

A close-up photograph of a person wearing a white lab coat, sitting at a desk and writing in a notebook with a black pen. The person's hands are the central focus, with a ring visible on the left hand. The background is softly blurred, showing a window with greenery outside and a chair. In the top left corner, there is a white rectangular box containing the Siemens logo.

SIEMENS

Sustaining Business Integrity

[siemens.com/sustainability](https://www.siemens.com/sustainability)

François Vincke, 61, Vice Chair, International Chamber >
of Commerce, Commission on Corporate
Responsibility and Anti-Corruption.

“Around the world, more and more companies are recognizing that free enterprise actually benefits from abiding by rules. The goal of a corruption-free world may be distant, but the global economy is clearly headed in this direction.”







What is business integrity and who profits from it?

What makes a level playing field for companies?

A level playing field is a competitive situation characterized by transparency, where all players, whether they are on the supply or the demand side, have total visibility of the factors relevant to success in the marketplace, and where these factors are simply price, performance, and quality. In economic terms, this maximizes the utility of everyone involved, be it suppliers, traders, or customers. To achieve and maintain the level playing field, it is essential that companies, business associations, and government agencies adhere to clearly defined rules, but it is just as important that each individual develops a mindset that will make him act in keeping with the spirit of business integrity even when there is no pressure from the outside.

How has the level playing field evolved in the last few years?

It all began with the Foreign Corrupt Practices Act, enacted by the US Congress in 1977. Since then, we have seen the enactment of the EU Convention on the fight against corruption and of the OECD Anti-Bribery Convention, both in 1997, and the United Nations Convention Against Corruption, which was adopted in 2000. Thus, we now have an established framework of rules and a foundation for each and every one. Now, the emphasis needs to be on implementation and enforcement. This will be to everyone's benefit: clean business is a prerequisite for the success of free enterprise.

Main elements of the United Nations Convention against Corruption

- prevention
- criminalization and law enforcement measures
- international cooperation
- asset recovery
- technical assistance
- information exchange

www.unodc.org/unodc/en/treaties/CAC/index.html

Who are the best corporate performers with regard to business integrity?

Two things are important here: There should be a tone from the top, so the CEO should be committed to the values of the company; and he should have the political will to follow all the conclusions to the bitter end. The best performers are those who begin with a very rigorous risk assessment. Once this is done, the board of directors must design the risk profile. Then the company needs to design a prevention system. But there also needs to be support from middle management and the workforce in general. Put simply, it is about the spirit, the letter, and the commitment of everyone working for a company. Compliance needs to be inherent in a company's values.



Human nature being what it is, how optimistic can we be about the future of business integrity?

Of all evils, corruption is one of the worst because it corrodes the very foundation of society. It hinders innovation and development and thus robs a country of further development. Trillions of dollars are lost each year to corruption. The key is to be vigilant, because what may be a risk today may not be one tomorrow, and vice versa. But human nature can actually change, and adhering to rules and living in a culture of transparency, I think, will permit us to overcome our weaknesses. The challenge is how to generate change. Experience shows that sometimes change only happens when all alternatives have been exhausted, but in the end it does happen. It is a long and painful process, but it is feasible, and it is definitely worth the effort.



Business integrity means only price, performance and quality count. This maximizes both suppliers' and customers' utility.

Georg Kell, 56, is the Executive Director of the >
United Nations Global Compact, the world's largest voluntary
corporate citizenship initiative.

“Awareness about business integrity and responsibility has increased enormously in the past few years. Today, most companies worldwide recognize that dealing with non-financial issues is critically important.”





How can I recognize integrity in business partners?

The standard approach, I think, is quite important here, and that means you have to know that your partner is committed to sound competition, where values are an integral part of it. Questions always to be asked are: Does the company have a commitment to environmental, social, and governance issues, and is that commitment articulated at the organizational level in terms of explicit policies? Do management systems support the inclusion of non-financial issues? Does the company have a no-bribes policy or not? Does it have an explicit environmental policy or not? How does it treat suppliers?

What should an investor or business partner look for in a company?



I think the key is to have a critical mass of business leaders and organizations. Good behavior can only prevail if the majority embrace it; you cannot lead when the others don't follow, so it needs critical mass, it needs obviously frontrunners who demonstrate that business integrity makes sense, that there's a business case in it. That is key, but equally important is that the majority of peers, competitors, suppliers, and customers embrace a similar philosophy. If that does not happen then leadership cannot be sustained. So it's a question of critical mass. Is outside help needed? I think all actors need to work together because business operates in a complex environment of institutions and therefore it needs a shared willingness of all actors involved to move in that direction. So in that regard, business cannot work in isolation, it needs to be in alignment with its environment.

Is business integrity something that companies can achieve on their own? How much outside monitoring does it take?



