Sustainability
Refresher training

Project Finance | SFS PS-AM SUS

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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

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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

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

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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

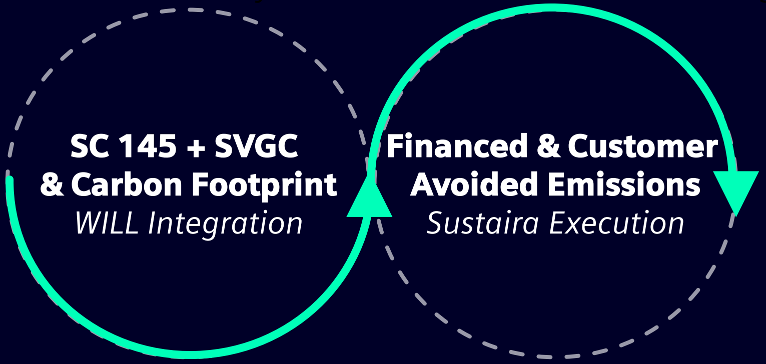
ESG Credit Risk & Opportunity

Environmental & Social Impact

Automated Process & Reporting

Data Collection & Sustainability Review

Sustainability Report & Portfolio Monitoring



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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

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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

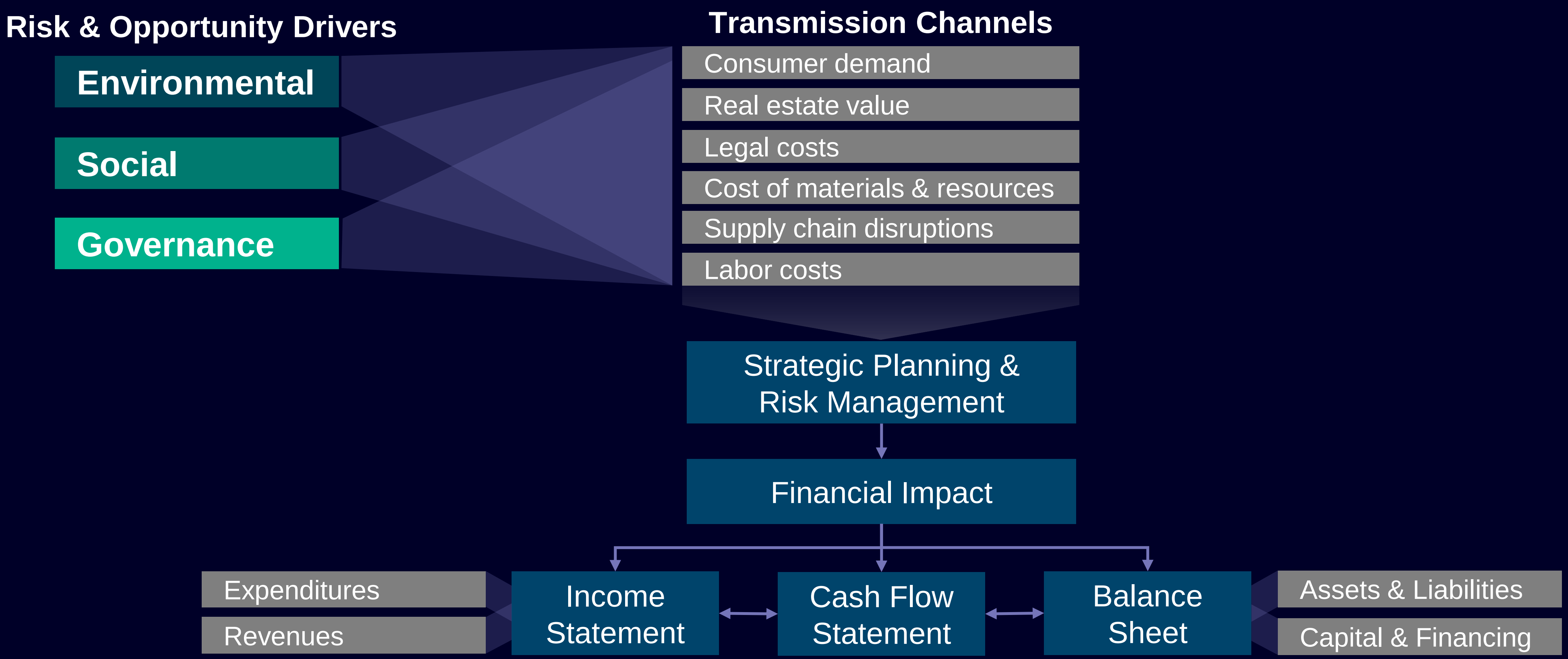
Social

- 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.



