5. How to deal with:

Gifts and hospitality
Payments for routine action (prohibited)
Company political contributions (prohibited)
Company charitable donations
Sponsorships
Intermediaries
Record keeping and accurate recording
Acquisitions, joint ventures and minority interests
According to the Siemens Business Conduct Guidelines:

No employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to anyone in connection with business dealings in order to obtain an improper advantage.

Our anti-corruption policies are designed to translate this principle into practice, and this section provides the information you need in order to understand how to apply them. All the relevant policies currently published are addressed in this chapter, with the focus placed on those that affect most people in their normal business dealings.

Although this guide will help you deal with many of the situations you may face, reading it is no substitute for reading the relevant policies. If you have any questions regarding either the guide or the policies, please speak to your Compliance Officer or the Compliance Helpdesk – “Ask Us”.

Anything of value covers just about any form of benefit. Even things such as upgrades to first class airfares, side trips to holiday resorts, or hiring a family member for a summer position could be treated as bribes. Meals, entertainment, free or discounted tickets to events, travel or use of facilities are more common problem areas, but the company is also at risk through the free provision of its goods or services.

Improper advantage includes such things as influencing an individual to act in violation of his or her duty. Even if it was not the intention, perception of impropriety has to be avoided.
What is this about and why is it an issue?

Providing gifts and hospitality (meals, travel, entertainment) is often considered a form of courtesy and is common in everyday business in many countries. However, anti-corruption laws prohibit offering or providing anything of value, including gifts and hospitality, to a third party in order to obtain an improper advantage or otherwise unjustly influence official action.

In addition, the acceptance of gifts and hospitality is specifically regulated in many countries because it is seen as one of the most obvious forms of bribery. Particular concerns arise when such acceptance is in some way connected with a potential business transaction or regulatory approval. Generally, expenditures connected with government officials is considered to create a particular risk.

Some countries may have laws that are even stricter than the Siemens policies. If that is the case then the stricter rule applies. Your responsible Compliance Officer can tell you whether this is the case.

5.1 Gifts and hospitality

The definition of a government official is very broad. It covers anyone working for a government entity as well as anyone treated as a government official under local law. It also includes candidates for political office or anyone associated with a political party.

The definition of a government entity is also broader than it may appear. A government entity includes not only national, state or local governments or departments, but also:

- Commercial enterprises that are government owned or government controlled (like a state-owned oil company, or hospital)
- Government controlled or directed bodies and agencies
- Public international organizations (two or more governments as members) and
- Political parties

More information on the Anti-Public Corruption Circular found at [http://intranet.siemens.com/compliance](http://intranet.siemens.com/compliance)
What is the Siemens policy?

Any gift or hospitality offered or provided must comply with the following Mandatory Principles:

• It is not offered to gain an improper advantage or influence official action.
• It is permitted by local law.
• The value is reasonable and appropriate to the recipient’s position and circumstances and to the occasion so that it does not create an appearance of bad faith or impropriety and could not reasonably be misunderstood by the recipient or others as a bribe.
• The frequency of prior gifts or hospitality provided to the same recipient would not raise an appearance of impropriety.
• It is recorded fairly and accurately in Siemens’ books and records.

If the recipient has direct or indirect decision-making responsibility over an anticipated or pending decision that will affect Siemens’ interests then special caution must be exercised.

Anticipated or pending decisions that will affect Siemens’ interests include:
• Project tenders
• Changes in legislation or regulations
• Commercial contract awards
• The granting of a license

Applicability:
The policy applies to all gifts or hospitality offered or provided to any third parties as well as gifts or hospitality offered or provided by consultants, agents, and other intermediaries working on behalf of Siemens.
What does this mean in practice?

Gifts

Giving small personal gifts is often a part of local culture. A non-monetary gift is permitted without pre-approval if:

- The Mandatory Principles are met, and
- It is of nominal value.

If you want to give a gift of more than nominal value, then pre-approval in writing is required from your supervisor.

If you want to give two or more gifts requiring pre-approval to the same recipient within six months, you will need the approval of the responsible Compliance Officer.

It is not advisable to provide gifts (even of nominal value) to government officials more than once within a six months period.
Meals

Doing business over a meal is usual practice around the world. A meal may be offered to a third party without pre-approval if all of the points below are met:

- The Mandatory Principles are satisfied and the meal is business-related (takes place in the course of a meeting or another occasion, the purpose of which is to hold business discussions).
- The value is that of an ordinary working meal under local standards (expensive wines and delicacies are avoided).
- Business-related meals generally do not include the spouse or other guests of the invitee. In exceptional cases, such as spontaneous invitations occurring when an unplanned meeting takes place (e.g. at a trade fair or a third party organized conference) guests who are accompanying the invitee can be invited without pre-approval if it would be unacceptable to exclude them.

