

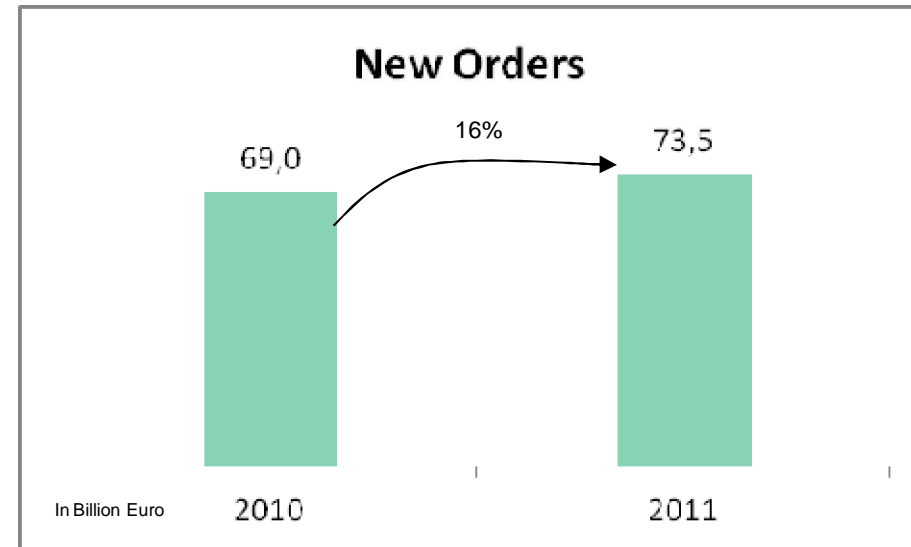
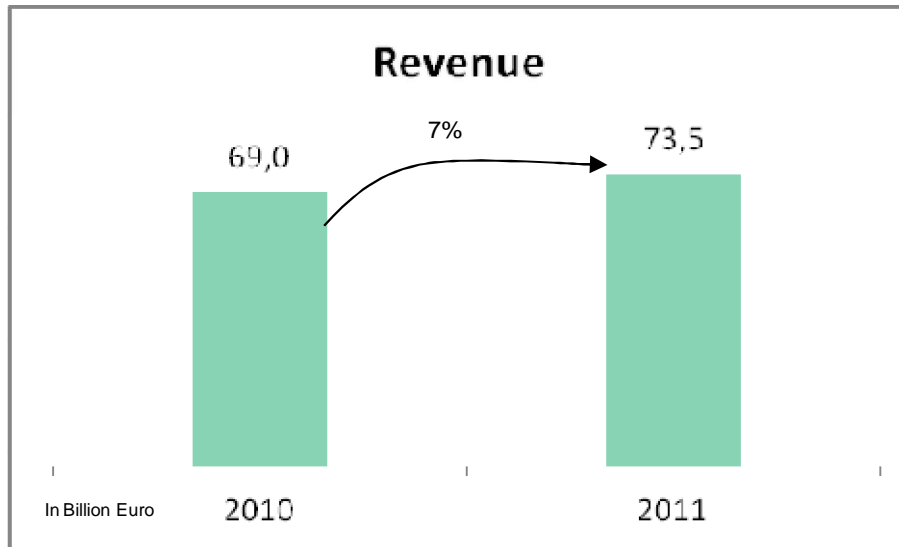
# Siemens Compliance System – Track Record and Challenges

