

Corporate Responsibility Report 2007

Facts, figures and other information on the 2007 fiscal year

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SIEMENS

Corporate Responsibility Report 2007

Corporate Responsibility at Siemens

We intend to achieve continued success and profitable growth on the basis of our core values: responsible, excellent and innovative. That's why corporate responsibility is one of the four cornerstones of our company-wide Fit4 2010 strategy, which is keeping us on track for the future.

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CEO Statement

Dear reader,

Looking to the future, we intend to achieve continued success and profitable growth on the basis of our core values: responsible, excellent and innovative. That's why corporate responsibility is one of the four cornerstones of our company-wide Fit4 2010 program.

In this Corporate Responsibility Report, we provide an account of what we're doing to ensure responsible behavior at all company units and locations. In addition to reporting on major achievements in fiscal 2007, we present figures that reflect the development of our ongoing commitment to environmental protection and social welfare in recent years.

The challenges raised by environmental and social issues are a key focus of the Report. In today's world, our business success depends on our ability to find answers to the challenges posed by demographic change, increasing urbanization and global climate change.

Our customers expect us to play a leading role in shaping tomorrow's technologies, and we are well equipped to meet these expectations. Our outstanding researchers and engineers will empower us to deliver innovative technologies in areas as diverse as power generation and transmission, water and wastewater treatment, traffic management and healthcare. What's more, we're continuing to develop our environmental portfolio, which has long comprised a wide range of products and solutions for climate and environmental protection.

At the same time, because Siemens – as a global enterprise – also has an impact on social developments, the single most important expectation is that our conduct be flawless from an ethical standpoint. The fact that our company made mistakes here in the past is a painful realization. We've taken many steps to uncover misconduct and to heighten all employees' awareness for lawful, ethically irreproachable behavior. These measures are also presented in this Report.

To regain and strengthen the trust and acceptance of our customers, society and the financial markets, we intend to make Siemens more highly transparent, dialogue-oriented and sustainable. Systematic corporate responsibility reporting is essential to achieving this goal.

At the beginning of fiscal 2008, we geared our business to the key challenges facing society today by bundling our activities into three sectors – Industry, Energy and Healthcare. This new structure increases Siemens' transparency. At the same time, we reorganized and clearly defined the assignment of responsibilities and accountability at our company.

Siemens is one of the few companies in the world that boasts a long tradition and a corporate culture in which social responsibility is taken into consideration when making business decisions – because Siemens has been committed to passing on its heritage to coming generations ever since the company was founded; because we see ourselves as a member of society in nearly 190 countries; and because we are shaping the future not only with our innovations but also with our training and continuing education.

Our membership in the United Nations Global Compact, which we joined in 2003, is just one example that showcases our commitment to society. We have expressly committed ourselves to the ten principles of the Global Compact, and our support for them will remain unwavering in the future. This Corporate Responsibility Report includes information on our progress toward implementing the Compact's principles, and we will continue to report on our achievements within this framework in subsequent editions.

I'd be pleased to see you get actively involved in the ongoing process of enhancing responsibility at our company by contributing your suggestions and constructive criticism.

Munich, June 2008

Peter Löscher
President and CEO
Siemens AG

Siemens in Profile

Ever since its founding, Siemens has been a technology company operating throughout the world. We have oriented our business toward meeting fundamental social challenges.

At the outset of fiscal 2008, we bundled our business activities in three Sectors: Industry, Energy and Healthcare. Worldwide, our 398,200 employees in nearly 190 countries generate annual sales of approximately 72.5 billion euros (fiscal 2007). The responsible planning of our global value chain – from procurement of raw materials to sales – helps us ensure a high degree of sustainable development.

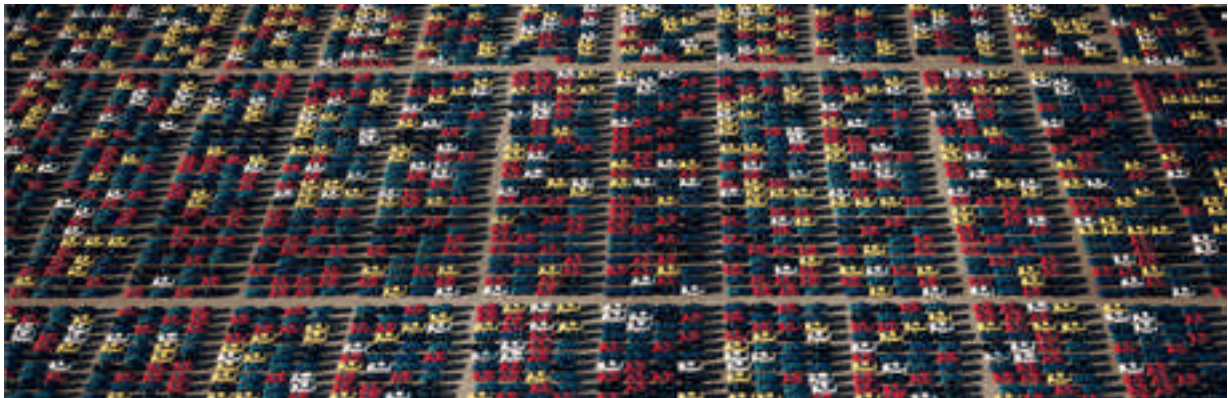
As the biggest employer and contractor worldwide, we feel an obligation to act with integrity and with environmental and social responsibility wherever we operate. In 2003, we joined the Global Compact of the United Nations and pledged to support compliance with its ten principles

Activities

By consolidating our activities within the three Sectors of Industry, Energy and Healthcare, we are meeting the crucial challenges of our time.

Industry Sector

With annual revenues of approximately €40 billion, the Industry Sector is the world's leading supplier of production, transportation and building systems. Integrated hardware and software technologies combined with industry-specific solutions enable Siemens to enhance the productivity and efficiency of its customers in industry and infrastructure.



Business activities:

Automation & Drives, Industrial Services & Solutions, Transportation Systems, Building Technologies, OSRAM

Trends and challenges:

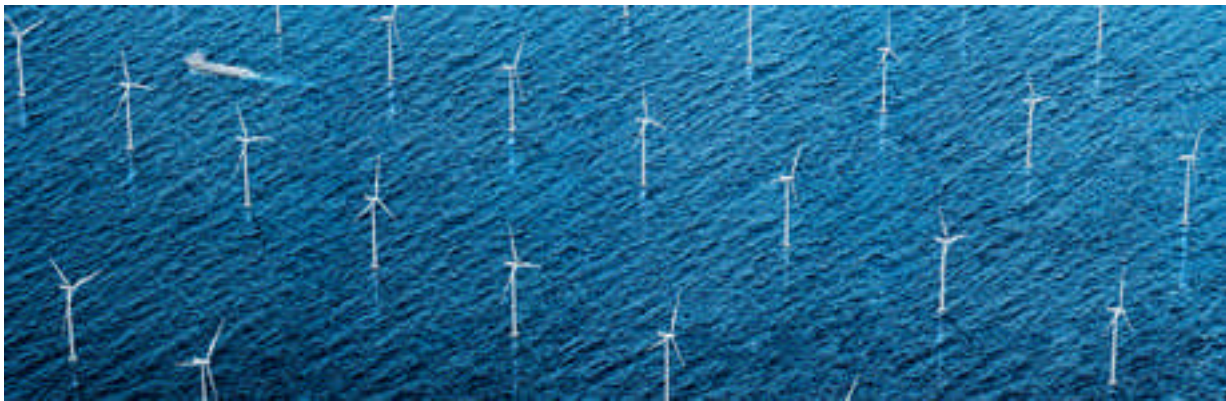
Demographic change, urbanization, resource scarcity, environmental and climate protection

Innovative solutions:

- Siemens offers innovative solutions for energy efficiency management in industry. For example, we manufacture the world's largest gas turbine, which has a rated capacity of 340 megawatts. With an efficiency of 60 percent, this gas turbine from Siemens is the most efficient of its kind.
- Our "Complete Mobility" concept stands for intelligent traffic management systems in metropolitan centers and for efficient logistical concepts in rail transportation.
- Waste water treatment systems from Siemens make it possible to use water, as an increasingly scarce resource, more efficiently, for instance by recycling water from industrial processes (so-called "zero-liquid technology").

Energy Sector

The Energy Sector is the world's leading supplier of a complete spectrum of products, services and solutions for the generation, transmission and distribution of power and for the extraction, conversion and transport of oil and gas. Its annual revenues amount to approximately €20 billion.

**Business activities:**

Power Generation, Power Transmission & Distribution

Trends and challenges:

Demographic change, urbanization, resource scarcity, fuel diversification

Innovative Solutions:

- With its combined-cycle power stations, low-NOx gas burners and gasification reactors, Siemens offers an unrivaled portfolio of products and solutions for cleaner coal liquefaction (including CO₂ separation).
- Our goal is to become one of the world's top three suppliers of solutions for wind energy, biofuels and solar thermal energy. Since 2003, Siemens has installed wind energy equipment with a rated capacity of more than 3,300 megawatts. By means of this technology, up to eight million tons of CO₂ emissions can be prevented every year.
- In connection with energy savings contracts, Siemens plans and installs intelligent building systems that guarantee lower costs, lower energy consumption and less CO₂ emissions. The customer's investments in this service pay for themselves, due to the savings achieved.

Healthcare Sector

Siemens Healthcare is one of the world's largest suppliers to the healthcare industry with annual revenues of approximately €10 billion. The company is a renowned medical solutions provider with core competence and innovative strength in diagnostic and therapeutic technologies as well as in knowledge engineering, including information technology and system integration.



