Sustainability

Refresher training

Corporate Lending | SFS PS-AM SUS

United Nations Sustainable Development Goals

17 Goals to Transform our World

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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

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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

Proximity

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

Diversification

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

Sustainability

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

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Integration throughout PS-AM investment lifecycle and business

Sourcing & Engagement → **Origination & Underwriting** → **Reporting & Portfolio Management**

Circularity Training

Upskilling for Evolving Markets

DBO™

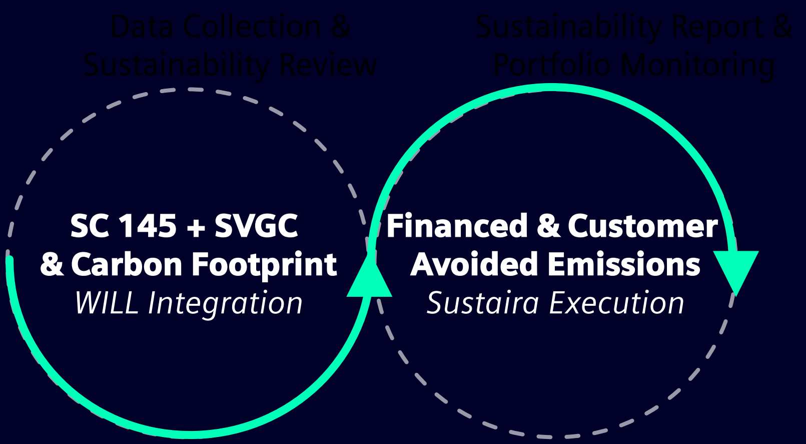
Strategic Customer Outreach

Dual Approach

ESG Credit Risk & Opportunity

Environmental & Social Impact

Automated Process & Reporting



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

Impact materiality

Company impact on people and planet

Financial materiality

Sustainability impact on our company

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

Financial materiality

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.

Financial materiality

Risk & Opportunity Drivers

- Environmental
- Social
- Governance

Transmission Channels

- Consumer demand
- Real estate value
- Legal costs
- Cost of materials & resources
- Supply chain disruptions
- Labor costs

Strategic Planning & Risk Management

Financial Impact

- Income Statement
  - Expenditures
  - Revenues
- Cash Flow Statement
- Balance Sheet
  - Assets & Liabilities
  - Capital & Financing

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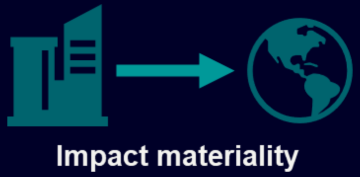
Leverage SVGC to sustainable value creation and enhance stakeholder trust.



Decarbonization & energy efficiency

Managed product CO_2 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

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Sustainability Impact Assessment for New Transactions

Impact materiality

01 | Financial products
- Green/Social Loan
- Managed Equipment Services (MES)
- Solar Service Agreements

02 | Known use of proceeds
Asset (IAC), Projects

03 | Unknown use of proceeds
Sector (ISIC/SubISIC)

