The business case against corruption

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Siemens AG

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

**Immediate Actions**
- Exchange of Leadership Team
- Tone from the Top
- Independent investigation
- Centralization of bank accounts

**Implementation**
- Compliance Program
- Compliance Organization
- Compliance Training
- Compliance Tools

**How to become a “recognized leader”?**
- DoJ/SEC settlement
- World Bank settlement
- Continuous Improvement
- Values & Integrity
- Collective Action
- Sustainable Development
Strong communication and exemplary behavior are core tasks of top management to drive Compliance, ...

**Communication**
- Provide strong, clear and sustainable messages
- Involve in dialogues with middle management
- Show strong presence internationally throughout the entire organization

**Behavior**
- Act as role models with all attitudes and behaviors
- Live and spread Siemens' company values internally and externally
- Prove the credibility of messages by putting the talking into actions
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 2010
Compliance System Objectives: Prevent – Detect – Respond

**Prevent**
- Compliance risk management
- Policies and procedures
- Training & communication
- Consulting & support
- Integration in personnel processes
- Compliance helpdesk (incl. global Ombudsman function)
- Collective Action

**Detect**
- Compliance controls
- Monitoring and Compliance reviews
- Compliance investigations

**Respond**
- Consequences for misconduct
- Remediation
- Global Case Tracking

"Tone from the Top"
Compliance – key data FY 2010

Prevent

Training¹)

<table>
<thead>
<tr>
<th></th>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>In person</td>
<td>175</td>
<td>219</td>
<td>332</td>
</tr>
<tr>
<td>Web-based</td>
<td>52</td>
<td>79</td>
<td>104</td>
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Detect

Helpdesk

“Tell Us” & Ombudsman

<table>
<thead>
<tr>
<th></th>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
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</thead>
<tbody>
<tr>
<td>Substantiated</td>
<td>539</td>
<td>565</td>
<td>582</td>
</tr>
<tr>
<td>Not substantiated</td>
<td>201</td>
<td>439</td>
<td>502</td>
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Respond

Disciplinary sanctions in FY 2010

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<tbody>
<tr>
<td>Warning</td>
<td>313</td>
<td>30</td>
<td>27</td>
</tr>
<tr>
<td>Dissmissal/ Separation</td>
<td>108</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others ²)</td>
<td>27</td>
<td></td>
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</table>

Helpdesk

“Ask Us”

<table>
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<tr>
<th></th>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
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<tbody>
<tr>
<td>3.836</td>
<td>3.992</td>
<td>3.077</td>
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Helpdesk

“Tell Us” Topics FY 2010

<table>
<thead>
<tr>
<th></th>
<th>Others</th>
<th>Leadership issues</th>
<th>Internal regulations</th>
<th>Working conditions</th>
<th>Records of accounting</th>
<th>Other breach of law</th>
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</thead>
<tbody>
<tr>
<td>FY 08</td>
<td>30%</td>
<td>22%</td>
<td>15%</td>
<td>13%</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>FY 07</td>
<td>30%</td>
<td>22%</td>
<td>15%</td>
<td>13%</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Compliance Staff Worldwide⁵)

<table>
<thead>
<tr>
<th></th>
<th>FY 06</th>
<th>FY 07</th>
<th>FY 08</th>
<th>FY 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>86³)</td>
<td>170</td>
<td>621</td>
<td>598</td>
<td></td>
</tr>
</tbody>
</table>

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
Compliance at Siemens
Responsibility 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

Role of Compliance Organization

- Enable a successful sustainable business as a trusted partner, 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
Compliance Priorities

Optimization of Compliance Processes

Optimization of Compliance Risk Analysis

Moving Compliance closer to the Business

Promoting Integrity
“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
World Bank Siemens Settlement, July 2, 2009*

As part of the settlement, Siemens agreed…

- to pay USD100 million over the next 15 years to support organizations and projects combating corruption and fraud through collective action, training, education
- that the World Bank Group will have audit rights over the use of these funds and veto rights over the selection of anti-corruption groups or programs receiving funds.*

Short-list of projects covers all major growth regions and high-risk countries (31 projects, USD 39.6 M)

The number of project proposals per region is indicated in brackets; one third of Collective Action projects include Education & Training elements.

Region / Country of implementation (number of project proposals)

- North America (1 sub-project, 0.6M)
- South America (4 sub-projects, 3.5M)
- North West Europe (4 sub-projects, 4.54M)
- South West Europe (1 sub-project, 0.6M)
- Russia (3 sub-projects, 1.9M)
- Middle East (4 sub-projects, 4.0M)
- India (3 sub-projects, 1.5M)
- China (5 sub-projects, 4.1M)
- Africa (5 sub-projects, 3.9M)
- North East Asia (1 sub-project, 1M)
- CEE (4 sub-projects, 4.54M)
- Brazil (2 sub-projects, 3.5M)
- Asia-Pacific (3 sub-projects, 3M)

% of Collective Action

- Global Projects (6 Projects, 8.3M)
- North America (100%)
- South America (100%)
- North West Europe (100%)
- South West Europe (100%)
- Russia (100%)
- Middle East (100%)
- India (100%)
- China (100%)
- Africa (100%)
- North East Asia (100%)
- CEE (100%)
- Brazil (100%)
- Asia-Pacific (100%)

% of Education & Training

- Global Projects (6 Projects, 8.3M)
- North America (53%)
- South America (53%)
- North West Europe (67%)
- South West Europe (33%)
- Russia (100%)
- Middle East (78%)
- India (22%)
- China (100%)
- Africa (100%)
- North East Asia (100%)
- CEE (100%)
- Brazil (100%)
- Asia-Pacific (100%)

Note: Due to importance of BRIC they are shown separately and are not included in clusters; schematic illustration only – subject to change.
Processes and tools are important, but 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**
Therefore, Compliance as a driver of Integrity has been included in the new Siemens framework for sustainable value creation...

... and has also been stressed throughout the recent “We Stand for Our Values” campaign.
Neither the Siemens values nor Compliance are in conflict to the business.
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
The potential role of business schools

- Business has a demand for managers with strong values orientation

- Education can contribute to raising awareness on the issue of anti-corruption and compliance and demonstrate and practice how to solve the concrete dilemma situations when faced with them.

- Business schools could also become a platform for dialogue between companies, schools, NGOs and governments; accompany alumni (“Collective Action”)

- Siemens supports the PRME anti-corruption working group
... some open questions

• can business schools really change the moral compass of a person within 1-3 years?

• how can a company distinguish a student with integrity and one without?

• when are people ready to stand up and act according to their values, how do we get them to act accordingly?
Thank you very much for your attention!