Presenter: MSc Sofoklis Karapidakis,  
Deputy Regional Compliance Officer

Siemens case study  
AUEB, Evelpidon 47A, Athens, November 26<sup>th</sup> 2012



## Basic financial figures



**Active in 190 countries**

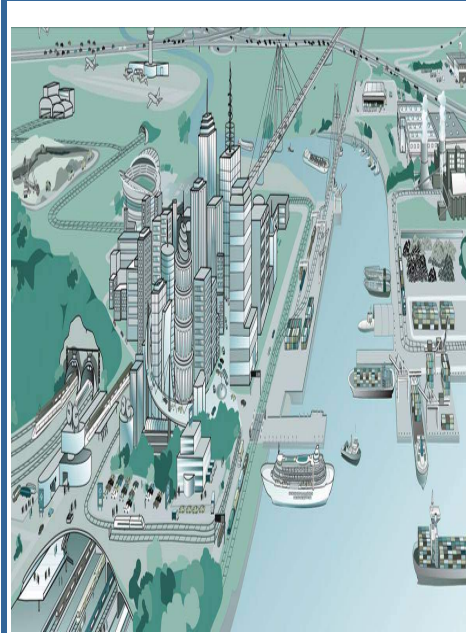
## The Sectors Siemens is active into

### Industry



### Infrastructure & Cities

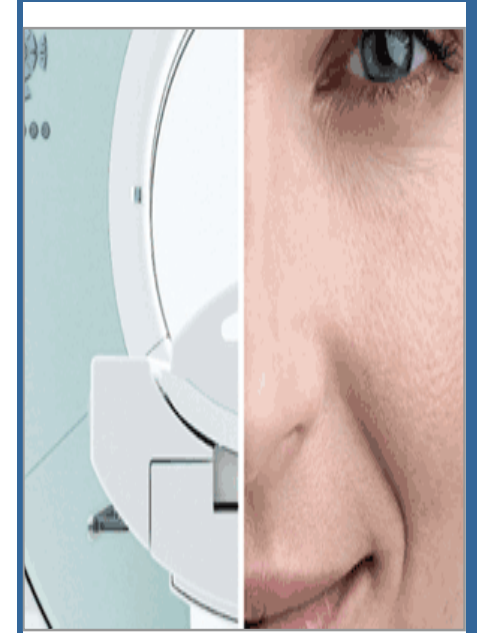
*NEW*



### Energy



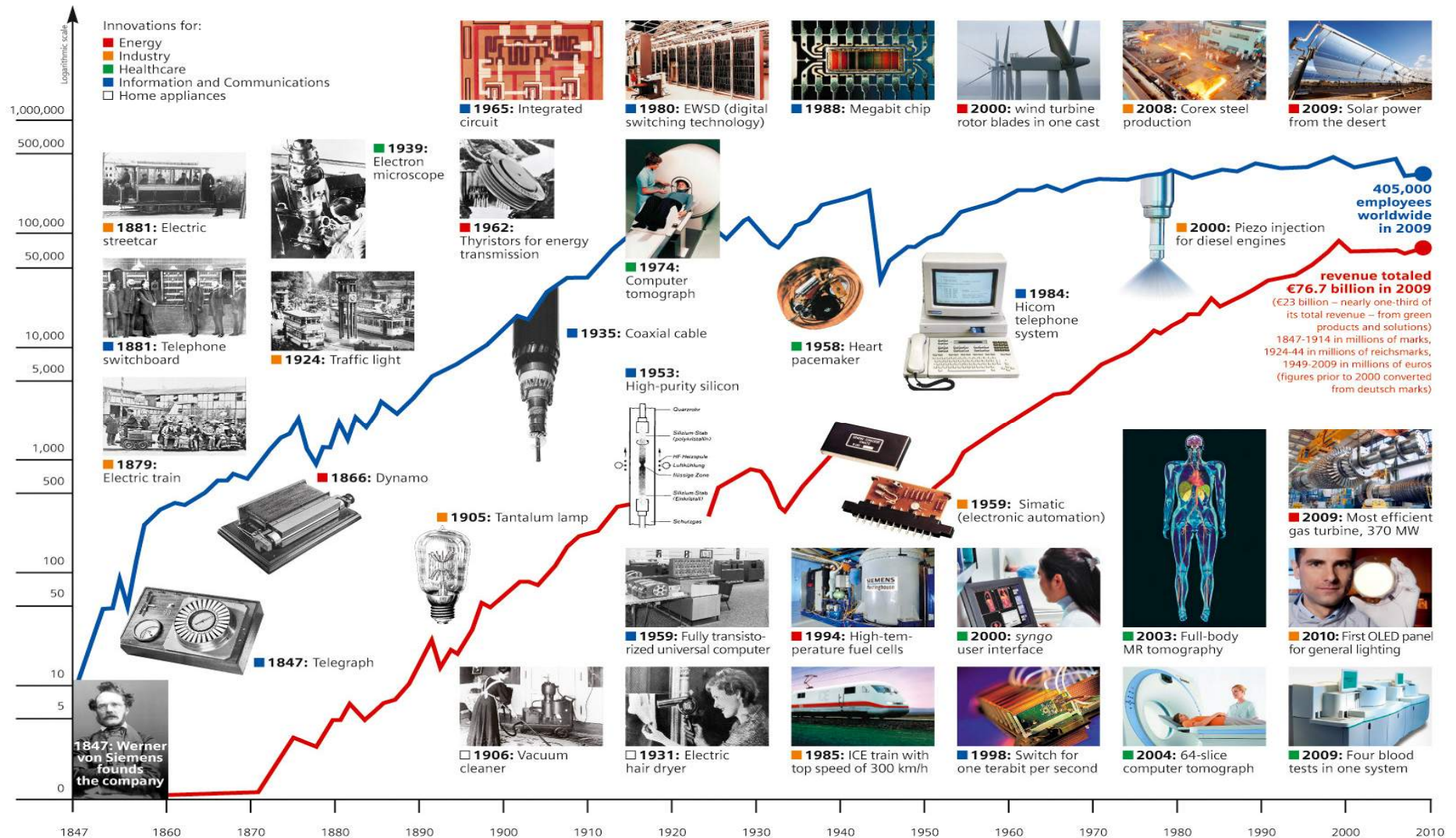
### Healthcare





# Siemens has created value with innovative technology and solutions for more than 160 years

# SIEMENS



## **Compliance is part of the DNA of Siemens**

Why Compliance is necessary for our society and our markets

What we as Siemens do

How we do it – the Siemens Compliance system

What we achieved and where we´re going to

**Sustainability as the key to success:  
Siemens has been in business for 163 years**

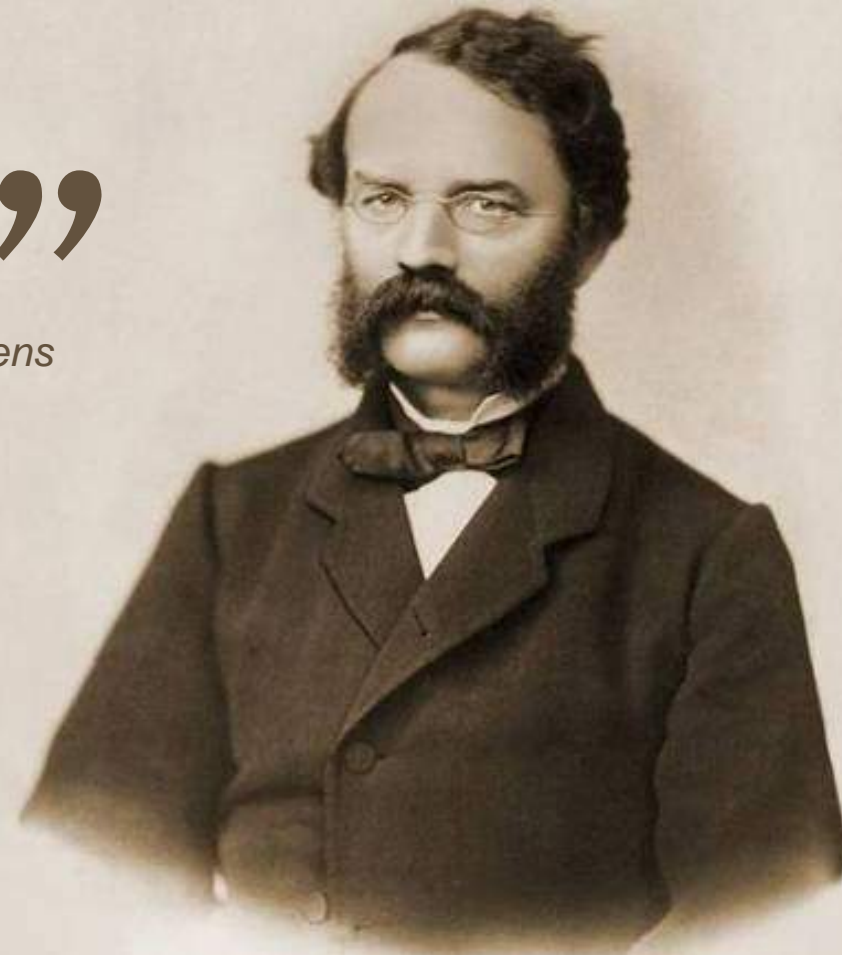
**“ I won't sell the future  
for short-term profit. ”**

*Werner von Siemens*

**Innovative**

**Excellent**

**Responsible**



**Our values have been the foundation for Siemens' success for over 160 years**



## Our values – for long-term success worldwide

### Responsible

... means that we undertake to conduct ourselves in an ethical and responsible manner



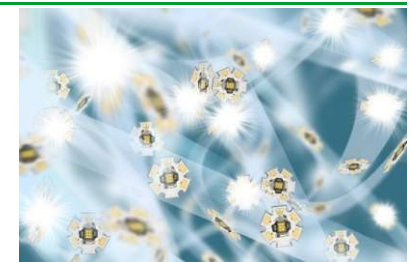
### Excellent

... describes our high performance and the excellent result of our work



### Innovative

... describes our endeavor to create sustainable value both now and in the future



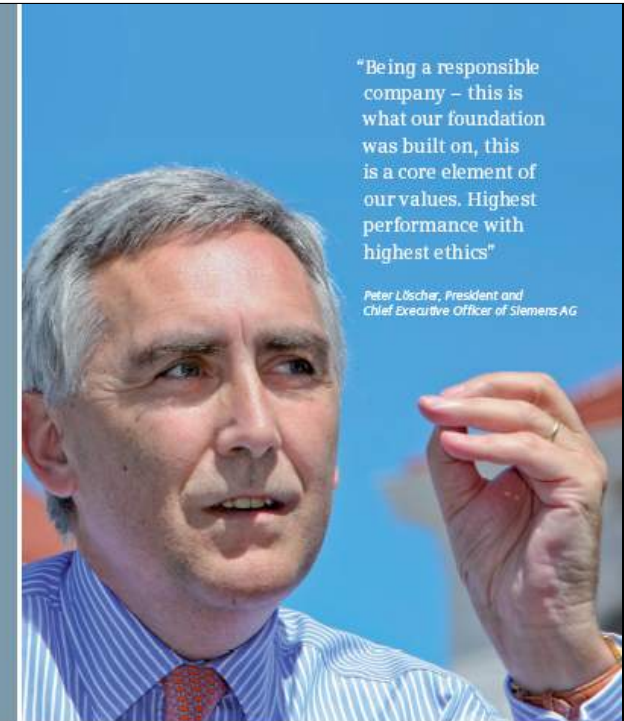


**The message concerning Compliance is authentic,  
clear and non-compromising**

**SIEMENS**

“Being a responsible company – this is what our foundation was built on, this is a core element of our values. Highest performance with highest ethics”

*Peter Löscher, President and  
Chief Executive Officer of Siemens AG*



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Chief Executive Officer of Siemens AG*

**We Stand for Our Values**

Responsible – Excellent – Innovative

Find further information at [intranet.siemens.com/compliance](http://intranet.siemens.com/compliance) and  
[intranet.siemens.com/vala/ba](http://intranet.siemens.com/vala/ba)