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Leverage SVGC to sustainable value creation and enhance stakeholder trust.

Impact materiality

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

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"

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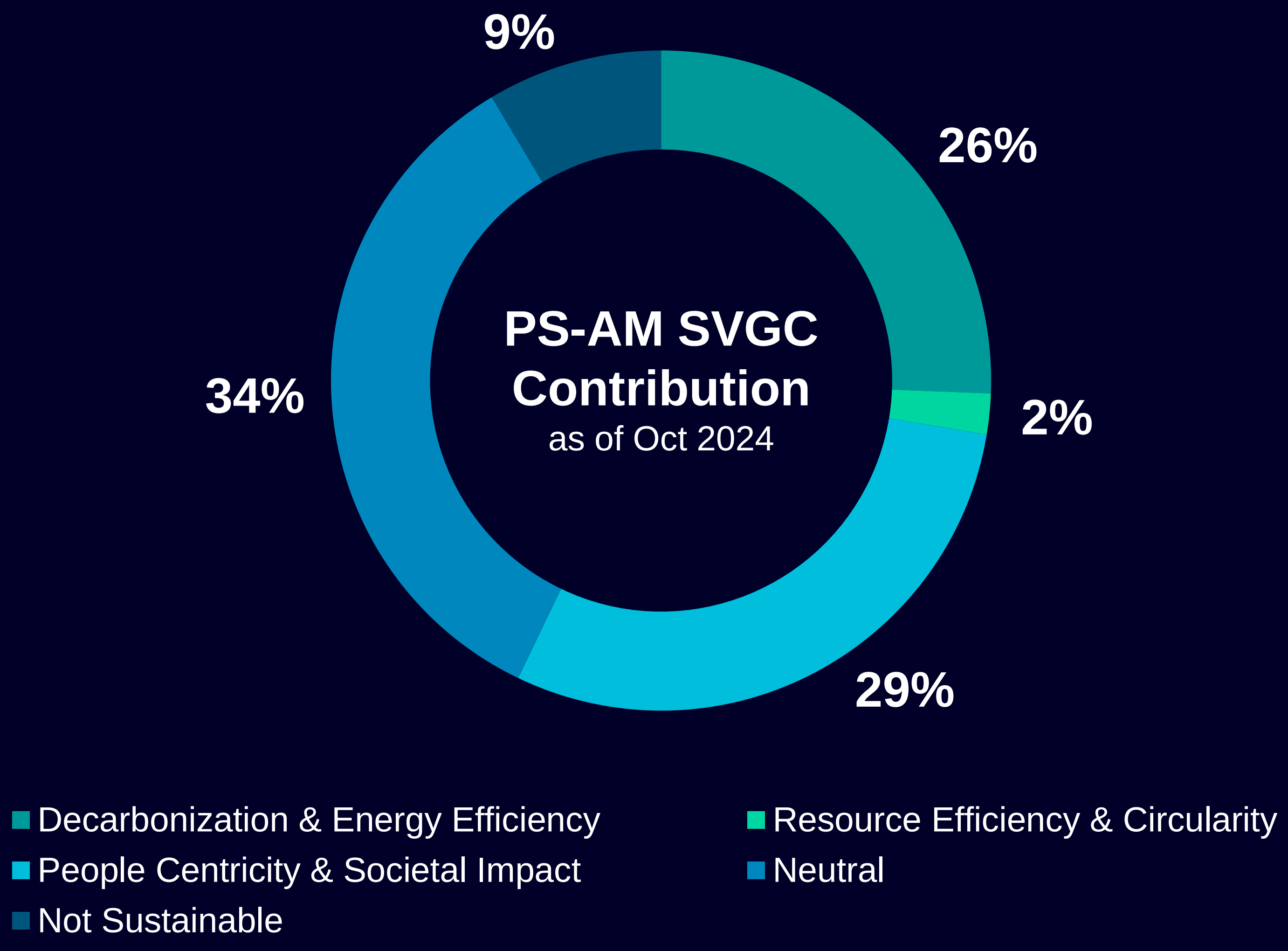
Strong alignment of portfolio with SVGC ...but resource efficiency/circularity remains elusive



