



# Sustainability Information 2017

## Dear Reader,

Sustainability is a core principle at Siemens. However, for us, it involves more than the sustainable use of natural resources; it also comprises the sustainable development of businesses, communities, and countries. Since its founding in 1847, our company's aspiration has been to provide technologies that improve quality of life and create value for people all over the world. Today, our reference for determining value we create for society is the United Nations' "Agenda 2030" for Sustainable Development. Its 17 Sustainable Development Goals include good health and well-being, affordable and clean energy, sustainable cities and communities, and climate action, and they are designed to foster sustainable development in all areas of life. Working from these goals, we identify issues that are relevant to the country and demonstrate how we can contribute to achieving these goals – through our electrification, automation, and digitalization portfolio, through our healthcare technologies and through our corporate social responsibility activities. We call this approach "Business to Society" (B2S).

Combating climate change is one of these goals. And decarbonization is a major lever for accomplishing that. Siemens supports the COP 21 climate protection goals as well as the G7 aspiration to decarbonize the global economy by the year 2100. Siemens recently analyzed Germany's ambitious climate protection targets for 2050 and found that reducing greenhouse gas emissions in Germany by at least 80 percent by 2050 is both technically and economically feasible. The main lever here is switching from emission-intensive conventional power generation to renewable energy and low carbon technologies, such as highly efficient gas-fired power plants. According to our analysis, this approach would reduce CO<sub>2</sub> emissions by 50 percent by 2035 and, at the same time, meet base load demand until renewables provide a much larger share of the energy mix later in the century.

While the decarbonization of the supply side is crucial, that will not be enough to achieve Germany's climate goals. Wherever possible, energy efficiency must be increased on the demand side. One important lever here is 'sector coupling', where clean energy from one sector is transferred to another. For instance, electrifying the heating, transportation, and industry sectors would deliver significant efficiency gains. And here, electricity-generated synthetic fuels as well as heat pumps and solar thermal systems will play a major role in the decades to come. Siemens' Environmental Portfolio is a major factor in global decarbonization efforts. In fiscal 2017, the technologies of our Environmental Portfolio enabled customers all over the world to reduce their CO<sub>2</sub> emissions by 570 million metric tons. That's equivalent to about 70 percent of Germany's annual CO<sub>2</sub> emissions. Our Environmental Portfolio currently accounts for about 50 percent of our annual revenue and comprises technologies such as smart grids, industrial automation, e-vehicles, energy-efficient systems, and renewable energy technologies.

And we use these technologies in our company. In 2015, Siemens committed to becoming carbon-neutral by 2030. We have made significant progress in this regard. The company was able to cut its CO<sub>2</sub> emissions from 2.2 million tons in fiscal 2014 to 1.6 million tons in fiscal 2017, a reduction approximately 27 percent. We reduce our carbon footprint, for example, by deploying distributed energy systems, by investing in smart e-mobility solutions, and by increasing the use of renewables. 60 percent of our German sites are powered by 100 percent green energy. This approach is not only good for the environment, it's good for business. We expect to save €20 million per year starting in 2020.

Digital technologies play a major role in the energy sector. We use them to boost efficiency in the generation, transmission, and distribution of electricity – and not just for large utilities. In a pilot project in New York City, we are helping small producers of solar energy develop an energy platform based on blockchain technology that enables both producers and consumers to trade electricity simply and efficiently.

But the United Nations' "Agenda 2030" is also about the societal development of the countries in which we operate. That is why we analyze how we contribute to the prosperity of a country in our B2S reports. To

date, we have published reports on more than 20 countries, among them, the U.S., Germany, Mexico, and the United Arab Emirates. To foster societal development in Mexico, Siemens signed an agreement with the government that calls for the implementation of projects over the next decade that are valued at 36 billion U.S. dollars. As a first step, Siemens will invest US\$200 million and create 1,000 jobs while drastically reducing its own CO<sub>2</sub> emissions. Our B2S reports make our activities transparent to all stakeholders, help us stay focused on what really matters, and, so far, has opened up business opportunities in countries such as Mexico, Saudi Arabia, and Argentina.

Fighting crime and corruption is another important Sustainable Development Goal. At Siemens, there is zero tolerance for misconduct and violations of applicable laws on the part of employees. That is our clear message and the tone from the top. We systematically anchor integrity and compliance in our company culture. Compliance training is mandatory for all employees, and employees are encouraged to report illegal behavior. In 2017, the independent research publication “Fuchsbriefe” recognized Siemens as the “best blue-chip company for compliance quality” of the 30 companies listed on the German DAX stock exchange.

Beyond the boundaries of our company, we are committed to Collective Action, a cooperation that supports the fight against corruption and promotes fair competition. During the German presidency of the G20 in 2017, our Chief Compliance Officer was appointed chairperson of the B20 Working Group on Responsible Business Conduct and Anti-Corruption. We will continue to support the Siemens Integrity Initiative by launching the Third Funding Round in spring 2018.

Our commitment to sustainability is recognized throughout the world. For the first time ever, Corporate Knights, a Canadian media company, rated Siemens as the world’s most sustainable company. And Siemens has been listed in the DJSI World Index for the 18<sup>th</sup> consecutive time and was again ranked as one of the most sustainable companies in the industrial conglomerates industry group. CDP recognized our performance to mitigate climate change with a score of A- – that’s among the best when it comes to decarbonizing the economy. And, finally, the U.S. magazine Forbes in cooperation with Statista asked 15,000 respondents from 60 countries to rate the trustworthiness, honesty, social conduct, performance, and quality of products and services of the Global 2000 companies. The result: according to this survey, Siemens is the world’s top regarded company.

We are very proud of these accolades. However, we know that the UN Sustainable Development Goals can only be met if many stakeholders cooperate and contribute. That’s why we are committed to the 10 principles of the United Nations Global Compact and to the CEO Water Mandate. In August 2016, we also signed the CEO statement for the United Nations Women’s Empowerment Principles. And we continue to support the network of WEF’s ‘CEO Climate Leaders’ and the ‘We mean business’ coalition.

Without the customers who place their trust in us, without the partners who help us innovate, without the competitors who push us toward excellence, without the investors who believe in our vision, and without the communities who welcome us, we would not receive so much recognition and we would not dare to aim for such ambitious goals. On behalf of the 372,000 people who work for Siemens, we thank you for your support. And you can count on Siemens to remain committed to a sustainable future.

Sincerely yours,



Joe Kaeser

Dr. Roland Busch

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# Sustainability at Siemens

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# 1 – Sustainable Development of Societies

Megatrends like climate change, urbanization, demographic change, globalization and digitalization are stimulating change in our world which needs to be driven towards a more sustainable future. The aim is to improve the prosperity and quality of life of all people whilst staying within the limits of the planet. To globally strive towards sustainable development, 193 UN member states adopted the Agenda 2030 and its 17 Sustainable Development Goals (SDGs) that came into effect in January 2016. The SDGs and their related targets address the most important economic, social, environmental and governance challenges of our times and stimulate transformational changes. This requires governments, businesses, cities and civil societies to contribute their fair share.

As a global industrial conglomerate with businesses along the energy value chain and in the healthcare sector, Siemens is in a unique position to touch on substantial business opportunities from several trillions of euros of investment per annum needed to drive the UN Agenda 2030 towards reaching the SDGs and related targets. We are having an impact on most of the SDGs in four important ways:

- through our products and solutions,
- by responsibly operating our business,
- through our expertise and thought leadership, and
- through our Corporate Citizenship activities and community engagement.

Nevertheless, the impact we have on the SDGs varies significantly. Therefore, we have clustered them into three categories: high, medium and low impact. For the most part, SDGs we consider having a high impact on are strongly correlated to our products and solutions, often in combination with our thought leadership initiatives in collaboration with partners around the world. Medium impact SDGs are mainly enablers that relate to responsible business practices, including the area of human rights, as well as compliance and supply chain management. Still others are impacted by our Corporate Citizenship and community engagement activities. SDGs where we have low impact are touched selectively by some parts of our business or indirectly via our customer industries. However, they may be rated differently on a specific business or country level.

These are the SDGs rated high and medium impact by Siemens from a global perspective:

## 1 High Impact



### Goal 3 – Ensure healthy lives and promote well-being for all at all ages

We impact SDG 3 through our business portfolio, be it by Siemens Healthineers or via the production technology we provide to pharmaceutical companies. In addition to the impact of our portfolio, we also care about the health and safety of our employees and contractors and engage in health-related community engagement activities, like cancer awareness campaigns and mobile clinics.



### Goal 7 – Ensure access to affordable, reliable, sustainable and modern energy for all

We impact SDG 7 with our business portfolio being one of the largest providers of technologies along the energy value chain. With our technologies, we support customers from various industries to provide reliable, affordable and low-carbon energy and to permanently improve energy efficiency with a positive business case. In addition, we also strive for energy efficiency internally, especially via our CO<sub>2</sub>-neutral program.



### Goal 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

We impact SDG 9 as a technological company and innovation leader in electrification, automation and digitalization. Siemens supports sustainable industrialization, helping our business partners via engineering, domain and digital know-how across the entire value chain, from design to production and from operations to maintenance. A large part of our customers and suppliers are small and medium-sized enterprises (SMEs). We believe in international partnerships as key to innovations that make real what matters.



### Goal 11 – Make cities and human settlements inclusive, safe, resilient and sustainable

Siemens is a trusted partner to city authorities offering solutions across many infrastructure domains to make cities more efficient, sustainable and resilient, for example, via intelligent transportation solutions, efficient and safe buildings and smart cities initiatives leveraging the power of digitalization.



### Goal 13 – Take urgent action to combat climate change and its impacts

Siemens is the first global industrial player that set itself the target of becoming CO<sub>2</sub>-neutral in all of its operations by 2030. The company is thus underlining the need for businesses to lead by example and contribute to decarbonizing the economy in this century – as set out in the historic Paris Agreement. With our technologies, we help customers across various industries to permanently improve energy efficiency and reduce CO<sub>2</sub> emissions with a positive business case.

## 2 Medium Impact



### Goal 4 – Ensure inclusive quality education and promote lifelong learning opportunities for all

Siemens believes that lifelong learning is key to secure employability for our own employees and beyond. We impact SDG 4 by providing access to education in multiple ways, including learning and education opportunities for all employees as well as vocational education and training (VET), delivered in partnership with schools and colleges. In addition, training of customers and suppliers is high on our agenda. We also aim to inspire young people to have careers in Science, Technology, Engineering and Mathematics (STEM) via numerous corporate citizenship engagements around the world.



### Goal 5 – Achieve gender equality and empower all women and girls

Our main impact on SDG 5 is via the way we manage our own workforce. We believe that driving diversity creates a win-win for society and Siemens because diversity strengthens our innovative capacity, unleashes the potential of our employees and thereby directly contributes to business success. We also drive change in senior management, where there is significant potential for improvement, by recruiting more women into top positions, network activities, training and mentoring.



### Goal 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Siemens directly impacts SDG 8 by its global operations contributing to GDP development in many countries, our commitment to providing decent jobs and enabling employment and by driving the decoupling of economic growth from energy usage as a thought leader.



### Goal 12 – Ensure sustainable consumption and production patterns

Siemens is committed to responsibly using resources and acknowledges the opportunities of the Circular Economy as highly beneficial for business, environment and society. While having established global strategic initiatives for the design phase and the end of life phase of our products and operations, Siemens businesses use disruptive technologies and innovative business models to take part in the circular advantage.

Our sustainability initiatives are an essential aspect of successfully implementing the Siemens Strategy Program Vision 2020. Our understanding of sustainability is fully based on our company values – responsible, excellent and innovative.



### Goal 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

We contribute to SDG 16 by anchoring integrity and compliance throughout our company and by driving the Siemens Integrity Initiatives with external stakeholders. By this means and through our activities with other actors, we support fair competition and secure the long-term success of our company. Siemens is committed to spread the requirements of the UN Global Compact, the Human Rights Declaration and all other relevant regulations into our supply chain and through our collaborations with external organizations and institutions.



### Goal 17 – Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

As a truly global company and advocate of free trade, we believe partnerships are key for sustainable development as much as for our company success. In addition, we recognize the importance of digitalization, financing and public private partnerships for sustainable development, and are partnering in all of these areas with international organizations, business organizations, think tanks, non-governmental organizations (NGOs) and academia, such as the UN Global Compact, World Economic Forum (WEF), World Business Council on Sustainable Development (WBCSD), Transparency International or various universities.



We believe that companies need to evaluate their impact on sustainable development from various perspectives. That's why we have developed our Siemens – Business to Society (B2S) approach allowing us to objectively measure the impacts of our projects, sites, and businesses – even activities in entire countries and their societies.

Launched as a pilot project in fiscal 2015 and since then being rolled out globally, the B2S approach consists of four steps:

- 1 Adopting an “outside-in” perspective of the most relevant development priorities in a given context (e.g., global, national, project);
- 2 Identifying and measuring our contribution in the priority areas;
- 3 Defining strategic actions to enhance our contributions and help shape further development;
- 4 Being transparent about our contributions by keeping external and internal stakeholders informed.

By the end of fiscal 2017, 23 countries had finished their analysis. In addition, we finished our global analysis resulting in the Siemens – Business to Society Global Value Map.

We are being recognized globally as a thought leader with this approach. Customers and governments appreciate the information it provides to them, for example, in the course of large infrastructure projects. Employee feedback on social media posts indicates that our contribution to societies makes our employees proud to work for Siemens. Hence, transparently contributing to society provides tangible business value to Siemens.

In fiscal 2018, we will continue the B2S country roll-out, continuously improve our impact measurement methodology, and drive the communication of our impact on sustainable development internally and externally.

Our sustainability initiatives are an essential aspect of successfully implementing the Siemens Strategy Program Vision 2020. Our understanding of sustainability is fully based on our company values – responsible, excellent and innovative.

Further information on Business to Society is available at:

 [WWW.SIEMENS.COM/B2S](http://WWW.SIEMENS.COM/B2S)

## 2 – Sustainability Management

To us, being a sustainable business means ensuring profitable and long-term growth while balancing profit, people and planet. We believe that the SDGs are a responsibility but also offer new business opportunities to Siemens, notably by opening doors to work with national and local governments that want to reshape their own development agenda. We hope to continue our collaboration with them in areas such as energy and decarbonization, transportation, infrastructure, industrial development, urban development, healthcare, innovation, job creation, education and the fight against corruption.

Integrating the perspective of Siemens' contribution to the SDGs enriched the assessment of the most important issues and enabled a well-informed materiality process.

### 2.1 Materiality Assessment

Analyzing our impact on the SDGs added a new perspective on the assessment of the most important issues for Siemens and confirmed our findings from the previous materiality assessments. In the course of this assessment process, 12 principles emerged from regular dialogues with external and internal stakeholders by setting priorities based on their importance for Siemens and its stakeholders. These principles are clustered under the three headings – profit, people and planet – and reflect our ambition to contribute to societies as well as developing new business opportunities together with our customers:

#### Profit

- We contribute to the competitiveness of our customers with our products, solutions, and services.
- We partner with our customers to identify and develop sustainability-related business opportunities.
- We operate an efficient and resilient supply chain by using a supplier code of conduct, risk management, and capacity building.
- We take the initiative to work with our stakeholders to manage project and reputational risks and identify relevant business trends.
- We adhere to the highest compliance and anti-corruption standards and promote integrity via the Siemens Integrity Initiative, which fights corruption and fraud through collective action, education and training.

#### Planet

- We help our customers increase energy efficiency, save resources and reduce carbon emissions.
- We develop our products, solutions and services using a life cycle perspective and sound eco-design standards.
- We minimize the environmental impact of our operations through environmental management programs, and we aim to become carbon-neutral by 2030.

#### People

- We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.
- We foster long-term relationships with local societies through Corporate Citizenship projects jointly with partners.
- We live a zero-harm culture and promote the health of our employees.
- We live a culture of leadership based on common values, innovation mindset, people orientation and diversity.

These 12 principles are our key statements that describe how we implement sustainability at Siemens at the corporate level, in the businesses and at the regional level. The principles were discussed with our Sustainability Board and approved by our Managing Board and Supervisory Board.

### 2.2 Sustainability Governance and Organization

The importance we attach to sustainability is evident by how it is embedded in our organization, our programs, and by the measures we undertake. Sustainability management is a company-wide effort that has become embedded in our corporate culture and is expressed through our Vision 2020 strategy.

All sustainability activities are led by our Chief Sustainability Officer (CSO), who is a member of our Managing Board. This individual chairs the Siemens Sustainability Board (SSB), which consists of representatives of the Managing Board, Divisions, countries, and corporate functions. The SSB is the central steering committee for sustainability at Siemens. It meets quarterly to direct our sustainability activities as part of our corporate strategy, and adopts appropriate measures and initiatives. The Sustainability Director directly reports to the Chief Sustainability Officer and manages the Sustainability Department, which is responsible for driving sustainability within Siemens and for coordinating the company-wide sustainability activities, programs, and measures.

Sustainability is further anchored throughout the organization by our global network of Sustainability Managers in the different Corporate Units, Divisions and countries. This helps ensure that all measures and initiatives are fully and properly implemented.

## 2.3 Partnerships and Collaborations for Sustainability

As a truly global company, we enter into partnerships on various levels with a diverse set of actors. That is in line with SDG 17, which calls for a revitalized and enhanced global partnership that brings together governments, civil society, the private sector, the United Nations system, and other actors.

Close collaboration with stakeholders helps us to address complex and intertwined challenges in the sustainability realm. We regularly adjust to trends and specific requirements based on constant dialogue with key stakeholders such as investors, suppliers, employees, communities, policymakers, media, non-governmental organizations, business organizations, and academia. These engagements create value on all sides of the equation through the exchange of knowledge and information and creative partnerships. They help us improve business conditions and reduce risk externally and internally. One example of this stakeholder engagement process are our intensified human rights activities led by a task force that was setup last fiscal year by our SSB (see chapter → **HUMAN RIGHTS** in this report).

We work with governments to share expertise and responsibility, for example, we closed an agreement in September 2016 with the government of Argentina to stimulate job creation and economic development. More examples of our partnerships: We are working with the Organization for Economic Co-operation and Development (OECD), the UN, the European Union, the International Chamber of Commerce (ICC), the World Economic Forum (WEF) and national and local governments.

We work closely with the World Business Council for Sustainable Development (WBCSD) and the United Nations Global Compact (UNGC), for example, during the UN climate conferences. We are committed to the UNGC's 10 principles and actively contribute to the CEO Water Mandate. In fiscal 2016, we committed to the UNGC Women's Empowerment Principles and signed the Diversity Charter, an initiative by the German government. We have long supported One Young World, a non-profit that champions young leaders around the globe. We are a Gold Member of the Global Reporting Initiative (GRI) and apply their Sustainability Standards in this report.

Our Chief Compliance Officer serves as chairman of the Anti-Corruption Task Force of the Business and Industry Advisory Committee of the OECD. He also served as chairman of the B20 Working Group on Responsible Business Conduct and Anti-Corruption during the 2017 German presidency of the G20. In addition, we participate in the Partnering Against Corruption Initiative (PACI) of the World Economic Forum.

## 2.4 Sustainability Ratings

We actively participate in external ratings to benchmark ourselves against peers and competitors. This helps us to assess our sustainability performance globally and within our industry and derive reasonable improvement measures. External ratings and rankings recognize the efforts we put into contributing to sustainable development and our strongly implemented sustainable business practices along the value chain.

Forbes awarded us as the world's most regarded company in this year, evaluating trustworthiness and honesty, social conduct, the company as an employer and the performance of the company's product or service.

With a score of 86 points, we were listed in the Dow Jones Sustainability World Index (DJSI World) for the 18th straight year. In early 2017, Corporate Knights, a Canadian media agency, rated Siemens as #1 in the 2017 Global 100 Most Sustainable Corporations in the World rating. The CDP (formally Carbon Disclosure Project) rated us an A- in the climate section and a B in the water assessment. The Financial Times Stock Exchange (FTSE) included Siemens again in its FTSE4Good Index series for ethical investment while the MSCI World ESG Index included Siemens for the first time.

For EcoVadis, which provides supplier sustainability ratings for global supply chains, Siemens increased its score to 59 points and reached the Silver recognition level. Also here, we are among the top performers. Last but not least, scoring 78 points, we were rated as Leader in the Sustainalytics index, leading the industry against peers and being in the Top 3 on a global scale.

## 3 – Customers



With rising competition in all business sectors, it is important to put customers at the core. Siemens is continuously striving to address its customers' needs and contribute to their long-term competitiveness and success with its products, solutions, and services. With reference to our sustainability principles we identify business opportunities in partnership with our customers.

With our portfolio we have a high to medium impact on SDG 3 "Good Health and Well-being", SDG 7 "Affordable and Clean Energy", SDG 8 "Decent Work and Economic Growth", SDG 9 "Industry, Innovation and Infrastructure", SDG 11 "Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production" and SDG 13 "Climate Action".

Customers are our lifeblood. They are always at the center of our thinking with regard to technology and innovation.

