

TRATON

# ESG Factbook

Munich, 08-09-2023



NAVISTAR





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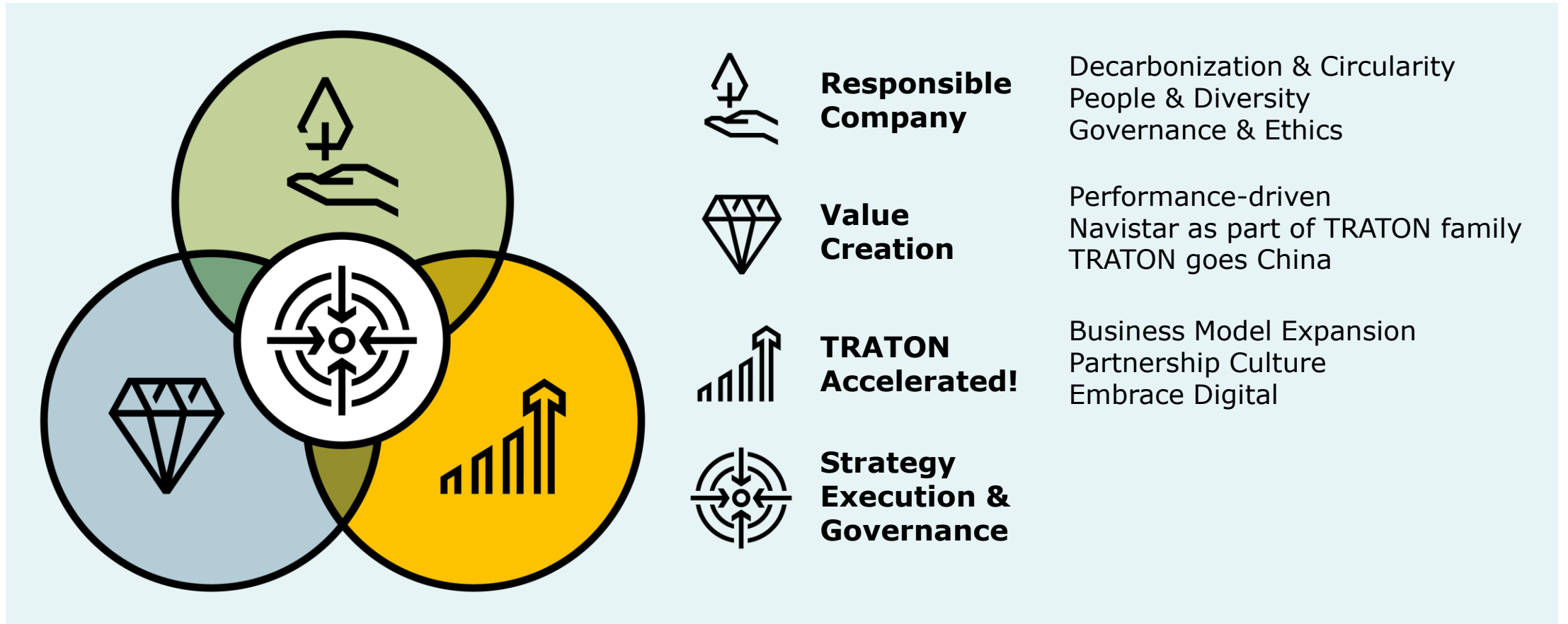


# **Sustainability at TRATON — Responsible Company**

**The TRATON GROUP is committed to becoming even more responsible as a company, with all brands making considerable efforts and progress in becoming more sustainable. Decarbonization plays a key role in these efforts, and battery electric vehicles are our most prominent lever to contribute to climate change mitigation.**

# TRATON Way Forward

Full focus and commitment on execution along strategic framework



# Our goal: being a Responsible Company by making substantial transformative efforts toward achieving the SDGs in three areas



## Decarbonization & Circularity

Creating solutions that minimize greenhouse gas (GHG) emissions and optimize resource consumption



## People & Diversity

Capturing the diversity of skills, know-how, and perspectives of our employees or partners involved in our value chain



## Governance & Ethics

Enabling transparent, risk-oriented, and fair decision-making to create long-term value



**TRATON adds value by creating an environment in which brands support each other, learning and evolving from their individual strengths to excel at being a responsible company and mastering the sustainable transformation**

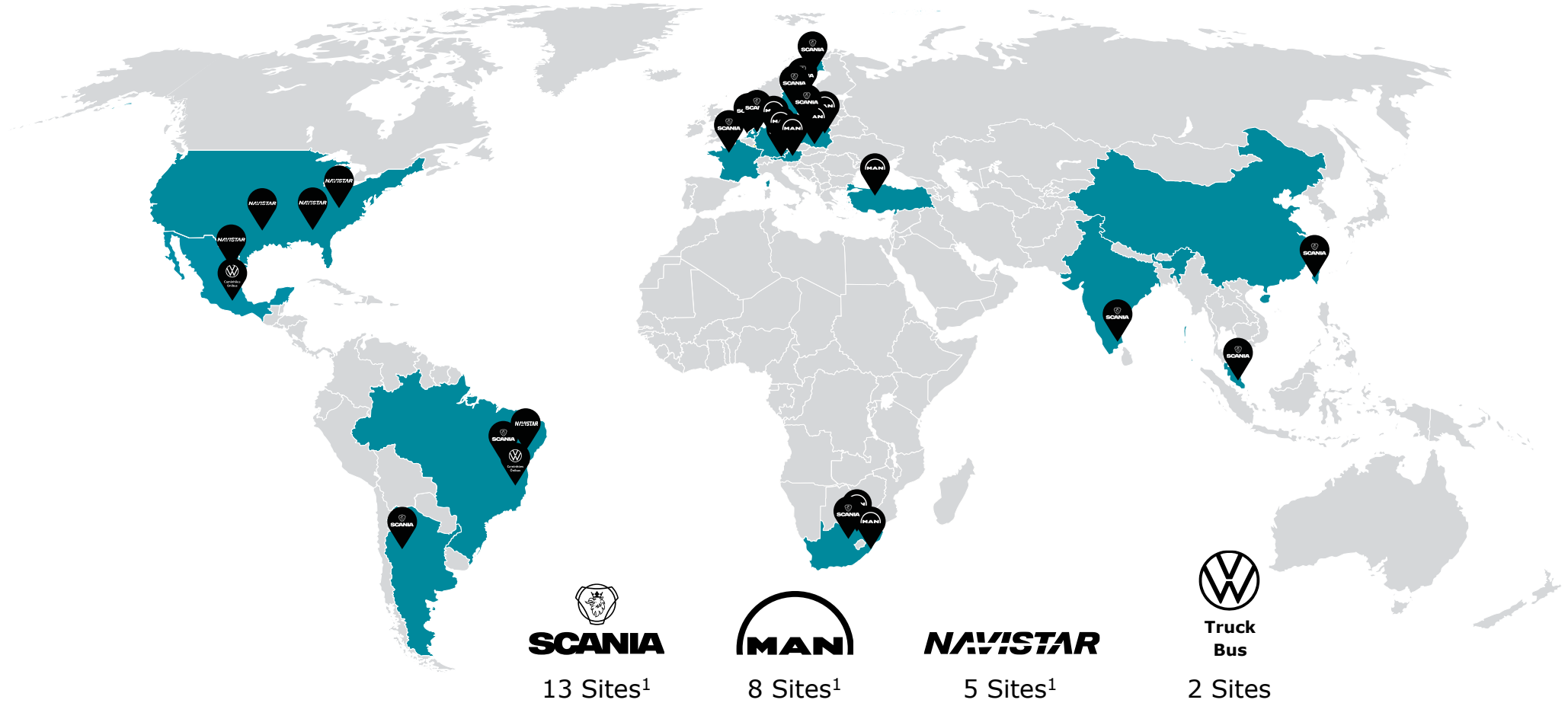
Note: SDGs – Sustainable Development Goals

# TRATON Sustainability Board anchored at highest level

- ▶ The **TRATON Sustainability Board** gives **overall strategic direction**, defines **ambition level** and decide on sustainability **impact areas** for the TRATON Group. It is also used as a platform for knowledge transfer and for sharing best practices for our brands.
- ▶ It is anchored on **TRATON Executive Board** level, led by the **Chief Executive Officer** of the TRATON GROUP.
- ▶ The **Sustainability Leadership Group** with representatives of the brands and central functions such as Sustainability, ESG, Sustainability Analysis Unit, Strategy and GRC define the areas of collaboration, assign tasks and responsibilities.
- ▶ To incorporate the capital markets perspective on ESG into the strategic decision processes, an **ESG Committee** was established. Members of the ESG Committee are the departments ESG, Investor Relations, Group Finance, Legal, Tax & Customs, Treasury and Sustainability.
- ▶ Since the Group’s organization is **decentralized**, the **Brands** set their priorities, resources, and methods individually in line with their corporate culture and strategy. The **brand strategies build the basis for TRATON’s sustainability efforts.**
- ▶ New programs and measures receive their **final approval** from the **TRATON Executive Board and at the level of each brand**, which are solely responsible for their implementation.



