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# Responsible behavior

Compliance at Siemens

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# Responsible behavior

Compliance at Siemens



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# Protecting Siemens' reputation and values

**Preface by Dr. Andreas C. Hoffmann**

Ladies and gentlemen,

Our company was founded by Werner von Siemens back in 1847. Siemens has since become a world-leading technology group and our business is now focused on electrification, automation and digitalization. Siemens operates in more than 200 countries and at the end of September 2016 employed some 351,000 people worldwide.

In November 2006, our company entered the worst crisis in its history. Siemens faced investigations worldwide in what was one of the largest corruption scandals to date – and responded by conducting a full internal investigation of the allegations, appointing new people to almost all management positions within the company and introducing a comprehensive compliance program. This course of action enabled Siemens to overcome the crisis and the proceedings against the company in Germany and the USA to be concluded by December 2008.

The fundamental changes introduced at that time have shaped our company through to the present day and will continue to do so going forward. Siemens is now a different company. The hallmarks of this new Siemens include our company-wide compliance organization and our extensive compliance system, both of which we are continuously developing. At the same time, we are steadily working to more firmly embed integrity in our company, an endeavor in which our managers' responsibility for compliance and their function as role models are of the utmost importance.

Beyond our company's borders, Siemens supports the fight against corruption and champions fair competition in our markets in cooperation with the public sector, the business community and civil society, as only Collective Action involving all players can improve the environment for responsible business practices over the long term – to the benefit of businesses and as a contributor to sustainable development worldwide.

Munich, December 2016  
Dr. Andreas C. Hoffmann  
General Counsel of Siemens AG

A portrait of Dr. Andreas C. Hoffmann, a middle-aged man with short, graying hair, wearing black-rimmed glasses, a white collared shirt, and a dark blue suit jacket. He is smiling slightly and has his hands clasped in front of him on a wooden surface. The background is a light-colored, vertically striped wall.


»Beyond our company borders,  
Siemens supports the fight  
against corruption and  
champions fair competition in  
our markets«

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**DR. ANDREAS C. HOFFMANN**  
General Counsel of Siemens AG

# Responsible behavior

**Foreword by Dr. Klaus Moosmayer**



For Siemens, promoting 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. We show zero tolerance toward corruption, violations of the principles of fair competition and other breaches of the law – and where these do occur, we take rigorous punitive action.



Compliance is firmly embedded throughout our company – not only through internal regulations, related processes and controls, but also through the requirement for all Siemens managers to actively take responsibility and through ongoing communication and training measures that help to strengthen the culture of integrity among Siemens employees.

With a view to embedding compliance in our company, integrity and compliance are also integral to our Vision 2020 concept. Vision 2020 describes the key steps we are taking to steer Siemens toward a successful future. “Always act as if it were your own company”: – this maxim of an active ownership culture applies to everyone – from Managing Board members to trainees. Every employee takes responsibility for Siemens’ success and for ensuring that this success is achieved in an exemplary manner – in accordance with our corporate values.

We view successful compliance as an ongoing challenge: The Siemens compliance organization and the compliance system need to be continuously developed and adapted in line with the changing requirements of our markets and business activities. In this, we are guided by our compliance priorities, at the heart of which lies our culture of ownership.

Over the last few years, the mandate of the Siemens compliance organization has been extended to include responsibility for data protection and anti-money laundering. The compliance system has therefore been adapted and augmented. At the same time, it has become more important – and essential to effective compliance – that employees at all levels of the company work together to achieve compliance in a partnership of trust.

The global compliance landscape has also changed significantly in recent years, an evolution to which the Siemens case and the way it was managed clearly contributed.

In some of our company’s key markets, statutory regulations that, for example, prohibit corruption, have been tightened and there are clear signs that both governments and international institutions are placing greater emphasis on creating the applicable legal framework. At the same time, integrity and compliance are being more widely discussed by political leaders and the public.



» We view successful compliance as as an ongoing challenge: the Siemens compliance organization and the compliance system need to be continuously developed and adapted in line with the changing requirements of our markets and business activities. «

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**DR. KLAUS MOOSMAYER**

Chief Compliance Officer of Siemens AG

This seems to be a continuing trend, and I welcome that: Fair competition promotes innovation, profitable business growth and the sustainable development of markets and societies – to the benefit of all.

The effectiveness of compliance at Siemens rests on the company-wide governance performed by our compliance organization, supported by clear reporting lines, and on our compliance experts working closely together with the Siemens Business Units worldwide. Of fundamental importance is the requirement for all Siemens managers to assume responsibility for compliance. This is the overarching element of the Siemens Compliance System with its three action levels, prevent, detect and respond.

In this publication, we would like to provide you insight into compliance at Siemens, focusing on how our compliance system came into being, its individual elements and its ongoing development. We also describe our organization, which is responsible for implementing the compliance system throughout the company and supporting its managers.


I look forward to receiving your feedback, questions and comments.

Munich, December 2016

Dr. Klaus Moosmayer  
Chief Compliance Officer  
Siemens AG

# From the Siemens case to compliance at Siemens today

Drawing lessons from the crisis



The current Siemens compliance system was developed in 2007 and 2008, initially in response to criminal investigations undertaken against the company by the Office of the Public Prosecutor in Munich, the U.S. Securities and Exchange Commission, the U.S. Department of Justice and numerous other investigating authorities worldwide.

## The Siemens case

On November 15, 2006, German authorities searched Siemens offices in Munich and Erlangen due to suspicions of bribery. Extensive documentation and electronic data were confiscated by the investigating authorities and arrests made. The company decided to get to the bottom of the accusations and cooperate with the investigating authorities in Germany and the United States.

These inquiries, as well as the independent internal investigation undertaken by the U.S. law firm Debevoise & Plimpton between January 2007 and January 2009, exposed systematic violations of anti-corruption laws and accounting regulations in many Siemens businesses and Regional Companies over many years, as clearly described in the documents produced by the U.S. authorities for the final judgment in the United States on December 15, 2008.

It was only possible to conclude the proceedings against the company in Germany and the United States because – as explicitly stated by the U.S. authorities – Siemens not only launched its own investigations into past malpractices and cooperated fully with public authorities, but also developed a comprehensive new compliance program in under two years and implemented it worldwide.

We subsequently developed the compliance program into a compliance management system. The independent Compliance Monitor, former German Federal Finance Minister Dr. Theo Waigel, whom Siemens engaged as part of the settlements reached with the U.S. authorities, assisted with this process on a continuous basis starting in fiscal 2009.

The Compliance Monitor's four-year mandate ended when he presented his fourth annual report in October 2012. The Monitor's activities and in particular his recommendations made an important contribution toward improving the Siemens compliance system and permanently embedding compliance in our company.

## The compliance landscape has changed

When the proceedings were concluded in December 2008, Siemens had been able to reach agreement with the German and U.S. authorities in the record time of just 18 months. What is more, Siemens was not excluded from public contracts.

The events had consequences far beyond the company. Often – and with good reason – the Siemens case is still regarded as defining event: largely because of its dimensions, but not least in terms of the cost to the company. The impact on requirements for organizational and supervisory duties within the company and overall good corporate governance cannot yet be conclusively assessed. Numerous companies have redoubled their compliance efforts, in no small part due to the increasing activities of public prosecutors in a number of countries.

These trends are still playing out – but it can already be said that the Siemens case placed the fight against corruption – and compliance in general – permanently and more firmly on the agenda than ever before: in the political area and government institutions, in the business sector and civil society.

One example of this is the UK Bribery Act, which went into force on July 1, 2010. It has worldwide reach and allows both companies and individuals to be sanctioned. Another example is the ratification of the United Nations Convention against Corruption by the Bundestag, the lower house of the German parliament, in 2014.

## The path to compliance at Siemens today

About eight years have passed since the compliance program was first developed and introduced within the company in 2007 and 2008. What key developments in compliance at Siemens have been made since then and what are the defining aspects of compliance at Siemens in 2016?

The compliance program emerged against the backdrop of the ongoing official proceedings back in 2007 and 2008. Weaknesses identified during the internal investigations had to be remedied, and mandatory company-wide regulations were drawn up and introduced together with supporting processes and tools. The focus was on centralizing critical functions such as payments and introducing comprehensive controls as well as mostly central review and approval processes for business decisions entailing compliance risk. At first we had to centrally advise and assist our employees on compliance matters through a special compliance helpdesk. Set up at the same time the compliance program was introduced, the compliance organization was initially unable to provide full support to employees at the local level. The "Tell us" whistle-blowing system and an external ombudsman provided our employees and external stakeholders with a secure way of reporting possible misconduct within the company.

At the same time, we started to train our employees in functions entailing particular compliance risk. This involved communicating new regulations and processes and, to a large extent, familiarizing them with the company's new stance on responsible business conduct – in the process creating the basis of a new culture of integrity within the company. The internal investigations quickly highlighted the key role management had to play in the transformation and in successful compliance within the company: "Only clean business is Siemens business – everywhere, everybody, every time" was the clear, unequivocal position of senior management. This "tone from the top" remains fundamentally important to compliance at Siemens. In 2008, we began to review and adapt the newly introduced compliance regulations and processes: based on the experience gained, against the backdrop of our employees' growing familiarity with the compliance program and in view of the progress in setting up the company-wide compliance organization.

Numerous regulations were simplified, for example, and responsibility for the compliance review and approval of business decisions was transferred back to the Business Units or individual employees and integrated into business processes, supported by the introduction of IT-based procedures to assist with workflows and documentation. For these and all other changes, we made it an essential requirement for all employees to uphold the company's high standards of responsible business conduct without exception and to make no compromises in ensuring that Siemens is reliably protected against compliance risk.

## Key aspects of compliance at Siemens today

- The company-wide Siemens compliance organization combines strong governance at the Group level with the global presence of qualified compliance officers who ensure the compliance system is implemented in the company's units. They do this in close cooperation with our employees and management, who act as role models and take responsibility for compliance in the Business Units.
- We have largely combined the companywide compliance regulations into a single framework.
- We implement this this by using standardized processes and tools that are integrated into our business processes and ensure that business decisions by management take into account the relevant compliance risks.
- We have developed the compliance program into a compliance management system; this is documented with a standard that applies throughout the company.
- We regularly analyze and assess the compliance risks to the company as a whole and at the level of the individual Business Units and take the necessary risk mitigation steps, both when developing regulations or processes and when fine-tuning their implementation in individual units.
- In our markets, we join forces with external players to combat corruption and other violations of fair competition rules. The Siemens Integrity Initiative and, increasingly, integrity and compliance pacts for specific market segments play a crucial role in this.



