EOS Case Study

August 2021

# Siemens Energy

Siemens Energy is addressing the challenges of the climate transition by setting science-based emissions reduction targets. This follows engagement with EOS on behalf of its clients and as lead for the Climate Action 100+, which has included regular dialogue with the chair and requesting changes at the 2021 shareholder meeting.

Engagement objectives:

**Environmental:**
Science-based carbon emissions reduction targets

**Sustainable Development Goal:**

13 CLIMATE ACTION

## Background

Siemens Energy AG is a Germany-based company engaged in the energy technology sector. Siemens Energy AG was spun off from Siemens AG in September 2020 and comprises Siemens AG's former gas and power division (as well as other power-related assets) and owns 67% of Siemens Gamesa Renewable Energy (SGRE), a business focused on wind turbine manufacturing. It offers a wide range of products, solutions and services in fields such as power generation, power transmission, industrial applications and renewable energy, among others.

> *"ESG is at the core of our actions. While we see a constructive dialogue with our stakeholders as good governance, we identified several SDGs, where we have a high impact. With our innovative technologies we can combat climate change. The dialogue with EOS has allowed us to consider investor perspectives on the changes and challenges of the energy transition, as well as the opportunities it presents."*
>
> **– Dr Christian Bruch, Chief Executive Officer of Siemens Energy**

## Our engagement

EOS at Federated Hermes had engaged with Siemens AG prior to the spin-out of Siemens Energy AG as a new entity in September 2020. We have led the collaborative engagement with Siemens AG through the Climate Action 100+ (CA100+) since 2017, having engaged with the company since 2006[1].

Through our separate engagement with Siemens AG, we encouraged enhanced dialogue on climate-related issues with investors and reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures in our speech at the 2018 shareholder meeting. In our meeting with the chair and chief of staff of Siemens AG, ahead of the 2019 shareholder meeting, we were pleased to hear that the chair saw climate change as a strategic opportunity for the company. At the time, we commended Siemens AG on communicating its ambition to become carbon neutral by 2030 covering Scope 1 and 2 emissions, as well as discussing the company's carbon reduction targets and reporting on climate risk throughout 2019.

In September 2019, Siemens AG approached us to present to an international group of its sustainability personnel at a three-day summit in Germany, where we gave a keynote presentation and participated in a panel together with the CEO of Siemens UAE and the CFO of digital industries. Following this, we led a CA100+ investor group call with

[1] Read our 2019 case study here https://www.hermes-investment.com/ukw/eos-insight/eos/siemenscasestudy/

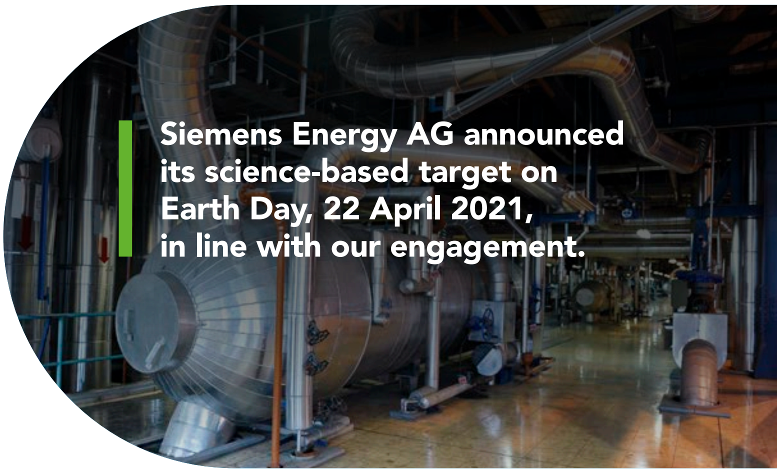
Siemens AG, where we discussed indicators for its new net-zero company benchmark. We encouraged it to set a target for Scope 3 upstream and downstream emissions, reiterating the benefit of setting science-based targets to give investors greater assurance that these are in line with the Paris Agreement. We also stressed that the target to become carbon neutral in its own operations by 2030 should be maintained in both the Siemens Energy spin-off and the remaining digital and infrastructure Siemens business.

