

Non-financial report

Getting Started



A. Basis of Preparation

Basis of preparation This non-financial report of Siemens Energy Group (“Siemens Energy”) with its parent company Siemens Energy AG, headquartered in Munich, is prepared in accordance with paragraph 315b to 315c GCC (German Commercial Code; “Handelsgesetzbuch”) in conjunction with paragraph 289c to 289e GCC and the specifying reporting requirements of GAS 20 (German Accounting Standard; “Deutscher Rechnungslegungs Standard”).

In May 2019, Siemens AG announced its plan to **spin-off** its Gas and Power business with a subsequent public listing, including the transfer of Siemens AG’s shareholding in Siemens Gamesa Renewable Energy (SGRE), Spain. After completion of carve-out procedures, the approval of the spin-off by the Extraordinary Shareholders’ Meeting in July 2020 and successful listing end of September 2020, Siemens Energy AG and consequently the whole Group became an independent business. Given the above restructuring and the underlying timeline, part of the reported contents within this non-financial report take reference to targets, measures and performance measures designed, implemented and monitored by the former parent company, Siemens AG. Such references and interdependencies are clearly indicated throughout this document.

The reportable aspects **environmental, employee and social matters, human rights protection** as well as **anti-corruption and bribery matters** represent cornerstones of the Group’s comprehensive Sustainability Program, led by our Chief Sustainability Officer (CSO), Dr. Christian Bruch, who also holds the role of the Group’s CEO. Our Sustainability Department is responsible for driving sustainability within Siemens Energy Group and for steering the company-wide sustainability activities, programs and measures. It is part of the Strategy Function. This includes a close coordination with our segments Gas and Power (“GP”) and SGRE. Whereas the approach to the reportable aspects is aligned throughout the Group as a whole, any company-specific characteristics are highlighted as such, if material in accordance with paragraph 315c in conjunction with paragraph 289c section 3 GCC.

This non-financial report is designed to provide for a concise and focused summary of our targets, implemented measures and monitoring of target achievements based on suitable performance indicators. This intention requires to abstract from other reporting frameworks like the GRI (Global Reporting Initiative) standards for sustainability reporting or the structural orientation towards the UN Global Compact or the UN Sustainable Development Goals. Without limiting the informative coherence and compliance with legal requirements for this non-financial report according to the GCC, we refer to our separate Sustainability Report (www.siemens-energy.com/sustainability-report).

The reportable contents presented in this non-financial report and subsumed under the reportable aspects are identified based on the Group’s **materiality assessment** in fiscal year 2020 in accordance with paragraph 315c section 2 GCC. Therefore, this report concentrates on those topics that are relevant for an understanding of the Group’s development, financial performance and position, and our operational activities impacting the reportable aspects. We did not identify any **risks** associated with our business activities, relationships and offerings that very likely may have or have severe adverse impacts on the reportable aspects.

Siemens Energy is active along almost the entire energy technology and service value chain with a comprehensive and differentiated products, solutions and services offering. A detailed description of our **business model** is included in chapter **A.1.1.2 Business Model** of our combined management report, being part of the Annual Report for fiscal year 2020. With the exception of this cross-reference, any referrals to non-mandatory information presented outside this report do not form part of the non-financial report. The non-financial report was subject to a voluntary limited assurance engagement according to ISAE 3000 (revised) – Assurance Engagements Other Than Audits Or Review Of Historical Financial Information. The Independent Auditor’s Limited Assurance Report is reproduced in chapter C.

B. Reportable aspects

B.1 Environmental matters

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

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

This will bring about long-term changes in the relevance of traditional 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 project execution capabilities.

This is enabled by our portfolio along the energy value chain – from products, services and solutions for the process industries sector, oil and gas sector, to conventional and renewable energy generation, energy transmission and decentralized energy solutions – together with our increased customer orientation.

For a successful transition, **interim solutions** will be required. The shift from coal to natural gas could be one such interim solution on the way towards a sustainable energy landscape. 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.

Targets

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.

At the same time, we are working diligently on **climate neutrality** in our **own operations** and intend to be climate neutral by 2030. SGRE achieved carbon neutrality at the end of fiscal year 2019, including offsetting of unavoided 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 CO₂ emissions in the 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 increase their efforts.

