

Sustainability Refresher training

SFS PS-AM SUS



United Nations Sustainable Development Goals

17 Goals to Transform our World



Transformative Impacts of Sustainable Development Movement

Economic Impacts



Economic Growth and Job Creation

New industries, rise in sustainability-focused jobs



Resource Efficiency and Costs

Lower long-term costs, short-term fluctuations



Industrial Innovation

Shift to circular economy and sustainable products.



Trade and Competitiveness

Competitive edge in renewables, energy security



Transition Costs

Investment in grid, closure of old plants

Financial Sector Impacts



Investment Opportunities and Risks

Growth in renewables, risk of stranded fossil assets



Development of New Financial Products

Expansion of green bonds, sustainability loans



Regulatory and Policy Impacts

Compliance costs, incentives for renewables



Market Dynamics

Volatility impacts, rising interest in sustainable companies



Corporate Strategies

Focus on sustainability integration, increased pressure for transparency

Sustainability is one of four strategic imperatives at Siemens Financial Services

Profitability

Committing to a **highly competitive**
ROE of 15 – 20%
on a sustainable basis

Diversification

Fostering a **highly diversified**
portfolio with a global footprint
supported by a **strong risk culture**

Proximity

Prioritizing to the **Industrial**
Businesses via **strategic**
realignment across all SFS
businesses

