Green Bond Framework

January 2023

LET'S MAKE TOMORROW DIFFERENT TODAY
1 Introduction

Siemens Energy, formed in April 2020 following the spin-off of the Gas & Power unit of Siemens AG, is a global leader of the energy sector, generating EUR29bn revenues in 2022. Siemens Energy provides a wide spectrum of products, solutions and services across the energy value chain, from power generation, transmission, and storage to optimizing energy consumption in industrial processes. With its Gas Services, Grid Technologies and Transformation of Industry business areas, Siemens Energy has consistently positioned its business along three pillars: low- or zero-emission power generation, transport and storage of energy, and reduction of greenhouse gas emissions and energy consumption in industrial processes.

With the majority stake in Siemens Gamesa Renewable Energy S.A. (“SGRE”, “Siemens Gamesa”), the Company also has a leading supplier of onshore and offshore wind energy in-house. On May 21, 2022, Siemens Energy announced a voluntary tender offer for all outstanding shares in SGRE which has been authorized by Spain’s National Securities Market Commission (“CNMV”) on November 7, 2022 and was successfully concluded in December 2022.

Following the successful completion of the transaction, Siemens Energy intends to delist SGRE from the Spanish stock exchanges and fully integrate it. For Siemens Energy, this integration is an important strategic step. The goal is to play a decisive role in shaping the energy transition as a leading energy technology company.
1.1 Sustainability at Siemens Energy

Sustainability is firmly anchored in our company strategy. It aims to become the integrated energy company of the future – combining a global and local approach with solutions along the complete value chain and a focus on sustainability. The Sustainable Development Goals ("SDGs") guide us in our ambition to become a sustainability leader in the industry. To ensure our efforts have the biggest impact we focus on five SDGs:

- To achieve SDG 5 "Gender Equality", we are striving to create equal opportunities, in the firm belief that not just our company, but society as a whole can benefit from inclusion and diversity.
- By providing reliable, cost-effective, and sustainable energy for our customers, we are contributing to SDG 7 "Affordable and Clean Energy".
- We cover SDG 8 "Decent Work and Economic Growth" with the innovative power of our global operations, which stimulates economic development in many countries and creates decent, future-proof jobs.
- Meanwhile, our products, services, and solutions for decarbonizing energy systems worldwide contribute to SDG 9 "Industry, Innovation, and Infrastructure".
- We enact SDG 13 "Climate Action" by helping our customers reduce greenhouse gas emissions and by working toward a net-zero goal across the value chain.

In fiscal year 2020 and 2021, Siemens Energy conducted a materiality analysis with internal and external stakeholders to help determine the most relevant sustainability topics to focus on. The main priority identified via these materiality exercises revolve around climate and the goal to reduce the carbon footprint of Siemens Energy and their products.1

At the core of the Sustainability Program is the goal to deliver sustainable energy systems along the entire value chain. Different topics around responsible operations reflect Siemens Energy’s determination to take its ambition seriously by implementing respective programs. The businesses, regional entities, and central functions are responsible for implementing the Sustainability Program.

1.1a Decarbonizing our business

We have established our company strategy on three pillars:

**Low- or zero-emission power generation:**
We are continually developing new products and technologies that have either zero emissions or significantly lower emissions, in both service and new units. Our SGRE reporting segment plays an essential role in the transition to zero-emission power generation.

**Transport and storage of electricity**
We are developing new products, services and solutions for the transport and storage of electricity, thereby expanding our transmission and hydrogen business.

**Reducing greenhouse gas ("GHG") footprint and energy consumption in industrial processes**
We are helping our process industry customers to realize sustainable concepts for their brownfield facilities and for future installations.

Siemens Energy is committed to decarbonization along the value chain – from the supply chain to own operations to the use phase of products. In May 2022, Siemens Energy announced the aspiration to reach net zero across the entire value chain, in line with a 1.5°C pathway. Central to this is the target to become climate neutral in own operations by 2030.