# TRATON GROUP – production sites



<sup>1</sup> Production sites excluding Scania/MAN joint-venture assembly line and Navistar San Antonio site

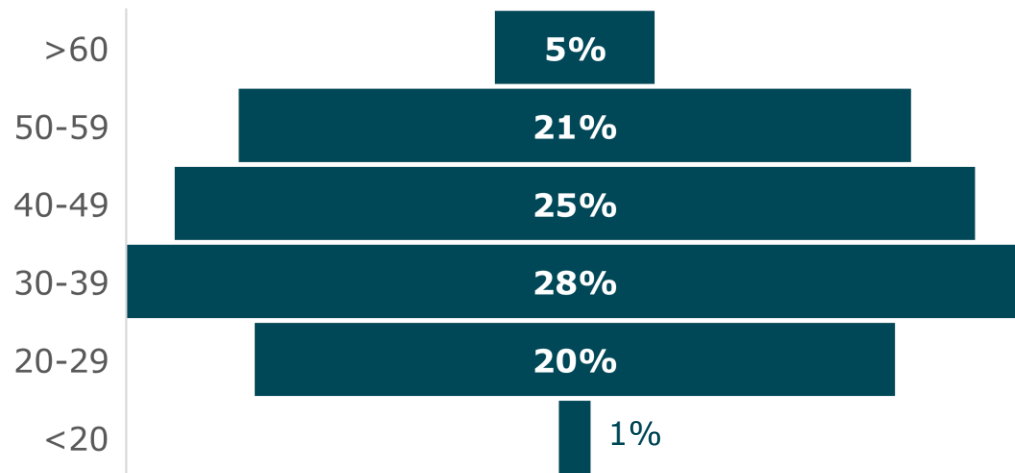


# TRATON GROUP – demographics 2022

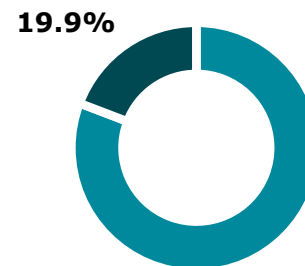
Workforce	Total
Active workforce	<b>100,356</b>
of which direct employees	<b>47,186</b>
of which indirect employees	<b>53,170</b>
of which temporary employees	<b>6,524</b>

Regions	Active workforce	Total workforce <sup>2</sup>
Europe (excl. GER)	<b>50,436</b>	<b>51,877</b>
Germany	<b>19,145</b>	<b>21,133</b>
Africa	<b>1,777</b>	<b>1,917</b>
Asia	<b>2,009</b>	<b>2,035</b>
America	<b>26,273</b>	<b>26,330</b>
Australia	<b>716</b>	<b>746</b>
<b>Total</b>	<b>100,356</b>	<b>104,038</b>

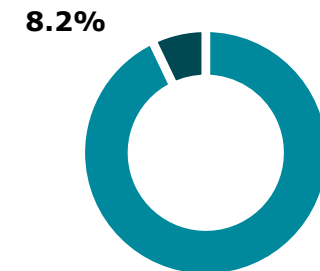
Age clusters (active workforce)<sup>1</sup>



Women in management<sup>1</sup>



Employee turnover<sup>1</sup>



<sup>1</sup> Active workforce, for SCANIA only Sweden considered

<sup>2</sup> Incl. employees in passive semiretirement and apprentices

Figures as of 12-31-2022

# Decarbonization & Circularity



# Decarbonization & Circularity

## Our Goal

Moving toward an operating model and product design that sustainably minimize greenhouse gas (GHG) emissions and optimize resource consumption in the value chain.

## For TRATON, this means focusing on

- ▶ Zero-emission vehicles especially via electrification
- ▶ Energy efficiency & GHG reduction in production and use phase
- ▶ Circular economy & elimination of waste





# Strong commitment to the Paris Agreement by setting science-based targets



## SCANIA

- ▶ **Scania** was the first heavy vehicle manufacturer to have its CO<sub>2</sub> reduction targets approved by the Science Based Targets Initiative (SBTi).
- ▶ Scania is aiming to reduce CO<sub>2</sub> emissions from its products in the use phase by 20% by 2025 compared with 2015, and emissions from its own operations by 50% over the same period.
- ▶ Currently, Scania is at 97.9% CO<sub>2</sub> emissions for its products in use, a reduction of just above 2% compared to 2015. Emissions from operations in 2022 increased slightly due to increased activities in operations. However, compared to 2015 emissions have reduced by 44 percent.



- ▶ **MAN** joined SBTi in 2021 and has had its short-term goals validated in 2022. By early 2024, MAN aims to have its net-zero target validated. MAN wants to become greenhouse gas-neutral (on balance sheet) by 2050 at the latest.
- ▶ As a first step, MAN is aiming to reduce 70% of GHG emissions of the company's sites around the world by 2030 compared to 2019 (GHG protocol scopes 1 and 2).
- ▶ GHG fleet emissions per vehicle kilometer of trucks, buses, and vans sold by MAN are expected to fall by 28% by 2030 compared to the base year 2019 (GHG protocol scope 3 – category 11). In 2022 the reduction was -6,6% (compared to base year 2019).

# TRATON



Truck  
Bus

**NAVISTAR**

- ▶ **VWTB** and **Navistar** have been working to commit and set reduction targets with the aim of being validated by the SBTi.



# Supply chain decarbonization targets



Target

2030



Scania aims to use 100% green batteries, 100% green steel, 100% green aluminum, and 100% green cast iron in its European production.

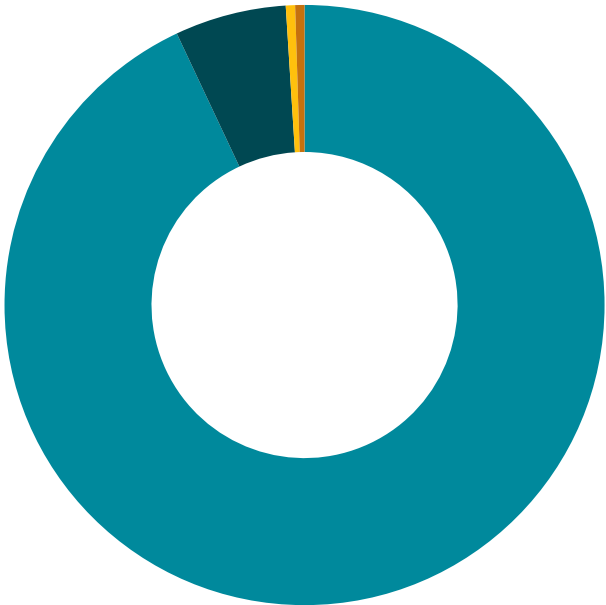
2022



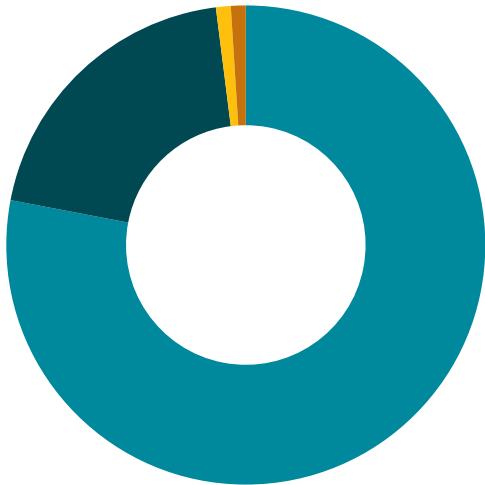


# Our CO<sub>2</sub> impact stems almost exclusively from our products' use phase – but will change in the future

### Combustion engine



### BEV (electricity mix)<sup>1</sup>



### BEV (green electricity)<sup>2</sup>

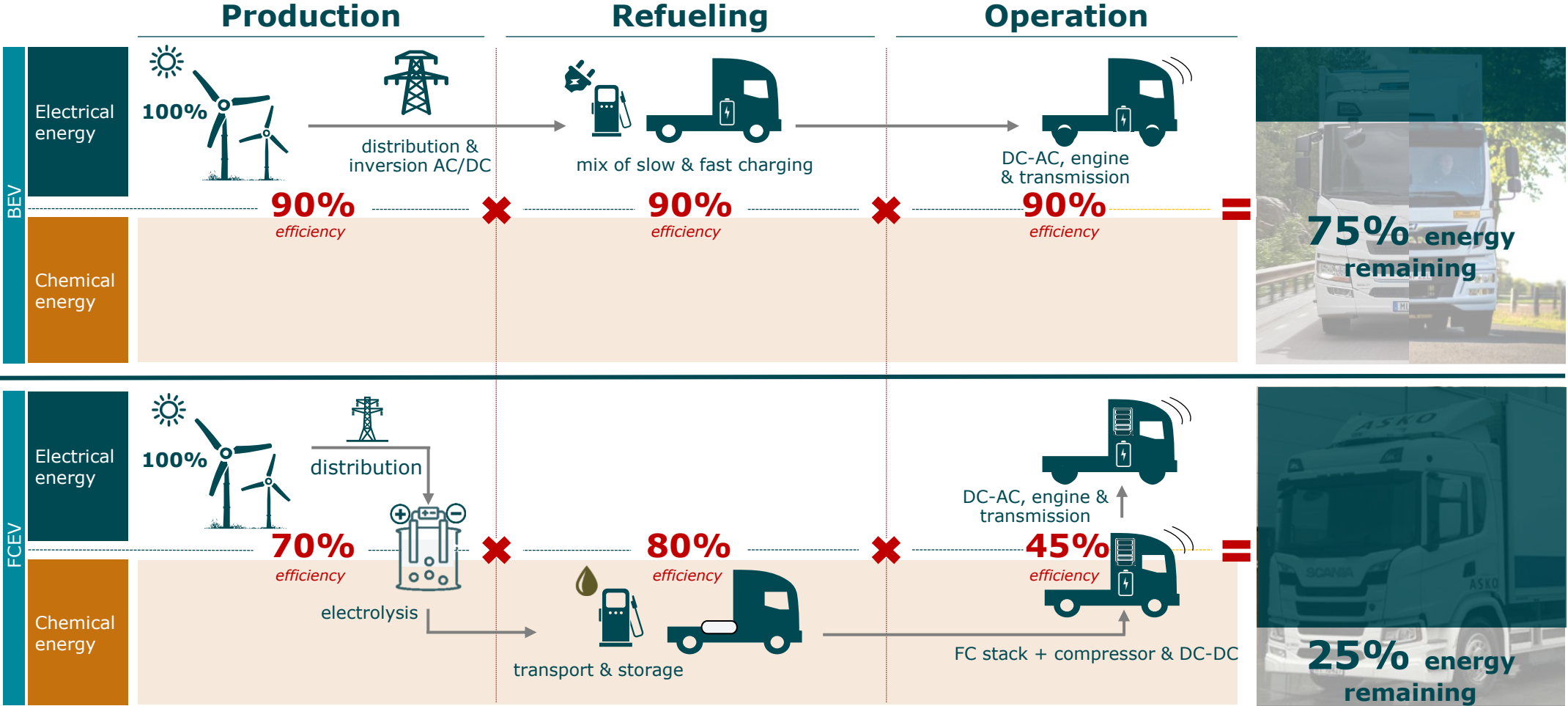


■ Use ■ Production ■ Maintenance ■ Recovery

<sup>1</sup> Based on EU 2016 electricity mix <sup>2</sup> Based on prognosed EU 2030 electricity mix  
Source: Scania estimates