Sustainability

Continuing to sharpen SFS
sustainability profile and
contribution to **DEGREE**



Integration throughout PS-AM investment lifecycle and business



Circularity Training

Upskilling for Evolving Markets



DBO™

Strategic Customer Outreach



Dual Approach

ESG Credit Risk & Opportunity



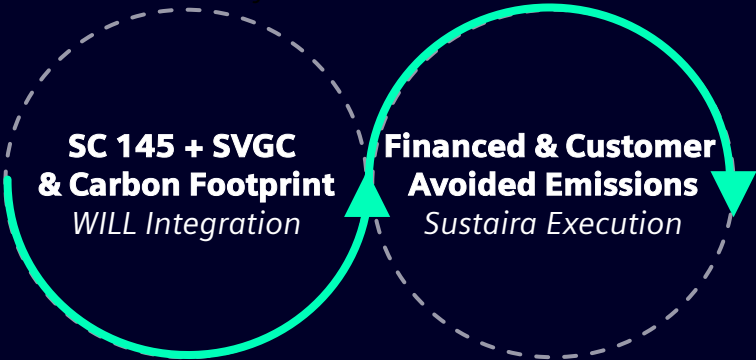
Environmental & Social Impact



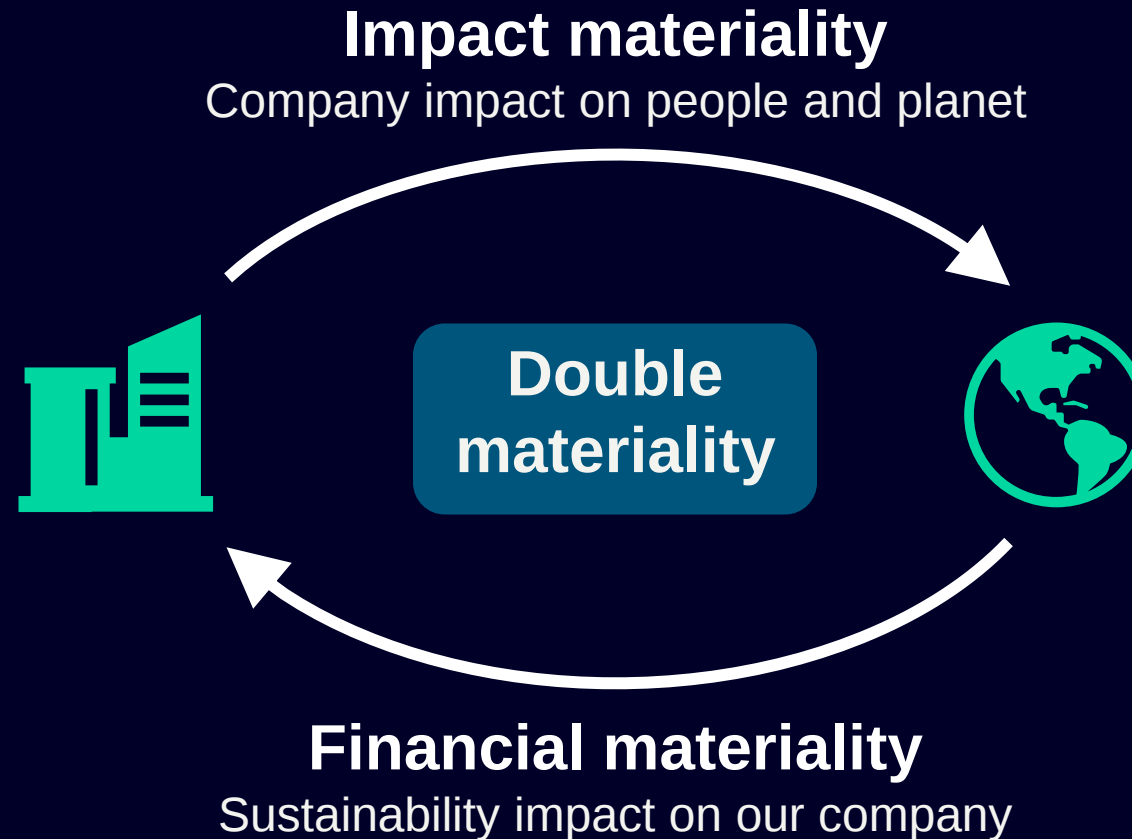
Automated Process & Reporting

Data Collection & Sustainability Review

Sustainability Report & Portfolio Monitoring



To achieve true sustainability impact, a company must embrace double materiality



Leverage ESG factors with financial metrics to generate alpha, minimize risk, and optimize exposures



Environmental

- Climate Change and Carbon Emissions
- Resource Depletion and Pollution
- Biodiversity and Conservation



Social

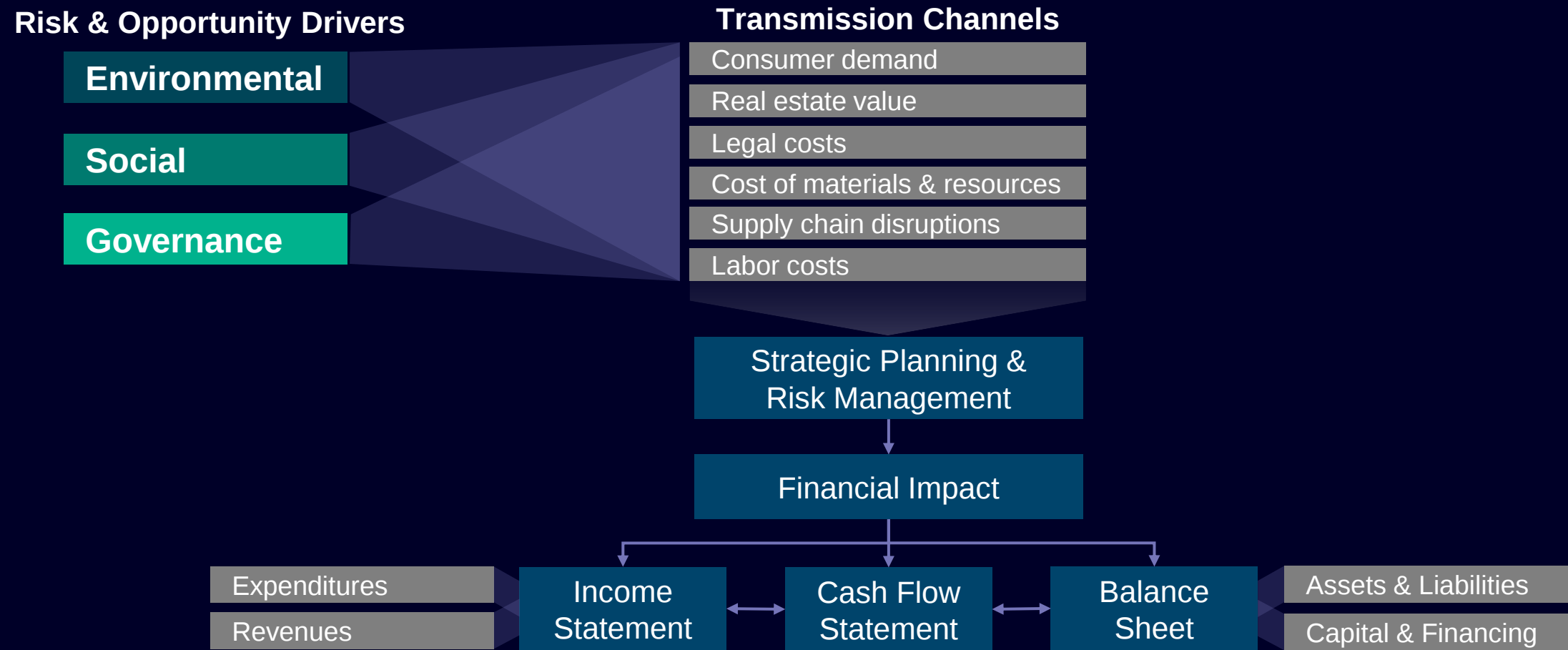
- Human Rights and Labor Practice
- Employee Welfare and Diversity
- Community relations and stakeholder engagement



