

**SIEMENS**



# The Siemens Compliance System

Prevent – Detect – Respond and Continuous Improvement





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# Foreword

## Only clean business is Siemens business

For Siemens, compliance means more than just adherence to the law and internal Company regulations, the cornerstone of which are the Siemens Business Conduct Guidelines. It provides the foundation for all our decisions and activities and is the key component of business integrity. Compliance is not a program; it is the way we conduct business.

Preventing corruption, violations of fair competition and other improper business activity takes the highest priority at Siemens. Our main principle is: Only clean business is Siemens business. This means complying strictly with all laws and regulations and adhering to the principles of ethical business conduct as defined in the Siemens Business Conduct Guidelines, which are binding for all Siemens employees worldwide.

Compliance is a permanent and integral part of our business processes. The Siemens Compliance System will always be a work in progress. Its efficiency and feasibility must be continuously improved and risk analyses must be adapted in line with the constantly evolving business environment.

The independent Compliance Monitor, former German Federal Finance Minister Dr. Theo Waigel, who Siemens engaged as part of the settlements reached with US authorities, has assisted this process since fiscal 2009. The Compliance Monitor's four-year mandate ended upon the submission of his Year Four Report in October 2012. His activities and, in particular, his recommendations contributed greatly toward improving the Siemens Compliance System and permanently embedding compliance within our Company.



In fiscal 2011, we defined four Compliance Priorities for the development of the Compliance System. These inform projects and other improvement measures.

For fiscal 2013, we have revised the Compliance Priorities as follows:

### **Stand for Integrity**

Our aim is to further encourage business management responsibility for compliance and to continue promoting responsible business practices in our markets with Collective Action and the Siemens Integrity Initiative.

### **Committed to Business**

We want to leverage the Compliance System to support sustainable growth and as a competitive advantage.

### **Manage Risk & Assurance**

We are continuing to develop compliance risk management to provide reliable assurance for our business entities.

### **Focus on Efficiency**

We are focusing on increasing the efficiency of compliance operations and collaboration.



Dr. Hans-Jörg Grundmann  
*Chief Compliance Officer*

Dr. Klaus Moosmayer  
*Chief Counsel Compliance*

In this publication, we would like to provide you with an in-depth insight into the Siemens Compliance System: how it has been developed, what elements it consists of and what we are doing on an ongoing basis to further develop it.

We look forward to receiving your comments and questions.

Dr. Hans-Jörg Grundmann  
*Chief Compliance Officer*

Dr. Klaus Moosmayer  
*Chief Counsel Compliance*

# Introduction: The Siemens Compliance System

The current Siemens Compliance System was developed in 2007 and 2008, initially in response to criminal investigations undertaken by the Office of the Public Prosecutor in Munich, the US Securities and Exchange Commission, the US Department of Justice and numerous other investigating authorities worldwide. These inquiries, as well as the independent internal investigation undertaken by US law firm Debevoise & Plimpton between January 2007 and January 2009, exposed systematic violations of anti-corruption laws and accounting regulations in many Siemens Business Units and Regional Companies over many years,

as vividly described in the documents produced by the US authorities for the final judgement made in the USA on December 15, 2008.<sup>1</sup>

It was only possible to conclude the proceedings against the Company in Germany and the USA because – as explicitly stated by the US 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.



Since the Compliance Program was introduced throughout the Company, we have continued to improve it and have developed it into an overarching compliance management system. We have made compliance a permanent and integral part of our business processes.

The new Compliance System is based on a clearly defined system, into which all Group compliance measures must fit.

The following precept applies to all activities:

*Compliance is not a program;  
it is the way we conduct business  
and uphold integrity at Siemens.*

The Siemens Compliance Organization and the key elements of the new Compliance System within this structure are outlined in the following.

## The Siemens Compliance System

### Prevent

- Compliance risk management
- Policies and procedures
- Training and communication
- Advice and support
- Integration into personnel processes
- Collective Action

### Detect

- Whistle-blowing channels: "Tell us" and ombudsman
- Compliance controls
- Monitoring and Compliance reviews
- Compliance audits
- Compliance investigations

### Respond

- Consequences of misconduct
- Remediation
- Global case tracking

### Management responsibility

## Compliance indicators and further information on compliance at Siemens

We regularly publish compliance indicators and further information on compliance development at Siemens through our annual reports<sup>2</sup> and sustainability reports<sup>3</sup>. We also make the current indicators available in the Compliance section of the Siemens Global Website<sup>4</sup>. The Siemens financial reports<sup>5</sup> contain information on legal proceedings.