We provide products and services in almost every country in the world. The majority of our customers are small and medium-sized companies and organizations that are engaged at a local level. To meet their needs, we draw on a global sales force that receives orientation from our regional outposts. Our regional teams can also call upon our global network of partners, which includes consultants, distributors, integrators, engineers, procurement and construction companies, and machine builders.

With our portfolio along the energy value chain, from power generation and distribution, to energy usage in buildings, industry and mobility, up to products, solutions, and services in the healthcare sector we have high and medium impact on numerous SDGs: SDG 3 "Good Health and Well-being", SDG 7 "Affordable and Clean Energy", SDG 8 "Decent Work and Economic Growth", SDG 9 "Industry, Innovation and Infrastructure", SDG 11 "Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production" as well as SDG 13 "Climate Action".

For a select group of top customers, we have a key account management (KAM) system. KAM enables us to provide key customers with the full spectrum of products and solutions in a coordinated way – thereby improving the "ease of doing business". In addition, top managers focus on developing and maintaining long-lasting relationships. These efforts are managed through our Executive Relationship Program, which ensures that leading executives remain in direct contact with selected customers on a regular basis.

Our main goal is to establish ourselves as the partner of choice for our customers by fostering close and trusted partnerships. We aim to solidify long-term customer loyalty. Not only do loyal customers keep buying and even increase their purchases, but they are also likely to recommend Siemens to peers, partners and associates.

Putting customers first is a tradition. But the way we do it must adapt to a world where change itself is accelerating. Growth markets can be volatile. Innovation and development cycles have been drastically shortened. Reduced barriers to entry are bringing on nimble new competitors. Digitalization can be disruptive but also offers new opportunities. It has also sparked wholesale operational changes – including, for example, lean management and agile software development. Data-driven business models and technology-based services are flourishing.

To meet these challenges, Siemens strives to become more flexible. We are implementing a "sales excellence workstream" as part of our operating model. It will help us do several things: define a

strong sales vision and key messages; use cutting-edge sales methods to streamline and optimize sales tools and processes; and push sales for digital-service and software-driven business models. This new model represents an important element of Vision 2020, our strategic program that aims to generate profitable growth through reliable customer relations and innovation in three core areas: electrification, automation and digitalization. These procedures are designed to make the company more adaptable and flexible, putting us in a better position to adjust to constant shifts in the business environment.

To measure customer satisfaction and, by extension, the quality of our partnerships, we use the Net Promoter Score (NPS). This systematic evaluation is based on comprehensive annual customer satisfaction surveys. The score itself is based on a single question: "How likely is it that you would recommend Siemens to a colleague or business partner?" But that's just the starting point. The survey has set in motion a holistic approach to customer relations that includes follow-up to implement processes and systems designed to help foster long-term customer loyalty.

There is follow-up, both internally and externally, regardless of the score. When a score is low enough to be considered critical, we take immediate action to identify key issues and determine what measures need to be taken to upgrade the relationship.

As part of the survey, we receive feedback from customers about areas of possible improvement. In response, the relevant business and regional entities establish measures for improvement that are reviewed on a regular basis. By making these adjustments, we aim to improve relations and make Siemens the partner of choice for all our customers.

Based on 27,000 interviews in 114 countries in 32 languages, the overall NPS score for fiscal 2017 was up, with good results in the vast majority of Divisions and headquarters, and in our lead countries. The Vision 2020 target of at least a 20% improvement over the 2014 baseline has been achieved. Improvements are in large part based on results from the Divisions and regions, as well as the focus on maintaining closer contact with customers.

Our efforts don't stop there. We plan to intensify our endeavors towards customer satisfaction to take advantage of new opportunities to grow our existing business and tap into new ones. Specifically, in the near future, we intend to transform our current customer relationship management (CRM) strategy into one based on customer life cycle management. This will place the customer journey at the center of our thinking and acting. (A "customer journey" is defined as the entire sum of experiences that a customer has when interacting with a company and its brand(s).)

## 4 – Research and Development

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Innovation expands the technological capabilities of industrial sectors and leads to the development of new skills. Siemens is not only shaping the digital transformation with groundbreaking innovations, but also contributing to technological developments in electrification and automatization. Our efforts in Research and Development are reflected in our materiality assessment.

With our innovations we address SDG 3 “Good Health and Well-being”, SDG 7 “Affordable and Clean Energy”, SDG 9 “Industry, Innovation and Infrastructure”, SDG 11 “Sustainable Cities and Communities” and SDG 13 “Climate Action”.

Our research and development (R&D) activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – and simultaneously safeguarding our competitiveness. To this end, we are focusing our R&D activities on a number of selected technologies and innovation fields. Examples include the following:

- The stable operating of power grids in the presence of intermittent, renewable power generation depends, amongst other factors, on further advances in power electronics as well as the availability of economically viable large energy storage units. These are also key ingredients for distributed energy systems, which combine onsite generation with local consumption to offer secure power supply at lower cost.
- Turbo machinery, switching gear and other power equipment stand to benefit from novel materials enabling higher generation efficiency and fewer losses in power transmission and distribution. In particular, the ability to print parts with novel topologies using 3D printers embedded in an integrated, digital tool chain is a key innovation driver.
- Automation technologies continue to evolve. Our R&D activities aim to reduce engineering efforts, enhance flexibility and increase our customers' productivity.
- Future mobility systems will be increasingly electrified and connected. Amongst others, our R&D efforts are aiming for ubiquitous electric charging as well as the digitally supported integration and management of multi-modal transportation systems.
- An example of a disruptive development is electrically powered flight. In cooperation with Airbus, Siemens intends to demonstrate by 2020 that electricity can be used to power large planes.
- We are continuously adopting and developing foundational digital technologies, such as data analytics and artificial intelligence or modeling and simulation technologies. The former are essential to generate value and impact out of the growing amount of data generated in the field; the latter enable the creation of a digital twin for physical products, systems and infrastructures, e.g. for the purpose of virtually testing and commissioning a system prior to building it.
- The growing connectivity of field devices gives rise to the Industrial Internet of Things (IIoT), and hence to the potential for massively distributed industrial systems. With MindSphere, we have introduced an open, cloud-based operating system for this IIoT. MindSphere allows our businesses, customers and partners to develop and deploy applications and digital services based on data gathered from assets, such as a product or in the field, e.g. to predict equipment failure, increase asset availability, improve product designs or increase product or plant performances.
- We also invest in industrial cyber security – a key enabler for the digitalization of industries as well as a growing source of competitive advantage – and test the emerging blockchain technology in various application scenarios.

Both within and beyond these focus areas, R&D activities are carried out by cross-functional teams involving both our businesses and our central R&D department Corporate Technology (CT). In addition, we work closely with scholars from leading universities and research institutions. These partnerships, along with close collaborations with start-up companies and the use of crowd innovation methods, are an important part of Siemens' open innovation concept.

Siemens' unit for partnership with start-ups, next47, is focusing on three pillars: Capital, Catalyst and Create. The unit provides capital to help start-ups expand and scale. As a catalyst, next47 can accelerate growth for start-ups by making it easy to access and use the powerful Siemens ecosystem. And next47 serves as the creator of next-generation businesses for Siemens by building, buying and partnering with start-ups at any stage. The next47 unit is focused on anticipating how technologies including 3D printing, robotics and drones, artificial intelligence and virtual reality will impact and potentially disrupt our end markets. This intelligence enables Siemens and Siemens' customers to grow and thrive in the age of digitalization.

In fiscal 2017, we reported research and development expenses of €5.2 billion, compared to €4.7 billion in fiscal 2016. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 6.2%, thus above the R&D intensity of 5.9% in fiscal 2016. Additions to capitalized development expenses amounted to €0.4 billion in fiscal 2017, compared to €0.3 billion in fiscal 2016. As of September 30, 2017, Siemens held approximately 63,000 granted patents worldwide in its continuing operations. As of September 30, 2016, we held approximately 59,800 granted patents. On average, we had 37,800 R&D employees in fiscal 2017.



## Research and Development in our Businesses

R&D at the **Power and Gas** Division concentrates on developing products and solutions for enhancing efficiency, flexibility and economy in power generation as well as in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for single operation or for combined cycle power plants – and compressor solutions for various process industries. The Division's current technology initiative, which started in fiscal 2015, is aimed at intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. In fiscal 2017, Siemens introduced a new 44-megawatt aeroderivative gas turbine for mobile power generation which currently is the most powerful mobile unit on the market. The Division announced that it will test and validate its largest gas turbine (HL-class) under real-world conditions. This will pave the way for achieving the next level of efficiency; we aim for 63% efficiency near-term, with a mid-term goal to reach 65%.

The R&D activities of our **Energy Management** Division focus on preparing our portfolio for changes on all voltage levels in the world of electricity. The increasing infeed of renewable energy to power grids requires that those grids become more flexible and efficient, particularly with distributed generation on the rise. The digitalization of future grids will enable intelligent grid operation and data-driven services. Our innovations are centered on power electronics, digitalization and grid stabilization. The development of new technologies, e.g. Process Bus communication for applications in energy management or NCITs (Non-Conventional Instrument Transformer), enables a cost-effective investment and economic operation of digital substations as well as a secure and reliable grid operation.

R&D work at the **Building Technologies** Division focuses on optimizing comfort and operational and energy efficiency in buildings and infrastructures, protecting against fire and security hazards, and minimizing related risks. We drive the digital transformation of the building industry by creating open-standards-based Building Information Modeling (BIM)-ready products and services. Digitalization improves productivity across the entire building life cycle, enabling new product ordering and configuration options through our online store Siemens Industry Mall. New mobile device apps close the feedback loop to building occupants, enabling increased comfort and safety with lower energy consumption. The digitalization portfolio will expand on the basis of Siemens MindSphere.

The **Mobility** Division's R&D strategy aims to fulfill customers' demand for maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environ-

mentally friendly. Decarbonization and seamlessly connected intermodal (e)mobility are key factors for the future of transportation. Reflecting this, Mobility's R&D activities emphasize digitalization in developing state-of-the-art mobility solutions for rail and road combined with new business models such as availability-as-a-service (AaaS) via our data analytics platform Railigent and other MindSphere based applications. Together with next47, Mobility invests in the future mobility landscape together with other partners in areas such as sensor technologies, connectivity/IoT solutions, software for intermodal transport and additive manufacturing.

R&D activities at the **Digital Factory** Division are aimed at further enhancing speed, flexibility, quality and efficiency within companies of the discrete manufacturing industry. The key lever is to automate and digitalize the entire value-added process – from product development through production design to actual production – with the highest possible IT security. The focus of research lies on further developing the Digital Enterprise portfolio. This involves preparing an integrated digital twin for physical products, production processes and production facilities and then implementing these facilities and efficiently manufacturing the products in the real world. This close dovetailing between the virtual and real worlds enables customers to simulate and optimize their products, their machinery and facilities at an early stage, while assuring high-performance production. The acquisition of Mentor Graphics further extends the possibilities of the digital twin: In addition to designing and testing the mechanics and software of new products, it is now also possible to develop and simulate electrical and electronic systems in an integrated way. A further core area of development is MindSphere, the open, cloud-based operating system for the Industrial Internet of Things (IIoT). MindSphere is used as a basis for innovative applications (MindApps) and new digital services based on these apps, such as predictive maintenance. Open application programming interfaces (APIs) enable MindSphere users to easily and efficiently develop and sell their own apps. MindSphere therefore makes it possible for customers to clearly expand their portfolios and tap into the additional business potential offered by their installed base. A network of partners in the fields of app development, connectivity and technology further enriches the open ecosystem.

The R&D activities in the **Process Industries and Drives** Division are continuously concentrating on the digital transformation of products, solutions and services, especially via focused integration of information and communication technologies. The digital enhancement of automation and drives platforms is a key enabler for additional customer value for all verticals in the process industry, such as oil & gas, chemicals and pharmaceuticals. Examples are connecting motors to MindSphere and Digital Enterprise for process industries. Increased operational efficiency and digital services such as condition monitoring or predictive maintenance



are examples for benefits in process plant operation. The digitalization of our process automation and industrial communication portfolio includes a holistic industrial security concept. Another central objective of our R&D activities is to further increase energy efficiency while reducing the consumption of raw materials and cutting emissions.

**Healthineers'** R&D activities are strongly focused on the development of innovative product lines which use new technologies such as artificial intelligence. This will, amongst other results, enable faster handling of medical information and can lead to more precise and personalized clinical decisions. It also promises added value: New computer algorithms can detect hidden patterns in the data and give physicians valuable support for diagnosis and therapy decisions. Besides constantly innovating its portfolio, Healthineers continuously extends existing products and solutions. Diagnostics performance for customers improves with systems such as the recently launched Atellica. This laboratory diagnostics platform transports samples ten times faster than previous systems and it is also more flexible. Expanding the innovation map beyond the established portfolio, and investing in new ideas, strengthen the ability to tap opportunities in new fields. The services business is expanding beyond product related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to outcome-focused care. A major step forward is the Digital Ecosystem platform to link healthcare providers and solution providers with one another as well as to bring together their data, applications and services. Users gain new insights through data analytics and use it to network with their peers.

The R&D efforts of **Siemens Gamesa Renewable Energy** are focused on innovative products and solutions that allow it to take the lead in wind power performance, improve competitiveness, and build a stronger business case for its customers. Using digitalization, among other efforts, includes more intelligent monitoring and analysis of turbine conditions as well as smart diagnostic services.

## 5 – People and Society



As a business that serves societies we put people front and center. We are creating and developing decent jobs, strengthening skills of employees promoting diversity within the workforce, ensuring people's health and safety, and are taking action as a responsible corporate citizen. Our approach to People and Society is strongly anchored in our 12 principles.

With this, Siemens lays the foundation for a sustained, inclusive and sustainable future for people and society by addressing SDG 3 "Good Health and Well-being", SDG 4 "Quality Education", SDG 5 "Gender Equality", SDG 8 "Decent Work and Economic Growth", SDG 10 "Reduced Inequalities", SDG 11 "Sustainable Cities and Communities" and SDG 17 "Partnerships for the Goals".

## 5.1 Working at Siemens

At Siemens, we understand that our people make us what we are. We strive to hire the best candidates and retain employees around the world. We aim to be the employer of choice by empowering and motivating all employees within a high performing culture, with lifelong learning and development possibilities. We seek to create a respectful, inclusive and diverse workplace. At Siemens, we believe that talent and effort should drive advancement. Everyone should be treated fairly regardless of their ethnicity, sexual orientation, gender, age, disability status, professional background, or other personal traits.

Globalization, demographic change and digitalization are changing the world of work. This creates opportunities, but also presents challenges – especially for those accustomed to earlier models of workplace organization. Constant connectivity and the intensification of work threaten to blur the boundaries between work and private life.

Working at Siemens can be especially related to SDG 4 “Quality Education”, SDG 5 “Gender Equality”, SDG 8 “Decent Work and Economic Growth” which extends beyond mere job creation to encompass the quality of work and SDG 10 “Reduced Inequalities”. In line with the mentioned SDGs, we aim to create an environment where all people are treated with respect and valued for their individual strengths.

As part of its family-friendly corporate policy, Siemens assisted its employees for example in Germany with a tax-free childcare benefit of up to €1,200 for external care in a kindergarten or similar for each child. In fiscal 2016, this support amounted to more than €14 million.

As of September 30, 2017, we employed 372,000 employees worldwide, which represents an increase of approximately 21,000 in comparison to September 30, 2016. Thereof 61% were in Europe, C.I.S and Africa and Middle East, 20% in the Americas and 19% in Asia, Australia. More than 90% of our employees – women as well as men – have a permanent contract. In Asia, Australia about a quarter of the contracts are temporary, whilst in the other regions more than 90% of our employees are permanently employed.

### Siemens employees

	September 30,	
	2017	2016
Siemens (in thousands)	372	351
Europe, C.I.S., <sup>1</sup> Africa, Middle East (as a percentage of total employees)	61	61
Americas (as a percentage of total employees)	20	21
Asia, Australia (as a percentage of total employees)	19	18

<sup>1</sup> Commonwealth of Independent States.

The proportion of women as a percentage of the total workforce remained unchanged at 23%.

### Proportion of women

	September 30,	
(as a percentage of total employees)	2017	2016
Siemens	23	23
Europe, C.I.S., <sup>1</sup> Africa, Middle East	22	22
Americas	24	24
Asia, Australia	25	26

<sup>1</sup> Commonwealth of Independent States.

New hires were up by 11% in the year under review compared to fiscal 2016, while exits remained unchanged. The percentage of all company dismissals – as a share of employee exits – was 19% for the year, compared with 16% in the previous year. All other variations result from changes in the basis for consolidation and other changes.

### Siemens employee hires

	Fiscal year	
(in thousands)	2017	2016
Siemens	38.8	35.1
Europe, C.I.S., <sup>1</sup> Africa, Middle East	19.2	18.5
Americas	9.9	8.5
Asia, Australia	9.7	8.1

<sup>1</sup> Commonwealth of Independent States.

## Women hired

(as a percentage of new hires)	Fiscal year	
	2017	2016
Siemens	26	25
Europe, C.I.S., <sup>1</sup> Africa, Middle East	25	24
Americas	29	26
Asia, Australia	26	26

<sup>1</sup> Commonwealth of Independent States.

## Siemens employee exits

(in thousands)	Fiscal year	
	2017	2016
Siemens	30.8	30.8

## Employee turnover rate<sup>1</sup>

(in %)	Fiscal year	
	2017	2016
Employee decision	4.0	4.1
Other reasons for exit	4.5	4.7
<b>Total</b>	<b>8.5</b>	<b>8.8</b>

<sup>1</sup> Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens during the fiscal year to the average number of employees.

## Retiring within the next five years

(as a percentage of total employees) <sup>1</sup>	September 30,	
	2017	2016
Siemens	15	15

<sup>1</sup> Based on the Siemens worldwide average retirement age of 60.

## Changes in age structure

The distribution of employees by age group remained virtually unchanged compared to the year before. The median age in the year under review was 41.

## Age structure in fiscal 2017

(as a percentage of total employees)	< 35	35 – 44	45 – 54	> 54
Siemens	31	29	25	15
Europe, C.I.S., <sup>1</sup> Africa, Middle East	26	28	29	17
Americas	26	26	26	22
Asia, Australia	50	34	13	3

<sup>1</sup> Commonwealth of Independent States.

## Working hours and working arrangements

### Average official weekly working hours<sup>1</sup>

	September 30,	
	2017	2016
Siemens	39.1	39.0
Europe, C.I.S., <sup>2</sup> Africa, Middle East	37.7	37.7
Americas	41.1	41.0
Asia, Australia	41.4	41.3

<sup>1</sup> Contractually agreed weekly working hours at the end of the fiscal year.

<sup>2</sup> Commonwealth of Independent States.

### Use of working hour programs at Siemens

(in thousands)	September 30,	
	2017	2016
Part-time	11.4	10.4
Employees on leave of absence	9.1	9.0

## DIVERSITY

Siemens has made a conscious decision to foster a diverse workforce. By bringing in people with different experiences, backgrounds, and skills, we are better able to meet a wide range of challenges and encourage innovation. We aim to strengthen our company by recruiting different kinds of people who can help create value in unique ways for the company, our customers and partners, and society at large.

Efforts to achieve diversity can contribute to the United Nations Agenda 2030 in several ways, notably by promoting equality, educational opportunities, job creation, and high-quality employment. To help ensure progress in this area, a Managing Board member is also Chief Diversity Officer as well as member of the Siemens Sustainability Board.

Our diversity strategy is facilitated by our geographic reach: we employ individuals of about 170 nationalities. Beyond that, we have taken a number of steps to promote and strengthen the diversity of our workforce:

- Addressing unconscious bias;
- promoting gender balance;
- encouraging LGBTI communities (lesbian, gay, bisexual, trans, and intersex);
- supporting Ability@Siemens – for people with disabilities;
- fostering the value of globality;
- ensuring an inclusive culture that values the contributions of different people from diverse backgrounds.

### Through these policies, we aim to encourage and develop

- a workplace environment that encourages high-quality performance and individual engagement as a function of diverse teams;
- a company with a richly diverse pipeline of people who are prepared to advance within the organization;
- an attractive image as a company that welcomes people who think differently.

However, like many of our peers in the engineering industry, we face a special challenge when it comes to recruiting more women and supporting them in their professional development.

While there is still much work to do, we are encouraged by a number of measurable examples of progress. Compared to fiscal 2016, the proportion of women in management positions increased by 3%.

Employees in management positions <sup>1</sup>		
	September 30,	
	2017	2016
Siemens	64,800	61,800
Female employees in management positions (percentage of all management positions)	16.0	15.6

<sup>1</sup> Employees in management positions include all managers with disciplinary responsibility, plus project managers.

Diversity has become a key element of our hiring, global placement, and promotion processes. We are taking strides to ensure diversity in the candidate pools for top positions as well as on the teams that make decisions related to hiring and promotions.

We continue to strive to foster a strong culture of inclusion. For example, we support LGBTI networks within the company. We are working to improve access to our facilities for people with disabilities. We are implementing an Unconscious Bias training

program. And we have joined the Chefsache Initiative. Backed by German Chancellor Angela Merkel, this is a network of leaders from industry, science, the public sector, and the media who have agreed to make gender balance a top management priority.