United Nations Global Compact

The United Nations Global Compact encourages businesses around the world to adopt sustainable and socially responsible policies and to report on their implementation.

www.unglobalcompact.org

The expansion of business across geographic and cultural borders actually heightens the desire of companies – irrespective of where they come from – to embrace business integrity. This may sound counter-intuitive at first, but there is a fundamental shift going on. Companies from everywhere want to become more globally integrated because that opens up market opportunities, scale, access, and so forth. They also recognize that global integration requires companies to come to grips with non-financial issues. And that is the opportunity that global integration brings, that companies understand that to be successful at the global level, you also need to be able to master non-financial issues. In other words, if you come from country X with a fairly recent experience in market development, and you want to go global and want to establish logistics in Europe or the US, you have to know what your corporate governance system is and you have to demonstrate that it is sound. Failure to do so will not bring you any new investors. So global integration, globalization, acts as an accelerator for the diffusion of good practices, provided, that is, we build a robust global system where global integration can function in a smooth manner. So I'm quite bullish about global integration as really being a positive force in accelerating good performance.

Different continents, even different countries, can have very different business cultures. How can this diversity be reconciled with the need for a worldwide consensus on business integrity?



The global economy actually heightens the desire of companies to embrace business integrity.

Peter Löscher, 53, has been Chief Executive Officer >
of Siemens AG since 2007. Under his guidance, Siemens
became a driving force behind Collective Action.

“Having devised and implemented one of the most
robust corporate anti-corruption programs in the
world, Siemens is now joining hands with other
corporations in an effort called Collective Action.”





How can we all make business integrity become common practice?

What was it that got Collective Action going?

With its introduction of a new compliance program in 2007, Siemens became a global driver of the worldwide movement for sustainable and transparent behavior in business. This is an area in which there is no international authority, and where individuals or even corporations acting alone have little power to bring about fundamental changes or increased transparency. So it makes sense for corporations and institutions to join up to create a common understanding and a common set of practices in order to promote clean business activities. This is what Collective Action is about, and I am very satisfied that in April 2010 we succeeded in introducing Collective Action in Russia. This was thanks to German industry's Corporate Ethics Initiative of which Siemens is a founding member, as are 46 other German companies, many of them multinationals.

What guides and inspires the course of Collective Action?

Treaties such as the United Nations Convention against Corruption, the OECD Anti-Bribery Convention, or the EU Convention on the fight against corruption form the overarching framework. Within this framework, Collective Action acts to bring about a positive change in a country's anti-corruption culture and rule-of-law system as well as to improve transparency within individual industries. This can be done through industry-specific codes of conduct and compliance pacts as well as through integrity pacts for individual procurement transactions. The private sector – which includes competitors – the public sector, non-governmental organizations, and other interest groups need to work together to create fair and equal market conditions.

Examples of Collective Action

- Collective Action Conference, Nigeria, March 2009
- Siemens Integrity & Compliance Forum, Malaysia, July 2009
- Anti-Corruption Declaration, Singapore, September 2009
- Corporate Ethics Initiative, Russia, April 2010
- Major Thai firms forge a coalition in the fight against corruption, November 2010
- Clean Games Instituto Ethos and UNGC Brazil, April 2011

More examples at www.siemens.com/integrity-initiative

How did Siemens' own experience and culture contribute to Collective Action?

Clearly, we have learned a lesson regarding business integrity. My own appointment as CEO was a direct reaction to the company's deficits. Upon my arrival, I soon became aware of the full extent of the problem, realizing that the only option was a clean break. Half of our top 100 managers were replaced within two years. Today, Siemens is a role model. Our ranking in the "codes of conduct/compliance" section of the Dow Jones Sustainability Index went from 0 out of 100 to 99 out of 100. This is a measure of the thoroughness and depth of our commitment, which, of course, also feeds into our involvement in Collective Action.

How can a company sustain business integrity without harming shareholders?

Money spent on corruption means less money is available for research and development in the short term, so corruption always tends to harm shareholders. I am absolutely sure that strong customer focus and high business integrity are fully congruent. The founder of our company, Werner von Siemens, famously said "I won't sell the future for a short-term profit." Since no one can get away forever with unethical practices, this means foreswearing them altogether. Siemens has been in business for over 163 years now. Our corporate culture, which includes our involvement in Collective Action, will see to it that we will remain in business for another 163 years, at the very least...



Strong customer focus and high business integrity are fully congruent.



Peter Y. Solmssen
Member of the Managing Board
and General Counsel of Siemens AG

peter.solmssen@siemens.com



Sabine Zindera
Corporate Legal and Compliance

sabine.zindera@siemens.com

Siemens Integrity Initiative

On December 9, 2010, the World Bank and Siemens announced the first anti-corruption projects that will receive financing from the company's US \$100 million Integrity Initiative to promote clean markets. Projects that will be supported by this initial tranche include assisting the Brazilian organization Instituto Ethos in ensuring the transparent award of infrastructure contracts for the Football World Cup 2014 and the Olympic Games 2016 in Brazil. In Europe, the newly founded International Anti-Corruption Academy is receiving funding for research and teaching. This Vienna-based international organization was set up to train anti-corruption experts from all over the world.

Details on all such projects supported by Siemens can be found on the company web site at: www.siemens.com/integrity-initiative

Further information

siemens.com/compliance

Address

Siemens AG
Wittelsbacherplatz 2
80333 Munich
Germany

Concept and coordination

Adam Cockill
Corporate Communications and Government Affairs

Design and production

häfelinger+wagner design gmbh

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