These documents can be downloaded at

1. [www.siemens.com/press/en/events/2008-12-pk.php](http://www.siemens.com/press/en/events/2008-12-pk.php)
2. [www.siemens.com/investor/en/financials.php](http://www.siemens.com/investor/en/financials.php)
3. [www.siemens.com/sustainability/en/sustainability/reporting/current\\_reporting.htm](http://www.siemens.com/sustainability/en/sustainability/reporting/current_reporting.htm)
4. [www.siemens.com/sustainability/en/core-topics/compliance/facts-figures](http://www.siemens.com/sustainability/en/core-topics/compliance/facts-figures)
5. [www.siemens.com/investor/en/financials.php](http://www.siemens.com/investor/en/financials.php)

# I. The Compliance Organization

In early 2007, the Siemens Compliance Organization consisted of a handful of legal experts at corporate headquarters and around 60 Compliance Officers in the Business Units and Regions, most of whom worked as Compliance Officers as a secondary activity.

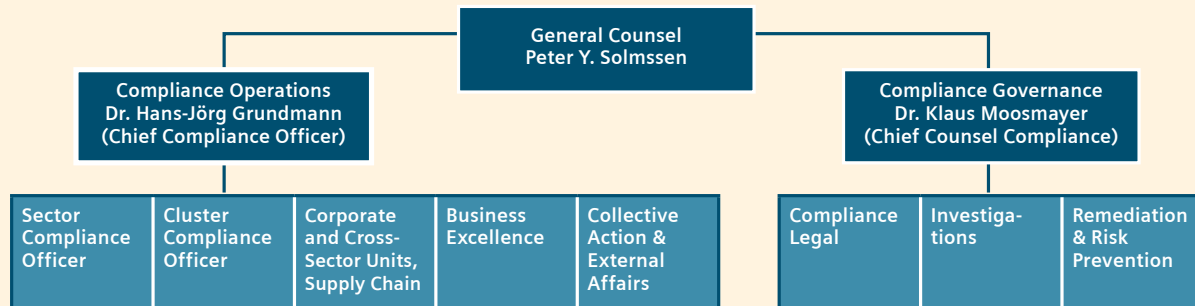
This situation has changed fundamentally. Today, several hundred employees work full time as part of a single organization headed by the Chief Compliance Officer (CCO), Dr. Hans-Jörg Grundmann, and the Chief Counsel

Compliance (CCC), Dr. Klaus Moosmayer, both of whom report directly to the Head of Corporate Legal and Compliance, Managing Board member Peter Solmssen.

## The Siemens Compliance Organization

The compliance employees are deployed in the corporate headquarters, the Sectors and Divisions, and the Regional Companies. The compliance risk associated with the business in question plays a central role in their allocation.

## The Siemens Compliance Organization



## Role of the Compliance Organization

We support sustainable business success.

- We continuously communicate the particular importance of compliance for Siemens.
- Across the Company, we combine the expertise required to prevent corruption and other violations of fair competition in all three dimensions (Prevent, Detect, Respond).
- Violations of laws, Siemens regulations or Siemens procedures pose a risk of penalties or reputational damage for Siemens. We ensure that these reported compliance violations are properly handled, analyzed and remediated together with the responsible departments and management.
- We have the authority to issue guidelines on internal investigations and disciplinary response.
- We drive Collective Action initiatives in order to level the playing field for clean business.



### Chief Compliance Officer

In this “straight line” organization, compliance officers around the world ultimately report to the CCO, who makes appraisal, career and remuneration-related decisions. All Compliance Officers have clearly assigned responsibilities depending on their areas (Corporate Units, Sectors, Divisions and Regions). The Cluster Compliance Officers head up the Compliance Organization in the Siemens Group’s global regions.