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

Deal Team

→ Defined Criteria

Enhanced Sustainability Check

Project or company-specific risk

PS-AM SUS

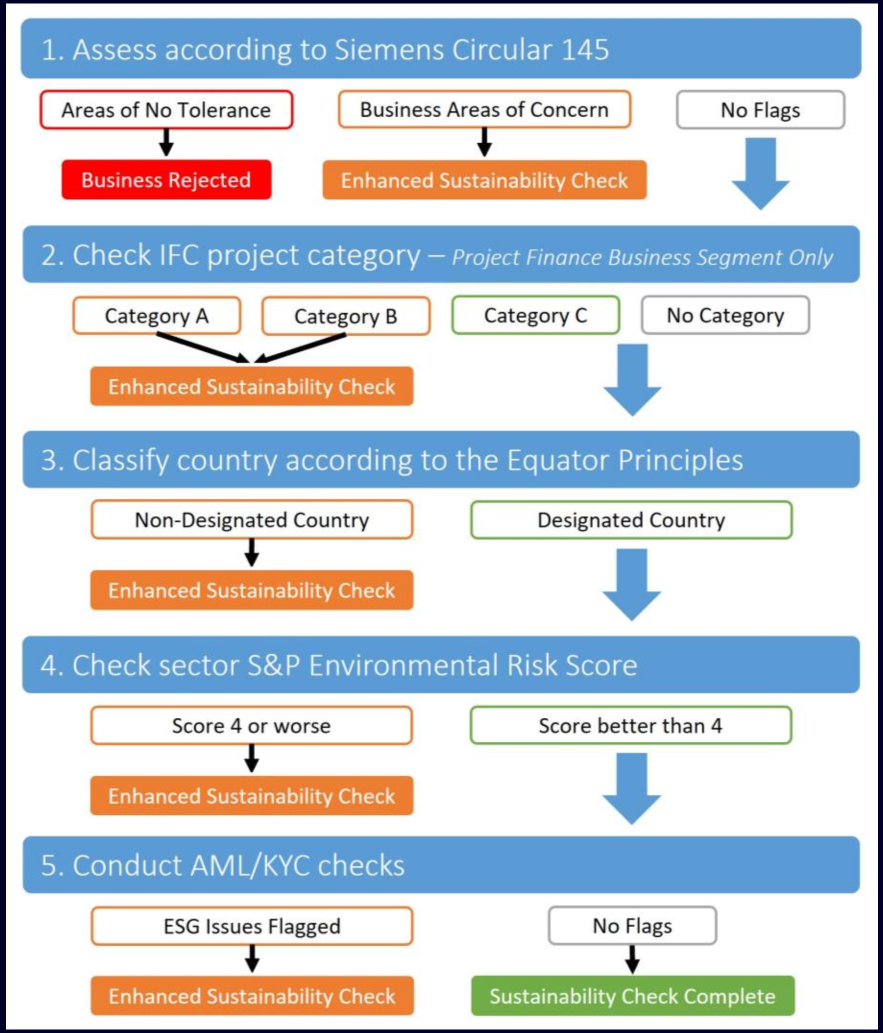
→ Defined Criteria

Corporate Sustainability Check

Risks in business areas of concern

Siemens SUS

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.

IFC

EQUATOR PRINCIPLES

Quantify sector risks affecting financial performance and creditworthiness.

