



Maala 2014 Forum – Tel Aviv, March 10 2014

Dr. Klaus Moosmayer

Advancing Values in Business

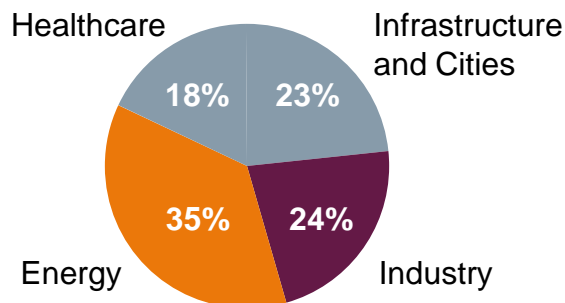
The Case of Integrity

The Siemens Compliance System

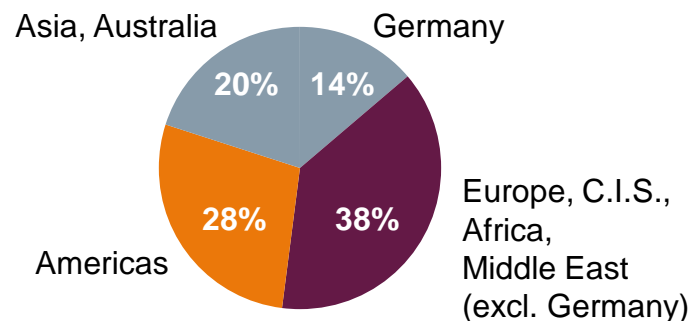
The Company

Key figures

Revenue by Sector

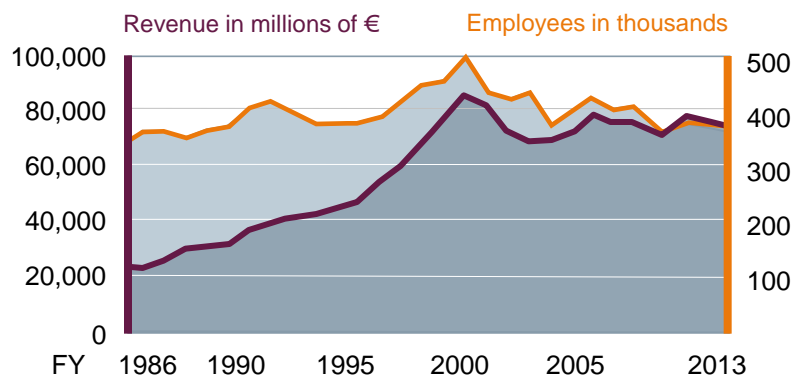


Revenue by Region



Based on customer location

Revenue and employees



Continuing operations – comparison with previous year

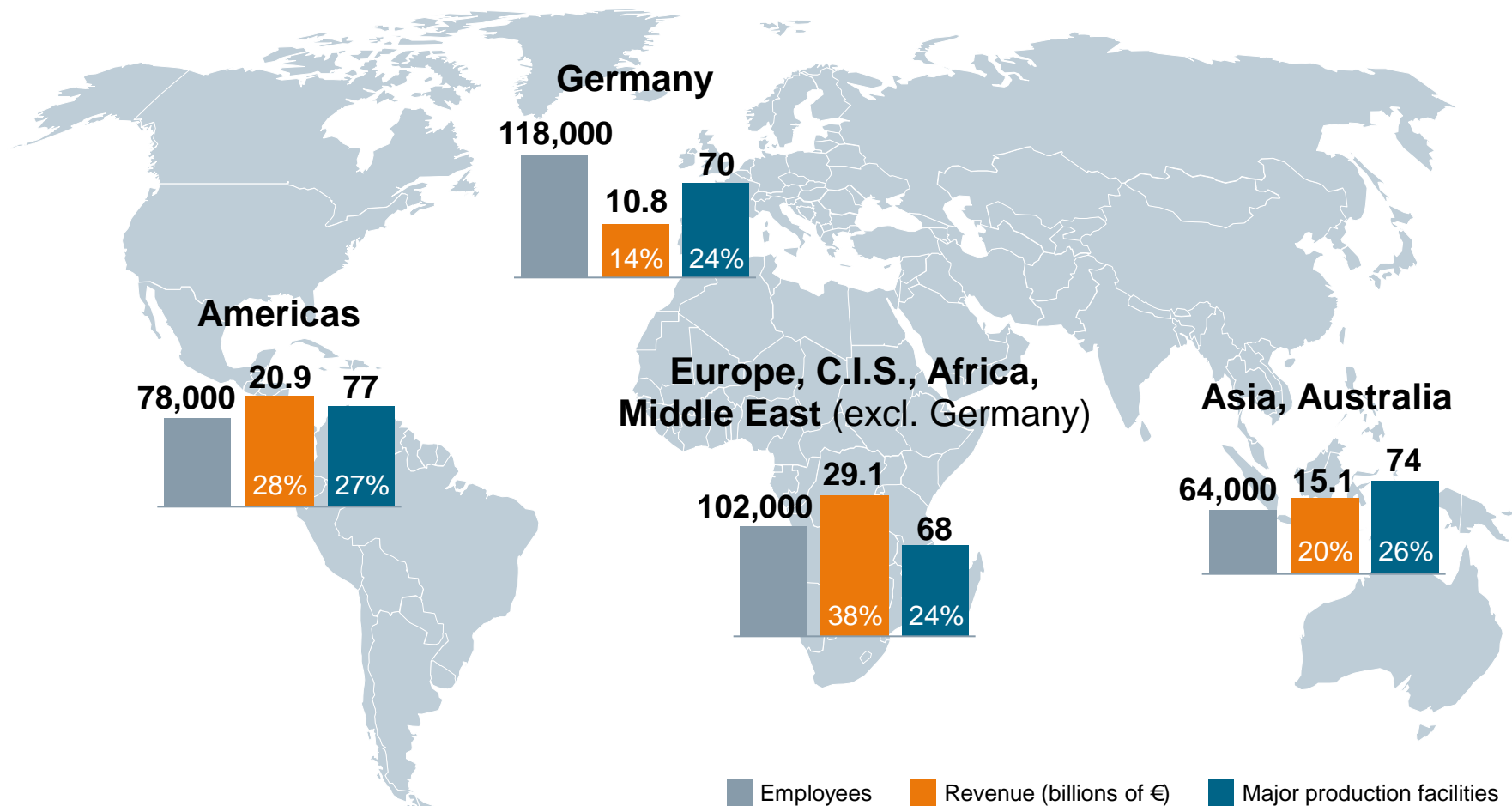
In millions of €	FY 2012	FY 2013
New orders	75,939	82,351
Revenue	77,395	75,882
Income	4,642	4,212
Free cash flow	4,727	5,257
Employees	366,000	362,000

As reported in annual reports

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A strong local partner for customers

In more than 200 countries



As of September 30, 2013; All numbers refer to continuing operations

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Siemens in Israel



Siemens delivered the last batch of the 87 single-deck push-pull coaches to Israel Railways Company in fiscal 2011, and delivered a follow-up order for 31 additional coaches in 2012.

- Siemens has been present in Israel and the area for more than 85 years.
- Siemens Israel Ltd. was established in 2000 with headquarters in Rosh Ha'ayin.
- Since then, Siemens has been involved in the country's key strategic infrastructure projects in the fields of energy, industry, healthcare, transportation and water, and has conducted procurement and investment activities exceeding EUR 1 billion.
- In fiscal 2012 (October 1, 2011 – September 30, 2012), Siemens' sales to customers in Israel amounted EUR 167.7 million and new orders totaled almost EUR 147.3 million.
- Siemens currently employs more than 400 people in Israel.