Business activities:

Medical Solutions

Trends and challenges:

Demographic change, access to healthcare systems

Innovative Solutions:

- Siemens is a worldwide leader in the area of IT applications for healthcare. Our IT solutions, including hospital information systems, image archiving, communication systems and electronic patient files support clinical workflows.
- Molecular medicine makes it possible to detect diseases in their early stages, when they can be treated most effectively. To this end, Siemens combines the latest in-vitro laboratory diagnostics with in-vivo imaging systems.
- The job of Refurbished Systems is to repair and market used medical equipment of Siemens Medical Solutions. Thanks to the attractive cost-benefit ratio, healthcare providers in the emerging and developing countries have access to modern healthcare technology.
- With our "Spirit" computed tomography machine, we supply Asian hospitals with the state-of-the-art equipment at affordable prices.

About €5 billion of Siemens' total annual revenues are generated by Siemens IT Solutions and Services and by Siemens Financial Services.

Responsible Value Creation

By designing and managing its value chain – from the procurement of raw materials to sales and distribution – in a socially responsible manner, Siemens can make a significant contribution to sustainable development. As the world's biggest employer and purchaser, we consider it our duty to implement the fundamental principles of ethical, environmentally responsible and socially caring business practices in every area within our sphere of influence.

Our contribution: Jobs, taxes and duties

With 398,200 employees, including 126,100 in the home country of Germany, Siemens works not only for its own business success, but also for individual prosperity and purchasing power in the areas where it operates. Thus, we make an important contribution to developing the national economies of emerging and developing countries in particular. This contribution consists in part of taxes and duties, which are made possible by Siemens' success in business. In fiscal year 2007, the taxes and duties paid by Siemens amounted to 1.21 billion euros (2006: 905 million euros), including 450 million euros in Germany alone (2006: 306 million euros).

Our contribution: Innovations

We have 32,500 employees working in research and development (R&D) around the world, to ensure that Siemens can defend and expand its leading market positions through innovations. In 2007, the company increased its R&D budget from 3.1 to 3.4 billion euros. Siemens registered 8,267 inventions, 7 percent more than in the previous year. Also in 2007, the number of patent applications jumped 11% to 5,060.

Our research and development work also contributes to the mastery of environmental and social challenges. Nearly half of the company's entire patent portfolio today can be attributed to the areas of energy and environmental protection. And we invest about two billion euros per year in the development of environmentally friendly technologies.

Our contribution: Capital expenditures

In order to meet these challenges, Siemens incurs start-up costs in the form of capital expenditures. Worldwide, the company invests continuously in new operating sites, plant and equipment and manufacturing processes. These capital expenditures serve to protect our future business success and open up promising new markets. Also, the contracts awarded in connection with these investments benefit the local economies.

Our contribution: Qualifications

Moreover, the qualifications-building and certification of suppliers – including the imposition of the new Code of Conduct for Siemens Suppliers and the audits conducted in that respect – are just as beneficial to others as they are to Siemens. By means of such activities, our suppliers can improve their offering of products and services and Siemens can minimize its risks. Wherever possible, Siemens is increasingly shifting its purchases to the countries in which it operates (local sourcing). That strategy supports regional growth, reduces transportation-induced environmental stresses and also lowers costs.

Our contribution: Education and support

The company's social giving activities also represent start-up costs of a kind, incurred for the company's own benefit. We regard the company's corporate citizenship expenditures as an investment in the development and maintenance of well-functioning markets and stable economies. Here you can find an overview of our investments in the charitable umbrella programs Siemens Generation21 and Siemens Caring Hands.

Our contribution: Economic benefits

Taking Germany as an example, we have calculated the total value of the concrete contribution Siemens made to the national economy in fiscal year 2007. Alone the taxes and duties paid by Siemens in Germany amounted to more than six billion euros, which is about the size of the budget of the German Federal Ministry for Economics and Technology. The total value of goods purchased from suppliers in Germany amounted to over ten billion euros in fiscal year 2007. Of this amount, about 70 percent went to small and mid-sized companies. Only 30 percent of our procurement budget went to companies with more than 1,000 employees. Siemens' suppliers in Germany together employ some 95,000 people. Thus, we make an important contribution to their job security

Challenges

In addition to the technical challenges Siemens encounters on a daily basis as a technology company, we also know that our highly diverse stakeholders rightly have expectations regarding us and our actions. Analyses of our management processes and operational procedures also repeatedly indicate a need for improvements.

In our Corporate Responsibility (CR) Report, we show how we can meet these challenges today and in the future.

Challenge: Materiality

In order to meet challenges with targeted management decisions and measures, we must first identify and evaluate these challenges. We have received many indications – from our employees, in dialogues with customers and authorities, and through our work with business associations – of what is expected of us as a global player. Our own analyses supplement this picture. We evaluate these themes as to their relevance for our sustained business success and regarding our potential as a global technology company, and then identify the action areas we believe are essential. We prepare this materiality portfolio each fiscal year. It is the basis for our CR management agenda and serves as a key reference framework for our CR program goals.

The materiality portfolio also provides focal points for our CR reporting for the respective fiscal year.

The materiality portfolio for fiscal 2007 is the basis of our CR Report 2007.

In the materiality portfolio for fiscal 2008, we added a number of new themes to reflect a change in the evaluation criteria. These new themes include human rights and our Millennium Development Program (products and solutions that help us reach the eight UN Millennium Development Goals).

Challenge: Future business

Successful CR takes place in exchanges between the company and its social environment. The goal is to translate the legitimate needs of society into business successes – because we can expect to earn money where there are future social needs. With our new company structure, we can now more effectively respond to the global megatrends. This includes better serving often untapped growth potential in the markets of threshold and developing countries. This not only benefits us, but the people in these countries as well.

Challenge: Coordination

In a company that operates in nearly every country on earth, the coordination of CR presents a particular challenge. We not only face differing legal demands, but at times have to deal with major cultural differences and varying ideas about what constitutes responsible company behavior. It is thus essential to strike a balance between decentralized entrepreneurial activities and centralized controls.

Challenge: Dialogue

In order to continue developing as a company and understand business trends that are relevant to us and our business now and for the future, we must increase and cultivate structured dialogues with our stakeholders. In the future, we intend to more effectively utilize constructive exchanges with our target groups to learn from others and be able to identify challenges facing us and our business as early as possible. This will help us spot opportunities and avoid risks.

Challenge: Transparency

The corruption and bribery cases at Siemens dominated the public's awareness of our company in the period being reported. In response to these violations, we set the goal of becoming the industry benchmark for transparency. Our CR reporting should make an important contribution toward this goal.

Corporate Responsibility at Siemens

As part of our Fit4 2010 company strategy, Siemens is also aiming at being Best-in-Class in the area of corporate responsibility (CR).

To more effectively implement its corporate responsibility strategy, Siemens expanded its company-wide coordination in 2006 and launched an ambitious reporting initiative. All corporate-level departments now set their own goals in the framework of the overall company strategy, and pursue these goals in the Sectors and Regional units with the help of key indicators.

Since our business has a direct or indirect effect on countless people, we take the desire for information and the interests of our stakeholders very seriously. We clearly and openly state the methods we use and the limitations we face in our CR reporting.

We have weighted the action areas based on the degree of public expectations in us, and how much influence these areas have on our business success. Our annually audited and augmented CR materiality portfolio presents the action areas in which projects are developed and carried out. We also include goals for implementation and performance with their relevant Key Performance Indicators (KPI).

Strategy

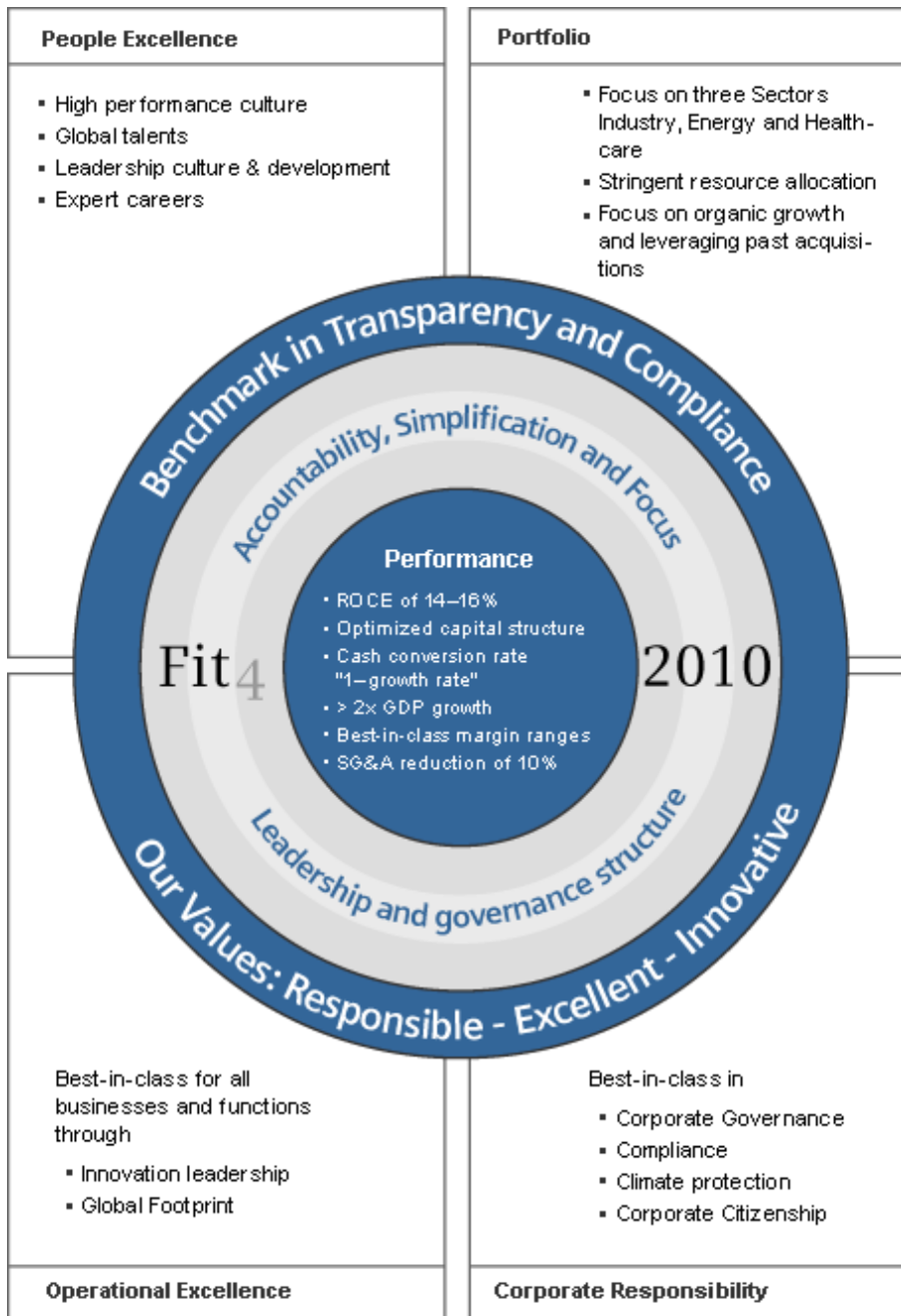
Our responsibility as a company is one of the four main drivers of our company strategy Fit4 2010.