**Further information:**

Documents from the U.S. Securities and Exchange Commission, the U.S. Department of Justice and the Office of the Public Prosecutor in Munich related to the conclusion of the proceedings against Siemens (and a detailed description of events by Siemens): [siemens.com/settlement](https://www.siemens.com/settlement)

Compliance on the Siemens global website: [siemens.com/compliance](https://www.siemens.com/compliance)

We regularly publish compliance indicators and further information on compliance development at Siemens in our Annual Reports and Sustainability Information: [siemens.com/investor](https://www.siemens.com/investor)

Siemens Annual Reports contain information on legal proceedings.

# Complex challenges and continuous change

Global business activities and compliance



Siemens operates in more than 200 countries – with customers from almost all industries and both the private and the public sector. At the end of September 2016, the company had some 351,000 employees worldwide. The environment in which our company conducts its business and thus its compliance activities is correspondingly complex.

A detailed description of our company along with its global business activities and setup would go beyond the scope of this publication, as would even a description of just the main legal aspects of compliance – that goes equally for rulemaking and the practical implementation of existing laws as well as for the role of international conventions and institutions. This section is merely intended to help the reader obtain an initial impression by outlining selected aspects.

## Overview of Siemens

Focusing on electrification, automation and digitalization, Siemens AG is one of the world's leading technology groups and operates in more than 200 countries around the globe. Siemens is one of the world's largest producers of energy-efficient, resource-saving technologies. The company is a leading provider of efficient power generation and power transmission solutions, and a pioneer in infrastructure solutions as well as in automation, drive and software solutions for industry. Siemens is also a leading provider of medical imaging equipment and a leader in laboratory diagnostics and clinical IT.

Our company operates 289 major production and manufacturing plants worldwide. We also have office buildings, warehouses, research facilities and sales offices in almost every country in the world.

In fiscal year 2016, which ended on September 30, 2016, Siemens generated revenue of €79.6 billion and net income of €5.6 billion. At the end of September 2016, the company had some 351,000 employees worldwide.

## A diverse environment

Our global business activities are subject not only to numerous national legal systems, but also to diverse political, social and cultural frameworks that are not static, but in a constant state of flux.

They determine the requirements that apply to our business activities and shape not only our operating environment, but also the everyday experiences of our employees – in and outside their work for our Company.

Effective compliance requires that we address these conditions. This ranges from drawing up topic-specific compliance regulations and processes (to support the implementation of those regulations) all the way to reliably supporting our employees by providing communications, training and advice on compliance. Our compliance officers and experts who work on-site in our Business Units worldwide play a key role in managing these requirements – and receive support from the company-wide governance performed by our compliance organization.

## International conventions and organizations – the OECD as an illustrative example

Anti-corruption is the subject of a number of international conventions and recommendations. These range from the United Nations Convention against Corruption dated September 16, 2005, and Principle 10 of the United Nations Global Compact Principles, which prohibits corruption, to the anti-corruption principles of the International Chamber of Commerce and the World Economic Forum under its Partnering Against Corruption Initiative (PAC), to name just a few key conventions and recommendations.

The OECD Anti-Bribery Convention, which entered into force on February 15, 1999, requires the 41 signatory states to establish that “active” bribery of a foreign public official is a criminal offense under their national laws. The Convention includes a process in which the effectiveness of implementing the obligations by the signatory states is continually monitored. This monitoring process is the responsibility of the OECD Working Group on Bribery, which engages independent auditors to carry it out.

The private sector supports the OECD in the fight against corruption through the Business and Industry Advisory Committee (BIAC) Anti-bribery and Corruption Policy Group. Since the end of 2013, the policy group has been chaired by Siemens’ chief compliance officer.

The Foreign Bribery Report published by the OECD in December 2014 offers a detailed description and analysis of transnational corruption based on data from the (then) 427 foreign bribery cases concluded since the OECD Anti-Bribery Convention entered into force. The results of

the study paint a clear picture and are also an important indicator of potential risks. Some examples:

- Fifty-three percent of all cases examined involved corporate management or CEOs.
- Fifty-seven percent involved bribes to obtain public procurement contracts.
- Seventy-five percent of the cases involved payments through intermediaries, i.e. business partners acting on behalf of or for companies.
- In two percent of the cases, investigations and sanctions were instigated by whistle-blowers.


Like Transparency International's Corruption Perceptions Index (CPI), the Foreign Bribery Report is an important source for our compliance risk management.

**Further information:**

The [Siemens global website](https://www.siemens.com) provides detailed information on our company: [siemens.com](https://www.siemens.com); see also Siemens Annual and Interim Reports.

# Guidance for compliance at Siemens tomorrow

## **Our compliance priorities**



Our compliance priorities provide the basis for the ongoing development and further improvement of our compliance system. They take into account the requirements arising from both our own work and evolving market as well as compliance risks in our business activities.

Since the compliance priorities were introduced in fiscal 2011, they have defined the focal points for each fiscal year that guide our activities and provide the foundation for developing our compliance system.

Drawing on our past experience and, above all, our Vision 2020 concept, we have further developed this approach in order to create a reliable long-term outlook for the future development of compliance at Siemens.

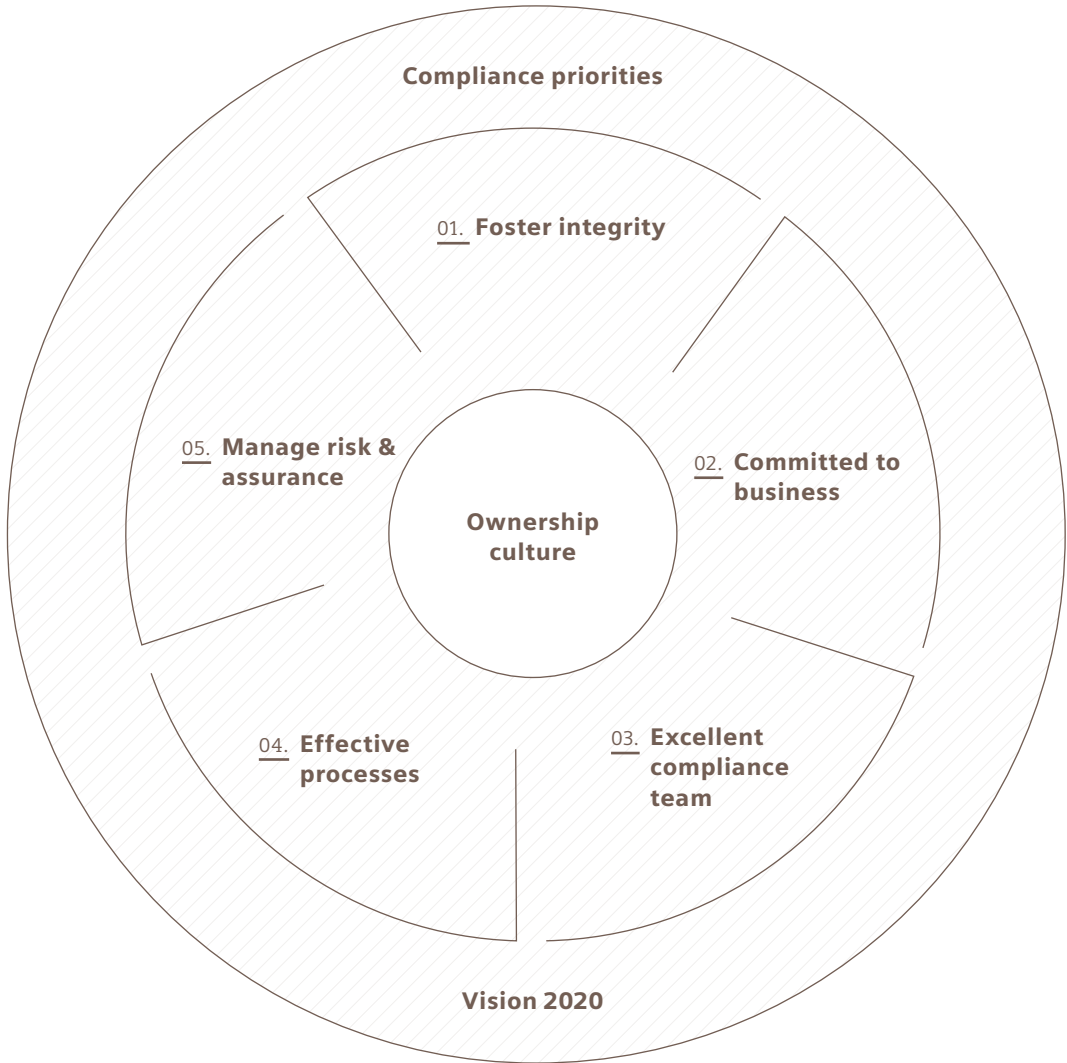
Ownership culture is a cornerstone of Siemens' Vision 2020, with the integrity of our employees' decisions and actions an inextricable part of this. More specifically, this means that every employee is expected to act responsibly and to live up to this principle.

The compliance system aims to help our employees make risk-based decisions with integrity. This is how compliance can ultimately provide reliable assurance to our company and its employees, while at the same time helping to strengthen the ownership culture at Siemens. Ownership culture is therefore at the heart of our compliance priorities. We supplement them with focus areas and specific activities for each fiscal year. We report on these and on compliance development within our company in our Siemens Sustainability Information.

The figure on the following page outlines our compliance priorities.

**Further information:**  
[siemens.com/investor](https://www.siemens.com/investor)  
[siemens.com/strategy](https://www.siemens.com/strategy)

## The Siemens compliance priorities





**01. Foster integrity**

Support business management to meet its responsibilities for compliance and further strengthen the culture of integrity in our company and beyond.

**02. Committed to business**

Further intensify cooperation between the compliance organization and our businesses and reinforce our compliance system's market and customer focus.

**03. Excellent compliance team**

Provide an excellent compliance team through a first-class learning and development landscape and close collaboration.

**04. Effective processes**


Continue to further optimize and streamline our compliance processes.

**05. Manage risk & assurance**

Continue providing our businesses with the appropriate level of assurance within our compliance system.

# The Siemens compliance organization

## Central governance and proximity to the business



Compliance is firmly embedded at all organizational levels within the company. The compliance organization has company-wide responsibility for the Siemens compliance system and is headed by the Chief Compliance Officer, who reports to the General Counsel of Siemens AG and also has direct access to the Managing and Supervisory Boards of Siemens AG.