**SIEMENS**



Compliance is part of the DNA of Siemens

### **Why Compliance is necessary for our society and our markets**

What we as Siemens do

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## Corruption blocks sustainable development of nations



**1** Corruption leads to bad decisions and to the misallocation of resources

**2** It cripples national economies, especially those of developing countries

**3** It distorts competition and slows economic development

## Corruption kills our markets



**1** A corrupt company culture diminishes transparency and credibility

**2** With less incentive to compete on the basis of quality and price, product quality suffers

**3** Inaccurate accounting (books and records) leads to loss of control

Compliance is part of the DNA of Siemens

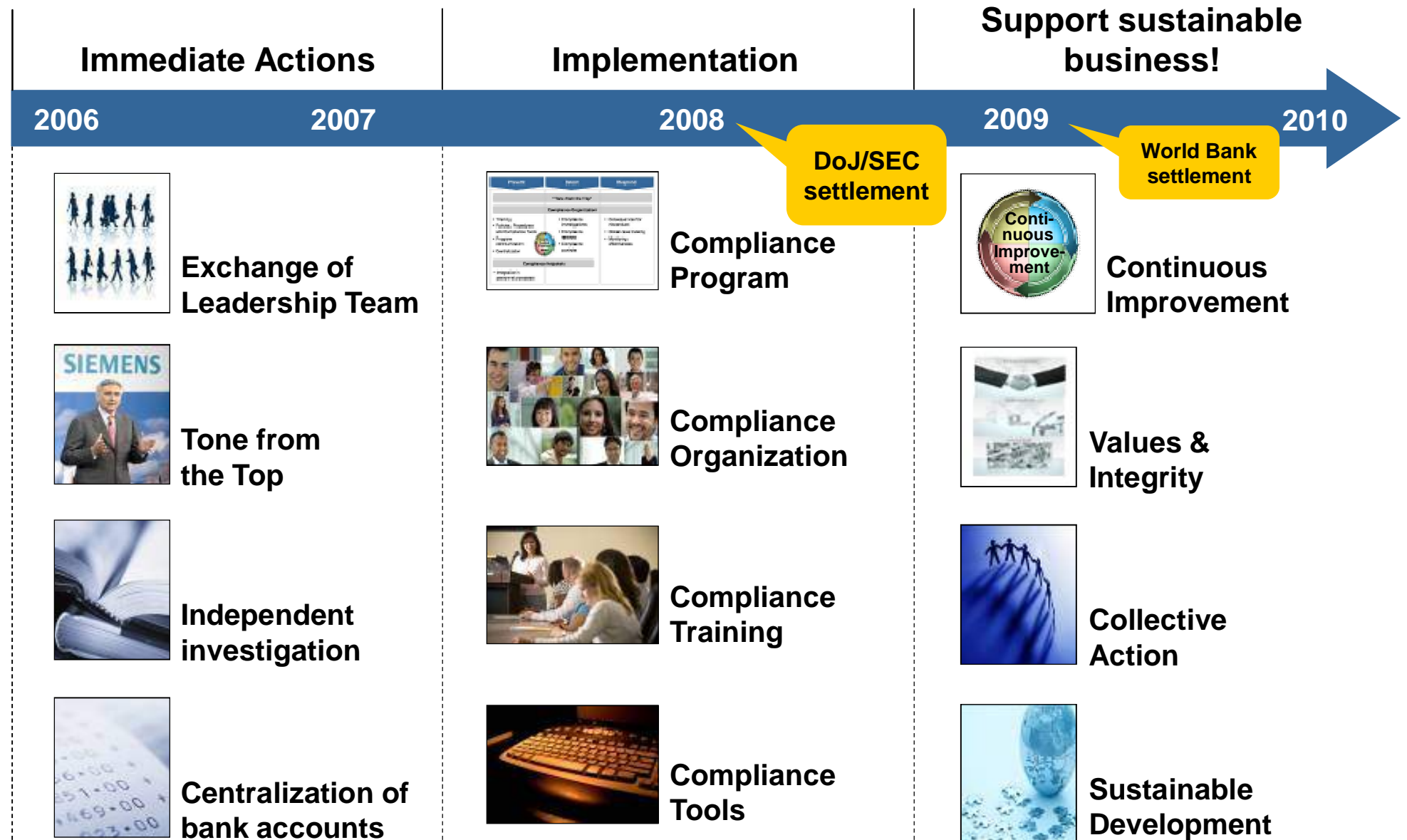
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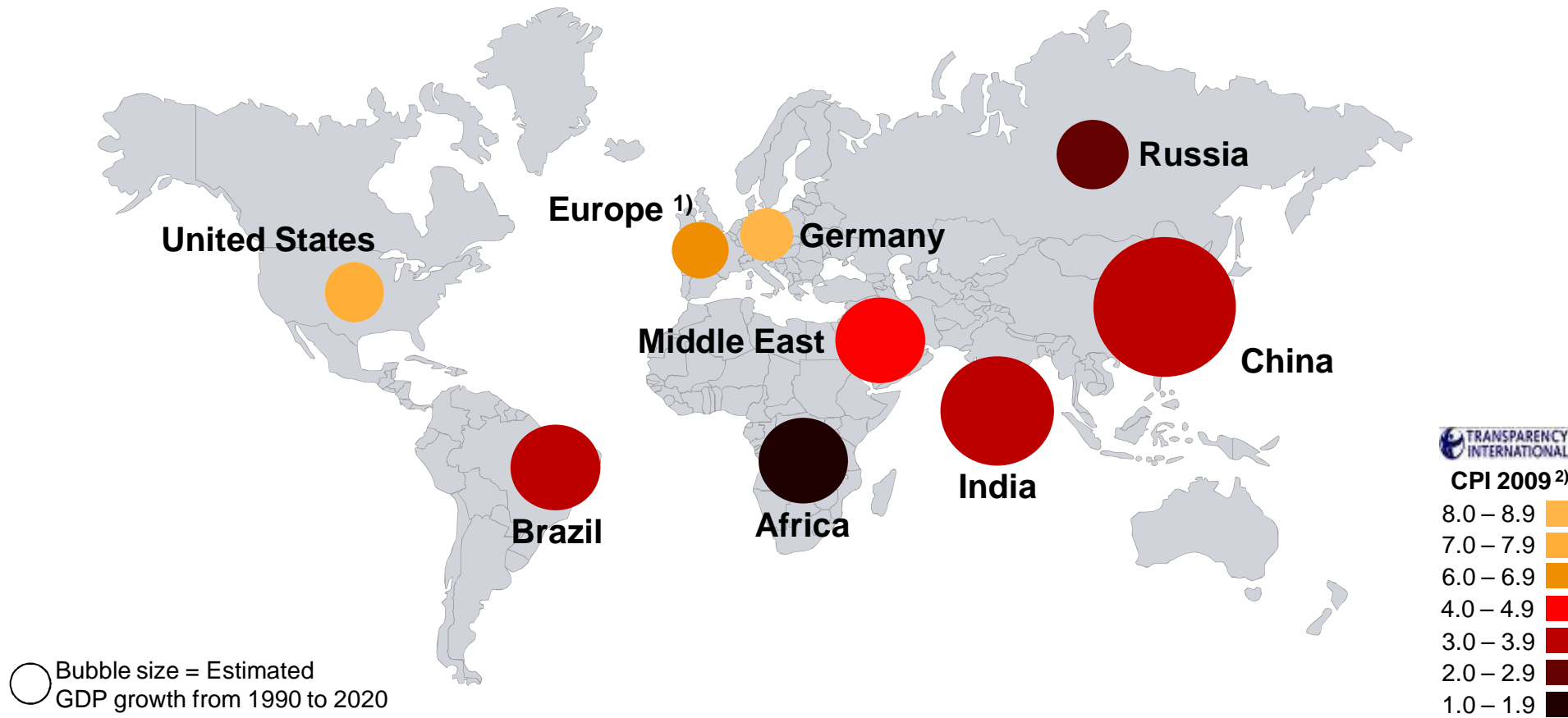
In the change process, several elements were crucial in becoming a recognized leader in terms of integrity