S&P Global

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

ESG Radar

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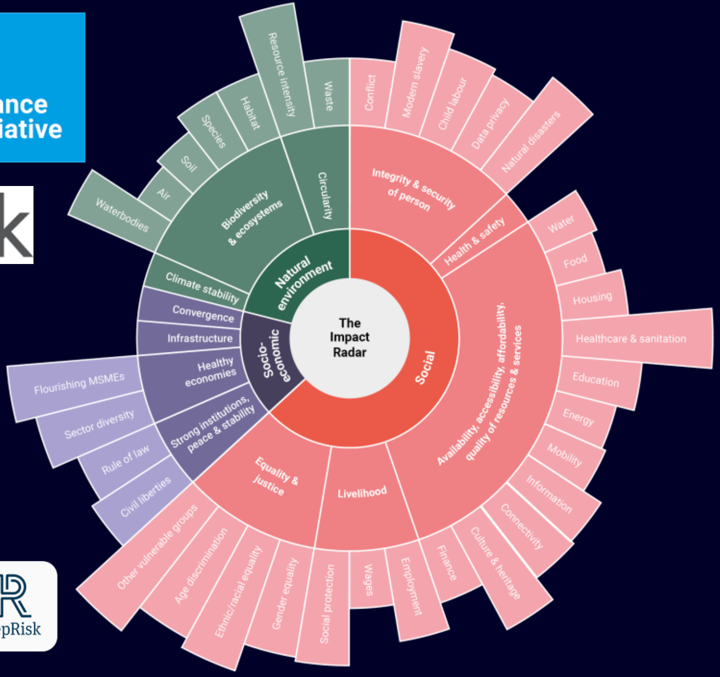
Enhanced Sustainability Check

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

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Sustainability Assessment in WILL

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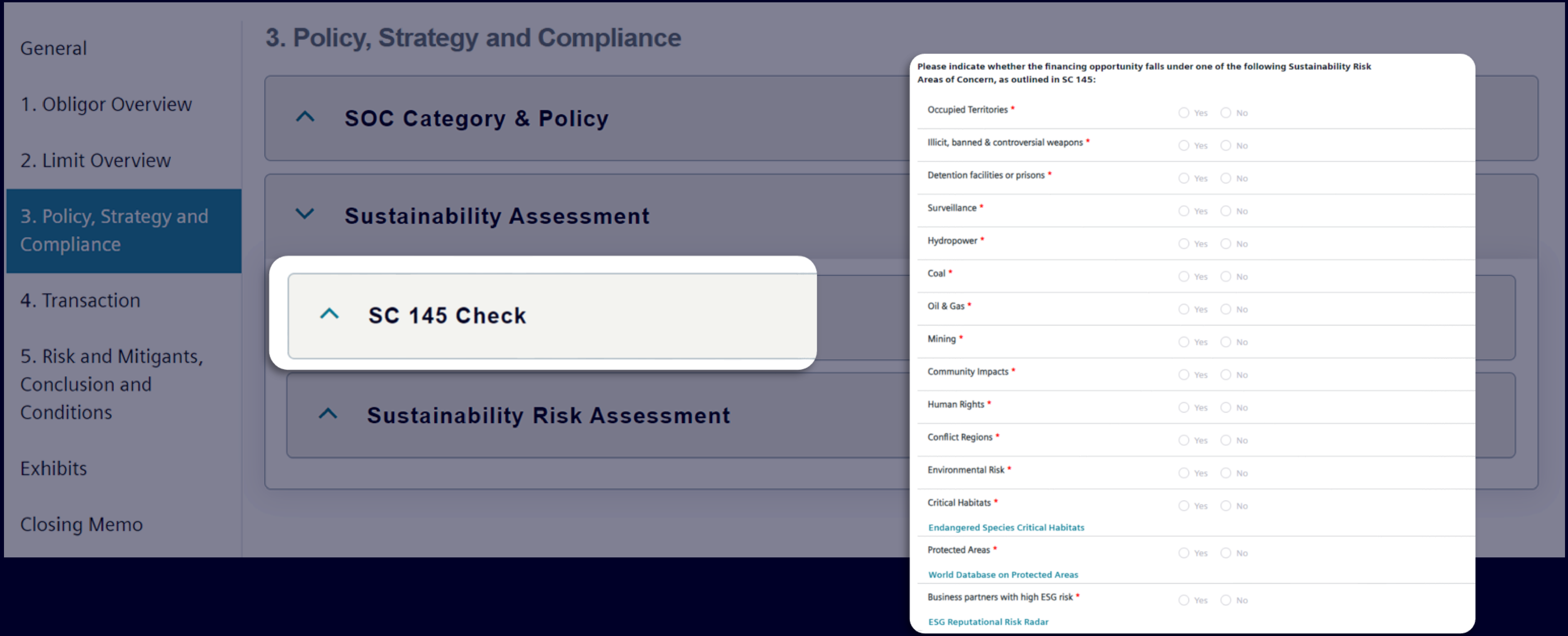
Siemens Circular 145 Alignment



