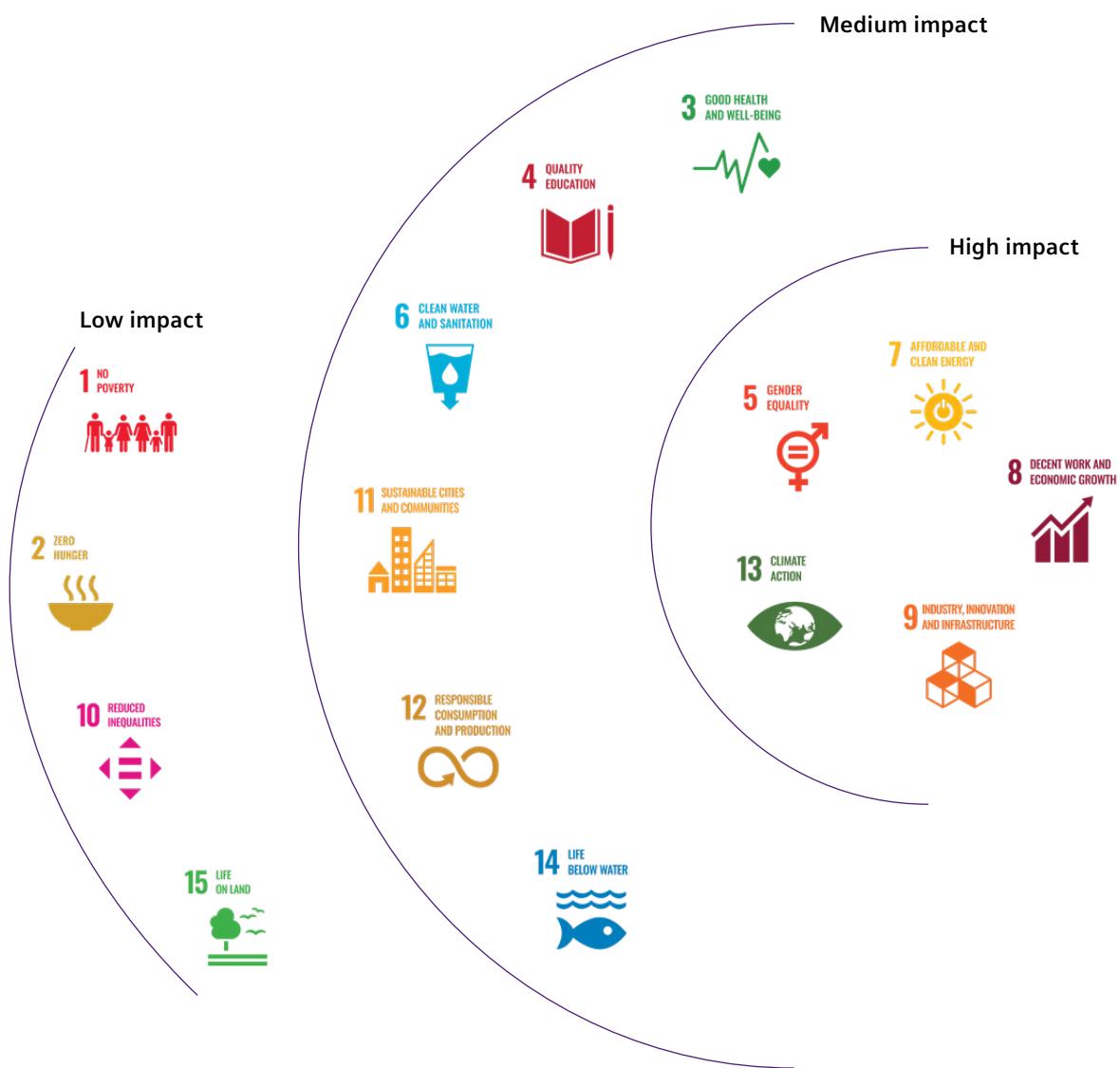


Sustainability Report 2020

# Getting Started



# We energize society



Siemens Energy aligns with the United Nations' Sustainable Development Goals (SDGs). In order to ensure maximum effectiveness, we have prioritized five SDGs to which we have the highest and most direct impact. Read more on [page 13](#).

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# The company

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# Foreword

*Dear Readers,*

energy and electricity are critical for societies throughout the world. However, climate change, growing populations and digitalization are changing the boundary conditions for us, for our customers and for the entire energy industry. We are operating in a rapidly changing market that is pushing for new solutions, new technologies, and new business models.

As the world population grows, access to electricity spreads and the industry is further electrified, we expect the global demand for electricity to increase by around 50 percent by 2040. How can the energy industry meet this growing demand while protecting the climate? The aspiration of our new company, Siemens Energy AG, is to energize society in a sustainable and efficient way, based on the right products, solutions and services.

This document, the first independent Sustainability Report prepared by Siemens Energy AG, shows that sustainability is an integral part of our “Energy of Tomorrow” transformation program that will enable us to make our vision reality: We want to create the most valued energy technology company in the world and be the sustainability leader in our industry. Sustainability is firmly anchored in all our actions and as President and CEO of Siemens Energy, I have taken over responsibility as Chief Sustainability Officer to underscore this commitment. The 17 Sustainable Development Goals (SDGs) set out in the United Nations’ 2030 Agenda guide us in our plans and actions. While Siemens Energy contributes to achieving all 17 SDGs



to ensure the highest impact, we are focusing on SDG 7 “Affordable and Clean Energy”, SDG 13 “Climate Action”, SDG 8 “Decent Work and Economic Growth”, SDG 9 “Industry, Innovation and Infrastructure” and SDG 5 “Gender Equality”. We are committed to meeting environmental, social and governance (ESG) standards and expectations. Siemens Energy actively endorses the Paris Agreement on climate change and supports ambitious political programs such as the European Green Deal and the EU hydrogen strategy.

Across our various businesses and along the entire energy value chain, we help our customers to adopt more sustainable energy technologies and solutions. Some examples: We build hybrid power plants that combine generation technologies with battery storage; we deliver gas turbines that can already operate on up to 60 percent hydrogen; we provide transmission equipment that avoids the use of SF<sub>6</sub>, a very harmful greenhouse gas; we offer hydrogen electrolyzers, which are critical for developing a sustainable green hydrogen economy; and Siemens Gamesa Renewable Energy produces wind turbines that generate electricity from both onshore and offshore wind energy.

We believe that innovative technologies are the key to combating climate change – now and in the future. And these innovations require thinking and working in ecosystems with customers and partners. At the same time, we believe that interim solutions based on highly efficient conventional solutions can and should contribute to more sustainable energy systems than we have today. The balance of availability, sustainability and affordability of electrical energy will differ in every region of the world, and diverse approaches will be required to steer societies toward a sustainable energy world.

We invest around one billion euros per year in research and development and are increasing our focus on sustainable technologies and services. All these efforts naturally begin right at home, as we make our own operations more sustainable. We plan to switch our own power consumption to 100 percent green electricity by 2023, and are aiming at making our company operations climate-neutral by 2030.

At Siemens Energy we are also committed to the Ten Principles of the United Nations Global Compact and will provide annual information on our progress as part of our sustainability reporting.

In all these activities, the people who work for Siemens Energy are especially important. Ensuring their health and safety is our top priority. Likewise, we pay fair wages and support fair working conditions, equal opportunities for advancement, and attractive career prospects. Above all, we stand for inclusion and diversity in all its facets, and firmly believe that this not only benefits our own company, but society as a whole.

One other topic is particularly close to our hearts: Making a positive difference in the world would be impossible without high standards of integrity and compliance. We therefore pursue a zero-tolerance approach regarding violations of applicable laws and

internal regulations. Only clean business is Siemens Energy business. Beyond the boundaries of our company, we actively drive the implementation of Collective Action and aim to develop projects with partners in industry, the public sector, non-governmental organizations, international organizations and civil society. While this includes the joint fight against corruption, it also goes far beyond that: Our ultimate goal is to create fair market conditions and establish a “level playing field” for all market participants, and promote integrity in business transactions.

2020 has been a year full of many daunting challenges – above all the COVID-19 pandemic. Under these extremely difficult conditions, we continued to support our customers and further strengthen our innovative power by tapping into the potential of digitalization. We were able to “keep the lights on” in close collaboration with our customers and partners.

Siemens Energy is a new company, yet one drawing on a long and rich tradition dating back to 1866, when Werner von Siemens discovered the dynamo-electric principle and laid the foundation for today's ubiquitous electrification. Our aim is to continue this tradition in order to make our world a better and more sustainable place.

Please enjoy reading the Sustainability Report!

With kind regards,

**Christian Bruch**

President and CEO  
Siemens Energy AG

Chief Sustainability Officer  
Siemens Energy AG

# Siemens Energy at a glance

Siemens Energy is one of the world's leading energy technology companies. We energize society by supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality.

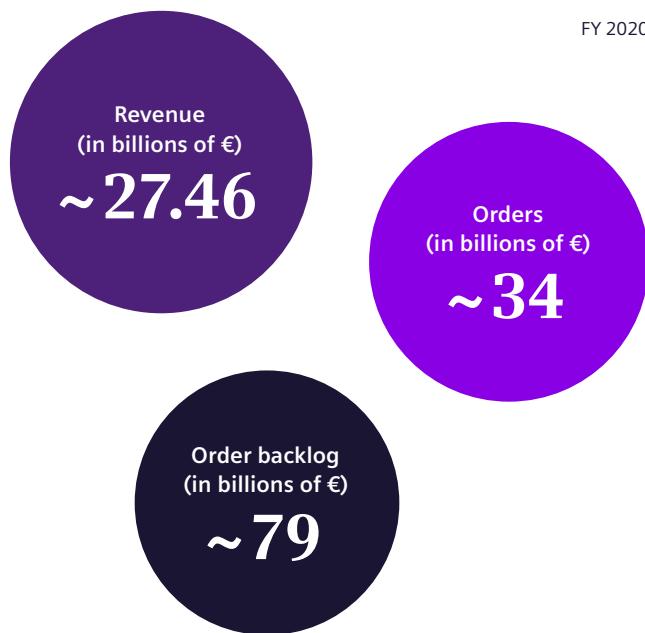
With our portfolio of products, solutions and services, we cover almost the entire energy value chain – from power generation and transmission to storage. Our portfolio includes conventional and renewable energy technology, such as gas and steam turbines, hybrid power plants operated with hydrogen, and power generators and transformers as part of our high voltage products portfolio. A majority stake in the listed company Siemens Gamesa Renewable Energy (SGRE) makes Siemens Energy a global market leader in renewable energies with a market leading position in wind power.

Siemens Energy employs more than 90,000 people in more than 90 countries worldwide.

## Our company structure

We have organized the company in two reporting segments, Gas and Power and SGRE:

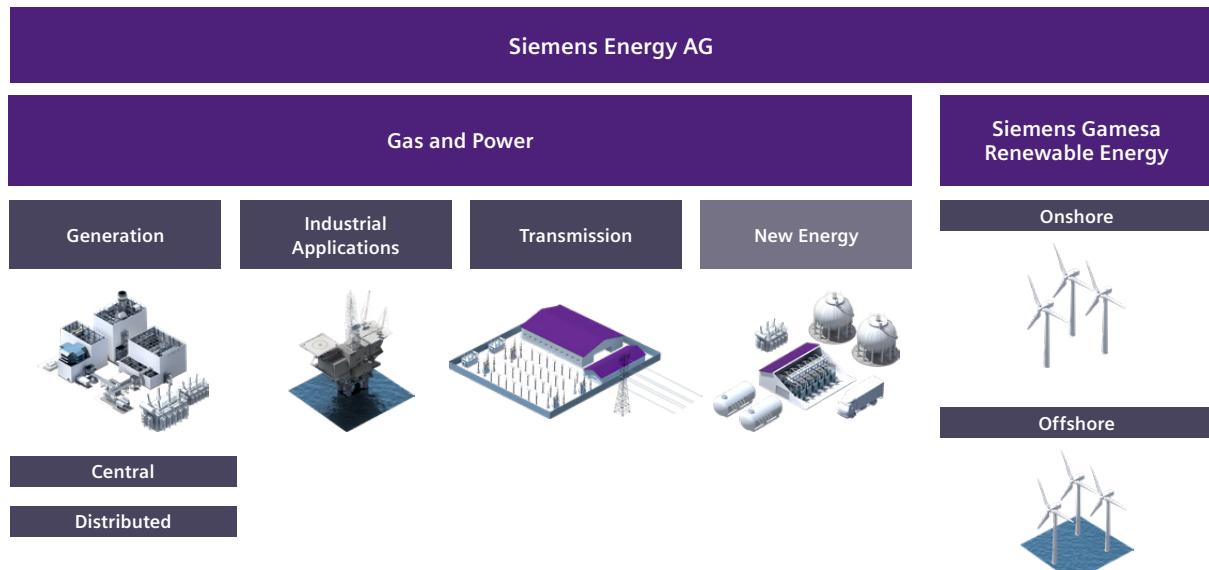
- Our reporting segment Gas and Power includes the Generation, Transmission and Industrial Applications Divisions with the respective service business based on our customer groups and product lines. The Business Segment New Energy Business will focus



on building up our business with Power to-X technologies, electrolyzer systems and solutions for the production of green hydrogen on the basis of renewable energy and water.

- Our reporting segment SGRE, in which Siemens Energy holds a 67% majority stake, is a leading provider of wind power solutions and complements the portfolio through which we support our customers worldwide in transitioning to a more sustainable energy system.

## Our company structure



## Our innovative products support customers in transitioning to a more sustainable world

### Gas and Power

- Generation:** We provide products, solutions and services for conventional power generation with high efficiencies. We reduce carbon emissions from existing assets and develop technologies that will be critical in the future for the decarbonization of power generation applications.  
**Portfolio:** Large gas and steam turbines, industrial gas and steam turbines, generators, turn-key power plants, control systems, operation and maintenance of power plants, modernizations and upgrades, digital services
- Industrial Applications:** We support our customers in oil and gas, as well as other industries, by providing safe, reliable and highly efficient rotating, electrical, automation and digital products, solutions and services.  
**Portfolio:** Industrial and aero-derivative gas turbines, industrial steam turbines, turbo compressors and reciprocating compressors and generators; integrated electrification, automation and digital solutions for onshore and offshore oil and gas, subsea, marine and fiber industries; and comprehensive service solutions incl. spare parts, repairs, field services, digital services, modernizations and upgrades and long-term programs

- Transmission:** We partner with our customers to build and operate efficient grid infrastructures. We offer reliable products, solutions, and services improved with digital functions to meet the growing demand for sustainable electrification.

- Portfolio:** Transmission systems, air- and gas-insulated switchgear, power and distribution transformers, solutions for substations, HVDC- and MVDC-solutions, modernization and upgrades

- New Energy Business:** We shape the green hydrogen economy. We develop technologies to couple our economic sectors with renewable sources of power.

- Portfolio:** Power-to-X-solutions, electrolyzer systems, solutions for producing green hydrogen from renewable energies and water

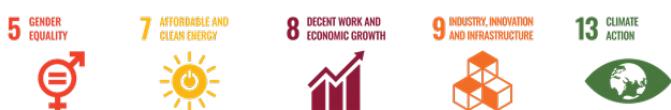
### Siemens Gamesa Renewable Energy

We provide wind energy technologies and services for a sustainable future. We are one of the world's leading suppliers of on- and offshore solutions.

**Portfolio:** On- and offshore wind turbines, hybrid solutions to produce energy from renewables, including power storage systems

# Strategic focus

We energize society by supporting our customers in transitioning to a more sustainable world, based on our innovative technologies and our ability to turn ideas into reality.



- Siemens Energy aims to be the partner of choice for our customers to shape the energy transition
- We focus on five Sustainable Development Goals to ensure the highest impact on societal development
- We have developed a new Sustainability Program which will be implemented across the organization as part of our company program called the Energy of Tomorrow

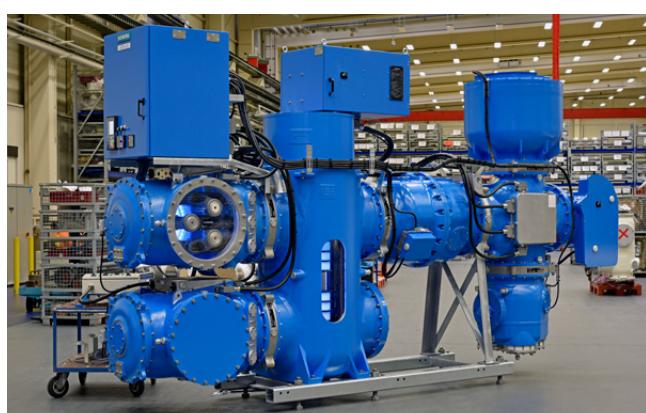
The world is facing huge challenges. Climate change, globalization, digitalization and the global COVID-19 pandemic have placed governments, companies and societies in challenging and complex circumstances. At the same time, energy systems around the world are changing, and the demand for energy is growing: It is expected that by 2040, the global electricity demand will rise by around 50%<sup>1</sup>, whilst 770 million people still do not have access to energy<sup>2</sup>. The question is: How can we meet the growing demand for electricity while protecting our climate? This also guides our thinking on the future strategic direction of Siemens Energy and we have laid out concrete steps in order to address these challenges.

<sup>1</sup> Source: <https://www.iea.org/reports/world-energy-outlook-2019> (Stated Policies Scenario)

<sup>2</sup> Source: <https://www.iea.org/reports/sdg7-data-and-projections/access-to-electricity>

By doing so, we are proudly continuing a tradition that goes back more than 150 years: in 1866, Werner von Siemens converted mechanical energy into electrical energy, making it available for the first time for many everyday applications. We still need the courage, drive and determination of Werner von Siemens today in order to make sustainable, reliable and affordable energy possible. In this sense, we at Siemens Energy are building on the strengths of Siemens – and are developing them further.

Thus, our purpose is "We energize society", and our employees stand for and work hard at this every day.



8VN1 Blue GIS® switchgear with vacuum interrupting technology and clean air insulation

## Partner of choice for the energy transition

Through our company program "Energy of Tomorrow", we intend to shape our existing business, by developing our portfolio with a focus on sustainability, by allocating the Research and Development (R&D) budget to achieve breakthrough innovations and by creating an ecosystem of partners. Aiming to be a data-driven company, we want to create value through digitalization, connectivity and automation.

The first phase of the program will be to accelerate the impact on the energy transformation by

- Focusing and delivering on the fundamentals – by developing our people, achieving zero harm, eliminating non-conformance cost in product design and project execution, and optimizing our portfolio with an eye toward the energy system transformation
- Co-creating innovations with customers and partners to speed up innovation and generate the best solutions
- Shifting R&D expenditures toward sustainable products and services

The second phase of the program will be to start leading the energy transformation and to become the most valued energy technology company.

- We want to be the sustainability leader in the industry and the partner of choice for all by delivering on our promises to our shareholders and stakeholders.
- We aim to electrify countries and communities in a sustainable, affordable and reliable manner by bringing in our unique capabilities and technologies.
- We aim to become a company that creates value for our different stakeholders through data-driven insights, automation and digitalization.

## Transformation of our technology portfolio

As Siemens Energy, we aim to lead the market across each of our businesses, with a clear focus on research and development, on which roughly €1 billion has been spent each year over the past two years. This showcases our plan to transition our products and our customers toward a sustainable energy economy. Some selected examples of this portfolio transformation are provided below:

- **Generation:** We aim to provide generation technologies that are sustainable, reliable and affordable and that enable the "Coal-to-Gas" shift with state-of-the-art gas-fired power plants. Together with

high-efficiency, ultra-low emissions, combined cycle power plants, they compensate for fluctuating renewable energy from wind and sun and serve as a bridging technology to stabilize the power supply. By 2030 we want to have 100% hydrogen combustion capability in our gas turbines. Our current generation of gas turbines are already able to burn mixed fuels containing 30 – 60% hydrogen.

- **Transmission:** The transmission and distribution network must be expanded and its stability must also be ensured, due in part to increased decentralization. We are increasing the efficiency of our transmission technologies to transport renewable energy to consumers faster, over longer distances, more reliably and with lower losses, and are investing in grid stabilization, grid intelligence, grid flexibility and digital applications. In addition, we are expanding our portfolio of SF<sub>6</sub>-free transmission solutions.
- **Industrial Applications:** We facilitate the efficient and environmentally friendly use of natural resources. With our state-of-the-art portfolio, we offer our customers a broad range of products, services and solutions that support the electrification and decarbonization of oil and gas as well as process industries, thereby reducing CO<sub>2</sub> emissions.
- **Renewables:** Through our majority stake in Siemens Gamesa Renewable Energy (SGRE), we are one of the leading providers of wind power solutions. With our "New Energy Business" unit, we develop the technologies and applications urgently needed for decarbonization on an industrial scale. By focusing on the expansion of wind, solar and storage systems as well as hydrogen and power-to-x solutions, we aim to further strengthen our positioning in the renewables market.
- **Digitalization:** Siemens Energy aims to become a data-driven company that creates value through digitalization, automation and connectivity. By combining domain and digital expertise, we will increase the value of our offerings to the benefit of our customers. In addition, we automate our internal processes and build the digital infrastructure necessary to react to rapid changes in the digital world.
- **Coal exit:** With regard to our coal-fired business, we have decided that Siemens Energy will withdraw the support for the development of new purely coal-fired power plants. We cease to offer components like steam turbines, generators, and control technology for such projects. For a transition period, we will continue to offer equipment for highly efficient applications such as combined heat and power generation (CHP), biomass co-firing and waste heat recovery, after specific assessment and consultation



SGRE is an expert in operations and maintenance of wind turbines – both on- and offshore

of the Executive Board. In line with this decision, Siemens Energy will find acceptable solutions with its partners related to coal power plant technology agreements. This applies to product licenses, joint ventures and minority shareholdings. Siemens Energy remains a reliable partner and we will honor the existing commitments to customers in connection with coal-fired power plant projects. What is more, with our service and solutions business, we will continue to help them achieve substantial reductions in their plants' CO<sub>2</sub> emissions going forward.

### Our commitment to sustainability

The adoption of the Agenda 2030 and its 17 Sustainable Development Goals (SDGs) has set the ambition to improve the prosperity and quality of life of all people, while also keeping our planet's limited resources in focus. The SDGs and their related targets are fostering a new understanding of how economic development can be reconciled with social and environmental challenges, stimulating transformational change. It is now necessary for governments, businesses, cities and civil societies to work together and contribute to realizing the SDGs.

As a global energy company, Siemens Energy has the potential and capabilities to shape the energy transition, by leveraging the extensive business opportunities that arise from private and public investments. This will allow us to drive forward the achievement of SDGs together with our customers and partners.

We focus on five SDGs to ensure the effectiveness of our efforts and the highest impact:

#### **SDG 5 – Gender Equality**

We focus on creating equal opportunities, inclusion and diversity in all its facets: We firmly believe that not just our company, but society as a whole benefits from diversity and inclusion.