Evaluation & Mapping

Decarbonization & Energy Efficiency

Resource Efficiency & Circularity

People Centricity & Societal Impact

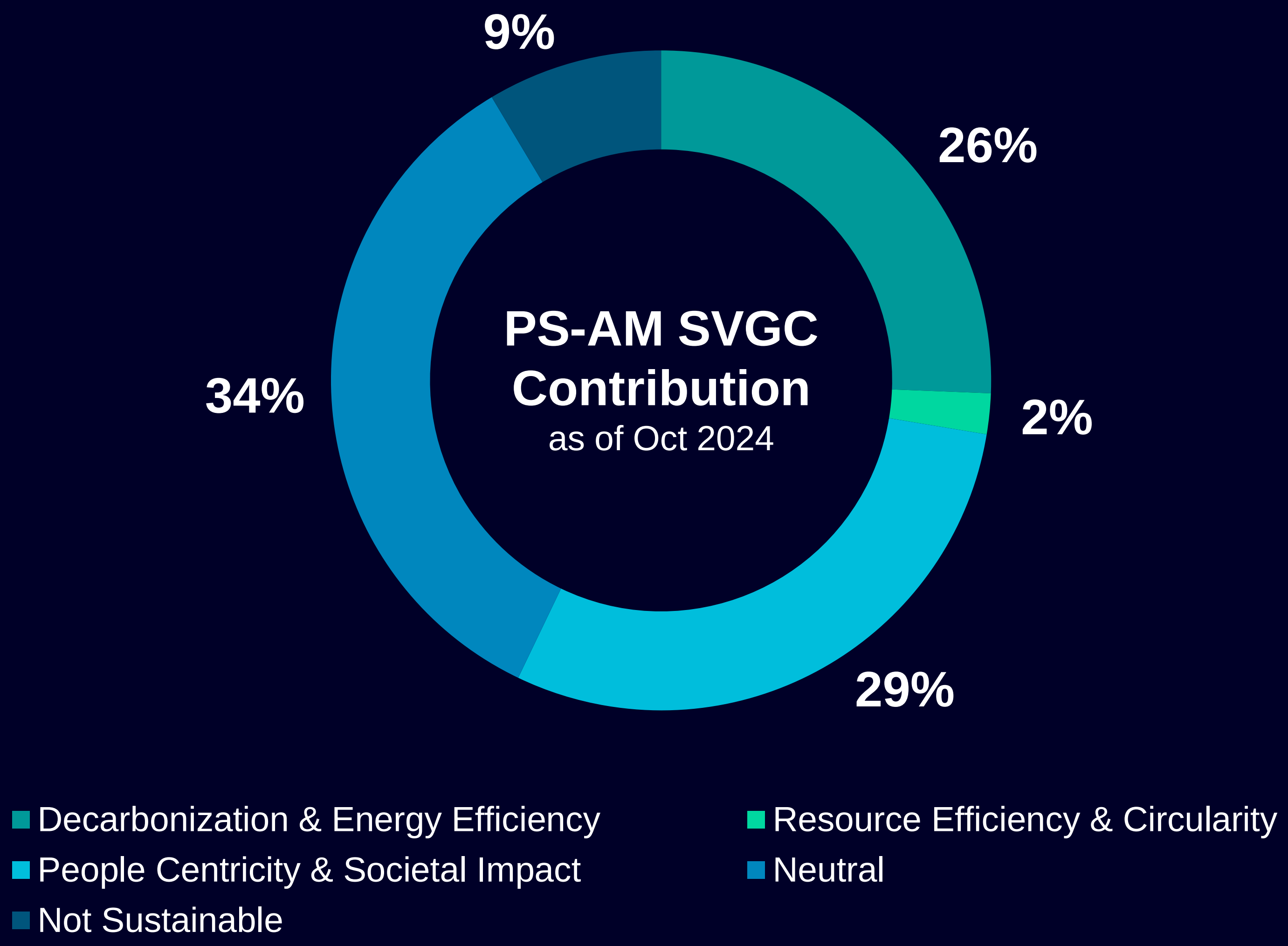
Neutral

Not Sustainable

Sustainability Value Grid Contribution (SVGC)

" xx % of SFS assets contribute to Siemens Sustainability Value Grid"

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



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

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Sustainability Assessment in New Transactions at PS-AM