**Tapping future growth in emerging markets requires a proper implementation of compliance**

**Strengthening local presence in fast-growing markets to gain market share...**



**...is as important as implementing compliance to protect against the high corruption risk**

1) Europe = EU 15 w/o Germany 2) Source: Transparency International – Corruption Perceptions Index 2009

# "Collective Action" fosters high compliance standards for all market players

- Fight corruption in concert with competitors and other players
  - Create high compliance standards via a concept of prevention
- 
- 
- Integrate an independent institution for promotion and monitoring
  - Define sanctions in case of violations



1) Non-governmental organizations such as Transparency International

## Collective Action: What we do to drive fair market conditions

Since 2008

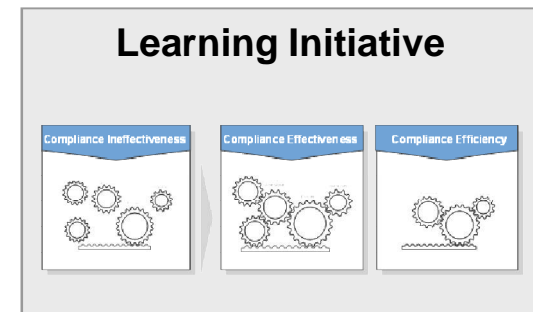
Since 2009

Q4/'10

### Continuous stakeholder dialogue

### Collective Action project

### Project Compliance Learning Initiative



- Fight corruption in joint agreement with industry peers and other stakeholders
▪ Increase compliance awareness of current and future business leaders
- Promote Integrity and Compliance Pacts as well as Long-Term Initiatives in order to foster fair competition in public sector
▪ Share compliance best practices with stakeholders by [www.siemens.com](http://www.siemens.com)
- [www.siemens.com/integrity-initiative](http://www.siemens.com/integrity-initiative) to fight fraud and corruption (US\$ 100 million over next 15 years)



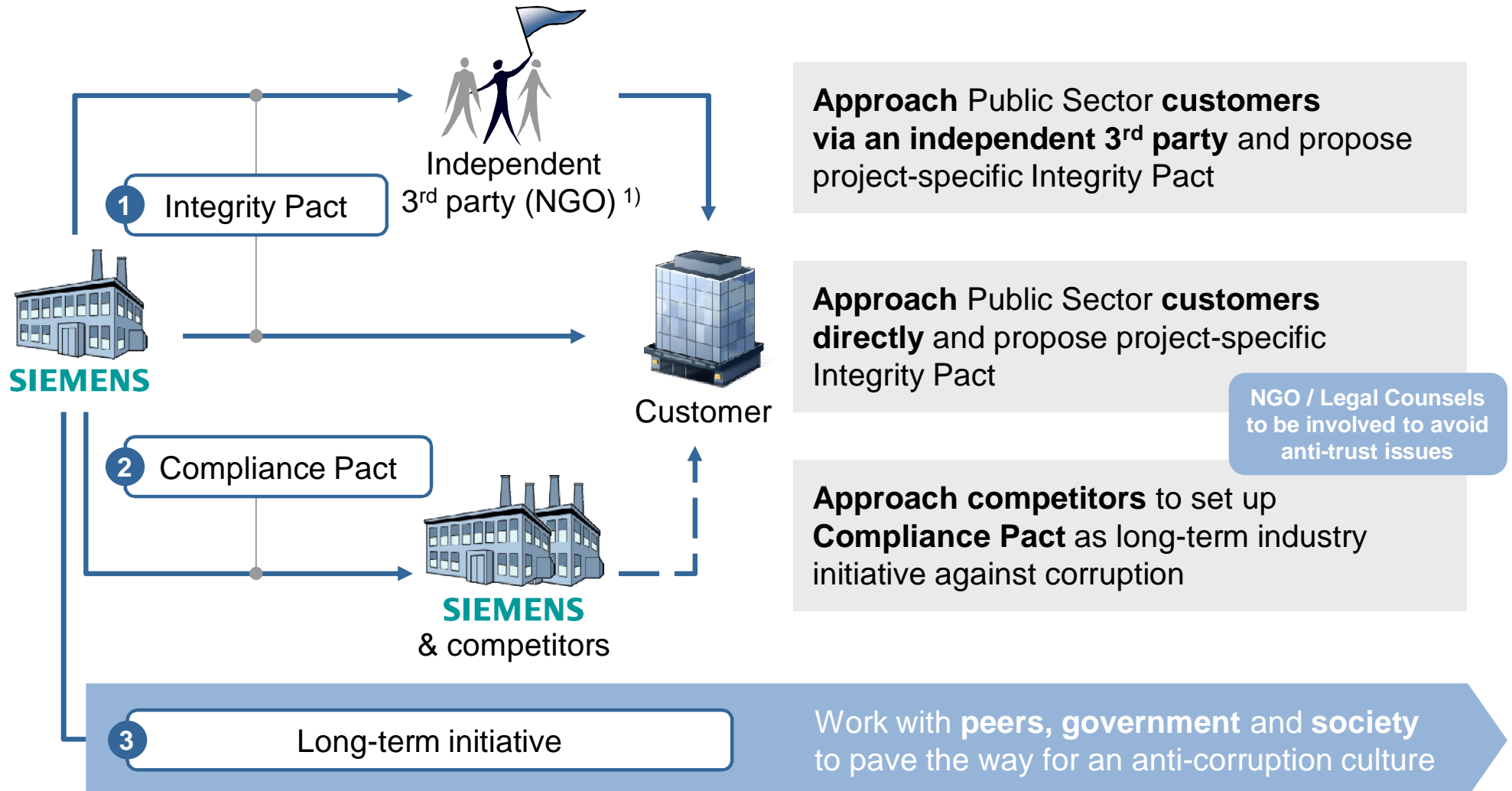
Start March 2010

1) **NGO:** Non-Government Organization      **TI:** Transparency International  
**IO:** International Organization            **PACI:** Partnering Against Corruption Initiative  
**IBLF:** International Business Leaders Forum      **ICC:** International Chamber of Commerce  
**CIPE:** Center for International Private Enterprise

2) Is designed for class room discussions in university and highlights the importance of business integrity and compliance. Will be taught in the spring term 2010.

## Siemens can drive Collective Action through different channels

Channels to drive Collective Action



1) Non-Governmental Organization, e.g. Transparency International

Source: Collective Action Project

---▶ Optional approach

# Siemens Integrity Initiative – Overview

## Objective: Fighting Corruption & Fraud through collective action, education & training

### Financial

- USD 100 Million over 15 years
- First funding round (December 9, 2009): ~USD 40 Million, 3-5 years
- Additional funding rounds will be announced separately
- Funding of up to USD 5 Million per project proposal, minimum of USD 50,000

### Content

- 2 project categories: Collective Action (2/3), Education & Training (1/3)
- Focus on clear business impact and Siemens markets and sectors
- Objective: Create fair market conditions for all market participants
  - Raise standards and create awareness on compliance and business integrity
  - Create a common platform for dialogue for the private and public sector
  - Strengthen the rule of law

### Process

- Public invitation to submit proposals
- Open, competitive selection in two phases (expression of interest, full proposal)
- Payment of funds linked to achievement of milestones (Funding Agreement)
- Eligible organizations: non-profit organizations

### Role of World Bank

- Veto rights over selection of organizations
- Audit rights over use of funds
- Annual reporting obligation for Siemens (progress and financial reports, forecasts)