#### **SDG 7 – Affordable and Clean Energy**

Along the energy value chain, our technologies support customers from various industries to provide reliable, affordable and sustainable energy and to permanently improve energy efficiency and thus reduce emissions. In addition, we are working to make our own business activities climate neutral by 2030 at the latest.

#### **SDG 8 – Decent Work and Economic Growth**

The innovative power of our global operations not only stimulates economic development in many countries, but also allows us to create and preserve decent jobs with a future. Our responsibility for the protection of human rights extends throughout our entire value chain.

#### **SDG 9 – Industry, Innovation, and Infrastructure**

Siemens Energy supports its business partners and customers across almost the entire energy value chain, for example with products, services and solutions for decarbonizing energy systems worldwide, and promotes sustainable energy supply in partnerships with innovative approaches.

## SDG 13 – Climate Action

Siemens Energy is strongly committed to the Paris Agreement. We have set ourselves the goal to become climate neutral in our own operations by 2030 at the latest. Our innovative technologies help customers to improve their energy efficiency in the long term, reducing CO<sub>2</sub> emissions in the process.

For Siemens Energy, sustainability means acting in the interest of societal development through our products, solutions and processes – true to our company purpose “We energize society”. This also involves dealing responsibly with potentially adverse impacts of our business activities. Our objective is to be the sustainability leader in the energy industry.

## Implementing and managing a company-wide Sustainability Program

All sustainability activities are led by our Chief Sustainability Officer (CSO), who is also the CEO of our company. He will make sustainability a regular topic on the agenda of Executive Board meetings and in wider leadership meetings.

The Sustainability Director manages the Sustainability Department, which is responsible for driving sustainability within Siemens Energy and for coordinating the company-wide sustainability activities, programs and measures. The department is part of the Strategy Function.

Furthermore, we have set ourselves the goal of embedding sustainability in our organization to ensure that all measures and initiatives are also implemented in our business activities. This will be supported by the Divisions and Countries, which nominate Sustainability Business Partners to implement the company program in their areas of responsibility.

The importance of sustainability for Siemens Energy is also reflected by the fact that the long-term equity-based compensation, granted to the members of the Executive Board and selected senior executives in the



form of Stock Awards, contains non-financial targets that reflect strategic ESG (Environmental, Social and Governance) priorities for Siemens Energy. At the beginning of a Stock Awards tranche, the Supervisory Board selects the key performance indicators (KPIs) for the ESG component. These can be equally weighted, or the Supervisory Board can assign each a higher or lower weighting. The Supervisory Board sets targets for each KPI to be achieved by the end of the performance period, as well as values representing 0% and 200% target attainment. For more information, please see our [Annual Report 2020, 1.10 Compensation Report](#).

## Our Sustainability Program

Our Sustainability Program is fully integrated into our company strategy. It focusses on the most relevant

topics that help us achieve our ambition to become a sustainability leader in the industry whilst contributing to the most relevant SDGs.

To establish the Sustainability Program, we conducted a materiality analysis, which consisted of analyzing topics of relevance for business and society and engaging in dialog with selected internal and external stakeholders. This enabled us to identify the key sustainability issues for our company, which serve, among other things, as a basis for reporting. We will repeat this analysis for future sustainability reporting and refine the process, incorporating all relevant stakeholder groups.

The resulting Sustainability Program is oriented along our company purpose "We energize society".

### List of material topics

<b>Systemic transition</b>	Major social and environmental challenges require holistic systemic transformations. Siemens Energy is helping in this area in particular by designing sustainable energy systems.
<b>Business model resilience</b>	A robust, customized portfolio is fundamental to meet market demands in the long term. We aim to be a strong, reliable company that has the capacity to adapt to the requirements of state-of-the-art systems.
<b>Physical impacts of climate change</b>	Climate change is impacting all areas of business. This is why it is particularly important for Siemens Energy to adapt our business activities so as to be resilient in the face of constant change.
<b>Decarbonization</b>	With a comprehensive climate action program along the value chain we aim to reduce CO <sub>2</sub> emissions.
<b>Emissions/Air Quality</b>	We aim to reduce emissions and thus negative impacts on air quality which may be caused by our business activities.
<b>Access to energy</b>	Supporting our customers to provide access to sustainable, affordable and reliable energy for their customers is our goal. This allows us to contribute to raising the standard of living of societies.
<b>Effects on human capital development</b>	Development of our workforce and creation of new jobs are pivotal for achieving long-term success, because only with highly qualified staff can we respond appropriately in these times of constant change.
<b>Employee health &amp; safety</b>	Our employees' health and safety in the workplace has priority for us. We are striving to protect our workforce to the best of our ability and to reduce the number of accidents.
<b>Sustainability in the supply chain</b>	For Siemens Energy, corporate sustainability means more than just examining our own business activities. It also entails acting responsibly in our dealings with suppliers to ensure sustainability in the supply chain.
<b>Compliance</b>	Compliance with applicable laws and regulations is our core principle. It increases credibility and avoids business risk for Siemens Energy.
<b>Responsible decision making</b>	At Siemens Energy, responsible decision making means considering all relevant effects on society, the environment, and the economy in our decisions. This will add value for all Siemens Energy stakeholders.
<b>ESG Risks</b>	Environmental, societal, and governance risks in all business activities can lead to negative societal impacts, as well as loss of reputation and trust and negative ratings. This is why it is essential for Siemens Energy to factor these risks into our decision making on projects and investments.

## Sustainability Program

We

energize

society



At the core of the program is the goal to decarbonize energy systems along the entire value chain. Different topics around responsible operations also contribute to Siemens Energy becoming a sustainability leader in the industry and to our societal impact.

Our businesses, regional entities and central functions will help to implement this program. We want to be measured against our goals and performance and have selected strategic KPIs, on which we report in the individual sections of this report.

### Sustainability-related risks and opportunities

To provide a comprehensive view of our business activities, risks and opportunities are analyzed in a structured way, combining elements of a bottom-up and a top-down approach: Sustainability-related risk and opportunities are identified by the respective managements of our organizational units. Our Enterprise Risk Management (ERM) system takes a net risk approach and aims to ensure that the Executive Board and the Supervisory Board are fully informed about significant risks on time. For the fiscal year 2020, the following sustainability-related risks have been reported to the ERM:

- Strategic risks:
  - Disruptive decarbonization trends
  - Failure to meet ESG standards and expectations
  - Technology/portfolio gap against competitors
  - Political instability and conflicts

- Operational risks:
  - Pandemic diseases
  - Environment, Health and Safety adverse events
  - Critical supply chain
  - Key personnel
  - Cyber security failures including product security
- Compliance Risks:
  - Allegation of Compliance violations
  - Impact of legal proceedings

For more information related to the risks, please refer to the section "Report on material risks and opportunities" in the [Annual Report](#). Find out more on our climate-related risks in the Task Force for Climate-Related Financial Disclosures (TCFD) section on the [Annex](#). We are continually taking steps to reduce our sustainability-related risk exposure within the organization and across the supply chain by implementing risk management systems adapted to specific industries and responsibilities. On the other side, risk mitigation actions also represent opportunities for our business, for example innovations that support the energy transition and streamlining of internal processes.

### Partnerships and collaborations

We firmly believe that the pursuit of sustainable development can only be meaningful and successful in cooperation with a diverse set of actors. This approach is in line with SDG 17, which calls for a global partnership that brings together governments, civil society, the private sector, the United Nations system and



In order to promote sustainable development globally, we exchange with various stakeholders

other actors. Close collaboration with different stakeholders is necessary to tackle the complex challenges we are facing.

For many years, Siemens AG has engaged in dialog with investors, customers, suppliers, employees, communities, policymakers, media, non-governmental organizations, business organizations and academia. These engagements create value on all sides of the equation through the exchange of knowledge and information and give rise to creative partnerships. They help us improve business conditions and reduce risk externally and internally. At Siemens Energy, we will conduct an analysis of the existing partnerships and memberships and continue our dialog with relevant organizations or establish new ones. As a first step, we are a signatory to the United Nations Global Compact, pledging our commitment to its Ten Principles. [↗ UN Global Compact](#)

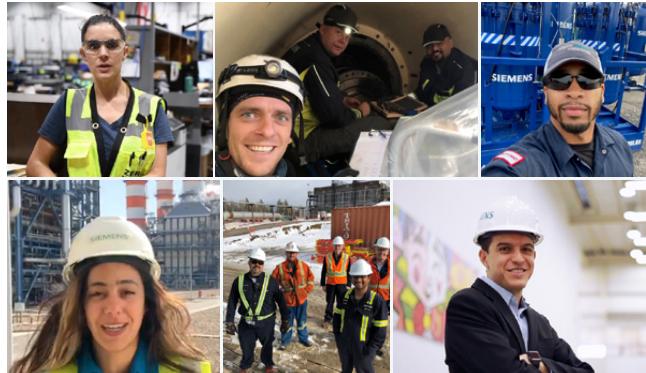
### Effects of the COVID-19 pandemic on Siemens Energy

The world is challenged by the COVID-19 pandemic with an unprecedented force that has affected countries and businesses worldwide. Siemens reacted quickly and in January established a global Task Force, led by the Environmental Protection, Health Management and Safety, Quality Governance and Security Function and including representatives of other Functions, Countries, and Businesses, in order to ensure quick decisions and to suit local government requirements. Overall, we focused on the topics of employee health and safety, ensuring business operations, global coordination of regional aspects, financial stability, liquidity, securing our own infrastructure and supporting society. In this regard, it not only resolved short-term issues, but also laid the foundations for long-term, positive changes, for example adapting the working culture to the situation.

In fiscal year 2020, Gas and Power was affected by 674 known COVID-19 cases, four of them fatalities.

Overall, the pandemic did not only have negative consequences. It also resulted in a reduction in global greenhouse gas emissions due to decreased energy demand during the lockdown. Nevertheless, this was a short-term effect and came with high economic costs. With regard to long-term improvements, we see the opportunity in shaping the transformation to sustainable, intelligent energy systems for a changing, more adaptable grid. We believe that sustainability can only be achieved through design, not through disaster.

You will find details on the effects of COVID-19 and the measures taken in the relevant chapters of this report.



### Thanking our employees who #KeepTheLightsOn

The impact of the COVID-19 pandemic has highlighted the importance of reliable electricity supply for our world. From grocery stores to hospitals to homes, the world is depending on stable electricity to manage this crisis. While a lot of us are able to work from home, the reality is that many of our colleagues can't. They are at customer sites, factory locations, warehouses and a host of other locations around the world, often away from their families and working in high-pressure environments to ensure the stable flow of electricity, water and other crucial infrastructure during this critical time. In April 2020, Siemens Energy launched the campaign #KeepTheLightsOn which showcases the stories of those employees, highlighting their sacrifice and excellence while giving Siemens Energy leaders and employees a chance to say "thank you" to them.

# Decarbonizing our business

18 Customers and innovation

24 Decarbonization

# Customers and innovation

Our broad portfolio enables us to offer our customers tailored and innovative end-to-end solutions for optimizing their energy mix.



- Close collaboration with customers for managing the energy transformation with innovative, sustainable solutions
- A new market-driven and customer-centric organization that focusses on technology and innovation fields
- Continued engagement with universities and research institutions towards a more sustainable system

Global energy markets are changing, presenting our customers with a multitude of challenges throughout the energy value chain – whether due to increasing digitalization and the need for decarbonization or because of the resulting demands on their flexibility.

Many of our customers are confronted with long-term, disruptive changes in their business model. The trend away from regulated markets toward market-oriented structures is accompanied by growing public and regulatory pressure to reduce greenhouse gas emissions, which will lead to widespread decarbonization of the energy landscape in the coming decades.

This will bring about long-term changes in the weight applied to the different energy technologies, but will also create opportunities in new areas of business, such as increased electrification, renewables, hydrogen technologies and Power-to-X technologies. Our mission is to support our customers in transitioning to a more sustainable world, by providing a sustainable, affordable and reliable energy supply, based on our innovative technologies and our ability to turn ideas into reality.



## Our innovative 9000HL-class gas turbine – efficient, reliable, flexible

Gas turbines are well suited to manage the intermittency of increasing renewable loads by providing reliable and on-demand power. They will remain an element in power generation as electrification trends toward full decarbonization and the hydrogen economy starts to unfold. Our next generation 9000HL gas turbine combines design robustness with operational reliability and flexibility with technology innovations. With its hydrogen capability package of up to 30%, the 9000HL is a technology carrier to the next level of gas turbine performance.

This is enabled by our unique portfolio along the energy value chain – from products, solutions and services in the oil and gas sector to conventional and renewable energy generation, energy transmission and decentralized energy solutions – and our increased customer orientation. We thus contribute mainly to the following Sustainable Development Goals: SDG 7 “Affordable and Clean Energy”, SDG 8 “Decent Work and Economic Growth”, SDG 9 “Industry, Innovation, and Infrastructure”, SDG 12 “Responsible Consumption and Production” and SDG 13 “Climate Action”.

### New customer-oriented organization implemented

We provide products, solutions and services worldwide. Our customers are companies and organizations, some of which are internationally set up and some of which have a predominantly local presence. With our new market- and customer-oriented organization comprising of Regional Hubs, Divisions and Business Units we are adapting to customer needs. This mirrors the organization at SGRE, which also has its own service organization.

To meet our customers' needs, Siemens Energy relies on a global sales organization managed by seven regional hubs for Gas and Power and regions for SGRE. These regional teams can build on a global network within and outside the company that includes consultants, project developers, integrators, plant engineers and building contractors.

We also have a key account management system in place for a selected group of our biggest customers.



Competent customer service and maintaining close customer relationships is essential



### Environmentally friendly power supply for cruise ships

The world's first SF<sub>6</sub>-free gas-insulated 145 kV high-voltage switchgear with clean air insulation and vacuum switching technology was successfully commissioned in May 2020 by the Norwegian energy company BKK Nett and Siemens Energy. It is part of the Koengen transformer station, which supplies power to the cruise port in Bergen. The Siemens Energy clean air technology complements the transformer station with a solution that avoids CO<sub>2</sub>. Latest digital Sensgear® functionalities have been integrated to provide an asset status overview anywhere at any time. Shore power from hydropower can now be transmitted to cruise ships in an environmentally friendly manner. Ships in the harbor can be supplied with electricity and switch off their engines, which leads to a reduction in harmful emissions.

This allows us to provide our customers with a full range of products and solutions in a coordinated manner, thus ensuring smooth business operations. Our managers focus on developing and maintaining long-term relationships, especially within the framework of our Executive Relationship Program.

Focusing on our customers and their business challenges will allow us to seize business opportunities, expand existing business and develop new business. The latter applies in particular to the decarbonization of value chains in the energy industry, but also in other sectors such as industry and transportation. Drawing on our broad technology and solutions expertise, we aim to make a significant contribution to the energy transition together with our customers. This also leads to an increased focus on co-creation and partnering for innovation.



### Green hydrogen – Pilot plant for H<sub>2</sub>/CO<sub>2</sub>-based methanol synthesis in Haßfurt

Since 2019, our New Energy Business, MAN Energy Solutions, Stadtwerk Haßfurt and Friedrich-Alexander-Universität Erlangen have been working together to develop an innovative, more dynamically operable, efficient methanol synthesis from carbon dioxide and e-hydrogen, which is generated by renewable energy-fed water electrolysis. Initial objectives include research into catalysts selection and the optimum reaction concept and parameters through the operation of a lab-scale pilot plant. The results will be transferred to a small, but nearly full power-to-methanol demonstration plant. That way, the basis for the design of future large-scale commercial plants should be elaborated.

#### **Innovation is the basis for our future success**

Our research and development (R&D) activities are aimed at developing innovative, sustainable solutions both for our customers and for our business. Therefore, we will continue to invest around €1 billion per year to maintain our innovative edge. In addition to renewable energy in SGRE, we have identified fields of action called "Energy of Tomorrow" (EoT) Fields for Gas and Power to form the basis of Siemens Energy transformation and to becoming a sustainability leader in the industry.

In addition, we have identified nine technology fields which will serve to help us improve the sustainability dimension of our product portfolio and to strengthen the core.

Across all businesses, digitalization facilitates new and promising approaches for new ways of working, data-based business models and technology-based services such as remote operations, remote services,

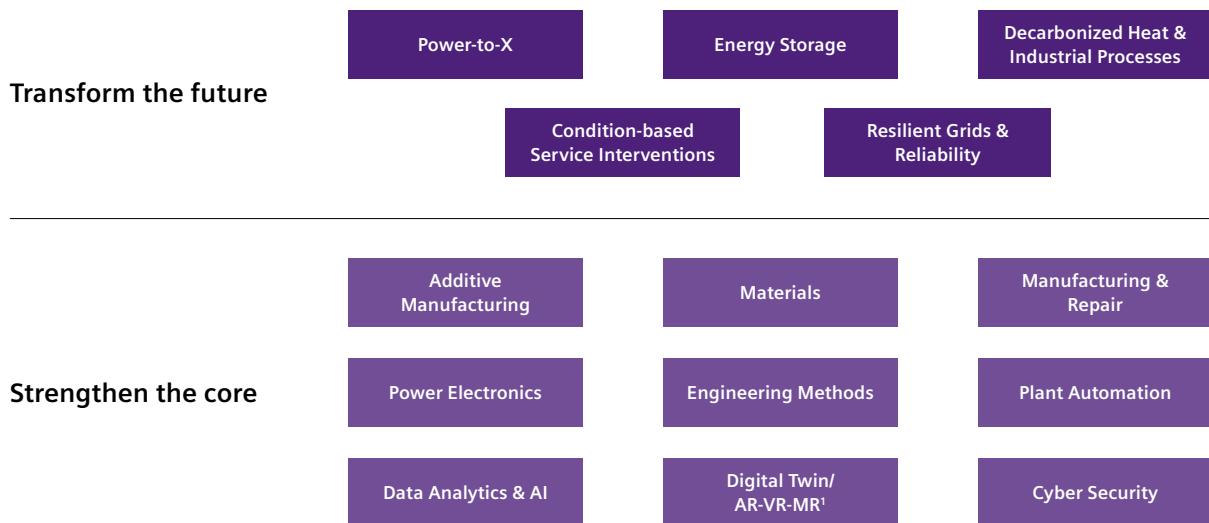
etc. We work closely with our customers to make specific use of data-driven technologies to maximize performance throughout product and equipment life cycles. Also, digitalization helps us to create value for our customers, by improving our operations through optimized automation and our supply chains through additive manufacturing, and also to protect our customers' facilities through comprehensive cybersecurity.

In the demanding energy market for CO<sub>2</sub>-free power generation, continuous investment in R&D allows SGRE to bolster its competitiveness. SGRE's R&D efforts focus on developing the next generation of technology that will lead to improved and more cost-effective products, solutions and services, including becoming a leading company in mastering the balance between power generation and power demand for the renewable sector. To accomplish that goal, SGRE is developing reliable and efficient operating wind turbines, cost-effective energy storage solutions, and solutions for hybridization that are designed to help utility customers optimize the use of renewable energy, thereby increasing profitability. Product improvements (upgrades) and product innovation (new design) in onshore and offshore wind turbines are launched to suit our customers situation and reduce Levelized Cost of Energy or increase annual energy production. Another focus area is digitalization: Advances in this field enable more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services. SGRE also explores profitable opportunities in adjacent business fields, including other renewable sources, hybrid parks and storage in order to supply solutions for the system integration of renewables.

#### **Collaboration supports sustainable development**

We leverage external partnering to enable future business needs, by co-creating new technologies and innovations and through joint market launches. One example is the Werner-von-Siemens Centre for Industry and Science e.V. (WvSC), of which Siemens Energy is a key partner. WvSC is a dynamic research and development collaboration involving more than 20 partners from industry and science, small and medium-sized enterprises, young companies and start-ups. It addresses important topics of the future such as the energy transformation, mobility and production technology. The WvSC allows co-located collaboration to speed up innovation in the focus areas addressed. ➤ [Further information](#)

### Energy of Tomorrow (EoT) Fields of Action



<sup>1</sup> Augmented Reality, Virtual Reality, Mixed Reality

Additionally, we collaborate with scientists from top universities and research institutions on the advancement of technologies that contribute to sustainable energy systems of the future, both in bilateral research collaborations and in publicly funded collaborative research projects.

In fiscal year 2020, we reported R&D expenses of €985 million (FY 2019: ~€1 billion). The resulting research intensity, defined as the ratio of research and development expenses to revenue, was 3.6% (FY 2019: 3.5%). Additions to capitalized development costs amounted to €191 million (FY 2019: €163 million) in fiscal year 2020. Around 16,600 (FY 2019: 15,900) patents were held by Siemens Energy as of September 30, 2020. On average, we had 5,200 (FY 2019: 5,100) R&D employees in fiscal year 2020.

We will continue to work together intensively on innovative solutions for the future with a focus on sustainability and service.



#### Siemens Gamesa installed its offshore Direct Drive wind turbine number 1,000

By installing turbine number 51 at the 714 MW East Anglia ONE project in the UK in fiscal year 2020, SGRE reached the milestone of 1,000 installed units of its offshore direct drive wind turbine platform. Since the first unit was installed, the wind turbine fleet has produced an output of around 34.6 terawatt hours.



*"You can't conduct a sustainable business against the climate and against the will of society."*  
says Uniper CEO Andreas Schierenbeck.

## Hydrogen – The most promising solution for decarbonization

Excerpt from an interview with Uniper CEO Andreas Schierenbeck on the collaboration with Siemens Energy

Uniper is the third largest listed energy supplier in Germany and a European leader in energy generation, trading, and storage. The company wants to take the step from coal to hydrogen economy in order to become carbon-neutral until 2035.

**Mr. Schierenbeck, gas plays a central role in your decarbonization strategy. Why is that?**

Natural gas, imported via pipelines or LNG terminals, will continue to play a role in the next 20 or 30 years. But if you want to decarbonize even further, you have to use hydrogen. Imagine you're producing green hydrogen through electrolysis without emitting CO<sub>2</sub>, then in the future it can be burned in gas power plants in a climate-neutral way to produce electricity and heat.

In the transformation to the hydrogen economy, you are relying heavily on collaboration, for instance, with Siemens Energy. Why?

A large number of our gas turbines are from Siemens Energy. And as we are considering to gradually convert these gas turbines and power plants to hydrogen operation, it's best to work with the manufacturer. Siemens Energy produces gas turbines that can already process a certain amount of hydrogen today, they manufacture hydrogen generation plants, and are also deep into the whole issue of renewables. Creative ideas, such as adding an electrolysis plant to every wind farm to produce hydrogen and thus absorb the generation peaks – those would be the first steps toward an industrial concept. Let's put it this way: We have common business ideas and interests.