Measures

Our biggest lever to reduce **GHG emissions** are our products, solutions and services. Focusing on our customers and their business challenges not only allows us to seize business opportunities, expand existing business and develop new business but also leads to ongoing progress towards decarbonization. In particular, this applies to 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. With our new market- and **customer-oriented organization** as well as **key account management (KAM)** we are adapting to customer needs and ensuring customer proximity. This also leads to an increased focus on **co-creation** and **partnering for innovation**. 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.

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 approximately € 1 billion per year in R&D to maintain our innovative edge with an emphasis on sustainability. In addition to renewable energy in SGRE, we have identified five areas of action called Energy of Tomorrow (EoT) Fields of Action for Gas and Power to form the basis of Siemens Energy’s portfolio transformation and to becoming a sustainability leader in the industry.

Across all businesses, **digitalization** facilitates new and promising approaches for new ways of working, for example technology-based services such as remote operations or remote services, resulting not only in better performance throughout product and equipment life cycles but also more efficient operation with lower emissions.

In the demanding energy market for CO₂-free power generation, continuous investment in R&D allows SGRE to optimize its competitiveness and supply the customer with superior turbine technologies for on- and offshore applications. 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. 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) of onshore and offshore wind turbines are launched to suit our customers situation and reduce Levelized Cost of Energy (LCoE) or increase annual energy production. Another focus area is digitalization: Advances in this field enable more intelligent monitoring and analyses

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.

Activities and customer offerings that support decarbonization are clustered in three areas: Efficiency increase, Fuel shift / Hybridization and Full decarbonization.

- **Efficiency increase:** Products, services, solutions and technologies that improve the efficiency of conventional products and reduce GHG emissions
- **Fuel shift / Hybridization:** Products, services, solutions and technologies that support the transition from fossil-based to alternative fuels or that combine conventional and renewable sources of generation to reduce GHG emissions
- **Full decarbonization:** Products, services, solutions and technologies for energy generation in different industries and sectors, which substantially reduce GHG emissions to zero or negative emissions. The majority stake in SGRE is an important step toward a climate 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.

In addition to our action areas Siemens AG established the **Environmental Portfolio** ("EP") already in 2007. It includes portfolio elements that make a contribution to energy efficiency and CO₂ 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 CO₂ or other GHG per reporting period in the use phase at our customers versus a reference solution (baseline); or
- technologies for use of renewables.

These EP elements reduce the emission of CO₂ at our customers. The reduction is measured by carrying out comparisons with baselines and includes the option of a before/after comparison, a direct comparison with a reference technology and a comparison with the installed base. The EP helps customers not only to cut their CO₂ emissions and reduce their energy costs, but also to increase their financial benefits thanks to higher productivity and asset performance.

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:

- **Reducing energy consumption:** Energy efficiency projects at our own 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).
- **Using renewable electricity:** 100% of Siemens Energy's global electricity consumption shall be met by power from renewable sources by 2023.
- **New mobility concepts:** We want to significantly reduce our vehicle fleet's emissions and the related fuel costs. The details of an appropriate car policy are currently being worked out. SGRE also implements local country specific mobility and transportation policies, thereby ensuring that e-mobility is the preferred option for

internal transportation and promoting the transition of service vehicles to electric drives.

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 CO₂ footprint of all suppliers. Based on this model, Siemens Energy encouraged 35 global focus suppliers to share their implemented and planned CO₂ 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 CO₂ 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.

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.

Performance indicators

Environmental Portfolio

The contribution of our EP to an accelerated decarbonization can be summarized as follows:

Results of the Environmental Portfolio ¹	FY 2020	FY 2019
Revenue generated from the Siemens Energy Environmental Portfolio (in € billion)	19.3	20.1
Reduction in annual GHG 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 GHG emissions at our customers due to elements of the Siemens Energy Environmental Portfolio in the reporting period (in millions of metric tons)	522	493

¹ 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. As a result, these figures may not be comparable with the data published under the same or similar designations by other companies. For a detailed description of our methodology, we refer to the Annex of our separate Sustainability Report.

Own Operations

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%.

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 GHG arise from sources in the company's ownership or under its control.

- **Scope 2 (indirect) emissions:** Indirect GHG refer to the consumption of purchased electrical energy and district heating.

Scope 1 and 2 Emissions (1,000 metric tons of CO2 equivalent)	FY 2020	FY 2019
Scope 1	221	266
Scope 2 ¹	71	175
Total	292	440

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

In fiscal 2020, our share of green electricity was 78% and we aim to achieve 100% by 2023.