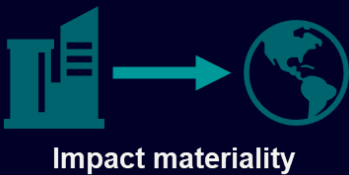
Governance

- Business Ethics and Regulatory Compliance
- Board diversity and independence
- Shareholder rights

ESG factors, when material to a specific transaction, often serve as key indicators of potential financial performance before traditional metrics become apparent.



Leverage **SVGC** to sustainable value creation and enhance stakeholder trust.



Decarbonization & energy efficiency

Managed product CO₂ footprints

Renewables integration and electrification

Decarbonized mobility



Resource efficiency & circularity

Circular products and efficient productions

Efficient building and electrification assets

Efficient rolling stock and rail infrastructure



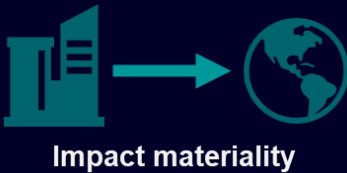
People centricity & societal impact

Operator safety and ergonomics

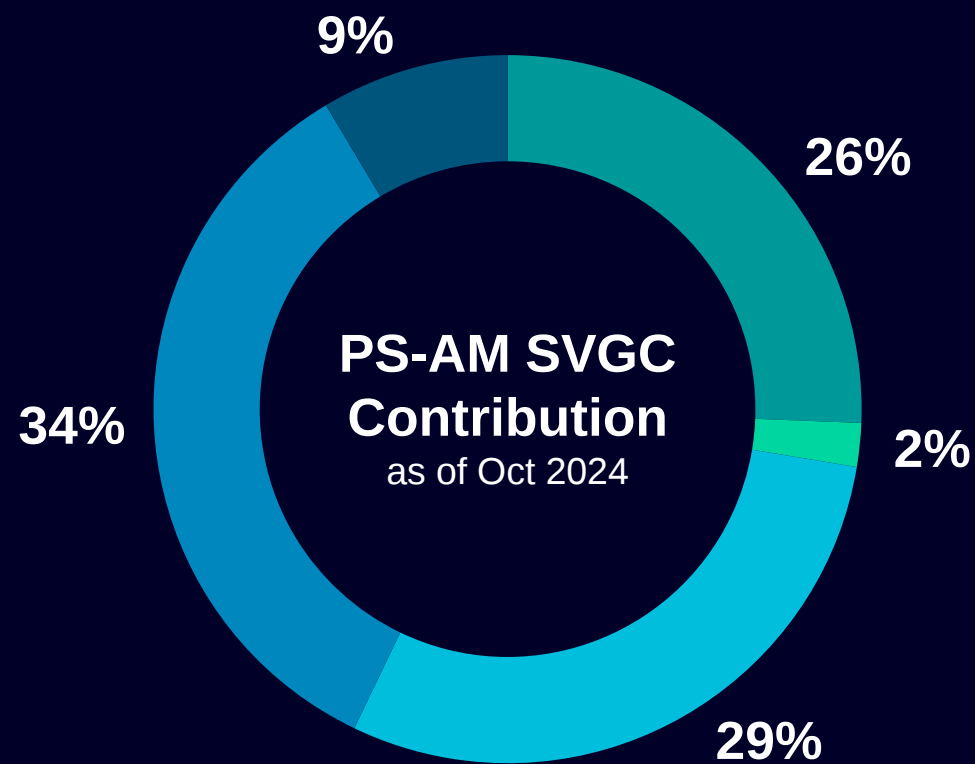
Occupant well-being, safety and security

Safe and comfortable mobility for societies

Sustainability Impact Assessment for New Transactions



Strong alignment of portfolio with SVGC ...but resource efficiency/circularity remains elusive



- Decarbonization & Energy Efficiency
- People Centricity & Societal Impact
- Not Sustainable
- Resource Efficiency & Circularity
- Neutral