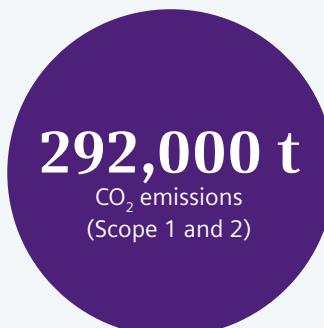
# Siemens Energy is the partner of choice for the decarbonization journey

We are committed to accompanying our customers on their way to a more sustainable energy future. We are driving decarbonization along the entire value chain: from the supply chain to our own operations, and especially in our portfolio. In doing so, we aim to be the partner of choice for our customers and to support them in their transition to a sustainable energy world.

## Our goals



## Our status



## Three questions to...



**Christian Bruch**  
CEO and CSO  
of Siemens Energy

### How does Siemens Energy support the EU's 2050 climate neutrality goal through its business strategy?

We walk the talk: Siemens Energy has committed to becoming climate neutral by 2030. And, moreover, we support our customers on their individual journeys toward decarbonization. With our products, solutions and services, we can push the transition to a more sustainable energy world. By covering almost the entire value chain with our innovative technologies, we are able to turn ideas into reality.

### What are your top priority solutions when it comes to decarbonization?

It is critical that we drive future technologies and, at the same time, have the courage to choose interim solutions. The shift from coal to natural gas could be one such interim solution on the way to a climate-neutral economy. Combining conventional and renewable energy systems is key to meeting the world's need for sustainable, reliable and affordable energy. Green hydrogen will also play a major role in our future energy mix. We now need to scale up volumes of green hydrogen and bring down the costs. The policy task is to define and implement the right boundary conditions.

### How do you envision Siemens Energy's future positioning with regard to decarbonization?

I am convinced that Siemens Energy is on the right track, and we have every reason to be confident. Siemens Energy should be the company that everyone immediately thinks of when it comes to decarbonization. We energize society – that's our purpose. Together with our customers and partners, we can make a real difference in shaping the energy world of tomorrow.

# Decarbonization

We contribute to climate protection primarily through our portfolio, which enables our customers to reduce their emissions.



- **Reduction of emissions along the entire energy value chain**
- **Our portfolio as a crucial element in our customers' energy transition**
- **The goal for our own operations: to be climate neutral by 2030**

Companies all over the world are facing strong social and political discussions in the field of climate protection. Many initiatives across Europe and around the world have prompted widespread media attention, putting pressure on leaders to keep warming below 1.5°C.

67 countries have already committed to net-zero emissions and the pressure that governments are putting on companies to reduce carbon emissions is growing. In 2019, the European Union agreed on the Green Deal, aiming for a just but rapid shift away from high-polluting industries and technologies and striving to become a climate neutral economy by 2050. Many investors are increasingly funneling funds into green investments.

- Japan committed to become a decarbonized society, the Prime Minister announced the commitment to be full carbon neutral by 2050.
- China aims to peak Carbon Dioxide emissions by 2030 or earlier and to achieve carbon neutrality before 2060.
- The European Union proposed an increase of the EU 2030 climate target to 55% emissions cuts and committed to becoming Carbon Neutral by 2050.

- The Nigerian state of Lagos (most populous region on the African continent) committed to be Carbon Neutral by 2050.
- Canada's prime minister committed to establish a net zero emissions goal by 2050, with legally binding five-yearly carbon budgets.
- Chile aims for a phase-out of coal by 2040 and for carbon neutrality by 2050.

## Interim solutions across the value chain are needed to transform the energy sector

Decarbonization is one of our most important market drivers. As a technology provider, partner and advisor, we offer our customers appropriate products and services and accompany them on their energy transformation journey. At the same time, we are working consistently on climate neutrality in our own operations and intend to be climate neutral by 2030. SGRE achieved carbon neutrality back in 2019, including offsetting of unavoidable emissions. It expanded its ambitions by incorporating the net-zero emissions target by 2050. In order to advance carbon neutrality across the entire value chain, we are also working on concepts to reduce CO<sub>2</sub> emissions in the supply chain. Our decarbonization activities along the entire value chain enable us to contribute to the SDGs, in particular SDG 7 "Affordable and Clean Energy" and SDG 13 "Climate Action."

## Portfolio

Our biggest lever to reduce GHG emissions are our products, solutions and services. Activities and customer offerings that support decarbonization are clustered in three areas: Efficiency increase, Fuel shift/Hybridization and Deep decarbonization.

- 1. Efficiency increase:** Products, solutions, technologies and services that improve the efficiency of conventional products and reduce greenhouse gas emissions
- 2. Fuel shift/Hybridization:** Products, solutions, technologies and services that support the transition from fossil-based to alternative fuels or that combine conventional and renewable sources of generation to reduce greenhouse gas emissions
- 3. Full decarbonization:** Products, solutions, technologies and services for energy generation in different industries and sectors, which substantially reduce greenhouse gas emissions to zero or negative emissions. The majority stake in SGRE is an important step toward a carbon neutral portfolio. SGRE offers one of the industry's broadest wind power product portfolios, with both offshore and onshore technology as well as industry-leading service solutions. The installed products and technology have a total capacity base of more than 100 GW.

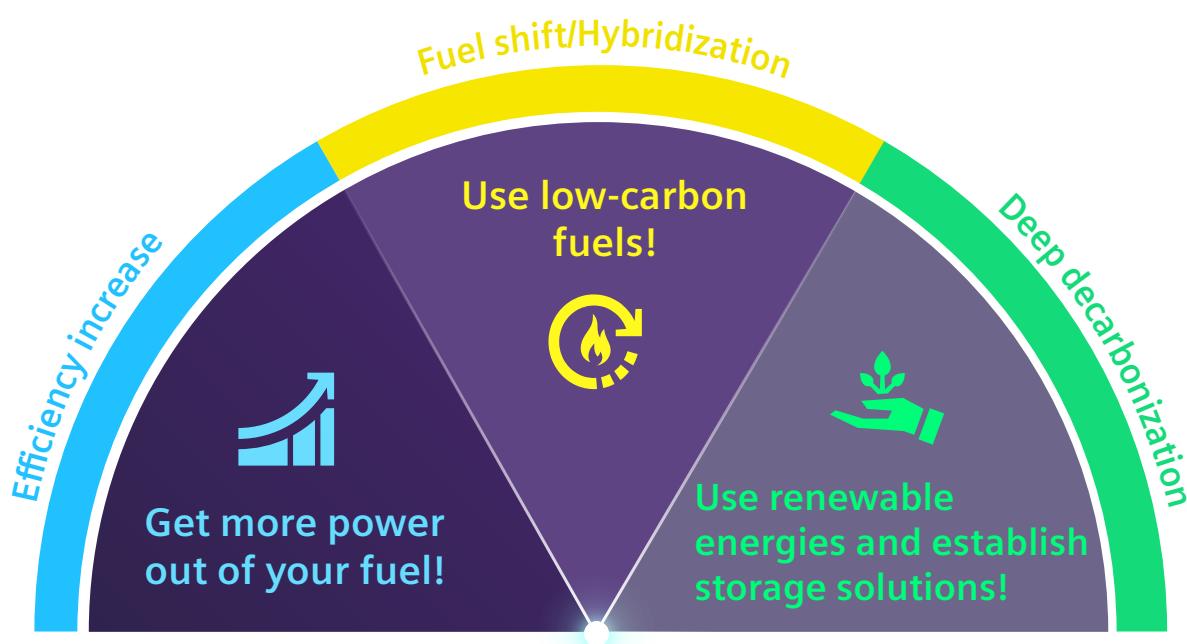
This is how Siemens Energy wants to lead the way to a sustained decarbonized world. This is how we support governments, utilities and industries in transitioning to a transformed energy system.

### Environmental Portfolio offers solutions for energy efficiency and climate protection

In addition to our action areas, long before the public debate around decarbonization went mainstream, Siemens AG established the Environmental Portfolio (EP) in 2007. It includes portfolio elements that make a contribution to energy efficiency and CO<sub>2</sub> reduction. Products, systems, solutions and services (known as "Environmental Portfolio elements") must meet one of the following criteria to qualify for inclusion:

- an increase in energy efficiency of 20% or more; or
- a reduction in emissions of at least 100,000 metric tons of CO<sub>2</sub> or other greenhouse gases per reporting period in the use phase at our customers versus a reference solution (baseline); or
- technologies for use of renewables.

These Environmental Portfolio elements reduce the emission of CO<sub>2</sub> at our customers. The reduction is measured by carrying out comparisons with baselines and includes the option of a before/after comparison,



Our decarbonization radar

a direct comparison with a reference technology and a comparison with the installed base.

The Environmental Portfolio helps customers not only to cut their CO<sub>2</sub> emissions and reduce their energy costs, but also to increase their financial benefits thanks to higher productivity and asset performance. Please refer to the [Annex](#) for a detailed description of the qualification process for inclusion in the Environmental Portfolio as well as for determining reductions in greenhouse gas emissions and the revenue generated.

Results of the Environmental Portfolio	Fiscal year	
	2020	2019
Revenue generated from the Siemens Energy Environmental Portfolio (in € billion)	19.3	20.1
Reduction in annual greenhouse gas emissions at our customers due to new elements of the Siemens Energy Environmental Portfolio installed in the reporting period (in millions of metric tons)	35	40
Cumulative reduction in annual greenhouse gas emissions at our customers due to elements of the Siemens Energy Environmental Portfolio in the reporting period (in millions of metric tons)	522	493

The Environmental Portfolio elements that contribute the most to the total reduction of CO<sub>2</sub> emissions at our customers are combined-cycle power plants with particularly high efficiency coefficients, electricity generation from wind power, and power plant modernization and upgrade activities.

## Decarbonization of our operating processes

We have launched our Climate Neutral Program and aim to be climate neutral by 2030. In the program, we push for the reduction of emissions by various measures, including division targets. The strongest levers to achieve climate neutrality by 2030 are:

### 1. Reducing energy consumption

Energy efficiency projects at different locations, including installation of LED lighting (dimmers, motion sensors), installation of smart meters to increase transparency, building automation systems (e.g., heating, ventilation, air conditioning).

### 2. Using renewable electricity

100% of Siemens Energy's global electricity consumption shall be met by power from renewable sources by 2023.

### 3. New mobility concepts

We want to reduce our vehicle fleet's emissions and the related fuel costs. The details of an appropriate car policy are currently being worked out.

SGRE achieved carbon neutrality in its own operations back in fiscal year 2019. It did so by reducing and/or offsetting unavoidable emissions through offset projects. However, SGRE is continuing its efforts by setting even more ambitious energy efficiency targets such as net-zero emissions by 2050. The target includes the transition to renewable energy-based sources in even more countries. SGRE is also rolling out a new Mobility and Transportation Policy country by country, thereby ensuring that e-mobility is the preferred option for internal transportation and promoting the transition of service vehicles to electric drivers.



## Hydrogen-based steelmaking at Salzgitter AG

Siemens Energy built a 2.5 MW PEM (Proton Exchange Membrane) electrolysis plant for Salzgitter Flachstahl GmbH, paving the way for a hydrogen-based steelmaking leading to reduction in CO<sub>2</sub> emissions. The plant is due to start operation in the 4th quarter of 2020 and will cover the company's entire current demand for hydrogen. The necessary electrical power will be generated by seven wind turbines with a capacity of 30 MW. The innovative PEM technology is ideally suited to exploiting the volatile generation of wind and solar power.

## Energy consumption and greenhouse gas emissions

We monitor energy consumption at our office locations and manufacturing facilities. It is calculated by adding the primary and secondary consumption of fuels and electricity and enables us to track the success of our climate neutral program.

Siemens Energy's total energy consumption during the reporting period was 5.8 million gigajoules. Compared with fiscal year 2019, this is a reduction of 16.6%. This is mainly related to COVID-19 impacts on our global operations but also related to the implementation of some energy efficiency projects.

	Fiscal year	
Primary Energy (1,000 gigajoules)	2020	2019
Natural gas/liquid petroleum gas	1,920	2,377
Fuel oil, coal, gasoline/diesel	263	352
Other	5	5
<b>Total</b>	<b>2,188</b>	<b>2,734</b>

	Fiscal year	
Secondary Energy (1,000 gigajoules)	2020	2019
Electricity	2,902	3,383
Thereof electricity from renewable sources	2,256	2,007
District Heating	713	843
<b>Total</b>	<b>3,615</b>	<b>4,226</b>

Over the reporting period, Siemens Energy collected the following data regarding the level of scope 1 and 2 emissions related to its business activities.

### Scope 1 (direct) emissions

Direct greenhouse gas emissions arise from sources in the company's ownership or under its control.

### Scope 2 (indirect) emissions

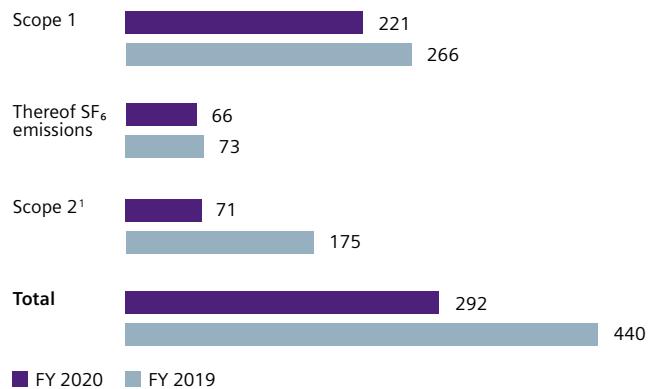
Indirect greenhouse gas emissions refer to the consumption of purchased electrical energy and district heating.

In fiscal year 2020 we achieved to reduce our scope 1 and 2 emissions by around one third or 148,000 metric tons. The main levers were the increase of renewable electricity share, some energy efficiency projects as well as COVID-19 related impacts on our global operations.

### Scope 1 and 2 emissions

1000 metric tons of CO<sub>2</sub> equivalent

FY 2020



<sup>1</sup> We calculate our emissions resulting from electrical consumption based on carbon emission factors of our local sites according to the market-based approach.

### Atmospheric Pollutant Emissions

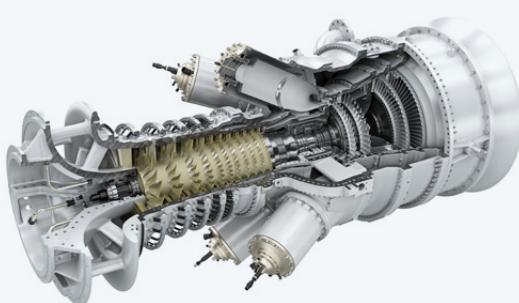
Other atmospheric pollutant emissions also have negative impacts on the environment. These include Volatile Organic Compounds (VOC) and Ozone Depleting Substances (ODS). VOC contribute to the formation of ozone close to the earth's surface. The types of substances and materials that are in use and contain organic compounds include: solvents, paints and adhesives. ODS are monitored to comply with the Montreal Protocol, the international convention on the protection of the ozone layer, as well as with country-specific regulation. The volume of emissions from the use of volatile organic compounds during the reporting period equates to 434 metric tons. The volume of emissions from the use of ozone depleting substances during the reporting period equates to 0.013 metric tons.

In calculating nitrogen oxides, we have assumed typical combustion conditions in the relevant thermal processes, resulting in a figure of 74 metric tons for environmentally relevant locations in the year under review. The figure includes nitrogen oxides released during the incineration of fuels reported in the section on primary energy.

## Supply Chain

As an important part of the value chain, we encourage our suppliers to take action to protect the climate. Carbon reduction is already part of our suppliers' supply chain management and we therefore continue to encourage them to redouble their efforts.

In 2020, we initiated a Carbon Reduction@Suppliers pilot project, cooperating with an external service provider who had worked with Siemens AG to develop an economic model that identifies the CO<sub>2</sub> footprint of all suppliers. Based on this model, Siemens Energy encouraged 35 global focus suppliers to share their implemented and planned CO<sub>2</sub> reduction measures. 80% of the suppliers we surveyed responded to our Carbon Web Assessment. This confirms their awareness of and interest in the matter, as they outline CO<sub>2</sub> reduction measures already implemented and further plans for the upcoming years. After analyzing the data and methodology and evaluating the lessons learned, we plan to further develop our approach to reduce emissions in collaboration with our suppliers.



## Power-to-X-to-power hydrogen gas turbine demonstrator

A consortium made up of Engie Solutions, Siemens Energy, Centrax, Arttic, German Aerospace Center (DLR) and four European universities are implementing the Hyflex Power project funded by the European Commission. This industrial-scale power-to-X-to-power demonstrator with an advanced hydrogen turbine will be launched at Smurfit Kappa PRF's site, France (manufacturing of recycled paper). The purpose of this project is to prove that hydrogen can be produced and stored from renewable electricity and then added with up to 100 percent to the natural gas currently used with combined heat and power plants. For this, an existing Siemens Energy SGT-400 industrial gas turbine will be upgraded to convert stored hydrogen into electricity and thermal energy.

## Lighthouse project for responsible CO<sub>2</sub> offsetting

SGRE has invested in the development of offset projects focusing on renewable energy in order to balance its carbon footprint. The wind power project Bii Nee Stipa in Oaxaca, Mexico, was registered as a recognized example of a Clean Development Mechanism (CDM) under the United Nations Framework Convention for Climate Change (UNFCCC). In fiscal year 2020, SGRE voluntarily cancelled Certified Emission Reductions (CERs) on behalf of the Bii Nee Stipa project where energy could not be reduced or renewables could not be sourced.

SGRE plans to engage more with key suppliers to encourage them to reduce their Scope 1 and Scope 2 emissions related to products and services they supply to SGRE. It has sharpened its focus on sustainable business practices in supplier selection and performance management, for example urging logistics companies, in particular marine and terrestrial companies, to move away from fossil fuels in their activities.

## Effects of COVID-19 on climate change

The COVID-19 pandemic and the resulting lockdown measures have significantly reduced electricity demand, which has in turn affected the power mix, causing a shift toward renewables across all major regions due to the low operating costs and priority access to the grid, according to the International Energy Agency (IEA).

The flip side, however, is the curbing of investment and the threat of a slowdown in the expansion of key clean energy technologies. According to the IEA, governments need to take the lead in pursuing structural reductions in emissions through smart, sustained and ambitious policies to accelerate the development and deployment of a full range of clean energy solutions. Job creation and modern, resilient and clean energy systems are to be placed at the heart of governments' stimulus plans. (Source: IEA)

In addition to our focus on Decarbonization, we have defined several focus topics under the area of "Responsible Operations" within our Sustainability Program. In the following chapters, we will elaborate further on each of those focus topics.

# Responsible operations

- 30 Conservation of resources
- 34 Product stewardship
- 37 Sustainable supply chain management
- 41 Anti-corruption and integrity
- 47 Human rights
- 51 Working at Siemens Energy
- 58 Occupational health and safety
- 62 Societal engagement

# Conservation of resources

We are committed to promoting the sustainable use of resources, fostering a culture of respect for the environment and substantially reducing our environmental footprint.



- Focus on energy efficiency, emissions, water and waste
- Management systems certified to ISO 14001 and ISO 50001 at our locations
- Commitment to biodiversity on site

Protecting our environment, conserving scarce resources and improving energy and resource efficiency in our operations are key business strategies and practices for Siemens Energy. Our goal is to continuously develop and implement energy reduction and efficiency measures across our offices, production and project sites. We also strive to reduce emissions that are generated as a result of our business activities.

We work to meet the growing number of environmental protection requirements and standards around the world. With the help of our EHS management systems, which are founded on the requirements of the ISO 14001 standard, we aim to comply with applicable laws, regulations and stakeholder expectations. Biodiversity also plays an important part in the sustainability of ecosystems. At Siemens Energy locations around the world, employees are committed to preserving biodiversity and creating a safe environment for plants and animals.

Excellence in environmental protection has both a direct and an indirect impact on the achievement of the SDGs. Through our activities and management systems, we contribute directly and indirectly to SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", SDG 12 "Responsible Consumption and Production", and SDG 13 "Climate Action".

For information on our emissions, please refer to the chapter [Decarbonization](#).

## Serve the Environment program and environmental management standards

The focus at Siemens AG on the conservation of resources is driven by its "Serve the Environment" (StE) program and was still relevant to Siemens Energy throughout fiscal year 2020. For the Gas and Power segment of Siemens Energy, the StE program provides a foundation on which to meet the growing number of environmental protection requirements of our customers and strengthen our position as a sustainable company. The main objectives were focused on improving environmental performance in the areas of energy, air, water and waste, including:

- Increased energy efficiency by using energy management systems at sites and adapting the purchasing strategy
- Controlling air-pollutant emissions by replacing Ozone Depleting Substances (ODS) and reducing solvents
- Implementation of local water strategies and risk analysis
- Zero waste to landfill by consistently preventing landfill waste and reducing waste materials.

In both reporting segments, Gas and Power and SGRE, environmental management standards are applicable on both an international and a local basis and are founded on the ISO 14001 and 50001 standards. The objective of these standards is to improve environmental performance and increase energy efficiency.

72 Gas and Power locations have environmental management systems in place and are certified to ISO 14001 (FY 2019: 72), and 24 have energy management systems in place and are certified to ISO 50001 in fiscal year 2020 (FY 2019: 26).

Other locations both in Gas and Power and SGRE are either working toward the implementation of the ISO 50001 standard or alternatively have demonstrated energy efficiency, management and improvement practices through independent assessment and verification.

### Transparency of resource use

#### Waste

The environmental relevance of waste depends upon the type of waste and the methods used to dispose of it. Both our reporting segments Gas and Power and SGRE, distinguish between hazardous, non-hazardous and construction waste. Hazardous and non-hazardous waste are each further divided into recyclable waste and waste for disposal. Waste from construction or demolition work is reported separately, as this type of waste material arises independently from production.

Waste (1,000 metric tons)	Fiscal year	
	2020	2019
Non-Hazardous waste	121	122
Hazardous waste	19	17
Construction waste <sup>1</sup>	6	6
<b>Total</b>	<b>146</b>	<b>145</b>

<sup>1</sup> Without SGRE.

	Fiscal year	
Waste recycling and disposal <sup>1</sup> (1,000 metric tons)	2020	2019
Recycled and recovered waste	110	114
Waste to Landfill	31	25
<b>Total</b>	<b>140</b>	<b>139</b>

<sup>1</sup> Excluding construction waste.

	Fiscal year	
Recycling and recovery rate (in %)	2020	2019
Share of recycling and recovery in total waste <sup>1</sup>	78	82

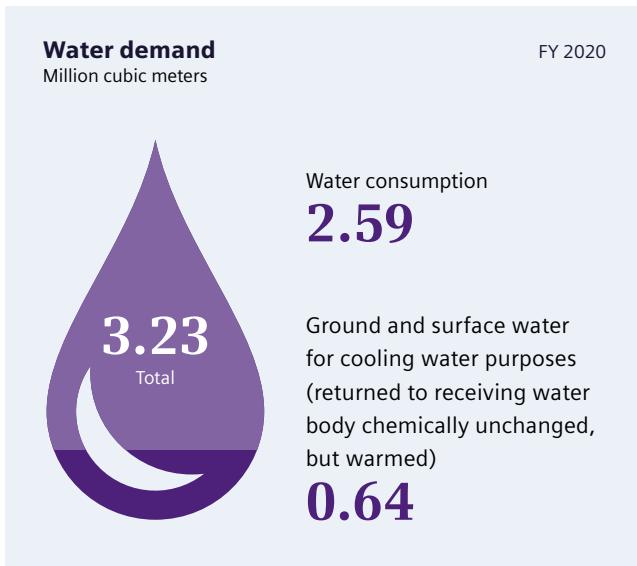
<sup>1</sup> Excluding construction waste.