**Ambitious targets guide this ambition:**

<table>
<thead>
<tr>
<th>Targets</th>
<th>Performance in FY22</th>
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<tbody>
<tr>
<td>Reduce Scope 1 and 2 GHG emissions by 46% by 2025 (previously: 2030) compared to 2019</td>
<td>-21% (FY22 to FY21), -50% (compared to baseline 2019)</td>
</tr>
<tr>
<td>100% renewable electricity by 2023</td>
<td>90% (FY21: 76%)</td>
</tr>
<tr>
<td>28% reduction of Scope 3 GHG emission from the use of sold products by 2030 vs 2019</td>
<td>-3% (FY22 to FY21), -12% (compared to baseline 2019)</td>
</tr>
<tr>
<td>30% reduction of Scope 3 GHG emissions from the supply chain by 2030, compared to 2018, calculated in kg CO2e / € PVO spent</td>
<td>-4% (FY22 to FY21), -10.85% (compared to baseline 2019)</td>
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</table>

In 2021, the Science Based Targets Initiative (SBTi) validated the absolute GHG reduction targets for the Gas & Power reporting segment, not only for the own operations target (Scope 1 and 2), but also for the use phase of sold products (a category of Scope 3). This confirms that the targets are in line with the Paris Climate Agreement.

SBTi also verified that the reporting segments SGRE’s emission reduction targets (Scope 1 and 2) are aligned to meet the 1.5°C Paris Climate Agreement goal. SGRE achieved climate neutrality in its own operations in 2019, including offsetting unavoidable emissions. It plans to achieve its Scope 1 and 2 neutrality without offsets in 2030.

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In accordance with a simplified approach allowed by the EU for first-time application², for fiscal year 2022 Siemens Energy discloses the shares of taxonomy-eligible economic activities in revenues, capital expenditures, and operating expenses related to the environmental objectives of climate change mitigation and climate change adaption. For further information please refer to Siemens Energy Annual Financial Report 2022.³

**Product stewardship**

Our approach to product stewardship includes all environmental aspects with a strong focus on climate change adaptation and resource efficiency. It takes into account all life cycle phases, including product development and design, manufacturing, operation, service, and end of life. Measures include life cycle assessments ("LCA"), environmental product declarations ("EPD"), component upgrades, and lifetime extensions as well as recycling.

**Sustainable supply chain**

Due to our global operations, Siemens Energy has suppliers in about 140 countries. We are conscious of the impact our activities have on the people who work for us, on our suppliers as well as on local communities and the environment. We therefore share responsibility for protecting human rights, fair labor practices, anti-corruption measures, and environmental protection along the entire value chain.

We have put in place a Code of Conduct (CoC) for Suppliers and Third-Party Intermediaries, which is based on the Business Conduct Guidelines (BCG) and the Principles of the UNGC (as defined below), and that all our suppliers and third-party intermediaries must sign.

**Human rights**

As a globally operating company, we are aware of the impact our business has on people around the world, especially from our large-scale energy projects. We are dedicated to responsible business conduct and are committed to ensuring respect for human rights within our spheres of influence. Identifying and managing our human rights impacts and mitigating risks along our entire value chain is therefore imperative.

**Compliance and integrity**

As we operate globally with customers from a wide range of industries in the private and public sectors, we are confronted with complex regulatory requirements coupled with increasing stakeholder expectations regarding integrity and risk management. In this context, we are committed to a strong culture of ethics and compliance. We pursue a zero-tolerance approach toward corruption, violations of the principles of fair competition, and other breaches of the law. When such cases do occur, we take immediate action.

**Working at Siemens Energy**

With our People and Culture strategy as a foundation, we aim to be the differentiator in the market for our customers, investors, suppliers, partners, employees, and society.

1. We strive to be the employer of choice in the energy industry and to develop a future-ready workforce
2. We focus on creating diverse, inclusive, and welcoming workplaces where people want to work
3. We are investing in our strategic People Agenda, which is aligned with our company strategy, values, and behaviors

**Social engagement**

The Siemens Energy societal engagement approach combines a global framework with autonomy for local implementation in the countries in which we operate. To focus our activities and increase our impact, we have defined three focus areas based on our strategic context, our core competencies, the global targets for sustainable development, and the influence various global megatrends (demographics, urbanization, climate change, globalization, and digitalization) have on our industry and our business. The focus areas are:

1. Driving the Energy Transition: Supporting clean energy R&D
2. Access to Education: Promoting science, technology, engineering, and mathematics ("STEM") subjects and climate education – especially for underrepresented demographics
3. Sustaining Communities: Disaster recovery – especially related to electricity supply and actively reducing poverty

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² Application of the EU Taxonomy for Companies (eu-taxonomy.info).
1.2 External ESG Ratings

Our ESG rating results show that we are on track with our sustainability program and in achieving our targets. Both the Gas & Power and SGRE reporting segments are rated by various ESG rating agencies, such as ISS ESG, Sustainalytics, MSCI ESG and CDP. The ratings support the objective assessment of our organization and identify areas for improvement. For more information on our ratings and rankings, please visit our corporate website. Information on SGRE’s latest ESG ratings is available on their website.

