

SIEMENS

Siemens Integrity Initiative

Creating fair market conditions

Fighting corruption and fraud through collective action, education & training

Funding Agreement Term Sheet – Funding round December 9, 2009

Status: December 7, 2009

The following represents a non-comprehensive summary of principles and terms and conditions that may become part of the Funding Agreement, and that any applicant will have to agree to in order to qualify for the selection process. Siemens reserves the right to amend, alter and/ or add to the details of these terms as may be required at the sole discretion of Siemens, for the purposes of the selection process, the Siemens Integrity Initiative, any specific project selected for award of funds, or for reasons of locally applicable laws that cannot be contracted out of, any time in the course of the selection process and before the final signing of any funding agreement. The full text of the Funding Agreement will be sent out together with the invitation to the Full Proposal round of the selection process. Invitation to the Full Proposal round of the selection process does not grant a right to be selected for award of funds from the Siemens Integrity Initiative; the selection remains at Siemens' sole and exclusive discretion until the end of the selection process and the final award of funds to selected recipients through the individual Funding Agreements. Siemens will not pay out any funds to any organization before a detailed Funding Agreement has been signed, come into effect, and all conditions for payout under such a Funding Agreement have been met.

1. Parties to the Funding Agreement

- A Funding Agreement will be concluded between Siemens AG, Munich, Germany (in the following “Siemens”) and each of those applicants that Siemens at its sole discretion selects for the award of funds (in the following: the “recipient(s)”) under the Siemens Integrity Initiative agreed with the World Bank in the Settlement Agreement.
- Where several organizations submit a joint proposal, the organization that signed and submitted the Expression of Interest form (as opposed to organizations listed as project partners and thus having submitted only the Annexes) must sign the Funding Agreement and assume the function of project leader; the remaining project partner organizations will be explicitly named in the Funding Agreement, and must hand in certain commitments in writing, which will be attached to the Funding Agreement, but which will not release the project leader organization from its overall responsibility for the successful implementation of the project, and the proper use of the funds awarded by Siemens by all participants in the project.

2. Scope of the Funding Agreement

- The Funding Agreement will specify the terms and conditions under which Siemens grants a recipient certain funds from the Siemens Integrity Initiative to be used exclusively for agreed purposes and project activities in the area of anticorruption or fraud (in the following the “project”), including amounts of such funds, conditions for release of such funds, reporting duties, monitoring and auditing rights, etc.

3. Work plan and project activities; milestones

- Siemens will only fund activities/ programs/ organizations with a detailed work plan in the field of anticorruption or fraud over a specified time period; the work plan must be set out in detail at the Full Proposal phase of the selection and review process, and will become part of the Funding Agreement. Any change of such work plan must be agreed with Siemens.
- The work plan will detail reasonable milestones for the implementation of the project, as well as milestones for the payment of funds.

4. Recipient's undertakings

- Recipients will be asked to sign specific representations and warranties, and to engage in certain undertakings in the Funding Agreement regarding for example, their organizational structure and financial status, their management and reporting systems, the integrity of their organization and of the persons employed there, and the strict use of the funds provided by Siemens in line with the Funding Agreement.
- The scope and nature of such representations and undertakings will depend on the recipient's organization, the outcome of the due diligence on the recipient, the country concerned, including the perceived corruption risk there, and other risk indicators.
- These representations shall include that the Recipient has adhered to specific applicable accounting standards in setting up their financial statements, and that they will continue to do so during the project implementation.

5. Adherence to anticorruption standards

- Recipients must confirm their unconditional adherence to a level of compliance standards comparable to those contained in the Siemens Conduct Guidelines.
- Recipients must comply with any applicable anti-corruption laws and regulations in their country, and the country where the project is being performed.
- Recipients must confirm they have not breached any law or regulation that will or is likely to have a material impact on the project, or the reputation of any organization related to the project including, in particular the Siemens Integrity Initiative.
- Recipients must ensure there is no potential conflict of interest situation with respect to Siemens, the World Bank or any other person or institution, whether involved in the project or not, during implementation of the project.
- Recipients must disclose to Siemens any potential conflict of interest situation or compliance violation that they become aware of during the implementation of the project, immediately this is noticed.
- Siemens may terminate the Funding Agreement, and may suspend the funding for a project at any time where there are suspicions that question the integrity of the Recipient, his board members, managing staff or key personnel in relation to the standard as set by the Siemens Business Conduct Guidelines.