#### Water

Water consumption is predominantly related to manufacturing centers and office facilities in both reporting segments Gas and Power and SGRE. Opportunities to reduce water usage and consumption are managed directly by each location.

Siemens AG developed its water strategy with the aim of reducing the local negative impact of water use. The strategy takes into account factors such as water stress, water pollution and flooding. Water is and will remain an important topic for Siemens Energy. We will develop our water strategy, which likewise takes into account factors such as water stress, water pollution and flooding.

At Siemens AG, environmentally relevant sites use the Global Water Tool of the World Business Council for Sustainable Development (WBCSD) business association and locations that are now part of Siemens Energy had been included. The adoption of the Global Water Tool as part of our water strategy is a valuable option.



Wastewater from our facilities and manufacturing processes amounts to 3.11 million cubic meters.

Wastewater (Million cubic meters)	2020	Fiscal year 2019
Wastewater from employee facilities	1.24	1.52
Wastewater from manufacturing processes	0.31	0.33
Other (Incl. losses)	0.55	0.53
Conditioned cooling water discharged as wastewater	0.36	0.20
<b>Total wastewater without chemically unchanged cooling water</b>	<b>2.47</b>	<b>2.58</b>
Cooling water (returned to receiving water body, chemically unchanged, but warmed)	0.64	0.80
<b>Total</b>	<b>3.11</b>	<b>3.38</b>

At Siemens Energy, the volume of water consumed over the reporting period equates to 3.23 million cubic meters.

Water demand (Million cubic meters)	2020	2019
Water consumption	2.59	2.67
Ground and surface water for cooling water purposes (returned to receiving water body chemically unchanged, but warmed)	0.64	0.80
<b>Total</b>	<b>3.23</b>	<b>3.46</b>



Siemens Energy takes measures like roof greening and insect-friendly meadows to improve biodiversity at its own sites.

## Biodiversity

Siemens Energy uses natural resources (water, fuels and materials) at its offices, production and project sites. This interaction with the environment could introduce negative impacts on local ecosystems, habitats and species.

Maintaining biodiversity is part of our environmental management systems and reflects upon how our work activities can be performed in a sustainable way, thereby allowing coexistence with habitats and species, conservation of the environment and the protection of natural resources.

Environmental impact assessments are used as part of the environmental management system to establish potential impacts that are related to our business activities. The assessment identifies potential impacts based on impact severity and probability, providing information for management action and opportunities for improvement.

In the reporting period, Siemens AG gathered information from its locations, including locations that are now part of Siemens Energy, and reported measures that have contributed to improving biodiversity at its locations and sites in fiscal year 2020. In addition, local biodiversity initiatives have been identified by our employees and are supported by Siemens Energy. Examples include nesting boxes for wild bees, insect-friendly meadows, supporting bird-nesting, several tree plantings at sites, roof greening measures and the creation of nature pools.

## Environment-related incidents

During the fiscal year 2020, there were no significant environmental incidents related to Siemens Energy (FY 2019: three).

Environmental incidents resulting from our business activities can cause damage to our natural environment and surroundings. As a company, we will investigate, assess and derive measures that will prevent such incidents from happening again.



## What's the Buzz? – "Bee"ing creative in Charlotte

In North America, as in many countries around the world, the population of bees is dropping. However, bees are an important part of the earth's ecosystem.

Our colleagues in Charlotte, North Carolina, therefore started using the Siemens Energy Generator and Turbine Plant site to host beehives on the 172 hectare property. A professional beekeeper installed several boxes which house nine bee hives to encourage pollination in the local ecosystem and promote environmental stewardship.

The honey is harvested and packaged by the Mecklenburg County Bee Society and offered for purchase to Siemens Energy employees. In the future more hives will be hosted in order to continue the active engagement of Siemens Energy for ecosystems and biodiversity.

# Product stewardship

We assess the environmental impact of our products throughout the value chain and derive improvement measures to reduce negative impacts.



- **Use of Life Cycle Assessments to quantify environmental impacts**
- **Communication of environmental performance in environmental product declarations**
- **Cross-functional material compliance approach to ensure transparency**

Siemens Energy takes responsibility for the impact of its products on health, safety and the environment by identifying and reducing any potential adverse impacts throughout the product life cycle. Our approach to product stewardship will focus primarily on environmental aspects and the optimum use of resources within product development and design, production, operation, service and end of life. Wherever possible, we will partner with suppliers, contractors, and customers to meet this key business requirement.

As a UN Global Compact participant, Siemens Energy is committed to promoting greater environmental responsibility and encourages the development and diffusion of environmentally friendly technologies. In this regard, our product stewardship activities are also linked to the achievement of SDGs, especially SDG 12 "Sustainable Consumption and Production," which aims to achieve economic growth and sustainable development by establishing sustainable consumption and production patterns.

We will adapt and further develop the Siemens AG approach for environmental risk management and identification of mitigation measures regarding for example, energy consumption and efficiency, air emissions, noise, water conservation, waste management,

hazardous materials management, and physical, chemical and radiological hazards. Our approach will be founded on the minimum standards set by the International Finance Corporation (IFC) EHS guidelines and ESG criteria.

Customers, developers and manufacturers are provided with user and service manuals that describe the safe use of products, functionality and product maintenance requirements.

## **Siemens AG's Product Eco Excellence program as a basis for our future approach**

Within Siemens AG, the "Product Eco Excellence" (PrEE) program provided the central framework for all product stewardship activities. The program delivered added value to our business, our customers and the environment with the aim of producing products with less environmental impact. PrEE laid the foundations for good cooperation with suppliers and improved customer satisfaction.

Our reporting segment Gas and Power will derive its own approach founded on the principles of the Siemens AG PrEE program and the ISO 14001 management system standard, with individual approaches for the businesses. The approach will be supported by the Environment, Health and Safety, Quality and Security Center of Excellence. Customer requirements and related resource requirements will be assessed in each business and coordinators for product-related topics will be appointed.

At SGRE, product stewardship is set up similarly. Environmental aspects of products are central characteristics in this process. Everyone involved in the product's lifespan is expected to take responsibility for reducing any potential adverse impacts. This happens via environmental criteria in product design based on Life Cycle Assessments, environmental product declarations, component upgrades and lifetime extension as well as recycling. SGRE engages with suppliers, contractors and customers to support its efforts where possible.

### **Life Cycle Assessments and Environmental Product Declarations**

To achieve optimal use of resources, both Gas and Power and SGRE adopt a sustainable management approach over the entire product life cycle by conducting Life Cycle Assessments (LCAs) and publishing Environmental Product Declarations (EPDs).

For Gas and Power, the LCA and EPD approach is managed globally by the Environment, Health and Safety, Quality and Security Center of Excellence and is closely linked to organizational teams dealing with product-related environmental protection. We aim to ensure that we meet legal requirements to avoid the use of substances and materials that have harmful effects on humans and the environment.

The results from LCAs are used to:

- Identify opportunities to improve environmental performance within the design and manufacturing processes.
- Communicate environmental performance to internal and external stakeholders.

Findings from LCAs help us improve processes like internal production and material selection. With a focus on manufacturing, Additive Manufacturing (AM) is emerging as a key means of producing parts and components in a resource-efficient and in turn environmentally friendly way. AM technology boasts a wealth of benefits, from significantly lowering the quantity of resources needed during the production process to time savings, greater flexibility in design and reduced greenhouse gas emissions.

Additionally, we evaluate scenarios based on customer-specific boundary conditions and derive optimal solutions with the lowest environmental impacts.

To increase transparency and to facilitate a dialogue with our customers and stakeholders, Siemens Energy uses EPDs that are based on the following ISO standards:

### **Fundamental reporting principles**



- ISO 14021 for Type II product declarations and labels which address environmentally relevant information for customers.
- ISO 14025 for Type III product declarations and labels which are built upon the results of LCAs.

We continuously review our LCAs and EPDs. The table below provides a summary of the number of LCAs (full scale and screening) and EPDs (Type II and Type III).

September 30

Number of LCAs and EPDs	2020	2019
LCAs (full scale) <sup>1</sup>	82	81
LCAs (screening) <sup>2</sup>	12	12
EPDs	77	75

<sup>1</sup> Full scale LCAs adopt a comprehensive approach, covering the environmental impacts over the entire life cycle.

<sup>2</sup> Screening LCAs cover environmentally relevant parts or phases of a product life cycle.

## Material compliance

We engage with our suppliers and contractors through the supplier assessment and qualification process and as part of the design and manufacturing processes to implement legal requirements, such as REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances).

The nature and quantity of substances and materials used in products are increasingly important, especially when they are reused and recycled. Siemens Energy uses a globally standardized materials and substances register that is founded on the Siemens AG "List of Declarable Substances" (LoDs). The list identifies any substances that need to be declared for each product. As part of the Siemens Energy supplier assessment and qualification process, suppliers are required to identify whether any of their products, components and/or compositions contain substances that are currently registered on the LoDs. Suppliers need to provide a detailed declaration should any such substances be used within their design and manufacturing activities.

For Gas and Power, a new cross-functional material compliance approach has been launched together with supply chain management which aims in order to increase transparency over the substances in our products during supplier qualification both for products and projects. The approach focuses on compliance with substance management and the development

and adaptation of existing processes to improve the collection and collation of product declarations aiming to cover the entire value chain. Based on existing best practices, we are able to make the required declarations available to our customers and aim to further optimize this process across the entire organization.

Within its substance management process, SGRE also evaluates requests for the use of new chemical products against the SGRE defined List of Prohibited Products and List of Restricted Products.



For a sustainable product design, the entire life cycle of a product must be considered

## Critical materials

The European Commission has published a list of critical raw materials that is subject to regular review and updating. The primary purpose of this list is to identify those raw materials that have a high supply risk and are of a high economic importance. Accordingly, the European Commission has established criteria that are to be applied to various products, regulated under the Ecodesign Directive and forming part of the circular economy approach.

At Siemens Energy, a significant amount of materials and substances are used in its products, manufacturing, and services. The selection of materials used in product development is of great importance and decisions that we take today have an impact on future business risks such as legal, environmental, health and safety risks and the scarcity of resources.

We aim to comply with internal policies, legal requirements and customer requirements regarding substance declarations and reporting by establishing a pro-active substance management process linked to all relevant business processes.

# Sustainable supply chain management

Based on the four elements of productivity, quality, availability and innovation, our goal is to play our part throughout the value chain.



- Supply chain management contributes to the company's success
- Sustainability criteria are anchored in supplier management
- 60 external sustainability audits conducted in the reporting period

A company's activities along its supply chain impact human rights, labor practices, anti-corruption or environmental issues such as climate change. Supply chain management (SCM) therefore plays an integral role in our undertaking to firmly anchor sustainability throughout the entire value chain. Siemens Energy can contribute in particular to achieving the UN SDGs, for example by giving consideration to sustainability criteria in the selection, qualification, assessment and development of its suppliers. Siemens Energy can make the biggest contribution to SDG 8 "Decent Work and Economic Growth" and SDG 12 "Responsible Consumption and Production", as regards labor conditions among other things, because it considers the entire product life cycle and upstream production processes. The UN Global Compact also recognizes that the supply chain plays a "key role for respect of human rights, fair working conditions, advances in environmental protection, and the fight against corruption".

As a member of the UN Global Compact, Siemens Energy is committed to fulfilling its binding principles in its supply chain. With regard to climate protection within

our supply chain, for example, we have initiated a pilot project to increase transparency over our carbon emissions see chapter [Decarbonization](#).

In this context, our SCM activities can make a significant and lasting contribution to our company's success. This contribution is based on four pillars: productivity, quality, availability and innovation. We have a global network of approximately 30,000 suppliers. In fiscal year 2020, Siemens Energy purchased goods and services valued around €17.7 billion (FY 2019: €18.1 billion) from other companies, which accounts for almost two thirds of our total revenue.

Within our supply chain, we saw some COVID-19-related effects on business in the reporting period, such as delayed material deliveries. We have set up a task force to ensure transparency over the risks associated with COVID-19 in the Siemens Energy supply chain. One key measure included the implementation of a dashboard that provides the supplier status as regards delivery capability at all levels of Siemens Energy organizations. Close collaboration with sales, procurement, manufacturing locations and our suppliers eliminates major disruption in our supply chain, as we have established a more flexible manufacturing process for our products and project installations to address potential delays in material deliveries.

## Binding Code of Conduct for suppliers

To anchor sustainability in our supply chain, we expect all of our suppliers to make a clear commitment to the requirements of the Siemens Group Code of Conduct for Suppliers and Third Party Intermediaries (Code of Conduct), which is based on the Business Conduct Guidelines and the Principles of the UN Global Compact. The Code of Conduct was adopted by Siemens Energy by October 1st 2020.

The Siemens Code of Conduct and the company-wide, mandatory requirements and processes based thereon enable the specified environmental, compliance and labor standards to be effectively established across all countries of operations. The Code includes the following requirements:

- Human rights and labor practices, including (beside others)
  - Prohibition of forced labor,
  - Prohibition of child labor,
  - Health and safety of employees
  - Grievance mechanism
- Environmental protection
- Fair operating practices, including (beside others)
  - Anti-corruption and bribery
  - Anti-money laundering, terrorism financing
  - Data privacy
- Responsible minerals sourcing
- Compliance with the Code of Conduct in our own supply chain

Similarly, SGRE requires its suppliers to comply with its Code of Conduct for suppliers and third-party intermediaries to enable an ethically responsible business culture throughout its supply chain, which is in line with the SGRE principles and values according to its Business Conduct Guidelines and its Global Corporate Social Responsibility Policy. The standards established thereby shall ensure that the working conditions in the supply chain are safe, that workers are treated with respect and dignity, and that business operations with suppliers are ethically, socially and environmentally responsible.

## Comprehensive supplier management

The supplier management process in place at Siemens Energy provides an extensive range of procedures and tools to enable transparency and awareness with regard to expenses, supplier data and related risks and opportunities in the supply chain. It helps managers to fully leverage the potential of our supplier network. Central aspects of the Gas and Power process include applying strict criteria for supplier selection and qualification. These include elements such as financial stability, quality and availability together with overriding sustainability criteria.

We also introduced a risk analysis system to systematically identify potential risks in our supply chain. The cornerstones of this system are:

- Identification of risks and categorization of commodities;
- Introduction of risk levels for individual countries. These are determined using sustainability indicators for key areas such as compliance with laws, bribery and corruption, human rights in the workplace, child labor, etc. Here, we make use of information supplied by internationally recognized organizations;
- Including different strategic measures, for example special preparation of projects with large, local procurement volumes.

SGRE has implemented a corresponding supplier management process for supplier selection and qualification.

## Sustainability performance measurement

Following this risk-based analysis, we have implemented supplier self-assessments and risk assessments conducted by our procurement organization, and sustainability audits conducted by external auditors.

Corporate responsibility self-assessments (CRSA) are part of the supplier qualification process that is regularly reviewed and updated as necessary to reflect new standards and regulations. New potential suppliers undergo a qualification process, while existing suppliers are reevaluated every three years. Compared with fiscal year 2019, the number of CRSA increased by 25% to 1,373 conducted self-assessments. This can be mainly explained with our ambition to increase our supplier qualification rate where CRSA are one major module.

### Corporate Responsibility Self-Assessments (CRSA)<sup>1</sup>

Number	2020	Fiscal year 2019
Europe, C. I. S., <sup>2</sup> Africa, Middle East	395	430
Americas	301	258
Asia, Australia	677	410
<b>Total</b>	<b>1,373</b>	<b>1,098</b>

### Agreed upon improvement measures<sup>3</sup>

Legal Compliance/prohibition of corruption and bribery	201	47
Respect for the basic human rights of employees	109	38
Prohibition of child labor	— <sup>4</sup>	12
Health and safety of employees	79	27
Environmental protection	103	113
Supply chain	28	8
Responsible minerals sourcing	14	— <sup>5</sup>
<b>Total</b>	<b>534</b>	<b>245</b>

<sup>1</sup> To be conducted mainly by suppliers from non-OECD countries with a purchasing volume > €50,000 p. a. Questionnaires initiated and completed in the year under review.

<sup>2</sup> Commonwealth of Independent States.

<sup>3</sup> Improvement measures agreed with suppliers relate either to actual deviations from the Code of Conduct for Suppliers and Third Party Intermediaries or to structural improvements to management systems and the lack of specific processes and guidelines at the supplier.

<sup>4</sup> Integration of category "Prohibition of child labor" into category "Respect for the basic human rights of employees".

<sup>5</sup> Introduction of category "Responsible minerals sourcing" in fiscal year 2020.

Supplier quality audits include questions about sustainability that cover all aspects and requirements of the Code of Conduct. In fiscal year 2020, we conducted 334 on-site audits worldwide. The decrease compared to 614 supplier quality audits in fiscal year 2019 is due to COVID-19 and the related travel restrictions so as to protect our employees.

### Supplier quality audits with integrated sustainability questions

Number	2020	Fiscal year 2019
Europe, C. I. S., <sup>1</sup> Africa, Middle East	149	270
Americas	70	182
Asia, Australia	115	162
<b>Total</b>	<b>334</b>	<b>614</b>

<sup>1</sup> Commonwealth of Independent States.

We see external sustainability audits as the most effective means of reviewing our suppliers' sustainability performance. They are performed by one of our external audit partners and used as a control mechanism for suppliers assigned to a high-risk exposure. For monitoring purposes, audits can be repeated or follow-up audits can be performed by our external audit partners. The responsible procurement departments at Siemens Energy may also agree on a series of remedial steps with the supplier. Throughout the process, we remain committed to the partnership with our suppliers and to helping them improve. However, if problems persist and/or the suppliers do not show a willingness to take necessary corrective action, we remove them from our list of approved suppliers.

### Supplier sustainability assessments



In fiscal year 2020 Siemens Energy conducted 60 external sustainability audits. Given the impact of COVID-19, this number decreased compared to 84 conducted audits in fiscal year 2019.

External sustainability audits (ESA)	Fiscal year	
	2020	2019
Europe, C. I. S. <sup>1</sup> , Africa, Middle East	5	20
Americas	5	6
Asia, Australia	50	58
<b>Total</b>	<b>60</b>	<b>84</b>

Agreed upon improvement measures <sup>2</sup>	2020	2019
Legal Compliance/prohibition of corruption and bribery	241	306
Respect for the basic human rights of employees	486	562
Prohibition of child labor	20	25
Health and safety of employees	590	704
Environmental protection	36	31
Supply chain	58	84
<b>Total</b>	<b>1,431</b>	<b>1,712</b>

<sup>1</sup> Commonwealth of Independent States.

<sup>2</sup> Improvement measures agreed upon with suppliers relate either to actual deviations from the Code of Conduct for Suppliers and Third Party Intermediaries or to structural improvements to management systems and the lack of specific processes and guidelines at the supplier.

Our “Central Warning Message” process shall also ensure a faster, more efficient response to violations of the requirements of the Code of Conduct. All local instances of blocked suppliers are reported to Corporate SCM, where the need for a worldwide block is discussed and decided.

SCM and EHS (environment, health and safety) experts have jointly developed and implemented a special selection process for suppliers that mainly carry out service business for Siemens Energy. In this process, EHS experts must first review and confirm the responses given by the potential contractors in specific questionnaires containing occupational health and safety questions before these can be included in our supplier base and contracted.

## Responsible minerals sourcing

Siemens Energy is committed to preventing the use of minerals from conflict-affected and high-risk areas in its supply chain that are affected by the risks defined in Annex 2 of the OECD "Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas".

Siemens Energy has adopted Siemens AG’s “Responsible Minerals Sourcing Policy” (formerly “Conflict Minerals Policy”) and integrated its requirements into its procurement process. This policy provides a uniform, group-wide supply chain management standard in this area and follows the risk-based requirements of the OECD Due Diligence Guidance. To determine the use, sources and origin of these minerals in our supply chains, we investigate the smelters involved. Siemens Energy is planning to continue Siemens AG’s active membership in the Responsible Minerals Initiative (RMI), which provides audit programs for smelters. Over 380 industrial companies are part of the RMI.

When surveying our approximately 1,500 (FY 2019: 2,100) relevant suppliers, we use the RMI’s “Conflict Minerals Reporting Template” (CMRT) to obtain the necessary information regarding the smelters in our supply chain involved in the production of tin, tantalum, tungsten and gold (3TG).

The findings on the identified smelters are sent to the RMI partners. The RMI then verifies whether the smelters found are certified. Siemens Energy is actively involved in the “Responsible Minerals Assurance Process” and encourages uncertified smelters to take part in audit programs. Siemens Energy supports them throughout the process up until the final audit and certification. The results of the audits are made available on the [RMI website](#).

Based on risk sources identified by the European Union, which cover armed conflicts, weak governance and human right abuses, Siemens Energy also conducts a specific mineral risk assessment in order to identify other relevant minerals above and beyond 3TG. As a result, cobalt is now integrated into the Siemens Energy due diligence processes.

The RMI developed an additional audit standard and reporting template for cobalt (CRT), and Siemens Energy conducted its first supply chain due diligence for cobalt in addition to its 3TG due diligence in the reporting period, focusing on its battery suppliers.

# Anti-corruption and integrity

Siemens Energy continuously maintains and develops its compliance system. In this way, we want to ensure that our values and reputation are protected.



- Compliance is essential for sustainable business success
- Zero tolerance of violations of applicable laws and internal regulations
- Our premise: Only clean business is Siemens Energy business

Siemens Energy operates globally with customers from a wide range of industries in the private and public sectors. Therefore, we are confronted with complex regulatory requirements. In this context, Siemens Energy pursues a zero-tolerance approach toward corruption, violations of the principles of fair competition and other breaches of the law. When such cases do occur, we take immediate action.

For us, compliance means much more than adhering to laws and internal regulations described in the Siemens Energy Business Conduct Guidelines. Compliance is the basis for all our decisions and activities, and it is the key to integrity when conducting business. Our premise is this: Only clean business is Siemens Energy business. This applies worldwide and at all levels of the organization. In addition to combating corrupt behavior and violations of competition and export-control law, the Compliance department protects our company against fraud and money laundering, and safeguards personal data and [Human rights](#).

Consequently, compliance is a top management priority at Siemens Energy. The Legal and Compliance department falls directly under the purview of our CEO and reports directly to him. The Siemens Energy Chief

Compliance Officer has direct access to the Executive Board and reports regularly on compliance matters.