We are aiming at running our business on the basis of the highest values and business ethics. Corporate responsibility is one of the four drivers – along with Portfolio, People Excellence and Operational Excellence – helping us reach the performance goals we have set in our Fit4 2010 company strategy.

We have defined four long-term core CR functions in Fit4 2010 that will further support our CR projects:

- Corporate governance
- Compliance
- Climate protection
- Corporate citizenship

In addition, we define and implement the CR management focal points and their associated projects in our own CR controlling model.



Siemens values and vision

Our actions are based on the binding company-wide values that were reformulated in fiscal 2007 and are firmly anchored in our CR.

Responsible:

We're committed to ethical and responsible action.

Excellent:

We deliver top performance and excellent results.

Innovative:

We drive innovation to create lasting value.

We are convinced that these values are central to our business and that we must act in their spirit to secure the success of our company over the long term. In the end, the most successful companies are those

whose top performances go hand in hand with the highest ethical behavior. Our company vision guides us in our work:

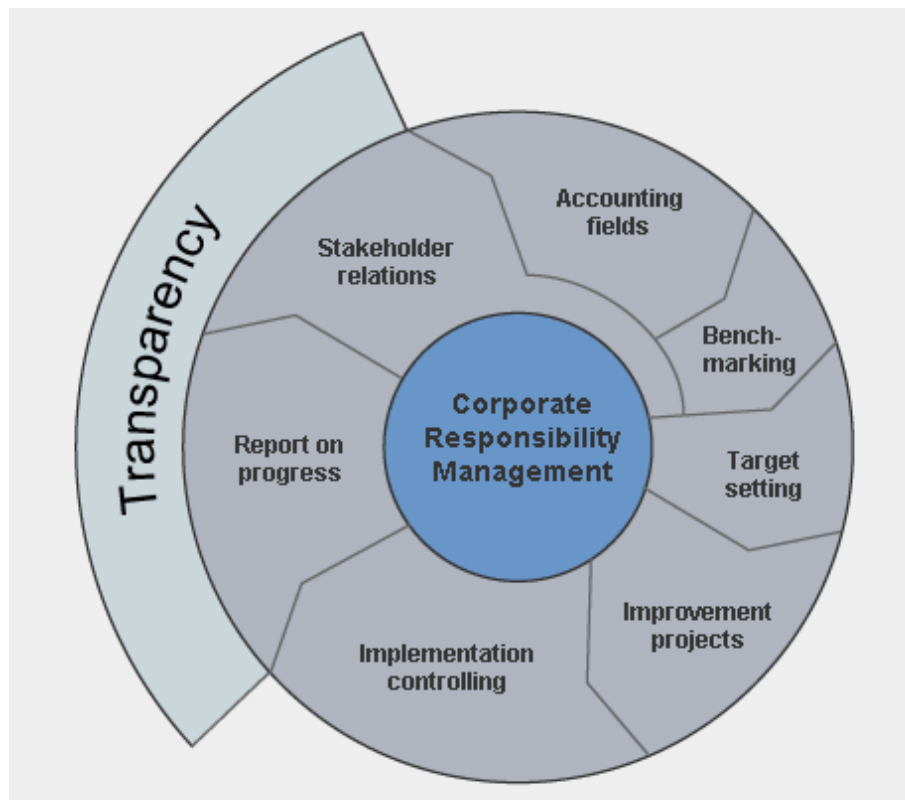
A world of proven top talents that achieve pioneering innovations, give our customer a unique competitive advantage, help societies master their greatest challenges, and create lasting and dependable values.

The Siemens corporate responsibility controlling model

We have set the following goals for controlling our corporate responsibility measures:

- Make our stakeholders' evaluation of our performance the measure for determining how responsible and transparent our actions are.
- Identify risks to sustainability and reputation as early as possible and take uncompromising counter-measures.
- Establish procedures and processes that ensure the implementation of CR at the highest level, compared to other companies.
- Become the leader in our industry by establishing sustainable solutions that benefit our company as well as society.

Siemens' CR controlling model describes how we pursue these goals:



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Accounting fields: At the beginning of each fiscal year, we establish our action and accounting fields and check their relevance. We primarily use know-how derived from dialogues and interactions with our stakeholders for this purpose. After this careful check for relevance, this external input might lead us to revise our goals or focal points of action.

Benchmarking: We compare the relevance and strategic importance of these annual focal points of action with the specific requirements of specialized ranking and rating organizations, and, if necessary, adapt them in a dialogue with these organizations. With the help of intensive benchmarking of competi-

tors and other comparable companies, we learn from the experiences of others and develop suitable, Siemens-specific measures.

Target setting: The evaluation derived from the stakeholder feedback and benchmarking process subsequently serves as the annual basis for setting, together with the Managing Board, our goals or focal points for operative improvements. We give priority to measures we consider decisive when comparing the interests of external stakeholders with those of our company.

The management focal points determined in this manner comprise our materiality portfolio for the respective fiscal year, and we adopt the associated goals in our CR program.

Improvement projects: All typical success factors apply for the successful implementation of the defined improvement projects. These include clear responsibilities, quantifiable goals, specific measures, timetables with milestones, as well as internal progress monitoring. Should there be serious problems with implementation, the Managing Board is then directly involved.

Implementation control: Implementation of the projects and measures is regularly compared to the original planning goals. Quantifiable goals are also checked in an ongoing current project phase on a case-by-case basis.

Report on progress: The progress being made with projects and measures is documented in our annual Corporate Responsibility Report. On a case-by-case basis, this also provides the basis for specific reporting for individual stakeholder or stakeholder groups, such as the progress report for the UN Global Compact.

Stakeholder relations: In addition to continually looking after our stakeholder relations, we also conduct targeted stakeholder dialogues that are focused on the state of our progress. Feedback from these dialogues is then evaluated and we conduct selective polls and workshops. The information obtained in this process then flows into the next CR management cycle.

Siemens guidelines

Internal guidelines help us exercise responsibility to our employees, the environment and society in our daily work. The company's Business Conduct Guidelines, our central code of behavior, is the heart of our compliance program and is binding for all managers and employees company-wide. There are also numerous other internal guidelines and circulars valid worldwide that supplement the Business Conduct Guidelines.

The review of our Business Conduct Guidelines, begun in the period under report, will probably be completed in fiscal 2008. A revised edition of the Guidelines will then be announced internally.

As an internationally operating company and a member of the Global Compact of the United Nations, we follow its ten principles as well as the OECD guidelines for multinational companies.

Coordination

In order to fulfill our corporate responsibility (CR), Siemens further improved its company-wide CR coordination in fiscal 2006 and began detailed CR reporting. In fiscal 2007, in response to the cases of corruption, we set the goal of becoming the industry benchmark in transparency. Our CR reporting will make an important contribution to this end.

Responsibilities

Responsibility for CR is now held by the eight-member Managing Board of Siemens AG. In the period being reported, both CR and Fit4 2010 were the responsibility of the President and CEO. The Corporate Responsibility Department coordinates the key themes of corporate governance, compliance, climate protection and corporate citizenship, and reports directly to the Managing Board.

Since CR is part of the Fit4 2010 company strategy, the Corporate Responsibility Department also has the task of coordinating cross-Sector themes such as climate protection and product responsibility. To ensure the continued development of CR at the company's operational level, the Corporate Responsibility Department makes suggestions and recommendations and supports the Sectors in implementing all programs.

Coordination and implementation

To ease company-wide coordination, Siemens constituted a CR cross-business committee that meets on a monthly basis and is chaired by the head of the Corporate Responsibility Department. This team is comprised of representatives from all relevant specialist areas: citizenship, environmental protection in manufacturing, product-relevant environmental protection, work safety, human resources, procurement, relationships with governments and business associations, and investor relations. Participants from other specialist areas also supplement the committee when needed.

The Corporate Responsibility Department is responsible for implementing the company strategy as well as for the managers directly involved in CR. The representatives of the specialist areas also hold responsibility for their respective content in all phases of the CR controlling model.

The cross-business committee defines common cross-functional goals, methods, measures and stakeholder relationships.

Management of CR aspects

As early as the late 1980s, Siemens introduced a management system for environmental protection that fulfills today's ISO 14001 international norm as well as the Europe-wide Eco-Management and Audit Scheme (EMAS). 163 of our company locations were certified for ISO 14001 in fiscal 2007, and five of these facilities also had EMAS certification. In addition, we have management systems in place that are responsible for work safety and the OHSAS 18001 (Occupational Health and Safety Assessment Series) norm. These management systems cover aspects of environmental protection and work safety in the most relevant Siemens locations. In the period being reported, the Power Generation, Medical Solutions and Transportation Systems Groups were certified according to OHSAS 18001. Since roughly ten percent of Siemens' locations are sold or purchased every year, it is virtually impossible to achieve hundred-percent coverage by the management systems, even though this is the company's goal.

For the company's supplier management, we currently implement the company-wide procedures, controls and training described in our Code of Conduct for Suppliers. Controlling of the Siemens-wide procurement network is handled by the Global Procurement Board.