Basic Sustainability Check

Sector risk via SC145 compliance

Deal Team

→ Defined Criteria

Enhanced Sustainability Check

Project or company-specific risk

PS-AM SUS

→ Defined Criteria

Corporate Sustainability Check

Risks in business areas of concern

Siemens SUS

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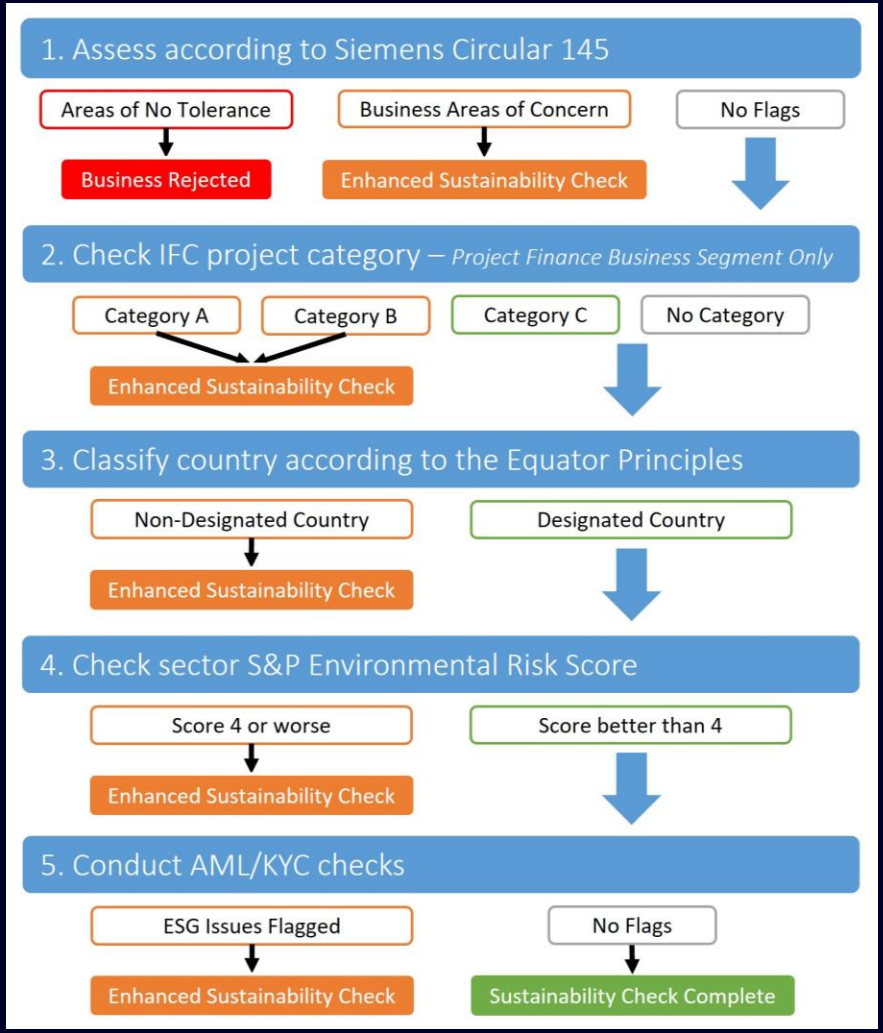
Basic Sustainability Check covers sector and country risks, along with Siemens sustainability due diligence requirements



Complete Siemens sustainability risk due diligence process.

Sustainability
Siemens Circular

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.

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

Sustainability Siemens Circular	Complete Siemens sustainability risk due diligence process.
IFC International Finance Corporation WORLD BANK GROUP	Determine required level of environmental and social due diligence.
EQUATOR PRINCIPLES	Ensure alignment with international environmental and social standards.
S&P Global	Quantify sector risks affecting financial performance and creditworthiness.
S ESG Radar	Identify potential environmental, social, governance and human rights issues.