Siemens Gamesa at a glance

SGRE was created in 2017 following the announcement of the merger of Siemens’ wind power business and Gamesa the year before.

SGRE focuses on the design, development, manufacturing and installation of products, as well as the provision of technologically advanced services in the renewable energy sector, with a focus on wind turbines. With EUR 10.2 bn of revenue and 118 GW installed worldwide, SGRE has become a leading global wind power player.

SGRE R&D Team is also exploring new market opportunities to support the decarbonization of the energy value chain, and in particular the integration of electrolyzer into offshore wind turbines to produce green hydrogen.

Siemens Gamesa plays a key role in Siemens Energy’s transition towards providing lower-carbon products and services, and in our sustainability strategy overall. With the announcement in May 2022 of our bid for the remaining minority stakes in Siemens Gamesa, Siemens Energy is reinforcing the commitment towards providing cleaner energy solutions for our clients and thereby contributing to the achievement of the targets set out by the Paris Agreement. We are convinced that a single well-diversified energy company supporting our customers through the transition to a more sustainable world will allow us to accelerate the development of our renewable energy products and services, and therefore the acquisition of the remaining shares of Siemens Gamesa constitutes a landmark event in our sustainability journey.

With the acquisition of the remaining shares of Siemens Gamesa and the full consolidation of the two entities, Siemens Energy continues the ambitious plans first set by the merger of Siemens and Gamesa announced in June 2016: the merger of Siemens’ wind power business with Gamesa aimed at creating a leading global wind power player with a global footprint in Northern America, Northern and Southern Europe, India and Latin America with a product offer covering all wind classes. The positive environmental impact is illustrated by the growth in cumulative GW installed from GW 88.8 in FY 18 to GW 127.5 in FY 22. This growth is expected to accelerate with the consolidation of the two entities.

Furthermore, the full consolidation of the two entities will facilitate the collaboration between the current SGRE and Gas & Power segments of Siemens Energy for the development of innovative sustainable energy products and solutions based on the expertise of both entities. In particular, Siemens Gamesa and Siemens Energy partnered in 2021 for the development of industrial scale system to harvest green hydrogen from offshore wind, combining Siemens Gamesa’s long standing expertise in offshore wind and Siemens Energy’s abilities to deliver best-in-class new electrolysis products adapted to offshore wind conditions. Such strategic developments with clear environmental impact will be boosted following the full merging of the two entities.

The present Green Bond Framework (the “Framework”) will allow Siemens Energy to issue an inaugural Green Bond aimed at either refinancing the existing debt of Siemens Energy, initially put in place in May 2022 for the acquisition of the remaining shares outstanding of Siemens Gamesa or refinancing the existing debt of Siemens Gamesa, where Siemens Gamesa is considered a pure player company as further described in this Framework.

5 Siemens and Gamesa to merge wind businesses to create a leading wind power player | Press | Company | Siemens.
Siemens Energy Green Bond Framework

Siemens Energy commits to providing information with transparency, accuracy and integrity according to the four core components of the Green Bond Principles 2021 ("GBP") as administered by ICMA:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting

The Eligible Green Category as defined below substantially contribute to UN Sustainable Development Goals 7 ("Affordable and Clean Energy") and 13 ("Climate Action") and EU environmental objectives.

The Framework also takes into consideration the EU Taxonomy Regulation\(^ 7\) (the "EU Taxonomy") and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation\(^ 9\) adopted in December 2021.

This Framework may be updated from time to time to ensure compliance with applicable law and continued alignment with voluntary market practices (including the ICMA Principles), developing standards (including the EU Green Bond Standard) and classification systems. For any material revision of the Framework, Siemens Energy will seek to obtain a refreshed Second Party Opinion ("SPO").