In early 2007, the Siemens compliance organization consisted of a handful of legal experts at corporate headquarters and around 60 compliance officers in the Businesses and Regions, most of whom worked as compliance officers as a secondary activity.

This situation has changed fundamentally. Today, several hundred employees – compliance officers and subject-matter experts – work full time as part of a single organization headed by the Chief Compliance Officer. The compliance organization is part of the global Legal and Compliance Department headed by the General Counsel, who reports directly to the President and CEO of Siemens AG.

The Chief Compliance Officer has company-wide responsibility for the operational and legal aspects of compliance, including the central compliance framework and related processes, compliance risk analysis and handling of compliance cases. He reports on Siemens Compliance topics on a quarterly basis and where necessary submits ad hoc reports to the Managing and Supervisory Boards.

The compliance officers are responsible for implementing the compliance system in the corporate departments, Divisions, Business Units, countries and Healthcare. Regional compliance heads oversee the compliance organization in the regions in which the company operates.

In addition to the size, the compliance risk associated with the business plays a key role when allocating compliance staff to the Divisions, Healthcare and the Regions.

The compliance officers and subject-matter experts act as partners to management and employees. In doing so, all compliance officers must have the independence necessary to prevent conflicts of interest arising when fulfilling their responsibilities. For this reason, they are generally not permitted to take on duties outside the compliance organization.

Time	Topic	Speaker
08:00	Break transfer from B&B hotel	Platzhalter
08:00-08:45	45 min. Vision 2020 and Compliance – Progress and Perspectives	Klaus Mosenmayer
08:45 – 10:15	30 min. Lead Country Germany	Ralford Martin Gengen
10:15 – 10:45	30 min. Legal, Risk Management & Collaboration	Jörg Haring
10:45 – 11:15	30 min. Coffee break	AI
11:15 – 12:45	90 min. Compliance of the Future	Moderator: Klaus Mosenmayer Co-Moderator: Hans-Joachim (T) Martin Neuberger (S&C) Thomas Neuberger, Florian Störmer, Sabine Ziss
12:45 – 13:00	15 min. Wrap-up and closing remarks	Klaus Mosenmayer
13:00 – 14:30	90 min. Farewell Luncheon	AI

November 2017 | Siemens AG | 2014-2015 All rights reserved | Page 3 | Compliance Management Summit 2015, Berlin, September 22-23, 2015

Siemens compliance organization conferences promote greater collaboration and enable participants to share experiences and discuss current issues and challenges.

Siemens Compliance Management Summit in Berlin, September 2015



The compliance organization is responsible for the following:

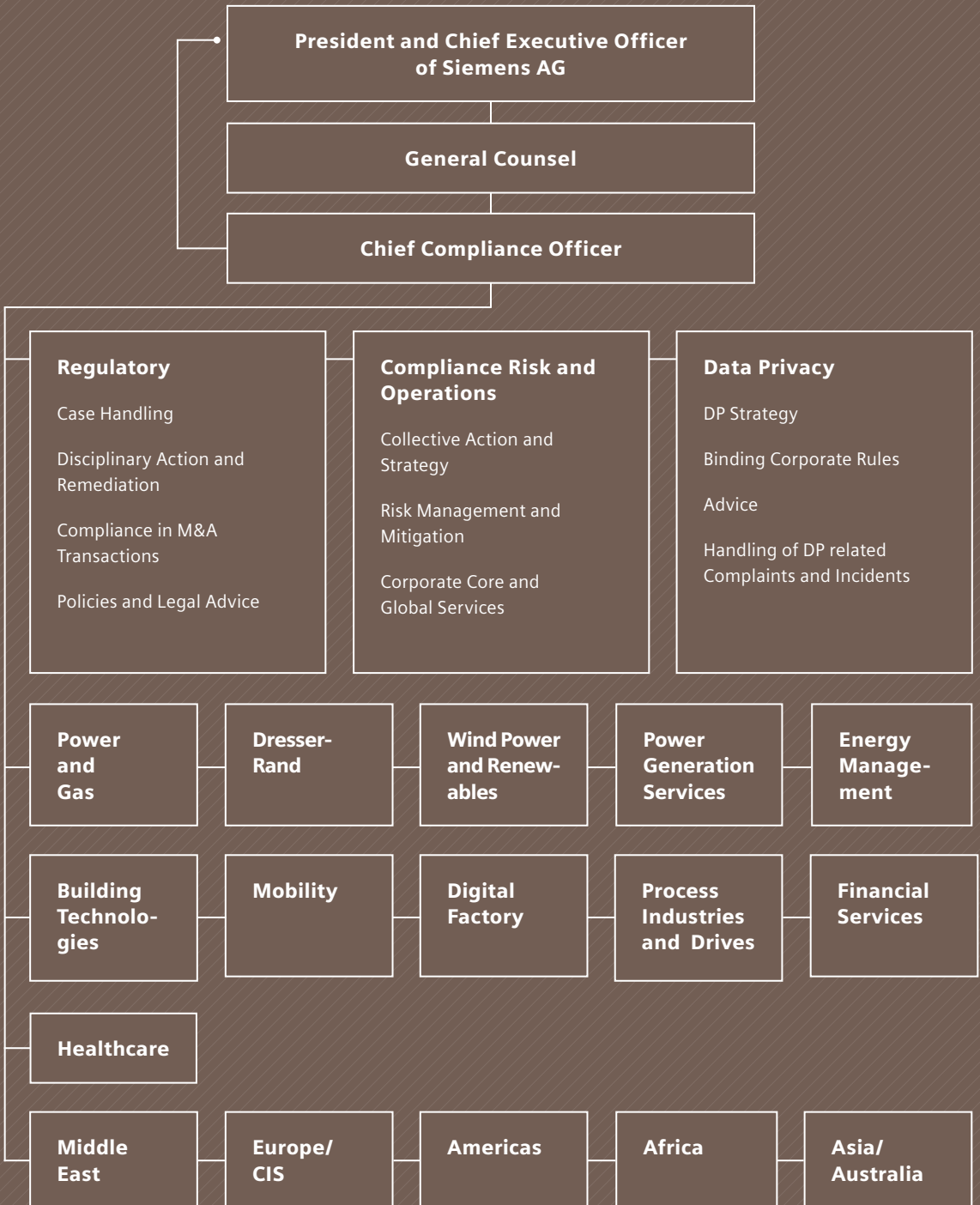
- Anti-corruption – preventing abuse of entrusted power for private gain
- Antitrust law – preventing violations of fair competition rules
- Data protection – protecting personal data
- Anti-money laundering – protecting the company from being misused for money laundering and financing terrorism

In addition, the compliance organization has overall responsibility for handling all compliance cases, in particular for investigating them and for taking punitive action when chargeable violations by Siemens employees are identified. These include, for example, violations of criminal or administrative law and related internal regulations as well as criminal or administrative proceedings against the company or one of its employees.

The figure on the right shows a simplified version of the Siemens compliance organization.

We are continuously developing the company's compliance organization. In the process, we concentrate on the focal points defined by the compliance priorities:

- All compliance officers and subject-matter experts have access to the Compliance Academy, a central platform providing a comprehensive learning and development environment. The main elements of the academy includes the Compliance Education Program – a modular program of internal and external in-person sessions for systematic training – and internal certification as a compliance expert.
- We promote greater collaboration within the compliance organization by, for example, appropriately structuring areas of responsibility and workflows, as well as through cross-disciplinary projects.



Structure of the global Siemens Compliance Organization (simplified illustration)

# Always present – first point of local contact

## Compliance ambassadors

Putting compliance into practice requires the Siemens compliance organization and our employees in Business Units and regions to work together in a partnership of trust. As the first point of local contact, our compliance ambassadors make an important contribution toward achieving this: They are part of our businesses and work with local employees on a daily basis. They assume the role of compliance ambassador voluntarily and in addition to their actual role outside the compliance organization.

Figure on the right:

Siemens is involved in the Riyadh metro project together with Bechtel, the U.S. company leading the consortium, and two local construction companies. The project is about supplying the entire turnkey system for two driverless metro lines in the Saudi Arabian capital. An expert from the team of the Mobility Division Compliance Officer is managing project compliance globally, and the Regional Compliance Officer for Saudi Arabia is responsible for ensuring things run smoothly in the country. Both support the compliance ambassador, Asif Mahmood, who is serving as the local contact for colleagues as well as working in the project office.





»I work on site in the project office. My colleagues on the project and I work closely together. They know and trust me.«

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**ASIF MAHMOOD**

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Asif Mahmood (pictured second from left) works as a financial controller at Siemens. He also supports the Riyadh metro project as a compliance ambassador.

# Integration of all company compliance measures

The Siemens compliance system



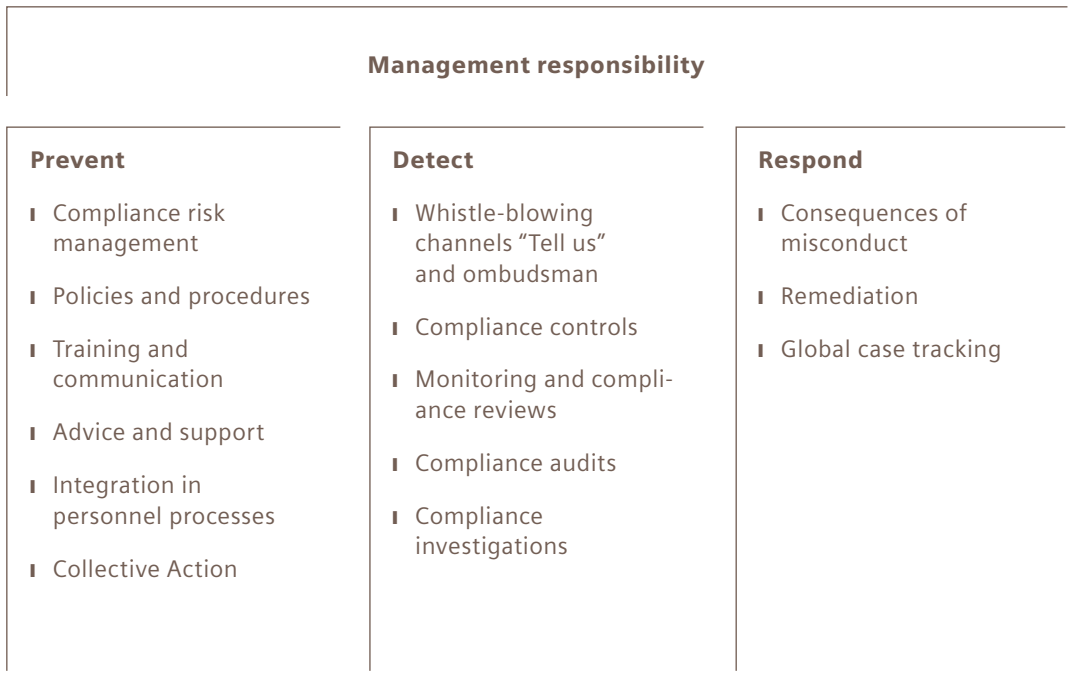
We have continuously improved the compliance program since it was first introduced throughout the company in 2007 and 2008, developing it into a compliance management system. Compliance is a permanent and integral part of our business processes.

