

# Implementation of Compliance System at Siemens: Practical aspects of business integrity

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UNIC-UNDP Regional Seminars - Dnipro, 02 August 2018



# Siemens in Ukraine



## Siemens Ukraine Organizational Structure

<b>Power and Gas Power Services</b>  <b>Производство Электроэнергии и сервис</b>	<b>Energy Management</b>  <b>Электроэнергетика</b>	<b>Digital Factory Process Industries and Drives</b>  <b>Цифровое предприятие, автоматизация промышленности, непрерывные процессы и приводы</b>	<b>Building Technologies</b>  <b>Автоматизация и безопасность зданий</b>	<b>Mobility Infrastructure Solutions</b>  <b>Интегрированные транспортные системы</b>	<div> <div>                     Separate Division/ Отдельное подразделение                 </div> <div> <b>Healthcare</b>   <b>Медицина</b> </div> </div>
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## The disaster struck – November 2006 headlines

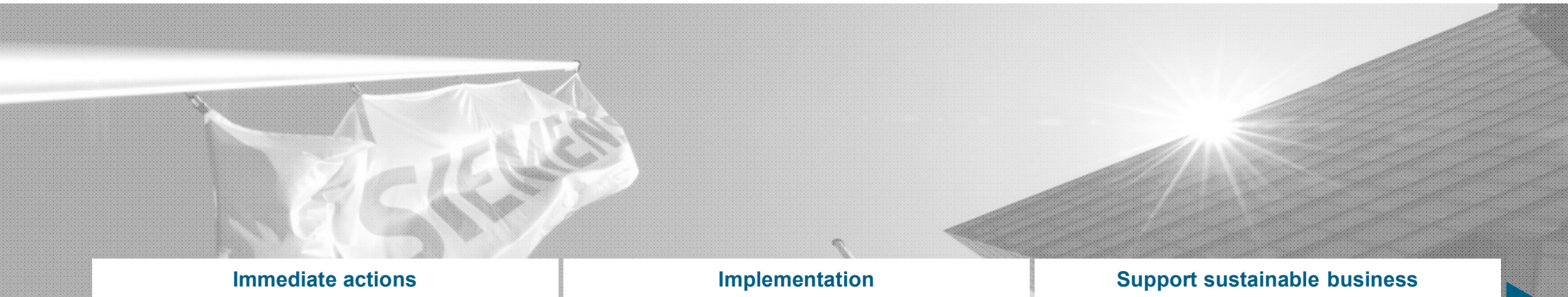
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### Possible scenarios

- 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...



Immediate actions		Implementation	Support sustainable business
<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<ul style="list-style-type: none"><li>• Exchange of Leadership Team</li><li>• Tone from the top</li><li>• Independent investigation</li><li>• Centralization of bank accounts</li></ul>		<ul style="list-style-type: none"><li>• <b>Settlement with authorities in Germany and in the U.S.</b></li><li>• Compliance program</li><li>• Compliance organization</li><li>• Compliance training</li><li>• Compliance tools</li></ul>	<ul style="list-style-type: none"><li>• <b>Settlement with World Bank</b></li><li>• Continuous improvement</li><li>• Values &amp; integrity</li><li>• Collective Action</li><li>• Launch of 100M USD Siemens Integrity Initiative</li></ul>

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

Immediate actions	Implementation	Support sustainable business
<b>2006-2007</b> <ul style="list-style-type: none"> <li>• Exchange of Leadership Team</li> <li>• Tone from the top</li> <li>• Independent investigation</li> <li>• Centralization of bank accounts</li> </ul>	<b>2008</b> <ul style="list-style-type: none"> <li>• <b>Settlement with authorities in Germany and in the U.S.</b></li> <li>• Compliance program</li> <li>• Compliance organization</li> <li>• Compliance training</li> <li>• Compliance tools</li> </ul>	<b>2009</b> <ul style="list-style-type: none"> <li>• <b>Settlement with World Bank</b></li> <li>• Continuous improvement</li> <li>• Values &amp; integrity</li> <li>• Collective Action</li> </ul>
<b>Active development of Compliance System/external recognition</b>		
<b>2010-2012</b> <ul style="list-style-type: none"> <li>• First funding round Integrity Initiative</li> <li>• End of monitorship (Dec. 15, 2012); full implementation of all recommendations</li> </ul>	<b>2013</b> <ul style="list-style-type: none"> <li>• Start “Integrity Dialog”</li> <li>• Second funding round Integrity Initiative</li> <li>• <b>Dow Jones Sustainability Index: Highest rating in the category Compliance for 5<sup>th</sup> time in a row</b></li> </ul>	<ul style="list-style-type: none"> <li>• External Compliance review and certification by law firm “Gibson Dunn” (2015)</li> </ul>



## .....today: Compliance at Siemens

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Anti-  
Corruption



Anti-  
trust



Data  
Privacy



Human  
Rights



Anti-Money  
Laundering



Collective  
Action



Export  
Control



# Prevent – Detect – Respond



The lived ownership culture of our company makes the difference



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**“The lived ownership culture of our company makes the difference. People rightly associate Siemens with reliability, fairness and integrity.”**

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Joe Kaeser,  
President and CEO of Siemens AG

## Our employees – In dialog on Compliance with their line manager



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### 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
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## Business partner-related Compliance risks – Uniform risk-assessment of all relationships



### The Compliance Due Diligence process for Business Partner

- All business partners with an intermediary function between Siemens and the customer must undergo a risk assessment (uniform across the company and supported by a tool)
- Based on certain risk indicators – such as, for example, the risk of corruption in the country of deployment – a risk class (higher, medium or lower risk) is defined for the business relationship, which subsequently determines further procedure (Due Diligence, requirement for approval and mandatory contract clauses)
- Lifecycle management: Daily learning and adaption if needed – continuous development of risk management

... 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

## Collective Action is building alliances against corruption in order to support fair market conditions



Background	Content/Priorities	Position of Siemens
<ul style="list-style-type: none"> <li>Collective Action enables corruption to be fought collectively</li> </ul> <p><b>Goals</b></p> <ul style="list-style-type: none"> <li>Create fair and equal market conditions for all market players</li> <li>Eliminate the temptations of corruption</li> </ul>	<ul style="list-style-type: none"> <li>Global implementation of legal and regulatory frameworks such as the UN Convention against Corruption (UNCAC) or the OECD Anti-Bribery convention</li> <li>Increase cooperation and encourage partnerships between public and private sector, and other stakeholders</li> <li>Increase transparency in government procurement</li> </ul>	<ul style="list-style-type: none"> <li>Promote, extend and implement regional and long-term based <b>initiatives</b></li> <li>Drive the <b>Siemens Integrity Initiative</b><sup>1</sup> with a total funding of more than US\$ 100 million</li> <li>Actively engage in international anti-corruption initiatives such as G20/B20, OECD/BIAC and World Economic Forum</li> <li>Foster global knowledge sharing about anti-corruption and Collective Action</li> </ul>

<sup>1</sup> The initiative is based on the settlements with the World Bank and the European Investment Bank and supports organizations and projects that fight corruption and fraud through Collective Action, education and training

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



- 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: Highest rating in the Compliance category for the 5<sup>th</sup> time in a row

**Sustainability as the key to success:  
Siemens has been in business for 170 years**

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

*Werner von Siemens*





**Thank you!**