Internal audits

The various specialist functions (environmental protection, work safety, etc.) have competence for guidelines, controlling duties, and coordinating functions in the framework of their assigned tasks (according to the 2004 Siemens Guidelines for Organization and Cooperation). They are thus responsible for controlling the implementation of the guidelines they issue. This is ensured through internal assessments and management reviews.

Serving the Managing Board, the company's audit department and its decentralized audit units worldwide function as an additional control for the continuous Mandatory Audit Program, and monitor – with the help of system audits – the implementation of the guidelines and the associated expert functions.

Audits of specific CR aspects also take place in the course of other function-specific audits, such as quality audits.

Employee motivation

Clear responsibilities, regulations and processes are necessary, but we are convinced they alone are not enough to ensure that our people act in the spirit of responsibility and sustainability. We therefore motivate our employees to not only master technical challenges, but also to make important and lasting contributions toward solving social problems in many projects. In order to honor employees and teams who have clearly demonstrated such social responsibility, we established the Siemens Corporate Responsibility Award in 2007 and presented it for the first time in the fall of 2007. 182 applications from 35 countries were submitted for the award last year.

Further information on the Corporate Responsibility Award 2007, the Safe Water Kiosk which won the competition and the projects of the other finalists can be found on our CR web site. The Corporate Responsibility Award will also be presented in fiscal 2008.

Overview of the Goals

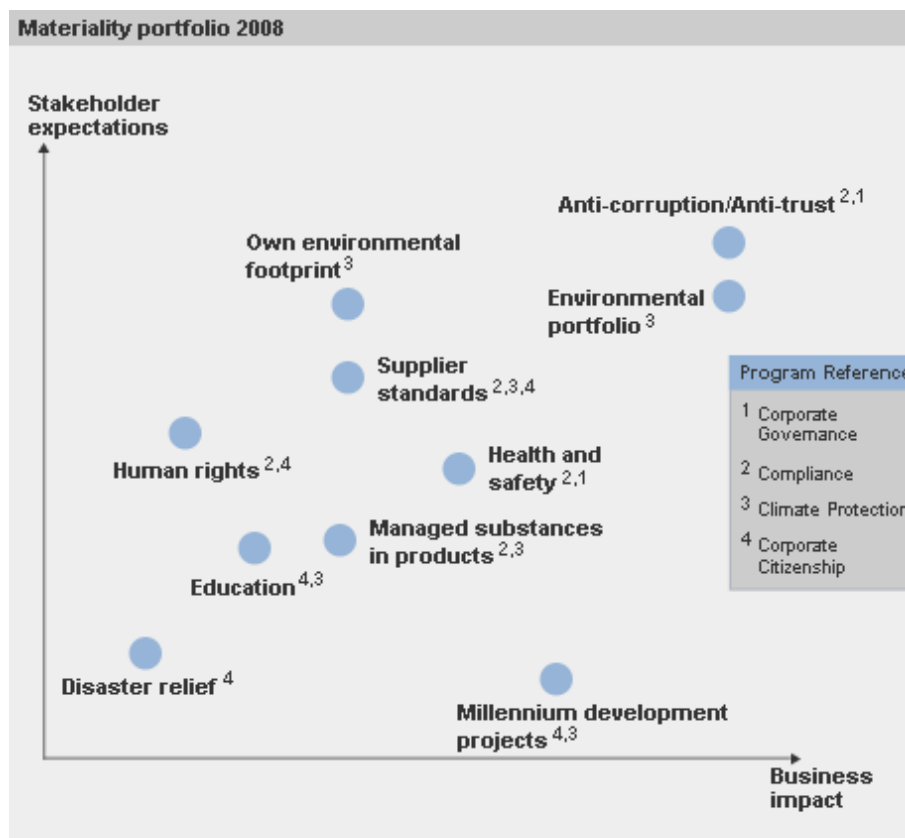
All key support functions set their own goals in the framework of the company strategy for Corporate Responsibility and follow their implementation in the Sectors and the Regional units with the help of key figures. We want to further strengthen and improve the coordination of these processes and their integration into the CR program.

Corporate Responsibility was further anchored in the organization and processes at Siemens as part of the Fit4 2010 corporate strategy. The activities previously launched during the previous Fit4More program were continued.

Materiality Portfolio

We have analyzed the stakeholder expectations determined in dialogues and interaction with our stakeholders for their relevance, and then added them to the portfolio on the basis of this weighting. In evaluating the impact of these issues on our business, we have considered their risks as well as the opportunities they present.

The superscript numbers added to the action areas refer to the four core functions of CR in our corporate strategy.



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Anti-corruption/Anti-trust: Our goal is to completely clarify all violations of the company's anti-corruption and anti-trust regulations, apply every necessary consequence, and ensure legally faultless behavior in the future.

Environmental portfolio: With the products and solutions offered by our Sectors, we make substantial contributions toward protecting the climate and at the same time strengthen our business.

Supplier standards: We expect our suppliers to comply with the generally known principles of sustainability, and support them in their work.

Our own environmental footprint: By setting ambitious goals, we intend to further improve the environmental performance of our worldwide locations.

Human rights: With the help of stronger measures, we want to ensure the strict observance of human rights in our supply chain activities as well as in our own business.

Health and safety: By introducing a new company-wide reporting tool, we are strengthening the controlling and optimization of our measures for ensuring work safety and health protection.

Managed substances in products: For a company with a comprehensive offering of products and solutions, the phasing out of materials – above and beyond fulfilling legal requirements – demands a complex management system.

Education: Education is one of the key drivers of sustainable development and is an essential prerequisite for Siemens – as a technology company – to ensure long-term success.

Disaster relief: With its portfolio and its worldwide network of business locations and experts, Siemens can make significant contributions toward preventing and dealing with natural disasters.

Millennium development projects: We contribute to sustainable development with our business, and particularly in developing countries. We intend to strengthen these contributions by making sustainable innovation the base of our solutions pyramid.

CR Program

Previously, the Siemens program primarily consisted of the goals and measures of the key support functions. To supplement this, we defined process goals for implementing Corporate Responsibility at Siemens in the period under review, and these goals are now part of our program for fiscal 2008. They show how we can achieve unified and targeted Corporate Responsibility at Siemens by coordinating and advising the key support functions and by implementing central measures across all the key support functions.

These overriding controlling goals have been supplemented in fiscal 2008 with two action areas that have just been added to the materiality portfolio and that apply across the key support functions: human rights and Millennium Development projects. Both themes will be handled by the Corporate Responsibility office until they are assigned to a key support function at the company level.

Siemens Corporate Responsibility (CR) Program 2008	
Performance indicators	Goal
Stakeholder dialogue and capacity building	
Joint development of a framework for a partnership between local networks of the UN Global Compact and Siemens Regional Companies	until 10/2008
Set guidelines for the Siemens stakeholder dialogue	until 04/2009
Develop a cooperation between local networks of the UN Global Compact and Siemens Regional Companies (priority Regions)	until 04/2009
Further develop the CR Award as a key company-wide instrument for exemplary CR work	until 04/2010
Reporting	
Standardize the processes used in CR reporting and evaluate the CR reporting practice in the Corporate Units	until 04/2009
CR organization	
Develop a framework for the CR organization in the decentralized units	until 09/2008
Human rights	
Develop a procedure for Siemens' project business that will enable us to determine the project impact on human rights	until 10/2008
Millennium Development Projects	
Conduct a research project on the "Base of the Pyramid" for B2B (business to business) and B2G (business to government), in order to identify leading Sectors and Regions	until 09/2008
Conduct a business impact study on the contribution Siemens makes toward sustainable development for selected Sectors and pilot Regions	until 04/2009
Develop a worldwide program for sustainable development (promoting the Millennium Development goals in Siemens core business)	until 09/2009

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Overview of the goals

The goals which Siemens has set itself for the various areas can be found in the following chapters:

Environmental protection	page 79
Product stewardship	page 80
Suppliers	page 81
Employees	page 82
Society	page 83

Stakeholder Dialogue

Since our company activities directly or indirectly affect a great many people, we take the stakeholders' need for information and their interests very seriously. These stakeholders include analysts and investors, our customers, employees and suppliers, as well as public authorities, universities, research institutions, NGOs and the communities around our facilities.

Siemens keeps internal and external stakeholder groups informed at all levels of our company. Ongoing dialogues with internal and external stakeholder groups have long been part of our corporate culture, and the number of awards and prizes we receive underscores the quality of our activities in areas such as investor relations and innovation communication. Our Regional Companies are also serious about their role in serving their respective societies, and maintain close dialogues with their stakeholders as well.

In order to better understand the expectations of our stakeholders regarding the megatrend of urbanization, we partnered with social research institutes to question megacity decision-makers worldwide about their agenda.

Yet despite our numerous and intensive contacts with relevant social groups throughout the world, Siemens still has no systematic, centrally coordinated stakeholder dialogue that bundles opinions and demands. We intend to rectify this situation in the coming years in order to more systematically incorporate stakeholder interests in our central planning and decision-making processes.

Stakeholder expectations

In order to better understand what our stakeholders expect, we have analyzed employee surveys and customer questions.

Important indicators of potential for improvement in the areas of environmental protection, social commitment and employee responsibility are also provided by the questions and evaluations of analysts and investors who are interested in sustainability. In the period under review, we also had around 50 Siemens managers check the plausibility of our 2008 materiality portfolio.

Compliance in the narrower sense of anti-corruption was obviously of central importance for the Siemens stakeholders in the period under review. Other key themes of interest included climate protection and energy efficiency. In view of the ever more evident demographic change in Germany and Europe, the topics of recruiting young talents, training and continuing education were also highly relevant for our business.

We have therefore selected the following themes for detailed presentations in our reporting on 2007:

- Compliance
- Climate protection
- Education and knowledge

Memberships

As a globally operating company, Siemens is a member of a large number of international and national associations and organizations – both at the corporate level and through the Regional Companies and individual business locations. In view of this global spread, our memberships in the Global Compact of the United Nations and in the World Economic Forum are certainly the most important for the theme of CR. We are currently evaluating additional memberships.

