Compliance Program@Siemens

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Regional Compliance Officer
Siemens LLC
UAE

Strengthening Integrity In Private Sector
Organized by UNDP, MENA-OECD
Bahrain
16th and 17th of March 2010
In 2008, Siemens was punished drastically for engaging in systematic corruptive mechanisms.

Siemens’ pattern of bribery was in scale and geographic unprecedented – 4,283 payments for 332 projects totaling bribes of US$ 1.4 billion...

...as a result, Siemens had to pay fines and disgorgements amounting to a record sum of US$ 1.6 billion.*

A chapter is closed but the fight against corruption is never over

- A painful chapter is over - settlement with German and US-authorities reached
  Overall costs ~2 billion Euros
- DoJ/SEC has appointed a Monitor who is watching our compliance progress

What's next?

- Compliance still has top priority
- Siemens has a best-in-class compliance system – and on this basis has started to fight corruption with "Collective action"
In the change process, several elements were crucial in becoming a recognized leader in terms of integrity.

<table>
<thead>
<tr>
<th>Immediate Actions</th>
<th>Implementation</th>
<th>How to become a “recognized leader”?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>Exchange of Leadership Team</td>
<td>Compliance Program</td>
<td>Continuous Improvement</td>
</tr>
<tr>
<td>Tone from the Top</td>
<td>Compliance Organization</td>
<td>Values &amp; Integrity</td>
</tr>
<tr>
<td>Independent investigation</td>
<td>Compliance Training</td>
<td>Collective Action</td>
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<tr>
<td>Centralization of bank accounts</td>
<td>Compliance Tools</td>
<td>Sustainable Development</td>
</tr>
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DoJ/SEC settlement
Siemens has fundamentally changed and is now seen as an industry benchmark in compliance and sustainability.

- Corporate Citizenship
- Labor Practice Indicators
- Human Capital Development
- Social Reporting
- Talent Attraction & Retention

Average Score* 50 %
Siemens Score 82 %

- Corporate Governance
- Risk & Crisis Management
- Codes of Conduct /Compliance
- Customer Relationship Management
- Innovation Management

Average Score* 61 %
Siemens Score 91 %

- Eco-Efficiency
- Environmental Reporting

Average Score* 44 %
Siemens Score 83 %

*Average score of all assessed companies in the sector
Source: sam 2009, Corporate Sustainability Assessment – The Yearbook
Siemens is part of a small group of companies that have a dedicated compliance position in the managing board.

* Examples

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The representation of compliance in the managing board establishes clear responsibility and strong governance.

Managing Board

- Responsibility
- Awareness
- Commitment

President & CEO
CEO Industry
CEO Energy
CEO Healthcare
General Counsel (Legal & Compliance)
CFO
Head of Human Resources
Head of Supply Chain & Sustainability

Compliance Organization

- Governance
- Advice
- Enforcement

Chief Compliance Officer
Corporate Compliance Officer
Sector Compliance Officers
Cluster Compliance Officers
Compliance External Affairs & Training
Compliance Program, Management
Compliance Operating Officer
Global Compliance Organization – Ramp-up also in the Sectors and Regions

Employees FY 2007

- Corporate: Σ 14
- Sectors & Divisions: Σ 68
- Regions: Σ 91
- Total: Σ 173

Employees FY 2009

- Corporate: Σ 80
- Sectors & Divisions: Σ 195
- Regions: Σ 323
- Total: Σ 598
Strong communication and exemplary behavior are core tasks of top management to drive Compliance, ...

**Top Management**

- **Communication**
  - Provide strong, clear and sustainable messages
  - Involve in dialogues with middle management
  - Show strong presence internationally throughout the entire organization

- **Behavior**
  - Act as role models with all attitudes and behaviors
  - Live and spread Siemens’ company values internally and externally
  - Prove the credibility of messages by putting the talking into actions

"Only Clean Business is Siemens Business. Everywhere – Everybody – Every Time!"
... however, "the tone from the top" has to be lived and communicated throughout all management levels.