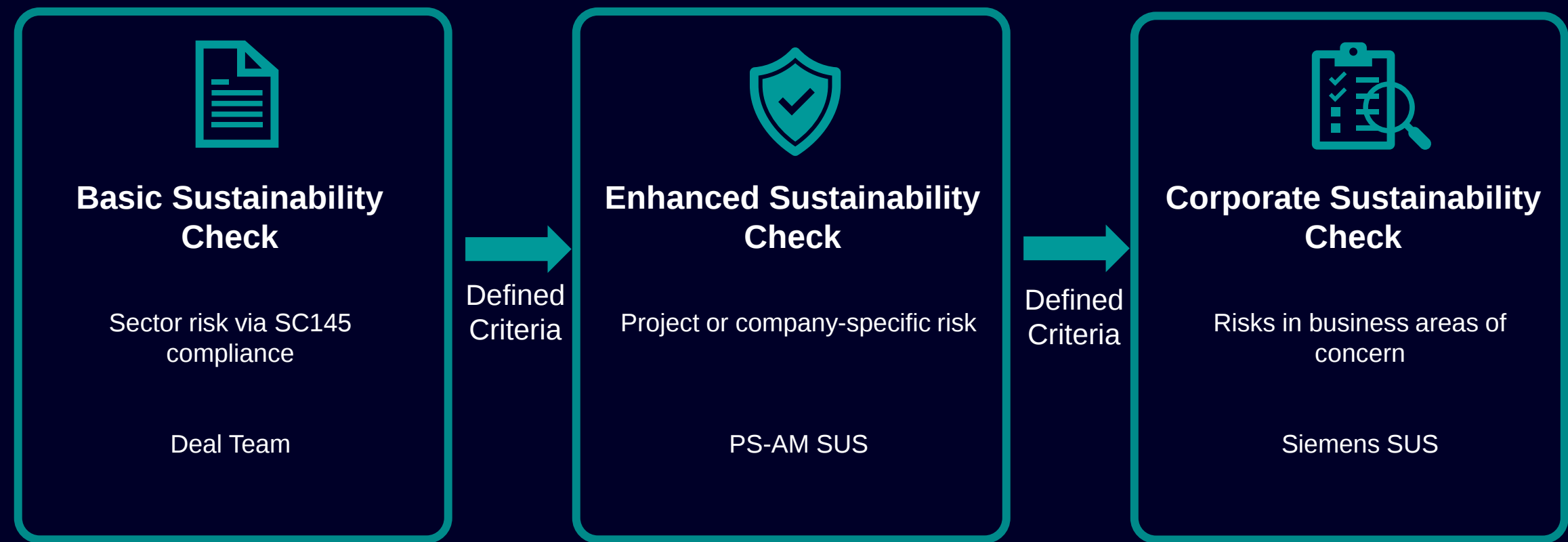
We have excellent contribution to decarbonization and energy efficiency as well as people centricity and societal impact

The non-sustainable portfolio contribution is rapidly decreasing.

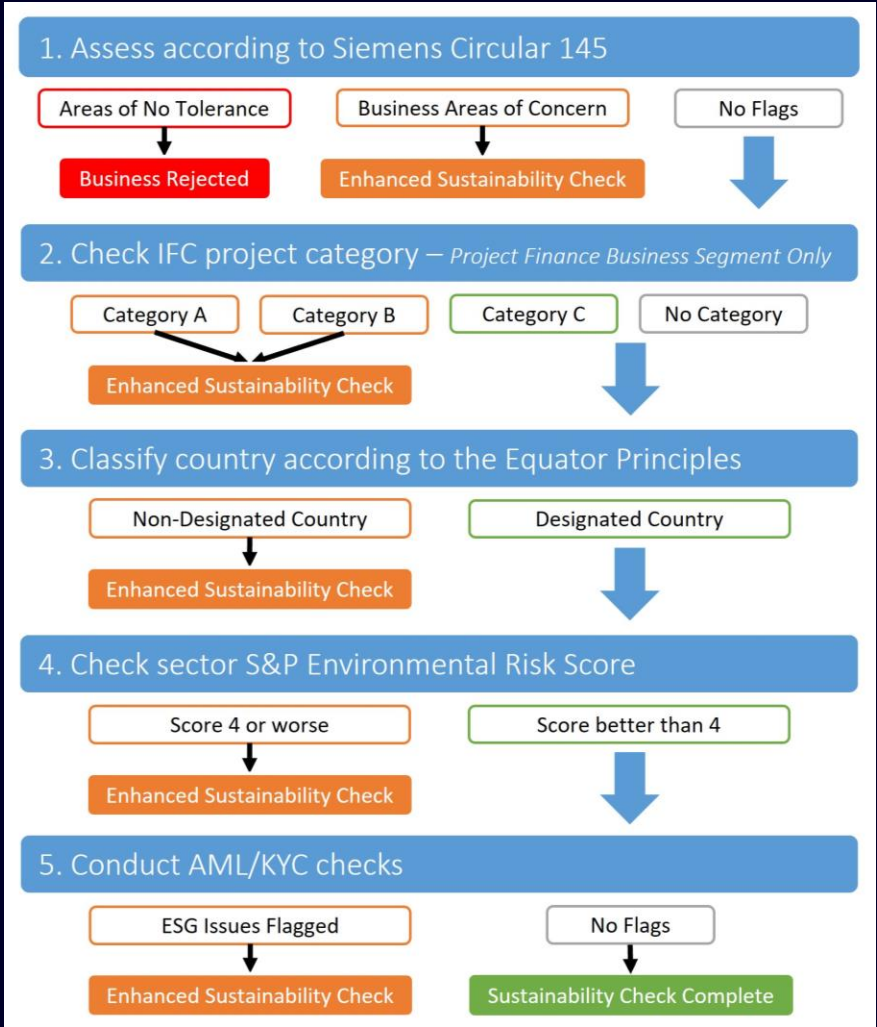
We need to grow our resource efficiency and circularity contribution