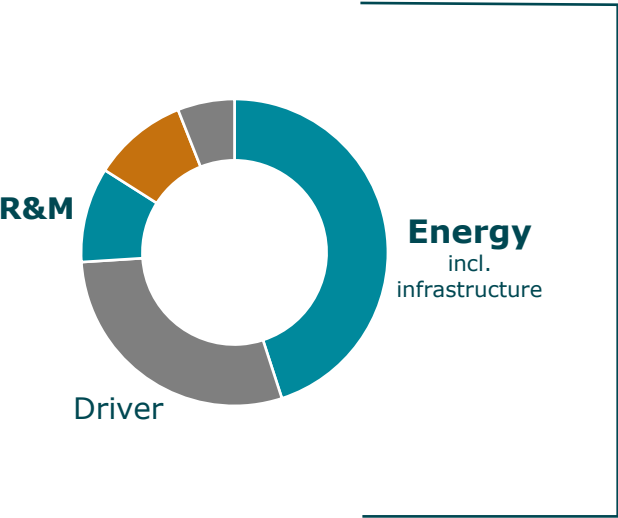
# Our strategic focus is underlined by a comparison of system efficiency between BEV and FEV



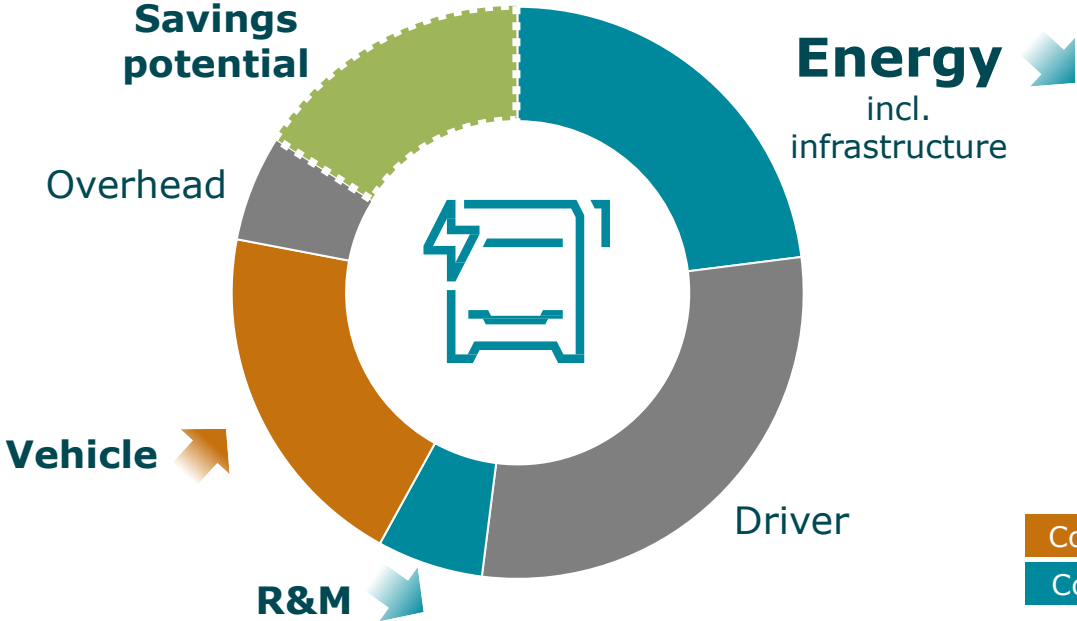


# The cost distribution will change significantly with fully electric trucks

Cost distribution of a typical long-haul heavy-duty truck - today



Cost distribution electric long-haul heavy-duty truck ~2025-30



**Electric trucks yield strong reduction in energy consumption**





Cost increasing with e-mobility

Cost decreasing with e-mobility

**Energy is the most crucial cost driver – energy cost advantage is the key to quick market ramp-up of electric trucks**



# Overview

			<b>NAVISTAR</b>	 Truck Bus
<b>Scope 1+2</b>	<b>-50%</b> t CO <sub>2</sub> e (2025 vs. 2015) <sup>1</sup>	<b>-70%</b> t CO <sub>2</sub> e (2030 vs. 2019) <sup>1</sup>	<b>-20%</b> Energy intensity improvement (2030 vs. 2018) <sup>3</sup>	<b>-28/-19%</b> Electricity/Gas usage (2022 vs. 2018) <sup>2</sup>
<b>Scope 3<sup>5</sup></b>	Well to wheel <b>-20%</b> g CO <sub>2</sub> e/vkm (2025 vs. 2015) <sup>1</sup>	Well to wheel <b>-28%</b> g CO <sub>2</sub> e/vkm (2030 vs. 2019) <sup>1</sup>	Tank to wheel <b>-24/-25%</b> g CO <sub>2</sub> e/ton-mile (2027 vs. 2017) <sup>4</sup>	

**»» All our brands have validated science-based targets or are in the process on obtaining those**

1 Science based approved target 2 Company specific target - energy efficiency targets with regards to electricity and natural gas usage at the Resende manufacturing plant 3 Company specific target - energy intensity is an energy efficiency metric modeled by the USDOE using its Energy Performance Indicator model at four US facilities 4 Regulatory target - based on EPA Phase 2 GHG emission reduction targets for tractor combinations (-25%) and for vocational vehicles (-24%) - reduction targets are industry targets and exact reduction need per OEM will depend on sold vehicle mix 5 Downstream





# High-performance charging network for Europe

DAIMLER  
TRUCK

TRATON

VOLVO

> 1,700

public charging points

€500 mn

Investment (jointly)

- ▶ **Milence Joint Venture operational** since July 2022
- ▶ **Independent management team** in place
- ▶ Core **focus on heavy-duty long-haulage** (45-minute charging window)

- ▶ **Network** will be **open and accessible to all brands**
- ▶ Intended to **enhance customer confidence**
- ▶ Support EU's **transformation to climate-neutral transportation**

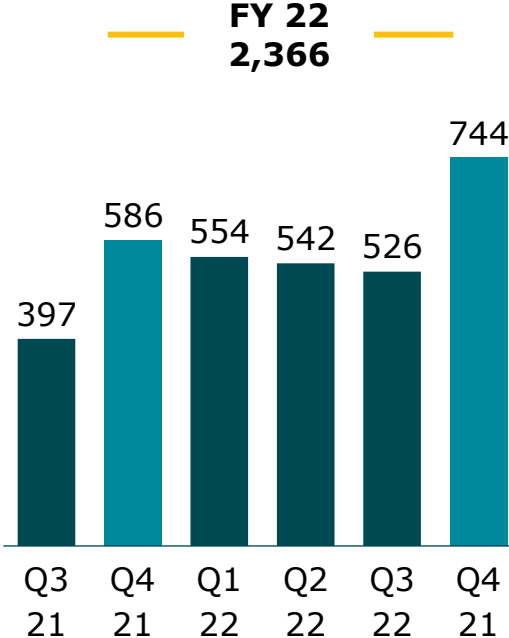




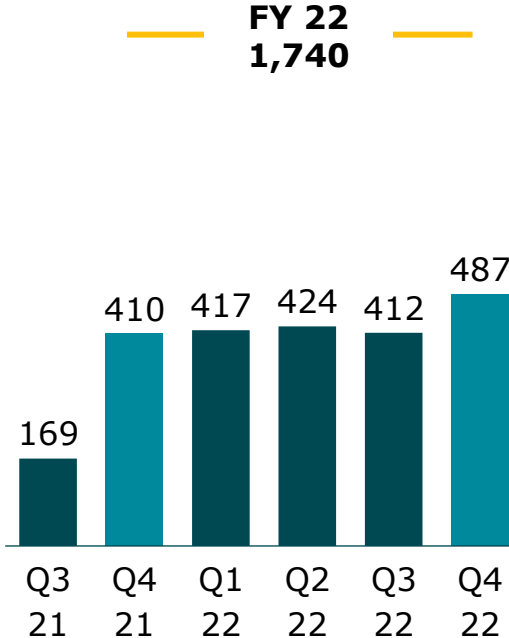
# Zero emission vehicles especially via electrification

Electrifying TRATON's product portfolio to help mitigate climate change

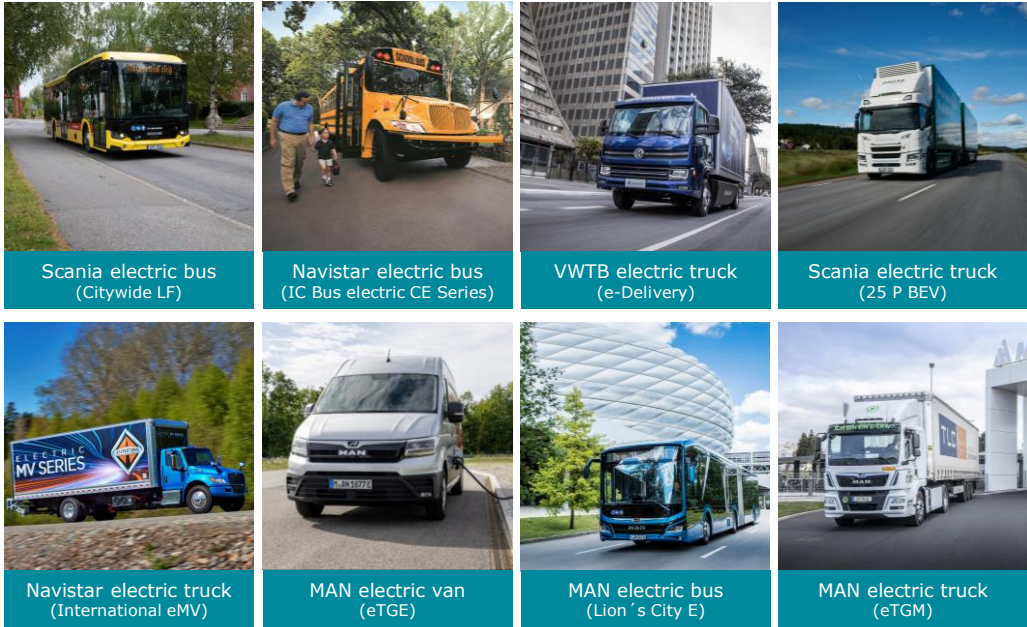
## Incoming orders of fully electric vehicles (units)