### TALENT ACQUISITION, DEVELOPMENT AND RETENTION

Our employees make our organization what it is. We need to attract, develop, and retain top-notch people to be successful. Our talent acquisition efforts are geared to finding the best individuals, wherever they may be. Our development and retention programs help employees reach their personal goals as they contribute to making Siemens the best company it can be.

Technology makes both job offers and candidates more visible on a global level. For example, many candidates now have an instantly visible online CV via LinkedIn. Communities of practice and groups of people united along professional or other interests, have changed the dynamics of recruitment and job seeking.

Unlike many people in previous generations, members of Generation Y (born in the 1980s and 1990s) are not necessarily looking for secure positions with a single company for their entire lives. Instead, many of them focus on what's called the employee/ employer value proposition (EVP), whereby each side helps the other advance toward their own goals. There is also a greater emphasis on the work-life balance.

Competition has changed – largely due to globalization. Emerging markets are expanding, and traditional competitors are entering what established firms have always considered to be their home markets. Meanwhile, start-ups are appealing to the above-mentioned Generation Y values, adding an additional element.

Global workforce demographics are changing. In countries such as Germany and the USA, where educational standards are high, the workforce is highly trained but aging, and this will lead to a shortage of skilled workers in the future. In developing countries, where the workforce is younger, the level of skill may not be at the desired level. As a result, the size of the workforce will be adequate, but the skill level may not meet the needs of organizations such as Siemens.

## To maintain a high-quality workforce in this context, we have taken several initiatives.

### They include:

- Efforts to recruit the best recruiters – based on the concept that if we want to recruit the best people, we need the best recruiters, this initiative focuses on improving the skills of our recruiters around the world, in part through innovative online training and certification processes;
- Proactive Sourcing – Adopting Avature, a candidate relationship management platform helps us to identify and nurture talent before vacancies turn up;
- Improving the candidate experience – this includes the adoption of Jibe, an online recruitment platform adapted to the mobile world;
- Redoubled efforts to make sure that current employees receive serious consideration for better positions; if they aren't promoted, they may leave;
- Use of video interviews to screen candidates more efficiently and effectively.

## OWNERSHIP CULTURE AND EMPLOYEE ENGAGEMENT

"Always act as if it were your own company" is the motto of the Siemens Ownership Culture initiative, part of the company's strategic Vision 2020 program.

We contribute to the long-term financial stability of our employees through personal financial planning and awareness programs. In fiscal 2017, we contributed approximately €1.3 billion to defined benefit and defined contribution employee pension plans and approximately €1.5 billion to state plans, and we offer early retirement in many countries. To respond to Siemens' diverse workforce, flexible benefits are a focus topic on the benefits agenda.

We believe that employees who hold shares in their company will identify more closely with it and act accordingly. About 97% of Siemens employees are eligible to participate in a special stock purchasing plan. For every three shares they buy, they receive one matching share at no extra cost, as long as they hold the ones they bought for the requisite three-year period and remain on the payroll. This allows everyone to participate, regardless of their income level. In addition, during fiscal 2015, a profit-sharing pool was inaugurated to encourage employees below senior management to acquire shares. The current endowment of the pool is at €400 million.

We never forget that employees are an integral part of our culture. The process is becoming increasingly important for executives. Those who promote the ownership culture and serve as role models are rewarded accordingly. It isn't just about what was achieved, but also how it came about.

## The Siemens Global Employee Survey

We regularly measure employee engagement through the Siemens Global Employee Survey (SGES). Launched during fiscal 2010, the survey was updated in fiscal 2017. It is now digitalized and fully transparent, and includes questions about the transformation of our company. The Vision 2020 strategy sets targets of 75% approval ratings for issues such as "leadership" and "diversity".

In fiscal 2017, 74% of all invited employees took part in the survey. The scores remain high. For leadership, the approval rate was 69%, compared to 70% in fiscal 2015. For diversity, it was 78%, up from 74%.

The survey results, and suggestions for ways to improve, are discussed at the team level. At the company level, we have identified "collaboration", "leadership" and "talent development" as areas that deserve special attention.

## LEADERSHIP AND TRAINING

Having the right people with the right skills in the right places at the right time is essential to our success as a company.

The Siemens Global Learning Campus (SGLC) is a continuing education program that offers training to employees around the globe. Its courses help people develop personal skills, support managers in team development, and assist those in charge of key operations to think strategically and change procedures and processes. The core curriculum provides the skills people need to perform their duties effectively, thereby systematically improving the quality of our workforce. It addresses challenges in diverse parts of our business, including sales, project management, procurement, development, production, service, product management and quality management. New learning techniques (such as "hackathons", "business impulse workshops" and "digital business labs") contribute to the company's digital transformation. All employees can access the new "Digitalization Learning World" online platform, which offers digital education materials.

The Siemens Leadership Excellence (SLE) program is aimed at high-level managers and leading prospects for advancement. Guided programs help them learn how to identify sustainable, effective solutions. SLE also helps us establish a strong global network of managers and promote our corporate culture.

**Average number of training hours of employees in management positions**

(per participant per category) <sup>1</sup>	Fiscal year	
	2017	2016
SLE Training Alumni Top Management (8 participants in fiscal 2017)	25	n.a.
New general management appointees (75 participants in fiscal 2017)	94	94
New advanced management appointees (207 participants in fiscal 2017) <sup>2</sup>	92	66
New management appointees (272 participants in fiscal 2017)	66	66

<sup>1</sup> Based on mandatory participants in Siemens Leadership Excellence programs or executive courses.

<sup>2</sup> Changed number of training hours due to change of training system.

Siemens remains one of Germany's leading providers of vocational education for secondary school graduates. 8,743 apprentices and dual students are on scheme in Germany – thereof 2,273 for third parties and 6,470 internally. In the fall of 2017, 1,691 secondary school graduates accepted offers of apprenticeships or dual-study positions. In 2017, Siemens reserved at least 10% of these slots for young people from disadvantaged backgrounds who had been unable to find opportunities elsewhere due to lower-than-average grades or the lack of basic skills.

The Siemens Professional Education (SPE) program includes technical education and training along with business education, including bachelor degrees. SPE has intensified its international work. In addition to those from Germany, more than 2,500 young people from around the world are enrolled. Since the 2016 application period, SPE has reserved slots for refugees as part of a specific integration initiative. Nearly one hundred such candidates are expected to be accepted via this program during the 2018 application period.

During the past fiscal year, Siemens spent €266 million on employee development, an average of €735 per person for training and education. The expenditures for employee development remain at a constantly high level.

## Europeans@Siemens

The "Europeans@Siemens" program was launched in 2012 and there are around 30 apprentices in each annual intake. In the three-and-a-half years they spend at Siemens in Berlin, the apprentices are given full vocational training as electronics technicians or mechatronics engineers: They cram theory at the Werner-von-Siemens Vocational School in Berlin, work on their own projects at the Training Center, and have to prove themselves in everyday working life at the plants. There are also German courses and other offerings that let them deepen their experience abroad. At the end, there is the official final exam, which is held by the Chamber of Industry and Commerce (IHK), after which they return to their Siemens home base.

During the last years, the program expanded beyond Europe. Today, it is called: International Tech Apprenticeship@Siemens. This year, we welcome apprentices from 15 different countries, such as Mozambique, Saudi Arabia or Angola.

Siemens product schools work with Divisions and business units to offer comprehensive continuing development for employees with a view toward building expertise in specific products and solutions over the long term. Conventional training methods (online, face-to-face, etc.) are enhanced by innovative remote and mobile learning, and virtual classrooms. These highly practical courses help employees keep pace with changes in products and new technologies.

Siemens connects employees around the globe through expert communities, development programs and social media groups that cover topics of shared interest. More than half of our employees, roughly 216,000 individuals, are active on our Siemens Social Network, where they can participate in over 29,000 different groups. The network fosters knowledge exchange, cross-cultural understanding and collaboration beyond national borders.

## 5.2 Occupational Health and Safety

Occupational health and safety management is an essential element of our sustainability principles and business practices. It is also reflected in our Business Conduct Guidelines, internal monitoring systems, risk management work and internal controls. In addition, it is covered by the international framework agreement between Siemens AG and labor organizations: the Central Works Council of Siemens AG, Germany's Industrial Union of Metalworkers (IG Metall), and IndustriALL, a global union that represents workers in the mining, energy and manufacturing sectors. Finally, we comply with all laws, regulations and procedures that govern workplace health and safety wherever we operate.

Occupational health and safety are directly related to SDG 3 "Good Health and Well-being" as well as to SDG 8 "Decent Work and Economic Growth". Both as a company and as individual employees, we are responsible for guaranteeing a workplace environment that is safe for everyone. Behavior that encourages health and safety emerges from the personal values of managers and all employees. It is vital to customers, suppliers, regulatory authorities, and other stakeholders. Our impact on SDG 8 stems from the relationship with topics such as "costs for days lost" and "non-conformance costs", the latter meaning those caused by the failure to conform to accepted standards of behavior; this would include delays caused by workplace safety incidents.

### A Culture of Occupational Health and Safety

At Siemens, we pride ourselves on our consistent efforts to build local management systems and adopt best practices to ensure the best possible results over the long term. In the occupational health and safety realm, we launched our Zero Harm Culture@Siemens program five years ago. It contains three guiding principles:

- **Zero incidents – it is achievable!** Unrealistic? No, we are convinced that it is possible. Everyone must be able to work at Siemens without suffering an incident. Everywhere. At all times. That is our goal.
- **Health and safety – no compromises!** Deadline pressure? Yes. Cost pressure? Yes. Compromising safety? Absolutely not. The health and safety of all employees is our highest priority. These values come first. No ifs or buts!
- **We take care of each other!** We work with our eyes open to recognize dangerous situations and look after one another. Risky behavior is not cool – and we intervene when we see it. We lead by example!

The Siemens Managing Board made Zero Harm Culture@Siemens a top priority for fiscal 2017. This set in motion a series of further activities and campaigns worldwide. The importance of this initiative is reflected in the fact that the CEO of the relevant business unit is personally responsible for reporting work-related fatalities and serious incidents to the Managing Board. Those reports must include analysis of the root causes and contributing factors of the incident. This procedure helps spur the implementation of corrective actions.

At the country and Division levels, tailor-made activities have been developed to sensitize employees regarding the relevant safety issues in their respective workplaces. These have included things such as trainings as well as awareness activities like "safety moments" and "safety walk and talks". Interactive sessions have helped management teams integrate safety awareness into every segment of the project management process. Management teams have also implemented the Zero Harm Culture@Siemens principles and taken measures to improve safety practice in accordance with local needs and requirements.

Practical examples are the hands-on training centers for employees of Siemens, its contractors and other partners in India, Egypt and Malaysia. These centers include a number of realistic stations where employees can become acquainted with construction-site dangers and practice the use of safety measures. In the Safety Training Center in India alone, more than 2,000 people have been trained since the opening in 2015.



To underscore the importance of the Zero Harm Culture, we introduced the Zero Harm Culture @ Siemens Label during fiscal 2015. To earn the label, organizational units around the world must prove that they have deployed the program in a comprehensive and systematic manner, and that it covers over 80% of the employees in the country. The relevant criteria include procedural, quantitative and qualitative elements. They are reviewed by a label panel and verified by an in-country assessment. Since the label was launched, ten lead countries have earned this distinction.

Further, we have developed company programs and processes that are implemented around the world, adapted as needed to local conditions. For example, an electrical safety campaign consisting of on-site workshops for electricians has helped to raise awareness and improve safety in that realm. Over the last two years, workshops have been conducted in 15 lead countries in 560 sessions that reached 2,400 employees, contractors and customers. The campaign was developed by the Center of Competence for Electrical Safety (CoC-ES), an internal group of electrical experts with representatives from all regions and Divisions.

Another example are special reports based on the biennial global employee survey on work-related stress factors. These reports are the basis for managers to conduct psychosocial risk assessments aiming at detecting and avoiding work-related strain for employees. Such efforts are complemented by additional activities, again according to local needs and requirements.

### Incident Investigations

In our drive to constantly improve our safety performance and share lessons learned, we are constantly strengthening our incident investigation capabilities through training and support. Training sessions to systematically analyze the root causes of incidents and to address measures preventing recurrence have been conducted in Austria, the United Kingdom, the United States, China, Germany, Scandinavia and the Middle East. Over 500 investigators have been trained over the past two years.

### Contractors and Partners

Contractors are essential to our operations, especially in the project business. Therefore, we must make the safety performance of contractors a central concern. The selection process for contractors, especially for high risk activities (such as electrical works or working at heights), includes the mandatory participation of safety experts. Additionally, we also train the employees of contractors and partners in our practical Safety Training Centers at different locations.

### Auditing

In fiscal 2017, we continued a series of health and safety audits into high-risk activities that had been launched a year earlier. The Siemens internal audit department has been conducting environmental health and safety (EHS) audits to analyze both internal and external conditions. All told, 54 EHS audits have been performed in the following Divisions: Power and Gas, Process Industries and Drives, Digital Factory, Mobility, Building Technologies and Energy Management.

### ACCIDENTS WORLDWIDE

Since our goal is "zero harm", we cannot be satisfied with our safety performance. We're improving, but we have not yet hit our target. Our employees and those of our contractors still suffer too many incidents.

Siemens figures include Siemens Gamesa Renewable Energy data since April 1, 2017.

#### LTIFR employees and contractors<sup>1</sup>

	Fiscal year	
	2017	2016
Employees <sup>2</sup>	0.51	0.56
Contractors <sup>3</sup>	0.55	0.47

<sup>1</sup> Lost-time injury frequency rate: number of lost-time injuries (LTI) × 200,000/work hours performed; LTIs are accidents that result in at least one lost day of work.

<sup>2</sup> Depending on national regulations, foreign or temporary workers may also count as employees.

<sup>3</sup> Contractors who bill by time, especially those who work on large project sites.

When recording lost-time injuries (LTIs), we use applicable national definitions for incidents as work-related.

Fatalities		
	Fiscal year	
	2017	2016
Fatalities at Siemens (work related)	2	2
Fatalities at Siemens (commuting accidents)	2	5
	4	7
Fatalities of Siemens Contractors (work-related)	4	0
<b>Total</b>	<b>8</b>	<b>7</b>

In fiscal 2017, the overall number of fatalities was slightly higher than in fiscal 2016. Regrettably, we reported eight fatalities. Of these, four fatalities involved contractors (all work-related) and four involved Siemens employees. The four Siemens cases included two commuting accidents on the way to or from work and two work-related. Thereof, two fatalities (one employee and one contractor) are related to Siemens Gamesa Renewable Energy.

#### OCCUPATIONAL ILLNESS

Despite a moderate increase, the total number of cases of occupational illness relative to the number of employees has remained at a low level for many years. The corresponding indicator (occupational illness frequency rate, or OIFR, relative to 1,000,000 work hours performed) was 0.52 in the year under review compared to 0.48 in fiscal 2016. Here we report the figures for Siemens Germany, only. OIFR is calculated solely on the basis of cases of occupational illness recognized by the Employers' Liability Insurance Association.

#### PROMOTING HEALTH

Digitalization and demographic change are driving change in the world of work and are impacting nearly all workplaces. To ensure a sustainable promotion of our employees' health and well-being, we set up the company-wide program Healthy@Siemens to manage health risks and resources proactively. In fiscal 2014, we introduced the Healthy@Siemens Label as a quality characteristic for sustainable health management to encourage implementation. To achieve the Healthy@Siemens Label, Siemens country organizations have to meet requirements in seven categories and pass a comprehensive on-site assessment. So far, 30 countries have been awarded the Healthy@Siemens Label.

## 5.3 Corporate Citizenship

Good corporate citizenship has been embedded in our DNA since Werner von Siemens founded the company in 1847. It is reflected in our mission to provide technologies that improve the quality of life and create lasting value for society.

Being present around the globe, Siemens has grown deep roots wherever we operate. While never losing sight of the bottom line, the firm has voluntarily extended its commitment to the betterment of humankind by making our skills and knowledge readily available.

Our corporate citizenship activities extend beyond philanthropy. We mine our core competencies to find ways to contribute. Our work ranges from disaster relief, for example, financial support related to victims of forest fires in Chile or in response to hurricanes and earthquakes, to inclusive and innovative business practices such as mobile health clinics in India.

We have three focus areas for our corporate citizenship work: Access to Technology, Access to Education and Sustaining Communities. They emerged from our business strategy, core competencies, global targets for the betterment of society, global megatrends (demographics, urbanization, climate change, globalization and digitalization), and stakeholder dialog. They are rooted in our Business to Society approach and our Vision 2020 strategy.

Our activities in Corporate Citizenship contribute to advances on the SDGs across the board. By providing access to education, we specifically have a medium impact on SDG 4 "Quality Education". The importance of our focus areas Access to Technology and Sustaining Communities is also highlighted in the SDG 11 "Sustainable Cities and Communities" and SDG 17 "Partnerships for the Goals".

## Corporate Citizenship focus areas

**Access to Technology** – We draw on our core competencies, plus scientific research, to help improve living conditions through access to technology. One interesting example of our work in this realm is Project Asha in rural India and that we have replicated in various other locations. It helps marginalized communities by applying sustainable and inclusive technology that can be scaled up and replicated. The project focuses on enhancing the living conditions of people who often lack basic necessities such as electricity, clean drinking water and basic healthcare.

**Access to Education** – We work to extend educational opportunities to more people and improve research, especially for science, technology, engineering, and mathematics (known as the STEM subjects). This improves educational levels, spurs interest in STEM, and indirectly helps train our future workforce. Since these efforts often involve employees as volunteers, mentors, and advisors, they also promote employee satisfaction and retention. In Brazil, for example, the Formare School helps students from low-income families who live near Siemens sites to earn certificates as assistants in electronic and mechanical assembly. Another example, in Germany, is a contest called Jugend forscht that encourages and supports talented young people in the STEM fields.

**Sustaining Communities** – Access to basic provisions is essential for sustaining communities, but at the same time local identification on the base of cultural patterns is as important. Therefore the support of cultural and societal activities is part of our self-understanding as a socially responsible company protecting values, unleashing creativity, enhancing intercultural understanding and inspiring progress. Furthermore, our cultural, social and environmental commitment includes humanitarian emergency aid and financial and technical assistance in the wake of natural disasters.

Additionally, at Siemens, employees take responsibility. Corporate Volunteering is an efficient and personal way to provide a societal commitment. In 2016, employee volunteering was identified as a strategic priority. This combines the company's desire to contribute to communities with our employees' wish to be more engaged. To that end, we are rolling out a volunteering platform and guidelines. These efforts will continue to advance in fiscal 2018. Goals include creating a more structured approach, encouraging volunteering, raising awareness, and broadening the impact on our communities and our business.

### Donations

(in millions of €; in %)	Fiscal year	
	2017	2016
<b>Total</b>	<b>23.0</b>	22.8
Share of net profit	<b>0.4</b>	0.4

### Donations by category

(in millions of €)	Fiscal year	
	2017	2016
Education and science	<b>15.2</b>	16.0
Social	<b>4.8</b>	4.6
Environment	<b>0.2</b>	0.1
Arts and culture	<b>2.2</b>	2.2
<b>Total<sup>1</sup></b>	<b>23.0</b>	22.8

<sup>1</sup> Total includes Siemens Gamesa Renewable Energy donations of € 0.6 million without further breakdown.

### Donations by region

(in millions of €)	Fiscal year	
	2017	2016
Europe, C.I.S., <sup>1</sup> Africa, Middle East	<b>9.6</b>	10.2
Americas	<b>10.0</b>	10.1
Asia, Australia	<b>3.5</b>	2.5
<b>Total</b>	<b>23.0</b>	22.8

<sup>1</sup> Commonwealth of Independent States.

## 6 – Environment



Sustaining the environment lies at the heart of our sustainability efforts that we drive internally and together with our customers by improving energy and resource efficiency. This is reflected by our decarbonization and environmental programs that aim at conserving resources by optimizing their use along the entire product life cycle. Through our engagement towards the environment, we contribute to the planet. Our engagement towards the environment is embedded in our 12 sustainability principles.

With this, Siemens addresses SDG 3 “Good Health and Well-being”, SDG 6 “Clean Water and Sanitation”, SDG 7 “Affordable and Clean Energy”, SDG 8 “Decent Work and Economic Growth”, SDG 9 “Industry, Innovation and Infrastructure”, SDG 11 “Sustainable Cities and Communities”, SDG 12 “Responsible Consumption and Production” and SDG 13 “Climate Action”.