B.2 Employee matters

Our vision is to become the most valued energy technology company in the world. To achieve this goal, we will create a culture within our company which is based on our four values (**responsible, agile, respectful, caring**). We strive for a diverse workforce and ensure that we develop our current employees and attract the best future talents. As a truly global player, people from 138 nationalities work in our company. The 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 world-wide. Our strategy and operating model are aimed at transforming our business, and our people are the ones who make it real. Our culture transformation program builds on our values and behaviors.

At Siemens Energy

- **inclusion** and **diversity** are key to our culture of openness and innovation,
- we aim to transform to a **future-fit learning organization**,
- and we prioritize the **health and safety of our people**.

For our reporting segment Gas and Power, the **People Agenda**, designed in May 2020, will help achieve our business priorities. With tailored programs and actions along three pillars we aim to enable Gas and Power to excel through our people: **Vibrant workforce, game-changing leaders, and thriving environment**.

Our reporting segment SGRE's purpose is **"Empower people to lead the future"**. It 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. Therefore, 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.

Targets

Inclusion and Diversity

At Siemens Energy, we strive to create safe, attractive workplaces with cultures that encourage equality and belonging in the whole organization. With our focus on inclusion and diversity, we aim to

- have access to broader **talent pools** from which to source diverse capabilities we need to power our innovation
- bring together **different experiences** and perspectives to solve the complex challenges of our industry
- be 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

We have already started to foster long term **gender balance** in our talent pools and going forward, our focus will also be on:

- **Equal opportunity** - use open and transparent processes to attract, promote, develop and retain people with different skills, abilities and ideas

- **Belonging** - create 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

Our reporting segment Gas and Power aims to reach a share of 25% women in top leadership functions by September 30, 2025 and a share of 30% women in top leadership functions by September 30, 2030.

Our reporting segment SGRE aims to reach a share of 25% women in headcount by September 30, 2025 and a share of 25% women in management positions by September 30, 2025.

Training and Learning

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

Health and Safety

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

To support our 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 Operational Health and Safety (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.

Measures

Inclusion and Diversity

Our activities contribute to the promotion of **diversity, equality and inclusion**. Some examples for our activities in fiscal year 2020 are:

- 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, for example, part-time and mobile working, and to have the flexibility to care for children or sick relatives.

- 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. We work 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 with IT applications, barrier-free, accessible communication, and training seminars.
- Gas and Power is an **active member of the Society of Women Engineers (SWE) 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.

To ensure impactful implementation, we have developed a Global Inclusion and Diversity dashboard for Gas and Power to measure our progress. It includes 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" employee survey results. It has been initiated to be regularly reported to the Chief Diversity Officer (CDO), a role established on board level, and relevant management groups.

SGRE's Diversity and Inclusion Policy sets the framework and the principles that are common to all the group's companies, in the different countries where the Company operates. The purpose of this policy is to promote equal opportunity, diversity, inclusion, equality and dignity in the Company's culture in general, and in all the Company's policies and practices of selection, hiring, remuneration, training, promotion and termination. SGRE was included in 2020 Bloomberg Gender-Equality Index. This global index tracks the financial performance of public companies committed to supporting gender equality through policy development, representation, and transparency. SGRE is one of the 140 companies that are signatories of the initiative "Mas mujeres, mejores empresas" promoted by the Ministry of Equality of the Spanish Government. With this initiative the company declares its commitment to promote an equal participation of women and men in the company's board of directors, and the adoption of measures to increase the female representation in the leadership positions and the executive committees in four years.

Training and Learning

In fiscal year 2020, Gas and Power employees had unrestricted access to further **education programs** of Siemens AG covering a broad interdisciplinary field of activities as well as to our complementary product academies, such as the **Power Academy**. For the future, a dedicated learning platform for company-wide access to learning opportunities was created.

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

Health and Safety

At Siemens Energy, we have implemented **mandatory behaviors**, such as "no calls while driving" or "stopping unsafe behavior". 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.

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 suppliers. Also, our customers and contractors are involved in various local and site-specific health and safety activities.

Siemens Energy continued to support Siemens AG's "Zero Harm Culture at Siemens" program throughout the last fiscal year which focuses on **health and safety cultural development** and has now developed its own zero-harm principles and minimum behaviors that Siemens Energy expects from its employees and other stakeholders, such as:

- **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.

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.

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. Occupational Health and Safety audits and their results will continue to be quantified, providing details for the effective implementation of optimization measures, lessons learned and continuous improvement recommendations.