Sustainability Assessment in WILL

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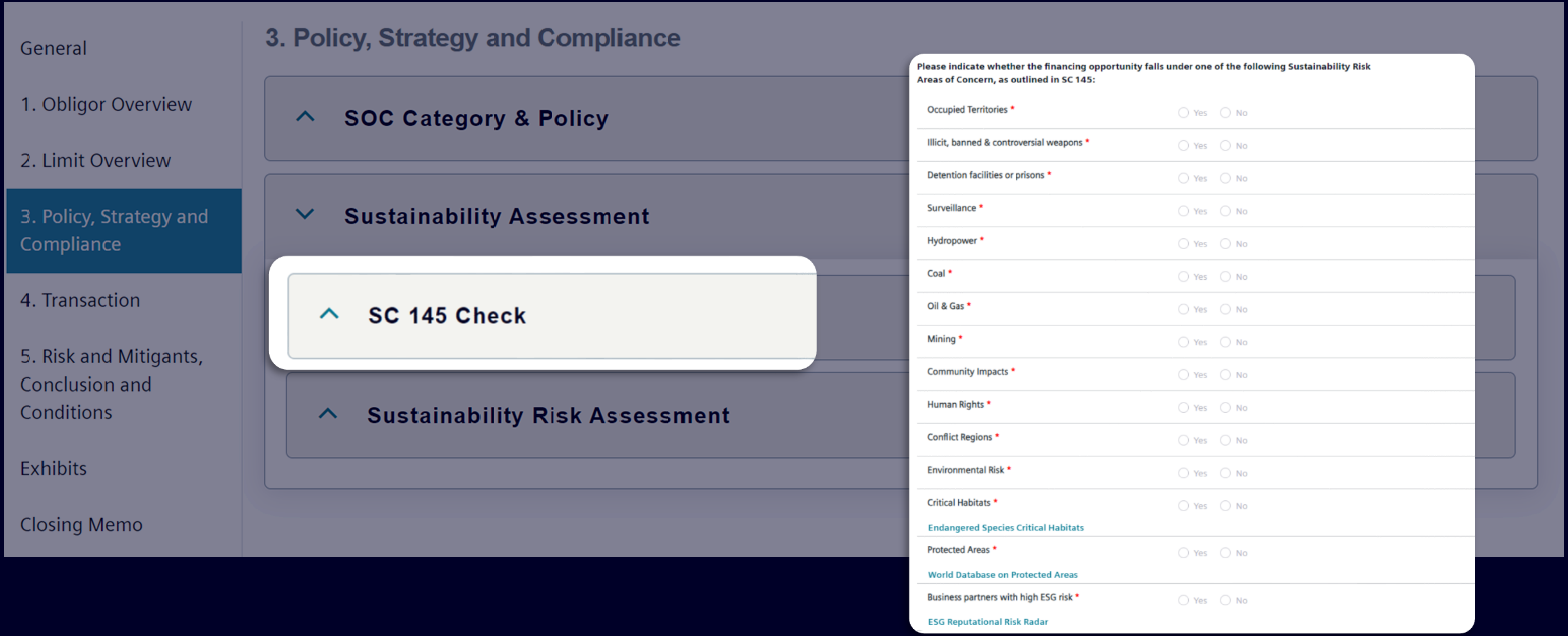
Siemens Circular 145 Alignment



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 * Endangered Species Critical Habitats	Yes	No
Protected Areas * World Database on Protected Areas	Yes	No
Business partners with high ESG risk * ESG Reputational Risk Radar	Yes	No

