous implementation over a period of years (see section on safety management, page 44 et seq.). Further preventive measures are being discussed in our working group on health and are scheduled for 2015. In Ulm there was a focus on providing training to managers. The aim is for them to be able to identify the first warning signs of various conditions so that they can take appropriate action at an early stage.

For the fourth year in a row, we took part in the HRS Business Run. The number of DEUTZ employees on the starting line rose again, to 294, building on the high turnout of the previous year. Our runners represented all different parts of the Company at all levels of seniority, from apprentices to members of the board. We once again finished in fourth place out of more than 550 companies. In addition to the sporting aspect, the annual HRS Business Run provides a great opportunity for people from across the Company to talk to each other and network.

Minimum-impact site optimisation agreed In June 2014, the social plan/reconciliation of interests required by German law was agreed for the closure of our Cologne-Deutz site. As part of the agreement, a new shaft centre is to be built at Cologne-Porz, giving a boost to the existing DEUTZ site and creating 140 jobs. The employees affected by the closure are being deployed in other functions in Cologne – in Porz or Kalk – and given appropriate training. They have also been given the option of terminating their employment contract with DEUTZ AG by mutual agreement and receiving a severance package. An interim employment company has also been set up to help the former employees find new jobs. In December, the Company and the local works council came to a mutual agreement on a reconciliation of interests and social plan for the planned relocation of all activities at the Übersee site on Lake Chiemsee. The relocation will take place in two phases, in 2015 and 2017. All employees will be offered a position in Ulm as well as an attractive relocation package. Alternatively, they can transfer to an interim employment company or reach a severance agreement.

Short-time working in assembly and logistics Last year, because of stricter emissions standards coming into force on 1 October 2014, European customers built up a stock of advance-production engines that has resulted in reduced demand while these inventories are being used up. Because of this situation and a generally weak economic climate, short-time working was introduced in assembly and logistics from December 2014. A three-week shutdown of these two areas was also agreed so that additional short-time working could be avoided. Based on the current level of orders on hand, short-time working is expected to end by no later than the fourth quarter of 2015.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility has a long tradition at DEUTZ. As a corporate citizen with operations around the world, we are aware of our duties and obligations. We assume responsibility for our decisions and our actions, for our products and services, for our customers and lenders, for the environment and for the society in which we live. We have been involved in corporate citizenship activities for many years, not only in our home region in the area around Cologne but also throughout Germany and beyond.

Engine museum still popular with visitors The number of visitors to our DEUTZ engine museum rose again. More and more people from in and around Cologne, and from other parts of Germany and around the world, are taking the opportunity to discover the origins and history of global motorisation and original machines from the early days of the engine. This all started more than 150 years ago with the founding of N.A. Otto & Cie., the predecessor of today's DEUTZ AG.

Protected as a cultural asset of the Federal Republic of Germany, the engine collection on display at the technology centre in Cologne-Porz was given a fantastic new exhibit last year, dating from the time of Germany's post-war economic miracle: the 'see-through engine', equivalent to the F12L614 model, a twelve-cylinder drive unit producing 184kW (250HP), was unveiled to the world for the first time in 1955 at the Frankfurt International Motor Show as an exhibition piece. This 'see-through engine' was built by our trainees in Ulm. The air-cooled engine powered the Magirus Deutz Uranus, the most powerful German truck of its day.

Getting young people and the unemployed into careers As part of our corporate social responsibility, we have been working closely for more than 23 years with IN VIA – an association under the auspices of the German Caritas organisation – and the German Federal Employment Agency to provide career preparation courses for young people with learning and social difficulties. In 2014, a total of 36 participants underwent basic metalwork training over a ten-month period at the DEUTZ training centre, which equipped them with the skills they will need to take up a career. We also teamed up with the Spanish government to launch a programme at our plant in Zafra which will train people with no formal vocational education as machine operators. Graduates of the programme are given an official certificate that will improve their career prospects.