## 6.1 Decarbonization

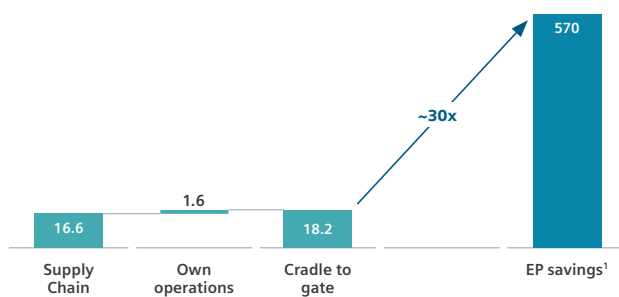
Climate change is a key challenge that Siemens has been tackling for more than a decade. We are committed to making an important contribution to the decarbonization of the global economy, which according to experts must happen way before the end of the 21<sup>st</sup> century. Herewith we mainly contribute to SDG 7 "Affordable and Clean Energy", SDG 12 "Responsible Consumption and Production" as well as SDG 13 "Climate Action". There are several main ways to reach this goal, such as:

- Use energy as efficiently as possible;
- increase the share of renewable energy and accelerate the switch of the remaining conventional electricity generation to low-carbon fuels;
- redesign electricity markets to ensure sufficient investments into a sustainable, secure and efficient energy system;
- accelerate the uptake of highly flexible technologies to integrate renewable energies and ensure system stability;
- accelerate the decarbonization of other sectors with sector integration, including Power-to-X-technologies.

Siemens also considers carbon pricing a must-have for effective decarbonization and believes a carbon price floor or corridor is the best way forward.

Siemens is working to reduce greenhouse gas emissions along our entire value chain – in the supply chain, in our own operations, and through the goods and services we provide to our customers.

**Value chain emissions and savings from Environmental Portfolio (EP) in fiscal 2017 (in Mt CO<sub>2</sub>)**



<sup>1</sup> Total annual savings of products installed since 2002 at our customers and still in use in fiscal 2017: 570 Mt CO<sub>2</sub>.

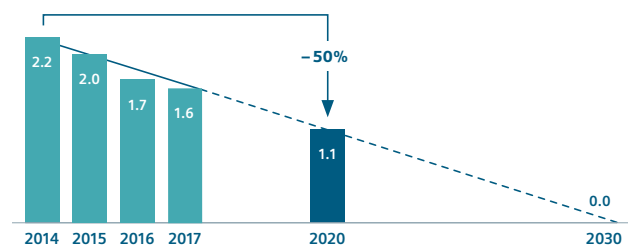
Emissions in our supply chain stand at about 17 million metric tons of carbon dioxide equivalent (Mt CO<sub>2</sub>). Emissions from our own operations are roughly 10% of that, at 1.6 Mt CO<sub>2</sub>. This is because supply chain operations tend to be more energy-intensive, mainly owing to the processing of raw materials. We continue to work closely with our suppliers to help them improve energy efficiency and reduce their CO<sub>2</sub> footprints.

Our environmental portfolio represents our biggest contribution to climate change mitigation. The Siemens Environmental Portfolio is part of Siemens' response to global challenges such as climate change, scarcity of natural resources and environmental pollution. It is therefore a key element of the sustainability focus area "Decarbonization", as described in the chapter → **ENVIRONMENTAL PORTFOLIO** of this report.

### CO<sub>2</sub>-neutral Siemens

With regard to our own operations, in September 2015, Siemens launched the global "CO<sub>2</sub>-neutral Program". On the basis of a positive business case we plan to halve the footprint of our own operations by 2020 as compared with 2014, and become carbon-neutral by 2030.

**CO<sub>2</sub>-neutral target trajectory (in Mt CO<sub>2</sub>)<sup>1</sup>**



<sup>1</sup> As reported in respective fiscal year.

By fiscal 2017, we managed to reduce our CO<sub>2</sub> emissions by more than 600,000 metric tons versus 2014, putting us well on track to meet our 2020 interim goal.

Our CO<sub>2</sub>-neutral Program not only enables us to protect the environment and reduce costs, but also to gain experience and strengthen our expertise in environmentally-friendly technologies that may well be useful for our suppliers and customers.

The emission reductions are coming from a series of ongoing initiatives. We discuss each briefly below.

### Drive Energy Efficiency Program

Between fiscal 2016 and 2020 we are investing €100 million to improve energy efficiency at our own sites. We expect this to result in approximately €20 million worth of energy cost savings per year once the program is completed. By fiscal 2017, seven projects have been completed in Europe, North America and Asia. In addition, 20 energy efficiency projects are ongoing.

The new Siemens corporate headquarters building in Munich, inaugurated in June 2016, was nominated as a finalist for the 2017 MIPIM Best Innovative Green Building award, considered the Oscars of the real estate world. The building consumes 90% less

electricity than its predecessor. A tilted inner facade increases the amount of natural daylight in the interior, cutting down on the need for artificial lighting. Smart building technologies use 30,000 data points to control heating, ventilation, and air conditioning. The building has DGNB Platinum and LEED Platinum "green" certification.

#### Leverage distributed energy systems

We are expanding our use of distributed energy systems at our own sites through combined heat and power plants, solar panels, wind turbines, intelligent energy management systems, and energy storage solutions. Our long-term target is to satisfy 10% of our electricity demand through onsite power generation with a high renewable energy share. The Siemens Campus Erlangen will be one of the first showcases and will be carbon-neutral from day one. Another ten projects were initiated in fiscal 2017 and further 15 are in concept development.

#### Reduce fleet emissions

We are working to reduce the emissions of our fleet of around 47,000 vehicles. Our goal is to reduce emissions and related fuel costs by 33% by 2025, i.e. a reduction to approximately 200,000 metric tons CO<sub>2</sub>. In fiscal 2017, emissions stood at approximately 300,000 metric tons CO<sub>2</sub>. On the basis of a survey of mobility requirements, e-car options are being given greater support. In some countries, economic individual behavior is coming into focus. We will continue to include CO<sub>2</sub> emission factors as an integral part of our local car fleet policies around the world.

#### Purchase "green" energy

We are increasing the share of electricity that we purchase from renewable sources such as wind farms. In fiscal 2017, a significant share of sites in Germany, the United States, United Kingdom, Austria and Spain were already supplied with "green" electricity. These countries covered about 40% of Siemens' total electricity demand in fiscal 2017. In fiscal 2017, emissions could be reduced by more than 400,000 metric tons, through purchasing electricity from renewable sources.

## 6.2 Environmental Portfolio

Our environmental portfolio represents our biggest contribution to climate change mitigation. The Siemens Environmental Portfolio is part of Siemens' response to global challenges such as climate change, scarcity of natural resources and environmental pollution.

The Environmental Portfolio consists of products, systems, solutions, and services (Environmental Portfolio elements) that meet one of our selection criteria, namely energy efficiency and renewable energy. While these elements reduce impact on the environment and emissions of carbon dioxide and other greenhouse gases (defined together in the following as carbon dioxide emissions) they directly influence SDG 7 "Affordable and Clean Energy", SDG 8 "Decent Work and Economic Growth", SDG 9 "Industry, Innovation and Infrastructure", SDG 11 "Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production as well as SDG 13 "Climate Action". The reduced level of the environmental impact is measured by carrying out comparisons with reference solutions (baselines).

With our Environmental Portfolio we intend, among other things, to help our customers mitigate their carbon dioxide footprint, cut their energy costs and improve their profitability through an increase in their productivity. In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth underlining Siemens' strategic focus on technologies for energy efficiency and climate and environmental protection. For fiscal 2017, three-quarters of the revenue from our Environmental Portfolio was generated from products and solutions for energy efficiency.

#### Key results of the Environmental Portfolio

	Fiscal year	
	2017	2016
Revenue generated by the Siemens Environmental Portfolio (continuing operations, in billions of €)	38.7	36.3
Annual customer abatement of carbon dioxide emissions enabled by elements from the Siemens Environmental Portfolio newly installed in the reporting year (continuing operations, in millions of metric tons)	59	60
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio within the reporting year (continuing operations, in millions of metric tons)	570	522

The Environmental Portfolio elements that contribute the most to the total mitigation of carbon dioxide emissions at our customers are combined cycle power plants (CCPP), power plant modernization and upgrade activities, power generation from wind power, frequency converters and high-voltage direct current (HVDC) power transmission systems.

Including revenue from newly developed and additionally qualified Environmental Portfolio elements and excluding revenue from elements that no longer fulfill our qualification criteria, revenue from continuing operations relating to the Environmental Portfolio in the current year amounted to €38.7 billion, exceeding the comparable revenue of €36.3 billion from fiscal 2016. This means that in fiscal 2017 our Environmental Portfolio accounted for 47% of our revenue from continuing operations.

Furthermore, with our Siemens Environmental Portfolio elements installed in fiscal 2017, we helped our customers mitigate their emissions by a further 59 million metric tons of carbon dioxide. With the total of our Siemens Environmental Portfolio elements installed at customer locations since the beginning of fiscal 2002 that remain in use today, we mitigated accumulated annual customer carbon dioxide emissions by 570 million metric tons in fiscal 2017.

To learn more about the Siemens Environmental Portfolio, please visit: [www.siemens.com/environmentalportfolio](http://www.siemens.com/environmentalportfolio)

## 6.3 Conservation of resources

We strive to meet the needs of our customers while strengthening our position as a sustainable company, especially by improving energy and resource efficiency. We also work to meet a growing number of environmental protection requirements around the world. Our comprehensive Environmental Protection, Health Management and Safety (EHS) management system helps operating units comply with the applicable laws, regulations, and customer demands. It also helps us satisfy our corporate requirements and meet group-wide environmental targets.

All relevant production and office sites must therefore implement environmental management systems that meet the criteria of ISO 14001, the relevant standard of the International Organization for Standardization.

Siemens drives the conservation of resources with the Serve the Environment (StE) program. Within StE, objectives and activities are defined in order to reduce negative environmental impacts at all Siemens sites. Training and workshops in key markets help boost employee engagement. And our "We say thank you" campaign honors outstanding individual contributions to environmental protection.

With these activities we contribute to SDG 3 "Good Health and Wellbeing", SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", SDG 12 "Responsible Consumption and Production" as well as SDG 13 "Climate Action".

We have been able to significantly improve efficiency in primary energy by 34% compared to fiscal 2014. Through StE efficiency measures and purchasing renewable energy, in line with the CO<sub>2</sub>-neutral program, we can reduce considerably the primary energy needed for our own operations while simultaneously cutting emissions.

Compared with fiscal 2016, comparable waste production (without Siemens Gamesa Renewable Energy) decreased in fiscal 2017, although comparable revenue increased by approximately 3%. Waste efficiency therefore improved to 2% as compared with the base year 2014. We were also able to further reduce waste to landfill by 19% compared with the base year, which underlines our "zero waste to landfill" ambitions. This was supported by a company-wide waste reduction and material efficiency training.

### Results on resource conservation through Serve the Environment

Our industrial environmental protection efforts focus on attaining optimal energy and resource efficiency at our sites. Serve the Environment (StE) and CO<sub>2</sub>-neutral complement each other and define Siemens-wide targets: StE through 2020 and CO<sub>2</sub>-neutral through 2030.

Other goals include improved waste efficiency, reduced waste for disposal, and the assessment of water-related risks – with the subsequent application of adequate mitigation measures.

As the StE program moves forward, we are integrating energy and waste efficiency elements into our supply chain management, and assessing the total cost of ownership for energy-intensive products. Air pollution control will be considered holistically, taking into account the general local air conditions at our production plants and offices and in particular our emissions from volatile organic substances (VOC) and ozone depleting substances (ODS) at the most relevant sites. At sites where energy consumption is significant, we will examine the possibility of on-site generation to foster energy efficiency and provide a buffer against potential price increases. Our water management strategy is being expanded to include growing concerns such as water scarcity, water pollution, climate change, and changing precipitation and flood patterns.



## Environmental Management Systems

All our locations have environmental management systems in place. At least 279 are certified to ISO 14001, at least 278 of them audited by external auditors. The decision to pursue ISO 14001 certification is made by environmental protection executives of the business units and countries in close consultation with environmental protection officers at the group level.

The International Organization for Standardization revised its ISO 14001 standard for environmental management in 2015. The new requirements of ISO 14001:2015 have been gradually integrated into our processes. At least 93 of our sites are already certified under the new regime. This includes a matrix certification for all sites in the Power and Gas and Power Generation Service Divisions. A total of 64 Siemens locations have implemented energy management systems according to ISO 50001, and others are ready to follow suit.

## Energy consumption

In fiscal 2017, consumption of natural and liquid petroleum gases increased by 14% due to a higher heating demand. The use of other fossil fuels is minor in comparison to natural gas. Overall, primary energy consumption increased by 15% compared with the previous year basically due to increased activities at two test bays for turbines and newly acquired business activities.

Primary energy		
	Fiscal year	
(1,000 gigajoules)	2017	2016
Natural gas/liquid petroleum gas	6,522	5,710
Fuel oil, coal, gasoline/diesel	568	454
<b>Total</b>	<b>7,090</b>	<b>6,165</b>

Electricity consumption remained stable. The share of renewable electricity amounted to 38% compared with 23% the year before. Energy consumption from district heat increased by 14% due to heating demand.

Secondary energy		
	Fiscal year	
(1,000 gigajoules)	2017	2016
Electricity	9,093	9,089
District heating	2,219	1,944
<b>Total</b>	<b>11,312</b>	<b>11,033</b>

Energy consumed by company business vehicles is recorded centrally. Staff vehicles, service vehicles, and trucks owned by Siemens are grouped together for this purpose. In fiscal 2017, the fleet consumed around 3.94 million gigajoules compared with 4.0 million gigajoules in the previous year (without Siemens Gamesa Renewable Energy). The decrease of 1% is mainly due to our car policy, which encourages employees to use more energy-efficient vehicles.

## Greenhouse gas emissions

We report our greenhouse gas emissions on the basis of the Corporate Standard of the Greenhouse Gas Protocol of the World Resource Institute (WRI) and of the World Business Council for Sustainable Development (WBCSD). Direct greenhouse gas emissions (Scope 1) arise from sources in the Company's ownership or under its control. Indirect greenhouse gas emissions (Scope 2) refer to the consumption of purchased electrical energy and district heating. Since fiscal 2016, we also report upstream Scope 3 emissions from our supply chain, such as business travel, capital goods, fuel and energy related activities and transportation. Scope 3 emissions from supply chain have been calculated by means of a multi-regional macroeconomic input-output model on the basis of our volume of purchased goods and services.

Greenhouse gas emissions		
	Fiscal year	
(in 1,000 metric tons of CO <sub>2</sub> equivalents)	2017	2016
Scope 1	862	874
Scope 2 <sup>1</sup>	740	935
<b>Sum Scope 1 and 2</b>	<b>1,602</b>	<b>1,809</b>
Scope 3 <sup>2</sup>		
Purchases goods & services	14,686	15,071
Capital Goods	402	393
Fuel and energy related activities	251	235
Waste in operations	44	55
Transportation upstream	782	634
Business travel	411	380
<b>Total Scope 3</b>	<b>16,575</b>	<b>16,768</b>

<sup>1</sup> We calculate our emissions resulting from electrical consumption based on the carbon emission factors of our local sites after the marked based approach.

<sup>2</sup> Without Siemens Gamesa Renewable Energy.

For Scope 1 and 2 combined, we reached a reduction in emissions of 207 kt CO<sub>2</sub>e. Compared to fiscal 2016, this is a reduction of 11%. Direct greenhouse gas emissions (Scope 1) have been reduced by 1%. For the other Kyoto gases, including sulfur hexafluoride (SF<sub>6</sub>), we also see a reduction. For SF<sub>6</sub> alone we had an emission of 133 kt CO<sub>2</sub>e which shows a reduction close to 20%. The reduction



results from an improved handling and emission control approach as well as from improved specifications for reporting at one major site.

The significant reduction of Scope 2 emissions by 21% is mainly a result of our continued power purchasing policy. In fiscal 2017, we purchased "green" electricity from hydro and wind power mainly in Denmark, UK, Spain and Austria and increased the share of "green" electricity in the US and Germany. Compared to the average national electricity mix of grids our green electricity purchasing strategy saved 416 kt CO<sub>2</sub>e.

Within Scope 3 the biggest impact is coming from purchasing goods and services which did not change significantly as it is true for the other Scope 3 categories.

### Atmospheric pollutant emissions

Other industrial emissions are also relevant to environmental protection. Volatile organic compounds (VOCs) contribute to the formation of ozone close to the earth's surface and are responsible for what is known as summer smog. We use these organic compounds as solvents in paints and adhesives, in impregnation processes, and for surface cleaning. We monitor ozone-depleting substances (ODS) and comply with the Montreal Protocol, the Convention for the Protection of the Ozone Layer, in addition to national laws.

Atmospheric pollutant emissions		
	Fiscal year	
(in metric tons)	2017	2016
Volatile organic compounds	859	866
Ozone-depleting substances in metric tons of R11 equivalent <sup>1</sup>	0.144	0.165

<sup>1</sup> R11 equivalent measures ozone depletion potential.

The volume of emissions of volatile organic compounds decreased by 1% to 859t. The volume of ODS emissions decreased by 0.021 tons of R11 equivalent (R11 is one of the many substances that cause ozone depletion). Overall, we are aware of the need for phase-out plans and substitution, especially for R22, the substance we use most.

In calculating nitrogen oxides, we have assumed typical combustion conditions in the relevant thermal processes, resulting in a figure of 215 metric tons for environmentally relevant locations in the year under review, compared with 193 metric tons the year before. The figure includes nitrogen oxides released during the incineration of fuels reported in the section on primary energy.

### Waste

The environmental relevance of waste depends on the type of waste and the method used to dispose of it. Our waste performance indicator addresses both waste efficiency and absolute disposal waste reduction. Several sites, for instance Digital Factory Congleton, UK have already achieved a Zero Disposal waste status. We differentiate between hazardous, non-hazardous, and construction waste. The groups of hazardous and non-hazardous waste are each further divided into recyclable waste and waste for disposal. We report waste from construction or demolition work separately because this kind of waste material arises independently of production.

Waste		
	Fiscal year	
(in 1,000 metric tons)	2017	2016
Non-hazardous waste	378	371
Hazardous waste	29	28
Construction waste <sup>1</sup>	172	43
<b>Total</b>	<b>580</b>	<b>441</b>

<sup>1</sup> Without Siemens Gamesa Renewable Energy.

Year-on-year, non-hazardous waste increased by 2%. Hazardous waste increased by 4%. Including all waste types, we increased our waste volume by 32% compared with fiscal 2016. The increase results from a major demolition project in Erlangen, Germany, generating a high amount of construction waste.

Recycling		
	Fiscal year	
(in %, excluding construction waste)	2017	2016
Share of recycling in total waste	90	90

The recycling rate remained at the same level as last fiscal year.

### Water

The Siemens Water Strategy aims to reduce the local negative impact of our water use. It takes into account factors such as water stress, water pollution, and flooding. So far, we have analyzed 310 of our sites using the Global Water Tool of the World Business Council for Sustainable Development. The results of these analyses show that Siemens faces relevant risks. They also demonstrate that our centralized risk assessments must be complemented by local assessments to improve their precision. This effort is under way. From the start of fiscal 2015 through end of fiscal 2017, 66% of our sites have implemented the water strategy.

### Implementation of Water Strategy

(in %)	Fiscal year	
	2017	2016
Sites with implemented Water Strategy	66	18

For the last two years, water consumption without chemically unchanged cooling water has remained more or less stable. The reduction of chemically unchanged cooling water results from less cooling demand and cooling process changes.

### Water consumption

(in million cubic meters)	Fiscal year	
	2017	2016
Water consumption	7.91	8.07
Ground and surface water for cooling water purposes (returned to receiving water body chemically unchanged, but warmed)	17.61	21.85
<b>Total</b>	<b>25.52</b>	<b>29.92</b>

Wastewater from manufacturing processes amounts to less than one million cubic meters. Volume-wise, our main water use is for cooling processes; most of this water is returned to the receiving water body with the same chemical quality as when it was drawn from the environment.

### Wastewater

(in million cubic meters)	Fiscal year	
	2017	2016
Wastewater from employee facilities	4.91	5.10
Wastewater from manufacturing processes (total)	0.93	0.94
Other (incl. losses, )	1.44	1.49
Conditioned cooling water discharged as wastewater	0.43	0.46
Total wastewater without chemically unchanged cooling water	7.72	7.98
Cooling water (returned to receiving water body chemically unchanged, but warmed)	17.61	21.85
<b>Total wastewater</b>	<b>25.32</b>	<b>29.84</b>

### Environment-related incidents and penalties

In the year under review, we recorded three incidents classed as being of environmentally minor relevance (without Siemens Gamesa Renewable Energy). Incidents are reported in the Siemens environmental reporting system. One was an oil spillage,

one a hazardous waste inspection violation and one was an exceeding of threshold values in wastewater. These are occurrences that have to be notified to the authorities – notifiable incidents – or that had an external impact on the environment. Total fines from penalties in the year under review were not significant.

### Methodology, reporting on environmental factors and collection of environmental data

In fiscal 2017, we used our environmental information system to analyze 310 reports from sites in all relevant countries where defined threshold values were exceeded for parameters such as energy use, resource consumption and emissions within the environmental management. To measure and monitor our environmental impact, we use absolute values such as energy consumption in gigajoules. We report environmental data for continuing operations. Extrapolation to 100% was applied to reflect complete consumptions in our figures. Overall, the extrapolation was significant for water with 12% and primary energy with 20%. Due to updated extrapolation factors, figures from the previous year were adjusted, too. We monitor our environmental impact for all office and production sites of environmental relevance using environmental data gathered quarterly.