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

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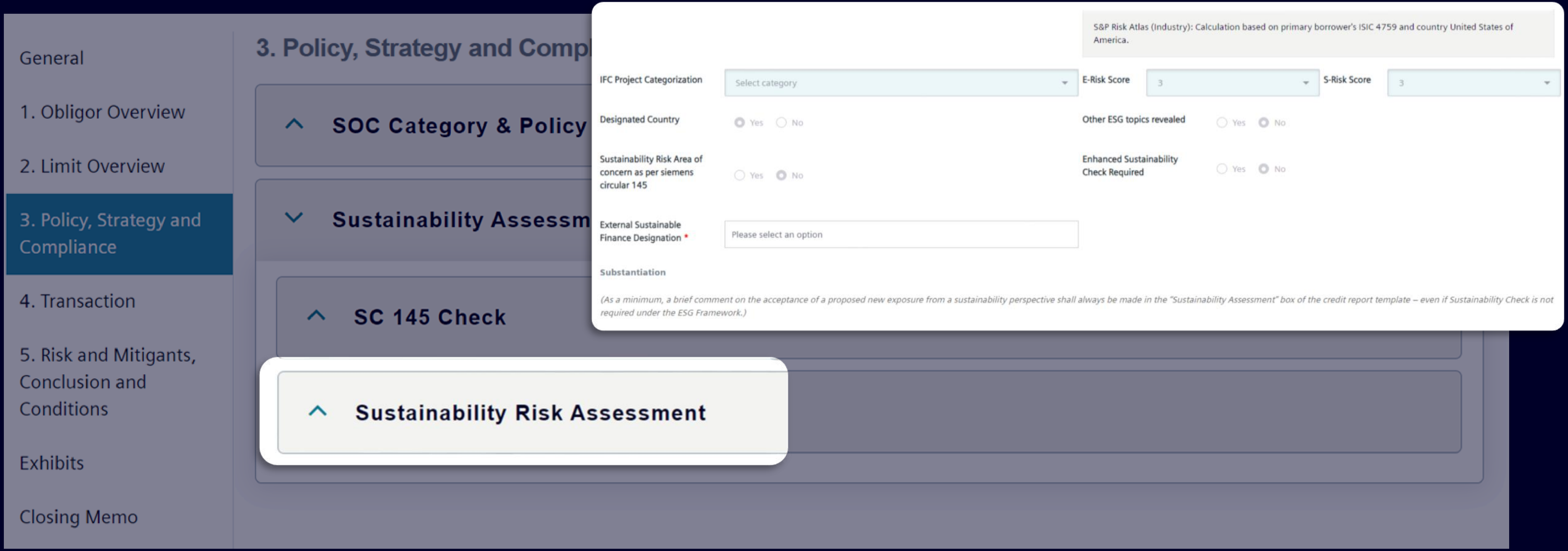
Sustainability Risk Assessment



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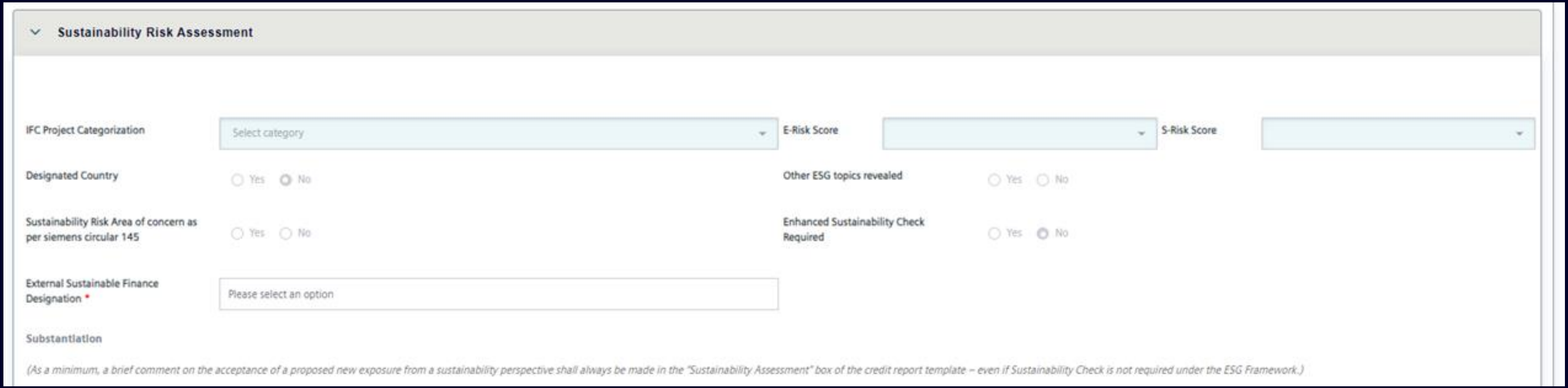
Sustainability Risk Assessment

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.



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Siemens Value Grid Contribution (SVGC)

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.)