Furthermore, Siemens Energy supports international organizations that strengthen responsible business practices. We support the enactment of the United Nations Convention against Corruption and the Anti-Bribery Convention of the Organisation for Economic Co-operation and Development (OECD). Moreover, we contribute to the achievement of the SDGs. SDG 16 “Peace, Justice and Strong Institutions” is a call to companies to dramatically reduce bribery and corruption in all their forms. This in turn promotes fair competition – something which benefits innovation-driven companies like Siemens Energy. Anti-corruption measures combined with strong compliance systems protect companies as well as their employees and shareholders from the risk of possible misconduct. Countries, regions and their populations can also benefit greatly from stopping corruption. Since corruption impedes economic growth and consequently hampers sustainable social development, steps taken to combat it can contribute to the achievement of all SDGs.

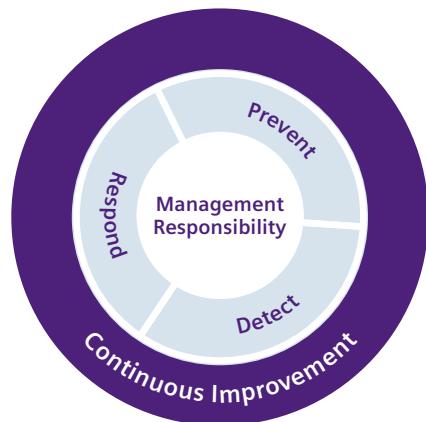
## The compliance system is essential for a company-wide zero-tolerance effort

Siemens Energy pursues a zero-tolerance maxim of violations of applicable laws and internal regulations. That approach requires continuous effort to maintain and develop its holistic compliance system, consisting of measures to ensure that business is always carried out in full accordance with the law as well as our internal principles and rules.

Siemens Energy's compliance approach is based on the three levels of action "prevent, detect, respond", centering around management's responsibility, and comprising focus areas such as Anti-Corruption, Anti-Money Laundering, Antitrust, Data Privacy, Export Control and Human Rights. Gas and Power and SGRE have each in turn implemented a compliance system and Business Conduct Guidelines of their own.

**Preventive measures** include the Siemens Energy training program, communication channels such as our "Speak Up" reporting system and ombudsperson, compliance risk management, guidelines and procedures such as the Siemens Energy Business Conduct Guidelines.

Those Business Conduct Guidelines lay the foundations for internal regulations. They also give expression to the values, compliance-related responsibilities and behavioral framework for all managers, employees and Executive Board members worldwide.



Internal investigations are essential for **detecting** and clarifying misconduct. Unambiguous **responses** and clear consequences serve to punish misconduct and eliminate weaknesses. The responsibility all managers bear for compliance is the overarching element above these three levels.

We continuously adapt and improve our compliance system to mitigate challenges and risks arising from changing market conditions and inherent in our business activities. Unforeseen incidents, such as COVID-19, are analyzed and managed within our compliance system.



Every single employee makes a valuable contribution in adhering to our compliance guidelines

## Holistic implementation of the compliance system

Siemens Energy compliance combines strong central governance with the work of qualified compliance officers who ensure that the compliance system is implemented worldwide. They work closely with employees and managers who assume personal responsibility for compliance in their respective areas.

This responsibility does not lie solely with executive management. Rather, the entire management team is required to stand for our commitment to compliance and ensure that all business decisions and activities that fall within their remit are conducted in conformity with the relevant legal requirements and follow our own values and company policies. We also expect upper and middle management as well as our employees to demonstrate a strong commitment to compliance. Compliance and integrity are thus deeply rooted in our corporate culture. In order to obtain direct feedback from our employees, regular surveys are conducted on the subject of integrity. The next survey is planned for the fiscal year 2021.

## Compliance priorities in fiscal year 2020

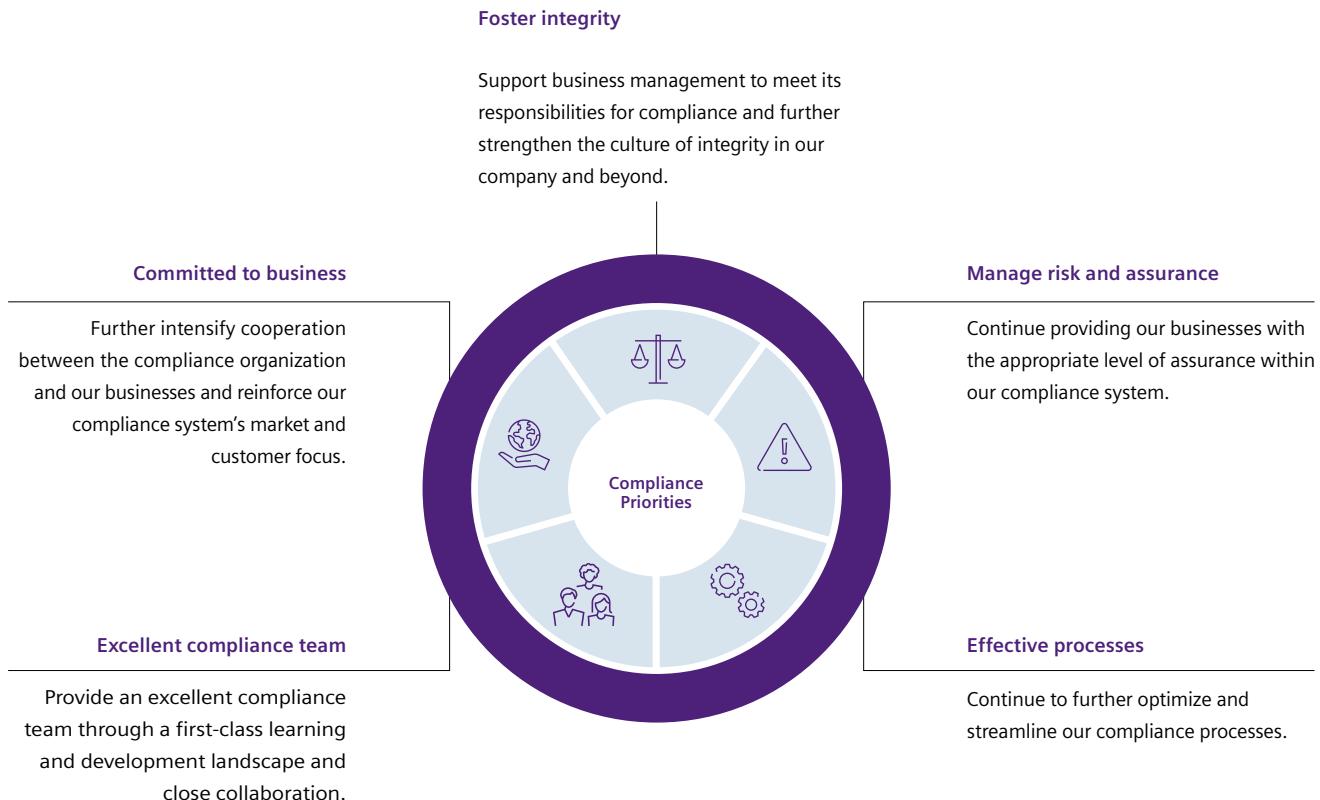
Our compliance priorities form the basis for the constant development and improvement of our system. All compliance employees are actively encouraged to contribute to the ongoing development of the compliance system and in fact have an obligation to do so. Our compliance priorities are defined as shown in the diagram below and aligned annually with changing requirements.

## Compliance training program

Our global compliance training program requires all managers and employees in positions with a specific risk profile to complete compliance training. The compliance officers of the relevant company units identify these managers and employees whose participation is required and ensure that they attend the training sessions. They monitor and confirm compliance with these requirements at regular intervals.

Our global compliance training program consists of classroom and e-learning courses. The global integrity dialogs conducted each year are designed to highlight

## Compliance priorities



the central importance of integrity and compliance at Siemens Energy. This initiative provides a forum for managers to engage in an exchange of ideas about current compliance issues with their teams. It also gives them the opportunity to make use of brief “integrity moments” that can be communicated by management at regular meetings or through other channels.

The objective is to permanently maintain awareness of compliance issues. This begins with induction for new hires, further training and refresher courses, and extends to continuous reinforcement of the culture of integrity by managers.

### Compliance risk management

At Siemens Energy, a reliable compliance risk analysis is the key to the success of our corporate strategy and planned business objectives. By identifying risks early, we are able to make informed decisions on how best to avoid or mitigate them. Bottom-up and top-down activities, business processes and tools are designed and integrated so that we can rapidly and consistently identify potential risk scenarios and take appropriate action. This enables the compliance organization to help the company achieve its goals. In this context, the regular Compliance Risk Assessment (CRA) was conducted for Gas and Power and separately for SGRE in fiscal year 2020. The risks identified in the process were addressed through local and central measures.

Compliance risk management is an integral part of the company-wide enterprise risk management (ERM) program that creates further transparency throughout the risk environment.

Each business unit and region assesses its business risks in relation to compliance risks, for example anti-corruption, antitrust, export controls, money laundering, data protection and human rights. The risks identified in the individual units worldwide are then incorporated into an analysis at Group level that is supplemented by additional information from internal data sources to derive a complete compliance risk overview. On top of this, monitoring to identify new and emerging risks is performed through an interdisciplinary exchange at regular risk identification meetings and workshops.

### Collaboration with business partners

Under certain circumstances, Siemens Energy can be held legally responsible for the actions of its business partners. We counter this risk by taking a comprehensive approach to selecting our partners, by contractually obliging them to adhere to our Code of Conduct and by monitoring the ongoing collaborations.



This Code was updated and published by Siemens AG in 2020 and the content taken over by Siemens Energy. It is therefore mandatory for Siemens Energy's business partners. It is based on the 10 principles of the United Nations Global Compact. It covers legal compliance in general and our anti-corruption policies in particular, including provisions against anti-competitive practices and conflicts of interest. Our process covers the entire life cycle of the business partnership. Our compulsory company-wide Business Partner Compliance Tool supports implementation of the process and ensures documentation of relevant information and activities. We systematically harness the potential of big data using dashboards and analytics to improve risk management and the monitoring of our business partner relationships.

### Channels for reporting misconduct

At Siemens Energy, we offer all employees and external third parties protected reporting channels for reporting violations of external and internal rules. In so doing, employees and external third parties help to identify and eliminate misconduct and grievances and protect themselves and the company against risks and any damages that may result.

Circumstances that indicate a violation of external and internal rules may be reported to the following persons or entities:

- Managers
- Chief Compliance Officer
- Compliance department and Legal department
- Human Resources personnel
- “Speak Up” Hotline
- Siemens Energy ombudsperson
- Employee representatives



We ensure the effectiveness of our compliance system through continuous development

Information on possible violations can be provided confidentially and anonymously as needed. The Compliance department of Siemens Energy aims to investigate every report and takes appropriate action. We do not tolerate any retaliation against complainants or whistleblowers and have stipulated that breaches of this prohibition will be punished as compliance violations.

We respond to all allegations of possible violations of external and internal rules in accordance with the applicable formal company-wide processes. These processes take into account the presumption of innocence and the participation rights of employee representatives where required by local policy. Siemens Energy will take appropriate disciplinary action in the event of proven violations.

Siemens Energy applies the same principles to reports of wrongdoing brought forward by third parties.

### Key compliance indicators and whistleblowers

Once a compliance investigation has been completed and compliance violations have been identified, our internal processes provide guidance to ensure that appropriate action is taken in respect of the employees concerned. Consequences are evaluated and resolved through disciplinary processes at central or local level, and implementation is systematically monitored.

In fiscal 2020, 143 compliance cases requiring further inquiries or investigations were reported. We believe that the number of cases compared to 152 reported in fiscal 2019 lies within the normal range of variation, considering *inter alia* the COVID-19 pandemic. The total number of disciplinary sanctions for compliance violations in fiscal 2020 was 65.

Numbers for disciplinary sanctions in a fiscal year do not necessarily correspond to cases reported during that period: Sanctions are frequently not implemented in the same year in which the case was reported or the investigation – that follows a due process – was completed. In addition, a single case may result in multiple sanctions, or none at all.

We believe that, once again, the evidence demonstrates that our Compliance System is well-designed and being implemented effectively. Based on the nature of our businesses, the environments in which we work, and the wide range of different geographical regions, we do not regard the number of incidents as unusual.

Compliance indicators	Fiscal year	
	2020	2019
Compliance cases reported <sup>1</sup>	143	152
Disciplinary sanctions <sup>2</sup>	65	—
of which warnings	33	—
of which dismissals	30	—
of which other <sup>3</sup>	2	—

<sup>1</sup> In fiscal years 2019 and 2020, in certain countries, Siemens Energy's gas and power business was carried out under agency and distributorship agreements that were concluded between Siemens Energy and Siemens AG subsidiaries. The number of reported compliance cases in fiscal year 2020 includes eight cases related to Siemens Energy business carried out by these Siemens AG subsidiaries on Siemens Energy's behalf (fiscal year 2019: 13).

<sup>2</sup> The disciplinary sanctions reporting in FY 2019 was performed on Siemens AG level and could not be broken down to Siemens Energy level.

<sup>3</sup> Includes loss of variable and voluntary compensation components, transfer and suspension.

In fiscal year 2020, Siemens Energy is not aware that it has been convicted of any corruption, bribery, or antitrust violations.

## Achievements in fiscal year 2020

The following milestones were achieved in fiscal year 2020:

- Gas and Power and SGRE established respective stand-alone compliance systems, including relevant tools and processes. The Siemens AG compliance system served as a basis.
- To ensure that our compliance system is developed further in line with the rapidly changing business and technology environment, Siemens AG initiated a comprehensive project in cooperation with Siemens Energy. In this context, various internal compliance processes were optimized and a stronger risk focus was generated. We also started to modernize the compliance tool landscape.
- The new global and web-based Business Conduct Guidelines training had already been completed by 87% of Siemens Energy employees in the target group excluding SGRE by the end of fiscal year 2020.
- New enterprise-wide training on antitrust fundamentals was developed and introduced.

## Pushing targeted optimization

The strategic priorities in the field of compliance will guide our work in the upcoming fiscal year and define the overriding objective so as to ensure the highest level of security in compliance.

In fiscal year 2021, we will continue to enhance our business partner due diligence process, go live with compliance tools initiated in fiscal year 2020 and explore the possibilities of digitalization, including artificial intelligence and data analysis, with the aim of optimizing our risk assessment and establishing a continuous compliance monitoring system.

We will also continue to work on refining the Siemens Energy compliance system in order to tailor it even more to the individual risks and opportunities of our business and the organizational structure of Siemens Energy. It is planned to introduce further centralized continuous monitoring elements in 2021 to complement our existing compliance risk management system. Using data from defined processes and tools in addition to analyses and information from external sources will allow us to obtain a more holistic overview of compliance risks.

# Human rights

Siemens Energy considers respect for human rights to be an integral part of its responsibility as a global business.

8 DECENT WORK AND ECONOMIC GROWTH



- Commitment to leading international standards
- Respect for human rights anchored across the value chain
- Ongoing enhancement of due diligence processes

## Stakeholder expectations and our commitment to international standards

Respect for human rights is high on our and our stakeholders' agenda. Not only do the UN Sustainable Development Goals contain numerous targets related to ensuring human rights. Leading organizations such as the UN Global Compact, the Organisation for Economic Co-operation and Development (OECD), the

International Labour Organization (ILO) and the International Finance Corporation (IFC) have also issued standards that define expectations toward responsible business behavior and the protection of human rights across the value chain. Our employees, customers, shareholders, civil organizations and other stakeholders increasingly scrutinize our business practices against those standards.

Siemens Energy is a global business affecting people and the environment all around the world, especially in the course of large energy projects. We are conscious of the responsibility that this global impact brings and consider respect for human rights to be a



As a global player, Siemens Energy is responsible for ensuring that the respect for human rights is central to all business areas and activities

core element of responsible business conduct. Siemens Energy, is thus committed to ensuring respect for human rights within its spheres of influence. This goes beyond compliance with applicable laws and regulations and includes our commitment to:

- International Bill of Human Rights, consisting of:
  - Universal Declaration of Human Rights;
  - International Covenant on Civil and Political Rights; and
  - International Covenant on Economic, Social and Cultural Rights
- European Convention on Human Rights
- ILO (International Labour Organization) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, ILO Declaration on Fundamental Principles and Rights at Work (in particular, on the following topics: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and the right to collective bargaining) and fundamental freedoms
- UN Sustainable Development Goals, specifically SDG 8 “Decent Work and Economic Growth”, which we have defined as one of our priority SDGs
- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- OECD guidance on responsible business conduct and human rights
- UN Global Compact principles, to which we are a signatory ↗ [UN GC table](#).

## Identification of material human rights topics

Human rights topics that have been identified as material by Siemens AG still continue to be material for Siemens Energy. They have been selected based on a comprehensive stakeholder survey in 2019 as well as on input from external experts, business network exchanges and our experiences with critical and controversial projects. Siemens Energy is currently evaluating which existing networks Siemens Energy will continue to participate in.

Human rights in the supply chain:

- Fair working conditions
- Freedom of assembly
- Prohibition of discrimination
- Prohibition of forced labor and child labor
- Health and safety standards



We regularly review the list of material human rights topics across the value chain

Human rights in the workplace:

- Health and safety standards
- Fair working conditions
- Prohibition of discrimination

Human rights in customer projects:

- Sector-specific human rights risks
- Impact on communities
- Fair working conditions
- Prohibition of modern slavery
- Prohibition of discrimination
- Upholding human rights in occupied territories

In future, we will regularly review the list of human rights topics across the value chain. It forms the basis for our risk-based due diligence approaches.

## Anchoring our commitment

Our commitment to respect human rights is written into Siemens Energy's Business Conduct Guidelines (BCGs), with special emphasis on Siemens Energy's company values caring, agile, respectful and accountable. The BCGs are binding on all executives and employees worldwide, who have to actively accept them and are being trained in their content via mandatory web-based training sessions. In the reporting period, the Siemens AG BCGs were applicable. On October 1, Siemens Energy released its own BCGs, keeping the essence of the Siemens AG guidelines. In the course of fiscal year 2021, all employees will be required to accept the BCGs anew and undergo the related training.

SGRE has also firmly established its commitment to respect human rights in its Business Conduct Guidelines and formalized the Group's commitment to absolute respect for human and labor rights in its Human Rights policy.

In the reporting period, the approach to addressing human rights, including progress and challenges, was regularly discussed on the Siemens AG Sustainability Board. The Supervisory Board of Siemens AG was also briefed on the challenges that arose in protecting human rights as well as on the areas of focus. The management of Siemens Energy will likewise devote time and effort to this topic.

#### **Respect for human rights in employee relations**

Respecting human rights in employee relations is a core aspect of our commitment. See further information in the chapter [Working at Siemens Energy](#) and on safe and healthy working conditions in the chapter [Occupational health and safety](#).

#### **Respect for human rights in the supply chain and in business partner relations**

During the reporting period, business partners were required to comply with the Siemens Group Code of Conduct for Suppliers and Third-Party Intermediaries. This is essentially based on the principles of the UN Global Compact and the ILO, but contains more far-reaching requirements.

With regards to human rights, the Code emphasizes in particular respect for the basic human rights of employees, including fair remuneration, freedom of assembly, health and safety standards, and prohibition of discrimination, forced labor and child labor. Siemens Energy has taken over the content of the Siemens AG Code of Conduct and implemented the Siemens Energy Code of Conduct as of October 1, 2020.

Suppliers and certain business partners can take advantage of specific training programs at Siemens AG focused on health and safety. Siemens Energy plans to continue this offering as well (see chapter [Sustainable Supply Chain Management](#)). Siemens Energy has taken over Siemens AG's "Responsible Minerals Sourcing Policy" (formerly "Conflict Minerals Policy") and integrated it into its procurement process (see chapter [Sustainable Supply Chain Management](#)).



*In our customer projects, we ensure compliance with human rights due diligence, using a risk-based approach*

#### **Human rights due diligence in customer projects**

In fiscal year 2020, Siemens Energy followed Siemens AG's approach to human rights due diligence in customer projects. Thus, due diligence is mandatory in the sales phase for projects that meet defined risk criteria. This process is set up in conformity with the UNGPs. The results of the due diligence are decisive for the project's decision-making process. Siemens Energy is continuously striving to improve its due diligence process.

#### **Grievance mechanisms and human rights-related query channels**

In the reporting period, Siemens AG made anonymous channels available for Group employees and external parties to submit complaints and questions about human rights. Similar channels will also be put in place at Siemens Energy. These are described in the chapter [Anti-corruption and integrity](#). In the reporting period, Siemens Energy is not aware of any human rights-related issues submitted via these channels.

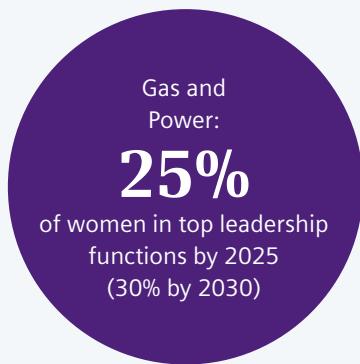
#### **Transparency**

We are aware that some of our business activities are taking place in difficult business environments and are thus a controversial topic of discussion among our stakeholders. In the upcoming fiscal year, Siemens Energy aims to increase transparency over critical projects and our approach to mitigating related environmental and social risks.

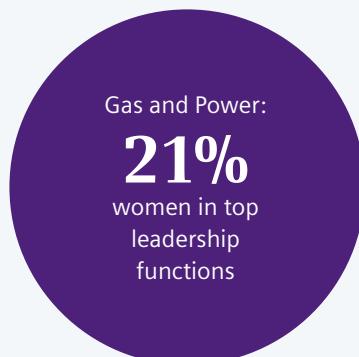
# Siemens Energy is a welcoming, inclusive and diverse company

We believe that diversity is a fact and inclusion is a choice. Diversity is about getting a mix and inclusion is about making sure that the mix works well together. At Siemens Energy, we promote a culture of equal opportunity, belonging and openness. We want to listen respectfully, to learn from others and to mutually benefit from our differences. In doing so, we are building a company that leverages the power of multivariate and cognitive diversity to master the energy transition; where our leaders and managers promote difference and flexibility, and where every single person can be their authentic self and fulfill their potential.

## Our goals



## Our status



## Three questions to...



**Maria Ferraro**  
Chief Financial Officer and  
Chief Inclusion & Diversity Officer of  
Siemens Energy

### What is your ambition for inclusion and diversity at Siemens Energy?

My ambition is for all of us to create a welcoming, open and diverse organization. An inclusive culture brings our purpose to life; it ignites our innovation potential, paves our way toward a sustainable future and helps us transform ourselves, our customers and ultimately our society by representing all dimensions of diversity, mirroring the societies we serve.