Middle Management needs to

- Anchor compliance in the entire value chain
- Promote Siemens' compliance tools
- Explain and demonstrate compliance-related issues
- Motivate and encourage employees
- Engage in regular communication with employees
- Show priority of compliance at all times

Full commitment towards Compliance and Clean Business

"walk the talk"
Siemens has no tolerance for non-compliant behavior

**What exactly is ... compliance?**

Compliance is about acting in accordance with the rules that govern the way we behave. These rules can be externally imposed through laws or regulations, or internally defined through policies, procedures and controls.

The internal rules will be governed by the external law and will also take into account the values of the organization.

**Siemens values:**

- Responsible
- Excellent
- Innovative

**Compliance with what?**

- Anti-corruption legislation
- Anti-trust legislation
- Anti-discrimination legislation
- Environmental legislation
- Labour law
- Human rights legislation
- Privacy law

...
**Siemens Values**

<table>
<thead>
<tr>
<th>Responsible</th>
<th>Excellent</th>
<th>Innovative</th>
</tr>
</thead>
</table>

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**We live our principles – always!**

- We obey the law
- We conduct business in a truthful and transparent manner
- We are fair in our relationships with competitors and stakeholders
- We are committed to good corporate citizenship
- ……. 
Preface

A. Basic Behavioral Requirements
   A.1. Behavior which Complies with Law
   A.2. Mutual Respect, Honesty and Integrity
   A.3. Responsibility for the Reputation of Siemens
   A.4. Management, Responsibility and Supervision

B. Treatment of Business Partners and Third Parties
   B.1. Fair Competition and Anti-Trust Laws
   B.2. Anti-Corruption: Offering and Granting Advantages
   B.3. Anti-Corruption: Demanding and Accepting Advantages
   B.4. Political Contributions, Charitable Donations and Sponsoring
   B.5. Government Procurement
   B.6. Anti-money Laundering
   B.7. Trade Controls
   B.8. Working with Suppliers

C. Avoiding Conflicts of Interest
   C.1. Competing with Siemens
   C.2. Sideline Work
   C.3. Interests in Third Companies

D. Handling of Company Property

E. Handling of Information
   E.1. Records and Financial Integrity
   E.2. Confidentiality
   E.3. Data Protection and Data Security
   E.4. Insider Trading Rules

F. Environment, Safety and Health
   F.1. Environment and Technical Safety
   F.2. Work Safety

G. Complaints and Comments

H. Compliance Implementation and Monitoring

Appendix
Siemens Compliance Program aims at the synergy of all three dimensions

Prevent

Detect

Respond

"Tone from the Top"

Compliance Organization

- Training
- Policies, Procedures and Compliance Tools
- Program communication
- Centralization

- Compliance investigations
- Compliance reviews
- Compliance controls
- Consequences for misconduct
- Global case tracking
- Monitoring effectiveness

Compliance Helpdesk

- Integration in personnel processes

COMPANY IS IN CONTROL

1) Incl. Global Ombudsman function
IT-based tools make sure, that compliance policies are implemented in an effective and reviewable way

**Policies:**
- Project Business
- Business Partner
- Sponsoring, Donations, Memberships
- Gifts & Hospitality
- Compliance Investigations

**Smart IT Tools:**
- Limits of Authority Approval procedure for external projects
- Business Partner Due Diligence
- Sponsoring, Donations and Memberships
- Approve It Approval process for gifts & hospitality
- TRACI Compliance Case Tracking Tool

**Internal:**
- Maximum support for global implementation
- Transparency
- Standardized processes and language

**External:**
- Minimized corruption risk in the entire value chain
- Improved company reputation in the external environment

* Examples

Page 15 Jan 2010
New Compliance Control Framework (CCF) reflects best implementation and testing practices

11 focus areas

1. 'Tone from the Top'

2. Compliance Organization

3. Case Tracking

4. Policies & Training

5. Business Partners
6. Tender & Contracts in Project Business
7. Gifts & Hospitality
8. Finance and Accounting
9. Integration with Personnel Processes
10. Antitrust
11. M&A, JVs and Minority Investments

Based on an Internal Control Remediation (ICR) kit controls and policies were implemented and audited in over 1000 Siemens entities, started in Q1 FY2008
... however, ultimately, controls are not enough. We need to continue fostering an integrity culture.