**Together with our suppliers we fight corruption throughout our supply chain**

## Code of conduct for Siemens suppliers

- Compliance with laws and regulations
- **Prohibition of corruption and bribery**
- Respect for employees' fundamental rights
- Prohibition of child labor
- Employee health and safety
- Environmental protection
- Our suppliers' suppliers



**If we join forces ....**

**... we can help to enable our markets to prosper**



**... and we can prevent that corruption keeps the poorest countries in the world from a fair chance on development**

Compliance is part of the DNA of Siemens

Why Compliance is necessary for our society and our markets

What we as Siemens do

**How we do it – the Siemens Compliance system**

What we achieved and where we're going to

# Compliance at Siemens: Responsibilities and Roles are clearly defined

## What is Compliance?

- Observing the law in every country where we do business and the applicable Siemens policies - especially the Siemens Business Conduct Guidelines

## Responsibilities and Roles of the Compliance Organization

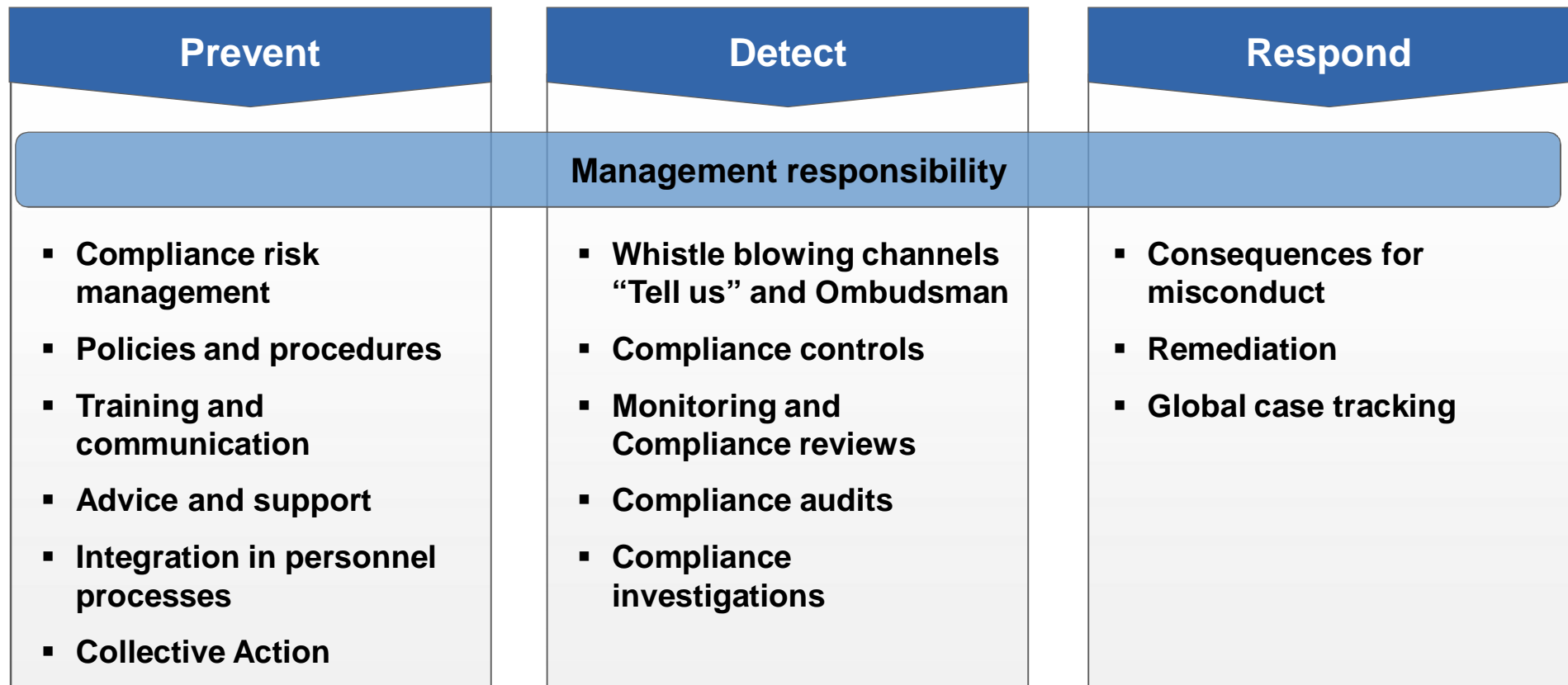
Support sustainable business success:

- Drive a continuous communication about the importance of Compliance for Siemens
- Expertise for Antitrust and Anticorruption (prevent, detect, respond)
- All violations of law, regulations or Siemens procedures are Compliance issues if they entail a risk of penalties or reputational loss to Siemens – the Compliance Organization assures that all reported compliance violations are being properly handled, analyzed and remediated together with the responsible Governance owners and management
- Governance for investigations and disciplinary response
- Drive collective action initiatives in order to level the playing field for clean business



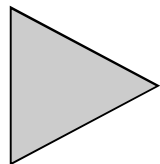
**Compliance is not a program, it's a way of doing business – promoting integrity at Siemens**