It's crucial to use the single deal assessment process to ensure accurate transaction classification

Sustainability Assessment in New Transactions at PS-AM



Basic Sustainability Check covers sector and country risks, along with Siemens sustainability due diligence requirements

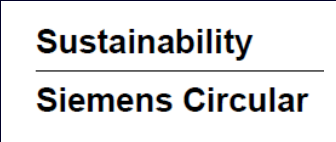


Complete Siemens sustainability risk due diligence process.

Ensure alignment with international environmental and social standards.

Quantify sector risks affecting financial performance and creditworthiness.

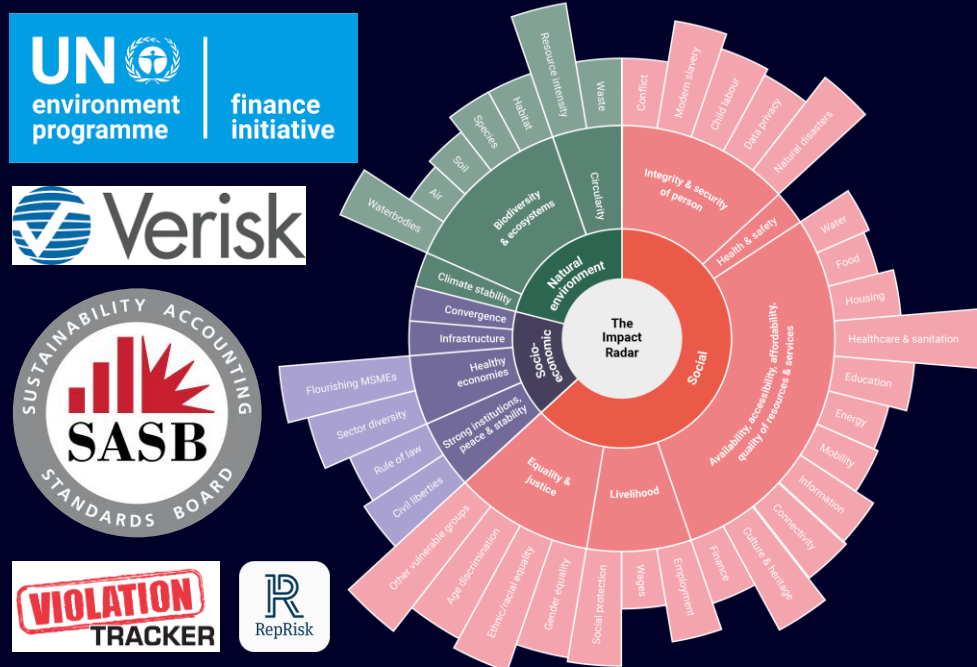
Identify potential environmental, social, governance and human rights issues.



Enhanced Sustainability Check

Conducted by PS-AM SUS

Triggered by Basic sustainability check criteria



Corporate Sustainability Check

Conducted by SUS GOV SDD

Triggered for all business areas of concern and specific factors identified by PS-AM SUS



Seawater Desalination Plant in Latin America

Basic Sustainability Check

The transaction was determined to have elevated ESG risk due to:

- Reputational risk of mining off-takers, overlapping with SC 145 business area of concern
- IFC project category B

Enhanced Sustainability Check

Identified risk was mitigated through:

- Positive community impact, alleviating water shortages
- Loan covenants aligning with Equator Principles
- Involvement of reputable entities & financing under Green Finance Framework

Corporate Sustainability Consultation

- Reputational risk review
- Geopolitical advisement
- Headline summaries
- Media monitoring

Plastics Market Example: Regulatory risk impacting plastics value-chain

Court Greenlights Landmark Plastic Pollution Lawsuit

Against Procter & Gamble, Coca-Cola, PepsiCo and Major Consumer Goods Companies

Minnesota becomes 5th US state with packaging EPR law

Gov. Tim Walz signed a budget bill that includes language to set up an extended producer responsibility system. A producer responsibility organization is set to be appointed by January 2025.