Our compliance system is based on a clearly defined plan and all Group compliance measures must adhere to it.

## Our compliance system consists of three pillars:

- **Prevent** misconduct
- **Detect** misconduct and weaknesses
- **Respond** to misconduct and weaknesses


Managers’ responsibility of all managers for compliance is the overarching element above these three pillars.



The elements of the compliance system are closely interlinked – and thus together form a single system.

**Further information:**  
[siemens.com/compliance](https://www.siemens.com/compliance)

# Siemens compliance system at a glance



The Siemens compliance system comprises the four areas of responsibility of the compliance organization: anti-corruption, antitrust law, data protection and anti-money laundering.

The following sections cover selected compliance system topics in more depth.


## Siemens compliance system at a glance

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# Unequivocal position and role-model function

## Management's responsibility for compliance



The defining element of the Siemens compliance system is the responsibility all Siemens managers have for compliance. This management responsibility goes beyond the unequivocal position of senior management: Every one of our managers must exemplify compliance and ensure that business decisions and actions in his or her area of responsibility are always in accordance with the relevant legal requirements and our own values and guidelines.



»Our company's active ownership culture makes the difference. Above and beyond ingenuity, people rightly associate Siemens with reliability, fairness and integrity.«

JOE KAESER

President and CEO of Siemens AG

The Senior management's clear commitment to integrity and compliance – that is, the tone from the top, the position continuously communicated to the entire company by the CEO and all members of the Managing Board – plays a key role in firmly embedding compliance throughout the company.

Management's responsibility for compliance goes far beyond the unequivocal position of the Managing Board:

Siemens expects all managers to express to their employees their full commitment to responsible business conduct and compliance. Each Siemens manager is responsible for ensuring that business decisions and activities in his or her area of responsibility are always in accordance with the applicable laws and Siemens' values and internal guidelines.

In performing these duties, managers of the Siemens units are supported by compliance officers who bear responsibility for the proper functioning of the compliance system.

## Putting management's responsibility into practice

Throughout Siemens, management's responsibility for compliance is put into practice through the compliance system. Here are some examples of this:

- Quarterly compliance review by the management of the Business Units with the relevant compliance officer (Compliance Review Board); at Group level by the Managing Board of Siemens AG with the Chief Compliance Officer (see page 73)
- Periodic assessment of specific compliance risks for Divisions/Healthcare and Lead Countries or for selected countries with a particular risk profile by the management of those units with the compliance officer (Compliance Risk Assessment, see page 70)
- Notification of the management of the Business Units about weaknesses in the implementation of the compliance system detected when carrying out the compliance control framework activities that are mandatory throughout the company (see page 73)
- Annual company-wide compliance discussions between managers and their employees (integrity dialog) and other communication obligations (see page 62)
- Assessment of the compliance risks associated with planned business activities in order to support informed business decisions by management (compliance due diligence for collaboration with our business partners, see page 54)



For senior management, Siemens has made it mandatory for poor performance on compliance to be considered under the company's bonus regulations – an example of how compliance is integrated into our personnel processes. In addition, issues related to our managers' performance on compliance may be addressed by the compliance organization; close collaboration with the CEOs of our Business Units ensures the necessary basis for this.

## Perception of our employees

We conduct regular surveys to gauge how Siemens employees perceive the topics of integrity and compliance within the company. Among other things, analysis of the survey results provides the compliance organization and, above all, management with information on how our employees rate their managers' stance on integrity and compliance issues.

Since fiscal 2010, this survey has been an integral part of the company-wide Siemens Global Engagement Survey. The survey was carried out in fiscal 2015. We consider the results to be an indication of our employees' positive perception of compliance.

We are continuously working to bolster and more effectively support the responsibility of all managers within the company – in the compliance priorities, we have defined this as one of our focal points in developing compliance at Siemens.






»The innovative strength of our employees, a close and good relationship of trust with our customers and a responsible corporate culture are decisive factors for the sustainable success of Digital Factory – today and in the future.«

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**DR. JAN MICHAEL MROSIK**  
CEO Digital Factory, Siemens AG

# Binding framework for decisions and conduct

## **Business Conduct Guidelines and Global Compliance Circular**



The Business Conduct Guidelines contain the basic principles and rules governing the way we act within our company and in relation to our partners and the general public. They include the requirement to comply with applicable laws at all times as well as the prohibition against corruption and other violations of the principles and rules of fair competition.

The provisions of the Business Conduct Guidelines on anti-corruption, antitrust law, data protection and anti-money laundering are detailed in and implemented through a single internal framework for the compliance organization.

## Business Conduct Guidelines – the basis for all company regulations

The Business Conduct Guidelines are of central importance to Siemens. They are based on our corporate values and form the basis for all internal company regulations and the Siemens compliance system. All Siemens employees are required to be familiar with and observe these principles and rules worldwide. It is the duty of our managers to ensure they are observed and to serve as role models in adhering to the Business Conduct Guidelines. To this end, they must know the Business Conduct Guidelines, communicate them to their employees and set a good example.

The Business Conduct Guidelines are based on international and generally accepted conventions on upholding human rights and combating corruption as well as on statutory provisions.

## Prohibition of corruption in the Business Conduct Guidelines

The Siemens Business Conduct Guidelines contain clear and comprehensive anti-corruption principles and rules:

### **Anti-corruption: offering and granting advantages (B.2.)**

No employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to a government official to influence official action or obtain an improper advantage. The same applies to a private commercial counterparty in a business transaction in consideration for an improper advantage. Any offer, promise, grant or gift must comply with applicable laws and Siemens' policies and must not raise an appearance of bad faith or unsuitableness. This means that no such offer, promise, grant or gift may be made if it could reasonably be understood as an effort to improperly influence a government official or as a bribe to a commercial counterparty to grant Siemens a business advantage.

The term government official also includes candidates for political office, political party officials and employees as well as political parties.

The prohibition against corruption is further specified in the individual chapters of the Business Conduct Guidelines, addressing such topics as dealing with business partners, donations and sponsorships and the company's investment decisions.

**Anti-corruption:  
demanding and accepting advantages (B.3.)**

Employees are not permitted to use their jobs to solicit, demand, accept, obtain or be promised advantages. This does not apply to the acceptance of occasional gifts of purely symbolic value or meals or entertainment reasonable in value that are consistent with local customs and practices and Siemens policies. Any other gifts, meals or entertainment must be refused.

## Prohibition of facilitation payments

The prohibition against corruption contained in the Business Conduct Guidelines includes prohibition of facilitation payments – i.e., the payment of relatively small amounts of money or the granting of other benefits to usually low-ranking government officials for their own personal benefit with the aim of speeding up the performance of a lawful act such as an official authorization process.

This prohibition also applies to payments or the granting of other benefits with comparable characteristics and a comparable purpose to private commercial counterparties.

This prohibition may not be circumvented by making facilitation payments indirectly through third parties.

If asked for such a payment, Siemens does not expect any company employee to risk life, limb or liberty in the course of performing his or her duties. Although such unjustified payments under duress are not punished by way of disciplinary action, they must be reported internally.

## Further basic rules contained in the Business Conduct Guidelines

The Business Conduct Guidelines contain the basic company rules on numerous other subjects, namely competition and antitrust law, anti-money laundering, avoiding conflicts of interest and the protection of personal data.

## Global Compliance Circular

For fiscal 2016, Siemens combined the additional internal compliance regulations in the company-wide Global Compliance Circular, thereby making the overall compliance regulatory framework clearer and more user-friendly.

The Global Compliance Circular contains

- all company-wide regulations laying out the provisions of the Business Conduct Guidelines on anti-corruption, antitrust law, anti-money laundering and data protection,
- related regulations for the compliance organization and
- binding topic-specific regulations on applicable processes and the use of aids and tools provided by the compliance organization.

## Compliance operating model

Further mandatory guidance for the compliance organization has been combined with the compliance operating model, Siemens' internal compliance standard.

This describes the operating model and internal processes of the compliance organization and emphasizes the importance of collaboration for effective compliance at Siemens.

The compliance operating model is intended to support the compliance organization in its work, while providing all managers in the company with an overview of compliance at Siemens and illustrating the added value created by the compliance organization for the company through the compliance system.

### Further information:

The most recent version of the Siemens Business Conduct Guidelines can be downloaded in its full version at [siemens.com/bcg](https://www.siemens.com/bcg)

[siemens.com/international-guidelines](https://www.siemens.com/international-guidelines)

## The Siemens Business Conduct Guidelines at a glance



### JOE KAESER

The Business Conduct Guidelines are of central importance to Siemens. They contain the fundamental principles and rules governing the way we act within our company and in relation to our partners and the general public.

The Business Conduct Guidelines take their orientation from international and generally accepted conventions on the upholding of human rights or the fight against corruption, as well as statutory provisions.

Joe Kaeser  
President and CEO

### A. Basic Behavioral Requirements

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

### B. Treatment of Business Partners and Third Parties


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





# Security for day-to-day business

## **Gifts and hospitality**



Gifts and hospitality in connection with business decisions and activities must comply with local laws and the Siemens Business Conduct Guidelines. Detailed regulations and specific procedures help our employees to comply with the prohibition against corruption in such cases and ensure that certain activities are approved in advance.

The Business Conduct Guidelines prohibit any form of corruption (see page 43). Benefits may not be granted or accepted as consideration for an improper advantage and may not create the appearance of bad faith or impropriety. To assess whether this is the case, it is usually necessary to assess the circumstances surrounding the planned benefit as well as to check whether it is in accordance with the applicable laws.