### Chief Counsel Compliance

The Chief Counsel Compliance (CCC) manages three departments: Compliance Legal; Compliance Investigations; and Compliance Remediation and Risk Prevention. The CCC’s organization handles the entire process relating to potential compliance violations, from the time allegations are received through investigation, employment law-related actions, necessary remedial efforts and any related legal proceedings that may arise. The Chief Counsel Compliance is also responsible for the legal aspects of the corporate compliance policies and controls.

The Chief Compliance Officer and the Chief Counsel Compliance are jointly responsible for the Group’s compliance risk analysis activities and together report to the Company’s Managing Board and Supervisory Board.

The Compliance Organization is not intended to be isolated; rather, it should allow movement to and from the Company’s other staff and operating units. Compliance success depends on the work undertaken in the Compliance Organization being regarded as a step up the career ladder. To this end, a separate competency management program has been designed in cooperation with the Human Resources Department. This is intended to contribute to systematic employee development within the Compliance Organization.

## II. Management Responsibility



### Compliance Review Process

Compliance is a management responsibility, while the requisite processes are provided by the Compliance Organization. To ensure that this continues to be the case, Siemens has implemented a Company-wide Compliance Review Process. Management and the Compliance Organization discuss the current status of the Compliance System, its implementation, key developments and relevant cases at least once a quarter. In this context, the Compliance Review Process combines the findings obtained from the various reporting lines and takes them to the top.

This means that the CCO's and CCC's reports to the Managing Board and to the Supervisory Board's Compliance Committee are based on information and findings which have previously been obtained at the business operations level and discussed with the management at that level.

The defining element of the Siemens Compliance System is the responsibility of all Siemens managers for compliance. This management responsibility goes beyond the role-model function of senior management: all our managers must exemplify compliance and ensure that business decisions and actions in their areas of responsibility are always in complete accordance with the relevant legal requirements and our own values and guidelines.

One of the main findings of the internal and external investigations initiated immediately after the severe allegations of corruption came to light at the end of 2006 was that the corporate culture had failed with regard to compliance and thus facilitated systematic corruption. This insight resulted, during the course of 2007, in new appointments to key positions: the Chairman of the Supervisory Board, the President and CEO, the General Counsel (who was also appointed Member of the Managing Board with responsibility for Legal and Compliance), the Chief Compliance Officer and the Chief Audit Officer. Almost the entire Siemens AG Managing Board was replaced.

In a groundbreaking speech, the new President and CEO, Peter Löscher, made it quite clear that:

“Only clean business is Siemens business – everywhere – everybody – every time...”

Compliance as part of Corporate Responsibility is our number one priority.”

All Siemens executives were told to spread the message throughout the Company. By September 30, 2008 the Managing Board, the Chief Compliance Officer and senior members of the Compliance Organization had visited 54 countries as part of a special Compliance Roadshow – all countries which, either owing to the large volume of business or existing corruption risks, are of critical importance for the success of the Compliance System – and had spoken at employees’ meetings and with the local management about the importance of compliance. These activities have been ongoing since then.

An anonymized survey (Compliance Perception Survey) first conducted among a representative group of 90,000 employees worldwide in the summer of 2008 confirmed that the message had got through to them: over 80% of responses then confirmed that management was speaking out clearly to employees on compliance issues, that the Compliance System and employees’ responsibility for its observance were understood and that violations were being taken seriously and sanctioned accordingly. This survey was repeated in fiscal 2009 in order to be able to follow up further developments and showed an even higher level of employee satisfaction with the compliance efforts. In 2010, the Compliance Perception Survey was integrated into the new Company-wide annual survey conducted among almost all employees. The results of this survey in subsequent years have also confirmed how firmly compliance is embedded in the company.

# III. Prevent



### III.1. Compliance risk management

A thorough analysis of business operations with the aim of promptly identifying compliance risks and the introduction of appropriate measures to minimize risks are the core elements of a successful compliance system. The new Compliance Risk Assessment (CRA) in use as of fiscal 2012 represents a further improvement to the compliance assessment and control processes already in place within the Company. Compliance and business operations are thus becoming more tightly linked:

