

Corporate Responsibility at Siemens

**Interim Communication on Progress Report 2007
for Global Compact
Projects, measures and change processes
– an overview**

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Siemens supports the Global Compact

As an international UN initiative for corporate social responsibility, the Global Compact unites governments, businesses and civil society in an effort to improve people's lives all around the world. The Compact's Ten Principles specify the key areas on which nations, companies and social institutions must focus their efforts if this goal is to be achieved.

By joining the Global Compact in November 2003, Siemens demonstrated its willingness and sense of obligation to fully and effectively implement these Principles.

Wide-ranging change processes at Siemens

Since its Communication on Progress (CoP) 2006, Siemens has initiated a large number of projects and change processes that are of great importance for the positioning and understanding of corporate responsibility and its practical implementation within the company. The starting point was the 2005 launch of the successful Siemens' Fit4More program, which placed *Corporate Responsibility* at the top of the company's agenda alongside *Performance and Portfolio*, *Operational Excellence* and *People Excellence*. On April 26, 2007, Siemens announced its new company-wide Fit42010 strategy, in which corporate responsibility will remain a primary focus in the years ahead.

Key current projects comprise:

- Redrafting Siemens' corporate responsibility policy
- Restructuring our corporate responsibility reporting and relaunching Siemens' corporate responsibility Web pages
- Improving our compliance system, a step prompted by allegations brought against individual Siemens employees in 2006 (alleged breach of trust, bribery, anti-trust and tax evasion)
- Drawing up new guidelines for corporate supply chain and procurement
- Further developing Siemens' environmental program, including a climate protection strategy
- Consolidating and heightening awareness of corporate citizenship.

Interim Communication on Progress necessary

We can provide the following preliminary information on the measures discussed above: The above-mentioned projects have not yet been fully implemented. The status of the different projects varies. In some cases, project content still needs to be refined, while, in other cases, projects will soon be ready for execution. Additional time will be required to implement the projects on a company-wide basis.

In this transitional phase, reporting may be incomplete, the quality of the data on which it is based may vary, and contents may become outdated very quickly. This explains why this preliminary CoP can provide only an overview of current Siemens projects. Within several months (presumably by the end of September 2007) – by which time decisions will have been finalized and initial results achieved – we will be able to incorporate concrete facts and figures into our reporting on the implementation of Global Compact measures at Siemens. Below, we give a brief information on individual projects.

New corporate responsibility policy at Siemens

Siemens' existing regulations and guidelines on management tasks that are directly or indirectly related to questions of social responsibility will be bundled in a comprehensive new CR policy. In terms of content, the various regulations will be placed within the overall context of sustainable business management. Accordingly, CR policy will be structured to reflect the "triple bottom line" approach. The project also aims to:

- Better articulate demands for sustainable business management and social responsibility on the part of the company and strengthen awareness for these concerns within the company
- Clearly portray the image of Siemens for our stakeholders and promote an improved understanding of business policies and aims with respect to CR issues
- Facilitate and improve internal and external CR communications work.

Corporate responsibility reporting and CR Web pages

To deal with increasing stakeholder demands for information on CR issues, reports on questions about sustainable company management and social responsibility at Siemens are being restructured and placed on a new basis. The setup of a company-wide Content Platform database, a clear definition of reporting indicators and the orientation of reporting toward materiality criteria are the basic elements of this new CR reporting. Special attention will be paid to ensuring that the data collection process is transparent and its quality reviewable. Due to Siemens' decentralized structure and presence in nearly 190 countries, the implementation of this project will require a substantial investment of time and money.

Siemens will communicate CR topics, facts and figures on its Internet homepage. This site will also include a comprehensive Corporate Responsibility Report covering a defined reporting period and addressing the issues, questions and interests of concern to key stakeholders. In CR reporting as in financial reporting, Siemens will achieve a leading position in transparency and accountability.