## Unit sales of fully electric vehicles (units)






## All TRATON brands with BEV products across major applications/weight classes





# Zero emission vehicles especially via electrification

## Our brands' targets

			<b>NAVISTAR</b>	
<p><b>TR/TON</b></p> <p>Targets</p>	<p><b>By 2025</b></p> <ul style="list-style-type: none"> <li>▶ Aiming for electric solutions to make up to 10% of vehicle sales volume</li> </ul> <p><b>By 2030</b></p> <ul style="list-style-type: none"> <li>▶ 50% of new vehicles sales volume expected to come from electric solutions</li> <li>▶ Committed to introducing a broader offering of electrified vehicles every year this decade</li> </ul>	<p><b>By 2025</b></p> <ul style="list-style-type: none"> <li>▶ Introduction of MAN e-truck series</li> </ul> <p><b>By 2030</b></p> <ul style="list-style-type: none"> <li>▶ Electric vehicles to make up 50% of sales in EU</li> <li>▶ 28% reduction in GHG emissions per vehicle kilometer of trucks, buses, and vans sold by MAN (base year 2019)</li> </ul> <p><b>By 2050 latest</b></p> <ul style="list-style-type: none"> <li>▶ Net-zero emissions along MAN's value chain, including all new products sold</li> </ul>	<p><b>Mid-term</b></p> <p>Comprehensive hydrogen fuel cell solution for Class 8 vehicles to be delivered</p> <p><b>By 2030</b></p> <p>Aiming for 50% of new vehicles sold to be zero-emission</p>	<p><b>By 2025</b></p> <ul style="list-style-type: none"> <li>▶ Offering several all-electric vehicles based on the e-Delivery platform for the South American market</li> </ul> <p><b>By 2030</b></p> <ul style="list-style-type: none"> <li>▶ Electric trucks to make up more than 15% of urban delivery truck volume in South America</li> <li>▶ From 2025, annual investments related to electrification will account for a significant portion of R&amp;D budget</li> </ul>



# Electrification will impact how we do repair & maintenance but also will open new profit pools





# Energy efficiency & GHG reduction in production

Energy efficiency is key for reducing our environmental footprint in production

## ENERGY EFFICIENCY & GHG REDUCTION MEASURES

### Efficient energy use at Scania

- ▶ In terms of energy consumption, Scania focuses on elimination of energy waste.
- ▶ Scania will improve energy efficiency by investing in machinery and appliances that use less energy than the ones they replace.
- ▶ Scania looks for opportunities to switch from fossil fuels to renewable energy sources throughout all production operations.
- ▶ Aiming for 100% of operations to run on fossil fuel-free electricity where the necessary prerequisites are in place



### MAN striving for climate-neutral production by 2030

- ▶ Modernization of energy supply and increased use of renewable energy
- ▶ MAN uses a scientific method to determine its production environmental footprint for VOCs<sup>1</sup>, waste, and water consumption. Based on this method, reduction targets are defined for each production facility.
- ▶ Energy management systems are implemented at almost all production sites<sup>2</sup>. Each site has an energy team consisting of the energy manager, the division manager, and the site manager.



### Controlling energy use at Navistar

- ▶ For Navistar, the largest portion of emissions is driven by purchased energy consumption.
- ▶ Navistar performs energy audits and energy “treasure hunts” at its facilities. In addition, it has partnered with the Department of Energy to perform energy reviews.
- ▶ In 2020, Navistar consumed 22% less overall energy compared to 2019, primarily due to reduced electricity usage.



### VWTB reducing energy consumption

- ▶ VWTB is switching off the oven at Resende in the painting process and installing 8,000 LED lamps throughout the plant, purchasing machines with frequency converters, and applying regular preventive maintenance routines.
- ▶ Currently, 85% of Brazil’s energy mix is renewable, and VWTB aims to use 100% renewable energy sources.
- ▶ 22% reduction in energy consumption in 2021 compared to 2018






1 VOCs – volatile organic compounds 2 Except Olifantsfontein and Banovce



# Energy efficiency & GHG reduction in production

Our brands' targets for production and current status of environmental management system implementation

	 <b>SCANIA</b>	 <b>MAN</b>	<b>NAVISTAR</b>	 <b>Truck Bus</b>
<b>TRATON</b> Targets	<b>By 2025</b> <ul style="list-style-type: none"> <li>▶ Reduce CO<sub>2</sub> emissions from own operations<sup>1</sup> by 50% compared with 2015</li> <li>▶ 25% reduction in energy consumption per produced vehicle in industrial operations compared to 2015</li> </ul>	<b>By 2030</b> <ul style="list-style-type: none"> <li>▶ Achieving a balance sheet CO<sub>2</sub>-neutral production (95% reduction &amp; 5% offsetting)</li> <li>▶ -30% production environmental footprint</li> <li>▶ Energy reduction targets defined on a yearly basis for all production sites</li> </ul>	<b>By 2030</b> <ul style="list-style-type: none"> <li>▶ Reduce energy intensity of US production facilities by 20% compared with 2018</li> </ul>	<b>By 2022</b> <ul style="list-style-type: none"> <li>▶ Reduction of electricity consumption per vehicle in Resende's production by 28% compared to 2018</li> <li>▶ Reduction of natural gas consumption per vehicle in Resende production by 19% compared to 2018</li> </ul>
<b>Environmental management</b>  ISO 14001	<ul style="list-style-type: none"> <li>▶ In 2022, TRATON GROUP continued to maintain the certification of its plants' environmental management systems as per the ISO 14001 international standard. To date, all sites are certified except for one of VW Truck &amp; Busses' sites.<sup>2</sup></li> </ul>			

<sup>1</sup> Scope 1 and 2 emissions <sup>2</sup> Out of scope of productions sites: Scania/MAN joint venture assembly and Navistars' new San Antonio site. San Antonio site planned to achieve certification in 2023. VWTB's Queretaro site without ISO 14001 certification

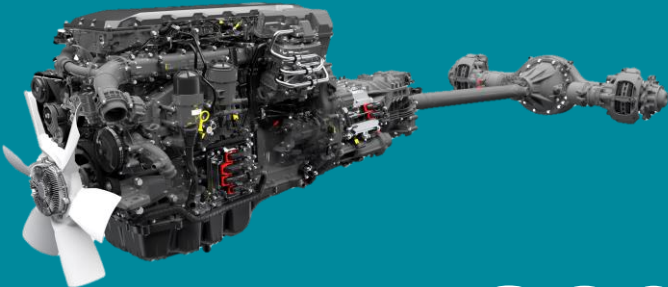




# Common base engine (CBE) entering markets with strong benefits for customers and TRATON GROUP brands

# No.1

The world's most sustainable powertrain with a 13L common base engine (CBE)



# 60%

of the truck costs are attributable to the drivetrain

Over **80%** common components in the engine



- ▶ 8% long-haulage fuel savings<sup>1</sup>
- ▶ Ready for tomorrow's emissions standards
- ▶ Equipped for renewable fuels



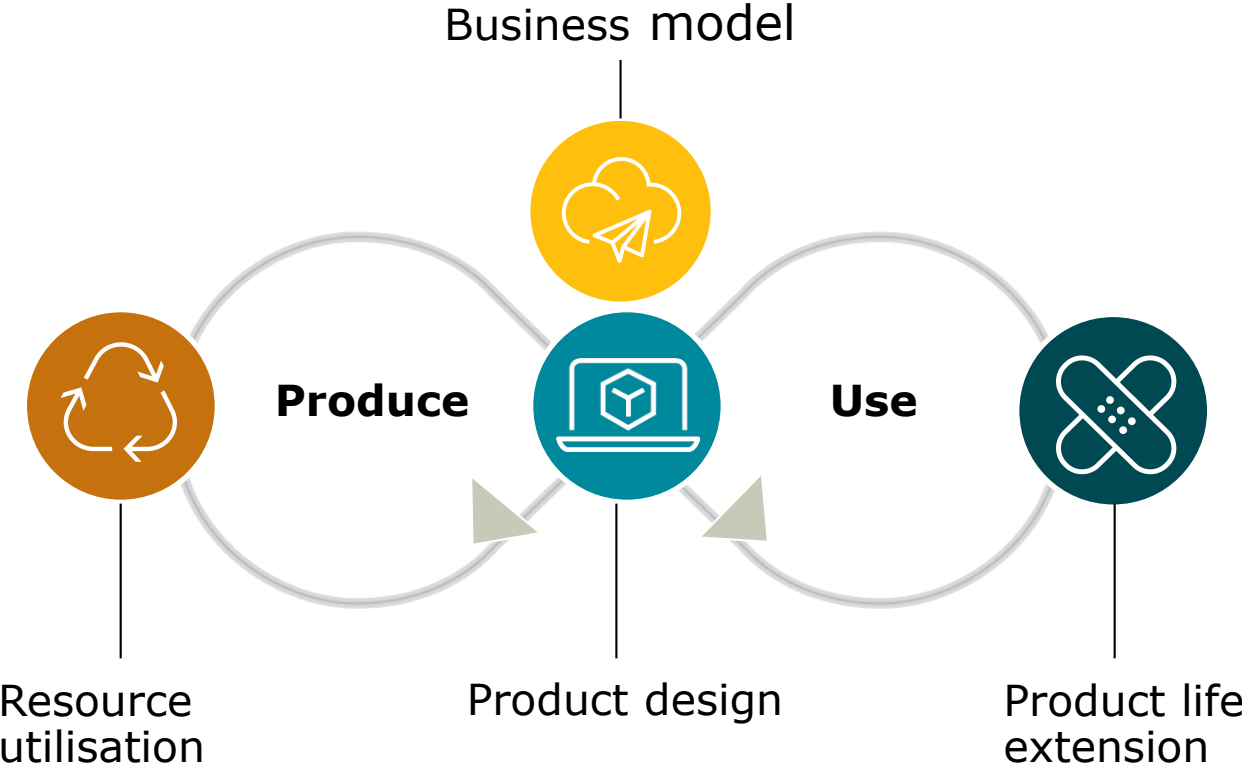
- ▶ Up to 15% gain in fuel efficiency<sup>2</sup>
- ▶ Better efficiency, reliability and sustainability
- ▶ Increased service and solution offerings

<sup>1</sup> Figure based on vehicle validation. <sup>2</sup> Fuel economy comparison based on the first-generation International A26 engine to the new S13 Integrated Powertrain, together with the latest updates to the LT Series truck. Actual results may vary.