Published May 22, 2024 • Updated May 23, 2024

PepsiCo is the largest identifiable contributor to plastic waste along the river, accounting for over 17% of the branded waste collected in a 2022 survey.

Legal allegations against the company:

- PepsiCo's plastic bottles, caps, and wrappers polluted waterways, **endangering public health and ecosystems**
- PepsiCo **misrepresented its environmental efforts**, accusing it of "greenwashing" by failing to back claims with substantive actions

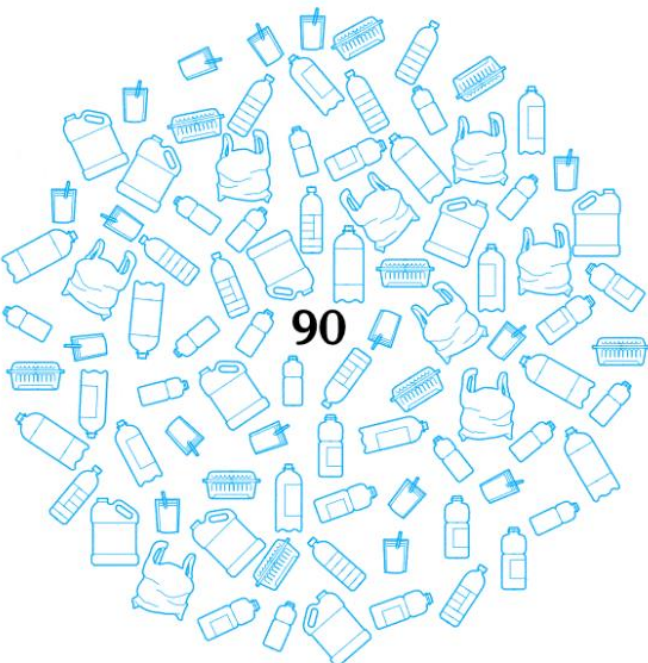
Plastics Market Example: Demand for sustainable alternatives

The demand for recycled plastics is expected to far outpace the available supply by 2030.

Recycled plastic supply-and-demand balance, million tons per year



Supply by 2030¹



Demand by 2030

¹The 2030 supply figure refers to the current-trajectory scenario.

McKinsey & Company

NEWS | 06 March 2024

Landmark study links microplastics to serious health problems

People who had tiny plastic particles lodged in a key blood vessel were more likely to experience heart attack, stroke or death during a three-year study.

Researchers find a massive number of plastic particles in bottled water

UPDATED JANUARY 10, 2024 · 11:59 AM ET

To Cut Cancer Risks, E.P.A. Limits Pollution From Chemical Plants

The new regulation is aimed at reducing the risk of cancer for people who live close to plants emitting toxic chemicals.

Power Generation Example: Escalating and evolving regulatory risk for gas plants



Final Emission Guidelines for Existing Steam Generating Units

- Two subcategories for existing coal-fired units, depending on operating horizon: (1) Units operating on or after Jan. 1, 2039 and (2) Units that are operating on or after Jan. 1, 2032, and demonstrate they plan to permanently cease operation before Jan. 1, 2039
- Units that demonstrate they plan to permanently cease operations before Jan. 1, 2032 are not subject to these standards



October 16, 2024 4:36 PM
By Reuters

US Supreme Court declines to pause EPA power plant emissions rule

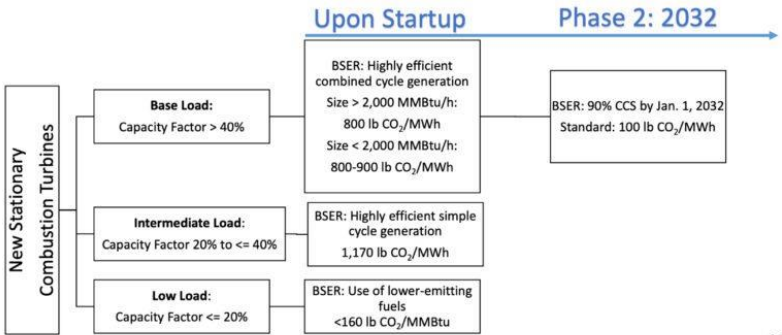


Final Standards for New Stationary Combustion Turbines

- Standards effective from 2025
- Three subcategories:
- Standards are technology neutral, affected sources may comply with it by co-firing hydrogen

Oct. 16, 2024

The Supreme Court on Wednesday allowed the Environmental Protection Agency to move ahead with its plans to limit carbon emissions by power plants, handing a victory to the Biden administration.