# The Siemens Compliance System: Prevent – Detect – Respond



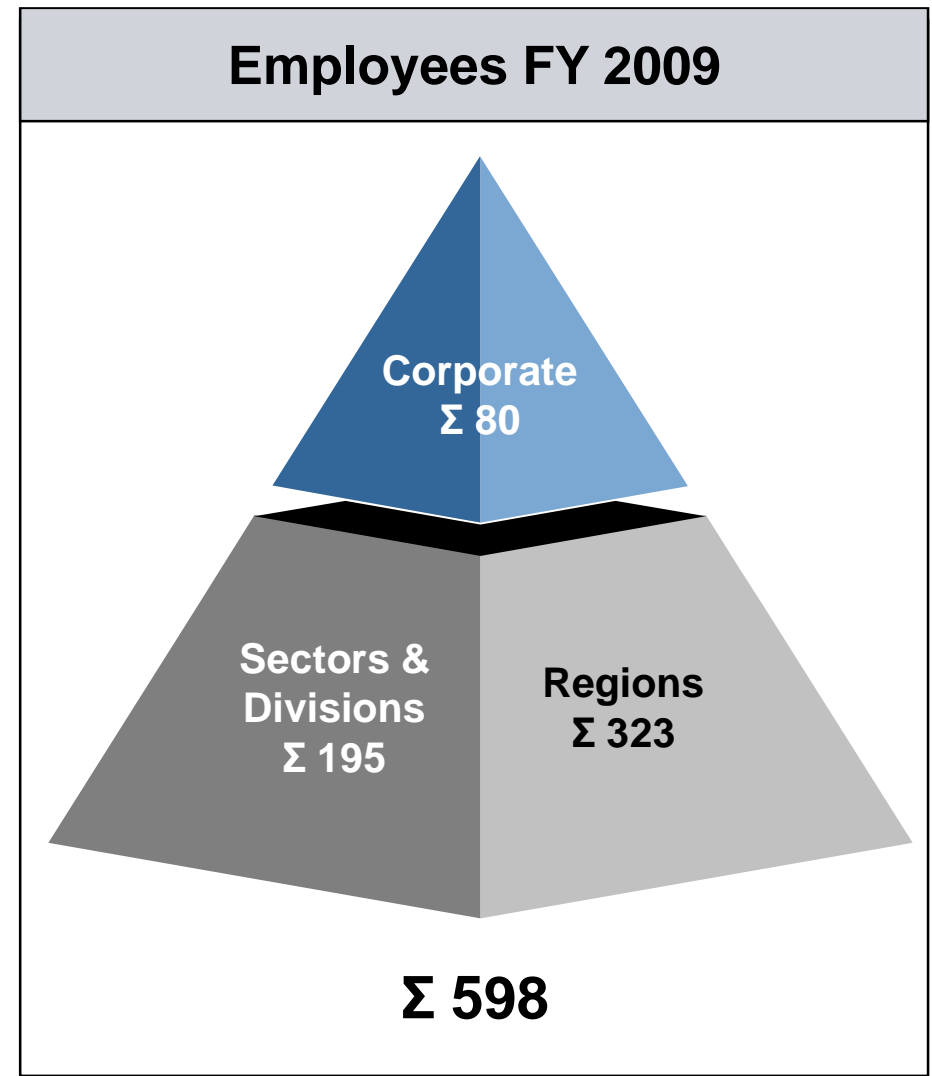
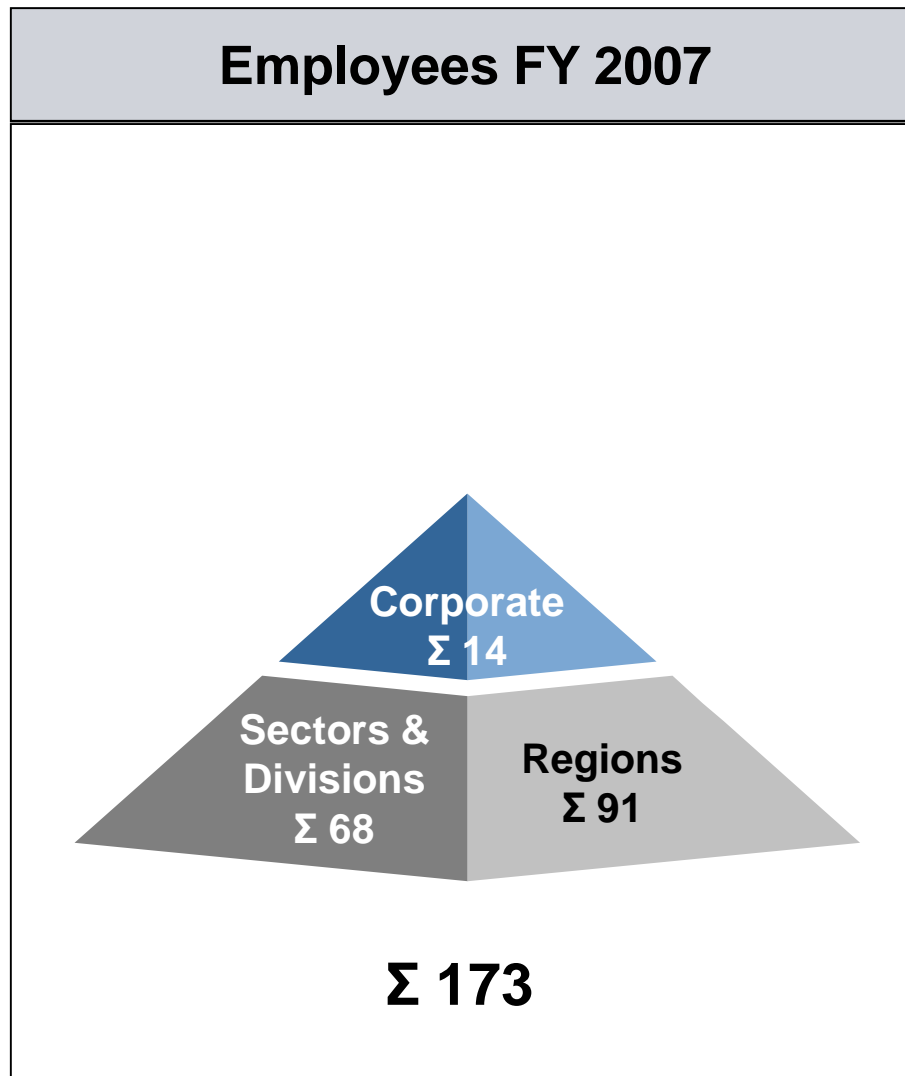


# Supporting sustainable successful business



Compliance is not a program, it's a way of doing business – promoting integrity at Siemens

# Global Compliance Organization in the Sectors and Regions



**“Compliance is not a program, it’s a way of doing business - promoting integrity at Siemens”**

## **Our mid term objectives**

**Ensure Compliance  
most efficiently**

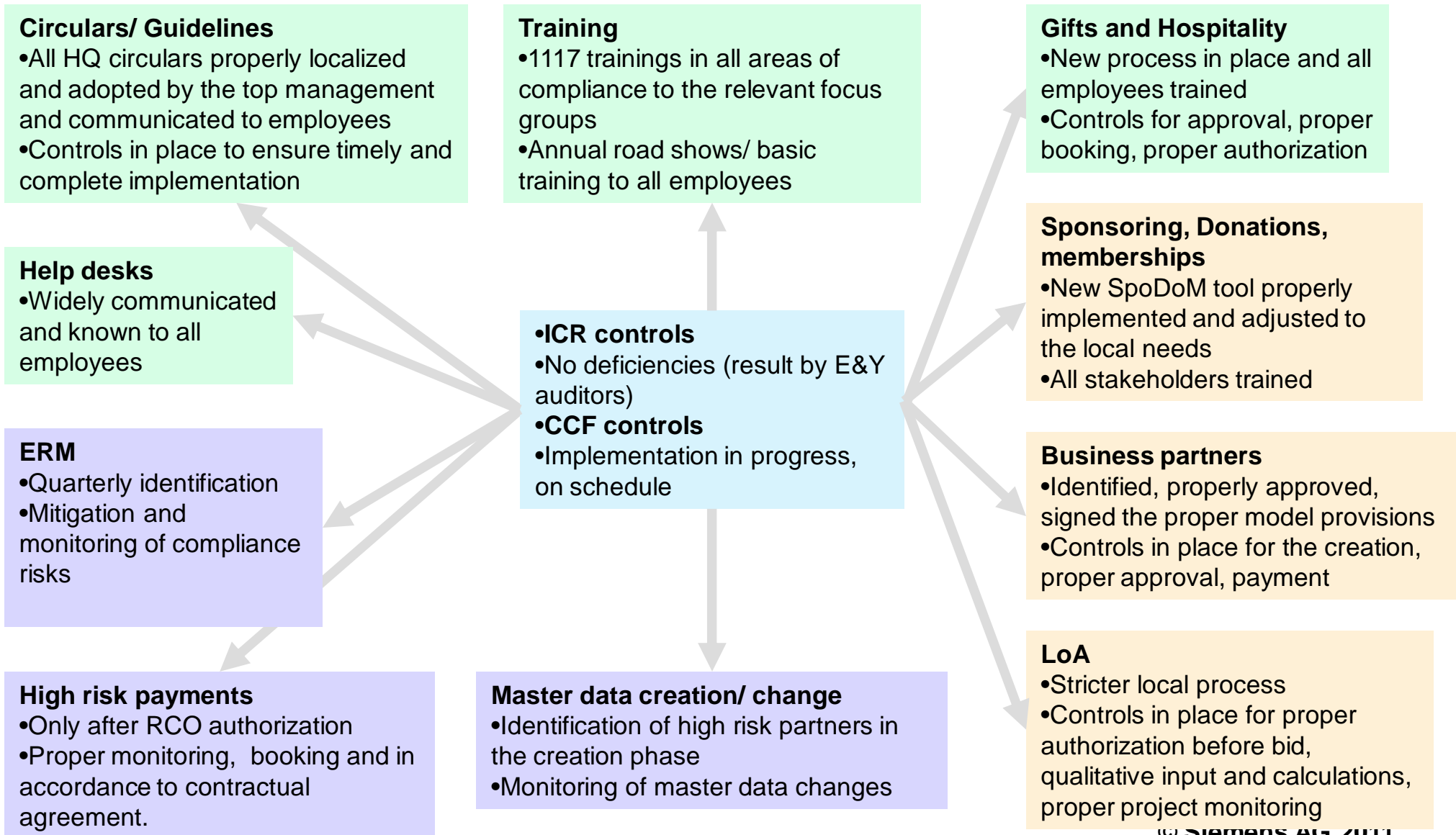
Compliance Risks are known, and

- monitored and managed effectively (no systematic breaches)
- managed efficiently (minimum administrative burden)