# Circular economy & elimination of waste

Optimize resource consumption here & now



## Today's examples

**Reuse:** Prioritization of recycled metals in foundries

**Remanufacturing:** High-quality scrap to serve spare-parts on a secondary market

**Battery recycling:** Utilization of battery recycling infrastructure



All our brands are committed to minimize unrecycled waste and promoting a circular economy through repurposing and recycling programs



# Circular economy & elimination of waste

Taking initiatives toward a more circular business

Since a substantial part of industry emissions results from the usage of resources like steel, aluminum, or chemicals, increasing resource efficiency – especially through the recycling of raw materials and the extension of life cycles – will have to play an important role. We encourage our strategic partners at brand level to work on concepts that will enable us to take responsibility in both up- and downstream stages of our value chain.

Today, we have remanufacturing programs in all our brands.

## SELECTED HIGHLIGHTS

Scania is aiming to reduce unrecycled waste per produced vehicle in industrial operations by 50% between 2015-2025.



MAN has waste reduction targets for each production site based on their local impact.



Navistar strives for a 75% recycling rate of production materials through its programs. Further, total waste was reduced by 29% in 2020 compared to 2019.



VWTB has already reached its target of 45% reduction of landfilled waste by 2025 compared to 2013.





# Circular economy & elimination of waste

## SELECTED HIGHLIGHTS



### Battery recycling

In a partnership with Northvolt, Scania invests in the development of battery cell technology and thus in the considerable growth in the European value chain for battery manufacturing, from processing of raw materials all the way to production of battery cells and creation of recycling infrastructure.



### Reuse of metals and ecoline

MAN prioritizes the reuse of metals in its foundries in order to save raw materials. So that it can contribute to sustainability in spare parts supply, MAN professionally remanufactures used parts and returns them to the use phase under the MAN Genuine Parts ecoline brand.



### Remanufacturing

Navistar sells and distributes remanufactured parts under the ReNEWed® and Fleetrite® brands, with over 3,000 different active part numbers for parts that are regularly remanufactured.



### Volks Greenline

VWTB offers exchange-based remanufactured products with factory warranty and up to 30% cheaper. At the moment, Volks Greenline is available in Brazil. In total, more than 70 items are available for sale. In addition, VWTB has created a working group to further investigate initiatives and projects related to circular concepts.





# Circular economy & elimination of waste

Holistic protection of the natural environment also includes responsible use of water. As manufacturing companies, the TRATON brands use water primarily as a coolant in the production process, in leak tests, and in painting processes. All TRATON brands aim to continuously reduce their water consumption and thus also improve wastewater management. For the time being, we are still working on a common perspective for all brands.

## SELECTED HIGHLIGHTS

- ▶ Production processes are not water-intensive, water is primarily used in a closed system. There are continuous efforts to reduce water use and thus also improve the management of wastewater. Scania reviews its production facilities to identify the impact in areas with limited water resources.
- ▶ Has set the target of 40% less water used per produced vehicle by 2025 (base year 2015).



- ▶ Is working to optimize water consumption at its sites — especially at locations in areas where water is scarce, such as South Africa and Turkey.
- ▶ The central well water supply implemented in Munich in recent years also resulted in a significant reduction in the volume of water required to cool plants and processes.
- ▶ Water meters have been installed to allow water consumption to be measured exactly.



- ▶ Monitors water stress, measuring the ratio of total water withdrawals to available renewable surface and groundwater supplies using a World Resources Institute tool.
- ▶ As part of its environmental training programs, Navistar makes sure its employees are aware of the importance of conserving water resources.
- ▶ The plant in Escobedo, Mexico, is a zero-wastewater discharge plant. The new Carlisle site in Indiana has made significant investments to expand stormwater retention.



- ▶ Is working to further improve the closed water circuits and the cooling system to reduce losses in distribution lines, enhance sectoral monitoring, and reduce overall use in its processes.
- ▶ In 2021, for example, the company implemented a project to identify and subsequently rectify water losses in its distribution lines at its factory in Resende.







# Key environmental KPIs for production sites

KPIs	2020	2021	2022
<b>CO<sub>2</sub> emissions, energy consumption &amp; atmospheric pollutants for our production sites</b>			
Scope 1 emissions <sup>1</sup>	162,083	167,923	<b>130,894</b>
Scope 2 emissions <sup>1</sup>	194,793	155,642	<b>144,937</b>
Energy consumption <sup>2</sup>	1,810,609	1,888,656	<b>1,892,927</b>
Electricity consumption <sup>2</sup>	834,440	788,375	<b>951,892</b>
Renewable electricity <sup>2</sup>	552,566	655,898	<b>756,959</b>
Nonrenewable electricity <sup>2</sup>	281,874	132,476	<b>194,934</b>
percentage of renewable electricity	66.22	83.20	<b>79.52</b>
percentage of nonrenewable electricity	33.78	16.80	<b>20.48</b>
NO <sub>x</sub> <sup>3</sup>	257.76	281.86	<b>376.76</b>
SO <sub>x</sub> <sup>3</sup>	1.39	3.71	<b>5,13</b>

All environmental KPIs relate to production sites only. The figures represent the aggregation of individual brand figures. Scope 1 emissions cover direct emissions and scope 2 emissions cover indirect emissions.

1 In [t] CO<sub>2</sub>e 2 In [MWh] 3 In [t]



# Key environmental KPIs for production sites

KPIs	2020	2021	2022
<b>Atmospheric pollutants for our production sites</b>			
VOCs <sup>1</sup>	1,447.52	1,293.30	<b>1,475.11</b>
Particulates <sup>1</sup>	22.39	44.05	<b>47.61</b>
<b>Water consumption &amp; waste production for our production sites</b>			
Fresh water <sup>2</sup>	4,621,663	4,400,087	<b>4,801,806</b>
Wastewater <sup>2</sup>	1,231,196	879,754	<b>916,112</b>
Hazardous waste <sup>1</sup>	23,449	24,782	<b>36,527</b>
Nonhazardous waste <sup>1</sup>	133,760	178,924	<b>172,653</b>

All environmental KPIs relate to production sites only. The figures represent the aggregation of individual brand figures. Scope 1 emissions cover direct emissions and scope 2 emissions cover indirect emissions.

1 In [t] 2 In [m<sup>3</sup>]



# People & Diversity

# People & Diversity

## Our Goal

Capturing the diversity of skills, know-how, and perspectives of employees or partners & safeguarding the just and equal treatment of any individuals involved in our value chain. Increasing employer attractiveness and innovative strength.

## For TRATON, this means focusing on

- ▶ Future-ready workforce, with a focus on continuous learning, including training and education
- ▶ Values-driven culture, including diversity & inclusion and employee satisfaction
- ▶ Health & safety, working conditions & labor standards





# Future-ready workforce

Ensuring our employees have the mindset, competencies, skills, and knowledge for our business to succeed, now and in the future.

## MINDSET, COMPETENCIES, SKILLS, AND KNOWLEDGE

### Development programs



TRATON offers cross-brand development programs to create and develop a pool of **top talent** within TRATON.

In 2022, **Management Excellence**, the TRATON GROUP’s talent development program, won **second place** in the Best Advance in Leadership Development category of the Brandon Hall Excellence Awards.

### Group-wide collaboration



One focus area for TRATON’s people activities in 2022 was supporting the organization in improving its Group-wide collaboration.

A **collaboration toolbox** was developed based on proven best practices, external benchmarking, and internal research. This toolbox includes a diagnostic tool with a collection of short activities and workshops to identify potential improvement areas and help the teams collaborate more effectively.

### Fostering Group-wide mobility



Supporting the business to enable cross-country and cross-brand employee exchange, TRATON offers four types of mobility on top of the options that each brand has individually.



# Future-ready workforce

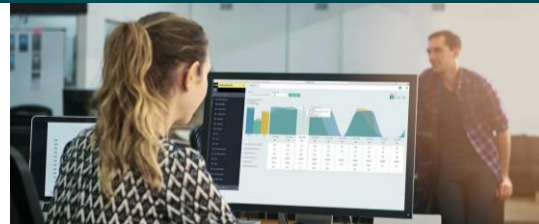
Learning & upskilling to ensure future competencies needed at all brands

## SELECTED HIGHLIGHTS



### Lifelong learning

With an in-house academy, Scania is able to continuously nurture the required culture and competencies in line with the ever-changing business needs. Leadership programs are a top priority, and the concepts range from those for junior managers to executive levels, all in partnership with business schools.



### Digital learning meets transformation

MAN's upskilling and reskilling measures continue to focus heavily on competency development in the areas of alternative drives, automation, autonomous driving, data science and software development, and new working methods. The digitization of learning formats — in particular the implementation of external digital learning platforms — has also been important for all training content.

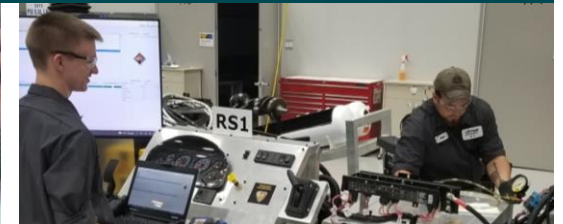


### Online training

UniCo is the Corporate University of Caminhões e Ônibus. On its website, employees can find training courses to accelerate their professional and personal development. These qualifications are constantly being expanded with the employees in mind.



Truck  
Bus



### Leadership Development

Navistar also offers development opportunities, for example the Finance and Accounting Leadership Development (FALD) program. This program is a three-year full-time rotational program to explore a career in finance and accounting. It includes executive mentorship and interaction, tuition assistance, and opportunities to relocate.







# Values-driven culture

Safeguarding brand culture while ensuring effective cross-brand collaboration

## MINDSET, COMPETENCIES, SKILLS, AND KNOWLEDGE

### Promoting diversity & inclusion



To ensure diversity & inclusion, we use the Skill Capture method to develop our corporate culture, thereby capturing the diversity of skills, knowledge, and perspectives of our most valuable asset — our employees. The main goal for the TRATON GROUP's D&I efforts is to act as the engine for transforming the Company and making it future-ready.