The Siemens Compliance System

The Past

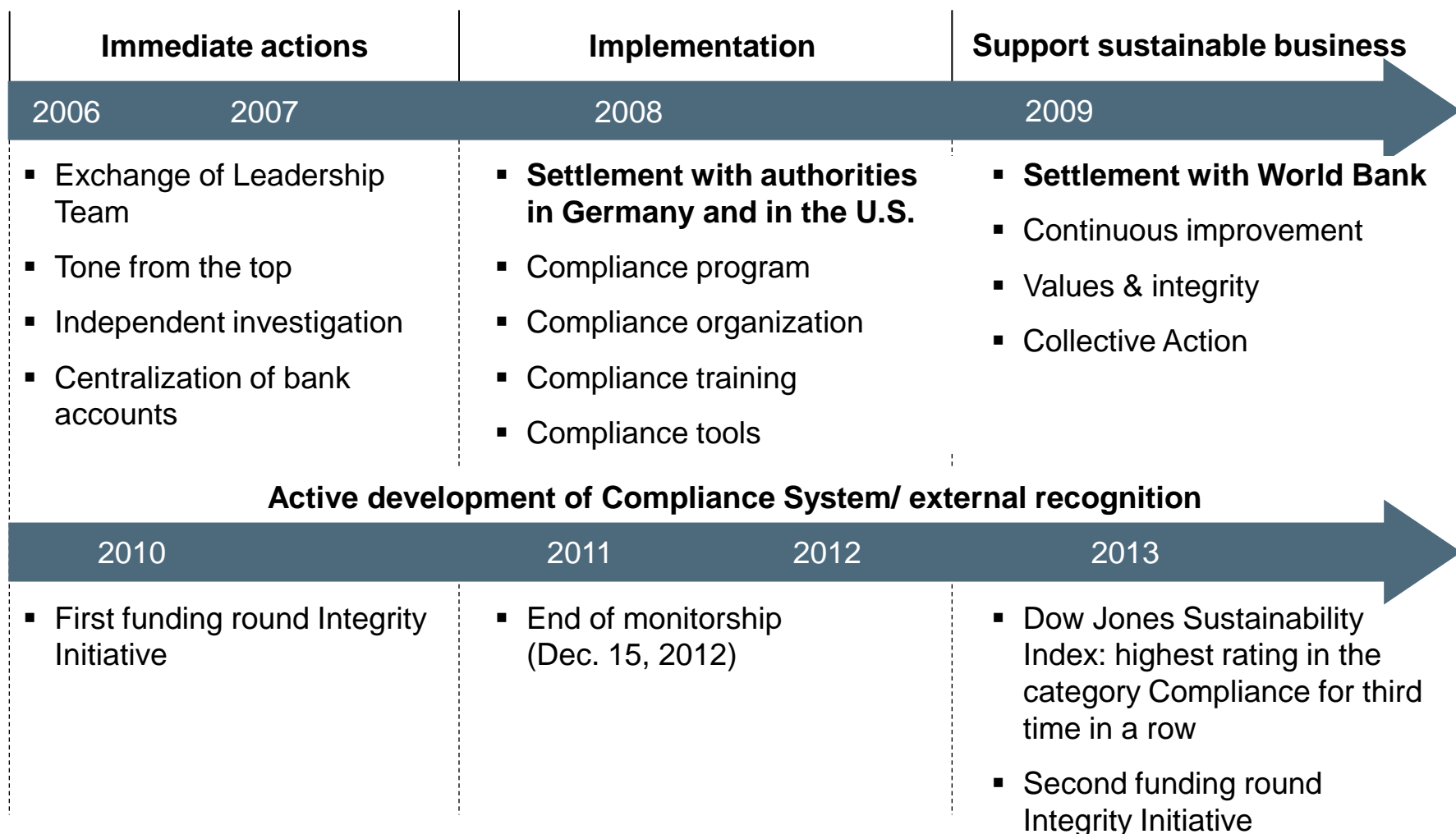
The disaster struck – November 2006 headlines



Possible scenarios

- Debarment from public tenders
- Penalties up to €10 billion
- Long-term damage to reputation and business
- Break-up of the company

Rapid reaction and implementation of our Compliance System, plus further development



The Siemens Compliance System

Siemens Today

“Tone from the top” as important internal and external message

“The culture of a company and its values make the difference. People rightly associate Siemens with reliability, fairness and integrity.”

Joe Kaeser,
President and CEO of Siemens AG



Our Compliance System – Management responsibility is the focus

We continuously develop the Compliance System further in order to adapt it to changing requirements according to our global business.



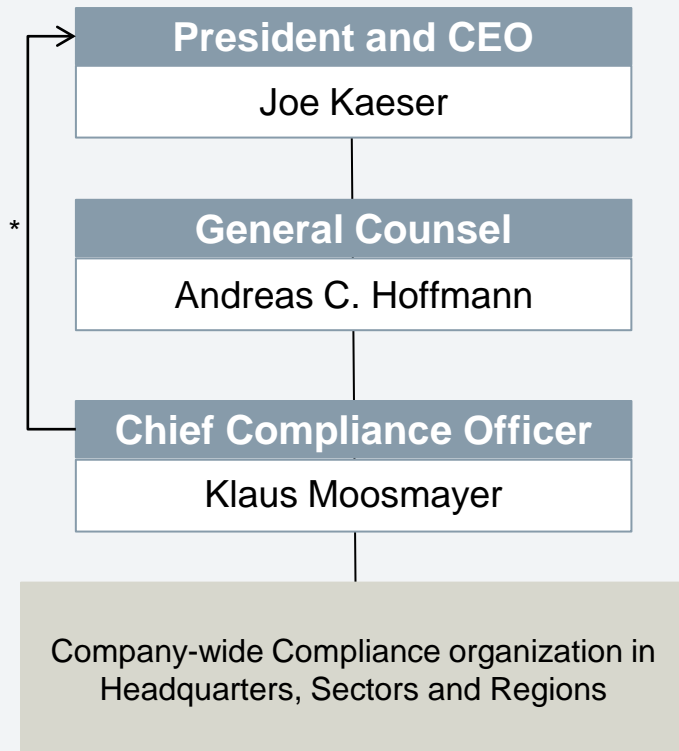
Explicit consequences and clear reactions support the prevention of misconduct, for example to punish wrongdoing and to eliminate deficiencies