- On an annual basis, the CEOs and managers of other key functions in the Business Units systematically determine the compliance risks to their Unit together with the responsible Compliance Officer as part of the CRA. The CRA is carried out in workshops, for which participants prepare by considering business strategy and planning, relevant indicators, internal audit reports and compliance cases. The compliance risks identified during the CRA are assessed, necessary mitigation measures are defined and responsibility for their implementation is set out. Where relevant, the Business Units report the risks identified at the CRA workshop to Enterprise Risk Management (ERM).
- These analyses are incorporated into the compliance risk analysis (CoRiA) at Group level, which aims to determine systematic and globally recurring compliance risks to the Company as promptly as possible. As well as the CRA results, this analysis of the overall compliance risk at Group level takes into account the findings of compliance controls and case-related investigations, for example. As part of the compliance risk analysis, relevant Company-wide risks are reported to Siemens Risk Management and measures to reduce the risks are drawn up and implemented.

### III.2. Policies and procedures

The Business Conduct Guidelines<sup>7</sup>, a revised version of which was approved by the Managing Board in January 2009, are at the heart of the Siemens Compliance System. They contain centrally-defined rules of conduct that go well beyond competition law issues and efforts to combat corruption. The additional Compliance Guidelines deal with important aspects such as compliance issues pertaining to M&A transactions, sponsorship and donations.



The Siemens Business Conduct Guidelines

7. Available for download at [www.siemens.com/bcg](http://www.siemens.com/bcg)

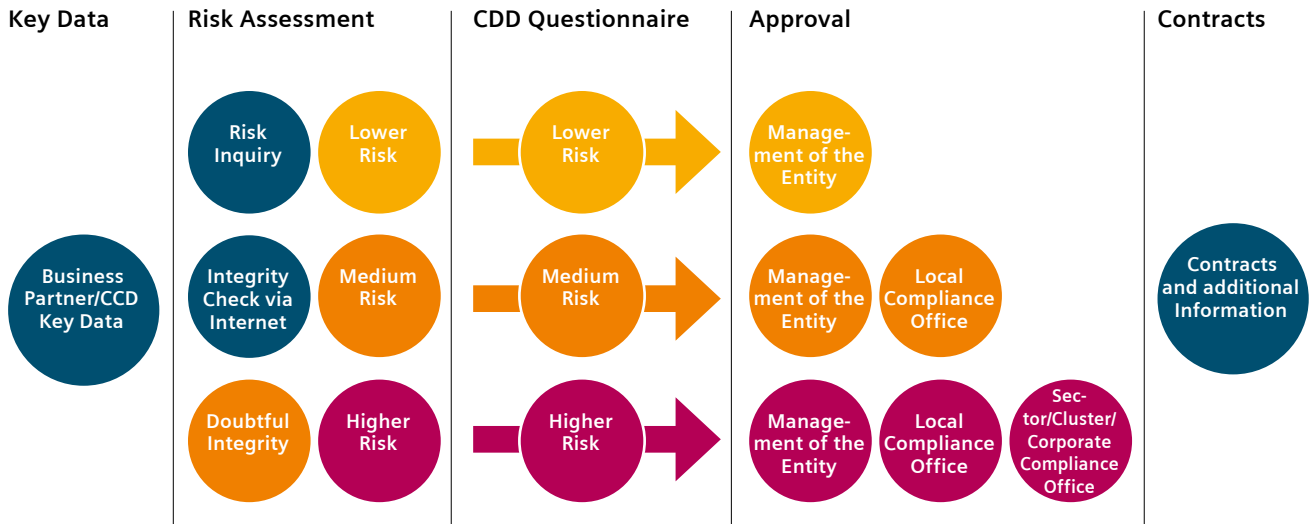
During the course of 2008, it became apparent that a deluge of rules and regulations is more likely to undermine employee confidence than to provide genuine help. There was a risk that compliance would be seen as too bureaucratic. In recent years, we have therefore made essential compliance rules less complex, but equally stringent, and integrated them into business processes.

One example worthy of mention is the new Business Partner Policy. Until mid-2008, all payments and contracts throughout the Company with business consultants in a sales support role had to be approved by the Chief Compliance Officer in Germany – after a lengthy procedure in

which these transactions were assessed by management and the responsible Compliance Officers of the relevant units. The background to this was a moratorium declared at the beginning of 2007 following the discovery that the deployment of such consultants was one of the main methods used to siphon off money from the Company for corrupt purposes. This procedure did have a number of disadvantages, however. It proved to be excessively bureaucratic and unwieldy, failed to distinguish between the compliance risk actually associated with particular

consultants and also ignored the fact that corrupt payments could equally well be made via other business partners, such as commercial agents, customs agents and consortium members. A decision was therefore taken in mid-2008 to adopt a new approach with the Business Partner Policy. All business partners performing an intermediary role between Siemens and the customer must undergo a uniform, Company-wide, tool-supported risk assessment.