### What role does leadership have in creating a welcoming, inclusive and diverse organization?

Inclusion starts with leadership. I expect every leader in Siemens Energy to commit to adopting, promoting and role modelling inclusive leadership in all that they do. I believe that being inclusive and managing across diverse teams is a mandatory competency of leadership.

### Where are we now?

We have to be honest with ourselves and acknowledge that although we have made some progress, we still have a lot of work to do. We can and must do better in all aspects of diversity. We must aspire to create a sense of belonging, characterized by openness and equality in our workplace. There is a plan to take immediate action on certain aspects, and we will engage the organization in dialogue about what we can do better. With everyone's support, I know we can do better and build the welcoming, inclusive and diverse company that I believe we can be.

# Working at Siemens Energy

Our strategy and operational excellence are transformative, and our people are the ones who make both real.



- Our cultural transformation program builds on our values and behaviors
- Inclusion and diversity are key to our culture of openness and innovation
- We aim to transform ourselves into a future-fit learning organization

Our vision is to become the most valued energy technology company in the world. In order to achieve this goal, we aim to transform our company's culture, employ and retain a diverse workforce, and ensure that we develop our current employees and attract the best future talent. As a truly global player, we have people of 138 nationalities working at our company. Our global reach, with direct access to local expertise and market understanding, is an asset with competitive advantages which we continuously

develop for our customers, employees and shareholders worldwide.

For our reporting segment Gas and Power, the People Agenda, designed in May 2020, will help us achieve our business priorities. It is closely intertwined with the business strategy and our strategic company program "Energy of Tomorrow". With tailored programs and actions along three pillars – vibrant workforce, game-changing leaders and thriving environment – we aim to enable Gas and Power to excel through our people. Core elements, such as the business and cultural transformation journey, the Employee Experience (EX) program and the Inclusion & Diversity strategy, started upon the launch of the People Agenda. Additional elements will be launched in fiscal year 2021.

The purpose of our SGRE reporting segment is to "Empower people to lead the future". This goes beyond selling and delivering to customers; it is what drives the business strategy, the way the company is organized, how decisions are made, who is hired, and how the company and employees grow. SGRE has therefore established the "Culture of Trust program" to ensure and support the development of a shared company culture across the group. It is based on three pillars: continuous learning, empowerment and diversity.

Through our human resources activities, we contribute mainly to SDG 4 "Quality Education", SDG 5 "Gender Equality", SDG 8 "Decent Work and Economic Growth" and SDG 10 "Reduced Inequalities".



We want to provide our employees with the best development opportunities

## Employee structure

As of September 30, 2020, Siemens Energy had around 93,000 (FY 2019: 89,000) employees<sup>1</sup> worldwide, 26,000 (FY 2019: 24,000) of whom worked for SGRE. During the fiscal year on average 92,000 employees worked for the company. The increase in the total number of employees is mainly driven by the SGRE acquisition of selected European assets of Senvion as well as by indirect employee transfers from Siemens AG's Support Functions to Gas and Power in the context of the carve-out from Siemens AG. Women accounted for 19.1% (FY 2019: 17.8%) of the workforce and 19.2% (FY 2019: 15.7%) of all new hires. The share of employees with permanent working contracts is 94.3% (FY 2019: 94.7%). The worldwide average working week<sup>2</sup> at Gas and Power was 39 hours with no changes in comparison to 2019. About 3,500 (FY 2019: 3,000) employees, or 3.8%, worked part-time and around 2,000 (FY 2019: 2,200) were on leave of absence. The average employee age was 42 (FY 2019: 42).

<sup>1</sup> All figures in this section refer to the headcount.

<sup>2</sup> Contractually agreed weekly working hours as of September 30.

Number of Employees (in thousands)	September 30	
	2020	2019
Europe, CIS <sup>1</sup> , Africa, Middle East	61.6	58.7
Americas	19.6	19.0
Asia, Australia	11.7	11.2
<b>Total</b>	<b>92.9</b>	<b>89.2</b>

<sup>1</sup> CIS: Commonwealth of Independent States

Age structure (in % of total headcount)	September 30	
	2020	2019
<35	26	27
35–44	33	32
45–54	25	25
>54	16	16

In fiscal year 2020 Siemens Energy hired around 9,000 employees worldwide and 8,400 employees left. Of this figure, 3.5% were voluntary exits and 5.7% left the company for other reasons. At Gas and Power, dismissals by the company accounted for 23% (FY 2019: 29%) of employee departures.

Employee fluctuation	Fiscal year	
	2020	2019
Hirings (in thousands)	9.0	9.5
Recruitment rate <sup>1</sup>	9.9%	10.7%
Exits (in thousands)	8.4	9.1
Turnover rate <sup>2</sup> – total	9.2%	10.5%
Turnover rate – voluntary	3.5%	4.3%
Turnover rate – other reasons	5.7%	6.2%

<sup>1</sup> The recruitment rate is calculated as the number of new employee hires at Siemens Energy during the fiscal year divided by the average headcount.

<sup>2</sup> The turnover rate is calculated as the number of voluntary and involuntary (all other) departures at Siemens Energy during the fiscal year divided by the average number of employees.

## Cultural transformation

We care about our employees and they help us shape our company culture. Culture is created and changed through behaviors. Together with over 800 colleagues from 48 countries, we co-created and designed the Gas and Power values and behaviors. In a survey, randomly selected colleagues – representing blue-collar, white-collar and works council members – were asked for their opinion. Together with the Executive Board, they were able to identify and define four specific values and behaviors that we believe, when lived and experienced every day, will create the culture we aspire to.

Our values are: Caring, Agile, Respectful and Accountable.

The four behaviors are

- “Focus on the customer” – which is about listening to them and being open and willing to adapt in order to support them.
- “Decisively moving forward” – which is aimed at making and executing the relevant decisions, even when circumstances are uncertain.
- “Be open and inclusive” – which addresses the power of diversity and inclusion in developing new innovations and a learning organization.
- “Build strong partnerships” – which highlights the need to build strong partnerships of trust by caring and delivering reliably on the promises we make to each other, our communities and our customers.

To support our employees in embracing our company's cultural transformation, we need to create game-changing leaders who are adaptive to change and role-model business transformation while building a sustainable



Siemens Energy takes various measures to promote women in the field of engineering

leadership pipeline. As part of our transformation and cultural change strategy, we focus on driving leadership journeys, enriching the transformation platforms and expanding the transformation network.

- **Leadership Journeys:**

Senior leaders have embarked on transformation journeys to ensure leaders and their leadership teams role-model and shape the Gas and Power culture and way of working, living the values and behaviors.

- **Transformation Platforms:**

Through transformation accelerator (TA) bootcamps, we use the train-the-trainer approach to share the language and methods of transformation so that middle managers are equipped to drive change in Gas and Power. Employees who develop in-depth expertise and understanding of the transformation methods become 'Master Transformation Accelerators' and learn to train new TAs. All TAs lead peer-to-peer transformation bootcamps in the business. The bootcamps are cross-hierarchy, cross-silo learning events aimed at spreading the ideas and methods widely and attracting additional change agents. During the pandemic, transformation accelerator bootcamps have been taking place in virtual form across the world, with participants from different geographies and parts of the business.

- **Transformation Network:**

Building on existing Division and Business Unit-based networks, the aligned change network works as an umbrella that ensures broad reach within the organization. Aligned Gas and Power networks should ensure that the purpose, mission, behaviors and way of working come to life throughout the organization. Networks are used for communication, driving change and as the channel for involving employees in decision-making.

### Rewarding our vibrant workforce

Part of our People Agenda is to align financial and other employee rewards with our strategy, purpose and values in order to embed a growth and performance mindset. One aspect is our range of share plans for employees at every level, which was designed in fiscal year 2020 and will go live from October 2020 onwards. The share plans will offer our employees the opportunity to invest and benefit from our company's long-term performance right from the start.

In September 2020, for example, we announced the "Employee Spin-off Incentive Program". We will reward our employees for their tremendous efforts in ensuring our company's successful spin-off and public listing. Under the program, eligible Gas and Power employees<sup>1</sup> will be allocated stock awards without making any additional payment. These stock awards entitle them

<sup>1</sup> In principle, Gas and Power employees with employee status will be eligible, as will apprentices as of September 25, 2020. Working students, interns, scholarship holders, bachelor, master or diploma students and beneficiaries of the "Building Siemens Energy Incentive Program" are not eligible for the program. Due to local circumstances, different regulations may apply regionally.

to receive Siemens Energy shares at the end of the vesting period in September 2023.

In addition, we will implement further share plans, giving every Gas and Power employee – from the shop floor to the Executive Board – the opportunity to hold a part of our company and encouraging them to take a stake in the company as responsible shareholders.

At SGRE, there is a long-term incentive plan fully based on SGRE shares for senior management. The plan's primary objective is to align its beneficiaries' interests with the interests of the company's shareholders and to offer beneficiaries an incentive to help the company attain its strategic objectives.

### **Listening to our employees**

To support the company's transformation, we have set up the global "SE Voices" survey, which will go live in October 2020. SE Voices is our new employee engagement survey that will be held twice a year. It will be open to all Gas and Power employees, regardless of location or position. The aim is to listen to the voices of our people and to measure their level of engagement. The results will enable data-driven decisions and scaled actions at organization, team and individual level.

To enable our employees to influence and improve their employee experience, we initiated our Employee Experience (EX) initiative in April 2020. From moments as big as the interview to moments as small as filling out an expense report, Employee Experience looks at how these moments can be improved. A survey on Employee Experience, distributed to a random group of 6,500 global Gas and Power employees in four countries (Germany, the United States, China and the United Kingdom) in August to September 2020, helped us establish our baseline to measure improvements.

### **Thriving environment through inclusion and diversity**

We support that everyone at Siemens Energy can bring their whole self to work and achieve their full potential. All employees are encouraged to develop in accordance with their own talents and preferences and to be able to count on equal treatment in a non-discriminatory work setting. We actively maintain a workplace environment that is open to everybody regardless of their ethnic origin, religion, world view, age, disability, gender and sexual orientation. We strive to create safe, welcoming workplaces with cultures that encourage equality, belonging and engaging dialog throughout



### **Fostering female careers in engineering**

Our colleague Amber O'Connor works as a Performance & Analytics Engineer and Remote Services Manager. At age 26, she leads a team of five experts who ensure that our gas turbines are running as efficiently as possible in every region of the world, which helps our customers reduce emissions. With rapid developments in sustainable fuels such as solar, wind and hydrogen, Amber is optimistic that the energy landscape will be transforming in the near future. Amber, who is a mother of two, is also a champion of diversity. Whilst Siemens Energy has set the goal of having 25% of top leadership positions filled by females by 2025, Amber is convinced that addressing this means working from all sides. She thus encourages young women to enter in engineering in lectures and at career fairs. In December 2019, she was among the six finalists for the "Young Woman Engineer of the Year" award and in 2020, she was honored as a "Rising Star in Science and Engineering". Amber sees these successes as an opportunity to connect with other women in the industry and advance female careers in engineering.

the whole organization. We listen respectfully so as to learn from others and leverage our differences so as to innovate for better solutions.

With our focus on inclusion and diversity, we aim to

- have access to broader talent pools from which to source the diverse capabilities we need to power our innovation
- bring together different experiences and perspectives to solve the complex challenges in our industry
- become more productive through faster, better-quality decisions with less cognitive bias or group think
- enhance our reputation while being representatives of the communities we serve

Moreover, we have started to ensure long-term gender balance in our talent pools. We are widening the focus beyond gender to include other dimensions of diversity. Going forward, our focus will be on:

- Equal opportunity – use open and transparent processes to attract, promote, develop and retain people with different skills, abilities and ideas
- Belonging – make the mix work by creating an inclusive culture where people feel respected, engaged, able to speak up and be themselves
- Society and partnership – work together with customers and partners to support us and our industry to become more diverse and inclusive

To ensure impactful implementation, we have developed a Global Inclusion & Diversity dashboard for Gas and Power to measure our progress. It includes performance indicators covering multivariate diversity such as the share of women and minorities in management and hiring, the number of employee networks in all dimensions of inclusion and the "SE Voices" employee survey results. It has been initiated for regular reporting to the Chief Inclusion & Diversity Officer (CIDO), a role established at board level, and relevant management groups.

SGRE is a strong advocate of diversity, inclusion and equal opportunities, too. Valuing the importance of the individual is one of the cornerstones of its culture, as its employees represent a large variety of cultures, ethnicities, beliefs and languages. SGRE has an Inclusion & Diversity policy in place, the principles of which apply to all geographic regions where it is present. It

aims to ensure equality and inclusion and avoid any kind of discrimination based on ethnicity, gender, civil status, ideology, political opinions, nationality, religion or any other personal, physical or social characteristics.

Our activities can contribute to the United Nations' Agenda 2030 in many respects, be it through the promotion of equality, educational opportunities, job creation or inclusive society.

Examples for our activities:

- a) Gas and Power is an active member of the SWE (Society of Women Engineers) Corporate Partner Council in the US. As an official member, we promote opportunities for women in the engineering and technology workforce, share best practices by supporting the annual conference such as the last one in November 2019, address retention and advancement issues, and partner on diversity initiatives with other local organizations.
- b) Our local employee initiatives in the UK have taken grassroots action to drive inclusive culture. For example, during the national inclusion week in November 2019, Gas and Power ran an Inclusion Lab in multiple locations such as Monkton and Newcastle to discuss diversity research project results and women in science and engineering while showcasing flexibility policy and speak-up inquiries. During International Women's Day on March 8, 2020, colleagues in Warwick took the #PressForProgress initiative and, as a follow-up at their annual festival, initiated the Engineer21 change program, which looks to build a workplace to better support the creative, innovative nature of engineering that is not always recognized.
- c) Under the umbrella of a family-friendly corporate policy, Gas and Power employees in Germany can avail themselves of a range of opportunities to tailor their working times and place of work to their needs, such as part-time and mobile working, and to have the flexibility to care for children or sick relatives.
- d) We advocate equal opportunity for people with disabilities, their inclusion in society and the workplace, and their self-determined participation and right to be treated with respect. In Germany, for example, Siemens AG has concluded an inclusion agreement on this matter with the employee representatives that is also applicable to Gas and Power. About 1,400 people with a disability currently



Over a period of four years, 5,500 Egyptian engineers and technicians are being trained in our mega project in Egypt

work at Siemens Energy in Germany. We aim to achieve a barrier-free work environment so that workplaces are accessible to people with disabilities. This is something we also intend to facilitate outside Germany through IT applications, barrier-free, accessible communication and training seminars. In Brazil, Siemens Energy is collaborating with Oportunidades Especiais which is specialized in hiring disabled persons.

### Training and education

We aspire to transform ourselves into a learning organization where individuals, teams and organizational units will have access to digital, real-time and personalized learning offerings. The opportunity to learn and grow is a core component of the Employee Experience. Learners own their learning and we support them on their learning journey.

At Siemens Energy, learning initiatives support the company vision by enhancing employees' skills, developing competencies and thus enabling them to perform better in their role. Its mission is to support short-term performance and build long-term capabilities.

Learning activities at Gas and Power are concentrated on two areas:

- Learning how to use our products and solutions at the academies run by our business units.
- Building the skills that managers and employees need to be successful in their everyday work, including leadership topics, strategy development, digitization with new business and service models, change management, collaboration and team communication. They are conveyed through training and learning programs under the responsibility of Gas and Power Human Resources.

In fiscal year 2020, Gas and Power employees had unrestricted access to Siemens AG's further education programs as well as to our complementary product academies, such as the Power Academy. A dedicated learning platform providing company-wide access to learning opportunities has been created for the future. Siemens Energy spent around €60 million (FY 2019: ~€70 million) on further education in fiscal year 2020, an average of €654 (FY 2019: €795) per employee.

Through its vocational training programs in Germany, our reporting segment Gas and Power aims to make school graduates attractive offers. As of September 30, 2020, there were 2,165 (FY 2019: 2,117) trainees and

students enrolled in work-study programs: 1,167 (FY 2019: 1,233) internals and 998 (FY 2019: 884) externals from other companies. In fall 2020, a total of 229 (FY 2019: 284) graduates began an apprenticeship or a work-study program, and there were 315 (FY 2019: 313) external trainees.

In addition to the apprentices in Germany, we have rolled out this concept internationally and train people all over the world. Our portfolio includes vocational and work-study programs in technical, IT and commercial fields.

To ensure the high employability of our young talent, we continually innovate our curricula. Developing future skills in digitalization and energy-specific topics are key drivers to accelerate our company's transformation.

SGRE employees had access to separate training courses and continuous learning opportunities offered by SGRE's own learning units such as the Wind Academy. Its learning services provide consultancy, tools and delivery of different activities throughout the business.

### "New normal" concept

From the experience of the COVID-19 pandemic, a cross-functional team started to develop a tailor-made "new normal" concept for Gas and Power. The concept under the campaign banner #BetterTogether is centered around our values. The key principles are:

- We leverage the benefits of flexibility to foster a business model that focuses on outcomes and performance, as well as company growth. We turn our offices into centers for collaboration to foster culture and creativity. Our offices will remain the key destination to interact, cross-collaborate, innovate and build relationships.
- #BetterTogether is not about one size fits all. Many jobs still require spending all or most of the time at a certain location – be it in an office, factory or in the field at a customer site. Others can be performed by combining remote and office work.

#BetterTogether is focused around four key areas: People & Culture, Workplace, Employee Wellbeing and IT & Tools.

Each area has created guiding principles and will ask the countries to define their approach within them. We want to provide the space and time to try things out and develop tailored solutions for businesses and countries according to their needs.

# Health and safety – a top priority at Siemens Energy

The people at Siemens Energy are particularly important. Their health and safety are our top priority. We want our employees to be able to work in a safe environment that promotes health. This is why we focus all our attention on avoiding work related incidents and occupational illnesses.

## Our goals



## Our status



## Three questions to...



**Tim Holt**  
Member of the Executive Board and  
Labor Director of Siemens Energy

### What does health and safety mean for Siemens Energy?

Our company can only be as good as our people. They are our greatest strength. That's why we want all employees to have a healthy and safe working environment – at all times. Our goal is: zero harm, zero fatalities. A key factor in ensuring effective health and safety management is an understanding of our risks and how these are controlled through safe practices. Thus, we continuously review health and safety aspects including incidents, near misses and unsafe conditions.

### How do you ensure your health and safety approach is implemented across your organization?

All of us must recognize and manage health and safety as an intrinsic part of our work – and act accordingly. Thus, we have implemented mandatory behaviors, such as no calls while driving or stopping work immediately if something doesn't seem right. By giving clear guidance and having the authority to act on all levels, we drive ownership and accountability across our company. At the same time, we put a special focus on our managers. During regular "eye on safety" reviews, we share actual cases, learnings and preventive measures with the operational management to ensure a high level of awareness and sharpen competencies.

### How do you engage with your partners on health and safety?

At Siemens Energy, we are fully committed to protecting not only our employees, but also our customers, contractors and suppliers from any potential risk of harm that could be caused by our activities. To support this objective, we place emphasis on the health and safety standards in our supplier qualification process, share our health and safety principles before we sign a contract and monitor our supplier safety performance, which serves as feedback to our supply chain. Also, our customers and contractors are involved in various local and site-specific health and safety activities.

# Occupational health and safety

We want our employees to be able to work in a safe environment that promotes health, and we focus all our attention on avoiding accidents and occupational illnesses.



- Our goal is zero occupational accidents
- ISO 45001 as a central set of rules for occupational health and safety
- Sustainable health management focuses on prevention

Occupational Health and Safety (OHS) is an essential part of our business practices and is aligned with the Siemens Energy EHS (Environmental, Health and Safety) Principles and Core Responsibilities as well as our Business Conduct Guidelines. We will use these as the foundation for the development of our EHS management approach and processes.

Siemens Energy's key objective is to provide a safe and healthy working environment for all employees, partners, contractors and suppliers.

OHS is directly related to the achievement of the SDGs, with a focus on SDG 3 "Good Health and Well-Being", which aims to ensure healthy lives and promote well-being for all at all ages, and SDG 8 "Decent Work and Economic Growth", which aims to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. At our Siemens Energy offices, manufacturing facilities and project sites, we will identify and monitor opportunities for improvement in OHS standards and alignment with SDGs 3 and 8.

## Health and safety culture provides the foundation

"Zero Harm Culture @ Siemens" is a Siemens AG program that focuses on health and safety cultural development. The aim is to transform the way management and employees recognize health and safety as an intrinsic aspect of their work and act accordingly. Siemens Energy continued to support the "Zero Harm Culture at Siemens" program throughout the last fiscal year and has now developed its own zero-harm principles and behaviors. Going forward, these will be communicated to all parts of the business, our employees and other stakeholders.



With our OHS practices, we foster a safe working atmosphere and the health of all employees

## Our principles:

- **Zero harm is achievable**

By understanding and mitigating risks. By being aware of the way we act and the behaviors we promote.

- **We do not compromise**

By holding each other accountable for integrating our zero-harm behaviors and principles in all operational phases as well as in any decision-making and change management processes.

- **We take care of each other**

By encouraging timely and honest conversations. By employing respectful listening and learning with the full inclusion of everybody we work with.

- **We develop locally and share globally**

By building on our zero-harm behaviors and principles. By reflecting local risks and conditions. By being agile in sharing and learning from each other.

## Our behaviors:

Everyone is a role model. Everyone in our company is expected to follow the Zero Harm behaviors, regardless of the type of work or position. This also applies to temporary workers.

- **Risk assessment** – Emphasizing the need for effective risk assessment and control.
- **STOP!** – Empowering employees and other stakeholders to stop a work activity due to an unsafe action or unsafe conditions.
- **Incident management** – Reporting all incidents and near misses. Identifying causes and actions to prevent reoccurrence. We will not leave any incident unreported or unaddressed.
- **Driving** – Operating and driving vehicles safely and responsibly.
- **Health** – Being physically and mentally ready to perform our assigned tasks.
- **Environment** – Reducing the environmental impacts of our work activities and establishing opportunities to protect the environment and resources.

We will remain committed to a positive health and safety culture across all aspects of our business and will engage with employees, contractors, suppliers, stakeholders and other interested parties to support this approach.

SGRE also works hard to instill a strong safety and zero-harm culture across the entire business and has launched initiatives to foster and promote a zero-harm culture, including:

- "Safety is My Choice," which aims to bring focus to individual behaviors by reminding employees of their own role and responsibility in safety at work as a key success.

- Ten life-saving rules, introduced globally, are intended to raise awareness of safety hazards through incidents and to avoid reoccurrence. They include: permit to work, energy isolation, safety guards, driving safety, vehicle movements, suspended loads, drugs and alcohol, working at height, use of personal protective equipment and tools and dropped objects.

- "LeadSafe" aims to enable the organization to accelerate its progress towards zero accidents and injuries. The "LeadSafe" project has three focus areas:

1. Raising risk awareness throughout the company
2. Building leadership skills related to safety management
3. Improving the safety of our engineering processes.