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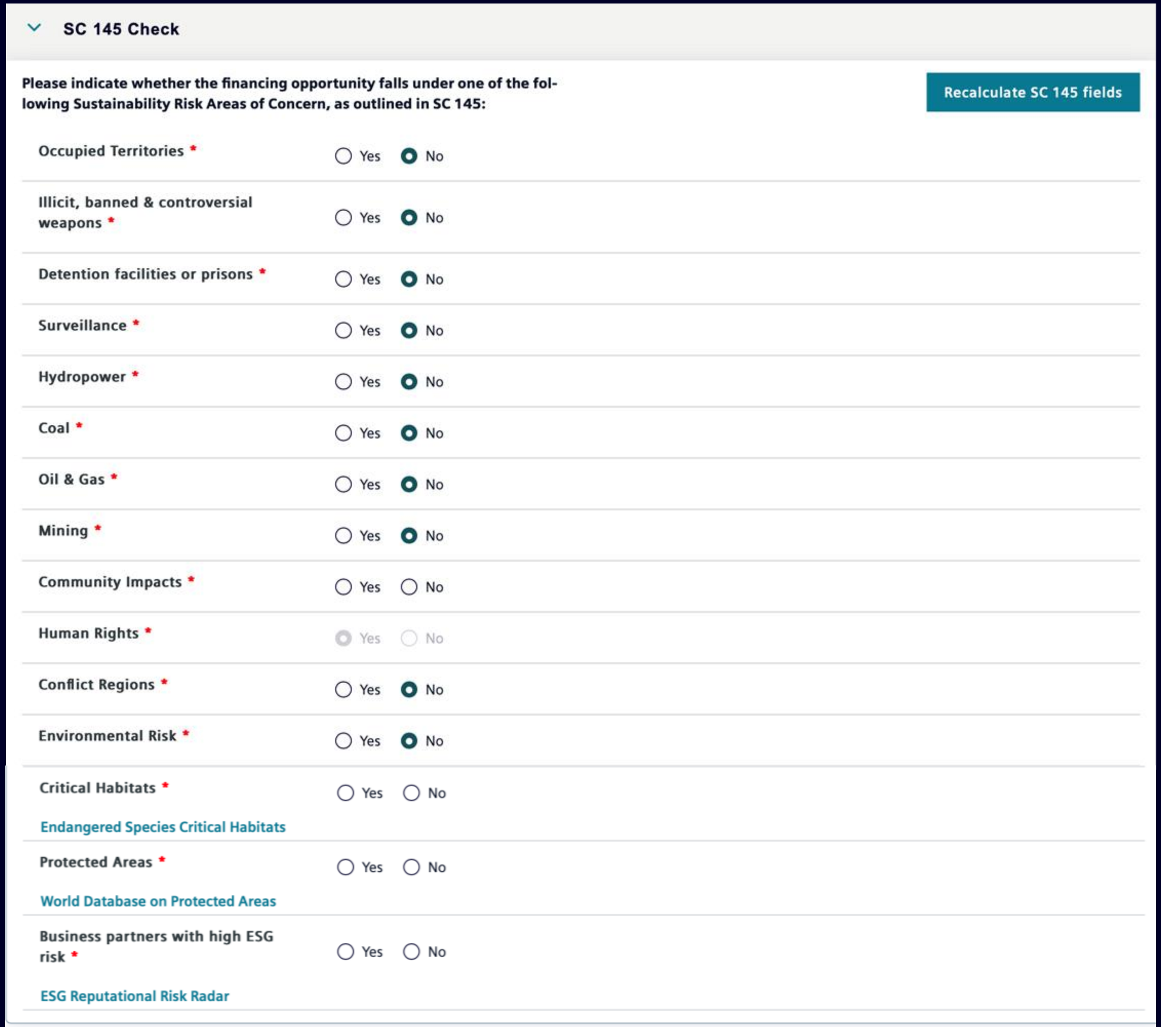
SC 145 Checklist

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.