If the proposed invitee has the power to influence a government or business decision, only modest meals that are connected to a necessary meeting or activity should be offered.

Pre-approval in writing is required from your supervisor if the meal:

- Has a value beyond that of an ordinary working meal under local or other applicable standards; or
- Will include the spouse or guests of the invitee; or
- Is not directly business-related.

A second invitation to a government official for a meal requiring supervisor approval within a six months period requires pre-approval from the respective Compliance Officer.

Guests of invitees:
Examples where participation of guests might be appropriate include a public reception at an event sponsored by Siemens or an annual dinner event for clients.

Record keeping:
Siemens is required to keep a log of gifts and hospitality approvals. Additionally, for gifts and hospitality provided to government officials which don’t require approval you should retain information regarding the recipient, purpose, date and value and provide it on request.
Entertainment

Invitations to entertainment events (for example, to attend plays, concerts or sporting events) tend to have limited direct relevance to business and therefore can create an appearance of impropriety. For that reason, entertainment invitations, other than for certain Siemens events, require pre-approval from the responsible Compliance Officer.

Approval will normally be granted if all the following conditions are met:

- The Mandatory Principles are satisfied.
- The proposed invitee has no decision-making authority over an anticipated or pending decision affecting Siemens’ interests.
- The entertainment serves a legitimate business purpose.
- Black market or scalper’s tickets are not used.
- Spouses or guests of the proposed invitee are not invited (unless in exceptional cases).

Invitations to Siemens events, where the purpose is to disseminate scientific or technical information (e.g. user conferences, seminars, press events, plant visits) or which are part of a regular series of events dealing with cultural or political topics are allowed without pre-approval as long as

- The Mandatory Principles are satisfied.
- The information disseminated is useful to the invitee.
- Catering is limited to appropriate snacks and beverages.
- There is a link to Siemens business activities.
- No additional entertainment or benefit is offered which is inappropriate in relation to the event (examples of permissible benefits are a USB stick with the presentation or background music through DJ or musicians).
Travel and lodging

From time to time it may be necessary to pay the travel and lodging expenses of third parties – for example, for attendance at Siemens-related conferences. Siemens policy differentiates between local and non-local travel. Local travel does not require additional approval from the Compliance Officer.

All non-local travel and lodging requires pre-approval in writing by the responsible Compliance Officer, including trips to Siemens-related conferences, seminars or multi-day business meetings, and related proposals for incidental entertainment.

Approval will normally be given if all the following conditions are met:

- The invitation meets the Mandatory Principles.
- It is directly related to the promotion, demonstration or explanation of Siemens products or services or to the performance of a contract.
- The distance of travel and duration of stay are justified by good faith business reasons such as the location of a plant, gathering of all relevant experts at a trade fair, availability of flights, etc.
- The business purpose could not be accomplished more cost-effectively without traveling or by traveling to a closer location.

Travel and lodging guidelines that apply to Siemens employees should apply equally to their guests for both local and non-local travel.
Hospitality required by a contract

Contract provisions pertaining to hospitality should be avoided wherever possible. They should never be offered or enhanced for the purpose of winning a contract or obtaining any other improper advantage.

When a contract requires Siemens to bear travel and lodging expenses for meetings associated with the performance of a contract (for example, design meetings), providing such travel and lodging does not need pre-approval. However, the responsible business unit must ensure that:

- The travel and lodging will serve a legitimate business purpose which is not outweighed by non-business-related entertainment.
- The responsible Compliance Officer is contacted if there is a concern that the meeting is being requested for improper purposes or would raise an appearance of impropriety.
- The hospitality complies with all other applicable requirements, including record-keeping requirements.
How do I go about getting approval?

If approval is required (or when you are in doubt), complete, sign and submit the gift and hospitality pre-approval form to your supervisor or, where required, the responsible Compliance Officer before promising a gift or inviting someone. Failure to obtain pre-approval when necessary may result in non-reimbursement of expenditures and/or disciplinary action.

Bear in mind that your Compliance Officer must keep detailed records of all gifts and hospitality approvals, including the purpose, donor/host, the recipient/invitee and the nature and value of the gift or hospitality. Make sure you provide all of the necessary information when you first make a request.