### Overview of the Business Partner Compliance Due Diligence (CDD) process



Based on defined risk indicators – such as the risk of corruption in the country in which the work is undertaken – a risk class (high, medium or low risk) is established for the business partner, which then determines the further course of action (due diligence, approval requirements and mandatory contractual clauses). Around 17,000 business partners classified by way of this process are currently registered in the tool and are treated according to their risk class before any payments are made or new contracts entered into. This demonstrates the acceptance of this risk-based procedure in business operations. Similar procedures apply to the approval process for Siemens project business (Limits of Authority). Potential orders are no longer evaluated simply in terms of financial and technical risk, but also based on their specific compliance risks.

In fiscal 2011, we further developed the Business Partner Policy based on our experiences over several years of practical use and adapted it in line with new risks that had been identified.

Since 2009, further essential steps have been taken to develop compliance rules and make them easier to work with. The existing rules pertaining to **gifts and hospitality** were revised to allow employees to use country-specific “scorecards” to themselves check whether invitations to dinner, for example, require the approval of the manager or the Compliance Officer. After this scorecard-based check had initially been mandatory for employees without value limits and for both the public and private sector alike, the rule was amended in December 2010 with a view to increasing the personal responsibility of employees and their managers. While gifts and invitations made to public office-holders continue to be subject to mandatory scorecard-based checks, employees’ use of this tool is otherwise unrestricted.

Throughout the Company, **sponsorship, donations and memberships** are recorded and approved using an electronic tool and according to uniform criteria.

All compliance rules are continually evaluated with regard to their practicability and amended where necessary. It is crucial that all new and revised rules are easy to understand and of practical relevance.

### III.3. Training and other communication measures

Even the best compliance rules are ineffective if employees are unaware of them and do not know how to put them into practice. This is why one of the key elements in the implementation of the Siemens Compliance System is training.

Since 2007, we have delivered over 300,000 compliance training sessions for employees worldwide, of which over 100,000 were classroom-based sessions lasting between four and eight hours and over 200,000 were electronic training sessions for authorized signatories. Senior management also takes part in compliance training, and we place particular emphasis on training functions such as legal, purchasing, sales and project management.

A comprehensive set of instructive case studies helps in making the classroom-based training sessions of practical relevance and adapting the training content to suit the function-specific expectations and requirements of the different target groups.

To ensure that compliance expertise and the appropriate conduct are retained, the training for managers and “sensitive functions” (e.g. sales) includes regular refreshers. In addition, a compliance module has been integrated into the induction training for all new employees.

Following the successful implementation of a “train-the-trainer” concept, the Siemens Compliance Organization and internal continuing professional development functions are now able to provide training without external support. Finally, all new Compliance Officers worldwide undergo especially intensive training on a four-day induction course. For experienced Compliance Officers, we offer advanced training covering specific topics and aspects of their work in more depth and in practical exercises.

#### **Integrity dialog – new approach to classroom-based compliance training**

For fiscal 2013, we have fully revised the content of compliance refresher training and the method of delivery:

Senior managers of business units receive their training from the responsible Compliance Officer and then they themselves train their direct reports, who then train the employees who report to them. The training sessions are integrated into scheduled discussions and face-to-face meetings, with considerable emphasis placed on the dialog between the manager and his/her team. The units select the content of the “Integrity Dialog” dubbed training sessions from a list of modules offered throughout the Group and supplement it with specific compliance topics from their area of business.

In addition to training, Siemens has introduced numerous other communication measures in an effort to permanently embed compliance within the Company. Employees and management are promptly informed about new measures and developments through the intranet and by e-mail, and the employee magazine contains regular reports on compliance topics.

For each fiscal year, the key messages and other essential elements of compliance communication activities at all units are set out in a compliance communication strategy.