#### Concrete measures

- ▶ Target **20% proportion of women** across all management positions by 2024 and **30% proportion** by 2029
- ▶ D&I index: 3 questions integrated into the yearly employee survey to measure the perception of diversity and inclusion by the employees.
- ▶ Together, these questions form the Diversity & Inclusion index<sup>1</sup> [0-100], where we achieved an overall score of 80.3 in 2021 and 80.5 in 2022.

### The basis for our culture — our values



The TRATON GROUP is convinced that a company's culture is key to its commercial success. And the foundation of this culture is created by **corporate values** that are shared by all employees. That is why the TRATON GROUP has introduced five such values: **Customer First, Respect, Team Spirit, Responsibility, and Elimination of Waste**. These values are dependent on each other and complement the purpose that TRATON has defined for itself: Transforming Transportation Together. For a sustainable world.

Find out more in our [Annual Report](#).

### Continuous improvement through employee satisfaction survey



The employee survey aims to capture sentiment within TRATON and to enable improvements in areas like working conditions, information flow, quality, productivity, leadership, and collaboration by discussing the survey results and enhancing them with specific actions plans.

**68,832** employees took part in the employee survey<sup>1</sup> in 2022.

<sup>1</sup> Excl. Navistar



# Values-driven culture

Strong brand culture driving employee engagement for business success

## SELECTED HIGHLIGHTS



### New ways of working

Shaping an efficient and flexible future workplace is essential. Scania offers mobility and flexibility to its employees. The Scania Work Playbook provides guidelines and advice on day-to-day working life and is the go-to approach to an inclusive, attractive workplace, where each individual can contribute their full potential.



### Transformational leadership

MAN's worldwide Strong Leadership Program supports the transformation by training managers in transformational leadership. The program has seen cross-functional and cross-hierarchical attendees from more than 25 different countries.



### Women in leadership

VWTB Brazil supports the Aceleradora de Carreiras (Career Accelerator) program dedicated to mentoring young female professionals. The aim of the program is to increase the number of women in leadership positions in the corporate world.



Truck  
Bus



### Employee engagement driving D&I

Employee Resource Groups (ERGs) are voluntary employee groups that foster a diverse, inclusive workplace. Navistar's seven ERGs provide a sense of community, personal and professional development, volunteer opportunities, allyship, and more. Everyone at Navistar is welcome and encouraged to join.





# Health & safety

Striving for a sustainable workplace and a safe, healthy working environment

## SELECTED HIGHLIGHTS

### Health & Safety Policy guiding work at Scania

- ▶ The Scania Health and Safety Policy is the guiding document that applies on a global scale and lays the foundation for the management system. Scania is in the process of continuously developing a global management system that is in line with the requirements of ISO 45001.

### Preventive health at MAN

- ▶ MAN supports its employees by offering targeted measures and training courses, such as courses to stop smoking, flu vaccinations, massages, or nutrition programs.

### Psychological support at VWTB

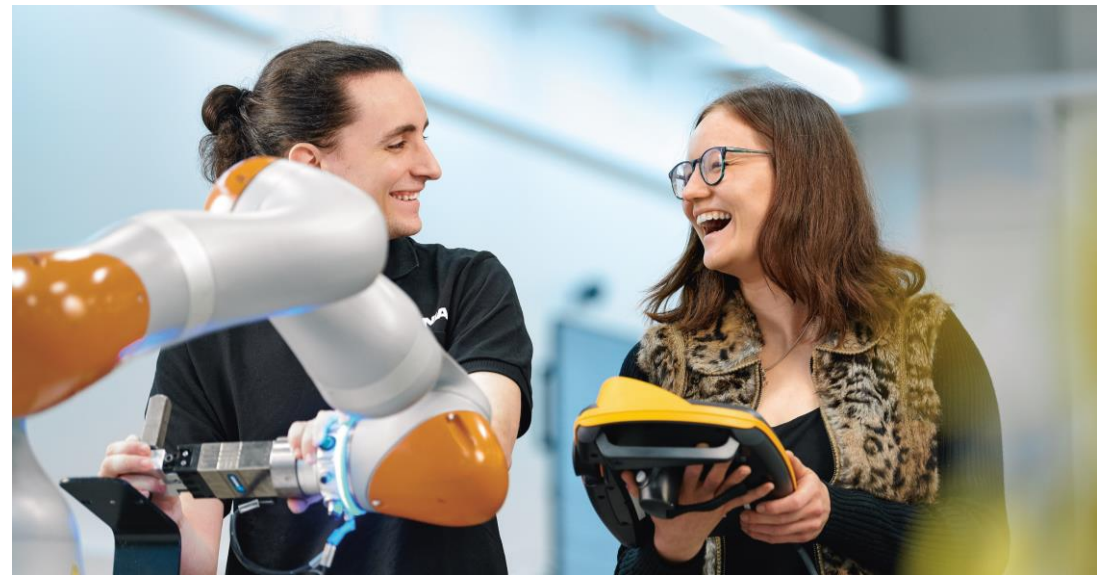
- ▶ VWTB has a Health Management Program to look after employees and their families. This program offers physical, emotional, and social support, and can be accessed online or in person.

### Safety teams included in production processes at Navistar

- ▶ At Navistar, Safety teams work closely with the production sites to ensure that equipment meets safety expectations, and are also taking part in the development of new product capabilities and of procedures to safely produce and work on electric vehicles.

## Safety figures, TRATON GROUP

	2019	2020	2022
Number of lost-time injuries	833	630	<b>559</b>
Fatality rate <sup>1</sup>	0	0	<b>1<sup>2</sup></b>



<sup>1</sup> Scope covers production sites only.

<sup>2</sup> The fatal industrial accident involved an external employee of the security service who had been commissioned under a contract for work and services.



# Health & safety

**Product safety: our solutions can contribute to improving road safety**

## SELECTED HIGHLIGHTS

### Guidelines for responsible trucking

Scania joined forces with other leading transport buyers and suppliers to release the Truck Transport Social Guidelines. The guidelines aim to improve conditions for truck drivers by establishing industry standards in key areas such as driving and rest times, pay, and health and safety.



### Training

- ▶ Every year, there are accidents involving cyclists and pedestrians colliding with trucks or buses. To provide better protection for children in particular, MAN employees conduct “blind spot training” at schools.
- ▶ Scania offers driver training. Drivers are a crucial factor in the business, and well-trained drivers are far less likely to be involved in an accident.



### Continuous product innovation

- ▶ To increase safety in the vehicle and on the road, MAN relies on continuous innovation. To further reduce risks in traffic, the largest truck model to date for the heavy-duty segment relies on the latest driver assistance systems developed during many years of accident research. The Electronic Stability Program (ESP) helps drivers to keep a truck under control in critical situations such as swerving or threatening to overturn. Driver assistance systems such as adaptive cruise control (ACC) or MAN’s lane guard system (LGS) also increase safety on the road and reduce fuel consumption.
- ▶ Navistar upgraded the standard Bendix® Wingman® Fusion™ system on the International® LT® Series and RH™ Series trucks in 2020. This upgraded system delivers enhanced collision mitigation and stationary vehicle braking, multilane automatic emergency braking, highway departure braking, and enhanced adaptive cruise control, among other safety features.





# Working conditions & labor standards

## Engaging with labor representatives for good social standards

### LABOUR REPRESENTATIVES

#### Problem-solving through participation of the employee representatives



In the TRATON GROUP, we attach great importance to the participation of our employees and their representatives. This close collaboration not only ensures that the employees have an important voice, but also helps to resolve conflicts. Involving employee representatives at all levels of the Company means there are internal escalation possibilities that usually resolve problems before they cause damage. Some of the outcomes are **good social standards** and **low economic risks** from strikes.

#### Participation of the employee representatives



Half of the seats on the Company's highest body — the **Supervisory Board** — are reserved for employee representatives. By definition, they also participate in substantial decision-making, and TRATON achieves a strong commitment for essential decisions. There is also a so-called **SE Works Council**, which includes employee representatives from European locations, to enable the inclusion of international perspectives.

#### Working conditions, collective agreements, policies, principles



- ▶ The majority of employees in the TRATON GROUP are covered by a collective bargaining agreement. At **MAN**, the proportion is even over **90 percent**. In addition, MAN has strengthened the rights of employee representatives in its international production plants by implementing the Charter on Labor Relations.
- ▶ At **Scania**, there are Group policies that set global **minimum standards for employment** and **human rights**. Furthermore, Scania is working with guiding principles for labor relations with the aim of fostering good relations in the international locations.
- ▶ **VWTB** negotiated two different flexibility agreements with the trade union and the Works Council. VWTB aims to create the opportunity to have a more flexible scheme for each job, encouraging a better combination of teamwork and individual performance.
- ▶ **Navistar** actively seeks to achieve **pay equity**. This means that employees are paid equally for the same or similar jobs, taking into other factors such as experience, job performance, and length of service.

# Governance & Ethics





# Governance & Ethics

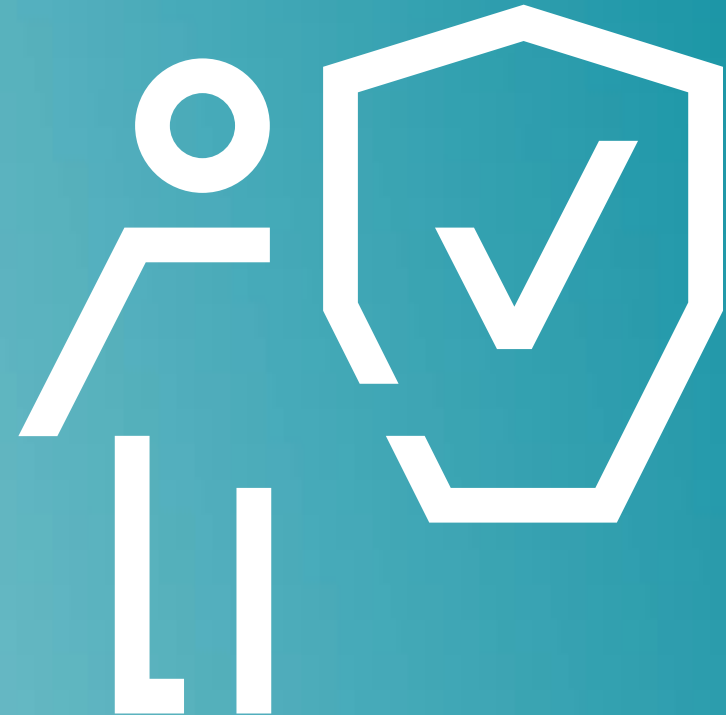
## Our Goal

Enabling transparent, risk-oriented, and fair decision-making that is consistent with the Company's rights and obligations and generates long-term value for TRATON and its stakeholders. This includes looking beyond our own Company and putting social responsibility into practice along our value chain.