To communicate this approach, the CR Web site will be completely redesigned and restructured within the Siemens homepage. The goal is to make our CR communications with stakeholders livelier, more up-to-date and more interactive.

In addition to the official CR Report, the second area of the new CR Web site will be a platform for current issues and topics. This site will facilitate an open discussion with stakeholders and provide information on current CR projects and processes at Siemens.

Improvement of Siemens' compliance system

In the wake of the accusations leveled at individual company employees at the end of 2006 (suspicion of breach of trust, bribery and tax evasion), Siemens initiated comprehensive measures to ensure full compliance within the company:

- The attorney Hans-Otto Jordan of the Nuremberg law firm Dr. Beckstein & Partners was engaged to act as an external ombudsman and provide a protected communication channel for Siemens employees. Employees can contact this neutral individual on a confidential and anonymous basis if they have noticed any incorrect business practices in the company.
- A leading law firm, Debevoise & Plimpton LLP, was retained to conduct an independent investigation of possible compliance violations at Siemens as well as of the company's compliance and control systems.
- Michael J. Hershman, an internationally recognized anti-corruption expert and the co-founder of Transparency International, was appointed compliance advisor and assigned to examine Siemens' compliance rules and systems. Specifically, he will advise the Audit Committee and the Managing Board on the setup of the company's compliance organization, the conduct of compliance reviews, and the review and, where necessary, the adoption of anti-corruption rules and guidelines. He will also help design required communications and training measures.
- The former senior public prosecutor Daniel Noa was appointed Siemens' Chief Compliance Officer, effective January 1, 2007. The Compliance Office has been directly assigned to the company's legal department to facilitate close cooperation with the financial audit department and in order to provide direct access to the resources needed to investigate the current situation.

New guidelines for corporate supply chain and procurement

To effectively implement the principles of our CR strategy, we require that our suppliers and business partners also commit themselves to principles of ethical conduct. The basic requirements, which have been in force since 2002, have been supplemented and made more precise. The new Code of Conduct for Siemens Suppliers is oriented toward our company's principles of conduct and also takes into account the principles of the UN Global Compact. Starting in May 2007, the Code of Conduct for Siemens Suppliers will be a fixed component of all purchasing contracts. Compliance with the Code will be regularly reviewed in audits and supplier self-assessments.

Further development of Siemens' environmental program

Industrial environmental protection

In 2006, Siemens set several goals for its industrial environmental protection program: to increase the percentage of environmentally relevant locations using environment management systems to 85% worldwide and to increase the percentage of locations collecting environmental data to over 85%. These goals have now been reached – a major achievement in light of the continuous portfolio and location changes at Siemens. Environmentally relevant locations are also obligated to realize their potential for increasing efficiency.

The program's next step is to improve CO₂, waste, water and energy efficiency worldwide. Reaching our goal of increasing energy efficiency by 20% within five years will entail a corresponding reduction in CO₂ emissions.

Product-related environmental protection

In our internal Fit4More program, the Groups' top energy-efficient and eco-friendly products are designated by a special Eco-Excellence label. All Groups have launched energy-efficiency programs for their products. They are also drawing up Group-specific roadmaps for updating the lists of hazardous materials to be phased out.

Corporate Citizenship: Consolidation and profile

Our two company-wide programs – Siemens Generation21, which bundles our activities in the area of education, and Siemens Caring Hands, which covers a wide range of charitable and other activities – are being continued as planned. Work in connection with these programs is currently focused

- on the consolidation of our corporate citizenship programs in order to improve quality assurance, efficiency, internationalization and regional embedding as well as on their targeted expansion (e.g. preschool area within Siemens Generation21) and
- on the further strategic development of Siemens' citizenship activities. Our long-range goal is to better leverage our company's specific expertise in honoring our social commitments – e.g. in places where infrastructures are inadequate. Prerequisites have been reviewed and possible approaches developed at workshops in Brazil and India.