Questions to guide Siemens employees towards compliant and responsible behavior:

1. Is it the right thing for Siemens?
2. Is it consistent with Siemens core values and mine?
3. Is it legal? Is it ethical?
4. Is it something I am willing to be held accountable for?

If the answer is YES to all of those questions, DON'T WORRY, BE CONFIDENT!
Acting on what is said to be required, the management has to find the “bad” guys in the company and take actions visibly.

1. **Finding the “bad” guys in the company**

   - Information Request
   - Criminal Proceedings
   - Administrative Proceedings
   - Public Corruption
   - Non-public Corruption
   - Anti-trust violations
   - Fraud
   - Theft
   - Human Resources
   - Other

   **Categories of Compliance Cases:** Compliance cases are cases where a legal requirement or an internal rule based on such requirements is violated.

2. **Take actions (Z Circular No. 39/2007):**
   - A Corporate Disciplinary Committee evaluates allegations of misconduct and selects appropriate disciplinary sanctions.
   - Sanctions depending on local labor laws (Informal/formal warning; Forfeiture of remuneration elements / stock awards; Forfeiture of variable pay; Transfer to another position; Dismissal)

3. **Visibly (Compliance Progress Reports):**
   - Disclosure of training activities, Helpdesk requests & reports, staff increases, disciplinary sanctions
Siemens employees in different levels have been provided with trainings specific to their roles and responsibility.

<table>
<thead>
<tr>
<th>Type of Training</th>
<th>Target Group</th>
<th>Trained so far</th>
</tr>
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</table>
| In-person trainings                                    | *Senior Management*  
*“Sensitive Functions” 2)*  
*Compliance Organization*  
*Business/regional specific groups (e.g. project management, procurement, assistants)* | *~1,400 Senior Managers*  
*~80,000 employees from “Sensitive Functions”*  
*~220 Compliance Officers*                                                                 |
| Web-based trainings                                   | *Employees with signing authority*                                                                                                         | *> 140,000 employees with signing authority*                                     |
| *Basic and Refresher Training on*  
Anti-Corruption  
Antitrust  
Training on Compliance Tools 1)  
Introduction Program and Advanced Training for Compliance Officers |                                                                                                                                              |                                                                                  |
| *Anti-Corruption*  
Global Competition (antitrust)  
Business Conduct Guidelines  
Your Signature – Your Responsibility                  |                                                                                                                                              |                                                                                  |

1) Limits of Authority (LoA, approval process for business projects), Business Partner Due Diligence, gift & hospitality  
2) Manager / staff who interact with govt. officials (“sensitive functions”), personnel involved in sales, project management, regular interactions with government (such as Tax, Customs)
Compliance Helpdesk Consists of Five Parts

"Tell Us"
The Compliance HelpDesk “Tell Us” function provides global, round-the-clock facilities for making statements on compliance-related breaches.

"Ask Us"
Do you have any questions about compliance? You can ask them at any time via the Compliance HelpDesk “Ask Us.”

"Find It"
Use “Find It” to search for compliance related information, such as FAQs, policies & guidelines or training material.

"Approve It"
“Approve It” is the platform for approval requests regarding gifts and hospitality.