## For TRATON, this means focusing on

- ▶ Strong corporate governance
- ▶ Compliance with applicable laws & regulations
- ▶ Risk management & internal controls
- ▶ Integrity embedded in our values-driven corporate culture
- ▶ Human rights

Note: for this section, the activities relate to measures on the level of the TRATON GROUP. We are currently working on the inclusion of Navistar.





# Strong Corporate Governance

**Two-tier board structure with independence secured by supervisory board composition**

## Corporate Bodies of TRATON SE

### Annual General Meeting

Shareholders exercise their rights in relation to the corporation's affairs. These include the shareholders exercising their voting rights, being provided with information, and entering into a dialogue with the Executive and Supervisory Boards.

### Supervisory Board

The Supervisory Board is responsible for monitoring the management team and approving important corporate decisions. It appoints the members of the Executive Board. It comprises 20 members with equal number of international shareholder and employee representatives.

Three committees established. The main role of the committees is to prepare Supervisory Board resolutions.

#### **Presiding Committee & Audit Committee**

Six members with equal number of shareholder and employee representatives

#### **Nomination Committee**

Three members, consists of shareholder representatives

The attendance rate of the members at the meetings of the Supervisory Board and its committees was 92% in fiscal year 2022.

### Executive Board and TRATON Truck Board

The members of the **Executive Board** are responsible for managing the company in accordance with the law, the Articles of Association and its bylaws as well as taking into account the resolutions of the Annual General Meeting. It represents the Company in relation to third parties.

The Executive Board reports to the Supervisory Board regularly, promptly, and comprehensively in both written and oral form on all issues of relevance for the Company with regard to strategy, planning, and the position of the Company, the development of the business, the risk situation, risk management, and compliance. The Executive Board consists of six members, CEO TRATON and CEOs of the Brands. Executive Board Member responsible for Finance and Business Development as well as Human Resources and in March 2023, the introduction of a new area of responsibility "Global Product Management" at Executive Board level ensures the core of the operating model.

Further, there is the **TRATON Truck Board** in place. This leadership team will support the Executive Board in operational and strategic matters. With effect as of April 1, 2023, the committee includes Murat Aksel for the Procurement Division and Stefan Palmgren for the Production Division. The team also includes Anders Williamsson for the Research & Development Division.



# Strong corporate governance – Board remuneration

Motivating Executive Board members to pursue ambitious goals through ESG targets

## ESG TARGETS

### Environmental subtarget

The Environmental subtarget was to develop and implement an indicator to measure Group-wide decarbonization/CO<sub>2</sub> reduction. This was a qualitative target. The Executive Board defined the ratio of the number of battery electric vehicles and fuel cell electric vehicles to the total number of vehicles sold, excluding the MAN TGE model, as a measure of Group-wide decarbonization/CO<sub>2</sub> reduction. For fiscal year 2022, this excludes vehicle sales by Navistar for a transitional period. The minimum, target, and maximum values for the Environmental subtarget are defined by the Supervisory Board for each fiscal year. The subtarget achievement in 2022 is 0.7.

# E

## NVIRONMENTAL

### Social subtarget

The following overview shows the values defined by the Supervisory Board for the minimum, target, and maximum values for the Social subtarget for fiscal year 2021 and the actual value or target achievement in percent in fiscal year 2021.

#### Social (opinion index)

Points	2022
Maximum value	79
100% target level	75
Minimum value	71
Actual	77,8
Subtarget achievement	1.2

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### Governance factor

For fiscal year 2022, the Supervisory Board defined a normal value of 1.0 for the Governance factor, taking account of and assessing the collective performance of the Executive Board as a whole and the performance of the current individual members of the Executive Board.

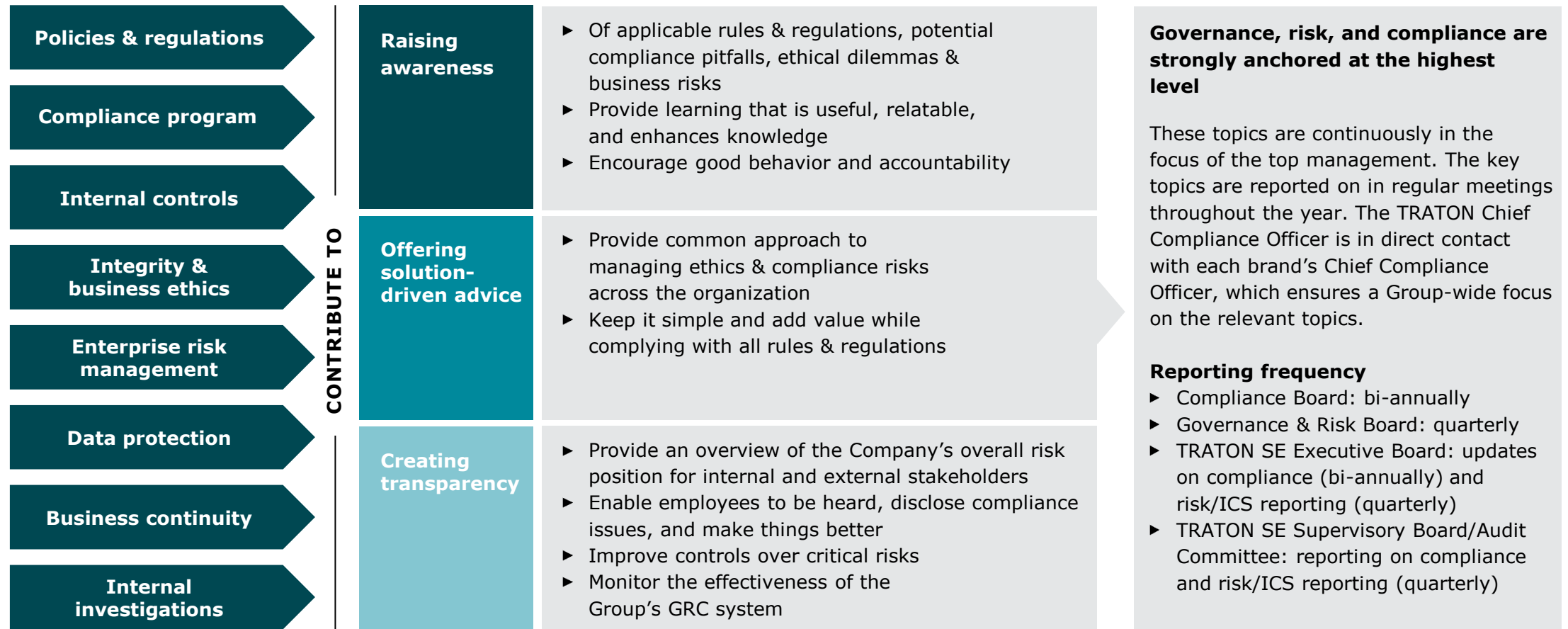
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## OVERNANCE



# Strong corporate governance

Protecting the TRATON GROUP and its employees while enhancing value





# Compliance

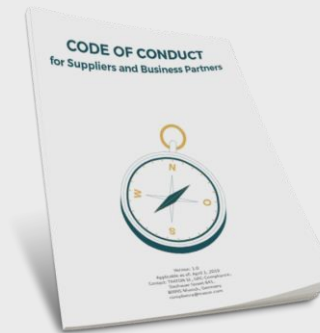
The Code of Conduct — our guideline for ethical behaviour

## CODE OF CONDUCT



### The Code of Conduct

is the mandatory guideline for ethical conduct. It applies to everyone within our Company — Executive Board members, managers, and employees alike. All employees commit to acting in accordance with this guideline by signing their employment contracts. Additionally, all managers sign the Code of Conduct every year to symbolize their commitment to this Group-wide guideline for ethical conduct.



### The Code of Conduct for Suppliers and Business Partners

clarifies TRATON's expectation for its suppliers, business partners, and their employees to act responsibly and to adhere to applicable laws and ethical principles everywhere and at all times. It prescribes the minimum ethical standards regarding taking corporate responsibility, protecting the environment as well as the climate, ensuring fair market conduct as well as the protection of data, business secrets, and company assets. It also clearly describes the legal consequences of violating these guidelines. The Code of Conduct for Suppliers and Business Partners is part of any contract between TRATON and a third party.

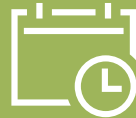


# Compliance

**Policies & regulations — implementing standards and binding rules for employees throughout the Group**

## POLICIES & REGULATIONS

### Handling gifts, hospitality, and invitations to events as well as conflicts of interest



Ensures that gifts, hospitality, and invitations to events are appropriate and not used to influence business partners or authorities. It contains a clearly structured traffic light system that enables each employee to identify and check whether and under which circumstances he/she may grant or accept benefits. Additionally, the policy regulates how to deal with conflicts of interest.

### Prevention of money laundering and terrorist financing



Trading with high-value assets harbors the risk of being accused of money laundering or terrorist financing. In this respect, TRATON could also — involuntarily — become a victim or an accomplice. To mitigate this risk, TRATON has implemented a Group-wide policy that sets out the minimum requirements for assessing and reporting potentially suspicious business transactions.

### Compliance with antitrust regulations



In order to ensure that all employees are aware of antitrust regulations and observe them, TRATON has enacted a policy that contains rules on dealing with competitors, customers, and suppliers. The policy also highlights legal parameters that have to be taken into account if a company has a so-called dominant market position. This policy is intended to prevent any compliance violations in the area of antitrust law.





# Compliance

**Policies & regulations — implementing standards and binding rules for employees throughout the Group**

## POLICIES & REGULATIONS

### Handling donations and sponsoring measures



Ensuring that donations and sponsoring measures are implemented in line with legal provisions and in compliance with the TRATON GROUP's integrity standards, which outline admissible areas of support and the thresholds for approval.

