

ENGAGEMENT FACTSHEET

Siemens Healthineers AG

ENGAGEMENT RATIONALE

Siemens Healthineers had an IPO in 2018. We have been engaging with the company to publish a sustainability report and to formulate an environmental policy. This includes carbon emission reduction targets.

BACKGROUND

After initial meetings in 2018 we opted for proactive engagement to see the company formulate their own sustainability policies and improve their material ESG disclosure. In particular their carbon emissions are of interest, as the company scores relatively low in MSCI ESG ratings, one of the primary data sources we consider.

THEME FOR ENGAGEMENT

- x G: ESG disclosure
- x E: Carbon footprint

E

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ENGAGEMENT OBJECTIVES

- x Gain a better understanding of the sustainability policies of Siemens Healthineers and assess what policies of Siemens, as the parent company, apply to Healthineers. Siemens has a CO2-neutrality target set for 2030.
- x Recommend to publish a sustainability report and/or improve ESG disclosure. The sustainability report is needed to better understand and assess ESG risks.
- x Recommend that the company sets environmental targets, in particular concerning carbon emissions reduction targets.

DEVELOPMENT



MILESTONE



ENGAGEMENT RESULTS

- x Our initial engagement mail from 2018 has been followed up with direct communication with Siemens Healthineers' Investor Relations (IR) team. The engagement was brought to the attention of the CEO/CFO.
- x We explained our focus on the rating and carbon footprint. The company's initial plan was to publish their sustainability policies in the second half of 2019. We offered to give feedback on the draft version of this to help reflect investor expectations.
- x In early 2019 IR, we got news of a possible delay/de-prioritization of their sustainability report. The argument for this was that Siemens Healthineers is covered in the parent company's sustainability report.
- x Later in the year we reached out again asking for an update on the sustainability report. We stated that the lack of disclosure was impeding our ESG analysis, as well dragging their scores on MSCI ESG and Sustainability. We have also posed specific questions regarding their environmental management system, product governance and bribery & corruption to see how policies at the Siemens level apply to Healthineers.
- x In September 2019 the company's IR team announced that they wouldn't be publishing a sustainability report in 2019. The board only saw limited value, as they considered the ESG data available through the Siemens report.
- x Late 2019 we have sent an engagement letter to the board to stress the importance of ESG disclosure and ask them to state the goal of becoming carbon neutral. In a response to our letter the company told us an ESG project was started with the goal to publish a Sustainability report in 2021.
- x In August 2020 the company told us ESG KPIs would be formulated as part of remuneration.
- x Early 2021 Siemens Healthineers published their sustainability targets concerning quality of life, carbon neutrality by 2030 and advancing diversity and inclusion.

NEXT STEPS

- x Evaluate their first sustainability report and see whether we want to engage on certain topics.



COMPANY

Siemens Healthineers, medical device company with strong positions in imaging and diagnostics

COUNTRY

Germany

SECTOR

Healthcare

MARKET CAP

Euro 55bn

ISSUE

Lack of ESG disclosure

No environmental policies of their own, relying on the parent company

MATERIALITY

Both risks are material. As an investor in Healthineers we want to be able to assess what the risks and opportunities are for the company. We also see disclosure as a good way to communicate how sustainability is integrated throughout the company

RISK

- x ESG disclosure
- x Lack of environmental policies

MSCI ESG/ SUSTAINALYTICS RESEARCH

UN Global Compact: No
ESG Rating: BB (MSCI); 50/100 (Sustainalytics)