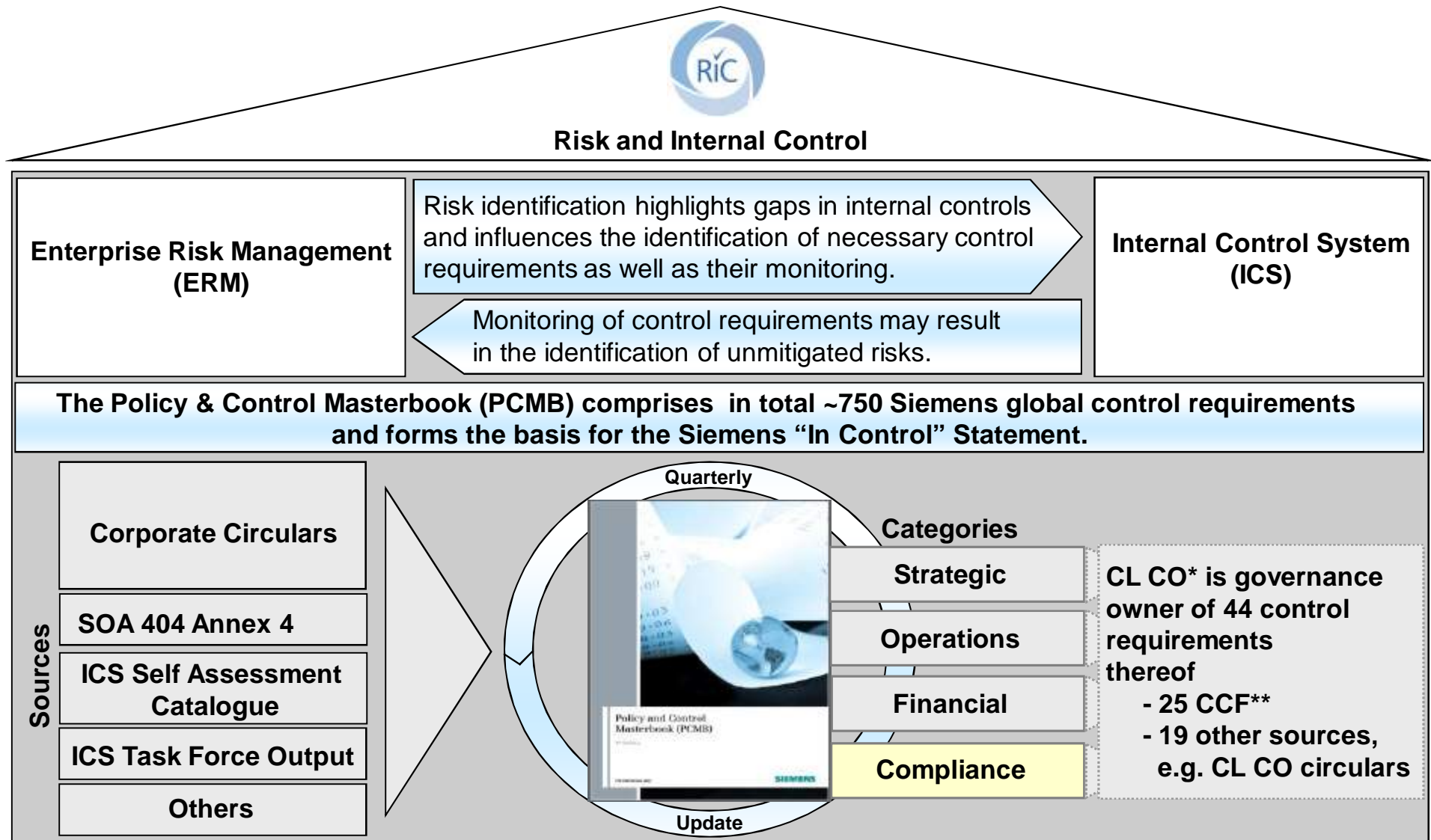
**Drive Business  
Integrity**

- Enable Organization to take integer decisions and live up to Siemens values
- Promote and drive Collective action in order to level the playing field for fair competition

# Compliance has a very good overview and involvement on most of the company's processes



# Compliance is one of the four main categories of the Internal Control System



\* CL CO = Corporate Legal Compliance; \*\* CCF = Compliance Control Framework



**... however, ultimately, controls are not enough.  
We need to continue fostering an integrity culture**

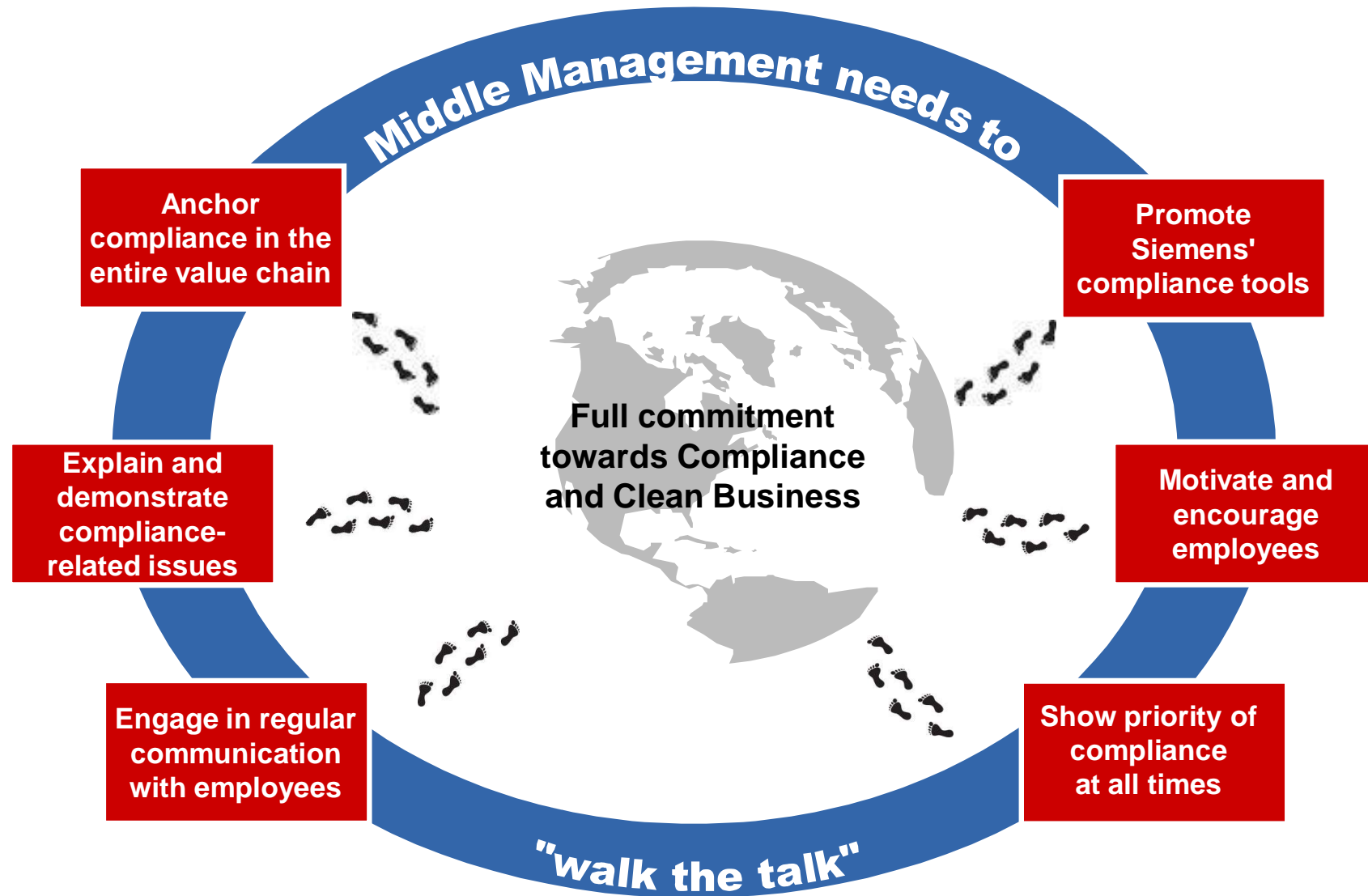
Questions to guide Siemens employees towards compliant and responsible behavior