Upon the announcement of the bribery and corruption accusations late in November 2006, we terminated our membership in Transparency International Germany. The membership had been suspended since mid-2004. Over the longer term, however, we aim at reviving our membership as a corporate associate.

Our Regional Companies also hold CR-relevant memberships. Some companies are themselves member of the Global Compact, while others are actively engaged in local business associations and sustainability initiatives.

Reporting Method

We openly present the methods we use and the limitations we face in our reporting. In order to make it easier for the various user groups to access our reporting, we make our data available with the help of a number of request screens. Especially important here is the Global Compact of the United Nations, in which we have been a member since November 2003. Since the UN Global Compact requires an annual progress report, our CR Report also meets this particular need.

Framework conditions

By oriented the CR Report's focus on materiality criteria, by clearly defining the Report indicators, and by establishing a company-wide "content platform" as a database, we took a big step toward greater transparency in 2007. We intend to further optimize our data-gathering process in order to ensure comprehensibility and comparability. Step-by-step, we want to advance the release of our CR Report closer to the publication of our Annual Report in the Internet.

Significant changes

The sale of Siemens VDO Automotive was completed in December 2007 and thus fell in the new fiscal year. As a result of this timing, the key figures reported here still include the locations of Siemens VDO Automotive. At the beginning of fiscal 2008, we reorganized our company into three central business Sectors: Industry, Energy and Healthcare. The former business areas and Groups, along with their respective Divisions, were folded into these Sectors. Where the Report does not expressly speak of the new Sectors, it is based on the old company structure. Throughout fiscal 2007, our business was organized in the following Groups: Automation and Drives (A&D), Industrial Solutions and Services (I&S), Transportation Systems (TS), Siemens Building Technologies (SBT), OSRAM, Power Generation (PG), Power Transmission and Distribution (PTD), Medical Solutions (Med), Siemens IT Solutions and Services, Siemens Home and Office Communication Devices (SHC), Siemens Financial Services (SFS), Siemens Real Estate (SRE), and Siemens VDO Automotive (SV).

Report profile

By making the CR Report available in the Internet, we are satisfying the requests of rating and ranking agencies, investors and analysts to receive a complete presentation of our activities, data and goals for the fiscal year.

Reporting period:

The Report covers the Siemens fiscal year 2007 (October 1, 2006 to September 30, 2007). We first released a full Report in the Internet for fiscal 2006. The next Report, which covers fiscal 2008, will be released in the spring of 2009.

Report deadline:

The deadline for this Report was February 29, 2008. Up to that date, we were able to integrate updated data or current information in the section titled "New developments." We naturally want to provide users of our Report in the Internet with the most current information possible about how CR is managed at Siemens. And we want to do this without distorting reports of events in the period under review. Whenever we offer information that supplements the facts given for the period under review, we make this clear.

Report limitations:

The Report fundamentally includes all of our fully consolidated companies as well as those affiliates in which we hold a stake of over 50 percent. The database can deviate from this principle, but such deviations are explained when they occur.

Data compilation:

The gathering of data on employees, the environment and society is a major challenge in view of our over 600 companies in nearly 190 countries, around 351 environment-relevant facilities, and 398,000

employees. Since the various Regional Companies often have to comply with national regulations in their surveys and data definitions, the generated data is not always comparable. We indicate any important comparison limitations in the reported data and key figures.

Helpful links:

Siemens naturally has far more to say and continuously report on the theme of CR. Such information – both timeless and highly topical – is available in the CR section of our corporate Website. We frequently provide links to these contents in the online version of our Report in order to provide supplementary and more detailed information to those interested, and at the same time keep our “progress report” as lean as possible

Report index according to the UN Global Compact

Siemens has been a member of the UN Global Compact since 2003 and is committed to its ten principles. The present CR Report, and in particular the report index on page 85 ff, describes the progress we have made during the year – classified according the systems and measures we have implemented and our achievements.

Report index according to the GRI

For specialists, professional users and all users with a general interest in the subject, we provide simple, easy access to our online report contents via the Core Indicators of the Global Reporting Initiative (GRI-G3).

Themes in Focus

In the period being reported, we were particularly focused on the themes of compliance, climate protection and education. Our stakeholders also frequently questioned us about these three themes.

This is more than understandable regarding compliance in light of the violations within our company that were revealed in November 2006 and the constant media coverage ever since. Climate protection was also the subject of widespread public discussions in the period being reported due to the alarming report issued by the Intergovernmental Panel on Climate Change (IPCC). The theme of education was a topic of public discussion in particular throughout Europe, due to the obvious impact of demographic change and the need to strengthen the region's international competitiveness. We have won an excellent reputation here with our long-term and structured commitment.

Compliance

“Compliance as part of corporate responsibility is our number one priority.” With this statement, Siemens President and CEO Peter Löscher affirms that Siemens expects its managers and employees to comply with all regulations governing their conduct at all times and everywhere.

Basis for responsible conduct

This imperative covers laws and other external regulations. It also applies to internal Company policies, procedures and controls. The internal rules are based on the external regulations, but also cover Siemens' corporate values: responsibility – excellence – innovation.

Compliance is the foundation of responsible conduct. Corporate responsibility can achieve its full social potential only if everyone involved first complies with external and internal Company rules and regulations. Compliance with the law and our own regulations is part of our self-image and forms the core of our corporate culture. As a result, our Business Conduct Guidelines establish the framework within which our managers and employees perform all their duties.

We also see compliance as covering a wide range of issues. It has to do with anticorruption and antitrust regulations as well as compliance with all rules governing environmental protection, occupational safety, antidiscrimination requirements and data privacy issues.

The compliance infractions that we have identified mainly concern violations of anticorruption and anti-trust rules. The steps taken during the reporting period focused on clearing up these infractions and on selective measures needed to prevent future violations.

An enormous challenge

In the past, we were not always successful in our attempts to make compliance a central element of our corporate responsibility throughout the company. In violation of our own internal rules, we failed to practice compliance as rigorously as we should have.

In fiscal 2007, it was determined that in years past some of our managers and employees had violated statutory rules – and, at the same time, our own internal ones. As a result, the authorities in several countries investigated Siemens AG and its subsidiaries as well as a number of former and present managers and employees. Among other things, these legal proceedings dealt with allegations of bribing public officials, breach of trust, corruption, money laundering and tax evasion.

We regularly report on the status of the proceedings in our financial reports and also separately in the announcements of our annual and quarterly results; pages 170 ff of the Management Discussion and Analysis section of the Siemens Annual Report 2007 contain a detailed discussion of the legal proceedings for the reporting period.

It is in our own best interest to rigorously expose compliance violations within the company, regardless of the people involved, and to ensure that our business practices comply fully with the law. We are therefore doing everything in our power to assist the public authorities and courts in clearing up these issues, and we have also launched our own comprehensive internal investigations. For this purpose, Siemens has retained the U.S. law firm Debevoise & Plimpton LLP as an independent agent to identify any further violations of anticorruption rules.

To support and speed up the clarification of alleged infractions, we introduced an amnesty program at the end of the reporting period, offering our employees a way to voluntarily report breaches of anti-public-corruption rules. Until February 29, 2008, employees were able to report their own misconduct without Siemens claiming damages or unilaterally terminating their employment. During the course of these comprehensive clarification efforts, we are taking the opportunity to systematically identify wrongdoing, establishing necessary consequences and rigorously prevent future violations of the law. A total of 123 amnesty requests were submitted by the end of February 2008. In our Compliance Report we report on the status of the investigations.

"The only Siemens business is honest business"

Peter Löscher, President and CEO of Siemens AG, has made compliance a top priority. He and all the other Siemens Board members take personal responsibility and accept the full consequences of raising awareness of ethical behavior in keeping with the rules throughout the company. Our central challenge is to anchor compliance firmly in our business practices and make it a leadership issue. Most importantly, this means that our managers must set an example for compliance.

Prominent anticorruption experts assisted the Managing Board in restructuring the compliance organization, giving it a uniform profile worldwide and a new personnel realignment. The Managing Board also has defined a clear set of rules, and the Chief Compliance Officer submits regular reports to the Managing Board on their implementation.

Management and organization

The Compliance Committee, which comprises members of the Supervisory Board, oversees compliance with statutory provisions, official regulations and internal Company policies for the duration of the current investigations. It also controls the Company's ongoing compliance investigations. The consultants engaged to conduct the audit report regularly to the Compliance Committee.

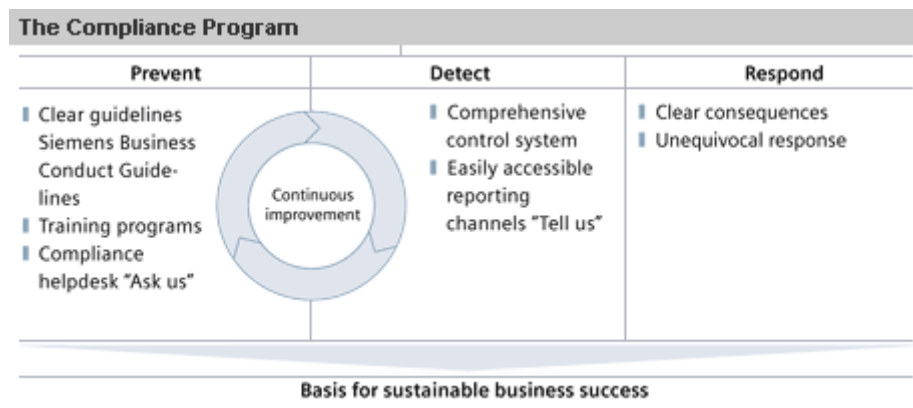
To anchor compliance even more firmly in our management structure, Siemens established a new Managing Board position for legal and compliance matters at the beginning of fiscal 2008. Board member Peter Y. Solmssen has assumed responsibility for this work in his capacity as General Counsel. He works closely together with Dr. Andreas Pohlmann, the newly appointed Chief Compliance Officer (CCO), who heads the Company-wide compliance organization and reports directly to Peter Solmssen and the CEO and President of the Managing Board. The CCO is assisted by additional compliance officers in each operating unit and each of the over 80 regional companies, who report directly to the CCO. Compliance within the company units is the responsibility of the unit CEOs, who receive support from the vertically structured compliance organization.