We calculate environmental efficiency in industrial environmental protection on a portfolio-adjusted basis equivalent to the adjustment used to calculate the comparable revenue change as stated in the annual report. Revenue change in this context means the change of revenue from fiscal 2016 to fiscal 2017 excluding currency translation and portfolio effects. This portfolio adjustment procedure for revenue was accordingly used for the environmental efficiency parameters of waste and energy as well as for the percentage of revenue covered by life cycle assessments (LCAs) and Environmental Product Declarations (EPDs). The approach therefore enables us to monitor and compare our environmental performance over time, regardless currency translations, acquisitions and disposals from year to year and closely relates environmental performance to business performance.

## 6.4 Product Stewardship

Resource productivity starts with better awareness inside the company. In that spirit, we have focused our attention on improvements in the materials and components that affect the environmental impact of our products. These efforts are supported by internal assessment tools, workshops and methodologies designed to help increase the efficiency of our use of resources.

With our product-related environmental activities we mainly contribute to SDG 12 that aims at ensuring sustainable consumption and production patterns.

## Product Eco Excellence: 2020 Goals

The Product Eco Excellence program aims to improve the efficiency of resource use and increase the transparency surrounding product-related environmental information for our stakeholders. This is partly a response to developments in various markets and to achieve sustainable products but also to ensure compliance with legal and customer requirements, regarding such things as eco-design, labeling, and product environmental footprints. These efforts deliver added value to our customers and our business as well as for the environment. We strive to produce more with less. To get there, we take a sustainable management approach over the entire product life cycle.

The program has established several targets for 2020. One involves the adoption of automated data collection and processing for declarable substances. This will increase transparency. It will also help us to work on developing substitutes to meet future statutory requirements and customer demands. We also strengthen the countries by conducting workshops on Substance Management.

We plan to improve the coverage of life cycle assessments (LCAs) and environmental product declarations (EPDs). Both of these tools provide in-depth information about the environmental impacts of products throughout their life cycles. They help us meet customer demands for environmental performance. Another key goal is to reduce the use of critical materials in Siemens products. To motivate the stakeholder of the entire product life cycle management (PLM) process and the EHS departments, we conduct workshops that make the benefit of dealing with LCAs and critical materials transparent and concrete.

## List of Declarable Substances (LoDS)

During their qualification process, suppliers must reveal whether their product parts, components, and/or compositions contain substances on the Siemens global List of Declarable Substances (LoDS). They must disclose relevant details about these substances. This systematic reporting helps establish a foundation for automated data collection and processing. In addition, Siemens has established an Internet database in which suppliers declare relevant substances. We have rolled out this tool and implemented it in business to support quality-based judgments about information accuracy.

## Life cycle assessments (LCAs)

Within Siemens, we aim to identify the environmental load of our products by using full-scale and screening LCAs, and to reduce their environmental impacts. Both approaches are in line with the requirements of ISO 14040/44, the standards of the International Organization for Standardization that cover the procedure for creating life cycle assessments. However, screening LCAs are by their nature less extensive, covering only parts of the life cycle – e.g., the use phase most critical to our customers or the phase affected by a design change.

As we continue to increase the amount of LCAs, we are learning about our environmental footprints throughout the life cycle of different products. This has led us to start using that information for product service operations. Additive manufacturing has become a key element of the service business, for example, to create spare parts for gas turbine burner repair at Siemens Power and Gas in Finspang, Sweden. LCAs can also be used to improve processes and internal production.

The current reporting period shows continued high coverage for business units with LCAs (screening and full-scale) and environmental product declarations (EPDs). Even though the revenue-based coverage ratio of LCAs and EPDs is constant from fiscal 2016 to fiscal 2017, the detailed analysis shows an increase of the total number of LCAs by 10% and 5% concerning EPDs.

We aim to increase our LCA and EPD investigations in the future.

### Life cycle assessments and environmental product declarations

	Fiscal year	
(percentage of revenue <sup>1</sup> covered)	2017	2016
Full-scale LCAs	65	65
Screening LCAs	46	46
EPD	65	65

<sup>1</sup> We consider the revenue of a Business Unit in relation to Siemens revenue once we have carried out at least one "Full-scale LCA," "Screening LCA," or "EPD" for their products or systems. No product-related coverage is calculated.

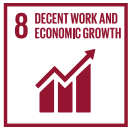
## Critical materials

In the "Report on critical raw materials for the EU", the European Commission has identified the top 20 critical raw materials for high tech industries, focusing on future availability. To be better prepared regarding future risks associated with critical materials – be they environmental, toxicological, or related to possible future scarcity – we have transformed and globally rolled out our critical material assessment methodology. This tool helps component and product engineers make the right material choices. It also provides support for decisions to reduce or avoid the use of certain materials.

The purchasing volume of eight critical materials has been monitored via a supply chain database. Based on this analysis and in comparison with fiscal 2015 (baseline), the current analysis shows a slight increase due to consumption based price increase. In 2017, a first strategic workshop has been conducted within one Division to reduce the amount of critical materials. Further workshops are planned for fiscal 2018.

## 7 – Responsible Business Practices

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Global value chains affect working environments and production processes adding challenges to decision making, level of authorities and monitoring processes. The business practices we commit to are based on integrity, fairness, transparency, and responsibility. They build the core principles for all our compliance and anti-bribery, supply chain management and human rights related activities.

Our responsible business practices have an impact on SDG 8 "Decent Work and Economic Growth", SDG 12 "Responsible Consumption and Production", SDG 16 "Peace, Justice and Strong Institutions" and SDG 17 "Partnerships for the Goals".

## 7.1 Compliance

At Siemens, we take a zero-tolerance approach to corruption, violations of fair competition principles, and breaches of applicable law. If these do occur, we respond vigorously. For us, integrity means acting in accordance with our values – responsible, excellent and innovative – wherever we do business. A key element of integrity is compliance: adherence to the law and to our own internal regulations.

SDG 16 “Peace, Justice and strong Institutions” includes a call for companies to substantially reduce corruption and bribery in all their forms. This in turn promotes fair competition, which benefits innovation-driven companies such as Siemens. Efforts to combat corruption coupled with strong compliance systems protect companies, their employees and shareholders against the risks of misconduct. Developing countries and their citizens stand to benefit greatly from reduced corruption. Since corruption is a drag on the economy and sustainable development, efforts to squelch it can contribute to progress on all of the SDGs.

We have a specific program to anchor integrity and compliance in the minds and actions of all Siemens employees and external stakeholders, and we run company-wide Integrity Dialogues. We require suppliers and business partners to meet our standards of conduct, including those for anti-corruption and fair competition. Beyond our company’s borders, we are committed to support the fight against corruption and promote fair competition in our markets in cooperation with other organizations in the course of our Collective Action activities.

Our Business Conduct Guidelines describe how we fulfill our compliance-related responsibilities. They also serve as an expression of our values and lay the foundation for more detailed internal regulations. The Business Conduct Guidelines are binding for all employees worldwide.

Our Compliance System aims to ensure that our worldwide business practices comply with these guidelines and obey all applicable laws. To this end, and to protect against compliance risk, our Compliance System is based on three pillars: prevent, detect and respond.<sup>1</sup>

We work with a myriad of international and national organizations around the world to help combat corruption and promote fair competition (see the section on “Collective Action” below). We work with external stakeholders in the private sector, government and civil society. These include our commitment to the United Nations Global Compact globally, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation; and the World Economic Forum, with its Partnering Against Corruption Initiative

(PACI). We actively support the enactment of the United Nations Convention against Corruption and the Anti-Bribery Convention of the Organization for Economic Co-operation and Development (OECD). We play a leading role in the Anti-Corruption Task Force of the Business and Industry Advisory Committee to the Organization for Economic Co-operation and Development (OECD-BIAC), and our Chief Compliance Officer is acting as chairman of the task force since 2013. During the German presidency of the G20 in 2017, he was also appointed chairman of the B20 working group on Responsible Business Conduct and Anti-Corruption. The 10 principles of the UN Global Compact and these other initiatives provide guidance for our work in this area throughout our organization.

Siemens operates in nearly every country of the world – with customers in both the private and public sectors, covering a wide range of industries. On September 30, the company had 372,000 employees worldwide. The environment in which our company conducts its business and thus its compliance activities is correspondingly complex. Our global business activities are subject to numerous national legal systems, as well as diverse political, social and cultural frameworks. All of which are in a constant state of flux.

To be effective, our Compliance System must adapt to meet business-specific risks and multiple local legal requirements. Given that we develop new technologies and bring them to market, we need to stay ahead of the game with a Compliance System that is adaptable on that front as well. Tasks range from drawing up topic-specific compliance regulations and processes to supporting employees with information, training and advice about compliance. On-site compliance officers and experts lead the way in managing these efforts in our business units around the world.

Export controls and sanctions are a defined compliance risk and enforcement has increased in this realm. Therefore, the Siemens Managing Board decided to integrate the export control unit into the global compliance function under the leadership of the Chief Compliance Officer, effective July 1, 2017. Bundling regulatory risks will help to increase the assurance level of the company’s business.

### Management approach

The company-wide compliance structure combines strong governance at the group level with the presence of qualified compliance officers who ensure that the Compliance System is implemented in the company units around the world. They work closely with employees and managers who assume personal responsibility for compliance in their respective units.

This responsibility extends beyond the unequivocal role of senior management. All managers must embody our commitment to

<sup>1</sup> To be noted: In fully consolidated Siemens entities that are being newly acquired or established, the elements of the Siemens Compliance System as described in this chapter are or will be implemented.

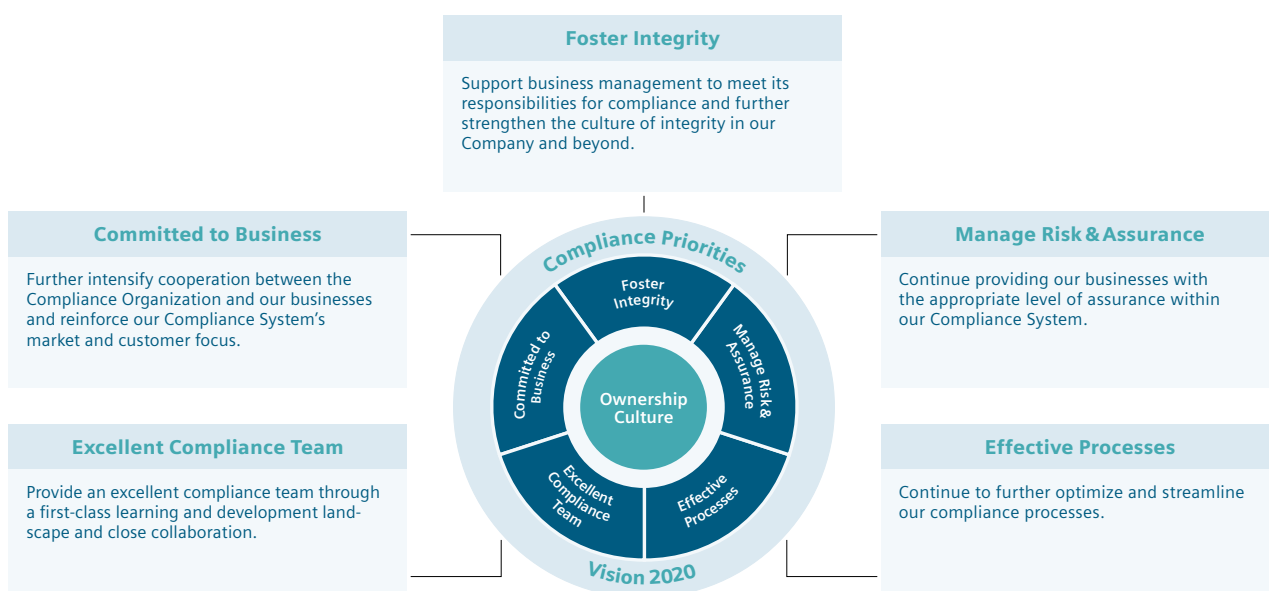
compliance and ensure that business decisions and actions in their areas of responsibility are always in accordance with the relevant legal requirements and our own values and guidelines. In general, Siemens' top and middle managers demonstrate strong commitments to compliance. A loud-and-clear message has been sent in the decade since the Siemens corruption scandal. Compliance and integrity are deeply rooted in the company culture.

### Compliance Priorities in Fiscal 2017

Our compliance priorities provide the basis for the constant development and improvement of our system. We closely monitor the continuously evolving requirements in the compliance field and strive to fulfill them. The challenges include changes in market conditions and in the compliance risks of our business activities.

As of fiscal 2015, we had defined our compliance priorities as illustrated and briefly described in the figure below. They are developed in line with Vision 2020, the Siemens strategic program to create a reliable long-term perspective for the development of our compliance efforts. Ownership Culture is a cornerstone of Vision 2020 and of compliance. These priorities are supplemented by focus areas and specific activities for each fiscal year and have continued to guide our work in fiscal 2017. They serve as the basis for employee targets that are reviewed as part of each individual's Performance Management Process ("PMP"). Every compliance employee is actively encouraged and committed to making contributions to the further development of the Compliance System.

#### Compliance Priorities



## Achievements in Fiscal 2017

A new process for compliance in project execution has enhanced the collaboration between our project managers and compliance officers. They work together to create structured compliance risk assessments and identify mitigation measures at various points in the project execution phase. To more fully integrate compliance into the entire project management life cycle, we worked on ways to improve the role of compliance during the project sales phase.

### Progress continued in several other areas:

- The use of analytics for risk management, using big data visualization and data mining;
- Work on developing compliance pacts for consortia projects – to facilitate cooperation with partners and raise awareness;
- The inclusion of human rights compliance in the Siemens Compliance System (see the chapter → **HUMAN RIGHTS** in this report);
- Improvements in the compliance training program for employees that enhance the risk-based approach and can be further tailored to meet specific legal or business concerns.

## Compliance Training and Compliance Performance

All managers and employees who hold positions with a particular risk profile must attend compliance training sessions. In accordance with a binding company-wide definition of “sensitive functions,” Compliance Officers of the relevant company units identify managers and employees who must participate and ensure that they attend the training sessions. They monitor and confirm the fulfillment of these requirements at regular intervals.

Our company-wide compliance training program consists of in-person and web-based training programs. Our annual Integrity Dialogue aims to maintain integrity and compliance as top-of-mind subjects at Siemens. The company-wide initiative provides a forum to help managers discuss recent compliance matters with their teams. In fiscal 2017, we added the option of short “Integrity Moments” that can be shared during regular meetings.

The goal is continued awareness of compliance. It starts with the orientation received by new hires, and moves to advanced training and refresher courses, followed by continuous reinforcement of the culture of integrity by managers. Starting in fiscal 2017, Lead Country and Division Compliance Officers (in close collaboration with management) are required to establish and implement two-year compliance training roadmaps that cover all training activities relevant to their units.

We conduct regular surveys to gauge how Siemens employees perceive the topic of compliance. The results for fiscal 2017 demonstrate a continued positive compliance perception of our employees.

## Compliance Risk Management

Compliance risks in individual Siemens entities worldwide are revealed through a Compliance Risk Assessment (CRA) process. CEOs, relevant managers, and Compliance Officers of the respective companies must systematically determine and assess compliance risks to their units on a regular basis.

### Since 2014, the CRA has been implemented in two ways:

- In odd-numbered years, (starting in fiscal 2015), for Lead Countries, Divisions, and Healthineers;
- In even-numbered years, in “top-risk” countries, as a complement to analysis at the Lead Country, Division level and in Healthineers, with in-depth assessments for selected countries. We identify these countries in advance based on an analysis of external and internal compliance risks.

Accordingly, in fiscal 2017, CRA has been performed for Lead Countries, Divisions, and Healthineers. Last year, in addition to the core topics for analysis established in 2015 (anti-corruption, antitrust, data protection and anti-money laundering), we also covered human rights compliance risk exposure.

CRA results are incorporated in the group-level compliance risk analysis. The latter aims to identify systematic and globally recurring compliance risks as quickly as possible. The group-level analysis considers additional factors, such as insights from compliance controls and investigations into specific cases. The corporate compliance risks are derived from the consolidated results, which are shared with the company’s business units. Relevant risks are reported to the company’s Enterprise Risk Management (ERM). Risk-reduction measures are drawn up and implemented.

The identification of compliance risks in individual Siemens entities worldwide (CRA) and the Group-level compliance risk analysis are complemented by an interdisciplinary exchange during Compliance Risk Radar meetings, and the yearly Corporate Compliance Risk Workshop in which several stakeholders analyze systematic and re-occurring compliance risks.



## Business Partners and Suppliers

Cooperation with third parties such as sales agents, customs clearing agents, consultants, distributors and resellers is part of doing business, but the company may be liable for actions taken by these third parties. We have a mandatory process and tool for business partner compliance due diligence. It is designed to help Siemens entities conduct risk-based integrity checks of business partners. Decisions about business partner relationships are transparent and take a risk-based approach, using high-quality compliance due diligence procedures. Depending on the risk level, they may include audits of the business partners conducted by Siemens internal auditors or external professionals.

Each Siemens unit is responsible for its own business partners. They must be carefully selected and appropriately monitored and managed throughout the course of the relationships. As previously reported, we have a common, contractual code of conduct for suppliers and business partners. Business partners and suppliers receive training in compliance and integrity along with background information about the requirements.

## Compliance Indicators

	Fiscal year	
	2017	2016
Compliance indicators <sup>1</sup>		
Compliance cases reported	667	675
Disciplinary sanctions	217	233
<i>therein warnings</i>	120	112
<i>therein dismissals</i>	79	96
<i>therein other</i> <sup>2</sup>	18	25

<sup>1</sup> Continuing and discontinued operations.

<sup>2</sup> Includes loss of variable and voluntary compensation elements, transfer and suspension.

## Whistleblowing

The "Tell us" whistleblowing system and the company ombudsman offer two secure reporting channels for employees and external stakeholders to report violations of external and internal rules. Reports made through these channels are forwarded to our Compliance Organization. Possible misconduct may also be reported directly via the Managing Board or supervisors to the Compliance Organization and, in particular, to the Compliance Officers in our individual company units.

Our employees make regular use of these channels. In fiscal 2017, 667 compliance cases requiring further inquiries or investigations came through them. We believe that the decrease from the 675 in fiscal 2016 lies within the normal range of variation. The total number of disciplinary sanctions for compliance violations in fiscal 2017 was 217, compared to 233 the year before. Numbers for disciplinary sanctions in a fiscal year do not necessarily correspond to cases reported during that period: sanctions are frequently not implemented in the same year as the case was reported. This is because of an often lengthy period of investigation and due process. In addition, a single case may result in multiple sanctions, or none at all.

We believe that, once again, the evidence demonstrates that our Compliance System is well-designed and being implemented effectively. Based on the nature of our businesses, the environments in which we work, and the myriad of different geographical regions, we do not regard the number of incidents as unusual.

## External Review of Siemens Compliance

As previously reported, the law firm Gibson, Dunn & Crutcher LLP ("Gibson Dunn") conducted an independent review in fiscal 2015. The review was not designed to be a comprehensive review of all business lines, all business activities or all markets. It was rather focused on a limited number of projects, Divisions and countries, selected using a risk-based approach as well as Company Headquarters. Gibson Dunn summarized the scope, methodology and results of its review in a report, which concluded with the statement that the Siemens Compliance System is adequately designed and implemented to prevent, detect and respond to violations within Siemens of the Foreign Corrupt Practices Act (FCPA) of the United States and other applicable anti-corruption laws and it is effective in its implementation.

## Collective Action and Siemens Integrity Initiative

If substantial progress is to be made in combating corruption and fostering fair competition, large numbers of stakeholders must act collectively. The global Siemens Integrity Initiative earmarks more than US\$100 million to support organizations and projects that combat corruption and fraud through Collective Action, education and training. The initiative focuses on supporting projects that have a clear impact on the business environment, can demonstrate objective and measurable results, and have the potential to be scaled up and replicated. Through to the end of fiscal 2017, we have committed more than US\$70 million to some 55 projects around the world. These are summarized in our Siemens Integrity Initiative Annual Reports.



The Siemens Integrity Initiative constitutes one element of a 2009 settlement between Siemens and the World Bank and another 2013 settlement between Siemens and the European Investment Bank (EIB).

### Fiscal 2018

Our compliance priorities described above will further guide our work and will be specified by focus areas for fiscal 2018. Measures planned for fiscal 2018 include the integration of export control topics into the Compliance System and organization to better support our business through a single specialized department with a strong team of experts. We will continue to improve our business partner due diligence and explore the possibilities of digitalization and data analytics for better risk assessment. We will also continue to develop web-based compliance training courses for employees. These will focus on specific topics while reinforcing the emphasis on general topics. A new web-based refresher course will cover the Business Conduct Guidelines with emphasis on conflict of interest. It will be repeated every two years as a way to reinforce the importance of this topic. Finally, we plan to launch the Third Funding Round of Siemens Integrity Initiative in fiscal 2018. This will be announced to the general public through a press release and on our dedicated website.