Invitations to entertainment events extended to external guests and in most cases the payment of travel and accommodation costs for external parties must be approved in advance – by both management and the compliance organization in the case of entertainment events – using a mandatory company-wide tool. The tool ensures the planned benefit is fully and transparently documented – a prerequisite for a reliable assessment and decision.


Our employees can verify whether it is permitted to grant any other benefits, in particular gifts and meal invitations, using country-specific scorecards and at the same time establish whether it is necessary to obtain approval from their manager or the compliance officer. When granting gifts and hospitality to government officials or related parties, it is mandatory to use the scorecards. When granting gifts and hospitality to private-sector individuals, the use of scorecards is voluntary. Separate country-specific scorecards help our employees to decide whether or not they may accept an advantage.

Our employees can use the scorecards on our company-wide compliance intranet and as an app on their smartphones.

For information on implementation of the prohibition against corruption in Siemens' collaboration with business partners, see page 54.

# Clear boundaries

## **Sponsorships, donations, memberships**



Sponsorships, donations and memberships are important elements of Siemens' marketing activities, its corporate citizenship and in representing our company's interests. These activities must also comply with the Business Conduct Guidelines and, above all, may not violate the prohibition against corruption and the principles of fair competition. Throughout the company, they are subject to mandatory approval processes. Further restrictions apply, in particular to company donations.

If cash or noncash benefits are provided to organizations without any consideration being received in return – such as contributions and charitable donations – or if the consideration is difficult to measure – in the case of sponsorships or memberships, for example, there is the potential risk that such benefits are being used to inappropriately influence recipients.

Section B.4. (Political Contributions, Charitable Donations and Sponsoring) of the Siemens Business Conduct Guidelines contains more detailed provisions governing the implementation of the prohibition against corruption, excerpts from which read as follows:

Siemens does not make political contributions (donations to politicians, political parties or political organizations). Donations to individuals, private accounts or for-profit organizations are also prohibited.

All donations must be transparent. This means, among other things, that the recipient's identity and planned use of the donation must be clear and the reason and purpose for the donation must be justifiable and documented.

All sponsoring contributions must be transparent, pursuant to written agreement, for legitimate business purposes, and commensurate with the consideration offered by the event host.

Contributions may not be promised, offered or made to secure unjustified competitive advantages for Siemens or for other improper purposes.

A mandatory company-wide procedure ensures that such activities are documented with the requisite transparency and subject to advance approval following a detailed review. For certain transactions, this is a risk-based review involving the compliance organization.

**Further information:**

For information on donations that Siemens employees in the United States are permitted to make to political action committees as governed by U.S. law, see [fec.gov](https://www.fec.gov)



## One of Siemens' biggest corporate citizenship actions: the Mandela School of Science and Technology in Mvezo, the birthplace of Nelson Mandela, in South Africa

Opened in 2014, the school is a collaborative effort between Siemens, the Department of Basic Education with the Eastern Cape Department of Education and the Mvezo Development Trust, which represents the interests of the people of Mvezo. Siemens has contributed €10 million toward the cost of building and operating the school.

Company financial contributions such as these must also comply with the applicable laws and the Siemens Business Conduct Guidelines. They undergo the company's mandatory review and approval process (see previous page).

**Further information:**

Homepage of the Mandela School of Science and Technology:  
[mandelaschool.co.za/](http://mandelaschool.co.za/)

Further information on this project:  
[siemens.com/education-is-key](http://siemens.com/education-is-key) and  
[siemens.com/press/mandela-school](http://siemens.com/press/mandela-school)



Pictured on this page:  
 Rainer Buehrer and Tapiwa Kahari from the Siemens compliance team in South Africa hold an integrity workshop with students from the Mandela School of Science and Technology.  
 Rainer Buehrer is Lead Country Compliance Officer for South Africa and Regional Compliance Head for Africa.

# High standards for selection and monitoring

## Collaboration with business partners

Worldwide, Siemens works together with sales agents, distributors, customs agents, consultants, partners in joint ventures, lobbyists and other business partners. This is an integral part of our business activities.

In certain circumstances, Siemens may be held liable for its business partners' actions. We counter this risk by using comprehensive procedures to select our business partners, by contractually obliging them to adhere to our codes of conduct and by monitoring the ongoing collaboration. In doing so, we cover the entire lifecycle of the business partner relationship. Our mandatory company-wide Business Partner Tool supports the reliable implementation of this process and ensures the relevant information and activities are fully documented.



## Provisions in the Siemens Business Conduct Guidelines

Section B.2. of the Siemens Business Conduct Guidelines (Anti-Corruption: Offering and Granting Advantages) contains more detailed provisions governing implementation of the prohibition against corruption in dealings with business partners.

It stipulates that employees may not give money or anything of value indirectly (for example, to a consultant, agent, intermediary, business partner or other third party) if the circumstances indicate that all or part of [it] may possibly be directly or indirectly passed on

- to a government official to influence official action or obtain an improper advantage or
- to a private commercial counterparty in consideration for an unfair advantage in a business transaction.

As a result, employees responsible for hiring consultants, agents, partners in joint ventures or comparable entities must take action as appropriate to

- ensure that those third parties understand and will abide by Siemens' anti-corruption policies or comparable equivalents,
- evaluate the qualifications and reputation of such third parties, and
- include appropriate provisions in agreements and contracts designed to protect Siemens.

This applies in particular – but not only – if they have contact with government officials on behalf of Siemens.

These provisions define the basic conduct and due diligence required of our managers in Siemens' collaboration with business partners. They are implemented through additional company-wide provisions.

At the same time, business partner compliance is central to protecting our company against compliance risk.

## The Elements of our business partner compliance in detail

Siemens business partner compliance covers the entire collaboration lifecycle



## 01. Business Partner strategy

Our Business Unit managers regularly review the business partner portfolio in question and determine strategic requirements.

## 02. Business partner selection

Potential business partners are selected on this basis.

## 03. Compliance due diligence and check

Based on defined risk indicators such as the risk of corruption in the country in which work is undertaken, a risk class (high, medium or low risk) is established for the business partner relationship and determines the further course of action.

Our compliance due diligence process and the related tool help all Siemens units to carry out a risk-based integrity check on future business partners. Top-quality due diligence is the basis of and a prerequisite for a transparent and risk-based decision on a business partner relationship. In the course of due diligence, certain business partners also have to be audited locally. We require business partners selected on the basis of risk to complete a web-based compliance training course before collaboration begins. For all other business partners, the training is voluntary.

## 04. Signing of contract

The risk classification of the planned business partner relationship also determines the approval requirements and the required content of the contract.

Since fiscal 2015, we have required our business partners to contractually commit to adhering to our code of conduct for suppliers and third-party intermediaries. This code of conduct replaces our business partners' previous contractual commitment to the principles of the Business Conduct Guidelines. It is based on the 10 principles of the United Nations Global Compact and, among other things, includes the requirement to observe the law, detailed provisions on the prohibition against corruption and violations of competition law, and provisions on preventing conflicts of interest.

## 05. Monitoring of relationship/audit

The requirements related to monitoring the ongoing business relationship once the contract has been signed are also determined on the basis of the risk classification. Mandatory parts of the monitoring process include, for example,

- I regular assessment of the business partner's performance in comparison with the agreed remuneration,
- I responding appropriately to clear indications of risk and
- I regular reviews of business partner relationships posing the greatest potential risk, with the reviews conducted by our Business Unit managers and the relevant compliance officer (in particular on the Compliance Review Board; see page 73).

The tool also supports these monitoring activities.

Business partner audits are another part of the process of monitoring our business partners who have been selected on the basis on risk considerations as well as on an ad hoc basis.

## 06. Renewal of compliance due diligence

Lastly, compliance due diligence must be repeated at defined intervals. This is mandatory for continuing a collaborative arrangement.

### Further information:

[siemens.com/training-business-partner](https://www.siemens.com/training-business-partner)

[siemens.com/sustainability-supply-chain](https://www.siemens.com/sustainability-supply-chain)

# Megaproject and the largest single order in the history of Siemens:

Siemens is building three combined cycle power plants and up to 600 wind turbines in Egypt



Project business places diverse and complex requirements on compliance at Siemens. Large projects in the public infrastructure segment in particular involve a number of partners, and often the customer on such projects is from the public sector.

Siemens has integrated compliance into project management throughout a project's life-cycle – from the acquisition stage to completion of the project:

During the approval process for our project business, potential orders are assessed before a bid is submitted not only in terms of their financial and technical risks, but also with regard to their specific compliance risks.


During project execution, we provide compliance support in close cooperation with the project management, with the scope and intensity of the support depending mainly on the compliance risk assessment.

For the current large-scale projects in Egypt and Saudi Arabia, we and our project partners also ensure compliance through the use of integrity pacts (see page 88 for further details).



# Support and transparency

## Training, advice, communication



Even the best compliance rules are ineffective if employees are unaware of them and do not know how to put them into practice. As a result, one focus of the preventive measures in our compliance system is informing all employees about legal requirements and our own compliance regulations and processes. Another is training and advising our managers and employees. In addition, there is the continuous communication of the tone from the top at all levels of our company.

## Overview of our compliance training

Our companywide mandatory training programs mainly target our managers and employees whose roles bring them into contact with certain compliance risks – in procurement, sales or project management, for example. A binding definition of these sensitive functions applies throughout the company.

Drawing from this definition, the compliance officers in our Business Units identify the managers and employees required to attend the training sessions and ensure that they do so. They regularly check and confirm fulfillment of these requirements.

Our company-wide compliance training portfolio comprises in-person and web-based training sessions:

The in-person training sessions allow our employees to discuss correct conduct using specific examples taken from day-to-day work together with their compliance officer who conducts the training session. A comprehensive, regularly augmented set of instructive case studies helps to make the in-person training sessions of practical relevance and to adapt the training content to suit the business- and function-specific requirements of the participants.

## Our compliance training portfolio

One-time in-person training sessions covering the basics of compliance at Siemens, data protection and the annual integrity dialog (see below for further details) are mandatory for the affected managers and employees. For the in-person training sessions on antitrust and competition law, requirements differ depending on the results of risk assessment regularly conducted for our Business Units (see page 70).

Web-based training sessions on compliance at Siemens and data protection round out our mandatory company-wide training portfolio. Both must also be completed once.