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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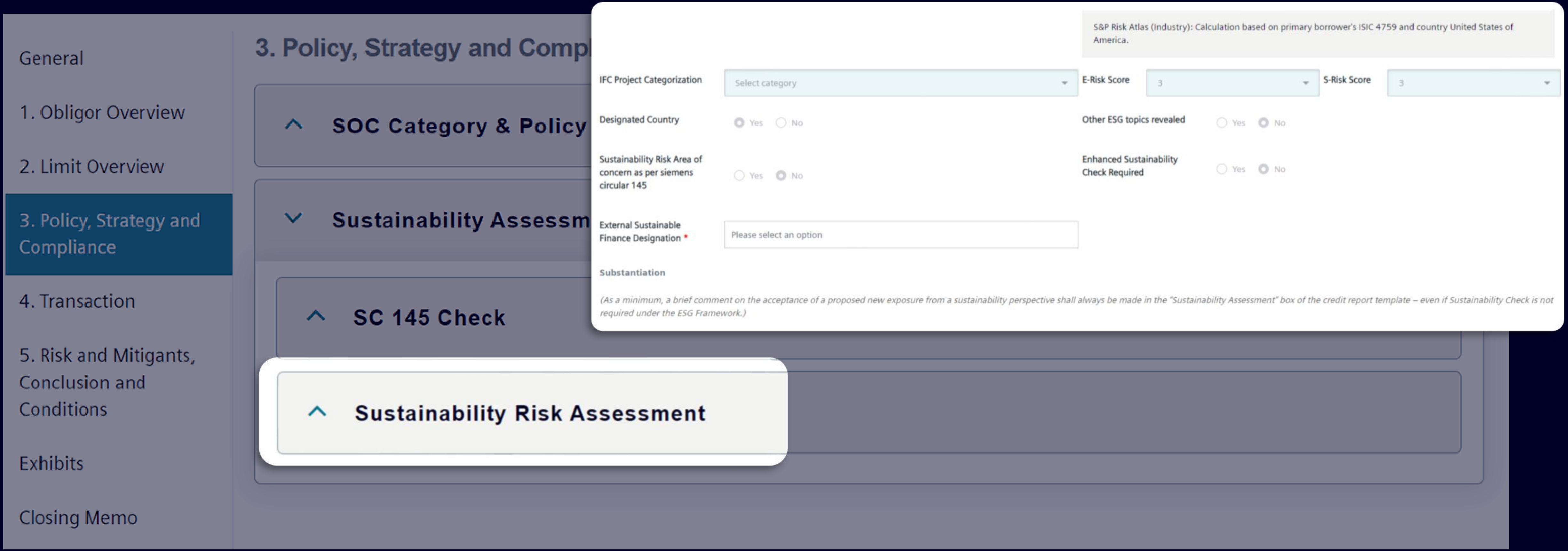
Sustainability Risk Assessment



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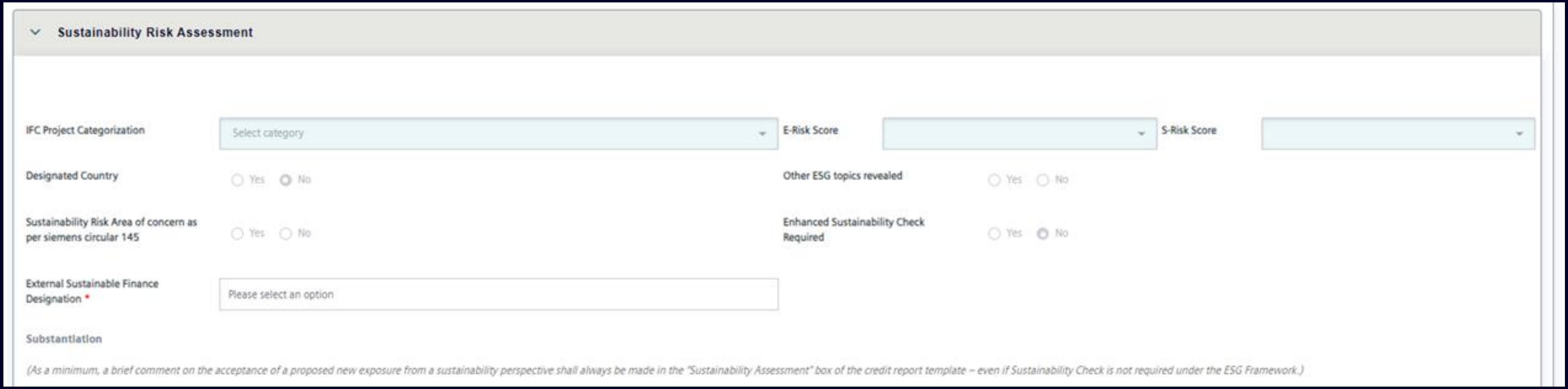
Sustainability Risk Assessment

