

California Transparency in Supply Chains Act

As a company that is active in around 190 countries worldwide, Siemens bears a great responsibility – for its employees, its shareholders and for the societies in which we operate. Siemens supports the goals of the California Transparency in Supply Chains Act. Any form of human rights violations (such as human trafficking or any coercive, threatening, abusive or exploitative behavior), forced labor (such as slave labor) and child labor are prohibited in our supply chain. Siemens requires all of its suppliers and third party intermediaries to commit, certify and to promote the principles of the Siemens Code of Conduct for Siemens Suppliers and Third Party Intermediaries (“Code of Conduct”) within their supply chains. The Code of Conduct addresses many topics including compliance with the laws of applicable legal systems, respect for basic human rights of employees and the prohibition of forced labor. The Code of Conduct is based to a great extent on conventions and recommendations recognized worldwide such as the UN Global Compact relating to human rights, labor standards, environmental protection and anticorruption initiatives. The full Code of Conduct and detailed description of the requirements for supplier compliance and commitment can be found on the Siemens website at http://w5.siemens.com/cms/supply-chain-management/en/sustainability/Documents/coc/Code_of_conduct_eng.pdf.

VERIFICATION - Siemens adopts a risk-based approach and has suppliers undergo our supplier-specific qualification process, which ensures the application of company-wide requirements for supplier selection, ongoing evaluation and supplier’s assessments. Our supplier qualification process is web-based and includes detailed information from our suppliers. Suppliers located in higher risk countries (based on Organization for Economic Cooperation and Development and Transparency International/Corruption Perceptions Index) are required to provide a Corporate Responsibility Self-Assessment. The strongest detection tool to review our supplier’s sustainability performance is the external sustainability audit. It is conducted by a qualified, third party during regular process and system audits at supplier’s premise. The sustainability audit includes a checklist of approximately 300 questions to verify supplier compliance of the Code of Conduct which, among other basic human rights of employees’ topics, addresses issues related to human trafficking and slavery. As a quintessential element of our risk-based approach, we use this tool as a control mechanism for higher risk suppliers. Siemens has defined knock out criteria (such as child/forced labor incidents) which leads to a Siemens-wide blocking of the supplier in the event of supplier violations.

AUDIT - Prohibition of all forms of forced labor, including human trafficking and slavery, is a core principle of our Code of Conduct. Siemens utilizes a consistent risk-based supplier management process to enable us to systematically identify potential risks in our supply chain and to prioritize supplier audits. Our comprehensive supplier management systematics includes supplier selection, qualification, supplier evaluation, strategic evaluation including risk evaluation and supplier development. Siemens audit processes are founded – besides others - on commodity risks, country risks and include information from external service providers. Strategic suppliers are periodically evaluated for compliance with the principles of the Code of Conduct on an annual basis by cross-functional teams. For suppliers in higher risk countries, a sustainability module is conducted during regular quality process and system audits at our supplier’s premises. Inspections at the supplier’s premises are only carried out following prior notification by Siemens. For more information regarding Siemens audits, refer to Siemens Sustainability Information 2015 (page 18) at <http://www.siemens.com/about/sustainability/en/sustainability/reporting/current-report.htm>.

CERTIFICATION – All suppliers are required to accept the Code of Conduct included in Siemens’ purchasing contracts in which suppliers make a declaration that suppliers (1) refuse to employ or make anyone work against his will, or to tolerate any unacceptable treatment of employees, such as mental cruelty, sexual harassment or discrimination, (2) shall not employ workers under the age of 15 or, in those countries subject to the developing country exception of the ILO Convention 138, employ no workers under the age of 14, (3) prohibit behavior including coercive, threatening, abusive or exploitative, and (4) will provide fair remuneration and guarantee the applicable national statutory minimum wage, in addition to other declarations requiring compliance with applicable laws concerning health and safety, competition and bribery, environmental and other laws. For any known violations related to human trafficking and slavery such as the prohibition of child labor, Siemens reserves the right to terminate purchasing contracts immediately upon notice. In the event of substantial deviations or an unwillingness to implement measures for improvement, we exclude suppliers from any business with Siemens. To be faster and more effective in reacting to major breaches with the Code of Conduct requirements we have implemented the process of a “Central Warning Message” which allows us to block suppliers for all Siemens organizations worldwide.

INTERNAL ACCOUNTABILITY – Siemens prohibits any form of forced labor, including slavery and human trafficking, and requires its employees to conduct themselves in accordance with all applicable laws and regulations and internal company guidelines. At Siemens, this directive is found in the Business Conduct Guidelines (BCG). The BCG takes its orientation from international and generally accepted conventions on the upholding of human rights, the fight against corruption, as well as statutory provisions. An extensive compliance organization is in place at Siemens to ensure that the Siemens compliance program is enforced. Reliable reporting channels for internal and external stakeholders are available to ensure that possible misconduct is reported, thoroughly investigated and brought to light. The BCG clearly states that all employees guilty of a violation will be subject to disciplinary consequences because of the violation of their employment duties. Siemens also provides a *Tell Us* reporting channel available to Siemens employees providing a secure way of reporting potential compliance violations and allows for anonymously reporting concerns such as dealing with potentially unlawful or unethical business practices. Circumstances which point to a violation of the BCG are to be reported to the Chief Compliance Officer, the Compliance Officer responsible for the Division, Regional or Corporate Units, the *Tell Us* reporting channel or the Siemens Ombudsman.

TRAINING – Siemens employees, including management, directly responsible for supply chain management are required to complete training on Siemens supply chain management processes and procedures which includes awareness of human trafficking and slavery risks in the supply chain. The compliance training portfolio, which includes training on the Business Conduct Guidelines, consists of classroom as well as web-based training courses which are complemented by a case library allowing for tailoring of in-person trainings to the specific profile and requirements of the company units. We also support our suppliers with an internet-based information and training platform that includes the Code of Conduct requirements, which is available free of charge.