Our compliance program

We are actively pursuing the rigorous identification and penalization of all compliance violations within the Company, regardless of the people involved. Our compliance program contains a comprehensive package of measures aimed at ensuring that our future business practices remain in full compliance with the law and our own internal rules.

We aim at achieving long term changes

The purpose of the Siemens Compliance Program and related reporting activities is to set strict standards of integrity and transparency. In all our actions, we are guided by the understanding that compliance must be practiced continuously and that it is a permanent management responsibility. In carrying out the measures, we draw on experience gathered in clearing up past compliance violations. However, the program should not be understood merely as a response to past actions, but is aimed at achieving long-term changes in the thinking and behavior of our managers and employees. We need to view compliance as an expression of our corporate values and as part of an active company and management culture. This change is supported by the Siemens Compliance Program, which is divided into the following three pillars: Prevent, Detect and Respond.



The three pillars of the Compliance Program

Fist pillar: Prevent

Unmistakable and consistently implemented policies and clear communication of their subject matter, along with training and ongoing consultation, are the key tools that enable us to prevent future violations of external and internal rules before they even happen. We will measure the effectiveness of our activities through regular employee surveys, the results of which also form an element of our Compliance Incentive System for top managers.

Business Conduct Guidelines and other internal rules

Our Compliance Program is based on our Business Conduct Guidelines, which obligate all managers and employees to obey the law and comply with internal Company regulations. In particular, they contain precise rules on compliance with competition and anticorruption laws as well as the prohibition of insider trading. They also contain rules on handing gifts and donations and avoiding conflicts of interest, among other things.

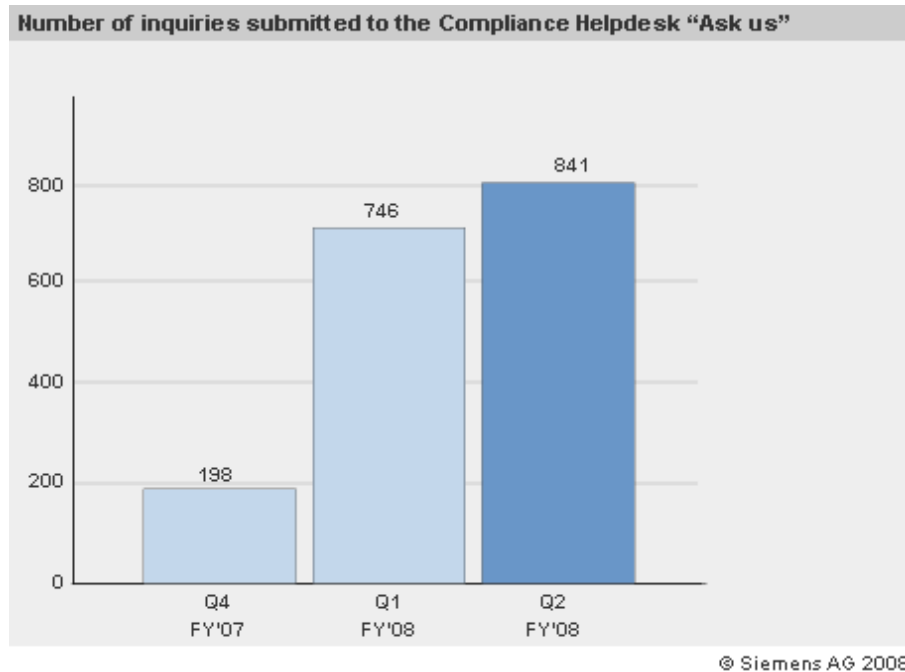
Within the reporting period, we began to revise and expand the Business Conduct Guide-lines. The findings of our internal investigations will be incorporated into the project. Our goal is to provide managers and employees with a set of clearer and more precise rules.

Another important element of the Compliance Program is the prohibition on concluding Business Consultant Agreements without the prior approval of the Chief Compliance Officer. There has been a high risk of dishonest behavior in this type of consultant agreement. We therefore centralized all payment and cash management systems to improve internal controls.

Information – consulting – training

To promote greater awareness of compliance concerns, we summarized all anticorruption regulations in the concise **Siemens Compliance Guide Anti-Corruption**, which we provide to each and every manager and employee.

The Compliance help desk, along with its “Ask us” function launched in September 2007, is a central point of contact where all managers and employees throughout the world can submit compliance-relevant questions to our compliance experts 24/7.



In addition to contacting the Compliance help desk “Ask us”, our managers and employees can also direct questions to the Compliance Officer in charge of their corporate unit.

Between February and October 2007, 1,400 employees in management positions all over the world received intensive training in antitrust law and anticorruption issues. To date, 36,000 employees have participated in an online training program, which deals with such things as instructions on handling payments, accounting practices and gifts and donations. A total of 100,000 employees will complete this training. The training methodology and content are being evaluated and optimized on a continuous basis.

Employee surveys and the Compliance Incentive System

To obtain clear results on whether the steps taken under our Compliance Program are bringing about changes in the Company’s compliance culture, we will begin implementing worldwide manager and employee surveys on the subject of compliance in 24 languages in fiscal 2008. The surveys, which will be repeated at least once a year, enable us to visibly demonstrate changes in the knowledge level and attitudes of our employees. The results of these surveys will be incorporated into the Compliance Incentive System, which provides compliance-related targets for paying bonuses to our top executives. We are preparing this program for launch in fiscal 2009.

Second pillar: Detect

The central elements of the second pillar of our Compliance Program involve expanding the channels of communication with the ombudsman and help desk function “Tell us” – both of which are available to external stakeholders – and the comprehensive reorganization and expansion of our internal Company controls. Effective clarification activities increase the likelihood that compliance violations will be identified and thus also support our preventive measures.

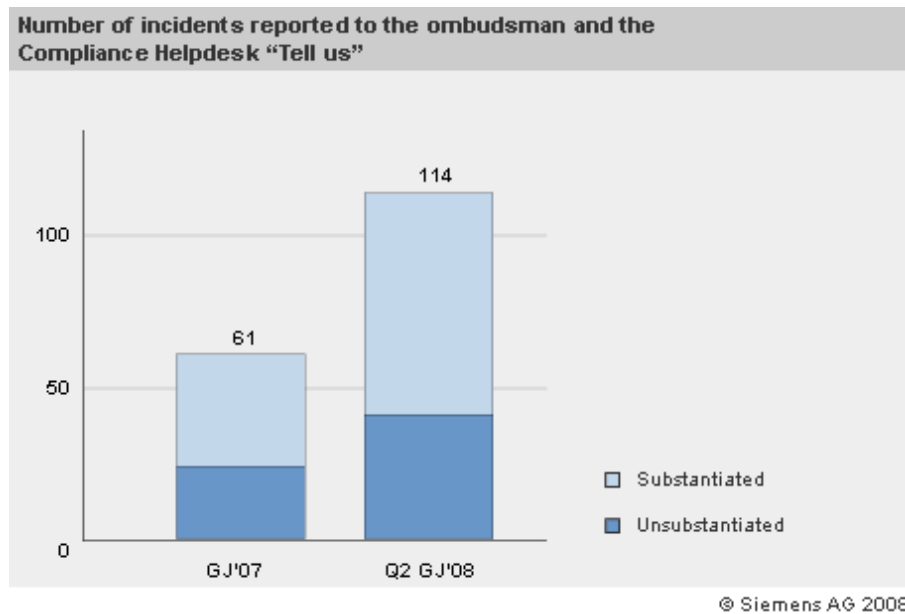
Ombudsman and help desk “Tell us”

Even extensive preventive actions cannot entirely rule out the possibility that violations of external or internal rules can occur. In order for us to immediately detect questionable transactions or obvious

violations and to respond swiftly, a number of easily accessible communication channels are available to our managers and employees as well as our suppliers, customers and other business partners.

Both employees and third parties can report irregular business practices to our independent ombudsman, who will pass them on to the compliance organization if suspicions turn out to be justified, strictly maintaining the anonymity of the reporting parties. The second function of the Compliance help desk complements this process. "Tell us" gives our employees and external stakeholders a means for reporting violations of external or our own internal rules in 160 languages on the Internet or over the phone. The reports received are neither traced back to their source nor recorded.

The increase in the number of reports to the ombudsman and the Compliance help desk "Tell us" observed in fiscal 2008 demonstrates the growing awareness and acceptance of both channels. The number of substantiated reports has grown by leaps and bounds, an indication of vast improvements in awareness of the responsible use of both channels of communication. Not enough data has yet been collected for meaningful analyses.



The ombudsman and help desk "Tell us" supplement existing channels for reporting complaints within the Company.

Merging audit functions

Effective on October 1, 2007, all audit functions were merged into the Corporate Finance Audit unit and assigned to the Corporate Finance department. The new unit is headed by the Chief Audit Officer, who reports independently to the Audit Committee and its chairman.

Third pillar: Respond

Clear consequences and an unmistakable response characterize the third pillar of our Compliance Program. Newly introduced internal rules on the legal consequences of compliance violations as well as disciplinary procedures allow us to effectively penalize misconduct – which, in turn, strengthens our preventive measures.