- 1 Is it the right thing for Siemens?**
- 2 Is it consistent with Siemens core values and mine?**
- 3 Is it legal?**
- 4 Is it something I am willing to be held accountable for?**

**If the answer is YES to all of those questions,  
DON'T WORRY, BE CONFIDENT**



... but, "the tone from the top" has to be lived and communicated throughout all management levels



## Compliance Helpdesk consists of five parts

### "Tell Us"




The Compliance HelpDesk "Tell Us" function provides global, round-the-clock facilities for making statements on compliance-related breaches.

### "Ask Us"



Do you have any questions about compliance? You can ask them at any time via the Compliance HelpDesk "Ask Us."

### "Find It"



Use "Find It" to search for compliance related information, such as FAQs, policies & guidelines or training material.

### "Approve It"



"Approve It" is the platform for approval requests regarding gifts and hospitality

### "Improve It"



With "Improve It" you can help to improve the Compliance program by adding your ideas and suggestions.

## Compliance Helpdesk & Monitoring

# Siemens provides employees with training in line with their roles and responsibility

	Type of Training	Target Group
<p><b>In-person trainings</b></p>	<ul style="list-style-type: none"> <li>▪ Training in Global Bribery and Global Competition awareness</li> <li>▪ Anti-Corruption Basic &amp; Refresher Training</li> <li>▪ Antitrust Risk Assessment &amp; Measures</li> <li>▪ Training on Compliance Tools <sup>1)</sup></li> <li>▪ Compliance Officer Trainings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Senior Management <sup>2)</sup></li> <li>▪ “Sensitive Functions” <sup>3)</sup></li> <li>▪ Business/regional specific groups (e.g. sales, project management, procurement, etc.)</li> <li>▪ All entities based on their risk class</li> <li>▪ Compliance Organization</li> </ul>
<p><b>Web-based trainings</b></p>	<ul style="list-style-type: none"> <li>▪ Anti-Corruption</li> <li>▪ Global Competition (Antitrust)</li> <li>▪ Business Conduct Guidelines</li> <li>▪ Your Signature – Your Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Employees with signing authority</li> </ul>

1) Limits of Authority (LoA, approval process for business projects), Business Partner Due Diligence, gift & hospitality 2) conducted March 2007-September 2007 2) Manager / staff who interact with govt. officials (“sensitive functions”), personnel involved in sales, project management, regular interactions with government (such as Tax, Customs)

Compliance is part of the DNA of Siemens

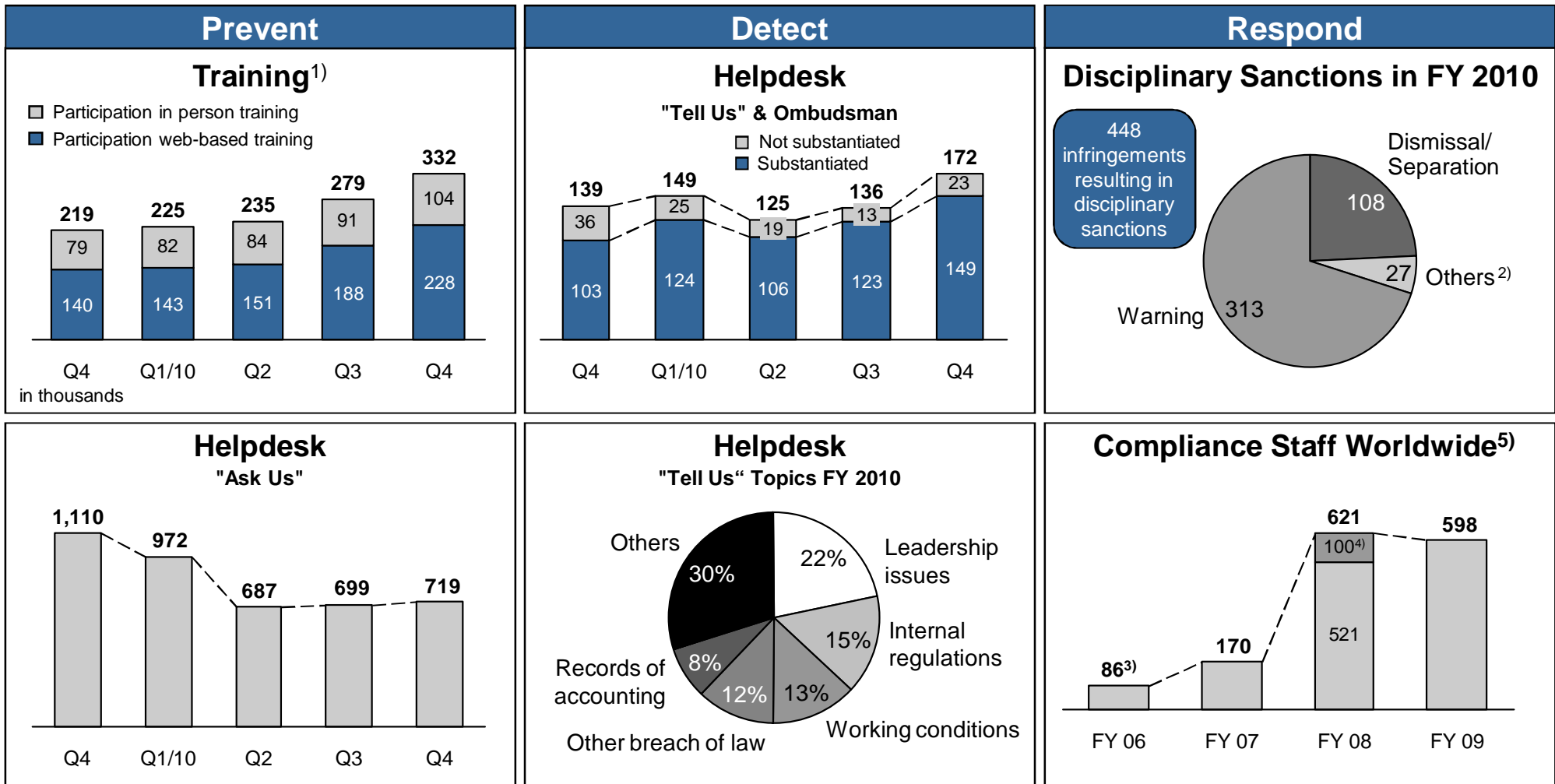
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## Compliance – Progress Report FY 2010



1) Cumulative 2) Forfeiture of variable payment elements, transfer to another position, suspension 3) Compliance only one area of responsibility  
 4) Including Implementation Management 5) KPI not continued after successful ramp up of Compliance Organization

## A chapter is closed - but the fight against corruption is never over

- A painful chapter is over - settlement with German and US-authorities reached  
Overall costs ~2 billion Euros
- DoJ/SEC has appointed a Monitor who is watching our compliance progress

### What's next?

- **Compliance still has top priority**
- **Siemens has a best-in-class compliance system – and on this basis has started to fight corruption with "Collective action"**