It is important that invitations be transparent. In certain cases it may be advisable that written offers of gifts or hospitality contain some language to the effect that the recipient acknowledges that the offer is compliant with local requirements and the policies of the recipient’s own organization. In situations where approval from a Siemens Compliance Officer is required, consideration should be given to whether a similar approval is required from the invitee’s organization.

Pre-approval form:
This is available from the Corporate Compliance Website [http://intranet.siemens.com/compliance](http://intranet.siemens.com/compliance) or from your responsible Compliance Officer.

Will this get approved?
If you are in doubt, the Siemens Gifts and Hospitality Policy lists factors relevant to business entertainment and non-local travel that the responsible Compliance Officer will consider when deciding whether to grant approval. It makes sense to consult this list when preparing an approval request.
Below is an overview of gifts and hospitality for which you will need pre-approval and by whom. Bear in mind that it is a Siemens requirement that all gifts and hospitality must meet the **Mandatory Principles** (page 19).

<table>
<thead>
<tr>
<th>No pre-approval needed when:</th>
<th>Pre-approval needed at your supervisor level when:</th>
<th>Pre-approval needed at your Group, Regional or Chief Compliance Officer level when:</th>
</tr>
</thead>
</table>
| **Gifts** | • It is of nominal value | • The gift exceeds nominal value | • You have made a gift requiring supervisor approval during the previous six months.  
• Monetary gifts are proposed and the Chief Compliance Officer has not yet approved a local gifts policy permitting them. |
| **Meals** | • The value is appropriate to the circumstances  
• No spouses or guests of the invitee are involved, unless it is a chance encounter  
• It is business related | • The value is beyond that of an ordinary working meal  
• The meal is not directly business-related  
• The meal includes the spouse or guests of the invitee | • You have provided a meal that required supervisor pre-approval to a government official in the previous six months. |
| **Entertainment** | • Pre-approval from Compliance is always needed, with the exception of Siemens-organized events to discuss technical, scientific, cultural or political matters | | |
| **Local travel** | • Within local rules | • Outside business unit guidelines | • Guests are included |
| **Non-local travel** | • Pre-approval from Compliance always needed | | |
| **Hospitality required by contract** | • The business unit has made sure that it complies with the requirements of the policy. | • Not applicable | • Not applicable |
5.2 Payments for routine action (prohibited)

What is this about and why is it an issue?

They are small payments made to lower-level government or private sector employees, as a personal benefit to them, to secure or speed-up the performance of a routine action to which the payer is entitled. These are sometimes known as facilitating payments. These are an issue because:

- They are a form of corruption.
- Payments for routine action are illegal in almost all countries, including Germany.
- Paying for routine government action could easily open the door to more serious issues of corruption.

What is the Siemens policy?

Siemens prohibits payments for routine action.

What does this mean in practice?

- If you make a payment that could possibly be misunderstood as a payment to facilitate routine action, you must notify your responsible Compliance Officer and make sure that it is properly documented and posted to the correct account.
- Escalate to your responsible Compliance Officer when you encounter anything that looks like a request for a payment to facilitate a routine action. Such practical problems do arise in everyday business in some countries, but there are usually other ways that Siemens can solve these kinds of issues.
- Never attempt to disguise such a payment as something else. The penalties for disguising such a payment are much greater than the penalties for making one!

How do I go about getting approval?

Approval will not be given.
5.3 Company political contributions (prohibited)

What is this about and why is it an issue?

Political contributions refer to contributions of anything of value to support a political goal. Examples include local, regional or national political fundraising events, providing goods or services, paying employees during working hours to work at a political function, or paying for campaign expenses. This can create problems for Siemens because:

- Political contributions made on behalf of companies are vulnerable to abuse.
- Political contributions by companies are illegal in many countries.

Contributions to industry associations or fees for memberships in organizations that serve business interests are not considered to be political contributions.

What is the Siemens policy?

Siemens does not make company political contributions in any form.

What does this mean in practice?

Escalate to your Compliance Officer any request to make a political contribution, using Siemens’ funds, facilities, goods or services.

How do I go about getting approval?

Approval will not be given.
5.6 Intermediaries

What is this about and why is it an issue?

Public corruption often occurs when companies use third-parties as intermediaries to obtain government business or influence government action on their behalf. Anti-corruption laws do not always differentiate between acts made by you or by someone acting on your behalf. For that reason, we need to be certain that we only deal with intermediaries, whether they interact with government officials or with private sector customers, which apply the same standards of business conduct as Siemens does itself.