Sustainability Contribution Assessment (SVGC)

Sustainable Value Grid Contribution

Initiate Single Deal Assess Process

ESG Mapping Tables

ESG Guideline

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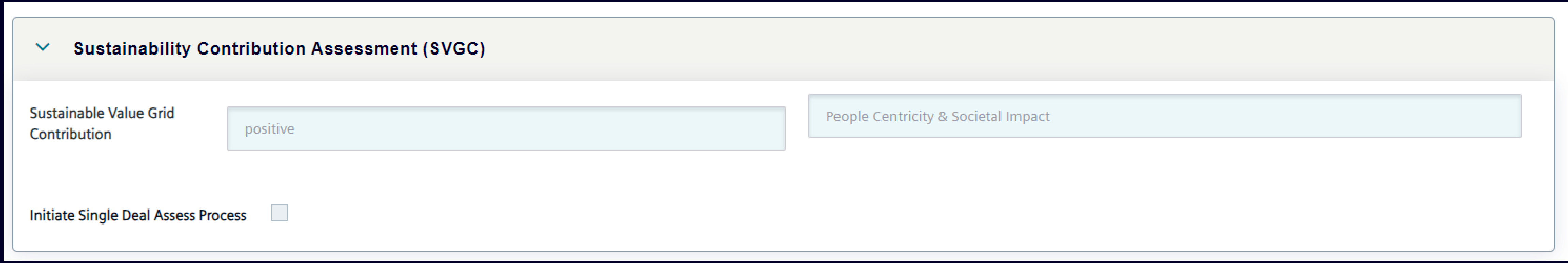
Siemens Value Grid Contribution (SVGC) Classification

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.



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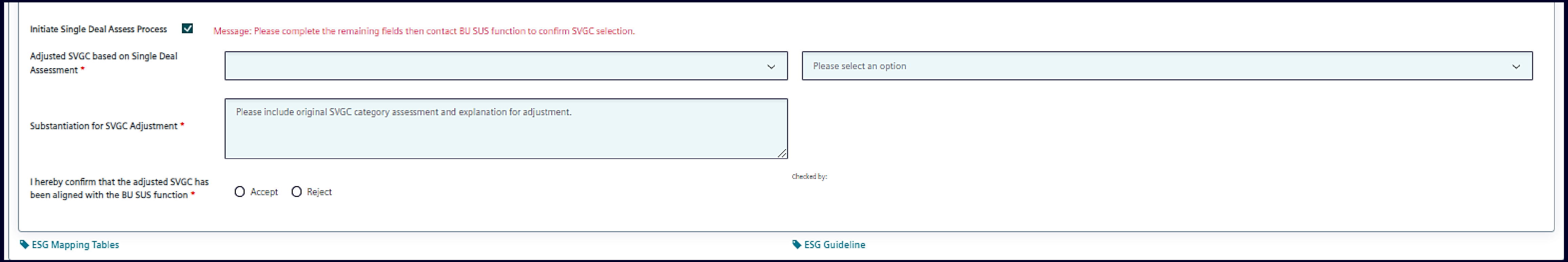
Siemens Value Grid Contribution (SVGC) – Reclassification

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.”



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Enhanced Sustainability Check Example: Building material manufacturing company

Basic Sustainability Check

- No overlap with SC 145 business areas of concern
- Reputational risk not isolated as a concern
- Elevated S&P risk score

Enhanced Sustainability Check

- Review of company's ESG report prompted concerns over employee accident rates
- Deal team escalated concern to the sponsor to resolve as a reporting error

Corporate Sustainability Consultation

- It was not necessary to elevate to the corporate sustainability team, if this was needed:
  - Guidance on risk mitigants
  - Media monitoring

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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