■ Covered for power plants only ■ Both power plants and other industries ■ Covered for other industries only

Supreme Court halts EPA's 'Good Neighbor Plan'

JUNE 27, 2024 · 10:11 AM ET

Source: Environmental Protection Agency

AP

Sustainability Assessment in WILL

General

1. Obligor Overview

2. Limit Overview

3. Policy, Strategy and Compliance

4. Transaction

5. Risk and Mitigants, Conclusion and Conditions

Exhibits

Closing Memo

3. Policy, Strategy and Compliance

^ SOC Category & Policy

v Sustainability Assessment

^ SC 145 Check

^ Sustainability Risk Assessment

Siemens Circular 145 Alignment

General

1. Obligor Overview

2. Limit Overview

3. Policy, Strategy and Compliance

4. Transaction

5. Risk and Mitigants, Conclusion and Conditions

Exhibits

Closing Memo

3. Policy, Strategy and Compliance

^ SOC Category & Policy

^ Sustainability Assessment

^ SC 145 Check

^ Sustainability Risk Assessment

Please indicate whether the financing opportunity falls under one of the following Sustainability Risk Areas of Concern, as outlined in SC 145:

Occupied Territories *

☐ Yes ☐ No

Illicit, banned & controversial weapons *

☐ Yes ☐ No

Detention facilities or prisons *

☐ Yes ☐ No

Surveillance *

☐ Yes ☐ No

Hydropower *

☐ Yes ☐ No

Coal *

☐ Yes ☐ No

Oil & Gas *

☐ Yes ☐ No

Mining *

☐ Yes ☐ No

Community Impacts *

☐ Yes ☐ No

Human Rights *

☐ Yes ☐ No

Conflict Regions *

☐ Yes ☐ No

Environmental Risk *

☐ Yes ☐ No

Critical Habitats *

☐ Yes ☐ No

[Endangered Species Critical Habitats](#)

Protected Areas *

☐ Yes ☐ No

[World Database on Protected Areas](#)

Business partners with high ESG risk *

☐ Yes ☐ No

[ESG Reputational Risk Radar](#)

SC 145 Checklist

Requires users to indicate whether the transaction overlaps with SC 145 Business Areas of Concern.

Auto-populates based on primary counterparty ISIC, sub-ISIC and country of risk.

User input needed for specific fields with links for reference.

✓ SC 145 Check

Please indicate whether the financing opportunity falls under one of the following Sustainability Risk Areas of Concern, as outlined in SC 145:

Recalculate SC 145 fields

Occupied Territories *	☐ Yes ☒ No
Illicit, banned & controversial weapons *	☐ Yes ☒ No
Detention facilities or prisons *	☐ Yes ☒ No
Surveillance *	☐ Yes ☒ No
Hydropower *	☐ Yes ☒ No
Coal *	☐ Yes ☒ No
Oil & Gas *	☐ Yes ☒ No
Mining *	☐ Yes ☒ No
Community Impacts *	☐ Yes ☐ No
Human Rights *	☒ Yes ☐ No
Conflict Regions *	☐ Yes ☒ No
Environmental Risk *	☐ Yes ☒ No
Critical Habitats *	☐ Yes ☐ No
Endangered Species Critical Habitats	
Protected Areas *	☐ Yes ☐ No
World Database on Protected Areas	
Business partners with high ESG risk *	☐ Yes ☐ No
ESG Reputational Risk Radar	

Auto-populates based on country of risk

Auto-populates based on ISIC & sub-ISIC

User input required

Auto-populates based on country / ISIC & Sub-ISIC

User input required

Sustainability Risk Assessment

General

1. Obligor Overview

2. Limit Overview

3. Policy, Strategy and Compliance

4. Transaction

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Exhibits

Closing Memo

3. Policy, Strategy and Compliance

^ SOC Category & Policy

^ Sustainability Assessment

^ SC 145 Check

^ Sustainability Risk Assessment

S&P Risk Atlas (Industry): Calculation based on primary borrower's ISIC 4759 and country United States of America.

