

# Joe Kaeser on Adani Carmichael project

12.01.2020

To whom it may concern,

First of all, I do want to thank you for the countless mails, social media engagements and personal meetings over this important matter. The vast majority has been addressing their concerns clearly and with respect. For me, this only underscored the importance and the need to diligently look into the issue at hand. Especially, the messages I've received from Australian people have moved me personally, when they described that their homes and their country is burning and suffering from these terrible fires.

Even though we do not have clear evidence that the wildfires and this project are directly connected, I feel empathy for all those, who spoke up and warned about worsening conditions. Siemens, as one of the first companies to have pledged carbon neutrality by 2030, fundamentally shares the goal of making fossil fuels redundant to our economies over time. As mentioned earlier, I was not aware of the – in relative terms – very small signaling order for the project. I have been checking into the matter in a very detailed way and also consulted with 3rd parties, e.g., the government of the country and environmental organizations. Before I do explain my view and decision, I do want to convey my deepest sympathy and condolences to the ones, who have lost relatives and friends or their homes, livelihoods or were injured by the terrible bush fires in Australia.

It's been a real challenge for me to balance between a very legitimate matter of global and decisive importance and a fact-based economic and legal assessment based on my fiduciary and management duties, e.g., be a reliable supplier to our customers and maintain the future of our 385,000 employees around the world.

Here in summary is, where we are:

- The Adani mining project has been approved by the Government of Australia, the Highest Courts and – very important to us – the indigenous Wangan and Jagalingou people: The local and federal governments approved the project based on the Environmental Protection and Biodiversity Conservation Act 1999 as well as hundreds of pages of environmental impact statements. These included public consultations. The decision came after carrying out a strict regulatory and decision-making process including from the highest courts.
- I wanted to hear this from the Minister for Resources and Northern Australia Matthew Canavan himself. Here is his response to me in [a letter dated December 18, 2019](#): “The Australian people clearly voted to support Adani at the federal election in May 2019, especially in regional Queensland. It would be an insult to the working people of Australia and the growing needs of India to bow to the pressure of anti-Adani protestors.”
- There has been an expansive and very detailed [due diligence report](#).
- Siemens has signed the contract on December 10<sup>th</sup>, 2019.
- There were competitors who have been competing. Thus, whether or not Siemens provides the signaling, the project will still go ahead.
- There is practically no legally and economically responsible way to unwind the contract without neglecting fiduciary duties.

- However, given the importance of legitimate environmental concerns, we have secured the right to pull out of the contract if our customer violates the very stringent environmental obligations.

Generally, and as a consequence of this issue, we will for the first time in Siemens history establish a Sustainability Committee with external members to give environmental concerns even more priority and attention in the future. I will also open the doors to the youth, and the concerns young people have taken to the streets around the world, to sit at the table. This committee will have the power to stop and escalate projects of critical nature to sustainability, no matter whether we are directly or indirectly participating, like in the current example, with our rail infrastructure.

I do realize, most of you would have hoped for more. While I do have a lot of empathy for environmental matters, I do need to balance different interests of different stakeholders, as long as they have lawful legitimation for what they do. This is my responsibility as a CEO and that of the management team. Keeping our promises is Siemens' highest priority. Only being a credible partner whose word counts also ensures that we can remain an effective partner for a greener future. In this case, there is a legally binding and enforceable fiduciary responsibility to carry out this train signaling contract. Had it been my own company, I may have acted differently, although there is factual clarity that the installation of our signaling system – and thereby making the already existing rail track safer – does not impact whether the coal mine will happen or not.

At the same time, we – like all of you – feel with Australia, as it is facing this natural disaster at an unprecedented scale. And the people, who are affected by it, need help, not words.

Therefore, I have directed our organization in Australia to come up with a proposal how to support the reconstruction of destroyed infrastructure in the areas impacted by the terrible wildfires, which are happening as we speak. We will help now, because it is needed now.

We at Siemens have started a long time ago to do our part to save our planet. I do invite everybody to work together to save it. I have invited the leader of the German Fridays For Future movement to join such a Sustainability Board to add the youth to the table. Sadly, she has turned down my offer to join and suggested to add an environmental expert instead. While I appreciate the dialogue, this will not do the job.