 [WWW.SIEMENS.COM/INTEGRITY-INITIATIVE](http://WWW.SIEMENS.COM/INTEGRITY-INITIATIVE)

## 7.2 Supply Chain Management

Siemens strives to play an integral role in all of the economies and societies where we operate. The principal goal of supply chain management (SCM) at Siemens is to provide a substantial and sustainable value contribution for the success of our businesses. The four elements of this value contribution include: Productivity, Quality, Availability and Innovation. The roots of our network of suppliers run deep. Our firm works with some 90,000 suppliers in about 150 countries. In fiscal 2017, the company purchased approximately €42 billion worth of goods and services. That figure is equal to about half of our total revenue.

Based on the priorities of the Siemens Divisions, the Siemens Procurement Council defined several key levers to achieve the SCM value contribution in alignment with Vision 2020. Since the reorganization of the SCM function concluded in 2015, a stronger focus lies on the ratio output-to-input, i.e. the financial contribution of the SCM functions vs. its cost of organization.

All purchasing activities are being executed within the boundaries of our Sustainability principles. They are the guiding principles for our supply chain management and an integral part of all relevant supplier management processes – such as supplier selection, supplier qualification and evaluation, and supplier development.

Responsible supply chain management can contribute to progress on the Sustainable Development Goals (SDGs) in a myriad of ways. According to the UN Global Compact, the “supply chain can make a significant impact in promoting human rights, fair labor practices, environmental progress and anti-corruption policies”. Some of the biggest contributions can be made on SDG 8 “Decent Work and Economic Growth”, which among other things addresses labor issues, and SDG 12 “Responsible Consumption and Production”. SDG 12 specifically calls on companies to work to adopt sustainable practices and increase reporting on their progress too. Efforts can be made to address poor working conditions ranging from minimum wage violations to extreme occupational hazards, and eradicate all forms of forced labor and child labor. Unhealthy workplaces can be cleaned up. Improved waste management and waste reduction are essential. Circular consumption can help cut down the use of natural resources.

We require that all suppliers follow our Code of Conduct for Siemens Suppliers and Third-Party Intermediaries (the Code). Established a decade ago, it draws on the United Nations Global Compact, a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals, and the principles of the International Labor Organization (ILO). It also relies upon the Siemens Business Conduct Guidelines, which establish the fundamental principles of sustainability throughout the organization.

According to our Sustainability principles, all suppliers must adhere to the Code. Among other things, they agree to respect the basic rights of employees, institute strong health and safety and environmental protection standards, and establish zero-tolerance policies for corruption and bribery. During fiscal 2015, the Code was updated to address issues such as fair competition, anti-trust, intellectual property rights, and conflicts of interest. The revision included a clause about avoiding the purchase of “conflict minerals”, meaning minerals that are extracted in certain countries and bring benefits to particular armed groups in those places. For fiscal 2018, we are checking the necessity of further updating our Code to ensure the highest standards of human rights in our supply chain.

The Siemens Supplier Management Process provides a full range of interrelated procedures and tools to ensure transparency and awareness with regard to spending, suppliers, and risks and opportunities in the supply chain. It helps managers fully leverage the potential of our network of suppliers.

Key aspects of the process include the application of rigorous criteria for supplier selection and qualification. The criteria include elements that are central to general risk management, such as financial stability, quality and availability – along with overall sustainability. They also spotlight potential opportunities by helping to identify the best-performing and most-qualified suppliers.

With such a large and geographically dispersed supplier network, Siemens cannot maintain the same level of oversight for every supplier. For example, it would be impossible to perform site audits everywhere.

Instead we have established risk analysis procedures to systematically identify potential hazards in our supply chain. The main factors are:

- Risk identification and categorization for commodities;
- the establishment of risk levels for individual countries. These are determined by sustainability indicators for key areas such as legal compliance, corruption and bribery, workplace human rights, child labor, etc. Information for the indicators is culled from respected international organizations;
- various individual strategic initiatives, such as special preparation for projects with large local procurement volumes.

This risk-based analysis includes data obtained from supplier self-assessments, risk evaluations conducted by our purchasing departments, supplier quality audits by internal quality auditors, and sustainability audits by external auditors.

#### Sustainability Self-Assessments<sup>1</sup>

(Number)	Fiscal year	
	2017	2016
Europe, C.I.S., <sup>2</sup> Africa, Middle East	833	1,157
Americas	351	684
Asia, Australia	1,243	2,377
<b>Total</b>	<b>2,427</b>	<b>4,218</b>

(Results)	Fiscal year	
	2017	2016
Category “green” (no deviations)	1,402	2,974
Category “yellow” (minor deviations) <sup>3</sup>	–	686
Category “red” (suspicion of serious deviations) <sup>3</sup>	683	558
<b>Total<sup>4</sup></b>	<b>2,427</b>	<b>4,218</b>

<sup>1</sup> To be conducted mainly by suppliers from non-OECD countries with a purchasing volume >€50,000 p.a. Questionnaires initiated and completed in the year under review.

<sup>2</sup> Commonwealth of Independent States.

<sup>3</sup> Clarification of the situation by the designated buyer, agreement on corrective measures within a defined period of time, or conduct of an external sustainability audit.

<sup>4</sup> Total contains 342 self-assessments of SGRE without further breakdown per category.

Sustainability Self-Assessments are part of the Siemens Supplier Qualification Process, which is regularly reviewed and, if necessary, updated to incorporate new norms and regulations. New potential suppliers go through the qualification process while existing ones are reevaluated every three years. Due to the implementation of the new Siemens-wide SCM platform and the necessary adaptation of systems and processes, we conducted less Sustainability Self-Assessments in fiscal 2017. Necessary additional Self-Assessments will therefore be conducted in fiscal 2018.

#### Supplier quality audits with integrated sustainability questions

(Number)	Fiscal year	
	2017	2016
Europe, C.I.S., <sup>1</sup> Africa, Middle East	372	470
Americas	186	224
Asia, Australia	383	254
<b>Total</b>	<b>941</b>	<b>948</b>

<sup>1</sup> Commonwealth of Independent States.

Supplier quality audits include questions about sustainability that cover all aspects and requirements of the Code. In fiscal 2017, we conducted 941 on-site audits worldwide and almost reached our performance from last year.

External sustainability audits		
	Fiscal year	
(Number)	2017	2016
Europe, C.I.S., <sup>1</sup> Africa, Middle East	108	68
Americas	53	50
Asia, Australia	241	202
<b>Total</b>	<b>402</b>	<b>320</b>

	Fiscal year	
(Agreed improvement measures) <sup>2</sup>	2017	2016
Legal compliance/prohibition of corruption and bribery	1,373	1,063
Respect for the basic human rights of employees	3,032	2,371
Prohibition of child labor	215	185
Health and safety of employees	3,605	2,679
Environmental protection	411	422
Supply chain	403	316
<b>Total<sup>3</sup></b>	<b>9,054</b>	<b>7,036</b>

<sup>1</sup> Commonwealth of Independent States.

<sup>2</sup> Improvement measures agreed with suppliers relate either to actual deviations from the Code of Conduct for Siemens Suppliers or to structural improvements to management systems and the lack of specific processes and guidelines at the supplier.

<sup>3</sup> Total contains 15 agreed improvement measures from Siemens Gamesa Renewable Energy external sustainability audits without further breakdown per agreed improvement measures.

Our strongest detection module, the External Sustainability Audit, has proven especially effective. Such audits are conducted by one of our external audit partners, and are used as control mechanisms for high-risk suppliers. In fiscal 2017, we increased the number of conducted external sustainability audits from 320 to 402 – a 26% increase.

The rising number of External Sustainability Audits has accompanied the growth of our Global Value Sourcing initiative. It aims to strengthen the local presence in our supply chain and to increase procurement volumes in emerging markets from the current 27% to 35% by 2020.

Monitoring may include re-audits or follow-up audits by our external audit partners. It is also possible that the relevant Siemens procurement units will agree upon a series of remedial steps with the suppliers.

Throughout the process, we remain committed to our partnerships with our suppliers and to helping them improve. However, if problems persist and/or they are unwilling to implement necessary measures, we exclude them from our list of suppliers.

In fiscal 2015, we updated our “central warning message” system to ensure faster and more efficient responses to breaches of the requirements of the Code. Local removals are reported to executives who are in charge of the corporate supply chain management system. If necessary, the offending suppliers are blocked globally.

A new contractor selection process was established in December 2016. It was developed through the joint efforts of supply chain managers and environmental, health and safety (EHS) experts. EHS experts need to approve the health and safety responses on specialized questionnaires by potential contractors before they are included in our supplier base and utilized for business.

Moving forward on our Sustainability in the Supply Chain program, target areas will include human rights, carbon emissions, and workplace health and safety. We are analyzing the possibility of using a human rights risk identification tool to help in this realm.

Siemens collects and publishes data on its greenhouse gas emissions as part of our CO<sub>2</sub>-neutral Program and our reporting for the CDP, a system that helps private and public organizations measure and manage their environmental impacts. Starting in fiscal 2016, we began disclosing upstream Scope 3 emissions (indirect emissions from entities or activities not owned or controlled by the reporting entity). We have begun to evaluate our CO<sub>2</sub> emissions more seriously as they relate to key commodities and specific suppliers; this will help us choose suppliers who can help us decrease CO<sub>2</sub> emissions.

### Conflict Minerals Policy

“Conflict minerals” are defined as those extracted in certain countries and that bring benefits to particular armed groups in those places. Siemens has developed a Conflict Mineral Policy and integrated it into our procurement process. It provides a uniform and enterprise-wide standard for supply chain management in this realm. Our approach is aligned with the risk-based requirements of the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas of the Organization of Economic Co-operation and Development (OECD). To determine the use, sources and origin of conflict minerals in our supply chains, we seek to identify the smelters that operate along them. Siemens is an active member of the Responsible Minerals Initiative (former Conflict Free Sourcing Initiative), an industry group that provides audits. Siemens encourages smelters to take part in its programs and pursue certification.

## 7.3 Human rights

Siemens adds value to society in nearly every country in the world through our products and solutions, sustainable and responsible business practices, thought leadership and strategic partnership activities, and targeted community initiatives. Our activities directly and indirectly affect huge numbers of people. In this context, we recognize our responsibility to respect and promote human rights. This stands as a central pillar of our “Business to Society” concept (see the chapter → **SUSTAINABLE DEVELOPMENT OF SOCIETIES** of this report).

Siemens is committed to pursuing the objectives of the leading international initiatives designed to promote human rights and sustainable development, including the United Nations Global Compact and the Universal Declaration of Human Rights, both internally and along our value chains.

The issue of human rights is anchored in almost all the SDGs. The United Nations Guiding Principles on Business and Human Rights, set the tone for how companies can promote human rights, and, in turn, sustainable development. This is even more salient in light of recent evidence that corruption and bribery are strongly linked to human rights abuses.

SDG 8 “Decent Work and Economic Growth” condemns forced labor, slavery, human trafficking and abusive child labor and addresses labor rights and working conditions; SDG 12 encourages companies to adopt sustainable practices and integrate sustainable information into their reporting cycles.

## Policies and Commitments

### Business Conduct Guidelines

Our commitment to respect human rights is anchored in the Siemens Business Conduct Guidelines (BCGs). “We respect the personal dignity, privacy, and personal rights of every individual,” they state. Binding for all managers and employees worldwide, the BCGs add that Siemens is committed to working with individuals of various ethnic backgrounds, cultures, religions, ages, disabilities, races, sexual identities, worldviews, and genders.

### Global Agreements

Siemens has been an active participant in the United Nations Global Compact since 2003. The Compact is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals. Siemens has committed to other international standards, including some laid out by the International Labor Organization (ILO), a specialized UN agency.

### As stated in the appendix of our Business Conduct Guidelines:

- we regard the 10 principles of the United Nations Global Compact (as well as the rules laid down in the framework agreement of the International Metalworkers’ Federation) as binding for the entire company and therefore, expect our employees, suppliers and business partners, worldwide to recognize and apply the following conventions, along with others that may be relevant:
  - International Bill of Human Rights consisting of:
    - the Universal Declaration of Human Rights,
    - the International Covenant on Civil and Political Rights and
    - the International Covenant on Economic, Social and Cultural Rights,
  - the European Convention for the Protection of Human Rights and Fundamental Freedoms,
  - the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy,
  - the ILO Declaration on Fundamental Principles and Rights at work (especially regarding the following issues: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and right to collective bargaining), and
  - the OECD Guidelines for Multinational Enterprises (having adopted the key elements of the United Nations Guiding Principles on Business and Human Rights in 2011).

Siemens is committed to implement the UN Guiding Principles as the global standard for preventing and addressing the risk of adverse human rights impacts linked to the company's business activities within our value chain.

### International agreement on fundamental employee rights

Siemens reaffirmed its commitment to fundamental employee rights in an international framework agreement signed with employee representatives and trade unions in 2012. It includes clauses on the elimination of forced labor, the prohibition of discrimination, the right to equal treatment, the abolition of child labor and the definition of a minimum age for employment, the right to collective bargaining, and freedom of association.

### Code of Conduct for suppliers and third-party intermediaries

Relevant business partners must adhere to the Siemens Code of Conduct for Siemens Suppliers and Third-Party Intermediaries. It is based primarily on the principles of the UN Global Compact and the ILO, but contains further requirements. Specifically, in terms of human rights, it addresses respect for the fundamental human rights of employees, including fair remuneration, freedom of assembly, health and safety standards, and prohibition on discrimination, forced labor, and child labor.

### Conflict Minerals Policy

Siemens has developed a Conflict Minerals Policy and integrated it into our procurement process. (For details, see the chapter → **SUPPLY CHAIN MANAGEMENT** of this report).

### Human rights awareness and training

The annual Corporate Compliance Risk Workshop brings together several stakeholders to analyze systematic and recurring compliance risks. This workshop helps to identify areas that may need additional analysis or training. In fiscal 2017, human rights emerged as an "awareness topic".

In fiscal 2017, a module of business and human rights has been included in the Integrity Dialogue program that involves discussions throughout the company about important compliance issues (see the chapter → **COMPLIANCE** of this report).

There are specific training programs for health and safety, suppliers and certain business partners. We also conduct sessions on our BCGs.

### Grievance Mechanism

Siemens offers reliable channels for individuals, both internally and externally, to report alleged grievances. These are outlined in the → **COMPLIANCE** chapter of this report.

## External Stakeholder Dialog and Engagement

Human rights issues can be challenging to identify and complex to mitigate. Open and constructive dialog with peer-group companies help us discuss progress, challenges and solutions and identify potential for joined action. We believe this will enable us to go faster than we could go alone. In fiscal 2017, we joined the Global Business Initiative on Human Rights (GBI), a non-profit led by a core group of 18 major corporations around the globe. The GBI aims "to advance human rights in a business context through cross-industry peer learning, outreach and capacity building, and by informing policy".

Other business coalitions we work with in the area of business and human rights are the World Business Council for Sustainable Development, a global, CEO-led organization of over 200 leading businesses, as well as econsense, a Forum for Sustainable Development of German Business, and the UN Global Compact.

### Governance and management structures for human rights

Our commitment to respect human rights and to implement the UN Guiding Principles on Business and Human Rights is led from the top. Our work in Human Rights is overseen by Siemens' Management Board, the Siemens Sustainability Board, as well as by the Heads of our Divisions and countries. Additional Supervisory Board-level oversight is provided by our Chief Compliance Officer.

In October 2016, the Siemens Sustainability Board directed the sustainability and compliance departments to work together to formally organize corporate leadership on the topic of Human Rights and to strengthen the human rights component throughout the company and around the world.

### Human rights areas of most severe impact

Large infrastructure companies, such as Siemens, operating with diverse business models and global value chains in countries with weak social and environmental governance or political instability are likely to face numerous human rights challenges.

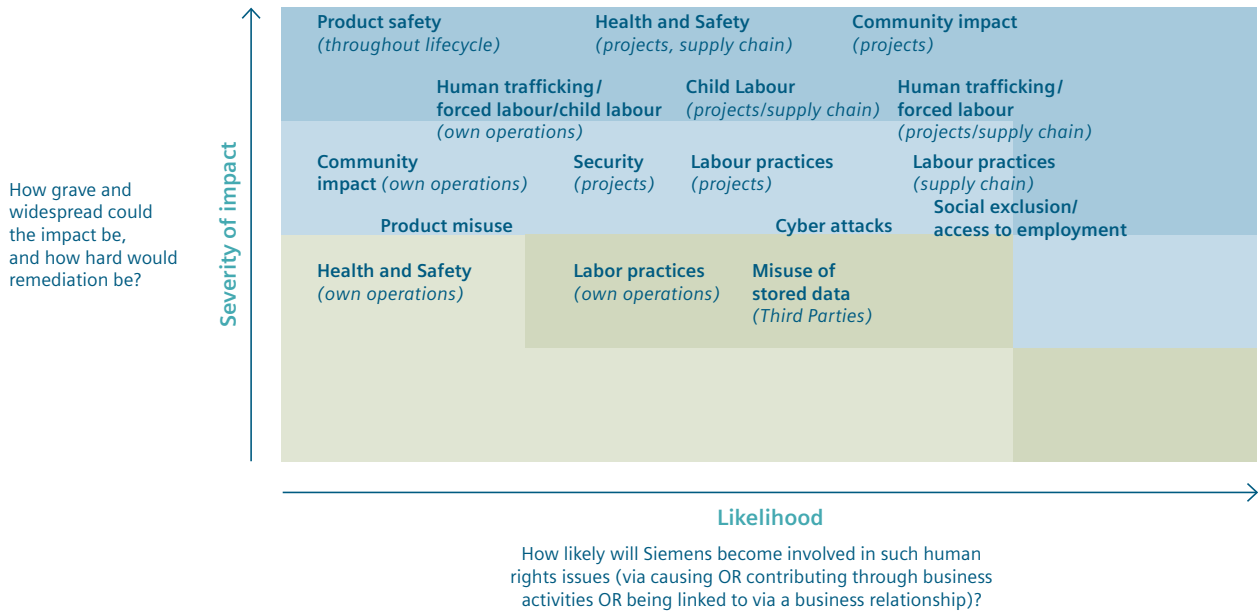
In order to better embrace our corporate responsibility to respect human rights and to proactively identify and mitigate human rights risks that we are impacting – be it by causing negative impact, contributing towards it or by being linked to it via a business partner – we have undergone a company-wide internal human rights risk assessment as part of our Compliance Risk Assessment (CRA). CEOs and Senior Management representatives of our company units together with the respective Compliance Officers have discussed and assessed Siemens' human rights risk areas as part of dedicated CRA workshops.

The essence of this internal risk assessment exercise was then enriched with granular human rights risk-related country data on the basis of external database findings. We then invited external human rights practitioners, such as twentyfifty, to review all gathered findings so far and help us facilitate discussions around identifying human rights areas of most severe impact across our entire value chain – from upstream via own operations to downstream. This helped Siemens understand a) the scope of human rights areas with potential negative impact, b) the likelihood Siemens may become involved in a negative impact and c) the severity of impact on the basis of how grave and widespread could the impact be, and how hard remediation would be.