IFC Project Categorization

Select category

Designated Country

☒ Yes ☐ No

Sustainability Risk Area of concern as per siemens circular 145

☐ Yes ☒ No

External Sustainable Finance Designation

Please select an option

Substantiation

(As a minimum, a brief comment on the acceptance of a proposed new exposure from a sustainability perspective shall always be made in the "Sustainability Assessment" box of the credit report template – even if Sustainability Check is not required under the ESG Framework.)

E-Risk Score

3

S-Risk Score

3

Other ESG topics revealed

☐ Yes ☒ No

Enhanced Sustainability Check Required

☐ Yes ☒ No

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SIEMENS

Sustainability Risk Assessment

Determines whether the transaction needs an Enhanced Sustainability Check, based on:

- IFC Project Categorization (relevant to Project Finance)
- Equator Principles Country Designation
- SC 145 Business Areas of Concern
- S&P Environmental Risk Score

The “External Sustainable Finance Designation” box allows users to indicate if the transaction is a Green Loan, Social Loan or a Sustainability Linked Loan.

▼ Sustainability Risk Assessment

IFC Project Categorization

Select category ▼

E-Risk Score

▼

S-Risk Score

▼

Designated Country

☐ Yes ☒ No

Other ESG topics revealed

☐ Yes ☐ No

Sustainability Risk Area of concern as per siemens circular 145

☐ Yes ☐ No

Enhanced Sustainability Check Required

☐ Yes ☒ No

External Sustainable Finance Designation *

Please select an option

Substantiation

(As a minimum, a brief comment on the acceptance of a proposed new exposure from a sustainability perspective shall always be made in the "Sustainability Assessment" box of the credit report template – even if Sustainability Check is not required under the ESG Framework.)

Siemens Value Grid Contribution (SVGC) – Classification

▼ Sustainability Risk Assessment

IFC Project Categorization

Select category

Designated Country

☐ Yes ☒ No

Sustainability Risk Area of concern as per siemens circular 145

☐ Yes ☐ No

External Sustainable Finance Designation *

Please select an option

Substantiation

(As a minimum, a brief comment on the acceptance of a proposed new exposure from a sustainability perspective shall always be made in the "Sustainability Assessment" box of the credit report template – even if Sustainability Check is not required under the ESG Framework.)

E-Risk Score

S-Risk Score

Other ESG topics revealed

☐ Yes ☐ No

Enhanced Sustainability Check Required

☐ Yes ☒ No

▼ Sustainability Contribution Assessment (SVGC)

Sustainable Value Grid Contribution

Initiate Single Deal Assess Process

☐

ESG Mapping Tables

ESG Guideline

Siemens Value Grid Contribution (SVGC) – Classification

The SVGC automatically assigns each transaction, based on the ISIC/sub-ISIC of the primary counterparty, as “Positive” (i.e. Sustainable/Beneficial), “Non-Beneficial” (i.e. Not Sustainable), or “Neutral.” Transactions which are designated as Positive are assigned an impact area: Decarbonization & Energy Efficiency, Resource Efficiency & Circularity, or People Centricity & Societal Impact.

▼ Sustainability Contribution Assessment (SVGC)

Sustainable Value Grid Contribution

positive

People Centricity & Societal Impact

Initiate Single Deal Assess Process

☐

Siemens Value Grid Contribution (SVGC) – Reclassification

If the automatic classification of a transaction under the SVGC is deemed insufficient by the deal team, then users can request reclassification through a “Single Deal Assessment” by clicking the box “Initial Singe Deal Assessment Process.”

Initiate Single Deal Assess Process ☒

Message: Please complete the remaining fields then contact BU SUS function to confirm SVGC selection.

Adjusted SVGC based on Single Deal Assessment *

Please select an option

Substantiation for SVGC Adjustment *

Please include original SVGC category assessment and explanation for adjustment.

I hereby confirm that the adjusted SVGC has been aligned with the BU SUS function *

☐ Accept ☐ Reject

checked by:

ESG Mapping Tables

ESG Guideline

Recap

<i>Lens of Analysis</i>		<i>Objective Guideline</i>
1	Alignment with Siemens & reputational risk	 Siemens Circular 145 (SC 145) Defines sustainability risk areas of concerns and outlines due diligence requirements
2	ESG credit risk & opportunity	 Internationally-accepted sustainability standards: • Sustainability Accounting Standards Board (SASB) standards • The Equator Principles (EP) • International Finance Corporation (IFC) Performance Standards
3	Impact & contribution	 Siemens Value Grid Contribution (SVGC) Defines impact areas and maps transactions based on ISIC code

Contact us with any questions



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