## Integrity dialog

Every year, we conduct integrity dialogs in our business units in order to maintain and reinforce awareness and understanding of integrity and compliance: The Siemens managers discuss fundamental or current compliance issues with their employees, if possible with these discussions integrated into regular discussions and meetings. Our aim here is to also facilitate our middle management's awareness of their responsibility for compliance.

With this aim in mind, we provide a selection of themed modules for the integrity dialog throughout the company for each fiscal year. The modules are defined drawing on the results of the compliance risk analysis at Group level (see page 70).

With the support of the relevant compliance officer, the CEOs of our Business Units decide which themed modules are used for the integrity dialog in the Business Units. In doing so, they take into account the findings of the specific compliance risk assessments for their units (see page 70 for further details): first, by selecting from the portfolio of modules offered throughout the company and second by including additional topics from their own business. This "local window" is another core element of the integrity dialog.

The integrity dialog thus reflects both Siemens-wide compliance risks and key business-specific aspects.

## Further training

Siemens offers further web-based training programs on topics such as the Siemens Business Conduct Guidelines, collaboration with business partners; sponsorships, donations and memberships; and our tools. Participation is generally voluntarily. In addition, compliance officers conduct in-person training sessions in their units. They establish requirements as well as the content and list of participants on an ad hoc and risk-oriented basis. The requirement to conduct or participate in one of these training sessions may be defined for individual Business Units.



## Employee communications

Employee compliance communications ensure that our employees have up-to-date information on all the legal requirements and internal rules of relevance to them as well as the compliance processes and tools. Ultimately, this is the responsibility of the Business Unit CEOs.

The compliance organization supports these communications, primarily through the company-wide compliance intranet, which is regularly updated. Here, our employees can access the key regulations, procedures and tools for specific topics and find out about available training programs. In addition, the employees specifically affected are promptly informed about important new developments by e-mail or through web-based live meetings, for example. Our Regional Companies in particular make additional information available to their employees through their local intranet.

### The tone from the top in employee communications

The second key objective of internal compliance communications is to clearly and continuously communicate the tone from the top at all organizational levels: This is also the responsibility of our CEOs, with the compliance organization supporting implementation through central and local internal communication media or, for example, at events with our employees.

Further internal communication activities are conducted for the company as a whole and in individual units. We set out the framework for these activities in each fiscal year in a compliance communication strategy: This contains the key messages and other essential elements of the compliance communication activities for all Business Units.

SIEMENS

## Бизнес без конфликт на интереси – дълг на всеки служител

Poster used in an internal compliance campaign of Siemens Bulgaria.

### Translation of the content:

Business without conflict of interest – a duty of every employee

»It is the duty of Siemens employees to make business decisions in the best interest of Siemens, not based on their own personal interests. Conflicts of interest arise when employees engage in activities or advance personal interests at the expense of Siemens' interests.«

Dr. eng. Boriana Manolova  
CEO of Bulgaria,  
Siemens AG

“Задължение на служителите е да вземат най-правилните бизнес решения в полза на Siemens, а не в техният собствен интерес. Конфликт на интереси възниква, когато служителите действат в ущърб или поставят личните си интереси над тези на компанията.”

Д-р инж. Боряна Манолова,  
Главен изпълнителен директор на Siemens България

## Advising and supporting our employees

Providing advice and support to the management and employees in our company is another central task of the compliance organization, in particular our local compliance officers and compliance experts.

Management and employees can pose questions directly to the compliance officer responsible for their business unit, asking about the handling of compliance risks in business decisions or about the interpretation and application of compliance regulations. This requires a close working partnership of trust between compliance officers and Business Units. This is facilitated by the Siemens compliance organization's company-wide presence and specialist and business expertise.

## Fostering a culture of integrity

Informing our employees about applicable regulations, familiarizing them with our related internal procedures and helping them with user queries are all key objectives of our internal compliance communications and the training and advisory activities performed by our compliance officers and their teams in the Business Units.

Our mission goes beyond that: We aim to make integrity and compliance part of our employees' mindset – and ultimately the cornerstone of our compliance system and the basis for successfully implementing the company regulations and procedures in it.

This culture of integrity does not come about from one day to the next, which is why in our compliance priorities we defined strengthening the culture of integrity as a focal point for the future development of compliance at Siemens (page 20).

## Four questions

Both in our compliance training programs and in instructions on certain compliance procedures, such as for example business partner compliance (see page 54), we emphasize the importance of responsible conduct. We expect our employees to do more than merely follow rules and adhere to prescribed procedures.

All Siemens employees are required to ask themselves the following four questions when making decisions on behalf of Siemens:

- Is my decision in Siemens' interest?
- Is it consistent with Siemens' values and my values?
- Is it legal?
- Am I prepared to take responsibility for my decision?

This internal commitment to clear principles of integrity on the part of our employees is also a key part of the ownership culture at Siemens whose central principle is always act as if it were your own company.

## Compliance in our external reporting and communications

To justify the confidence placed in Siemens by customers, partners, shareholders, employees and other stakeholders, the integrity and transparency of our business processes are accorded top priority. We consider it part of our responsibility to provide external transparency in the principles of integrity and rules we follow in our business activities and how we manage compliance within our company.

Some areas of focus:

- We regularly publish compliance indicators and further information on compliance development at Siemens in our Annual Reports and Sustainability Information. Siemens Annual Reports contain information on legal proceedings.
- The "Tell us" whistle-blowing system and the Siemens ombudsman can be used both by our employees and by external partners and other stakeholders to notify our company of possible compliance cases. We tell our business partners and suppliers about these channels on the Siemens global website and on the websites of our Regional Companies as well as through specific activities.

- With a budget of over US \$100 million, the global Siemens Integrity Initiative (see page 88) supports organizations and projects fighting corruption and fraud through Collective Action, education and training. On the Siemens global website, we provide detailed information on the terms and conditions of funding, the related processes and the funding awards. As a result, the extent to which we have provided financial support to which organizations for which activities is always transparent.

We also publish annual reports on the Siemens Integrity Initiative.

**Further information:**

Ownership culture at Siemens: [siemens.com/ownership-culture](https://www.siemens.com/ownership-culture)

Siemens Annual Reports and Sustainability Information: [siemens.com/investor](https://www.siemens.com/investor)

"Tell us" compliance whistle-blower system: [siemens.com/tell-us](https://www.siemens.com/tell-us)

Siemens ombudsman: [siemens.com/ombudsman](https://www.siemens.com/ombudsman)

Information on compliance at Siemens: [siemens.com/compliance](https://www.siemens.com/compliance);  
our Regions' websites can also be accessed from [siemens.com](https://www.siemens.com)

Siemens Integrity Initiative: [siemens.com/integrity-initiative](https://www.siemens.com/integrity-initiative);  
our annual reports are also available to download here

Web-based training for Siemens business partners:  
[siemens.com/training-business-partner](https://www.siemens.com/training-business-partner)

The web-based training for our suppliers covers the prohibition against  
corruption and other compliance topics: [siemens.com/training-suppliers](https://www.siemens.com/training-suppliers)

Stakeholder engagement at Siemens: [siemens.com/stakeholder-engagement](https://www.siemens.com/stakeholder-engagement)

# Combining bottom-up and top-down

## Compliance risk management



A thorough analysis of business operations with the aim of promptly identifying compliance risks is a core element of a successful compliance system, as are appropriate measures to minimize risks. Siemens has integrated compliance risk management into the processes for specific business decisions. Our continual internal compliance control activities and audits are also risk-based.

These are supplemented by comprehensive analyses for the company units and the company as a whole. Compliance risk management is an integral part of the company-wide Siemens risk management system.

## Compliance risk management in business processes

Worldwide, there are Siemens managers making decisions about business activities. Some examples include:

- Can Siemens submit a bid under the tender procedure for a project?
- Can Siemens engage a particular business partner to provide sales support?

These and all other business decisions within the company must always comply with the applicable laws and the Siemens Business Conduct Guidelines.

Mandatory company-wide procedures and tools document and support our managers' business decisions:

For certain projects, for example, compliance risk must be assessed before a decision is made on whether to submit a bid; the same goes for plans to acquire interests in other entities. And before engaging a business partner, the partner's integrity must be checked – with an eye toward compliance risks. Depending on the outcome of the check, a decision is required by the next level of management or measures must be implemented to reduce the risk if this is possible and management wishes to uphold the planned decision. In this way, we ensure that planned activities and any existing compliance risks are transparent when a decision is made.

The other building blocks of our compliance risk management system comprise the identification of compliance risks for the Business Units and the compliance risk analysis for the company as a whole. Here we combine bottom-up and top-down approaches.

## Systematic assessment of compliance risks in the Business Units

The Compliance Risk Assessment (CRA) requires Siemens CEOs and managers to systematically determine and assess the compliance risks faced by their units together with the relevant compliance officer:

- In odd-numbered years, we perform the CRA at the Division and Lead Country levels and in Healthcare.
- In even-numbered years, the CRA is performed for high-risk countries the aim here is to supplement the analyses at the Division and Lead Country level and in Healthcare with in-depth risk analyses for selected countries. We identify these countries in advance on basis of analysis of external and internal compliance risks.

The CRA covers anti-corruption, antitrust law (special rules also apply in this case), data protection and anti-money laundering.

## Compliance risk analysis at the Group level

In addition to the CRA results, the internal part of this analysis considers the findings of compliance controls – which continuously check whether our compliance processes are being carried out and their effectiveness is assured – as well as the findings of internal audits and case-related investigations.

In the external part of the compliance risk analysis, we examine relevant developments in our external operating environment – i.e., for example in our markets or trends in the political, legal and cultural environment (see also page 16).

The compliance risks to the company as a whole are determined from the consolidated analysis results and made available to our Business Units. The Chief Compliance Officer discusses the results with the Managing Board and the Supervisory Board Compliance Committee on the Compliance Review Board. As in the CRA process, relevant risks are reported to Siemens Enterprise Risk Management (ERM) and measures to reduce the risks are drawn up and implemented.



## Compliance Risk Radar

Identification of compliance risks in individual Business Units (CRA) and the compliance risk analysis for the company as a whole are supplemented by interdisciplinary risk reviews.

The Compliance Risk Radar process is implemented quarterly and is led by the Chief Compliance Officer. Participants include the compliance organization, the Group functions for risk management, the internal control system and audit, and the company's external auditors.