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 by focusing on raising risk awareness throughout the company, building leadership skills related to safety management and improving the safety of our engineering processes.

Performance indicators

Inclusion and Diversity

Our reporting segment Gas and Power reached a share of 21% women in top leadership functions by September 30, 2020.

Our reporting segment SGRE reached a share of 19% women in headcount by September 30, 2020 and a share of 12% women in management positions by September 30, 2020.

Training and Learning

In fiscal year 2020 Siemens Energy spent around €60 million on further education (FY19: € ~70 million), an average of €654 per employee (FY19: €795).

Health and Safety

The overall Lost Time Injury Frequency Rate¹ (LTIFR) for employees² was 0.27 at the end of the fiscal year 2020 (FY19: 0.31) 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 work-related fatal accidents (FY19: two)³. 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 a 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.

¹ 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

² Incl. temporary workers; excl. contractors

³ Excluding cases beyond Siemens Energy's influence. e.g. force majeure, third party violence or outside of Siemens Energy scope of responsibility

B.3 Social matters

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.

SGRE has put in place a social **commitment strategy** that focusses on the company's social commitment with the aim of reducing poverty, fighting climate change and promoting Science, Technology, Engineering and Mathematics (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 SDGs.

Targets

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 our three focus areas that allows for global consolidation but also local autonomy:

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

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.

Measures

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 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.

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.

Sustaining Communities – Access to basic provisions is essential for sustaining communities. Our community-related activities focus on serving local needs and include immediate relief and rehabilitation support in the wake of disasters as well as various initiatives increasing the well-being of communities by targeting the inclusion of underserved members and equal opportunities for all.

In FY20, examples for our activities are our engagement as response to the global COVID-19 pandemic, relief and rehabilitation support in the wake of disasters such as the tragic accident in Beirut, Lebanon, and various activities to foster education for STEM subjects as well as local community engagements worldwide.

B.4 Human rights protection

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 core element of responsible business conduct along the whole value chain. Siemens Energy, including SGRE, is thus committed to ensuring respect for human rights which 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 (SDG)**, 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.

Targets

Human rights topics that have been identified as material by the Group are clustered into the subsets “supply chain”, “workplace” and “customer projects”, in summary reflecting our value chain. We are committed to ensure respect for human rights within our spheres of influence along the complete **value chain**.

Measures

Targets and associated actions to preserve human rights 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.

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, Siemens AG BCGs were applicable with regular reporting routines of human right matters and associated discussion by the Siemens AG Sustainability Board. The Supervisory Board of Siemens AG was also briefed on the challenges that arose in protecting human rights. On October 1, the Group 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. Due to its legal independence, SGRE has implemented its own BCGs, which, in line with the group-wide approach and underpinned by a human rights policy, aim to define respect for human rights as an integral part of corporate responsibility. To enforce this commitment, employees are trained in the use of BCGs, evaluation and approval processes considering human rights are mandatory in the sales function, compliance risk assessments are carried out, complemented with an ongoing monitoring process and reporting routines by SGRE’s Chief Compliance Officer.

Human rights at Siemens Energy’s **workplaces** relate to excellent health and safety standards, fair working conditions and the prohibition of discrimination, all of these being at the heart of our Human Resources activities summarized in chapter 0.

During the reporting period, business partners in the **supply chain** were required to comply with the Siemens Group **Code of Conduct for Suppliers** and Third-Party Intermediaries. With regards to human rights, the Code emphasizes 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 for Suppliers and implemented its own Code as of October 1, 2020. In addition, Siemens Energy is committed to preventing the use of minerals from conflict-affected and high-risk areas that impose a threat on human rights. Therefore, Siemens Energy adopted Siemens AG’s **Responsible Minerals Sourcing Policy** (formerly “Conflict Minerals Policy”) and integrated it 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.

In fiscal year 2020, Siemens Energy followed Siemens AG’s approach to human rights due diligence in **customer projects**. Due diligence is mandatory in the sales phase for projects that meet defined risk criteria. The results of the due diligence are decisive for the project’s decision-making process.

Any violations of human rights associated with our areas of influence can be reported via our **grievance mechanisms**, including our communication channels such as our “Speak Up” reporting system and ombudsperson.

B.5 Anti-corruption and bribery matters

Siemens Energy works with customers from a wide range of industries in the private and public sectors. The environments that we navigate as a result are accordingly complex. Siemens Energy operates globally and is thus confronted with complex regulatory requirements while pursuing a zero-tolerance approach toward corruption, violations of the principles of fair competition and other breaches of the law.