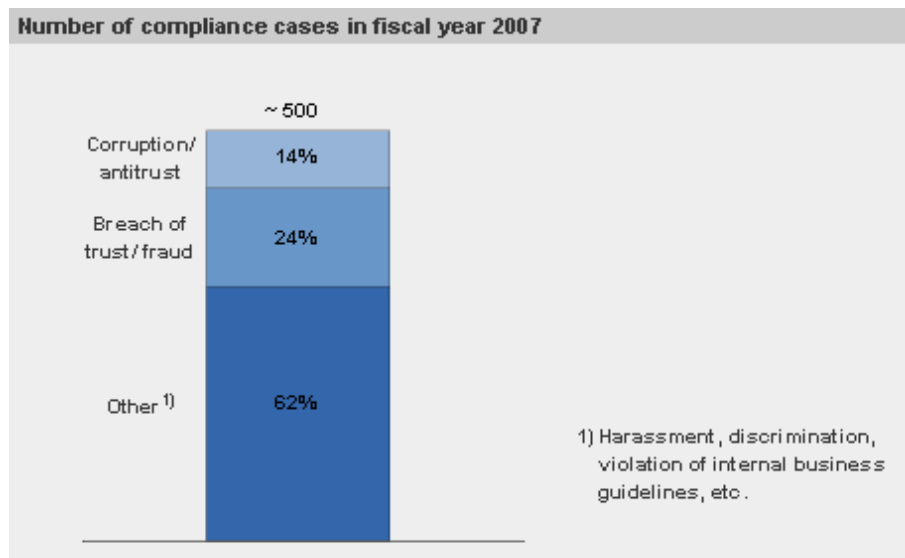
We have all types of sanctions allowed under labor laws at our disposal for imposing penalties on compliance violations internally. We determine which sanction is appropriate in an individual case, based on the seriousness of the compliance infraction.

The proceedings are handled either by the Corporate Disciplinary Committee or locally, depending on the seriousness of the violation or the position of the person involved. Areas of responsibility, procedures and regulations to be observed, including the safeguarding of statutory worker participation rights, are clearly defined.

Each employee who has committed a compliance infraction must complete a compliance training course within the framework of the general training programs.

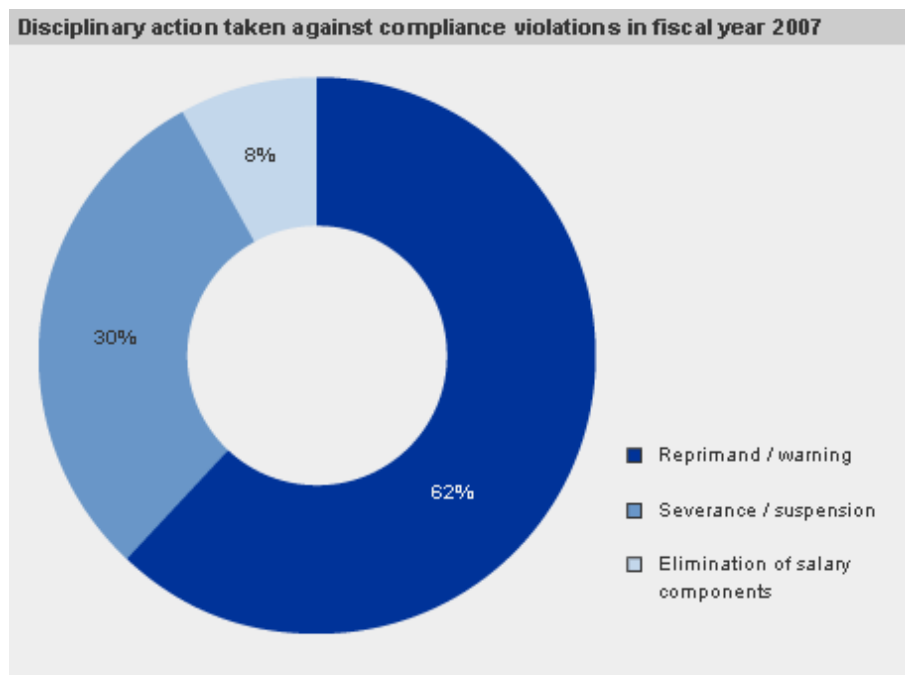
Incidents and consequences

All of these measures send a message to our managers and employees that infractions are not tolerated and will indeed come to light. In fiscal 2007, we had to impose personnel sanctions on a total of around 500 employees who had violated external regulations or our internal policies.



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We fired 30 percent of these employees, while 8 percent loss components of they salaries. The other employees received either a reprimand or a warning.



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Siemens will continue to submit quarterly and annual reports on these and other aspects of the Compliance Program.

With our Compliance Program, we make it clear just how seriously we take this issue and the allegations made. We are doing everything in our power to restore confidence, and we have set ourselves the goal of becoming one of the world's top companies in terms of transparency and compliance by 2010.

The Siemens Annual Report 2007 contains additional information on Siemens compliance. We also publish in-depth information on ongoing legal proceedings in our quarterly interim reports.

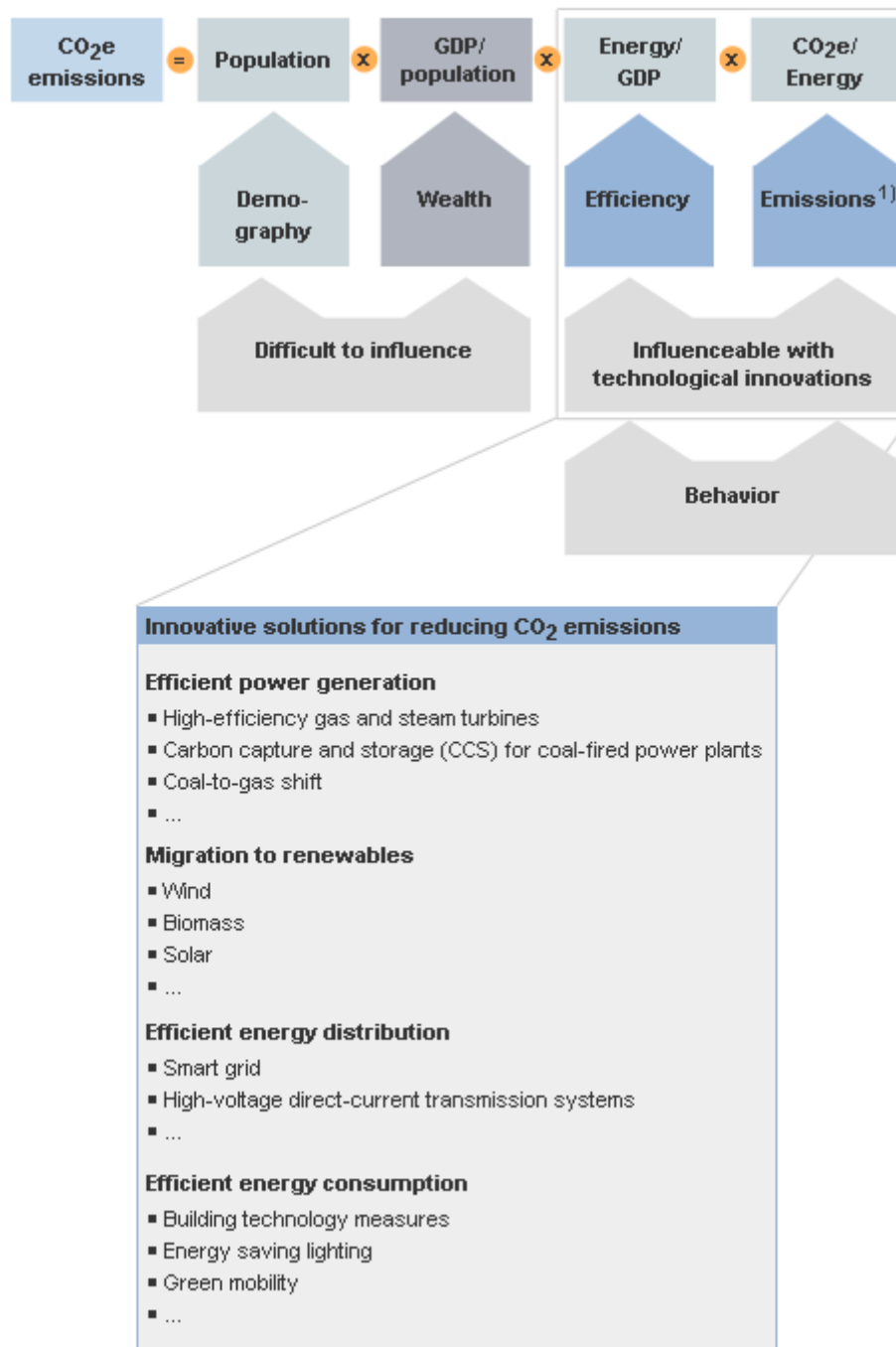
Climate Protection

As a global business enterprise, Siemens is aware of its responsibility to combat climate change, and is working with other organizations to identify global strategies as well as market-driven solutions to protect the planet's climate.

The latest forecasts issued by the Intergovernmental Panel on Climate Change (IPCC) paint a clear picture: Anthropogenic greenhouse gas emissions contribute to climate change, and rapid action is necessary in order to contain negative global impacts such as rising sea levels. According to the IPCC, concentrations of atmospheric CO₂ must not exceed 450 parts per million if the world is to successfully keep the global temperature rise to just 2°C more than pre-industrial levels.

In 2007, the European Union (EU) set climate targets, and Siemens is committed to helping to achieve them. The EU aims to reduce greenhouse gas emissions by at least 20 percent by the year 2020, to raise energy efficiency 20 percent, and to increase the use of renewables by 20 percent. The best way we can contribute is through innovation, and half of our research and development spend today is on creating new technologies to protect the environment and the world's climate.

Technical innovation is the key lever for combating climate change



1) Greenhouse gas

Source: Kaya Identity (Kaya, 1990); Siemens

Climate-related risks and opportunities

The effects of climate change are already becoming evident in many of the world's regions, as severe and extreme weather – hurricanes, floods and drought – becomes more frequent. Climatic events like these can have an impact on our business operations. In our risk management we track and evaluate natural risks of this kind and, where necessary, make provisions – by defining strategies and safeguards, by ensuring that the requisite human resources and equipment are available, and by preparing recovery and business continuity plans.