#### **III.4. Advice and support**

Providing advice and support to the Siemens Business Units is one of the central tasks of the Compliance Organization. All employees can pose questions about the interpretation or the application of Compliance policies directly to the compliance officer responsible for their unit. The close and trustful cooperation between Compliance Officers and Siemens units forms the indispensable basis for this. Furthermore, all employees may send their questions regarding Compliance policies via email to a central mailbox operated by the Compliance organization; incoming requests are forwarded to the respective Compliance expert for further handling.

**“Our integrity culture strengthens our position as a preferred supplier, an employer of choice and a preferred company for investors.”**



### III.5. Integration into personnel processes

As of fiscal 2011, managers for whom deficiencies in their area of responsibility come to light in the enforcement and application of the Compliance System are advised of this fact by the Compliance Organization halfway through the fiscal year through the issuance of “yellow card”. If the deficiencies are not rectified, the performance-related component of their annual pay is reduced to zero percent.

Another important example of the interconnection between compliance and personnel processes is the compliance screening of employees earmarked for key corporate functions or work in a compliance, auditing or legal department. Before the final selection is made, appropriate candidates are assessed by the Compliance Organization to determine whether there is any evidence of misconduct (such as ongoing internal or official investigations) that may stand in the way of their promotion. This process, which is the responsibility of the Human Resources and Compliance Legal Departments, is clearly explained to candidates beforehand.



Compliance in employee communications: poster containing a statement by Peter Y. Solmssen, Member of the Managing Board and General Counsel

### III.6. Collective Action and Siemens Integrity Initiative

One company going it alone can have only a limited impact in the fight against corruption. If substantial progress is to be made, all market participants and other stakeholders, or at least as many of them as possible, must act in concert. For Siemens, compliance therefore goes beyond internal measures and processes and beyond bilateral relationships with suppliers and other business partners.

For several years now, we have been a champion of Collective Action, i.e. companies, institutions and other external stakeholders joining forces in all our markets in the fight against corruption. An initial step was the Collective Action Guide on tackling corruption, which Siemens developed together with the World Bank Institute and other partners and was published in June 2008. This is a practical guide to the initiation and implementation of agreements with competitors and customers with the aim of creating corruption-free competition.

In several markets, the Collective Action of Siemens and its partners has now started to tangibly bear fruit. For example, Siemens Argentina has concluded a compliance pact with several competitors in the field of energy transmission, facilitated by a local business school and containing, among other things, mechanisms for dealing with infringements of the commitments entered into. In Brazil, Siemens is supporting, in close cooperation with the local NGO Instituto Ethos, a project spanning several years aimed at creating transparency when awarding infrastructure projects relating to the Olympic Games in 2016 and the soccer World Cup in 2014. Local committees, for example, have been set up which promote the concept of the “Clean Games”. As far as

universities are concerned, Siemens is supporting the International Anti-Corruption Academy (IACA) in setting up a Summer Academy / Masters in Anti-Corruption Studies with the objective of promoting holistic training and the exchange of ideas between anti-corruption experts.

These and other examples illustrate that Collective Action with competitors, the public sector and civil society for fair competition and against corruption must be long-term.



### **Siemens Integrity Initiative**

As part of the settlement reached with the World Bank in July 2009, Siemens launched an Integrity Initiative with a budget of US\$100 million. The initiative supports organizations and projects that promote clean markets and fair competition by fighting fraud and corruption. We will dispense funds in three selection rounds extending over a period of 15 years.

The first funding round alone attracted around 300 applications from 66 countries. We invited a selection of applicants to submit detailed project proposals. After carefully evaluating them, we selected 31 of the projects and in fiscal 2011 concluded agreements for them. The volume of the first funding round was US\$37.7 million in total. The projects are now underway.<sup>8</sup>

8. Further information can be found at [www.siemens.com/integrity-initiative](http://www.siemens.com/integrity-initiative)

# IV. Detect



## IV.1. Whistle-blowing channels: “Tell us” and ombudsman

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 cleared up. In order to find out about any compliance violations, we provide various ways for internal and external whistle-blowers to report them. The “Tell us” compliance helpdesk, the ombudsman and accounting complaints are secure reporting channels that our employees and external stakeholders can use to pass on possible violations confidentially and, if they wish, anonymously.