The Siemens Intermediaries Policies cover all Sales-Related Business Consultants and Sales Agents (government-related or not). In addition any third party retained entirely or in part to obtain government business or influence government actions is also covered. Examples of these include:

- A Sales-Related Business Consultant who assists Siemens in obtaining sales or orders. This may be by facilitating introductions, persuading or negotiating with customers, performing market research, or providing any other assistance to the sales function.
- A Sales Agent who acts on behalf of a Siemens entity as principal or independent contractor on a long-term or permanent basis, in a defined territory, and who interacts on Siemens’ behalf with government officials.
- A lobbyist who communicates with a government official about formulating legislation or a government rule, regulation or policy.
- A customs clearing agent who processes the transit of imported or exported goods through customs.
- A financial advisor, lawyer or consultant who interacts with government officials in connection with transactions with government entities (for example, the privatization of a state-owned industry or a joint venture with a government or state-controlled enterprise).
- A lawyer who represents Siemens in court or before regulatory bodies such as securities, health, environmental, tax, utilities, or transportation authorities.
In determining whether a third party is an intermediary for the purposes of Siemens’ Intermediaries Policy, the most important factor is the person’s/entity’s activities, regardless of job title or description. You should consult your responsible Compliance Officer or the Compliance Helpdesk – “Ask-Us” if you are not sure whether the policies apply to a particular third party.

What is the Siemens policy?

When retaining, paying or working with an intermediary covered by our policies you must:

- Have a solid, documented basis for trusting the intermediary;
- Take reasonable steps to monitor for and prevent misconduct and, where appropriate, train the intermediary;
- Respond appropriately to indications of possible misconduct.

What does this mean in practice?

If you are likely to do business with any intermediary, you must read, understand and follow the Siemens Intermediaries Policies. You should feel free to consult with your responsible Compliance Officer or the Compliance Helpdesk – “Ask Us” if you have questions about the application of the policies.

The main steps are summarized in the next pages.
New agreements and renewal of existing ones

There are five steps that you must follow to hire a new intermediary, or renew an existing agreement:

1. **Due diligence.** Conduct research on the intermediary’s background, reputation and qualifications, and complete a due diligence form.

2. **Communicate Siemens’ Standards.** Communicate Siemens’ expectations on anti-corruption to the intermediary and obtain their signature on the Siemens Commitment Against Corruption form.

3. **Contractual protections.** Document the relationship in a written agreement, with standard required contractual protections. These contract provisions help communicate our expectations and permit Siemens to monitor for and prevent violations of our standards.

4. **Danger signs.** Check for “danger signs” that might signal a risk. These would include situations when the intermediary:
   - Appears unqualified or understaffed
   - Is specified or recommended by a government official
   - Requests that his identity be kept hidden
   - Requests that he be paid in cash or upfront or through offshore payments
   - Requests that Siemens create false documents
   - Requests unusually large compensation in relation to the value of the services provided
   - Seeks reimbursement for unusually high or undocumented expenses

   When any of these or other worrisome signs exist, additional investigation and inquiry is required.

5. **Approval.** Obtain the required approvals by forwarding the completed due diligence form to your responsible Compliance Officer or, in the case of sales agency agreements, to CD S OG.
Payment to intermediaries

The following requirements apply to payments to any intermediary.

1. Payments must be made via Finavigate® or by wire transfer to the bank account specified in intermediary’s contract.

2. No payments may be made in cash or bearer instruments.

3. No payments may be made payable to any party other than the intermediary at the intermediary’s normal place of business.

4. No payments may be made to an account outside of the country where the intermediary performs services.

5. The danger signs listed above should also be considered.

Any exceptions to the above must be approved by the Chief Compliance Officer.

Payments to Sales-Related Business Consultants must be approved by the Compliance Function. Your local Compliance Officer will be able to advise you of the exact process.

Before making a payment to any other intermediary, the Siemens person responsible for approval of a payment must examine the invoice and determine whether the contractual requirements for payments are met and the payment is due.

Strategic partners:

These are partners who sometimes interact with government officials on behalf of a consortium, joint venture or other strategic partnership in which Siemens is a participant. They thus may be acting indirectly on Siemens’ behalf. For that reason, strategic partners can pose the same corruption risks as other intermediaries. You should consult your responsible Compliance Officer or the Compliance Helpdesk — “Ask Us” regarding the requirements applicable to consortium members and other strategic partners.

Remember:

You may never do through any third party what you may not do directly. Authorizing or encouraging any third-party, including a distributor or consortium partner, to pay bribes or engage in other misconduct on Siemens’ behalf is a serious violation of Siemens’ policy and can violate applicable anti-corruption laws.