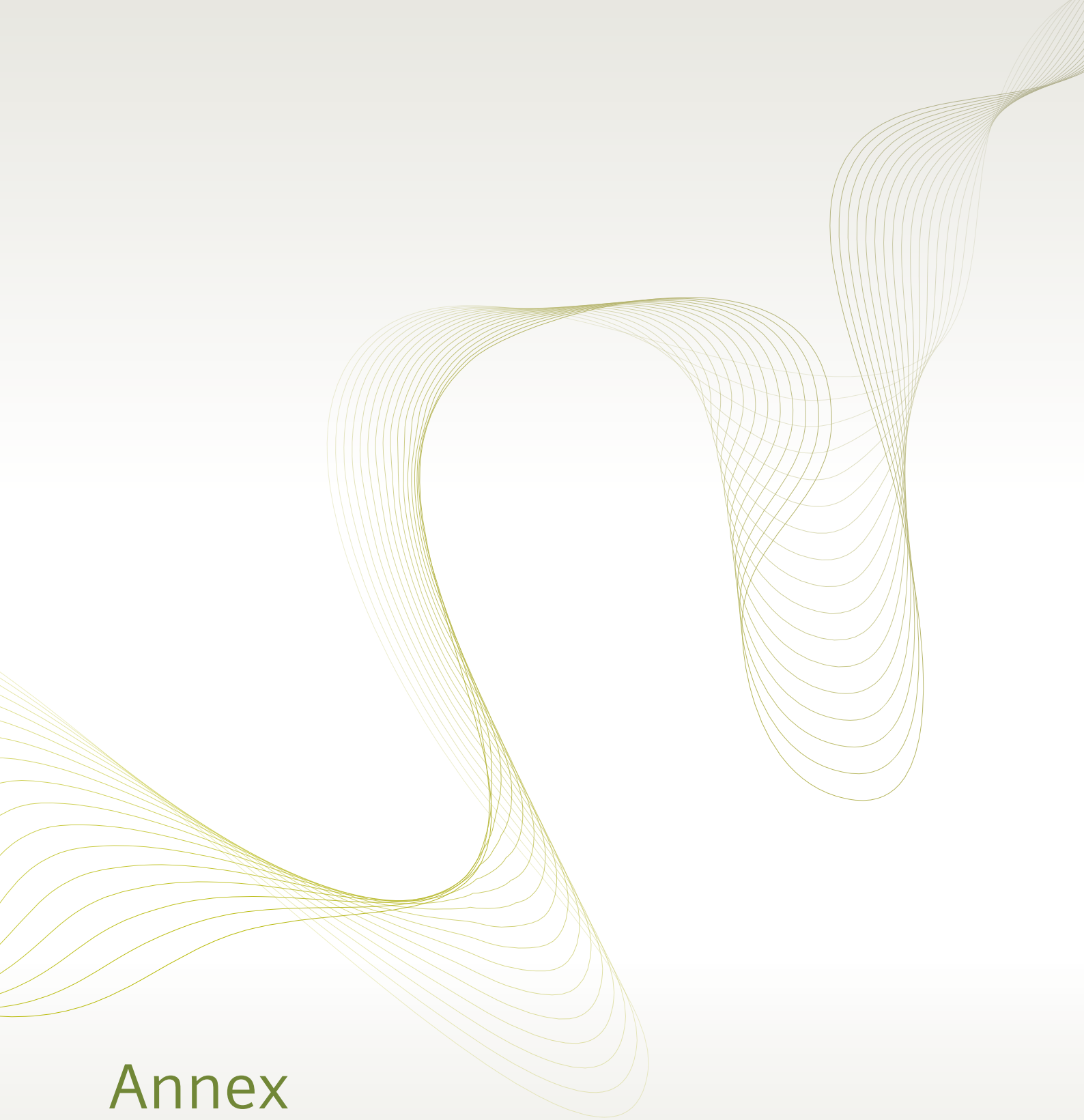
The findings of both the internal and externally enriched assessment of human rights areas of most severe impact have been discussed in the SSB and strategic direction has been set as to where to start. Throughout the next fiscal year, Siemens is committed to embed proactive and systematic community impact related risk identification for its project business (downstream activities) as well as for its supply chain. Systematic due diligence will include affiliated companies and relevant Siemens joint-ventures.

Overall, Siemens intends to systemize its regular human rights risk assessment process. Involvement of external stakeholders, such as other peer-group companies, NGOs, investment research firms and specialized journalists is on the plan in order to facilitate open dialogues on the effectiveness of the company's risk management, mitigation and remedy processes and discuss pathways to move toward a sector alliance aiming at increasing the leverage potential.

## Human rights areas of most severe impact



high medium significant low



# Annex

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## Reporting method

Sustainability is a fundamental principle for us, guiding our very actions. Our "Sustainability Information 2017" supplements our financial reporting in fiscal 2017. The reporting method described below, provides details of the underlying key elements on which our sustainability reporting is based.

### REPORTING APPROACH

The "Sustainability Information 2017" ("the Report") describes the strategy, organization, initiatives, programs, management systems and goals for ensuring sustainability. It supplements our financial reporting in the Annual Report, following on from last year's reporting. It also serves as our annual progress report on implementing the United Nations CEO Water Mandate and sums up our performance with regards to the 10 principles of the United Nations Global Compact.

Furthermore, this report has been prepared in accordance with the GRI Standards: Comprehensive option and the recommendations of the Global Compact and Transparency International regarding anticorruption reporting. We are using the UN Guiding Principles (UN GP) Reporting Framework and its narrative guidance as an orientation when reporting on our human rights activities. All key performance indicators of the Environmental Portfolio are reported according to the "Environment Portfolio Reporting Principles" included in this Annex.

### REVIEW PERIOD AND REPORT BOUNDARIES

This Report is based on activities carried out during Siemens' fiscal 2017 (October 1, 2016 – September 30, 2017). Any exceptions are indicated as such. In general, our fully consolidated companies are all covered by the Report. Here, too, possible exceptions regarding the pool of data used are indicated. Minority equity investments are not included in our reporting. The indicators and information reported below relate to the Company's continuing operations, unless indicated otherwise. In order to ensure comparability of the details, those for the previous year were adjusted accordingly with any exceptions duly indicated.

### DATA COLLECTION

Given Siemens' size and global spread, gathering data poses a major logistical challenge. Moreover, our companies throughout the world are required to comply with local regulations concerning the compilation and definition of performance figures, which means that the data generated is not always comparable. Where applicable, we point out any significant limitations in the information presented in the Report. As a rule, no company-wide standards exist for the information published in the Report. This applies in particular to specific financial figures, including, for example, the revenue attributable to the Environmental Portfolio. As a result, these figures may not be comparable with the data published under the same or similar designations by other companies.

The data published in this Report is collected through various internal reporting systems which, for the most part, are different from those applicable for the financial information presented in our Consolidated Financial Statements. In particular, the standards and controls applied and the computer systems used during the preparation of the data may be less comprehensive in comparison. We reserve the right to change our internal guidelines regarding the inclusion of data in the Report without prior announcement. Due to rounding, numbers presented throughout this Report may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

### INDEPENDENT ASSURANCE REVIEW

We prepared our Report to high quality standards. Consequently, as in previous years, we again commissioned an independent accounting firm to conduct a limited assurance of the chapters in the → [SUSTAINABILITY AT SIEMENS](#) section of this Report. You can find the results of the assurance by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in the Annex.

## Environmental Portfolio reporting principles

### ENVIRONMENTAL PORTFOLIO GUIDELINE

As there are currently no accepted international standards addressing the identification and reporting of so-called “green products”, we report the revenue from our Environmental Portfolio and the accumulated annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio Guideline.

This Guideline sets out criteria and processes for the qualification of elements for the Environmental Portfolio, defines roles and responsibilities as well as processes to account for annual customer reduction of carbon dioxide emissions and refers to financial reporting guidelines for recognition of revenue. It is based on the Reporting Principles set forth in “A Corporate Accounting and Reporting Standard – Revised Edition” and “GHG Protocol for Project Accounting” issued by the Greenhouse Gas Protocol Initiative. These principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. Revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in → **NOTE 2** in → **B.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS IN THE ANNUAL REPORT OF THE SIEMENS GROUP (“SIEMENS”) AS OF SEPTEMBER 30, 2017.**

### SCOPE OF REPORTING

To date, the Environmental Portfolio-related key performance indicators are revenue and customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio.

Carbon dioxide emission reductions at our customers are calculated based on comparing the Environmental Portfolio element (e.g., a combined cycle power plant and the related carbon dioxide emissions per kilowatt hour) with a reference solution (e.g., a global average grid factor for power production). The annual reduction of carbon dioxide in the reporting year is calculated based on technical parameters (e.g., the installed capacity in gigawatts in the reporting year or load hours). For all Environmental Portfolio elements sold in a reporting year, the annual reductions are added up to calculate the annual carbon dioxide emissions reductions at our customers at the end of that year.

Our Environmental Portfolio elements are typically long-lasting products (e.g., motors) or infrastructure elements (e.g. power plants, trains) that contribute to the reduction of carbon dioxide emissions not only in the reporting year but for many years. We therefore also calculate the accumulated annual customer reductions of carbon dioxide emissions. The accumulated annual emission reductions are calculated as customer reductions of carbon dioxide emissions generated by Environmental Portfolio elements

installed in the current reporting period (see above) plus those elements installed since the beginning of fiscal 2002 that are still in use at the customer. If elements installed in previous reporting periods are no longer in use, they are no longer taken into consideration when calculating the accumulated annual customer reductions of carbon dioxide emissions in the respective reporting period.

For the Environmental Portfolio elements installed in a given reporting period, we consider the reductions of carbon dioxide emissions for the entire reporting period, irrespective of the actual date of installation during the year of first time recognition.

### GOVERNANCE – PROCESSES AND DEFINITIONS

The qualification of our Environmental Portfolio elements as well as the respective reporting is based on clearly defined processes and criteria.

In principle, products, systems, solutions and services of operating units (Divisions and Strategic Units, Healthcare and Siemens Gamesa Renewable Energy) may qualify for the Environmental Portfolio. The entire Siemens business portfolio is reviewed on an annual basis to ensure the appropriate qualification of Environmental Portfolio elements based on the criteria described hereafter. This covers the inclusion of newly developed elements as well as the integration of additionally qualified elements where evidence of fulfillment of the qualification criteria was not available in prior reporting periods. For additionally qualified Environmental Portfolio elements, we report their prior-year revenue and prior-year contribution to the accumulated annual customer reduction of carbon dioxide emissions on a comparable basis. Elements that no longer fulfill our qualification criteria are excluded from our Environmental Portfolio; prior periods are not adjusted.

Prior to inclusion in the Environmental Portfolio, potential new Environmental Portfolio elements have to undergo a multilevel internal evaluation process which includes reviews in the respective Siemens Divisions as well as a review in the Sustainability department.

Within this process, Siemens verifies the completeness of documentation supporting the fulfillment of the qualification criteria. Furthermore, Siemens considers whether or not significant “adverse effects” exist. Adverse effects describe the situation that a potential Environmental Portfolio element, despite fulfilling the qualification criteria, might cause considerably higher environmental effects elsewhere in the element’s lifecycle. If material adverse effects are known, the element is not included in the Environmental Portfolio.

If the revenue related to an Environmental Portfolio element cannot be accurately separated from our total revenue, the respective revenue will not be accounted for nor reported due to the principle of conservativeness.

The Siemens Sustainability Board, chaired by Siemens Managing Board member and Chief Sustainability Officer Roland Busch, annually acknowledges changes in the composition of the Environmental Portfolio. Another task of the Sustainability Board is to discuss potential concerns of stakeholders with regard to the inclusion or deletion of certain technologies in the Environmental Portfolio.

## CRITERIA FOR INCLUDING ELEMENTS IN THE ENVIRONMENTAL PORTFOLIO

An Environmental Portfolio element can be a product, a system, a solution or a service, as defined above.

If all products, systems, solutions or services of a Siemens' organizational unit meet one of the selection criteria, this unit may be considered as an Environmental Portfolio element as a whole.

Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element if the component provided by Siemens is key to enabling environmental benefits resulting from the system's or solution's overall application. This means that the environmental functionality of the overall system or solution cannot be achieved without the component provided by Siemens. Examples of core components qualifying as elements of the Siemens Environmental Portfolio are gear boxes for wind turbines or thyristor valves for high-voltage direct current (HVDC) power transmission systems.

Service types are differentiated between "product-related service" and "value-add service". In cases in which a Siemens product, system or solution qualifies as an Environmental Portfolio element, the revenue, and if applicable, the annual customer reduction of carbon dioxide emissions of the "product-related service", shall generally be accounted for and reported on in line with the related Environmental Portfolio element. In cases of "value-add services" the revenue and, if applicable, the annual customer reduction of carbon dioxide emissions, shall be accounted for and reported on only if the service itself qualifies as an Environmental Portfolio element by meeting one of the selection criteria as defined below.

To qualify for inclusion in the Environmental Portfolio, an element must meet one of the following selection criteria. Products, systems, solutions, and services with planned application in military use or nuclear power are not included in the Environmental Portfolio.

## Energy efficiency

The criterion for energy efficiency is an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase compared to the applicable baseline. If an energy efficiency increase can only be reasonably defined as reduction of dissipation losses (e.g., as defined by the International Electrotechnical Commission (IEC) standards for energy efficiency classification of motors), a 20% reduction of dissipation loss would also qualify products for our Environmental Portfolio.

Examples of products and systems meeting the above mentioned energy efficiency criterion are combined cycle power plants, intelligent building technology systems (both reduce carbon dioxide emissions by at least 100,000 metric tons per reporting period) or ELFA Hybrid Drives for buses (20% efficiency improvement).

## Renewable energy

This criterion covers technologies in the field of renewable energy sources or smart grid<sup>1</sup> applications and their respective core components. The scope of the renewable energy criterion is power generation and heat generation from, for example, wind power (onshore and offshore), hydroelectricity or biomass.

Examples of the respective Environmental Portfolio elements are wind turbines as well as core components such as gearboxes for wind turbines.

## DETERMINING THE REFERENCE SOLUTION – BASELINE METHODS

Energy efficiency and annual customer reduction of carbon dioxide are all assessed by carrying out a comparison with a reference solution (baseline). There are three different options for the reference solution: before-and-after comparison, direct comparison with a reference technology or comparison with an installed base. The final decision as to which baseline is used is taken by the respective Division within Siemens based on the following options:

### Before-and-after comparison

A before-and-after comparison refers to the difference between an initial situation at the customer and the situation after installation of a Siemens product, system, solution or service. A before-and-after comparison implies the presence of a preexisting product, system, solution or service at the customer, the characteristics of which are improved or substituted by the employment of a Siemens product, system, solution or service. This comparison may be applied, for example, in cases in which a Siemens product, system, solution or service modernizes a power plant or optimizes the energy consumption of a building.

<sup>1</sup> According to the National Institute of Standards and Technology (NIST) – Smart Grid Interoperability Standards Project (USA), the term smart grid, "refers to a modernization of the electricity delivery systems so it monitors, protects and automatically optimizes the operation of its interconnected elements – from the central and distributed generation through the high-voltage transmission network and the distribution system, to industrial users and building automation systems, to energy storage installations and to end-use consumers and their thermostats, electric vehicles, appliances and other household devices."

### Direct comparison with a reference technology

Direct comparison with a reference technology refers to the difference between the Siemens product, system, solution or service and either an appropriate single other technology or a predecessor. Direct comparison with a reference technology implies the existence of one alternative or predecessor product, system, solution or service in the market which is employed for the same or a similar purpose. This comparison may be applied, for example, by using low-loss high-voltage direct current (HVDC) power transmission in comparison to conventional alternating current power transmission.

### Comparison with an installed base

Comparison with an installed base refers to the difference between the Siemens product, system, solution or service and an average of several installations employed for the same or a similar purpose. Comparison with an installed base implies the existence of global or regional average data on several installed products, systems, solutions or services employed for the same or a similar purpose. This comparison may be applied, for example, to combined cycle power plants (CCPP) by drawing a comparison with the average global greenhouse gas emissions factor for electricity generation.

When calculating emission reductions compared to the baseline, we consider either direct savings (e.g., by power plants or efficient motors) or the indirect effects that occur when different products in a system interact and create emission reductions (e.g., components for building automation). If Siemens only delivers core components but not the entire system, annual customer reduction of carbon dioxide emissions will only be calculated for these parts.

The baselines are reviewed annually and, if necessary adjusted, such as when statistical data on the installed base is updated because of technical innovations or regulatory changes.

The calculation of the reduction of carbon dioxide emissions is based on a specific comparison for every relevant Environmental Portfolio element with a baseline. For this calculation, we focus on those elements that have a material impact on the overall carbon dioxide emissions reduction.

### EMISSION FACTORS FOR CALCULATING THE ANNUAL REDUCTION OF CARBON DIOXIDE EMISSIONS

For some emission reduction calculations, the baseline reference for the installed base is determined using known global emission factors such as those for power production. The baselines used for our calculations are mainly based on data from the International Energy Agency (IEA) for gross power production and for grid losses, on data from the Intergovernmental Panel on Climate Change (IPCC) for fuel-based emission factors, and our own assessments of power production efficiency.

The most relevant emission factors applied in 2017 are:

#### Emission factors for CO<sub>2</sub> abatement calculation

Category	Emission factor (g CO <sub>2</sub> /kWh)	Basis for comparison of Environmental Portfolio elements
Global power generation all primary energy carriers	567	Power generation
Global power generation fossil energy carriers	849	Renewables
Utilization of electricity (including transmission losses)	614	All types of utilization of electricity apart from trains

Source: IEA (IEA World Energy Outlook 2016)<sup>1</sup>, own calculations

<sup>1</sup> Emission factors were updated to IEA World Energy Outlook 2016 (prior year: IEA World Energy Outlook 2015).

For consistency reasons, we generally apply global emission factors for calculating emission reductions unless specific conditions of a solution require application of local emission factors. For the calculation of annual customer reductions of carbon dioxide emissions e.g., for wind turbines, we apply the emission factor 849 g/kWh of global fossil power production as the baseline.

Generally, our approach includes all greenhouse gases covered by the Kyoto Protocol. However, for power production and electrical applications, we consider the only relevant greenhouse gas to be carbon dioxide. If other greenhouse gases occur in technical applications, they are included in our calculations.

For some Environmental Portfolio elements, we do not know the detailed parameters of use at our customers. We therefore apply internal and external expert estimates for these, following the principle of conservativeness.

## REPORTING ESTIMATES

To date, there is no applicable international standard that applies across companies for qualifying products, systems, solutions, and services for environmental and climate protection, or for compiling and calculating the respective revenue and the quantity of reduced carbon dioxide emissions attributable to such products, systems, solutions, and services.

Thus, the inclusion of elements in the Environmental Portfolio is based on criteria, methodologies and assumptions that other companies and other stakeholders may view differently. Factors that may cause differences, among others, are: choice of applicable baseline methodology, application of global emission factors that may be different from local conditions, use patterns at customers that may be different from standard use patterns used for carbon dioxide emission reduction calculations, assessment of the life span of the Environmental Portfolio elements, internal assessments of our own power production efficiency factors, share of a core component and expert estimates if no other data is available.

Accordingly, revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. We report the annual carbon dioxide emissions reduction in the period of installation of the Environmental Portfolio element. The period of installation will be determined by milestones or based on estimated construction periods. This may differ from the timing of revenue recognition.

Furthermore, we subject revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions to internal documentation and review requirements which are less sophisticated than those applicable for our financial information. We may change our policies for recognizing revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without prior notice.

## GRI Standards – key topics and boundaries

Siemens principles, key topics and boundaries				
No	1. Profit	Internal Boundaries	External Boundaries	GRI Standards
1.1	We contribute to our customers' competitiveness with our products, solutions and services.		Customers	<b>GRI Standard 201</b> Economic Performance <b>GRI Standard 202</b> Market Presence           3 7 8 9 11 12 13
1.2	We partner with our customers to identify and develop sustainability related business opportunities.	own operations	Customers	<b>GRI Standard 201</b> Economic Performance           3 7 8 9 11 12 13
1.3	We operate an efficient & resilient supply chain through supplier code of conduct, risk management, and capacity building.	own operations	Suppliers	<b>GRI Standard 204</b> Procurement Practices <b>GRI Standard 308</b> Supplier Environmental Assessment <b>GRI Standard 408</b> Child Labour <b>GRI Standard 414</b> Supplier Social Assessment           4 5 16 8 10 12
1.4	We proactively engage with our stakeholders to manage project and reputational risks and identify business relevant trends.	own operations	Customers, Suppliers, Society	<b>GRI Standard 201</b> Economic performance           17
1.5	We adhere to the highest compliance & anti-corruption standards and promote integrity via the Siemens Integrity Initiative.	own operations	Customers, Suppliers, Society	<b>GRI Standard 205</b> Anti Corruption <b>GRI Standard 206</b> Anti-Competitive Behavior <b>GRI Standard 307</b> Environmental Compliance <b>GRI Standard 408</b> Child Labour <b>GRI Standard 409</b> Forced or Compulsory Labor <b>GRI Standard 419</b> Socioeconomic Compliance           8 16 17
<b>2. Planet</b>				
2.1.	We enable our customers to increase energy efficiency, save resources and reduce carbon emissions.	own operations	Customers	<b>GRI Standard 302</b> Energy <b>GRI Standard 305</b> Emissions           7 12 13
2.2	We develop our products, solutions and services based on a life cycle perspective and sound eco-design standards.	own operations	Customers	<b>GRI Standard 301</b> Materials           12
2.3	We minimize the environmental impacts of our own operations by applying environmental management programs.	own operations	Society	<b>GRI Standard 301</b> Materials <b>GRI Standard 302</b> Energy <b>GRI Standard 303</b> Water <b>GRI Standard 305</b> Emissions <b>GRI Standard 306</b> Effluents and Waste           3 6 7 12 13

Siemens principles, key topics and boundaries				
No	3. People	Internal Boundaries	External Boundaries	GRI Standards
3.1	We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.		Society	<b>GRI Standard 203</b> Indirect Economic Impacts <b>GRI Standard 413</b> Local Communities
				<div>3 4 5 7 8 9</div> <div>11 12 13 16 17</div>
3.2	We foster long-term relationships with local societies through Corporate Citizenship projects jointly with partners.	own operations	Society	<b>GRI Standard 203</b> Indirect Economic Impacts <b>GRI Standard 413</b> Local Communities
				<div>3 4 9 11</div>
3.3	We live a zero-harm culture and promote the health of our employees.	own operations	Suppliers	<b>GRI Standard 403</b> Occupational Health and Safety
				<div>3 8</div>
3.4	We live a culture of leadership based on common values, innovation mindset, people orientation and diversity.	own operations		<b>GRI Standard 401</b> Employment <b>GRI Standard 404</b> Training and Education <b>GRI Standard 405</b> Diversity and Equal Opportunity <b>GRI Standard 406</b> Non Discrimination <b>GRI Standard 408</b> Child Labour
				<div>4 5 8 9 10 16</div>

The detailed GRI Standard Index – Comprehensive Option is available on our Sustainability website.