2.1 Use of Proceeds

An amount equivalent to the net proceeds from the issuance of any Green Bond under this Framework will be allocated to finance and/or refinance, in whole or in part, new or existing Eligible Green Expenditures defined following the below eligibility criteria.

Eligible Green Expenditures may include majority acquisitions of companies or minority equity participations in entities that derive 90% or more of their revenues from activities meeting the eligibility criteria described in the table below, also called ‘pure player companies’ as well as re-financing of existing debt of a pure player company.

### Eligible Green Categories – Eligibility Criteria

<table>
<thead>
<tr>
<th>Eligible categories</th>
<th>Eligibility Criteria</th>
<th>EU environmental objectives</th>
<th>EU Taxonomy mapping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td>Expenditures related to the design, development, manufacturing and installation of onshore and offshore wind turbines</td>
<td>Climate change mitigation</td>
<td>3.1 Manufacture of renewable energy technologies</td>
</tr>
<tr>
<td></td>
<td>Expenditures related to the operation and maintenance of onshore and offshore wind farms</td>
<td></td>
<td>7.6 Installation, maintenance and repair of renewable energy technologies</td>
</tr>
</tbody>
</table>

Siemens Gamesa reports\(^ 10\) over ninety-nine percent (99.28%) of its revenues in fiscal year 2022 as EU-Taxonomy eligible. Of this, 76.9% corresponds to the wind turbine manufacturing activity (3.1 Manufacture of renewable energy technologies), and 22.4% to the Service activity (7.6 Installation, maintenance, and repair of renewable energy technologies). Only 0.7% of total revenue, which corresponds to the sale of gearboxes and electric cabinets to third parties in different sectors, is reported as non-eligible.

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2.2 Process for Project Evaluation and Selection

Low and zero emissions power generation is one of the three strategic pillars of Siemens Energy, with SGRE already playing an essential role in driving Siemens Energy’s offering in this area. With the full integration of SGRE, Siemens Energy aims to further strengthen its ESG capabilities and be best positioned to support their customers in the energy transition. The integration will allow Siemens Energy to provide a one-stop-shop approach to customers across all energy products and solutions and consolidate the company's leadership in wind power generation solutions.  

Thanks to its current 67% stake in SGRE, Siemens Energy believes it has an appropriate overview of SGRE’s activity and product offering to assess the potential positive environmental benefits of this operation and to ensure SGRE qualifies as a pure player company as defined in section 2.1 of this Framework.

**a ESG Risk Management**

Siemens Energy systematically monitors business risks. Within the Enterprise Risk Management (“ERM”) process, the Executive Board is informed quarterly and aligns on the reporting of all significant risks and opportunities throughout the Company, including climate issues.

As a company with a strong focus on sustainability, it is essential that we integrate the consideration of ESG criteria in our decisions. We have done so by developing a criteria catalog and scoring methodology to evaluate the ESG impacts of current and potential portfolio elements, considering both risks and opportunities.

Furthermore, we have developed a list of ESG-related questions to be used when analyzing our merger and acquisition activities.

Siemens Energy’s priority is to manage all acquisitions in an environmentally and socially responsible manner.

The Siemens Energy ESG due diligence process, that may also be applied to M&As, is based on a set of ESG criteria related to laws and regulations, working standards (e.g. respect of human and labor rights, health & safety management, job creation, diversity & inclusion, employee engagement & development), environmental considerations (e.g. climate change mitigation, biodiversity conservation, natural resources protection, pollution prevention and control), social considerations (e.g. cultural heritage, local development, land acquisition and resettlement, dialogue with communities) and governance considerations (e.g. ESG policies and programs, business ethics, cyber security, data protection, interests of stakeholders, responsible procurement). Our criteria are aligned with EU Taxonomy criteria.