6. Funding Principles

- Funding will be subject to the recipient adhering to effective accounting and financial reporting standards as agreed in more detail in the Funding Agreement.
- Funding by Siemens will be strictly tied to, and only able to be used by the approved organization/ legal entity of the recipient, and for those activities/

purposes agreed in the work plan that will be attached to the Funding Agreement.

- Funding will be made in separate installments to be agreed upon, and subject to meeting all agreed milestones and release conditions for each installment/ payout.
- Payments will only be made to a bank account held by the recipient in the country where the project is performed, or in case of joint applications, such other bank account that may be agreed to be appropriate, and held by the project leading organization.
- Administrative/ personnel costs will not be considered for funding except as expressly acknowledged in the Funding Agreement; under no circumstances will Siemens award funds for such costs where it cannot be clearly demonstrated that they are exclusively linked to the approved project and activities, are contained in the work plan or approved financial plan for the Project, and are within a maximum range of 10 percent of the amount to be funded by Siemens.
- In specific situations, Siemens may require some form of security with respect to the funds through, for example, a pledge on the organization's bank account to which the funds are paid or the establishment of a separate escrow bank account.
- Siemens may impose a funding limit per organization, irrespective of the applicant's project/ plan submitted during the selection phase.

7. Documentation, monitoring, checks and auditing

- Siemens will perform pre-contract due diligences on the financial management capacity and reporting systems of each applicant organization.
- Siemens will put the necessary processes in place to perform regular reviews of the progress in each project, have effective financial reporting in place for all projects, including financial audits at least once a year for larger organizations or projects.
- Recipients must submit detailed activity reports on a regular basis to be agreed, in a format acceptable to Siemens, as well as any other supporting documentation where defined in the Funding Agreement or reasonably requested by Siemens. Siemens will ask for, as a minimum, quarterly progress reviews and annual progress reports.
- Any installment/ payout will be subject to timely receipt of complete and accurate documentation from the recipient, including such activity reports acceptable to Siemens.
- Siemens may require certain numerical scoring criteria to be specified in the Funding Agreement which permit the applicant's performance in the project to be measured.
- Siemens will ask for a regular, at least annual, representation from the recipient that the funds have been spent properly.
- Siemens may itself or through independent third parties monitor the project activities, and at any time Siemens may have the recipient's activities in the Project audited by an independent auditor.
- Without prejudice to Siemens' rights, the World Bank Group will have audit rights over the use of the funds. The Funding Agreement will specify in detail the conditions under which the World Bank will be entitled to exercise its audit rights.

8. Default/ termination/ indemnities

- In general, Siemens will not consider terminating the Funding Agreement without cause nor allow for termination without cause of the same by the Recipient.
- In case of termination for cause, Siemens will require full indemnification against all losses and disadvantages, by the Recipient.
- Any funds not used upon termination of the Funding Agreement or project must be returned to Siemens, without delay by the Recipient.

9. Confidentiality, Siemens' name and brand, PR activities

- Applicants may not use Siemens brand or name, and may not publish the fact they are participating in the Siemens Integrity Initiative for advertising or promotional purposes unless it has been thus agreed with Siemens in writing. Siemens will permit and require recipients to use its name and brand when making reference to the fact that they receive funds from the Siemens Integrity Initiative for advertising or other public communication purposes, this, however, will be strictly limited to the project and as further agreed by Siemens in the Funding Agreement;
- Siemens reserves the right to refer to the activities of the applicant for the purposes of press releases or other public statements, for example on websites, in World Bank reporting and reporting in general about Siemens' compliance activities throughout the world.

10. Role of the World Bank

- Siemens will be entitled under the Funding Agreement to share openly any and all information regarding the recipient and the recipient's project with the World Bank, this, however, will be solely for the purpose of the selection process, the awarding of funds, and the implementation as well as auditing of the projects.

11. Relationship Siemens – recipient

- Siemens and the recipient will remain fully independent organizations; Siemens will neither acquire a share in the recipient's organization nor otherwise acquire any interest in nor establish any kind of partnership with the recipient's organization.

12. Miscellaneous

- The Funding Agreement language will be English or, at the choice of the recipient, German.
- The applicable law of the Funding Agreement will be German law.
- Siemens will require an alternative dispute resolution clause in the Funding Agreement; such dispute resolution must be final and binding on the parties, and the language of the proceedings must be either English or German. The place of the proceedings is either Munich, Germany, or if another place is agreed on with Siemens, such place as is stipulated in the Funding Agreement. In general, Siemens is willing to submit disputes to final and binding arbitration but only under either the rules of the International Chamber of Commerce (ICC), Paris or the Deutsche Institution für Schiedsgerichtsbarkeit (DIS), Bonn.