Securing our planet for the future is not just about experts, this is mostly about leadership. We have enough scientists telling us about the problem already for quite some time – solutions need to be created by leaders solving the complexity of conflicting interests in the political and industrial world. Our doors are open to genuine efforts to work together to make us faster and better as a company helping our customers and partners to achieving carbon neutrality or at least reduce emissions drastically.

Already in 2015 – years before climate change movements spread globally – Siemens has made a very significant commitment – to tackle climate change:

Five years ago, Siemens was the first global industrial company of significant size to commit to being carbon neutral by 2030. Our latest Sustainability Report provides evidence of how we walk the talk and contribute to sustainable development. So far, we have reduced our CO<sub>2</sub> emissions by 41 percent. By next year, Siemens will have reduced its emissions by half. We are currently contemplating to even shorten the period till 2030 for CO<sub>2</sub> neutrality.

Furthermore, our Environmental Portfolio enables customers in a wide range of industries to reduce their energy consumption while increasing their competitiveness with the help of innovative low-carbon and zero-carbon technologies. In fiscal 2019, our solutions enabled our

customers around the world to decrease their CO<sub>2</sub> emissions by more than 637 million metric tons. By comparison, Australia's total CO<sub>2</sub> emissions in 2017 exceeded 550 million tons. For the sake of clarity to other stakeholders, I also want to mention that Siemens is among only a very few global companies of material size that have embedded long-term sustainability-related targets in their management-incentive schemes. At Siemens, we will apply performance-oriented goals that include environmental and social affairs and governance to our company's Managing Board and our entire senior management. This is nothing to be particularly proud of, because environmental care should not be about money but about responsibility.

However, the first two examples with CO<sub>2</sub> emission reductions of significant size show, that everybody – companies, individuals and governments – can do something meaningful and have important roles to play. While companies can help through innovation, technology and individuals by living responsibly, governments have a significant role in setting the regulatory framework – preferably on a global scale. Because pollution and global warming has no borders. No matter, how high walls are being built and trade barriers are being designed. We also need to carefully look at the root causes and bring solutions exactly to these areas. Barking up the wrong tree does not help. It divides the ones, who actually need to work together, even more: the younger and the older generation, the developing economies and the industrialized nations, companies of the future and the ones, who provide millions of jobs – and thus, a living for their families – in areas, where we get a significant part of global emissions from. This is the reason, why I invited the youth to the table and to participate in working out responsible solutions for all stakeholders. It is their future and we can help them secure it. However, solutions are harder to execute than protests. That's why we need to work together.

And this is exactly, what we want to accelerate at Siemens. We do balance between legitimate – yet sometimes conflicting – stakeholder interests in the global community. We set our own aggressive goals to protect our own planet as described above. We spend about 600 million euros every year to train our employees for the jobs of the future; e.g. people from our fossil power division and help them and their families to have a future while we move away from high-emission technologies.

We invest billions of euros every year to foster innovation and invest in technologies to reduce emissions. And we have invested billions to build the worlds' largest renewable energy company, Siemens Gamesa Renewable Energy. Significantly, we want our 385,000 employees to have a job and a future for their families. In 2019 alone, we hired more than 40,000 new employees. I could go on and on with more examples. While we secure jobs and drive change towards less use of fossil fuels, we also make money for our shareholders – preferably the ones, who do share our long-term view about how to run a company responsibly.

I do know that we are far from perfect. And, we should have been wiser about this project beforehand. Now, we need to be a supplier, who sticks to its commitments as long as the customer stays on legal grounds, too. Because being a company, which is not a reliable source for its customers is simply not an option. We are always serious about what we do. And after all, we provide solutions, for our customers, our employees, our shareholders and – last but not least – for a sustainable society. We do look forward to continuing our efforts and do invite everybody to do similar things. If we work together where we have the same goals the world will be in a better shape.

Sincerely,

Joe Kaeser

President and CEO Siemens AG