## United Nations Global Compact

Siemens has been member of the UN Global Compact since 2003 and is committed to upholding the Compact's ten principles. Our "Sustainability Information 2017", our online Communication on Progress at the UN Global Compact webpage and the following report index, describes the progress we have made during fiscal 2017.

Index according to the ten principles of the Global Compact			
Principle	Systems	Measures	Achievements
<b>Principle 1</b> Support of human rights	<p>Our Siemens Business Conduct Guidelines (BCG) provide the ethical and legal framework within we conduct our business activities. They contain our basic principles and rules for our conduct internally and externally, for example on human rights core labor standards. The BCG are mandatory for all Siemens entities worldwide. With our Code of Conduct (CoC) for Siemens suppliers we ensure that these basic rights and principles are also observed in our supply chain.</p> <p>We have undergone a company-wide internal human rights risk assessment as part of our Compliance Risk Assessment (CRA).</p> <p><b>SUSTAINABLE DEVELOPMENT OF SOCIETIES</b> <b>THIS REPORT PAGE 6</b></p> <p><b>SUPPLY CHAIN MANAGEMENT</b> <b>THIS REPORT, PAGE 41</b></p> <p><b>HUMAN RIGHTS</b> <b>THIS REPORT, PAGE 44</b></p>	<p>Our Code of Conduct (CoC) for Siemens suppliers and third party intermediaries includes besides other:</p> <ul style="list-style-type: none"> <li>➤ respect for basic rights of employees,</li> <li>➤ strong "health and safety",</li> <li>➤ environmental protection,</li> <li>➤ zero tolerance on bribery and anti-corruption.</li> </ul> <p><b>SUPPLY CHAIN MANAGEMENT</b> <b>THIS REPORT, PAGE 41</b></p> <p><b>HUMAN RIGHTS</b> <b>THIS REPORT, PAGE 44</b></p>	<p>In the year under review, the number of sustainability self-assessments added up to 2,427. We conducted 941 supplier quality audits with integrated sustainability questions and 402 external sustainability audits. In the external sustainability audits, we identified a total of 9,054 potential improvements.</p> <p>Human rights is a continuous awareness topic. In fiscal 2017, a module of business and human rights has been included in the Integrity Dialogue program that involves discussions throughout the company about important compliance issues. Further, we joined the Global Business Initiative on Human Rights, which aims to advance human rights in a business context.</p> <p><b>SUPPLY CHAIN MANAGEMENT</b> <b>THIS REPORT, PAGE 41</b></p> <p><b>HUMAN RIGHTS</b> <b>THIS REPORT, PAGE 44</b></p>
<b>Principle 2</b> Exclusion of human rights abuses			
<b>Principle 3</b> Assurance of freedom of association			
<b>Principle 4</b> Elimination of all forms of forced labor			
<b>Principle 5</b> Abolition of child labor			
<b>Principle 6</b> Elimination of discrimination	<p>We do not tolerate discrimination and have anchored that in the Siemens Business Conduct Guidelines. We actively foster diversity within the Company by creating a working environment that is open to all people, independent of their cultural background, heritage, ethnicity, sexual orientation, gender identity and individual gender expressions. We are amongst signatories of the "Charta der Vielfalt".</p> <p><b>WORKING AT SIEMENS</b> <b>THIS REPORT, PAGE 19</b></p>	<p>Our global diversity networks promote and discuss diversity topics across the Company. These groups and programs include the Global Leadership Organization of Women (GLOW), Diversity Ambassador and GENE, our generation's network to foster cross-generation exchange. The success of all measures is assessed annually in the diversity scorecard.</p> <p>Diversity focus areas are:</p> <ul style="list-style-type: none"> <li>➤ Consciously addressing unconscious bias,</li> <li>➤ promoting gender balance,</li> <li>➤ fostering the value of globality,</li> <li>➤ encouraging diversity &amp; inclusiveness.</li> </ul> <p><b>WORKING AT SIEMENS</b> <b>THIS REPORT, PAGE 19</b></p>	<p>Internationality of our workforce is reflected in about 170 different national working at Siemens.</p> <p>Further, we are implementing an Unconscious Bias training program and have joined the Chefsache Initiative, a multi-stakeholder network that fosters gender balance as a top management priority.</p> <p><b>WORKING AT SIEMENS</b> <b>THIS REPORT, PAGE 19</b></p>



## Index according to the ten principles of the Global Compact

Principle	Systems	Measures	Achievements
<b>Women Empowerment</b>	<p>In 2016, we committed to the UNGC Women's Empowerment Principles and signed the Diversity Charter, an initiative by the German government.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10</b></p>	<p>We encourage the use of the Women Empowerment Principles as guide posts for actions that advance and empower women in the workplace, marketplace and community, and communicate progress through the use of sex-disaggregated data and other benchmarks.</p> <p><b>WORKING AT SIEMENS THIS REPORT, PAGE 19</b></p>	<p>In the year under review, women accounted for 23% of our total workforce. The proportion of female employees in management positions at Siemens has risen continuously in recent years and is now 16%. In fiscal 2017 women hired amounted 26% of all new hires.</p> <p><b>WORKING AT SIEMENS THIS REPORT, PAGE 19</b></p>
<b>Principle 7 Precautionary approach to environmental protection</b>	<p>Siemens has an EHS management system in place to manage its environmental performance. All relevant production and office sites are obliged to implement an environmental management system which fulfills the requirements of the internationally recognized ISO 14001 standard as well as our own internal standard "Specifications on environmentally compatible product and system design".</p> <p><b>DECARBONIZATION THIS REPORT, PAGE 29</b></p>	<p>Our programs "Serve the Environment" (StE), "CO<sub>2</sub> neutral Siemens" and "Product Eco Excellence" address all our material environmental impacts for industrial environmental protection and product-related environmental protection respectively.</p> <p>We report direct greenhouse gas emissions (Scope 1), indirect greenhouse gas emissions (Scope 2) and since fiscal 2016, we also report Scope 3 from supply chain, such as business travel, capital goods, fuel and energy related activities and transportation.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10 DECARBONIZATION THIS REPORT, PAGE 29</b></p>	<p>In fiscal 2017, reduced our CO<sub>2</sub> emissions by 600,000 tons CO<sub>2</sub> compared to the baseline in fiscal 2014 and thus we are well on track to achieve our interim goal of 50% reduction by 2020. We gradually integrated the new requirements of ISO 14001:2015 into our processes, where at least 93 % are already certified under the new regime.</p> <p>For Scope 1 and 2 combined we reached a reduction in emissions of 207 kt CO<sub>2</sub>e.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10 DECARBONIZATION THIS REPORT, PAGE 29</b></p>
<b>Principle 8 Specific initiatives to promote environmental protection</b>	<p>Raising our employees' awareness of environmental and climate protection is an element of both our environmental strategy and our social commitment. With internal communications measures and our corporate citizenship focus on "environmental," we help create a greater sense of responsibility for ecological issues.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10 CORPORATE CITIZENSHIP THIS REPORT, PAGE 26</b></p>	<p>Siemens maintains a global environmental communications network to ensure that knowledge about environmental management, methods, solutions and experiences is communicated across locations, businesses and national borders.</p> <p>For years, we are an engaged member of One Young World, the World Business Council for Sustainable Development (WBCSD) and the World Economic Forum.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10</b></p>	<p>In the year under review, we donated €23 million for corporate citizenship activities, of which €15.2 million went to education and science and €0.2 million to environmental activities. Siemens took part at the Conference of Parties (COP 22) in Morocco in November 2016, where we gave insights how renewable energy can contribute to the decarbonization of the industry. In September 2017, we also attended the UN New York Climate Week.</p> <p><b>SUSTAINABILITY MANAGEMENT THIS REPORT, PAGE 10 CORPORATE CITIZENSHIP THIS REPORT, PAGE 26</b></p>

## Index according to the ten principles of the Global Compact

Principle	Systems	Measures	Achievements
<b>Principle 9</b> <b>Development and diffusion of environmentally friendly technologies</b>	<p>As part of our Environmental Portfolio, we develop and market products, solutions and services that enable our customers to reduce their CO<sub>2</sub> emissions, lower lifecycle costs and protect the environment.</p> <p><b>ENVIRONMENTAL PORTFOLIO</b>  <b>THIS REPORT, PAGE 30</b></p>	<p>We continuously review our portfolio with regards to newly developed or acquired portfolio elements that qualify as Environmental Portfolio elements or exclude elements that no longer fulfill our qualifications criteria.</p> <p><b>ENVIRONMENTAL PORTFOLIO</b>  <b>THIS REPORT, PAGE 30</b></p>	<p>In the year under review, our Environmental Portfolio helped our customers and partners throughout the world reduce their CO<sub>2</sub> emissions by 59 million metric tons.</p> <p>For fiscal 2017, our Environmental Portfolio accounted for almost half of our revenue from continuing operations. Three-quarters of the revenue from our Environmental Portfolio was generated from products and solutions for energy efficiency.</p> <p><b>SUSTAINABILITY MANAGEMENT</b>  <b>THIS REPORT, PAGE 10</b>  <b>ENVIRONMENTAL PORTFOLIO</b>  <b>THIS REPORT, PAGE 30</b></p>
<b>Principle 10</b> <b>Measures against corruption</b>	<p>The Siemens Business Conduct Guidelines (BCG) provide the ethical and legal framework within which we conduct our business activities. Our compliance system aims to ensure that all our worldwide business practices remain within this framework as well as in compliance with applicable laws. We have zero tolerance for corruption and violations of the principles of fair competition – and where these do occur, we rigorously respond. Our compliance system has three pillars: Prevent, Detect, Respond.</p> <p><b>COMPLIANCE</b>  <b>THIS REPORT, PAGE 37</b></p>	<p>Our compliance priorities are:</p> <ul style="list-style-type: none"> <li>➤ Foster Integrity,</li> <li>➤ Manage Risk and Assurance,</li> <li>➤ Effective Processes,</li> <li>➤ Excellent Compliance Team,</li> <li>➤ Committed to Business.</li> </ul> <p>These guide our activities and are supplemented by focus areas and activities for each fiscal year.</p> <p>We actively support the enactment of the UN Convention against Corruption and the OECD Convention on Combating Bribery. Our Chief Compliance Officer has been appointed Chairman of the B20 Cross-thematic Group on Responsible Business Conduct and Anti-Corruption during the German G20 presidency 2017. Activities in the World Economic Forum include the Company's participation in the Partnering Against Corruption Initiative (PACI).</p> <p><b>COMPLIANCE</b>  <b>THIS REPORT PAGE 37</b></p>	<p>Achievements in fiscal 2017:</p> <ul style="list-style-type: none"> <li>➤ Continuous use of big data and data mining, through Business Partner dashboards together with related analytics for better support of related risk management and monitoring of business partners;</li> <li>➤ A new process for compliance in project execution has enhanced the collaboration between our project managers and Compliance officers, to create structured compliance risk assessments and identify mitigation measures at various points in the project execution phase;</li> <li>➤ Improvements in the compliance training program for employees that enhance the risk-based approach to meet specific legal or business concerns.</li> </ul> <p><b>COMPLIANCE</b>  <b>THIS REPORT PAGE 37</b></p>

## United Nations Water Mandate

### PROGRESS REPORT

Siemens became a signatory to the United Nations CEO Water Mandate in 2008. Our continuing support for the CEO Water Mandate reflects our commitment on two fronts: Firstly, managing water efficiently in our own facilities. Secondly, providing solutions that help our customers and societies handle water and wastewater more economically.

### OUR OWN ACTIVITIES

For more information about the resource conservation and water consumption at Siemens locations, see the section → **ENVIRONMENT** in this report on page 28. We are pursuing a new approach to water resources management that was developed in 2012. At locations where there are increased water-related risks – for example, as a result of aridity, high wastewater loads, or poorly developed technical infrastructures – we define goals that are matched to local circumstances. This enables us to effectively reduce risks and negative impacts on the environment. With the Siemens Water Strategy, we aim to reduce the local negative impact of our water use, taking water stress and other risks into account, such as water pollution or flooding of environmentally relevant areas.

We use all our resources carefully and avoid waste of resources wherever it is possible. Amongst others, through Leadership in Energy and Environmental Design (LEED) certification for all our new buildings including our new global headquarters in Munich, where efficient use of water is a key element of building design criteria. Through collection and usage of rainwater, the water consumption of the new headquarters lies 50% below guide values of new buildings. Further examples are:

#### Optimized wells in Germany

The intelligent merging of several wells on the premises of the Siemens Duisburg site has succeeded in saving 40,000 cubic meters of fresh water annually. This reduces water costs by €138,000.

#### Water re-use in United Kingdom

During the repair of a leaking drain at the site in Sudbury, a Siemens worker noticed that the wastewater looked remarkably clean. Therefore, they implemented the water treatment process to use the “concentrated tap water” again for toilet flushing.

#### Water recycling in India

At the location of the Siemens works in Kalwa, India, a wastewater treatment system has been installed that will, for the most part, regulate itself.

Our Business Units offer solutions for drive technologies, energy distribution and automation for water and wastewater treatment plants and water transport.

### OUR SUPPLIERS

The environmental requirements that our suppliers must fulfill are defined in our Code of Conduct for Siemens Suppliers. The responsible use of water forms an integral part of this code. For more information on these requirements and on → **SUPPLY CHAIN MANAGEMENT**.

### COMMUNITY ENGAGEMENT

As a member of various international organizations, we’re involved in numerous initiatives and programs, including the Action 2020 Water Project of the World Business Council for Sustainable Development. We initiate and implement projects in various regions that promote efficient use of water.

In addition, the Siemens Stiftung drives an entrepreneurial approach to supply clean drinking water to communities. Project examples include:

#### Safe Water Enterprises

With Safe Water Enterprises, Siemens Stiftung is committed to a sustainable supply of safe drinking water in rural regions in Kenya. In Kisumu, the two Safe Water Enterprises were officially handed over to the communities and both are providing safe drinking water to an average of 2,000 people each. It was built in cooperation with our partners SOS Children’s Villages and SkyJuice Foundation.

For more information with regards to the projects of the Siemens Foundation, please refer to:

 [WWW.SIEMENS-STIFTUNG.ORG/EN/PROJECTS](http://WWW.SIEMENS-STIFTUNG.ORG/EN/PROJECTS)

## Independent auditor's limited assurance report regarding sustainability information

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF-version of the section "Sustainability at Siemens" of the report "Sustainability Information 2017". The following text is a translation of the original German Independent Assurance Report.

### TO SIEMENS AG, BERLIN AND MUNICH

We have been engaged to perform a limited assurance engagement on the section "Sustainability at Siemens" in the report "Sustainability information 2017" of Siemens AG for the reporting period from October 1, 2016 to September 30, 2017 (hereafter the report).

Our engagement is exclusively limited to the German PDF-version of the section "Sustainability at Siemens" in the report. Our engagement did not include any prospective statements and links to other web pages. The report is published as a PDF-version at [www.siemens.com/investor/en](http://www.siemens.com/investor/en)

### MANAGEMENT'S RESPONSIBILITY

The legal representatives of Siemens AG are responsible for the preparation of the report in accordance with the reporting criteria and for the selection of the information to be assessed. As reporting criteria, the Company applies the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and, for the key performance indicators of the Environmental Portfolio, the reporting principles as outlined in the Annex "Environmental Portfolio Reporting Principles" and the underlying criteria set forth in "A Corporate Accounting and Reporting Standard – Revised Edition" and "GHG Protocol for Project Accounting" issued by the Greenhouse Gas Protocol Initiative.

This responsibility includes the selection and application of appropriate methods to prepare the report and the use of assumptions and estimates for individual sustainability disclosures that are reasonable under the circumstances. Furthermore, the legal representatives are responsible for internal controls that they deem necessary for the preparation of a report that is free from – intended or unintended – material misstatements.

### AUDITOR'S STATEMENT REGARDING INDEPENDENCE AND QUALITY

We are independent from the Company in compliance with the German statutory and professional requirements, and have complied with other professional requirements.

The quality assurance system of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft is based on the national statutory regulations and professional pronouncements including, but not limited to the Professional Charter for German Public Auditors and German Sworn Auditors and the standard "Requirements to quality control for audit firms" (IDW QS 1) issued by the Institute of Public Auditors, which are in accordance with the International Standards on Quality Control issued by the International Auditing and Assurance Standards Board (IAASB).

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the information in the section "Sustainability at Siemens" in the report based on our work performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain a limited level of assurance whether any matters have come to our attention that cause us to believe that the section "Sustainability at Siemens" in the report for the reporting period from October 1, 2016 to September 30, 2017 has not been prepared, in all material respects, in accordance with the aforementioned reporting criteria. In a limited assurance engagement the evidence gathering procedures are more limited than for a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The procedures selected depend on the auditor's judgment.

Within the scope of our work we performed amongst others the following procedures:

- Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management including the stakeholder dialog of Siemens AG;
- Inquiries of employees responsible in the central Corporate Development - Sustainability department for the preparation of the sustainability reporting in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement;

- Inquiries of employees responsible in the Corporate departments for the topics customers, research and development, employees, occupational health and safety, corporate citizenship, environment, environmental portfolio, compliance, supply chain management and human rights to assess the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement;
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data in the reporting period and testing such documentation on a sample of basis;
- Analytical measures at Group level, on the level of Divisions and the Strategic Units Healthineers and Siemens Gamesa Renewable Energy regarding the quality of the reported data;
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the sustainability data from the topics environmental protection and occupational safety partly during site visits
  - at the locations Charlotte (USA) and Lincoln (UK) of the Division Power and Gas,
  - at the location Regensburg of the Division Energy Management,
  - at the locations Bocholt and Mohelnice (Czech Republic) of the Division Process Industries and Drives,
  - as well as at the Divisions Power and Gas, Digital Factory, Process Industries and Drives and Energy Management;
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the key performance indicators of the Environmental Portfolio including the procedures for determining the qualification of products, solutions and services for the Environmental Portfolio during site visits at the Divisions Power and Gas, Energy Management and the Strategic Unit Siemens Gamesa Renewable Energy;
- Inquiries of employees from selected departments at the Group's headquarters, Corporate departments, Divisions and the Strategic Units Healthineers and Siemens Gamesa Renewable Energy and at the sites visited on material qualitative statements in the section "Sustainability at Siemens" as well as the inspection of selected underlying documents;
- Review of material qualitative statements in the section "Sustainability at Siemens" for plausibility and consistency.

## CONCLUSION

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the information in the section "Sustainability at Siemens" of the report "Sustainability Information 2017" for the reporting period from October 1, 2016 to September 30, 2017 has not been prepared, in all material respects, in accordance with the reporting criteria.

## INTENDED USE OF THE REPORT

We issue this report on the basis of the engagement agreement with Siemens AG. The limited assurance engagement has been performed for the purposes of Siemens AG and is solely intended to inform Siemens AG about the results of the assurance engagement.

## LIMITATION OF LIABILITY

The report is not intended to be used as a basis for (financial) decision-making by third parties of any kind. We have responsibility towards Siemens AG only. We do not assume any responsibility towards third parties.

Munich, November 27, 2017

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Spannagl  
Wirtschaftsprüfer  
(German Public Auditor)

Johne  
Wirtschaftsprüferin  
(German Public Auditor)

## Notes and forward-looking statements

There is no standard system that applies across companies for qualifying products and solutions for environmental and climate protection, or for compiling and calculating the respective revenues and the quantity of reduced carbon dioxide emissions attributable to such products and solutions. Accordingly, revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. Revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions are derived from various internal reporting systems that are generally different from those applicable to the financial information presented in our Consolidated Financial Statements and are, in particular, subject to less sophisticated internal documentation as well as preparation and review requirements, including the IT systems in use and the general internal control environment. We may change our policies for recognizing revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without previous notice.

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate," "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements.

Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in the applicable financial reporting framework not clearly defined – supplemental financial measures that are or may be alternative performance measures (non-GAAP measures). These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with the applicable financial reporting framework in its Consolidated Financial Statements. Other companies that report or describe similarly titled alternative performance measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

## Further information and information resources

### FURTHER INFORMATION ON THE CONTENTS IS AVAILABLE FROM:

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### ADDITIONAL INFORMATION

The Siemens Annual Report 2017 is available online at:

 [WWW.SIEMENS.COM/ANNUAL-REPORT](http://www.siemens.com/annual-report)

### FURTHER SUSTAINABILITY INFORMATION

Further information on our commitment to sustainability and additional sustainability-related indicators are available at:

 [WWW.SIEMENS.COM/SUSTAINABILITY](http://www.siemens.com/sustainability)

Further information on research, development and innovation at Siemens is available at:

 [WWW.SIEMENS.COM/INNOVATION](http://www.siemens.com/innovation)

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