## Drivers for management and development of the compliance system


We make extensive use of the findings from compliance risk management to manage and continuously develop compliance at Siemens:

- For example, the setup of our compliance organization – in particular the formula for allocating compliance staff – is based mainly on the compliance risks to our Business Units.
- We determine the focus topics for the annual integrity dialogs in the Business Units (see page 62 for details) bearing in mind the compliance risks to the company.

We use the analysis results to hone the focus on risk in reviewing and approving business decisions. At the same time, this helps to bolster the effectiveness of our compliance processes – one of the focal points for the future development of our compliance system (see page 20).

# Systematic review and assessment

## Controls, reviews and audits



We systematically review the effectiveness of the design and implementation of the compliance system in the Business Units. Any weaknesses that are identified are remedied. In doing so, we rely on a system of complementary tools.

At the same time, the results of the control activities are an important indicator of how we can systematically improve the design of our compliance processes.

## Compliance control framework

Mandatory company-wide controls are performed at regular intervals to check the effective implementation of our compliance processes. Any weaknesses identified are reported to the management of the Business Unit concerned and remedied. This risk-based compliance control framework forms an integral part of our internal control system in company-wide risk management.

## Compliance Review Board

On a quarterly basis, our Business Unit managers and the relevant compliance officer check and assess the effectiveness of the compliance system on a Compliance Review Board. The Managing Board of Siemens AG conducts the Compliance Review Board with the Chief Compliance Officer. At the same time, this process facilitates our management's awareness of their responsibility for compliance (see page 36).

## Compliance audits and operational reviews


The Siemens audit department performs compliance audits in consultation with the Chief Compliance Officer and on the basis of the company-wide risk-based audit plan.

Additional procedures that take place at the request of the Chief Compliance Officer extend from checks on particular compliance rules and processes to an extensive review of the compliance system in individual Business Units. These are performed by the Siemens department for risk management and internal controls.

The compliance organization provides support in performing these audits and reviews.

# Detect misconduct and respond

## Handling compliance cases



Effectively detecting and systematically responding to compliance violations are both essential elements of effective compliance. The focus here lies not only on effectively protecting our company from risks caused by misconduct, but also systematically enacting senior management's clear commitment to responsible business conduct – the tone from the top.

Exposing individual compliance violations at Siemens confirms for us that our compliance system has been designed adequately and implemented effectively.

The handling of compliance cases at Siemens follows a clearly structured approach that encompasses all steps in the process, ranging from reporting channels to internal investigations of possible compliance violations to our responses. Further details are outlined in our Global Compliance Circular (see page 44). At the same time, the compliance investigations are an important source of information for the compliance risk analysis and for the ongoing development of our compliance system.

## Reporting of possible compliance violations

Reliable reporting channels for internal and external stakeholders and the protection of internal whistle-blowers from sanctions help ensure that possible misconduct is reported, thoroughly investigated and clarified. We provide different reporting channels at Siemens that can be used by internal and external whistle-blowers to inform us about possible compliance violations.

The compliance whistle-blowing system “Tell us” is for reporting compliance violations in a secure manner, 24 hours a day, seven days a week, in 13 languages, online or using a telephone. Reports can also be made anonymously (where this is permitted by applicable law).

“Tell us” can be used by employees and managers as well as by customers, suppliers and other stakeholders. The “Tell us” system is managed by a third party supplier. All data supplied in a report is maintained on secure servers in Germany. All reported content is handled exclusively by Siemens.

In addition to the “Tell us” hotline, the Siemens ombudsman is always available for reporting of possible compliance violations.

Possible misconduct may also be reported directly through the Managing Board or through supervisors to the compliance organization and, in particular, to compliance officers in our individual company units. Our employees regularly make use of this reporting channel. We regard this as a further indication of the partnership of trust that exists at all levels of our company in terms of compliance topics.

## Prohibition of retaliation against and protection of whistle-blowers

Siemens employees who report compliance violations are protected by internal rules that prohibit whistle-blowers from being sanctioned or disadvantaged in any other way if reports are made in good faith. Any infringements of this rule that come to the attention of the compliance organization are investigated internally and are subject to disciplinary consequences if the internal investigation confirms the allegation.

We also take immediate steps to protect whistle-blowers if we become aware of any existing or impending retaliatory measures directed toward them.

## Global case tracking

The compliance organization centrally records all reported compliance cases and then documents and tracks the handling of them. At the same time we ensure that each case is handled in accordance with the applicable laws and our own internal rules and procedures.

All recorded cases are assessed in terms of their impact on the financial statements with the Finance and Tax Department and the company's external auditors. They are also incorporated into the Chief Compliance Officer's compliance reports to the Siemens AG Managing Board and the Supervisory Board's Compliance Committee (Compliance Review Board, see page 73).

## Clear principles and rules for internal compliance investigations

The compliance organization has established a set of principles and rules for internal compliance investigations that are mandatory throughout the company. These are contained in the Global Compliance Circular (see page 44) and a summary is provided below:

- Any internal investigation requires a formal mandate.
- Investigations must be objective and impartial.
- All activities must be consistent with applicable laws and Siemens' values.
- A presumption of innocence must be applied.

- Investigative measures must be suitable, necessary and appropriate for fulfilling the aims of the investigation.
- The identities of the whistle-blower, witnesses or the subject of the investigation will not be disclosed to third parties unless this is required by law. The Business Unit managers involved must be informed about ongoing investigations on a need-to-know basis; the associated authorizations are unequivocally defined. In this way we ensure that all investigations are conducted in accordance with the confidentiality requirements and the law within each jurisdiction.

Our code of conduct for internal compliance investigations outlines the specific requirements that must be observed during these activities.

The handling of compliance incidents at Siemens is governed by comprehensive rules and a clearly defined process that are mandatory throughout the company.

Company-wide process for handling compliance cases (simplified view)



Reports of possible compliance incidents received through the whistle-blowing system and the company's independent ombudsman are passed to our compliance organization. Possible misconduct may also be reported directly through the Managing Board or through supervisors to the compliance organization and, in particular, to the compliance officers in our company units.

All reports of possible compliance cases submitted to our compliance organization are handled by the compliance organization itself. If the allegations are sufficiently plausible, their substance will be reviewed in a second step to determine if sufficient information is available to permit an internal investigation.

(Reports concerning other matters are passed on for further processing to the department unit or Siemens unit involved.)

The Chief Compliance Officer and the Chief Counsel Compliance issue the mandate for cases to be handled centrally.

This category includes all information regarding active corruption by employees or third parties acting on Siemens' behalf, possible antitrust violations, or possible money laundering or terrorist financing activities.





For local compliance cases, the mandate is issued by the compliance officer for the Lead Country, Division or Healthcare in conjunction with the responsible General Counsel.

Mandatory principles and comprehensive guidelines, issued by the compliance organization and applicable throughout the company, stipulate clear rules to ensure the fair and respectful treatment of employees in connection with investigations and to prohibit unlawful or unreasonable behavior.

A report on the investigation is prepared once the investigation is complete. The report covers the findings of the investigation, including a legal assessment of those findings and any recommendations regarding disciplinary action, as well as any steps to remedy vulnerabilities identified in the course of the investigation – for example in the performance of internal processes – in the Business Unit concerned.

Appropriate disciplinary consequences for compliance violations are determined after considering all the material circumstances of the misconduct. The Siemens units affected are required to implement the further recommendations contained in the investigation reports to, for instance, remedy any vulnerabilities (remediation).

## Disciplinary consequences for compliance violations

Siemens personnel who violate the laws and regulations and/or applicable Siemens policies, including the Siemens Business Conduct Guidelines, while acting within the scope of their employment will be subject to appropriate disciplinary consequences.

Disciplinary consequences will be evaluated and decided on in disciplinary processes on a central or local level. All circumstances of the particular case, including the local legal framework, will be considered. Codetermination rights of the employee representatives (if and where applicable) and the rules regarding the protection of personal data will be respected throughout any proceedings.

In the Global Compliance Circular (see page 44), the compliance organization has outlined the basic principles, rules and decision-making criteria for the whole company, to both ensure due process and transparency in the disciplinary processes and to impose a reasonable, adequate, consistent and impartial response to non-compliant behavior.

Disciplinary measures are evaluated and decided on in one of two ways:

- In a global disciplinary process at a central level by the Central Disciplinary Committee (CDC). The CDC is chaired by the member of the Managing Board of Siemens AG with responsibility for human resources (also the Labor Director), deputized by the company's Chief Financial Officer. The other standing members of the CDC are the Chief Compliance Officer and another senior manager from the human resources core function. The CDC assesses misconduct by members of management (identified in the course of internal or official investigations) and issues binding recommendations for action; other responsibilities depend principally on the severity of the violation in question and on the associated potential risk to the company.
- In cases where CDC jurisdiction does not apply, general disciplinary processes are followed by the responsible management along with the governing HR organization in our Business Units. The binding rules of the compliance organization must also be followed in these procedures.

**Further information:**

See page 67 regarding external communication of our channels for reporting possible compliance violations.

Siemens Annual Reports contain information about judicial and official proceedings: [siemens.com/investor](https://www.siemens.com/investor)


Siemens Sustainability Information contains indicators showing the reported number of possible compliance violations and the disciplinary sanctions resulting from compliance violations as well as further disclosures: [siemens.com/investor](https://www.siemens.com/investor)

Compliance whistle-blowing system "Tell us": [siemens.com/tell-us](https://www.siemens.com/tell-us)

Siemens ombudsman: [siemens.com/ombudsman](https://www.siemens.com/ombudsman)

# Safeguarding our investment decisions

## Equity investments and compliance



A special compliance due diligence process ensures that we identify potential compliance risks during the acquisition of companies and equity investments. Contractual safeguards relating to the risks identified in this way must be agreed on.

For companies in which Siemens holds a minority interest, a compliance system must be introduced that corresponds, at a minimum, to our company's own standards in this area.

In accordance with section B.2. of the Siemens Business Conduct Guidelines, each investment decision made by the company – whether it is the purchase of a controlling interest or a minority interest in a company, or a joint venture arrangement – must be preceded by a compliance check.

The procedure and criteria for carrying out the compliance due diligence process are stipulated in binding rules that are mandatory throughout the company.