The “Tell us” compliance helpdesk provides a whistle-blower hotline for Siemens employees and third parties wishing to report possible compliance violations. It is available around the clock in almost all languages worldwide and is operated by a provider independent of Siemens, enabling the whistle-blower to pass on anonymous and secure information, which is immediately forwarded to the Compliance Legal Department in report form, but does not allow Siemens to trace the information against the whistle-blower’s wishes. All information received by the helpdesk is recorded and then examined by specialist lawyers to determine whether there are grounds for suspicion that necessitate further action or an investigation.

Since early 2007, Siemens has also had an independent legal ombudsman who can be contacted in person. Data on the reports made to “Tell us” and the ombudsman (many of which, experience shows, relate to personnel issues) can be found in Siemens’ annual and sustainability reports and on the Siemens Global Website.

Possible misconduct can also be reported to the relevant Compliance Officer, the Chief Compliance Officer and the Chief Counsel Compliance – and these options are being used by our employees more and more.

### **Complaints and reports under Section G of the Siemens Business Conduct Guidelines**

Through the reporting channels described, any employee can file a personal complaint or report circumstances that point to a violation of the Business Conduct Guidelines to his/her manager, the Head of Human Resources, another person or department designated for that purpose, or the Works Council.

Siemens employees who report compliance violations are protected by a special guideline that prohibits whistle-blowers from being sanctioned or disadvantaged in any other way if reports are made in good faith.

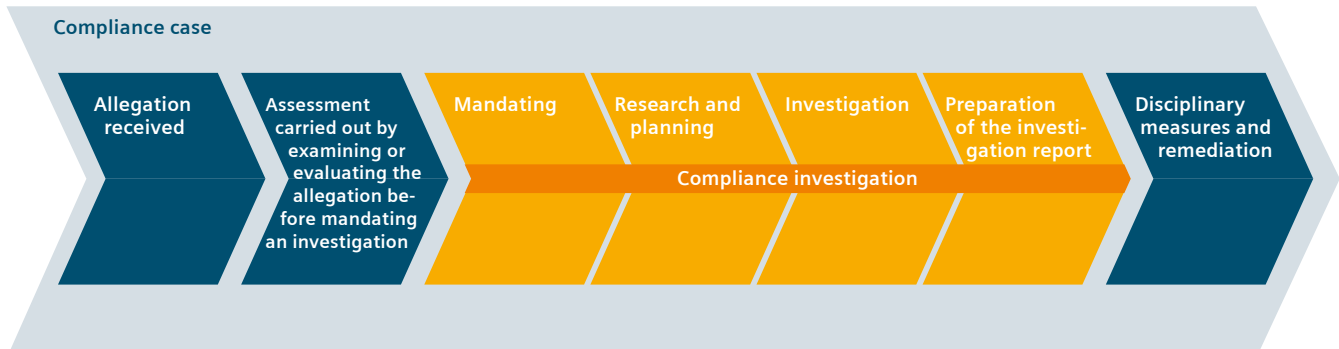
### **IV.2. Compliance investigations**

One of the key findings of Siemens’ assessment of past malpractice and the deficiencies of the earlier Siemens Compliance System was that existing evidence of misconduct was not investigated promptly and with the necessary resolve. As a result, Siemens created a special investigative process and provided the necessary resources for looking into possible compliance violations

Reports of possible misconduct submitted to the Company via “Tell us”, the ombudsman or investigating authorities are investigated under the centralized authority and responsibility of the Chief Counsel Compliance. The investigations are led by the Compliance Investigations Department or the Internal Audit Department, with legal support provided by lawyers from the Compliance Legal Department. The investigation process proceeds on the assumption of innocence and is conducted in accordance with the co-determination rights of the Works Council and data protection regulations. At the same time, the compliance investigations are an important source of information for the compliance risk analysis.

The Compliance Organization has issued guidelines – applicable to all Siemens units – prohibiting unlawful or unreasonable investigations within the Company and stipulating clear rules to ensure the fair and respectful treatment of employees in connection with investigations.

## Compliance investigation process



### IV.3. Compliance controls

To increase the efficiency of the Compliance System, a Group-wide Compliance Control Framework was introduced, covering both anti-corruption and anti-trust controls. The Compliance Control Framework is an integral part of the Siemens risk management system.