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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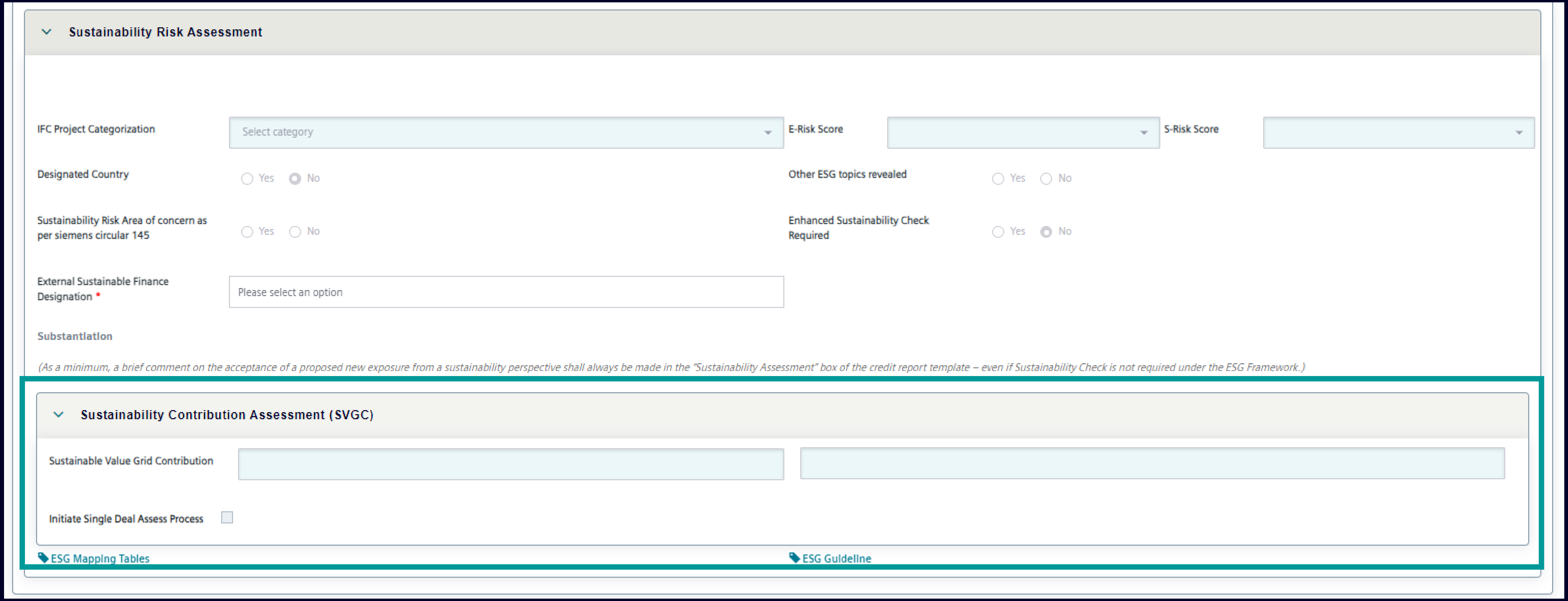
Siemens Value Grid Contribution (SVGC) – Classification



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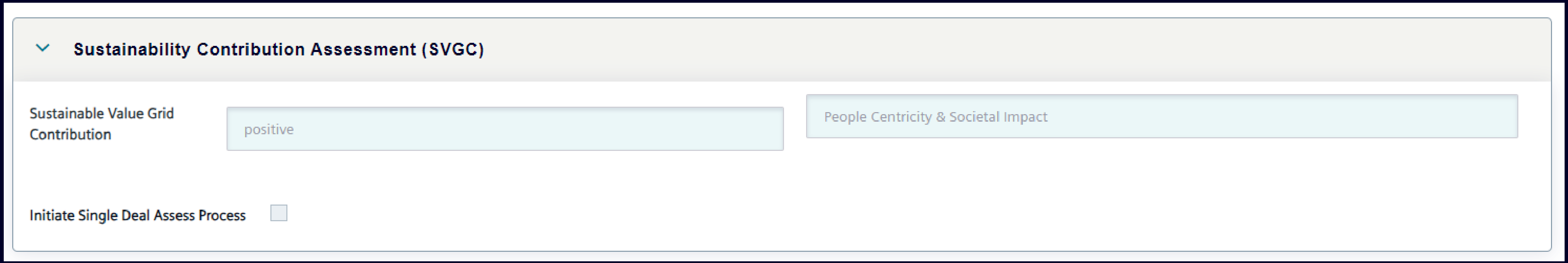
Siemens Value Grid Contribution (SVGC) – Classification