As a globally operating company, we are aware of the impact our business has on people around the world, especially from our large-scale energy projects. We are dedicated to responsible business conduct and are committed to ensuring respect for human rights within our spheres of influence. Identifying and managing our human rights impacts and mitigating risks along our entire value chain is therefore imperative. Our actions go beyond compliance with applicable laws and regulations; they include our commitment to:

- International Bill of Human 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 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 Guidelines for Multinational Enterprises
- United Nations Global Compact Principles, to which we are a signatory (“UNGC”)

Siemens Energy’s high ESG standards apply to all our subsidiaries, including Siemens Gamesa, who is equipped with a comprehensive set of corporate ESG policies including a Sustainability Policy, Diversity & Inclusion Policy, 

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Health and Safety policy, Human Rights policy, Social commitment policy, Supplier relationship policy and a Supplier Code of Conduct.12

With the full integration of SGRE within Siemens Energy, the respective ESG risk policies and procedures will be consolidated aiming for the highest possible standards.

b Green Bond Committee

Siemens Energy has established a dedicated internal Green Bond Committee (the "Committee") chaired by the Head of Treasury and Corporate Finance and formed of representatives from the following teams: Treasury and Corporate Finance, Accounting and Controlling, Sustainability, Investor Relations.

The Committee will be responsible for validating the amount to be funded via Green Bonds, identifying Eligible Green Expenditures and overseeing and verifying the annual reporting on allocation and impact of the net proceeds raised through the Green Bond(s). The Committee will also monitor the ongoing evolution of the Green Bond Principles and the Green Bond market in general, particularly in relation to disclosure and reporting, to ensure that Siemens Energy remains in line with best market practices.

The Committee will meet at least once and on an annual basis until full allocation, or more frequently if required, to review proposed allocation and impact reporting and ensure that these are in alignment with the Framework.

2.3 Management of Proceeds

An amount equivalent to the net proceeds of the Green Bonds raised under this Framework will be deposited in Siemens Energy's general account and will be earmarked for allocation to the portfolio of Eligible Green Expenditures that will be managed and overseen by the Treasury and Corporate Finance team.

The Treasury and Corporate Finance will ensure, on a best efforts basis that the portfolio of Eligible Green Expenditures exceeds, or at least is equal to, the net proceeds of Green Bonds raised under this Framework.

Siemens Energy commits on a best effort basis to reach full allocation within 24 months following each issuance of a Green Bond.

Pending full allocation, the net proceeds will be invested on a temporary basis, in accordance with relevant internal treasury policies, in cash, cash equivalents or similar instruments.

In the case of an Eligible Green Expenditure disposal or if an Eligible Green Expenditure no longer meets the eligibility criteria or is subject to a major ESG controversy, the proceeds will be reallocated to another Eligible Green Expenditure held by Siemens Energy, as soon as reasonably practicable.

2.4 Reporting

Within one year from the first issuance date and until an amount equivalent of the net proceeds has been allocated in full to Eligible Green Expenditures, and later in case of any material change, Siemens Energy will publish annually (i) an Allocation Report and (ii) an Impact Report, the latter subject to the availability of suitable information and data.

The reports will be publicly available on the Siemens Energy website:

https://www.siemens-energy.com/global/en/company/investor-relations/publications-ad-hoc.html#QuarterlyandAnnualResults

Wherever possible, Siemens Energy intends to align its reporting with the approach described in the "Handbook – Harmonised Framework for Impact Reporting" (June 2021)13.

Allocation Report

With the aim of providing disclosure on the allocation of net proceeds, the Allocation Report will include:

• Overview of the Green Bond(s) outstanding
• The share of refinancing vs new financing
• The balance of unallocated proceeds invested in cash and/or cash equivalents, if any

Impact Report

The Impact Report will provide information on the associated environmental outcomes of the Green Bond(s), subject to the availability of suitable information and data.

The impact report may include qualitative and/or quantitative evaluation of the environmental benefits, based on Siemens Energy’s sustainability ambition for the new fully consolidated entity.

Currently, Siemens Energy’s economic interest in Siemens Gamesa is diluted by minority shareholders. By using proceeds to reduce this dilution, the owners of Siemens Energy will be able to immediately invest more net economic resources into Wind Power.

Along these lines, impact indicators may include:

- Installed Wind Power capacity, net to Siemens Energy (GW)
- R&D related to Wind Power, net to Siemens Energy (million Euros)
- CAPEX invested in Wind Power, net to Siemens Energy (million Euros)

2.5 External Review

Second Party Opinion (SPO)

Sustainalytics has been appointed to review Siemens Energy’s Framework and ultimately verify its alignment with the ICMA Green Bond Principles 2021 and market practices. The SPO can be found here:


Post-issuance external review

An external auditor will be appointed to provide a Limited Assurance of each Allocation Report published with regard to use of net proceeds having been allocated in accordance with the Framework.

Disclaimer

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