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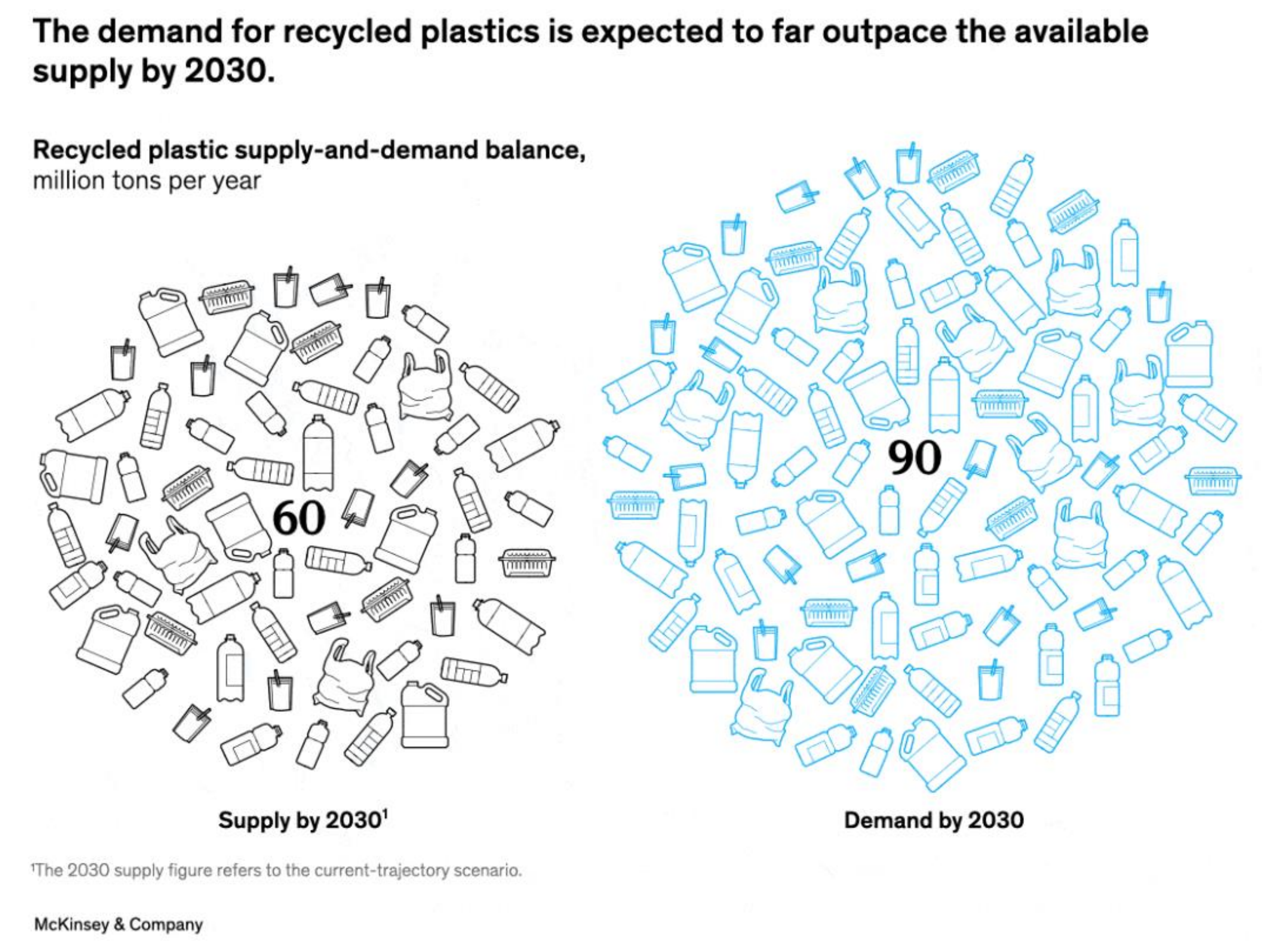
Plastics Market Example: Demand for sustainable alternatives



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.

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Recap

	Lens of Analysis	*Objective Guideline*
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	Restrictedationally-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

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Take-Aways Origination and Underwriting

Integration of ESG into Investment Process

- Work with the sustainability team to integrate ESG in your go-to-market strategy (i.e. DBO, needs-mapping, market research), leveraging an ESG lens to identify material risks and opportunities.

Sustainability Check Process & SC 145

- Review new opportunities according to Siemens Sustainability Business Areas of Concern

Impact Contribution & SVGC

- Confirm SVGC status is correctly mapped

Engage with SUS Team

- Consult with SUS team on SVGC contribution
- Engage where we can be helpful

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Contact us with any questions

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