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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Seawater Desalination Plant in Latin America

Basic Sustainability Check

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

- SC 145 business areas of concern
- Reputational risk of mining off-takers
- IFC project category B

Enhanced Sustainability Check

Identified risk was mitigated through:

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

Corporate Sustainability Consultation

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

Legacy combined cycle natural gas plant in New Mexico

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

Existing Fossil fuel-fired steam generating units

Natural
and oil-f

October 16, 2024 4:36 PM

By Reuters

US Supreme Court declines to pause EPA power plant emissions rule

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.

Final Standa

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

New Stationary Combustion Turbines

Upon Startup → Phase 2: 2032

	Upon Startup	Phase 2: 2032
Base Load: Capacity Factor > 40%	BSER: Highly efficient combined cycle generation Size > 2,000 MMBtu/h: 800 lb CO_2/MWh Size < 2,000 MMBtu/h: 800-900 lb CO_2/MWh	BSER: 90% CCS by Jan. 1, 2032 Standard: 100 lb CO_2/MWh
Intermediate Load: Capacity Factor 20% to <= 40%	BSER: Highly efficient simple cycle generation 1,170 lb CO_2/MWh	
Low Load: Capacity Factor <= 20%	BSER: Use of lower-emitting fuels <160 lb CO_2/MMBtu	

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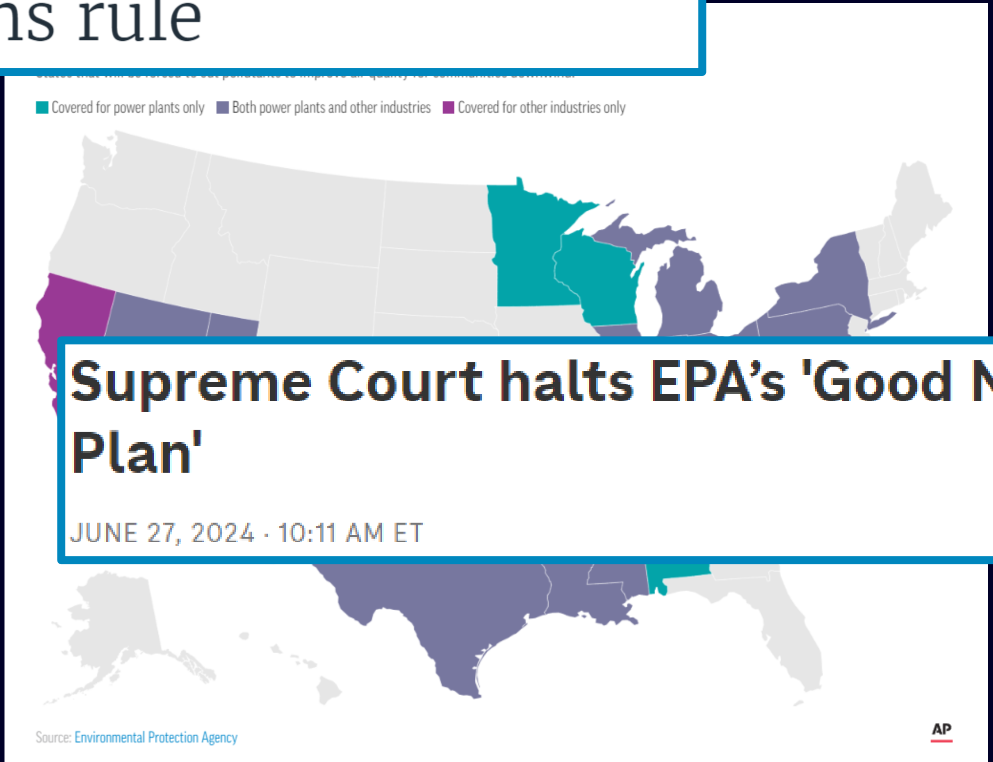

Supreme Court halts EPA's 'Good Neighbor Plan'

JUNE 27, 2024 · 10:11 AM ET

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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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