Following Siemens Energy AG's spin-off in Autumn 2020, we immediately started engagement with the new entity, which became the focus of CA100+ engagement going forward. We attended the Siemens Energy AG shareholder meeting in February 2021 and asked a series of questions focused on measures to align the energy sector with the Paris Agreement and to address the climate emergency. Although the company had a net-zero ambition, this was only for its own operations. We urged the company to set science-based targets that cover Scope 3 emissions. We also asked what processes the company has in place to ensure that the activities and positions of external membership bodies, such as industry associations, are aligned with the company's own positions and objectives on climate change.

**We urged the company to set science-based targets that cover Scope 3 emissions.**

The chair of the supervisory board of Siemens Energy AG participated in our client meeting in March 2021. He had just stepped down from his role as CEO of Siemens AG to take up the role of supervisory board chair at Siemens Energy AG. We discussed his rationale for the Siemens Energy AG spin-off and the role of the company in the low carbon transition. Here, we challenged the company to set science-based targets for Siemens Energy AG.

**We also asked what processes the company has in place to ensure that the activities and positions of external membership bodies, such as industry associations, are aligned with the company's own positions and objectives on climate change.**




## Changes at the company

Targets of SGRE were confirmed by the Science Based Targets initiative (SBTi) in 2020. Subsequently, Siemens Energy AG announced its science-based target on Earth Day, 22 April 2021, in line with our engagement. This covers the company's target to become climate-neutral by 2030 (Scope 1 and 2), which it aims to achieve by transitioning its electricity consumption to 100% green energy by 2023, as well as investing in its own operations.

In addition, following our request for targets to cover Scope 3 emissions at the 2021 shareholder meeting, the company announced that by 2030, greenhouse gas emissions of products in the gas and power segment (Scope 3) are to be cut by just under a third (27.5%) over a lifetime, compared to 2019 through increased efficiency of products and other measures. To make a significant contribution in the decarbonisation of power grids, it will successively switch to products free from SF6 (a potent greenhouse gas). In 2020, the company also committed to not engage in new business with coal-fired power plants. In 2021 the SBTi confirmed that Siemens Energy AG's $CO_2$ reductions contribute to limiting global warming to 1.5°C in line with the Paris Agreement.

## Next steps

EOS continues to lead the CA100+ engagement with Siemens Energy AG, focusing on transparency around lobbying practices. Furthermore, we engage with the company on audit committee independence.

**Lisa Lange**
**Engagement**
EOS

This case study has been fact-checked by Siemens Energy AG to ensure a fair representation of EOS work carried out and changes made at the company.

Federated Hermes

## Federated Hermes

Federated Hermes is a global leader in active, responsible investing.

Guided by our conviction that responsible investing is the best way to create long-term wealth, we provide specialised capabilities across equity, fixed income and private markets, multi-asset and liquidity management strategies, and world-leading stewardship.

Our goals are to help people invest and retire better, to help clients achieve better risk-adjusted returns, and to contribute to positive outcomes that benefit the wider world.

All activities previously carried out by Hermes now form the international business of Federated Hermes. Our brand has evolved, but we still offer the same distinct investment propositions and pioneering responsible investment and stewardship services for which we are renowned – in addition to important new strategies from the entire group.

## Our investment and stewardship capabilities:

- **Active equities:** global and regional
- **Fixed income:** across regions, sectors and the yield curve
- **Liquidity:** solutions driven by four decades of experience
- **Private markets:** real estate, infrastructure, private equity and debt
- **Stewardship:** corporate engagement, proxy voting, policy advocacy

## Why EOS?

EOS enables institutional shareholders around the world to meet their fiduciary responsibilities and become active owners of public companies. EOS is based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

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