Effective preventive measures such as **risk management**, policies & procedures, training & communication enable systematic misconduct to be avoided

Effective Compliance work requires complete clarification: whistle-blowing channels "Tell us" and ombudsman, as well as professional and fair **investigations**

The Siemens Compliance Organization – clear roles & responsibilities

Direct connection to the CEO



Roles of Compliance Officers

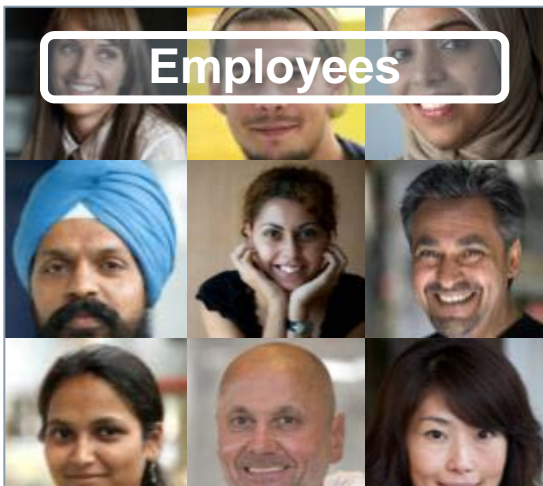


Tasks

- Continuous communication about the importance of Compliance for Siemens
- Bundling of company-wide expertise for avoidance of corruption and other violations of fair competition, and regarding data privacy
- Governance for investigations and disciplinary response

Compliance in global business – tasks and challenges

Employees



- Dissemination of knowledge about regulations and processes
 - Attitude and values lived out in practice
 - Role and role-model function of executives are decisive factors
- ▶ **Integrity dialog**

Business Partners



- Business partners as intermediaries to customers
 - Examples: sales agents, system integrators, custom agents
- ▶ **Risk-based Compliance due diligence of all business partners**

Environment



- High risk of corruption in many countries where Siemens does business
 - Countries with high annual growth also affected
- ▶ **Collective Action**

Our employees – in dialog on Compliance with their line manager

Integrity dialog in team meetings

- Objectives
 - to maintain awareness of Compliance
 - to provide a practical demonstration of management responsibility
- Managers discuss Compliance-related topics with their teams
- Contents: Risk-based selection of topics with central and local relevance
- Supported by Compliance Officer
- Global rollout during Fiscal Year 2013
- Repeated on annual basis



How we anchor Compliance in daily business operations

**Gifts and
hospitality**

**Compliance
Due Diligence
for Business
Partners**

**Prohibition of
facilitation
payments**

**Review of
high risk
payments**

**Compliance in
minority
investments**

...

Collective Action calls for high Compliance standards which benefit all market participants

- 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 against Corruption in Israel

Example of Collective Action in Israel:



- Maala uses its reputable Corporate Social Responsibility (CSR) index to reach out to a wide range of organizations to alert about corruption.
- In detail, Maala extended the CSR index chapter of ethical behavior with new questions which put the spotlight on areas with a high corruption risk such as the approval of business partners, providing gifts and hospitality, approval of donations and training of employees.
- The publication of the Index including the results of the new questions generated a vibrant public discussion and helped implementing anti-corruption standards.
- The project is funded by the Siemens Integrity Initiative (1st funding round).
 - Project duration: 5 years
 - Funding volume in US-Dollar (million): 0.48 M