"Improve It"
With “Improve It” you can help to improve the Compliance program by adding your ideas and suggestions.
Employee Perception Survey 2009: Measuring the compliance culture

Survey Overview

- Evaluate effectiveness of tone from the top
- Company-wide feedback on compliance perception and identification of ‘cultural’ key drivers of compliance performance
- Measure effectiveness of compliance activities
- Identify best practices and problem areas

Integration with Employee Engagement Survey 2010

Survey Results

Positive perception of compliance as business enabler and lever for competitive advantage

Improvements in most areas compared to 2008 lead to ranking as high performance company

Compliance is understood as top management priority and seen as important driver for cultural change

Further need to foster employee engagement and belief in Siemens goals

Integrity and consistent behavior with external partners needs to be emphasized

Response rate ~47% out of 90,000 randomly chosen employees worldwide
Establishing compliance as an integral part of management’s incentive system makes compliance an everyday standard.

What is evaluated?
- Impact / Effectiveness of Compliance Program
- Results of Employee Perception Surveys conducted by the employees

Impact
- Make Compliance a common standard in the company

In 2009, compliance made up 17% of management’s* bonuses

* Relevant for Siemens’ Senior and Top Management
Compliance – Progress Report Q4 FY 2009

Prevent
Training 1)

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q1/09</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>Participation in person training</td>
<td>175</td>
<td>196</td>
<td>205</td>
<td>213</td>
<td>219</td>
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<tr>
<td>Participation web-based training</td>
<td>52</td>
<td>67</td>
<td>72</td>
<td>75</td>
<td>79</td>
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<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>Training in thousands</td>
<td>123</td>
<td>129</td>
<td>133</td>
<td>138</td>
<td>140</td>
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</tbody>
</table>

Detect

Helpdesk
"Tell Us" & Ombudsman

<table>
<thead>
<tr>
<th></th>
<th>Q4</th>
<th>Q1/09</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>Not substantiated</td>
<td>196</td>
<td>143</td>
<td>135</td>
<td>148</td>
<td>139</td>
</tr>
<tr>
<td>Substantiated</td>
<td>71</td>
<td>33</td>
<td>22</td>
<td>35</td>
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<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helpdesk</td>
<td>1,107</td>
<td>775</td>
<td>847</td>
<td>1,260</td>
<td>1,110</td>
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</tbody>
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Respond
Disciplinary Sanctions in FY 2009

<table>
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<tr>
<th></th>
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<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dismissal / Separation</td>
<td>244</td>
<td>473</td>
<td>67</td>
<td>Others 2)</td>
<td></td>
</tr>
</tbody>
</table>

Compliance Staff Worldwide

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>FY 07</th>
<th>FY 08</th>
<th>FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff</td>
<td>863</td>
<td>170</td>
<td>521</td>
<td>598</td>
</tr>
</tbody>
</table>

1) Cumulative 2) Forfeiture of variable payment elements, transfer to another position, suspension 3) Compliance only one area of responsibility 4) Including Implementation Management 5) Rollout of the enhanced Compliance Control Framework
Collective Action: What we do to drive fair market conditions

Continuous stakeholder dialogue

Collective Action project

Project Compliance Learning Initiative

1) NGO: Non-Government Organization
IO: International Organization
IBLF: International Business Leaders Forum

Top 5 NGOs

- Transparency International
- UN Global Compact
- World Economic Forum
- IBLF
- ICC
- CIPE

Collective Action

- Fight corruption in joint agreement with industry peers and other stakeholders
- Promote Integrity and Compliance Pacts as well as Long-Term Initiatives in order to foster fair competition in public sector
- www.siemens.com/integrity-initiative to fight fraud and corruption (US$ 100 million over next 15 years)

Learning Initiative

- Increase compliance awareness of current and future business leaders
- Share compliance best practices with stakeholders by www.siemens.com

1) NGO: Non-Government Organization
IO: International Organization
IBLF: International Business Leaders Forum

2) Is designed for class room discussions in university and highlights the importance of business integrity and compliance. Final draft will be presented by Harvard in Q2 FY 2010

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Compliance will remain a top priority on our agenda. It is now time to take compliance to the next level.

New Focus of Compliance

Stay Vigilant! Assure sustainability of the compliance program.

Integrity is the foundation of our business.

Integrity enables sustainable business success.