In companies in which Siemens holds a minority interest, Siemens strives to implement an adequate compliance system that takes into consideration the characteristics of the respective company in question. At a minimum, a compliance system must be introduced that covers at least the following Siemens' standards in minority investments:


- Tone from the top – clear conduct by the top level of management aimed at combating compliance violations
- Business-related assessments of compliance risks, particularly for anti-corruption, antitrust law and money laundering
- The appointment of compliance officers
- Compliance regulations (covering subjects including gifts and invitations and interactions with business partners)
- Publicity and training measures
- The collection and investigation of reports of misconduct and the enforcement of sanctions where appropriate
- Regular review of any compliance measures already implemented, in particular for anti-corruption, antitrust and money laundering
- Establishment of a compliance-based corporate culture

A contractual safeguard requiring the introduction of such a compliance system must also be implemented.

On request, Siemens will also support the companies involved by providing further information and examples about how these requirements could be implemented.

# Joint action against corruption and for fair competition

## **Collective Action and the Siemens Integrity Initiative**



As a global company, Siemens faces significant compliance risks in many of its markets. Collective Action is our strategic response to this challenge: working with other companies, the public sector and civil society, we are taking action against corruption and campaigning for the principles of fair competition.

This opens up important new opportunities in our markets – without compromising our principles of integrity. At the same time, we are contributing to sustainable development with our activities under the banner of Collective Action and the Siemens Integrity Initiative.

There is a large degree of consensus about the negative effects of corruption: It represents one of the main obstacles to sustainable political, economic and social development – for developing, emerging and industrialized countries alike. According to calculations by the World Economic Forum, corruption costs amount to more than 5 percent of global GDP, with the World Bank estimating that a total of more than \$1 trillion is paid in bribes each year. But these figures do not even take account of the indirect consequences and systemic effects of corruption, which can scarcely be quantified: corruption undermines the legitimacy of state action and ultimately erodes the confidence of societies in their governments. The economically weaker sections of the population feel the serious effects of corruption: often, they are unable to afford the inflated costs of essential government services or they have almost no access to education or healthcare. Corruption exacerbates social and economic inequality.

At the same time, corruption constrains growth and distorts markets, as companies with high standards of integrity compete with other players who employ unfair means to gain an advantage. Refraining from participating in these distorted markets is not a realistic option for global companies, yet several of the world's fastest growing economies are also among the most corrupt – and so companies can afford neither to ignore those markets nor simply to accept the prevailing levels of corruption.

For companies, this means that systematically enforcing a prohibition on corruption within and towards the company's business partners is essential – but this alone is not enough to fight corruption in the markets affected and to create fair competitive conditions. All players in the public sector, business community and civil society – or at least as many as possible – must act in concert. In other words, it is about taking Collective Action.

## Overview of Collective Action at Siemens

The fight against corruption is a long-term challenge that will not be resolved overnight. Quick wins and successes are the exception, as Collective Action requires long-term engagement and the investment of necessary resources.

Siemens defined the strategic, proactive fight against corruption in the company's markets as a major element of its compliance activities as far back 2008. Collective Action is consequently embedded in the Siemens compliance system as part of our prevent activities.

We apply Collective Action at all levels of the company using a variety of platforms and tools – an overview is provided below.

## Global engagement – international organizations

Siemens is involved at the Group level with major international organizations that fight corruption, for example the World Economic Forum and its global Partnering against corruption initiative (PACI).

Since late 2013, Siemens' Chief Compliance Officer has chaired the Anti-Bribery and Corruption Policy Group of the Business and Industry Advisory Committee to the OECD.

Through its membership in the B20 Anti-Corruption Working Group, Siemens is also involved in developing the business community's recommendations to the governments of the 20 most important industrial nations and emerging market economies (G20) to fight corruption.



## Targeted activities in regions and industries

The CEOs and compliance officers of local Siemens companies are engaged in promoting fair competition and fighting corruption in many of the company's markets.

These activities were initially intended to raise awareness of the effects of corruption and the need to fight against it. Siemens played an important role in putting anti-corruption on the agenda and making it a topic of focus for associations of undertakings and other business associations in numerous regions. Our Division CEOs and compliance officers are also similarly engaged with, for example, industry associations.

These activities form the basis for further developing our company's activities under the banner of Collective Action.

In many markets around the world, it has been possible in more and more cases to conclude binding industry-specific or cross-industry agreements that stipulate a rejection of corruption as well as an obligation to implement certain preventive measures. Known as compliance pacts, these agreements go further than purely principle-based codes of conduct and may also include additional regulations, for example setting out sanctions in the event that the obligations undertaken are infringed. Siemens is involved in a large number of these activities and in several instances played a major role in their development.

## Combined compliance programs for megaprojects

We also increasingly make use of specific agreements with our partners to ensure appropriate compliance standards are in place for our project activities.

One example comes from the agreements we concluded in January 2016 with two of our principal local partners for the megaprojects in Egypt:

Siemens is working with Orascom Construction SAE and ELSEWEDY ELECTRIC to construct three high-efficiency combined cycle power plants at the Burullus, New Capital and Beni Suef locations in Egypt. In addition, Siemens will build up to 12 wind farms with approximately 600 wind turbines. Together, these projects will boost Egypt's power generation capacity by 16.4 gigawatts.

Our agreements with the two partners include comprehensive standards regarding integrity and clean business practices for the activities of the companies involved. Each company is taking steps that include appointing a compliance officer with responsibility for the projects and, in two dedicated teams, developing specific compliance programs for each project.

This approach augments our existing measures to prevent compliance violations as part of our compliance system. At the same time, our local partners are working side by side with Siemens to help promote integrity in the country – and considering the significance of the projects, in the region as a whole.

## Siemens Integrity Initiative

Through the global Siemens Integrity Initiative, Siemens supports organizations and projects fighting corruption and fraud through Collective Action, education and training. In total we have provided more than US \$100 million in funding.

The Siemens Integrity Initiative is part of the comprehensive settlement between the World Bank Group and Siemens AG, which was announced on July 2, 2009. In addition, some projects are funded on the basis of the European Investment Bank (EIB) – Siemens AG settlement that was announced on March 15, 2013.

The funds provided by Siemens will be allocated in several funding rounds. The Initiative focuses on supporting projects that have a clear

impact on the business environment and can demonstrate objective and measurable results. The projects also must have the potential to be scaled up and replicated.

Over 300 project proposals from more than 66 countries were submitted for the first funding round, from which over 30 projects from more than 20 countries were selected; funding of US \$37.7 million was agreed on for this round.

We completed the application and selection process for the second funding round in spring 2015. Funding applications were received from more than 180 well-known non-profit organizations from about 60 countries. From these applications we selected 24 projects from more than 20 countries which will receive funding of US \$35.554 million.

More information about the application and selection process and a copy of the term sheet for the second funding round are available from the Siemens global website along with details of all funding that has been agreed on so far.

We also summarize the status of all projects in annual reports available for download from the Siemens global website.


**Further information:**

Siemens Collective Action:  
[siemens.com/collective-action](https://www.siemens.com/collective-action)

Siemens Integrity Initiative:  
[siemens.com/integrity-initiative](https://www.siemens.com/integrity-initiative)

# Designed adequately and implemented effectively

## External review of Siemens Compliance



Our internal review and control activities and, in particular, the fact that we expose compliance violations at Siemens confirm for us that our compliance system has been designed correctly and implemented effectively.

The independent external review we commissioned also supports this conclusion.

Siemens retained the law firm Gibson, Dunn & Crutcher LLP (Hereafter: Gibson Dunn) to conduct an independent review and assessment of the implementation and operational effectiveness of Siemens' anti-corruption policies, procedures and internal controls. The goal of this review was to verify that the Siemens compliance system, as designed as of October 1, 2014, is in compliance with the standards reviewed and certified on October 12, 2012, by the Siemens Foreign Corrupt Practices Act (FCPA) Compliance Monitor Dr. Theo Waigel.

Like the Siemens compliance monitorship, the Gibson Dunn review was not designed to be a comprehensive review of all business lines, all business activities or all markets. Rather, Gibson Dunn's targeted review 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 issued to the company dated November 15, 2015.

The report concludes with the statement that, based on its review, Gibson Dunn found that the Siemens compliance system is adequately designed and implemented to prevent, detect and respond to violations within Siemens of the FCPA and other applicable anti-corruption laws. On the basis of certain tests of the Siemens compliance system conducted by Gibson Dunn during the period between October 1, 2014, and March 30, 2015, Gibson Dunn found that the Siemens compliance system is effective in its implementation.


**Further information:**

The information above is taken from Sustainability Information 2015, a supplement to the Siemens Annual Report (page 30 et seq.): [siemens.com/investor](https://www.siemens.com/investor)

Information about the certifications submitted in the compliance monitor's yearly reports can be found in Siemens Annual Reports and Sustainability Reports for 2009 to 2012 fiscal years: [siemens.com/investor](https://www.siemens.com/investor)

# Working on tomorrow's compliance system

**Continuous improvement – and the look ahead**



We are constantly developing the Siemens compliance system. To achieve continuous improvement, we systematically apply findings from the practical implementation of the compliance system. At the same time, we continuously adapt it as our business develops and the environment in which we conduct our business changes. Our compliance priorities define the framework for this development work.

The implementation of our compliance system provides us with important indicators of the ways in which we can make further targeted improvements – important sources include compliance controls, compliance audits, compliance reviews with management and, in particular, the results of case-related investigations. Findings from the ongoing monitoring of our processes are also beneficial within this context. We systematically evaluate these sources and link the conclusions reached with the results from analyzing external compliance risks.

Our employees, too, give us valuable indicators for the development of our compliance system. The central platform here is the Compliance Sounding Board comprising experts from the company-wide compliance organization who work together to develop suggested improvements and provide feedback on planned activities. We manage the implementation of improvement activities through compliance portfolio management.

We also leverage the potential produced by intensified interlinking and analysis of compliance-relevant transaction data in the company to, for example, achieve improvements in our management information and optimize our processes with respect to risk.

## Innovations are the foundation of Siemens' success

In all areas of our business, we develop new technologies and bring them to market maturity. We adapt compliance in our company in step with these developments. In doing so, we are working today to set the course for tomorrow's compliance system and compliance organization. In this way, we create the conditions that are necessary to reliably protect our business against compliance risks in the future, too.

Our aspiration remains unchanged: We want to embed integrity permanently in our company – to make good business decisions on the basis of clear principles of integrity.



# Imprint



## Information about content

Siemens AG  
Legal and Compliance  
Wittelsbacherplatz 2  
80333 Munich

## Further information

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## Concept and text

Legal and Compliance  
Daniel Kronen  
Ulrike Seedorf

## Design, production

[elfgenpick, Augsburg](#)

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## Notes

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# Responsible behavior

Compliance at Siemens