Integration of disabled and disadvantaged people For more than 25 years, DEUTZ AG has worked with Nostra GmbH, one of the largest and oldest organisations for the integration of disabled and disadvantaged people in Germany. The project finds employment in the regular labour market for 40 people who have severe disabilities or are socially disadvantaged. All participants are accommodated in special integration groups, in which disabled and non-disabled people work together in a spirit of inclusivity. This integration of the skills of disabled, socially disadvantaged and non-disabled people is proving particularly successful in the project at the DEUTZ AG site, and is clearly apparent on a day-to-day basis in the interactions with the staff there. DEUTZ has also worked in partnership with GWK, a not-for-profit organisation based in Cologne promoting the integration of people with disabilities, for more than 40 years. In 2014, more than 100 people at GWK were involved in work for DEUTZ. The goods inward, packaging and component manufacturing services provided by Nostra and GWK are closely integrated with DEUTZ AG's processes. We benefit from the high level of precision demonstrated by their employees, which is backed up by comprehensive investment by both organisations in the training of staff and in their machinery and equipment.

Company choir a highlight at DEUTZ's 150th anniversary celebration The performance given by the DEUTZ choir at the anniversary celebration on 9 May 2014 at the Koelnmesse exhibition centre was the most important and the most enduring in its almost 70-year history. Accompanied by Danish soprano Lisa Tjalve and led by artistic director Heinz Walter Florin, the choir sang themselves into the hearts of the international audience with a multilingual programme. Another highlight last year was the series of summer concerts at Cologne Philharmonic Hall.

DEUTZ has long been committed to diversity management: we value the diversity of our individual employees around the world – in terms of gender, origin, age, religion and disability – and we try to harness this for the success of the Company. For example, we have a clear target to increase the number of management positions within the DEUTZ Group that are occupied by women. We talk about our efforts to support young people, to help women advance in the workplace (cross-mentoring) and other diversity-focused activities in the 'Employees' section on pages 40 et seq. of this annual report.

The members of the Board of Management and managers at DEUTZ are fully aware of their responsibility to set an example. For many years, they have been personally involved in various charitable associations, trade associations, committees, trusts and other forums.

ENVIRONMENT

Protection of the environment and the prevention of climate change are key corporate objectives for DEUTZ. We manufacture environmentally responsible products that meet the latest emissions standards and even future emissions standards and therefore make a vital contribution to protecting the environment. Our production processes are also resource-efficient. More than ten years ago, DEUTZ decided to implement an environmental management system as a way of contributing effectively to environmental protection. The system keeps track of aspects that are highly relevant to the environment, such as keeping the air clean, the avoidance and correct disposal of waste, protecting against soil and water pollution and sustainably reducing energy consumption.

ENERGY MANAGEMENT SYSTEM

Our energy management system at the Cologne-Deutz site was successfully certified back in November 2013. In April 2014, as part of the annual quality and environmental audit, the certification body DNV GL once again accredited the system without any nonconformities. As planned, the ISO-50001 certificate was then extended to all German sites.

The energy monitoring scheme was also expanded in 2014. The installation of additional energy meters and the centralised recording of the energy data provided by these gives the Company a transparent overview of energy flows. This information can then be analysed to find ways to deliver further efficiency gains or to monitor the performance of completed projects. The initiatives implemented in previous years remain effective. Additional potential was leveraged in 2014 through the implementation of various technological and organisational measures. The resulting annual cost savings amount to 750 MWh of electricity and 515 MWh of heat.

However, the potential for further savings is far from exhausted: additional efficiency measures and the final phase in the expansion of the monitoring system are already being planned for 2015.

DEUTZ Group: Energy consumption in European plants¹⁾

	2014	2013
MWh		
Electricity	90,611	93,714
Natural gas	33,616	43,681
District heating	22,596	27,270
Heating oil	3,456	4,501
Diesel fuel ²⁾	32,313	33,062

¹⁾ Deutz, Kalk, Porz, Herschbach, Ulm, Übersee, Zafra (SP).

²⁾ At 9.85 kWh/litre (mean).