



## **Joe Kaeser**

Chairman of the Supervisory Board  
Siemens Energy AG

*Dear Shareholders,*

The fourth year since the establishment of Siemens Energy AG was again marked by several meaningful events. Despite numerous regulatory challenges, the Executive Board and its team have managed to stabilize the company and position it for success. This is clearly reflected in the 2024 share price development and medium-term expectations.

Fiscal year 2024 was very successful for the Business Areas Gas Services, Grid Technologies and Transformation of Industry. We even operated at industry-leading margins in some areas. At our Wind Power business Siemens Gamesa, a multi-year restructuring plan is taking effect, with an expectation to break even in fiscal year 2026.

At this stage, foresight and stability are crucial. There are some important resolutions on this year's AGM agenda I would like to discuss in more detail.

### **Compensation system for Executive Board members**

The current compensation system has proven effective from the Supervisory Board's perspective and has also received a lot of support from you. Consequently, the proposed compensation system, which requires your periodic approval, remains largely unchanged. However, it has been supplemented by an additional, albeit temporary, component.

In late 2023, the company entered into a counter-guarantee agreement with the German government to secure order guarantees, the so-called "Performance Guarantees". This measure was required by the substantial increase in demand for energy technologies from Siemens Energy. Due to the long lead times of projects within the energy sector, such guarantees are a standard tool in the industry. The responsible Federal Ministry applied unusual standards to this type of contract and employment security, treating it as a state aid measure.

For this reason, Siemens Energy may neither pay dividends nor grant the Executive Board members a market-standard variable compensation for the period in which the bank guarantees, secured by the counter-guarantee, are drawn. Consequently, the Executive Board members only receive their fixed compensation, which is currently just about 35% of the market-standard target income. Based on the company's performance in fiscal year 2024, including the share price development, it is only 20%.

The challenge for the Supervisory Board was therefore to find a solution within the legal framework that would enable the retention of the Executive Board and thus ensure the company's further development. Following extensive and thorough discussions within the newly established Compensation Committee and with the involvement of leading international legal and compensation experts, a compensation system was designed that fulfills these requirements.

A one-time compensation consisting of three components has been defined for the first fiscal year in which the bonus restrictions will not be valid anymore – we anticipate this to be fiscal year 2027.

In addition to a one-time cash payment (retention component), the members of the Executive Board will be granted stock awards which are vested for a two-year period after the bonus restrictions and are based on the company's performance.

These two components constitute a significant part of the one-time compensation. The equity component will measure the company's development over a two-year period in terms of share price performance, earnings per share, and ESG targets. This is comparable to the regular long-term variable compensation component provided as stock awards.

A third component, also performance-based, will be granted if the Executive Board successfully ends the use of the federal guarantee before the original term concludes, resulting in an expected triple-digit million annual fee saving. These savings result from the Federal Government's imposition of not only the highest surety fees in the industry but also a substantial triple digit million "success fee" if the company meets its medium-term business plan.

The three components mentioned above will be granted only if the bonus restrictions have been lifted and the respective Executive Board member is still in office at the time of payment.

We are convinced that the temporarily adjusted compensation system provides adequate incentives for the Executive Board to continue its successful work in increasing the company's value and creating new job opportunities. With this, the basis for Siemens Energy's long-term development is set, of which shareholders, customers, and employees benefit alike. Once these restrictions are lifted, we will return to the previous compensation system.

## **Elections to the Supervisory Board**

Another important item on the AGM agenda are the elections to the Supervisory Board. We are proposing eight candidates whose expertise and competencies are tailored to the company's current and future priorities. All candidates have the time capacity to fulfil their mandates effectively and meet the diversity standards expected of a contemporary Supervisory Board.

The new candidates, Anja-Isabel Dotzenrath and Dr. Feiyu Xu, complement the Supervisory Board perfectly with their expertise. Anja-Isabel Dotzenrath has extensive experience in the energy sector and recently served as a managing board member on the customer side. Her insights from the customer perspective will meaningfully support our strategic decisions. Dr. Feiyu Xu is an expert in the field of digitalization and artificial intelligence. The latter is a key topic to which both, the Executive Board and the Supervisory Board, attach great strategic importance. Consequently, we will establish a new committee on "Digitalization and AI" in the Supervisory Board. Dr. Feiyu Xu will be a member of this committee and is expected to become the chair in the medium term.

In order to meet the investors' preferences for a so-called "staggered board", the term of the two new candidates will be three years, while the other candidates for re-election are proposed for a four-year term.

I would like to sincerely thank Dr. Christine Bortenlänger and Hildegard Müller, who are not up for re-election, for their valuable contributions over the past four years, especially in the demanding Audit Committee. Dr. Xu is intended to succeed them in the Audit Committee. Mr. Gabriel is proposed to take over Dr. Bortenlänger's position on the Remuneration Committee. We aim to reduce the number of members of the Audit Committee and the Sustainability and Finance Committee to a total of six.

I myself seek your approval for another term as Chairman of the Supervisory Board of Siemens Energy AG. As I emphasized upon my election four years ago, maintaining the independence of the Supervisory Board is of utmost importance to me. In this context, my understanding of my role is guided by the principle that I always perform my duties on the Supervisory Board and its committees independently of previous functions, even if these do not formally constitute a constraint.

Therefore, the significance of the "Lead Independent Director" will be further strengthened. Typically, this individual is a member of the Presiding Committee, serves as the Chair of the Remuneration Committee, and is a member of the Nomination Committee. Dr. Hubert Lienhard is expected to continue to fulfill this now prominent role as Lead Independent Director, ensuring the protection of the interests of non-major shareholders.

Over the past four years, the Supervisory Board, along with the Executive Board, has guided the company through challenging periods, stabilized it, and focused on profitable growth. This requires careful judgment, foresight, and significant experience. The outstanding performance of the Siemens Energy share reflects this real turning point. Therefore, we are ready to stand for the next term of office to maintain Siemens Energy's current successful trajectory.

### **Virtual Annual General Meeting**

As in previous years, the Annual General Meeting 2025 will be held in a virtual format.

At the AGM 2024, there was a lively exchange with many shareholders and shareholder representatives during the general debate. We received a lot of positive feedback from shareholders regarding the first-time public broadcast of the entire AGM and the opportunity to ask questions in English. These extended possibilities to participate will be offered again at the Annual General Meeting 2025 to facilitate intensive communication with the Executive Board and the Supervisory Board.

Siemens Energy has never held a physical AGM so far. In this respect, I believe that a physical, in-person Annual General Meeting in 2026 should be considered for comparison purposes. We have therefore reserved suitable premises for 2026. Nevertheless, the extension of the authorization for a virtual Shareholders' Meeting is necessary for reasons of flexibility, and accordingly, we kindly ask for your approval under this condition.

I very much look forward to exchanging views with you at our Annual General Meeting on February 20, 2025.

*Thank you for your trust!  
All the best! Joe*

Joe Kaeser

Chairman of the Supervisory Board of Siemens Energy AG