### Dealing with agents and consultants/ Business Partner Approval Tool



TRATON has enacted a policy that regulates the commissioning of agents, representatives, consultants, or other business partners who act in a sales support capacity. Specific rules for reviewing business partners, drafting contracts, documenting the business relationship, and paying the remuneration are intended to counter the risk of the remuneration paid by TRATON to business partners being used as corruption funds.

The integrity of all TRATON business partners is checked by means of the Business Partner Approval Tool. The use of it is binding under this policy. The Business Partner Approval Tool is a web-based application that enables the GRC experts to quickly, transparently, and thoroughly review the integrity of the business partner in question.



# Compliance

Preventing any incidents through training, communication, and other preventive measures

## TRAINING & COMMUNICATION

### Training

TRATON develops training concepts on compliance and integrity issues. These concepts illustrate compliance risks using exemplary cases and convey the content of compliance policies. Employees learn how to conduct themselves in order to avoid legal violations and conflicts and what their role is in living in an integrity-based company culture.

In addition, specific trainings are created for employees working in areas that are particularly at risk. This applies, for example, to employees working in competition and market analysis departments, who receive in-depth antitrust training sessions. Managers are also given training on the specific compliance risks they are facing.

#### General training topics

- ▶ Code of Conduct Training for direct + indirect employees
- ▶ Anti-Corruption Training
- ▶ Antitrust Training
- ▶ Anti-Money Laundering Training
- ▶ Business Human Rights Training

#### Specific training topics

- ▶ Compliance Training for Managers
- ▶ Key Contact Training for Whistleblowers
- ▶ Executive Board Training
- ▶ Third Party Training

### Best practice – the Dilemma Game

The Dilemma Game is available across all brands in many different languages. It describes different dilemma situations and invites all participants to discuss them. It promotes an open speak up-culture in which all employees can address the difficulties that appear in our daily business. All teams are regularly invited to repeatedly play the game to keep improving. Key message: problems must not be hidden. Transparency is the prerequisite for finding solutions together and addressing all risks.

### Number of participants in online trainings in 2022

Code of Conduct

45952

Anti-money laundering

16463

Total number of whistleblower tip-offs in 2022<sup>1</sup>:

245

1 Navistar not included



# Compliance

Detecting & responding to deviations from processes or to any risks that arise

## DETECTING & RESPONDING

### Compliance Helpdesk



TRATON offers a Compliance Helpdesk that employees can phone or e-mail with compliance- and integrity-related questions. The queries are checked and generally answered within 48 hours. They provide an overview of the most common questions that arise. This knowledge is used to identify additional preventive compliance measures.

### Reporting channels



Even with the best preventive measures in place, violations can still happen. To be prepared, TRATON has an overarching whistleblowing system in place with different channels for internal and external reporting of tip-offs for misconduct, which can also be done anonymously. TRATON ensures that comprehensive and appropriate investigations are carried out in a fair and neutral manner. An investigation is only carried out after a careful examination of the facts and while maintaining the presumption of innocence on the one hand and securing the anonymity and protection of the whistleblower on the other. If necessary, all investigation results are followed by preventive or disciplinary measures. A Disciplinary Committee consisting of several functions (HR, Audit, Investigations as well as the CEO of the brand in question) has been established for that purpose.

#### Reporting channels

Speak up! — the 24/7 TRATON whistleblower portal  
 24/7 Volkswagen whistleblower hotline  
 Contacts within the TRATON Investigation Office (post & e-mail)  
 Ombudspersons of the Volkswagen Group

### Business partner integrity checks



TRATON expects all business partners to act with integrity and according to rules and regulations. To make sure that the cooperation of TRATON and its brands with another business partner is based on trust and a legal relationship, TRATON conducts a transparent integrity check before entering a business relationship.



# Risk management & internal controls

An indispensable element of corporate management and business processes

## Risk culture

TRATON promotes a risk awareness culture, which is characterized by openness and encourages people throughout the Group to address and manage risks openly and transparently. This is fundamental for dealing effectively with risks and avoiding blind spots, as risks that remain undetected may not be addressed properly.

## Enterprise risk management

Enterprise risk management (ERM) is designed to provide management with transparency regarding the TRATON GROUP's current risk exposure. It encompasses all organizational rules and measures to identify, assess, and monitor concrete business risks from a broad range of categories.

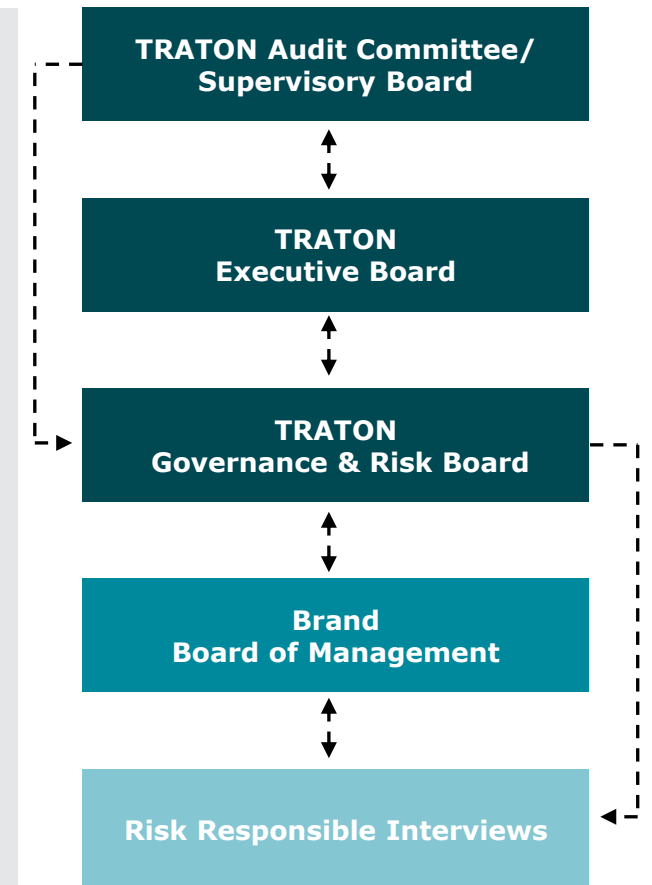
## Internal control system

Internal control systems (ICSs) are integrated into the business processes to ensure that TRATON's financial reports are reliable, operations are effective and efficient, and activities comply with applicable laws and regulations.

## Risk governance

Among others, the TRATON Audit Committee/Supervisory Board reviews the top TRATON GROUP risks and countermeasures on a quarterly basis and acknowledges the risks for internal and external legal reporting.

For further information regarding the TRATON risk management framework and its processes, please refer to the risk management section of our Annual Report.





# Risk management & internal controls

## IT security — mitigating cyber security and data privacy risks

Like other large players in the industry, the TRATON GROUP has also been subject to cyberattacks in the past.

In order to ensure the availability, integrity, and confidentiality of information, TRATON uses a risk-based information security management system as well as a combination of the latest hardware and software technologies, effective IT organizational mechanisms, and an IT-related internal system.

Furthermore, the Group has taken out an information security risk insurance policy (cyber insurance).

The TRATON GROUP has a so-called CISO Board, which gathers to discuss matters of IT security.





# Integrity

**Integrity underlines the importance of doing the right things in the right way. Through different activities and measures, TRATON is fostering an open and transparent company culture, where it is possible to openly talk about mistakes and ways to make things better. Every employee, manager, and Board member has the responsibility to act with integrity and in an ethical way – everywhere and at all times.**

## SELECTED HIGHLIGHTS

### Criteria for management development



Compliance & integrity check during the management development process

### External cooperation



### Regular communication & events



**We take responsibility for our actions, stand by our promises, act with integrity, and build trust**



### Employee survey question







# Human rights

## Committed to safeguarding human rights

**Business & human rights are of great importance to the TRATON GROUP and are included in the Code of Conduct as well as the Code of Conduct for Suppliers & Business Partners.**

### SELECTED HIGHLIGHTS

#### Training for employees



In 2021, a training format was rolled out to inform relevant contacts about new requirements. Communication measures are published continuously in various formats like newsletters, internal articles, and a quiz for employees.

#### Supplier Sustainability Rating



In order to strengthen sustainability requirements in supplier relationships and address the topic of human rights in addition to ecological aspects, MAN, Scania, and VWTB use the sustainability rating (S-Rating) system.

It is used to check suppliers' sustainability performance and to identify opportunities for continuous improvement. By tying sustainability performance directly to award eligibility for contracts of a certain volume, we are aiming to send a signal to our suppliers and partners to encourage collaboration to allow sustainability aspects to permeate the supply chain. The primary objective is not to exclude suppliers from the supply chain, but rather to empower suppliers whose performance is not yet satisfactory to achieve the rating.

#### Policies & statements



We respect and follow regulations safeguarding human rights that are applicable worldwide as fundamental and universally valid guidelines. In this respect, the Executive Board and the TRATON SE Works Council have published a [Policy Statement on Human Rights](#) which transparently reflects our commitment and describes which activities we have already implemented within the TRATON GROUP for the protection of human rights. The statement is complemented by our [Modern Slavery and Human Trafficking Statement](#), which was updated in June 2022.



# Ratings, Participation & Memberships

# Ratings



▶ In February 2023, the ESG-agency ISS ESG rewarded TRATON with “Prime” status and a **“C+” rating** (on a scale of A+ to D-) for its sustainable value creation efforts in the machinery sector.



▶ In February 2023, TRATON received an ESG **Risk Rating of 27.4** and was assessed to be at **medium risk** of experiencing material financial impacts from ESG factors.<sup>1</sup>

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# Participation & memberships



- ▶ TRATON has been a member of the UN Global Compact since 2021 and has committed to supporting the Ten Principles. TRATON will regularly report on its activities in these fields as a part of its commitment to the UN Global Compact.



- ▶ All our brands are committed to setting science-based targets. Scania was the first heavy vehicle manufacturer to set targets approved by the SBTi, and MAN had its short-term goals validated in 2022.



- ▶ In 2017, TRATON signed the German Diversity Charter. It became a member of the initiative in 2020 to underline its commitment to diversity & inclusion.



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