## Health and safety policy

To support the fundamental requirements for good OHS, we have established a health and safety policy that aligns with our zero-harm principles and behaviors demonstrating:

- Strong leadership, ownership and commitment
- Promotion of good health and safety conduct
- Commitment to continuous improvement
- Hazard identification, risk assessment and prevention
- Compliance with principles, standards and behaviors

To support the health and safety policy, the ISO 45001 standard provides guidance so that international and local regulation, laws, standards and practices that govern health and safety are observed and complied with wherever Siemens Energy operates. The standard sets a framework for the deployment of effective management systems, identification of potential risks and hazards, management of non-conformities, opportunities for improvement as well as internal audit and review. It also provides guidance on safe and healthy workplaces contributing to the prevention and reduction of work-related injuries and ill health. In the reporting period, one of Siemens AG's objectives was to have all OHS management systems within the business certified to ISO 45001. Siemens Energy has the same operational objective and all business units will be expected to review and update their local integrated management systems and current certifications.

## Health and safety performance under review

### Auditing at site level

In fiscal year 2020, Siemens AG completed a series of OHS audits related to high-risk activities and, both internally and externally, inspections were conducted at country and organization level to establish the effectiveness of safety risk management at manufacturing, service and project sites, including activities and sites that now form part of Siemens Energy. Although many sites demonstrated robust and effective safety controls, others fell significantly below expectations and revealed the need for decisive corrective action and continuous improvement.

Siemens Energy will continue with a robust approach to OHS auditing that is based on the current practices deployed throughout Siemens AG. OHS audits and their results will continue to be quantified, providing details for the effective implementation of optimization measures, lessons learned and continuous improvement recommendations.

### Measuring OHS performance

Health and safety performance at Siemens Energy is managed via internal processes that define the requirements for the classification, recording and investigation of accidents. The overall lost time injury frequency rate<sup>1</sup> (LTIFR) for employees<sup>2</sup> was 0.27 (FY 2019: 0.31) at the end of the fiscal year and is based on the total number of lost time injuries per 200,000 hours worked. During the reporting period, Siemens Energy regrettably had five (FY 2019: two) work-related fatal accidents<sup>3</sup>. One fatal accident was related to underwater diving and cleaning of dosing line of water intake pipe and involved a contractor. One accident was related to fatal injuries from electric shock and involved an SGRE employee. Three fatal accidents involved SGRE subcontractors and were related to preparational work, lifting operations and falling from a platform during concrete tower assembly. Each serious event or fatal accident causes grief for families, friends and colleagues, and as a company we will investigate, assess and derive measures that will prevent such accidents from happening again.



### Award for occupational health and safety

As an outstanding achievement in health and safety, the Transmission Solutions project team in the UK won the "British Safety Councils – Sword of Honour" in November 2019 for the ElecLink project, where a converter station in Folkestone was constructed. The award recognizes the team's commitment to health and safety excellence and continuous improvement, e.g. by examining key factors such as organizational structure, operational activities or performance monitoring.

### Preventing occupational illness

A key objective at Siemens Energy is that it will not expose workers to occupational illness or work-related diseases whilst performing work activities and will maintain, develop and build upon the Siemens AG OHS management systems that are currently implemented at Siemens AG to manage, monitor and review potential exposure risks.

<sup>1</sup> Lost time injury frequency rate: Number of lost time injuries (LTI) x 200 000/work hours performed. LTIs are accidents that result in at least one lost day of work

<sup>2</sup> Incl. temporary workers; excl. contractors

<sup>3</sup> Excluding cases beyond Siemens Energy's influence. E.g. force majeure, third party violence or outside of Siemens Energy scope of responsibility

## Promoting health

Prevention strategies for the sustainable promotion of employee health are a key aim of Siemens Energy. Siemens AG developed a company-wide program that enables health risks to be identified at an early stage, promotes health resources and maintains the health performance of employees over the long term.

The Healthy @ Siemens program was introduced as a quality mark for sustainable health management and involves a number of categories which include management responsibility, culture, planning, implementation and evaluation. This is supported by a comprehensive on-site assessment.

Siemens Energy businesses will derive local health and wellbeing programs and activities as a continuation of the health and wellbeing programs implemented by Siemens AG. We will achieve this by developing local health programs and providing training on health topics such as exercise, nutrition, stress, physical wellbeing and work/life balance, and especially in response to the rapidly changing work environment due to the impacts of the COVID-19 pandemic.

Siemens Energy will increase its focus on relevant health risks, covering psychological health, physical health and wellbeing, and will establish essential guidance to support local health initiatives and enhance the long-term health of our employees.

The COVID-19 pandemic has impacted Siemens Energy and its business operations globally. Back in January 2020, we set up a global task force to monitor the situation and respond accordingly. Through our immediate response to the crisis, we were able to ensure that our operations could continue to adapt to different regional requirements. The health and safety of our employees is always our highest priority in everything we do.



**At Siemens Energy, we want all employees to have a healthy and safe working environment – at all times**

As the pandemic has progressed, measures to protect the health of our employees have been reviewed and adapted continuously. This included:

- Supplying protective masks for employees worldwide
- Flexible and individual working time solutions or leave of absence models for employees to help them cope with the challenges in their work and personal lives during the pandemic
- Comprehensive protection models for employees who cannot work from home, e.g., workers at the manufacturing locations or employees in sales or service units.

It was very important to be transparent in our communications about our activities and their effects by regularly informing our teams about the situation and measures taken. This transformation of the way we work together was only possible with healthy, dedicated and motivated employees.

# Societal engagement

We are committed worldwide to supporting societal progress, a clean environment and people in need.



- For our societal engagement, we take a global approach with regional activities
- Focus areas: Driving the Energy Transition, Access to Education, Sustaining Communities
- Our efforts are underpinned by €5.44 million in donations

Societal engagement has been embedded in our DNA since Werner von Siemens founded the company in 1847 and will continue to be of relevance for Siemens Energy in the future. For us, societal engagement is not only a charitable endeavor; it creates value, is a source of opportunity and provides a competitive advantage.

We are currently establishing a new societal engagement approach for Siemens Energy that will be rolled out globally in the months to come. For this, we have analyzed the donations of past years to get an understanding of the contributions to communities worldwide and defined three focus areas on the basis of our strategic context, core competencies, the global targets for sustainable development, global megatrends (demographics, urbanization, climate change, globalization and digitalization) and stakeholder dialog.

Through our engagement, we contribute to several United Nations Sustainable Development Goals (SDGs). Our technology-related activities will mainly focus on shaping the energy transformation and thus impact SDG 7 "Access to Energy". By providing access to education, we impact SDG 4 "Quality Education", SDG 5 "Gender Equality" and SDG 10 "Reduced Inequalities".

As our community-related activities focus on serving local needs, they can have effects on several SDGs in parallel to SDG 11 "Sustainable Cities and Communities".

Our approach combines a global framework with selected local activities in the countries in which we operate. The objective of the new approach is to

- Enhance relationships with customers and partners
- Boost employee engagement
- Generate awareness of our brand and
- Support the company's competitive context

In order to focus our activities and increase our impact, we have developed a framework with three focus areas that allows for global consolidation but also local autonomy:

- Driving the Energy Transition – Support clean energy research and development
- Access to Education – Promote STEM (science, technology, engineering, and mathematics) subjects and climate education (especially for underrepresented demographics)
- Sustaining Communities – Disaster recovery (especially related to electricity supply)

The approach foresees that 80% of donations will support three areas related to Siemens Energy's competitive context, while 10% will be discretionary, supporting the causes aligned to customers and partners, and 10% will go towards activities in the local communities where we have operations with a significant employ-

ment base. The tools to monitor the implementation of the approach will be developed with a focus on keeping them as lean and easily useable as possible.

Individuals also contribute to societal engagement; at Siemens Energy, we support our employees in taking action for social responsibility through our volunteering program. Corporate volunteering is an efficient and personal way to provide a commitment to society and to enhance employee satisfaction and retention. A specific volunteering framework is currently being set up for Siemens Energy.

SGRE has put in place a social commitment strategy and created a new department that focusses on the company's social commitment with the aim of reducing poverty, fighting climate change and promoting STEM education in our communities. The approach is underpinned by the Social Commitment Policy and forms part of a long-term strategy aligned with the UN's SDGs 1 "No Poverty", 4 "Quality Education" and 13, 14 and 15 "Climate Change", "Life Below Water" and "Life on Land".

Siemens Energy contributes to societal development all over the world through a range of projects that play well into the newly defined focus areas:

**Driving the Energy Transition** – Public energy infrastructure is one of the most important prerequisites for the sustainable development of societies. This is



With the donated equipment, patients in the Smart Clinic in Baiji, Iraq, can now receive medical care

especially true for countries where not all citizens have access to a reliable, sustainable and affordable power supply. We draw on our core competencies and portfolio offerings in order to help rural areas get better access to basic infrastructure. In the future, we will mainly focus on shaping the energy transition by supporting projects on decarbonization, access to energy and systemic change.

After a devastating war, the Siemens Smart Clinic in Baiji (Iraq) was refurbished and inaugurated in 2019 and now offers basic medical support for up to 10,000

#### Local projects contribute to societal progress worldwide





The wind turbine delivers clean energy for the school in Baradero

patients per year. Based on a shared value approach integrating local communities, governmental authorities, NGOs and local employees, Siemens Energy donated power equipment to ensure that long-term and seamless operation is guaranteed.

In Argentina, Siemens Energy employees and trainees built wind turbines for two schools in the remote communities of Baradero and Saladillo. A constant and reliable power supply is key to ensuring the daily operation of the school for over 200 students. In addition, teachers were trained to hold clean energy workshops to transfer knowledge of sustainable energy generation and its efficient use.

**Access to Education** – We work to extend educational opportunities to more people and improve research, especially in STEM subjects. Siemens Energy leverages its competencies to spark interest in STEM subjects, reduce skills gaps and match industry requirements, creating industry-ready youth.

In cooperation with GIZ, Siemens Energy supported the program “Prospects for Modern Youth in Iraq”. The program addresses the educational targets and actions to be taken in Iraq to motivate and encourage young people to enter compelling education programs. This offers them future prospects and at the same time prepares them for future employment with companies like Siemens Energy.

Our lighthouse projects are accompanied by a variety of smaller STEM-related activities in the local communities in which Siemens Energy is active.

#### Sustaining Communities – Access to basic provisions is essential for sustaining communities.

Our engagement includes immediate relief and rehabilitation support in the wake of disasters, such as the tragic accident in Beirut, Lebanon. Access to electric power is crucial after such a catastrophe. Shortly after the incident, Siemens Energy offered to inspect and modernize two existing power plants that generate 30% of the local electricity to ensure a reliable, affordable supply of electricity for the people of Beirut and help them rebuild their city.

Various initiatives increase the well-being of communities by targeting the inclusion of underserved members and equal opportunities for all. One example is “Summer of Dreams,” an educational summer camp program for homeless children in Florida. Another one is in Charlotte, North Carolina, where Siemens Energy cooperates with local charitable organizations to tackle the critical issue of providing affordable housing via donations and volunteering activities.

## Selected examples of our activities in response to the COVID-19 pandemic

With the global COVID-19 pandemic affecting societies worldwide, Siemens Energy contributed €310,000 to support communities in fiscal year 2020 within a bigger donation by Siemens AG.

Also, our countries set up local activities. For example, in an effort to support the Nigerian government in its battle against COVID-19, Siemens Energy Nigeria donated 640 test kits as well as 10,000 pieces of protective equipment including face masks and gloves to the Lagos State Government and the Nigerian Centre for Disease Control.

SGRE also supported communities in response to the COVID-19 pandemic. Relief efforts included the distribution of 150,000 vital pieces of medical equipment to local hospitals and 2.3 million food kits for several months to 100,000 recipients.

In fiscal year 2020, donations increased from €2.84 to €5.44 million due to our COVID-19 engagement, the foundation of the Werner-von-Siemens Centre in Berlin and larger projects in South Africa and Iraq.

Donations by region (in millions of €)	Fiscal year	
	2020	2019
Europe, CIS <sup>1</sup> , Africa, Middle East	3.53	0.83
Americas	1.16	1.40
Asia, Australia	0.76	0.61
<b>Total</b>	<b>5.44</b>	<b>2.84</b>

<sup>1</sup> Commonwealth of Independent States



## Local engagement: Siemens Energy UK

Under Siemens Energy UK's Social Value Strategy, the site in Lincoln engages in a variety of community activities from clean-ups to joining the local pride festivities to empowering women in science. A major focus is on education with the aim of inspiring and engaging the young in the world of Science, Technology, Engineering and Mathematics (STEM). At the science and engineering festivals in the local communities, a variety of activities take place. One of those was the Frequency Festival of Digital Culture, hosted at the Manchester Museum of Science and Industry, where kids were invited to experience STEM in action, for example by designing rollercoasters. The festivals thus contribute to overcoming the significant skills shortages we face. Events like this will become even more important in a world that is becoming more connected through digitalization.



# Annex

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# Annex

## The company

Siemens Energy AG is incorporated as a stock corporation (Aktiengesellschaft) under the laws of Germany, with its registered office in Munich, Germany. The company is entered in the commercial register of the Munich local court (Amtsgericht) under HRB 252581. Siemens Energy AG is the parent company of the Siemens Energy Group.

The Siemens Energy business was formerly part of the Siemens Group (Siemens) and became an independent company by way of a spin-off and subsequent listing in September 2020.

In preparation for the spin-off, Siemens had bundled its worldwide energy business into Siemens Energy Global GmbH & Co. KG (formerly Siemens Gas and Power GmbH & Co. KG), Germany, which included the shareholding of approximately 67% in Siemens Gamesa Renewable Energy, S.A., Zamudio, Spain (carve-out). In the course of the spin-off, Siemens Energy AG, formerly a wholly-owned subsidiary of Siemens AG, became a shareholder in Siemens Energy Global GmbH & Co. KG. In return, 55% of the shares in Siemens Energy AG were transferred to the shareholders of Siemens AG with effect from September 25, 2020, while the Siemens Group retained 45% of the shares in Siemens Energy AG (of which 9.9% were transferred to Siemens Pension-Trust e.V.). The shares of Siemens Energy AG were admitted to the regulated market of the Frankfurt Stock Exchange and simultaneously admitted to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) (ISIN DE000ENER6Y0/WKN ENER6Y). Trading commenced on September 28, 2020.

We have organized the company in two reporting segments, Gas and Power and SGRE:

- Gas and Power includes the Divisions Generation, Transmission and Industrial Applications with the respective service business based on our customer groups and product lines. Our activities within the

New Energy Business focus on building up our business with Power to-X technologies, electrolyzer systems and solutions for the production of green hydrogen.

- SGRE includes its wind turbine business and related services. SGRE is a leading provider of wind power solutions and complements the portfolio through which we support our customers worldwide in transitioning to a more sustainable energy system.

## Reporting method

### Reporting approach

Sustainability is an integral part of our company strategy. In our "Sustainability Report 2020" (hereinafter referred to as the "Report"), we publish fundamental information about our sustainability activities such as strategy, organization, initiatives, programs, management systems and goals. As a listed company, our reporting segment SGRE has an independent sustainability strategy and publishes a separate Consolidated Non-Financial Statement. Whilst the strategic direction of both reporting segments is comparable, management approaches and programs may differ. We indicate deviations from a common approach in the respective chapter.

This Report has been prepared in accordance with the GRI Standards – Core Option (see [↗ GRI table](#)). We use the UN Guiding Principles (UN GP) Reporting Framework and its narrative guidance as a guide when reporting on our human rights activities. All key performance indicators of the Environmental Portfolio are reported according to the [↗ Environment Portfolio Reporting Principles](#) included in this Annex.

### Reporting period and reporting boundaries

This Report is the first independent sustainability report to be published by Siemens Energy. It is based on activities carried out during Siemens Energy's fiscal year 2020 (October 1, 2019 to September 30, 2020). Any exceptions are indicated as such. We plan to report annually on our progress.

In general, our fully consolidated companies are all covered by the Report. Possible exceptions regarding the pool of data used are indicated. Minority equity investments are not included in our reporting. In order to ensure comparability, KPIs for the previous year are adjusted accordingly, with any exceptions duly indicated.

#### **Data collection**

Given Siemens Energy's size and global spread, data gathering requires to utilize a distributed IT and data environment. Captured non-financial data may adhere to local rules and regulations which may deviate from the group's reporting requirements. In order to ensure consistency of group non-financial reporting, input data is reconciled and adjusted to comply with the group's reporting requirements. All information presented in this report that is subject to significant data limitations is identified as such. This applies in particular to specific non-financial figures, including, for example, the revenue attributable to the Environmental Portfolio. As a result, these figures may not be comparable with the data published under the same or similar designations by other companies. The non-financial data published in this Report is collected through various internal reporting systems, which, for the most part, are different from those applicable to the financial information. In particular, they may be subject to less extensive internal documentation, data generation and auditing requirements, including those relating to the IT systems used and the general control environment. To ensure data quality and maintain information value, we identify and evaluate data restrictions in accordance with our internal guidelines. Where necessary and taking into account the need for consistency, this may include the exclusion of affected data sources.

Due to rounding, numbers presented throughout this Report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

#### **Environmental reporting and collection of environmental data**

Siemens Energy aligned with an environmental information system to analyze reports from sites in all relevant countries where defined threshold values were exceeded for parameters such as energy use, resource consumption and emissions within environmental management. To measure and monitor our environmental impact, absolute values are used, such as energy consumption in gigajoules. We report environmental data for continuing operations. Extrapolation to 100% was applied to reflect complete consumption. We monitor our environmental impact for all office and production sites of environmental relevance, using environmental data gathered quarterly.

#### **Independent assurance review**

We prepare our sustainability report to high quality standards. Consequently, we commissioned an independent auditor to conduct a limited assurance review of this Report for the reporting period. You can find the assurance statement of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft on [page 78](#).

#### **Environmental Portfolio reporting principles**

This sustainability report includes Environmental Portfolio-related figures for the reporting period. Those KPIs are in line with the Siemens AG reporting principles, which are described below.

#### **Environmental Portfolio Guideline**

As there are currently no accepted international standards addressing the identification and reporting of "green products", we report the revenue from our Environmental Portfolio and the cumulative annual customer reductions in carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline. This Guideline sets out criteria and processes for the qualification of elements for the Environmental Portfolio, defines roles and responsibilities as well as processes to account for annual customer reductions in carbon

dioxide emissions and refers to financial reporting guidelines on revenue recognition. It is based on the Reporting Principles set forth in "A Corporate Accounting and Reporting Standard – Revised Edition" and "GHG Protocol for Project Accounting" issued by the Greenhouse Gas Protocol Initiative. These principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. Revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in [↗ Note 2 in B.6 of the Annual Report 2020 of the Siemens Energy Group](#).

### Scope of reporting

To date, the Environmental Portfolio-related key performance indicators are revenue with Environmental Portfolio elements and reductions in carbon dioxide emissions at our customers generated by elements from the Siemens Environmental Portfolio. Carbon dioxide emission reductions at our customers are calculated by comparing the Environmental Portfolio element (e.g., a combined cycle power plant and the related carbon dioxide emissions per kilowatt hour) with a reference solution (e.g., a global average grid factor for power production). The annual reduction in carbon dioxide in the reporting year is calculated based on technical parameters (e.g., the installed capacity in gigawatts in the reporting year or load hours). For all Environmental Portfolio elements sold in a reporting year, the annual reductions are added up to calculate the annual carbon dioxide emission reductions at our customers at the end of that year. Our Environmental Portfolio elements are typically long-lasting products (e.g., compressors) or infrastructure elements (e.g. power plants) that contribute to the reduction of carbon dioxide emissions not only in the reporting year but for many years. We therefore also calculate the cumulative annual customer reductions in carbon dioxide emissions. The cumulative annual emission reductions are calculated as customer reductions in carbon dioxide emissions generated by Environmental Portfolio elements installed in the current reporting period (see above) plus those elements installed since the beginning of fiscal 2002 that are still in use at the customer. If elements installed in previous reporting periods are no longer in use, they are no longer taken into consideration when calculating the cumulative annual customer reductions in carbon dioxide emissions in the respective reporting period. For the Environmental Portfolio elements installed in a given reporting period, we consider the reductions in carbon dioxide emissions for the entire reporting period, irrespective of the actual date of installation during the year of first-time recognition.

### Governance – processes and definitions

The qualification of our Environmental Portfolio elements as well as the respective reporting is based on clearly defined processes and criteria. In principle, products, systems, solutions and services of our Business may qualify for the Environmental Portfolio. The entire portfolio is reviewed on an annual basis to ensure the appropriate qualification of Environmental Portfolio elements based on the criteria described hereafter. Newly integrated elements are shown in our reporting from the reporting period in which they are included. Elements that no longer fulfill our qualification criteria are excluded from our Environmental Portfolio; prior periods are not adjusted. Prior to inclusion in the Environmental Portfolio, potential new Environmental Portfolio elements have to undergo a multilevel internal evaluation process, which includes reviews in the respective Siemens companies as well as a review in the Sustainability department. Within this process, Siemens verifies the completeness of documentation supporting the fulfillment of the qualification criteria. Furthermore, Siemens considers whether or not significant "adverse effects" exist. "Adverse effects" mean that a potential Environmental Portfolio element, despite fulfilling the qualification criteria, might cause considerably larger environmental effects elsewhere in the element's life cycle. If material adverse effects are known, the element is not included in the Environmental Portfolio. If the revenue related to an Environmental Portfolio element cannot be accurately separated from our total revenue, the respective revenue will not be accounted for or reported due to the principle of conservativeness.

### Criteria for including elements in the Environmental Portfolio

An Environmental Portfolio element can be a product, a system, a solution or a service, as defined above. If all products, systems, solutions or services of a Siemens organizational unit meet one of the selection criteria, this unit may be considered an Environmental Portfolio element as a whole. Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element if the component provided by Siemens is key to enabling environmental benefits resulting from the system's or solution's overall application. This means that the environmental functionality of the overall system or solution cannot be achieved without the component provided by Siemens. Examples of core components qualifying as elements of the Siemens Environmental Portfolio are steam turbines for biomass powerplants. Service types are distinguished into "product-related service"

and "value-add service". In cases where a Siemens product, system or solution qualifies as an Environmental Portfolio element, the revenue, and if applicable, the annual customer reduction in carbon dioxide emissions of the "product-related service", shall generally be accounted for and reported on in line with the related Environmental Portfolio element. In cases of "value-add services", the revenue, and if applicable, the annual customer reduction in carbon dioxide emissions, shall be accounted for and reported on only if the service itself qualifies as an Environmental Portfolio element by meeting one of the selection criteria as defined below. To qualify for inclusion in the Environmental Portfolio, an element must meet one of the following selection criteria. Products, systems, solutions and services with a planned application in military use or nuclear power are not included in the Environmental Portfolio.