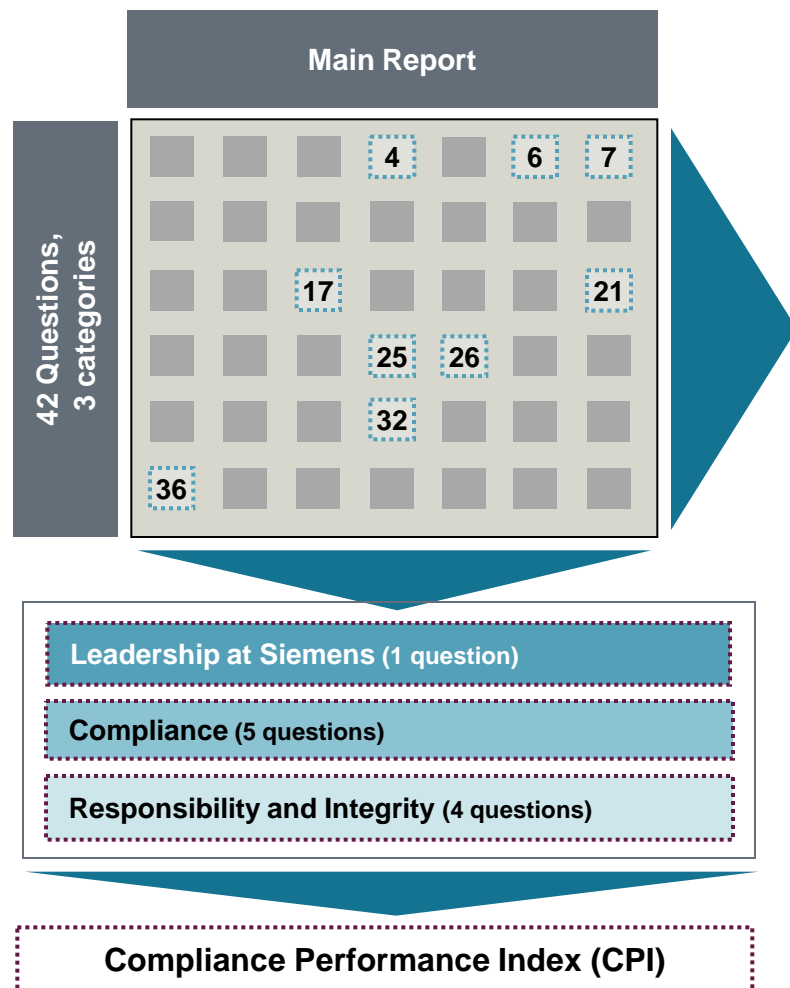
"I am pleased to observe that with the support of the Siemens Integrity Initiative (which provides financial support for anti-corruption projects of non-profit organizations) the awareness for ethical behavior in Israel rose and the issue of corruption started to be discussed in public fora.

I am proud that the Siemens Integrity Initiative is financially supporting the well known and independent local NGO, Ma'ala, which helps foster clean business in Israel.

I am content to notice that new ethics standards including against corruption were set in the business community after Israel joined the OECD in 2009 and with the help of companies like Siemens and other non-profit stakeholders partly funded by the Siemens Integrity Initiative. "

Eliezer Tokman
CEO Siemens Israel

Global Employee Engagement Survey 2012: again high score of 85% for Compliance Performance



10 compliance related questions

- 4** Top Management decisions are consistent with the Siemens values (e.g. Responsible).
- 6** I feel responsible for ensuring that compliance is taken seriously in my work environment.
- 7** Our focus on compliance enhances our reputation.
- 17** Top Management sets the right tone on the importance of compliance and ethical behavior.
- 21** In my experience at Siemens, all employees are held to the same standards of ethical behavior.
- 25a** Siemens operates with integrity in its: Internal dealings with employees.
- 25b** Siemens operates with integrity in its: External dealings with its customers, suppliers and partners.
- 26** The Siemens Compliance Organization appropriately supports the business in my organizational unit.
- 32** I believe Siemens does not tolerate violations of the Siemens Business Conduct Guidelines.
- 36** The compliance processes (including tools & trainings) meet my business requirements.

We must remain vigilant...

Les Echos
Le Quotidien de l'Economie

**L'Etat de São Paulo poursuit
Siemens en justice**

Bloomberg.com

**Siemens Agrees to Pay \$10
Million to Settle New York
Fraud Case**

Spiegel Online

**Versuchte Bestechung in Kuwait:
Siemens deckt neue Korruption auf**

As at: January 2014

...and determinedly pursue any cases that arise...

Compliance investigation process



Stipulated standards

- The presumption of innocence applies, employee rights are safeguarded
- Works Council co-determination rights are protected
- Data privacy is observed

... and continue with the constant development of the Compliance System

- Compliance has **top priority**
- Compliance System to **support sustainable growth** and create a **competitive advantage**
- **Risk-based further development** of the Compliance System, in order to maintain **high standards**
- **High rating** and **recognition** of our Compliance System in the annual assessments for the Dow Jones Sustainability Index: top rating in the Compliance category for the 3rd time in succession

Compliance priorities for Fiscal 2014

Stand for
Integrity

Committed to
Business

Managing Risk &
Assurance

Responsibility
for Data Privacy

Thank you for your kind attention.



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