Anti-corruption measures combined with strong compliance systems protect companies as well as their employees and shareholders from the risk of possible misconduct. The elimination of bribery and corruption in all their forms promotes fair competition which benefits innovation-driven companies like Siemens Energy and fosters economic growth and social development which benefits entire countries, regions and their populations.

Integrity is the foundation for all our decisions and activities. Our fundamental premise which applies worldwide and to all levels of our organization is: **only clean business is Siemens Energy business.** Siemens Energy top management supports this with a strong tone from the top for Integrity and Compliance which is mirrored throughout the organization.

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 each have in turn implemented a compliance system and Business Conduct Guidelines of their own.

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 Supervisory Board and reports regularly on compliance matters. 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.

Targets

Siemens Energy pursues a **zero-tolerance approach** that 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 continuously maintains and develops its compliance system. In this way, we want to ensure that our values and reputation are protected.

Measures

We continuously adapt and improve our compliance system to mitigate challenges and risks arising from changing market conditions and inherent in our business activities. Preventive measures include the Siemens Energy Compliance training program, communication channels such as our **"Speak Up"** reporting system and **ombudsperson**, compliance risk management, and guidelines and procedures such as the **Siemens Energy BCG** which lay the foundations for internal regulations and give expression to the values, compliance-related responsibilities and behavioral framework for all managers, employees

and Managing Board members worldwide. Our **Code of Conduct** is mandatory for our business partners and covers legal compliance in general and our anti-corruption policies in particular, including provisions against anti-competitive practices and conflicts of interest.

Our **global compliance training program** consists of in person and e-learning courses and requires all managers and employees in positions with a specific risk profile to complete compliance training. Our objective is to continuously adapt our training material to the changing risks our businesses face and permanently maintain awareness of compliance issues.

By the end of fiscal year 2020, the new global and web-based BCG training had already been completed by 87% of Siemens Energy employees in the target group (excluding SGRE).

At Siemens Energy, we offer all employees and external third parties protected reporting channels such as the **"Speak Up"** Hotline and the external Siemens Energy ombudsperson for reporting violations of external and internal rules confidentially and anonymously as needed.

Compliance risk management is an integral part of the company-wide enterprise risk management (ERM) program enabling us to rapidly and continuously 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.

In fiscal year 2020 we established a stand-alone **compliance system** for Siemens Energy, including the relevant **tools and processes**. It is built on the solid foundations provided by the Siemens compliance system. 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 adopted. We also started to modernize the compliance tool landscape.

Siemens Energy responds to all allegations of possible violations of external and internal rules in accordance with the applicable formal company-wide processes and takes appropriate disciplinary action in the event of proven violations. 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.

Performance indicators

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

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 Coronavirus-pandemic (COVID-

19). 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	FY 2020	FY 2019
Compliance cases reported ¹	143	152
Disciplinary sanctions ²	65	
<i>of which warnings</i>	33	
<i>of which dismissals</i>	30	
<i>of which other³</i>	2	

¹ 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 cases).

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

³ Includes loss of variable and voluntary compensation components, transfer and suspension.

Non-financial Declaration 2020

Munich, November 27, 2020

The Executive Board



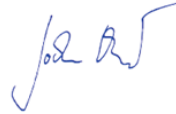
Christian Bruch



Maria Ferraro



Tim Holt



Jochen Eickholt

C. Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft relates exclusively to the German PDF-version of the group non-financial report 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 group non-financial report of Siemens Energy AG according to

§ 315b HGB ("Handelsgesetzbuch": German Commercial Code) including the chapter A.1.1.2 „Business Model" in the combined management report being incorporated by reference for the reporting period from October 1, 2019 to September 30, 2020 (hereafter non-financial report).

MANAGEMENT'S RESPONSIBILITY

The legal representatives of Siemens Energy AG are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual 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 non-financial 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 Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the non-financial 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 non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. 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 in November 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees and inspection of documents regarding the selection of topics for the non-financial report, the risk assessment and the concepts for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report at Group level and at the level of the segments Gas and Power and Siemens Gamesa Renewable Energy,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Evaluation of the presentation of disclosures in the non-financial 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 group non-financial 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 §§ 315c in conjunction with 289c to 289e HGB.

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). 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

Johne

Wirtschaftsprüfer

Wirtschaftsprüferin

(German Public Auditor)

(German Public Auditor)

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