### **Energy efficiency**

The criterion for energy efficiency is an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase compared to the applicable baseline. If an energy efficiency increase can only be reasonably defined as a reduction in dissipation losses, a 20% reduction in dissipation loss would also qualify products for our Environmental Portfolio. An example of products and systems meeting the above-mentioned energy efficiency criterion are combined cycle power plants (they reduce carbon dioxide emissions by at least 100,000 metric tons per reporting period).

### **Renewable energy**

This criterion covers technologies in the field of renewable energy sources or smart grid applications and their respective core components. The scope of the renewable energy criterion includes power generation and heat generation from, for example, wind power (onshore and offshore) or biomass. Examples of the respective Environmental Portfolio elements are wind turbines as well as core components such as steam turbines for biomass power plants.

### **Determining the reference solution – baseline methods**

Energy efficiency and annual customer reductions in carbon dioxide are all assessed by carrying out a comparison with a reference solution (baseline). There are three different options for the reference solution: before-and-after comparison, direct comparison with

a reference technology or comparison with an installed base. The final decision as to which baseline is used is taken by the respective company within Siemens based on the following options:

#### **Before-and-after comparison**

A before-and-after comparison refers to the difference between an initial situation at the customer and the situation after installation of a Siemens product, system, solution or service. A before-and-after comparison implies the presence of a preexisting product, system, solution or service at the customer, the characteristics of which are improved or substituted by employing a Siemens product, system, solution or service. This comparison may be applied, for example, in cases where a Siemens product, system, solution or service modernizes a power plant.

#### **Direct comparison with a reference technology**

Direct comparison with a reference technology refers to the difference between the Siemens product, system, solution or service and either an appropriate single other technology or a predecessor. Direct comparison with a reference technology implies the existence of an alternative or predecessor product, system, solution or service in the market which is employed for the same or a similar purpose. This comparison may be made, for example, by comparing low-loss high-voltage direct current (HVDC) power transmission to conventional alternating current power transmission.

#### **Comparison with an installed base**

Comparison with an installed base refers to the difference between the Siemens product, system, solution or service and an average of several installations employed for the same or a similar purpose. Comparison with an installed base implies the existence of global or regional average data on several installed products, systems, solutions or services employed for the same or a similar purpose. This comparison may be applied, for example, to combined cycle power plants (CCPP) by drawing a comparison with the average global greenhouse gas emissions factor for electricity generation. When calculating emission reductions compared to the baseline, we consider either direct savings (e.g., by power plants) or the indirect effects that occur when different products in a system interact and create emission reductions. If Siemens delivers core components only and not the entire system, the annual customer reduction in carbon dioxide emissions will only be calculated for these parts. The baselines are reviewed annually and, if necessary, adjusted, such as

when statistical data on the installed base is updated because of technical innovations or regulatory changes. The calculation of the reduction of carbon dioxide emissions is based on a specific comparison for every relevant Environmental Portfolio element with a baseline. For this calculation, we focus on those elements that have a material impact on the overall carbon dioxide emission reduction.

#### **Emission factors for calculating the annual reduction in carbon dioxide emissions**

For some emission reduction calculations, the baseline for the installed base is determined using known global emission factors such as those for power production. The baselines used for our calculations are mainly based on data from the International Energy Agency (IEA) for gross power production and for grid losses, data from the Intergovernmental Panel on Climate Change (IPCC) for fuel-based emission factors, and our own assessments of power production efficiency. The most relevant emission factors applied in 2020 are:

For consistency reasons, we generally apply global emission factors for calculating emission reductions unless specific conditions of a solution require the application of local emission factors. For the calculation of annual customer reductions in carbon dioxide emissions, e.g., for wind turbines, we apply the emission factor 811 g/kWh of global fossil power production as the baseline. Generally, our approach includes all greenhouse gases covered by the Kyoto Protocol. However, for power production and electrical applications, we consider the only relevant greenhouse gas to be carbon dioxide. If other greenhouse gases occur in technical applications, they are included in our calculations. For some Environmental Portfolio elements, we do not know the detailed parameters of use at our customers. We therefore apply internal and external expert estimates for these, following the principle of conservativeness.

#### **Emission factors for CO<sub>2</sub> abatement calculation**

Category	Emission factor (g CO <sub>2</sub> /kWh)	Basis for comparison of Environmental Portfolio elements
Global power generation all primary energy carries	525	Power generation
Global power generation fossil energy carries	811	Renewables
Utilization of electricity (including transmission losses)	567	All types of utilization of electricity apart from trains

Source: IEA World Energy Outlook 2019<sup>1</sup>, own calculations

<sup>1</sup> Emission factors were updated to IEA World Energy Outlook 2019 (prior year: IEA World Energy Outlook 2018).

#### **Reporting estimates**

To date, there is no applicable international standard that applies across companies for qualifying products, systems, solutions and services for environmental and climate protection, or for compiling and calculating the respective revenue and the quantity of reduced carbon dioxide emissions attributable to such products, systems, solutions and services. Thus, the inclusion of elements in the Environmental Portfolio is based on criteria, methodologies and assumptions that other companies and other stakeholders may view differently. Factors that may cause differences, among others, are: choice of applicable baseline methodology, application of global emission factors that may be different from local conditions, use patterns at customers that may be different from standard use patterns used for carbon dioxide emission

reduction calculations, assessment of the life span of the Environmental Portfolio elements, internal assessments of our own power production efficiency factors, the share of a core component and expert estimates if no other data is available. Accordingly, revenue from our Environmental Portfolio and the reduction in our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. We report the annual carbon dioxide emission reduction in the period of installation of the Environmental Portfolio element. The period of installation will be determined by milestones or based on estimated construction periods. This may differ from the timing of revenue recognition. Furthermore, we subject revenue from our Environmental Portfolio and the reduction in our customers' annual carbon dioxide emissions to internal

documentation and review requirements which are less sophisticated than those applicable to our financial information. We may change our policies for recognizing revenue from our Environmental Portfolio and the reduction in our customers' annual carbon dioxide emissions in the future without prior notice.

### **Task Force on Climate-Related Financial Disclosures (TCFD)**

To transparency around our climate actions, we disclose how we address risks and opportunities that arise from a changing climate. To do so, we are following the recommendations developed by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

#### **Climate Change Governance**

Sustainability and climate action play a key role in our decisions. Our Sustainability Program, which is fully integrated into our company strategy, is led by our Chief Sustainability Officer (CSO), who is also the CEO of our company. Climate change is a regular topic on the agenda of Executive Board meetings and covers topics such as adapting our business model to offer sustainable solutions to our customers and the progress of our program to become climate neutral in own operations by 2030. Climate-related risks, and opportunities are monitored periodically by the Executive Board, as decarbonization is the cornerstone of our business strategy. Due to the relevance of the topic, it was decided to also include emission targets into the Senior Management's Long Term Incentive scheme.

The Sustainability department, which is part of the strategy function, is responsible for driving sustainability (including climate-related topics) within Siemens Energy. Among others, it coordinates the Climate Neutral program and works on portfolio topics. The implementation of climate actions in the Divisions and Countries is ensured by nominated Sustainability Business Partners.

#### **Strategic Response to Climate Related Risk and Opportunities**

Transitioning to a lower-carbon economy may involve considerable policy, legal, technology, and market challenges. In addition, extreme weather conditions due to climate change could affect our business and have an impact on Siemens Energy in the medium- and long-term. The table on page 74 describes the financial impact and the opportunities arising from climate change on our business.

The respective responsive plans to cope both categories of risk, physical and transitional, have been further translated into opportunities to grow our business and contribute to more sustainable energy systems for society. For example, the revenues generated by Siemens Energy's Environmental Portfolio for fiscal year 2020 were €19.3 billion. For more information on the Environmental Portfolio, please refer to the chapter  **Decarbonization**.

#### **Strategy Resilience and Climate Scenario Analysis**

Scenarios analysis allows an organization to develop an understanding of how various combinations of climate-related risks, both transition and physical risks, may affect its businesses, strategies, and financial performance over time<sup>1</sup>.

The following are some of the cases in which Siemens Energy applies scenario analysis:

- We use third-party energy scenarios provided by IHS, IEA, Bloomberg, etc., for the development of mid and long-term market outlooks. The scenarios are used to identify different market developments.
- We use IHS Autonomy as the planning scenario for long-term market evolution. While for the short term (up to 3 years in advance) the market can easily be derived from a bottom-up analysis of the pipeline of projects in development, for longer-term views we have to rely on a top-down approach. Even if the scenario may not end up being the most likely scenario, it gives us a rather conservative view that enforces reasonable planning that is robust enough against potential deviations from the scenario assumed.
- When preparing holistic long-term energy concepts for countries, we make use of various scenarios like e.g. IHS Autonomy, IHS Rivalry, or IEA SHS and IEA SDS. The aim is to better assess the consequences and robustness of the current and alternative energy plans we may be proposing. That helps us to identify the most reasonable plan of action while maintaining adequate robustness if the real-world development differs from the assumptions made.

#### **Risk Management Approach to Climate Related Risk and Opportunities**

The respective managements of our organizational units are requested to identify and assess climate-related risks and opportunities by implementing risk management systems tailored to their specific industries

<sup>1</sup> Financial Stability Board (2017). Final Report, Recommendations of the Task Force on Climate-related Financial Disclosures

## Climate-related Risks and Opportunities

	Risk driver	Financial Impact Identified	Opportunity
<b>Transitional Risk</b>	<b>Policy and Legal</b>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub> taxes, financing restrictions for greenhouse gas-emitting technologies</li> <li>• Declining subsidy levels might affect the financial sustainability of some of our business segments</li> </ul>	An incentive to adapt current products and develop sustainable solutions
	<b>Technology</b>	The pace of technological change may result in the economic life cycle of certain of our products, in particular wind turbine models, being shorter than anticipated	Invest in R&D activities
	<b>Market</b>	<ul style="list-style-type: none"> <li>• Reduction in customer demand due to a change in consumer preferences, especially in the Gas and Power market</li> <li>• Challenges in adapting our business model and product portfolio to the disruptive developments in the energy market as a result of the trend towards decarbonization</li> </ul>	Adaptation of business model and product portfolio
	<b>Reputation</b>	Increasingly public pressure towards the shift from fossil power generation towards more sustainable power generation will cause the discontinuation or adaptation of certain products earlier than expected, resulting in a loss of profit	Compliance with best climate change mitigation practices as well with ESG standards
	<b>Acute increased severity of extreme weather events</b>	Severe weather, such as fires, hurricanes, high winds and seas, blizzards, and extreme temperatures may cause evacuation of personnel, curtailment of services and suspension of operations, inability to deliver materials to job sites following contract schedules, loss of or damage to equipment and facilities, supply chain disruption and reduced productivity	Constant improvement of our EHS Emergency Response Management System and the Supply Chain Response
	<b>Physical Risk</b> <b>Chronic longer-term shifts in climate patterns</b>	Longer and warmer seasons or extreme cold could materially affect the operations of our customers and limit the attractiveness of our products	Develop new markets and business models

■ Short Term Risk

■ Medium term risk

■ Long term risk

and responsibilities. Assessment of climate physical risk in our operations is conducted by the Environmental, Health, and Safety Department. In case risks and opportunities remain after the execution of existing control measures at the management level, the net risk is reported to our Enterprise Risk Management (ERM) process. Please refer to the section [“Report on material risks and opportunities” in the Siemens Energy Annual Report](#).

To cover the risk exposure in the supply chain, we introduced a risk analysis procedure to systematically identify potential risks in the supply chain. Please refer to the chapter [“Sustainable supply chain management”](#).

## Metrics and Targets

Siemens Energy has set the target of becoming climate neutral in our operations by 2030 and reach 100% green electricity consumption by 2023. We disclose our energy consumption and the related GHG emissions, please refer to the chapter [“Decarbonization”](#).

## UN Global Compact – Communication on progress

Siemens Energy is a signatory to the United Nations Global Compact and subscribes to its ten principles. We publish our progress report annually as part of our sustainability reporting.

Principle	System	Measures	Achievements
Principle 1 Support of human rights	Our Siemens Energy Business Conduct Guidelines (BCGs) provide the ethical and legal framework within we conduct our business activities. They contain basic principles and rules for our conduct internally and externally, for example on human rights or labor standards. The BCGs are mandatory for all employees worldwide. With our Code of Conduct for Siemens Energy suppliers and third-party intermediaries we aim to ensure that these basic rights and principles are also observed in our Sustainable Supply Chain Management.	Our Code of Conduct (CoC) for Siemens Energy suppliers and third-party intermediaries includes: <ul style="list-style-type: none"><li>• respect for basic rights of employees,</li><li>• strong health and safety culture,</li><li>• grievance mechanism,</li><li>• environmental protection,</li><li>• zero tolerance on bribery and anti-corruption, anti-money laundering, anti-terrorism financing, data privacy,</li><li>• avoid the purchase of conflict minerals.</li></ul>	In the year under review, the number of supplier sustainability self-assessments added up to 1,373. Compared with fiscal year 2019, the number increased by almost 25%. We conducted 334 supplier quality audits with integrated sustainability questions and 60 external sustainability audits.
Principle 2 Exclusion of human rights abuses		Similarly, SGRE has implemented its Code of Conduct for suppliers and third-party intermediaries.	Human rights is a continuous awareness topic. Siemens Energy has anchored its commitment to respect human rights in our Business Conduct Guidelines (BCGs).
Principle 3 Assurance of freedom of association		We have introduced a risk analysis system to systematically identify potential risks including human rights issues in our supply chain.	 <a href="#">Sustainable Supply Chain Management</a>  <a href="#">Human rights</a>
Principle 4 Elimination of all forms of forced labor	Similarly, SGRE has implemented its Business Conduct Guidelines.		
Principle 5 Abolition of child labor	Human rights due diligence is mandatory in the sales phase for projects that meet defined risk criteria. The results are decisive for the project's decision-making process.   <a href="#">Anti-corruption and integrity</a>  <a href="#">Sustainable Supply Chain Management</a>  <a href="#">Human rights</a>		

Principle	System	Measures	Achievements
Principle 6 Elimination of Discrimination	We do not tolerate discrimination and have anchored this in our BCGs. We actively foster diversity by creating a working environment that is open to all people, independent of their ethnic origin, religion, world view, nationality, age, disability, gender identity and individual gender expressions.	Our reporting segment Gas and Power has developed a Global Inclusion & Diversity dashboard concept to measure progress. As of Sep 2020, this dashboard has included KPIs covering multivariant diversity such as share of women and minorities in management and hiring, number of employee networks of all dimensions of inclusion and the "SE Voices" all employee survey results.	In the year under review, women accounted for 19.1% of the workforce at Siemens Energy. The share of women in top leadership functions at Gas and Power was 21%. At SGRE, women accounted for 12% in management functions. In fiscal year 2020 women hired accounted for 19.2% of all new hires. <a href="#">Working at Siemens Energy</a>
Women Empowerment	Women Empowerment	Catalysta, our company-wide female talent program, aims to accelerate the internal development of women to take future senior leadership positions.	
Principle 7 Precautionary approach to environmental protection	Siemens Energy has an EHS management System in place to manage its environmental performance. All relevant production and office sites are obliged to implement an environmental management system which fulfills the requirements of the internationally recognized ISO 14001 standard.  SGRE has implemented an Environmental Management System, which covers 100% of relevant sites.  In both reporting segments, Gas and Power and SGRE, environmental management standards are applicable on an international and local basis and are founded upon the International Organisation for Standardization (ISO) 14001 and 50001 standards.  <a href="#">Conservation of resources</a> <a href="#">Decarbonization</a>	Our global diversity networks promote and discuss diversity topics across the Company. Gas and Power is an active member of the SWE (Society of Women Engineers) Corporate Partner Council in the US.  SGRE also has an Inclusion & Diversity policy in place.  SGRE established the "Culture of Trust" program to ensure and support the development of a shared company culture across the group. It is based on three pillars: continuous learning, empowerment and diversity. <a href="#">Working at Siemens Energy</a>	In fiscal year 2020 we achieved to reduce our scope 1 and 2 emissions by around one third or 148,000 metric tons of CO <sub>2</sub> equivalents. The total scope 1 and 2 emissions amounted to 292,000 metric tons of CO <sub>2</sub> equivalents. Our share of green electricity was 78% and we aim to achieve 100% by 2023.  Siemens Energy's total energy consumption during the reporting period was 5.8 million gigajoules. Compared to fiscal year 2019, this is a reduction of 16.6%.  In 2020, we initiated a Carbon Reduction @ Suppliers pilot project, cooperating with an external service provider to develop an economic model that identifies the CO <sub>2</sub> footprint of all suppliers.  SGRE achieved carbon neutrality back in 2019. <a href="#">Conservation of resources</a> <a href="#">Decarbonization</a>

Principle	System	Measures	Achievements
Principle 8 Specific initiatives to promote environmental protection	Raising our employees' awareness on environmental and climate protection is an element of both our environmental strategy and our social commitment. With internal communication measures, we help create a greater sense of responsibility for ecological issues.  ☒ Product stewardship ☒ Conservation of resources	Diverse countries around the world engage in societal engagement initiatives on building awareness for environmental topics within our global framework on Societal Engagement.  SGRE has created a new department that focusses on the company's social commitment with the aim of reducing poverty, fighting climate change and promoting STEM education in our communities.  ☒ Conservation of resources ☒ Societal engagement	Local biodiversity initiatives have been identified by our employees and are supported by Siemens Energy (e.g. nesting boxes for wild bees, insect-friendly meadows, supporting bird-nesting, tree planting at sites, roof greening measures, creation of nature pools).  ☒ Conservation of resources
Principle 9 Development and diffusion of environmentally friendly technologies	As a global energy company, we develop and market products, solutions and services that enable our customers to reduce their CO <sub>2</sub> emissions, lower lifecycle costs and protect the environment.  ☒ Customers and innovation ☒ Decarbonization	We continuously review our portfolio with regards to newly developed or acquired portfolio elements that qualify as Environmental Portfolio elements or exclude elements that no longer fulfill our qualifications criteria.  ☒ Decarbonization	In the year under review, within our Environmental Portfolio the reduction in annual greenhouse gas emissions due to new elements of the Siemens Energy Environmental Portfolio installed in the reporting period helped our customers and partners throughout the world to reduce their CO <sub>2</sub> emissions by 35 million metric tons.  ☒ Decarbonization
Principle 10 Measures against corruption	The Siemens Energy BCGs provide the ethical and legal framework within which we conduct our business activities. They also serve as an expression of our values and lay the foundation for more detailed internal regulations. The BCGs are binding for all employees worldwide. Our Compliance System aims to ensure that our worldwide business practices comply with these guidelines and obey all applicable laws. To this end, and to protect against compliance risks, our Compliance System is based on the three actions "prevent, detect, respond".  ☒ Anti-corruption and integrity	Our compliance priorities are: <ul style="list-style-type: none"><li>• Foster integrity</li><li>• Manage risk and assurance</li><li>• Effective processes</li><li>• Excellent compliance team</li><li>• Committed to business.</li></ul> These guide our activities and are supplemented by focus areas and activities for each fiscal year.  ☒ Anti-corruption and integrity	Siemens Energy continuously maintains and develops its compliance system. Our global compliance training program requires all managers and employees in positions with a specific risk profile to complete compliance training.  The continuous Compliance Risk Assessment (CRA) was conducted for Siemens Gas and Power and separately for SGRE in the fiscal year 2020. The risks identified in this process were addressed by local and central measures.  ☒ Anti-corruption and integrity

## **Independent auditor's limited assurance report**

The assurance engagement performed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft relates exclusively to the German PDF-version of the Sustainability Report 2020 of Siemens Energy AG. The following text is a translation of the original German Independent Assurance Report.

### **To Siemens Energy AG, Munich**

(until April 3, 2020 Kyros 52 Aktiengesellschaft)

We have performed a limited assurance engagement on the Sustainability Report of Siemens Energy AG for the reporting period from October 1, 2019 to September 30, 2020 (hereafter the report).

Our engagement exclusively relates to the German PDF-version of the report. Our engagement did not include the information in the Annex to the report, interviews presented in the report as well as any prospective disclosures and links to other web pages. The report is published as a PDF-version at [www.siemens-energy.com/sustainability-report-2020](http://www.siemens-energy.com/sustainability-report-2020)

### **Management's Responsibility**

The legal representatives of Siemens Energy AG are responsible for the preparation of the report in accordance with the reporting criteria and for the selection of the information to be assessed. As reporting criteria, the Company applies the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and, for the key performance indicators of the Environmental Portfolio, the reporting principles as outlined in the Annex "Environmental Portfolio Reporting Principles" and the underlying criteria set forth in "A Corporate Accounting and Reporting Standard – Revised Edition" and "GHG Protocol for Project Accounting" issued by the Greenhouse Gas Protocol Initiative.

This responsibility includes the selection and application of appropriate methods to prepare the report as well as making assumptions and estimates related to individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a report that is free from – intended or unintended – material misstatement.

## **Auditor's declaration relating to independence and quality control**

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitäts-sicherungsstandard 1: Anforderungen an die Qualitäts-sicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

### **Auditor's Responsibility**

Our responsibility is to express a limited assurance conclusion on the report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Report of the Company has been prepared, in all material respects, in accordance with the reporting criteria. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between September and November 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management including the stakeholder dialog of Siemens Energy AG,

- Inquiries of employees from the central Sustainability department and other relevant departments responsible for the preparation of the Sustainability Report in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement,
- Identification of likely risks of material misstatement in the report,
- Inspection of the relevant documentation of the systems and processes for compiling, aggregating and validating sustainability data in the reporting period and testing such documentation on a sample basis,
- Analytical measures at Group level and at the level of the segments Gas and Power and Siemens Gamesa Renewable Energy regarding the quality of the reported data,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the sustainability data at Group level, at the level of the segments and at selected sites,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the key performance indicators of the Environmental Portfolio including the procedures for determining the qualification of products, solutions and services for the Environmental Portfolio,
- Inquiries of employees from the central Sustainability department and other relevant departments on material qualitative statements in the report as well as the inspection of selected underlying documents,
- Evaluation of the presentation of disclosures in the report.

### **Assurance Conclusion**

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Report of Siemens Energy AG for the period from October 1, 2019 to September 30, 2020 has not been prepared, in all material respects, in accordance with the reporting criteria.

### **Intended use of the Assurance Report**

We issue this report on the basis of the engagement agreed with Siemens Energy AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

### **Engagement Terms and Liability**

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement ([www.de.ey.com/general-engagement-terms](http://www.de.ey.com/general-engagement-terms)). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, November 27, 2020

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Spannagl Wirtschaftsprüfer (German Public Auditor)	Johne Wirtschaftsprüferin (German Public Auditor)
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Siemens Energy AG  
Otto-Hahn-Ring 6  
81739 Munich

Sustainability: sustainability@siemens-energy.com  
Media Relations: press@siemens-energy.com  
Investor Relations: investorrelations@siemens-energy.com

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