All managers are required to continuously monitor business operations in their respective area of responsibility. During the course of these controls, certain projects are checked on a random sampling basis for compliance with anti-trust and anti-corruption laws.

### IV.4. Monitoring and compliance reviews

The systems operated by the Compliance Organization (such as the Business Partner Tool and the helpdesk function) are continuously evaluated so that developments

can be detected at an early stage. Their effective functioning and scope of use within the Company are monitored by means of plausibility checks and random sampling.

### IV.5. Compliance audits

The separate Compliance Audit Department, which reports directly to the new Corporate Internal Audit function, regularly audits the implementation of the Compliance Control Framework, which was revised in December 2010.

Information on any identified potential for improvement is forwarded to the Compliance Organization, where it is incorporated into compliance strategy and system development alongside the regular monitoring.

# V. Respond



### V.1. Consequences of misconduct

Prior to 2007, Siemens rarely took disciplinary measures in response to violations of anti-corruption or competition laws. With the new Compliance System, this situation has changed fundamentally. In August 2007, the Corporate Disciplinary Committee (CDC) was set up and tasked with assessing misconduct by members of management (identified during the course of internal or official investigations) and issuing binding recommendations for action. The procedures are prepared in accordance with employment law by the Compliance Legal Department, which also monitors their subsequent implementation by the HR departments in the responsible units.

The CDC has a high-caliber membership: it is chaired by the General Counsel of Siemens AG, who is also a member of the Managing Board. Other members include the Head of Corporate Human Resources, the Chief

Financial Officer, the Head of the Corporate Department Unit responsible for financial reporting within the Group, the Head of Human Resources, the Head of Corporate Executive Development, the Chief Compliance Officer and the Chief Counsel Compliance. The managers of the employees concerned, who have previously taken part in the employee's hearing together with representatives of the Compliance Legal Department are also involved.

### V.2. Remediation

Remediation – the process of following up on completed investigations – has two aims:

A group of specialists from the Compliance Organization supports the Business Units and tracks the implementation of the recommendations to ensure that identified deficiencies are eliminated.

### Amnesty program

The independent investigation undertaken by the US law firm Debevoise & Plimpton was supported by an amnesty program agreed with the US authorities and the Munich public prosecutor. This ran from October 31, 2007 through February 29, 2008 and offered immunity to employees below senior management level who were willing to cooperate fully with the investigation and disclose corrupt practices.

The amnesty offer included a waiver of claims for damages and unilateral termination of employment by the Company. A total of 123 employees responded to the amnesty program, most of whom were able to provide valuable information for the investigation of past compliance violations and who were therefore granted amnesty.

At the same time, any structural failures in the implementation of the Compliance System are identified and reported to the Internal Audit Department and those responsible for the compliance strategy so that important lessons learned from past cases can be incorporated into the development of the Compliance System.

### **V.3. Global case tracking**

Throughout the Company, the information about possible compliance violations reported to the Compliance Organization is recorded centrally in the Compliance Legal Department or by the responsible Compliance Officer – depending on the severity of the allegation – using a uniform case tracking tool. Official investigations worldwide must be reported centrally, as must information about violations of anti-corruption or competition laws and activities that pose the threat of material and financial consequences or damage to the Company's reputation. All cases entered in the system 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 compliance reports to the Managing Board and the Supervisory Board's Compliance Committee.



# VI. Continuous Improvement

The Siemens Compliance System will undergo constant development so that it can respond to insights obtained from the compliance processes and business operations. It is critically important, however, to also use the relevant sources. These primarily include the Company's employees, who can submit ideas and suggestions for improving the Compliance System. Another important source are the insights obtained from compliance investigations during the remediation phase, i.e. the structural follow-up work on cases, and the compliance reviews referred to above. At monthly Case Radar Meetings, experts from the Compliance Organization analyze the reports of possible misconduct received throughout the Group as well as the status of ongoing investigations in an effort to identify possible trends.

The Compliance Monitor's recommendations have also given us valuable ideas as to how we can improve the Compliance System on an ongoing basis.

The compliance priorities define the points of focus for the ongoing development of the Compliance System and must inform all improvement measures. The Siemens Compliance System will therefore always remain a work in progress, undergoing continuous change and improvement.







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