The growing shortage of fuels, new legislation and, to a lesser extent, emissions trading are driving up energy costs. This, too, impacts on our business activities. However, climate protection also represents an important opportunity for everyone: It is driving technical innovation in the area of energy efficiency, and this should help lower emissions over time.

Siemens was quick to recognize the importance of energy-efficient technologies. There are already many energy-efficient solutions on the market today. However, market penetration sometimes is still low, because buyers tend only to take the initial investment into account and not the overall costs across the entire life cycle. We are therefore promoting a greater awareness of life cycle costs among our customers and, fortunately, this is succeeding to an increasing degree: Customers no longer focus solely on the purchase costs; they now have more of an eye to products' total costs across their entire life cycle and are giving precedence to the energy-saving solutions we offer in many different areas, including e.g. lighting technology. Burgeoning demand for wind power facilities, high-efficiency combined cycle power plants, and low-loss power transmission and distribution technology, too, promises to drive exceptional growth in the market for energy-efficient solutions. At Siemens, we have compiled an environmental portfolio of products and solutions chosen according to defined efficiency criteria.

Our program

Siemens' Managing Board made corporate responsibility, including climate protection, one of the four pillars of our Fit4 2010 program. In 2007 this led to the definition of the following targets for our products and solutions portfolio and for our manufacturing locations:

Portfolio:

In 2007, we created the Siemens environmental portfolio. This comprises especially energy-efficient products and solutions spanning the entire energy chain from power generation and distribution to power consumption, including solutions for generating power from renewable energy sources and a range of environmental technologies.

Today, our products and solutions are helping to reduce carbon emissions by around 114 million tons annually (based on products and solutions installed through to the end of 2007). We want to increase this figure to 275 million tons by 2011.

Manufacturing:

We embarked on an energy-efficiency program at company locations in 2006. Our aim is to achieve a 20 percent increase in energy efficiency at our production sites between 2006 and 2011.

We record energy consumption at all of our environmentally relevant locations. With the help of an indicator we determine the development of energy efficiency at our production sites and monitor achievement against our target.

The Siemens Managing Board's member designated for Environmental Protection, Professor Hermann Requardt, supervises our climate protection program. At the operational level, Division CEOs are responsible for assessing specific opportunities and challenges issuing from climate change and for implementing related measures and targets.

Our actions

Through our products and solutions, our manufacturing operations, and our activities as a global company, we are significantly contributing to climate protection.

Power generation:

Our environmental portfolio includes products and solutions for climate-friendly power generation. Siemens wind turbines, photovoltaic networks, and turbines for solar-thermal power plants are in use all over the world. In the fossil energy sector, we build combined cycle power plants (CCPP) with outstanding, world-record efficiency levels of up to 60 percent, and we modernize and upgrade existing power plants to boost efficiency. With our high-efficiency power networks, we are helping to reduce losses during transmission and distribution.

With our joint-ventures, we are engaged in the hydroelectric power business as well. One-third of the world's hydroelectric power is generated by Voith Siemens Hydro technology.

Energy consumption:

Our products and solutions are already helping customers to achieve significant increases in energy efficiency. Energy performance contracting is a perfect example of how: Siemens plans and installs power-saving technology that customers finance through subsequent, guaranteed energy savings. To date, Siemens has already completed energy performance contracting projects for 6,500 buildings worldwide, creating guaranteed savings amounting to €1 billion and a reduction in carbon emissions of 700,000 tons a year.

In industry, electric drives are one area where major energy savings are possible. With special analysis software developed by Siemens, customers can identify major loads in factories and optimize their power consumption. Our products are also creating valuable energy savings in municipal transport. For example, Siemens has built a metro train for the city of Oslo that was designed to weigh as little as possible and to reduce power requirements to a minimum. Compared to Oslo's prior metro trains, the new train consumes 30 percent less energy, a saving partly achieved by recovering braking energy (see also our Environmental Product Declaration).

Energy consumption at Siemens locations

We have embarked on a considerable number of projects around the world to raise energy efficiency at our locations. In recent years, for example, we have modernized pressurized-air installations at many of our manufacturing facilities. To reduce energy consumption in company buildings, Siemens Real Estate has launched a Green Building Program.

Other activities

We contribute our corporate expertise to a wide range of initiatives set up to protect the world's climate. Two notable examples are the United States Climate Action Partnership (US CAP) and the Federation of German Industry (BDI) initiative "Business for climate protection" (in German).

Ratings underscore Siemens' sustainability performance

In 2007, Siemens was first-ranked by the Carbon Disclosure Project (CDP) in the Industrial Conglomerates sector. The CDP, an initiative launched by investment companies that encourages businesses worldwide to report their greenhouse gas emissions and their carbon reduction strategies, rates us on our climate protection strategy and initiatives each year. The CDP's investment companies had assets totaling \$41 trillion under management in 2007, and the figure has since risen to \$57 trillion in 2008.

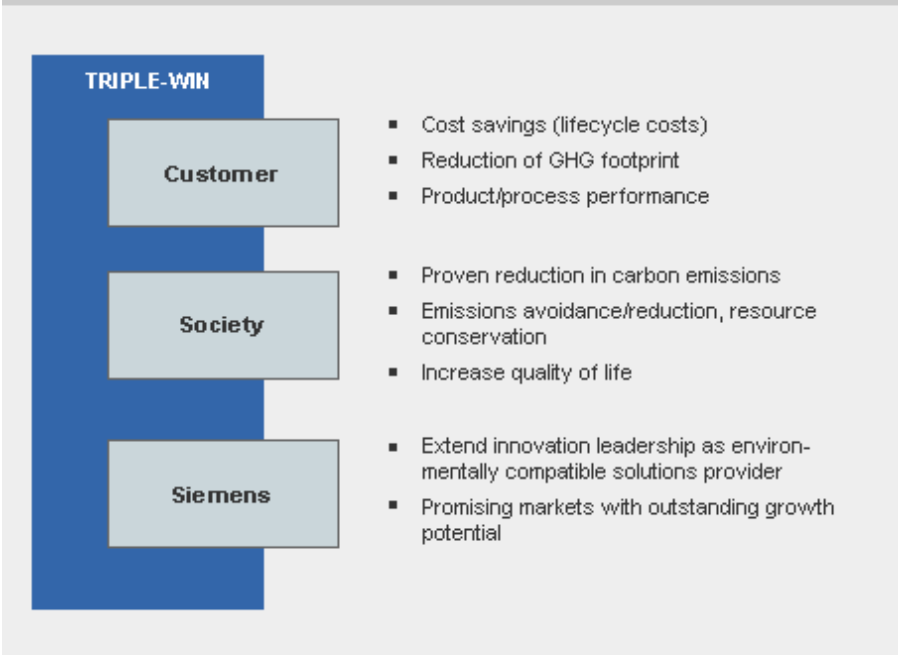
In 2007, Siemens was listed on the Dow Jones Sustainability Indexes (DJSI) for the seventh year in succession. The primary reasons for our renewed inclusion in the index were our exceptional performance in product stewardship, environmental management and climate strategy. The DJSI World Indexes track the sustainability performance of the top 10 percent of the 2,500 largest companies in the Dow Jones Global Index.

Environmental portfolio

Climate and environmental protection form important and valuable opportunities for our company and our stakeholders. With the Siemens environmental portfolio of energy-efficient products and solutions, renewable energy solutions, and environmental technologies, we can help customers to reduce their CO₂-footprint as well as lifecycle costs. Additionally we can leverage this portfolio to strengthen our presence in future markets with outstanding potential for growth.

Our environmental portfolio creates a triple benefit: greater cost-efficiency for our customers, improvements to societies' quality of life, and exceptional growth for Siemens.

Siemens' environmental portfolio: Triple win for customers, society and the company



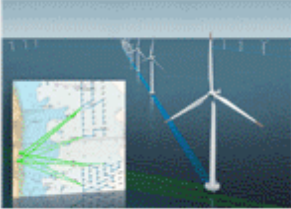
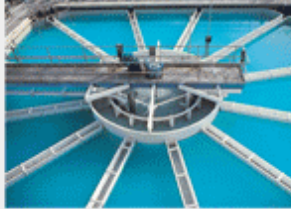

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Outstanding products and solutions

Siemens has a broad portfolio of products and solutions designed to protect the environment and the world's climate. The environmental portfolio spans the entire energy chain, from power generation to distribution and consumption by household and industrial users, and provides huge capabilities for effective environmental and climate protection as well as the state of the art technologies for clean water and clean air. We are committed to developing and delivering products and solutions that protect human health and the environment.

Our environmental portfolio includes outstanding products and solutions that make a direct and verifiable contribution towards environmental and climate protection. Three types of products and solutions qualify for the Environmental Portfolio:

- Products and solutions with exceptional energy efficiency characteristics compared to reference solutions (e.g. average of installed base)
- Installations, systems and components for renewable energies, and
- Environmental technologies.

General criteria to qualify products/solutions		
1 Renewables	2 Environmental technology	3 Efficient products/solutions
All renewables qualify (incl. components)	All environmental technology qualifies	Products/solutions with exceptional energy efficiency characteristics qualify
		
<p>Examples:</p> <ul style="list-style-type: none"> ▪ Wind power ▪ Grid access for wind ▪ Steam turbines for solar 	<p>Examples:</p> <ul style="list-style-type: none"> ▪ Water technologies ▪ Air pollution control 	<p>Examples:</p> <ul style="list-style-type: none"> ▪ Combined Cycle Power Plants (CCPP) ▪ High Voltage Direct Current power transmission (HVDC) ▪ Efficient lighting

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A portfolio spanning all of our businesses

As shown by the overview the Siemens' environmental portfolio covers the whole energy chain plus environmental technologies: Low-emission power generation with high-efficiency combined cycle (GuD) power plants, intelligent power transmission and distribution networks, wind power plants, energy-efficient lighting, Corex®-based steel production, and advanced, Green Mobility trains are just a handful of examples.

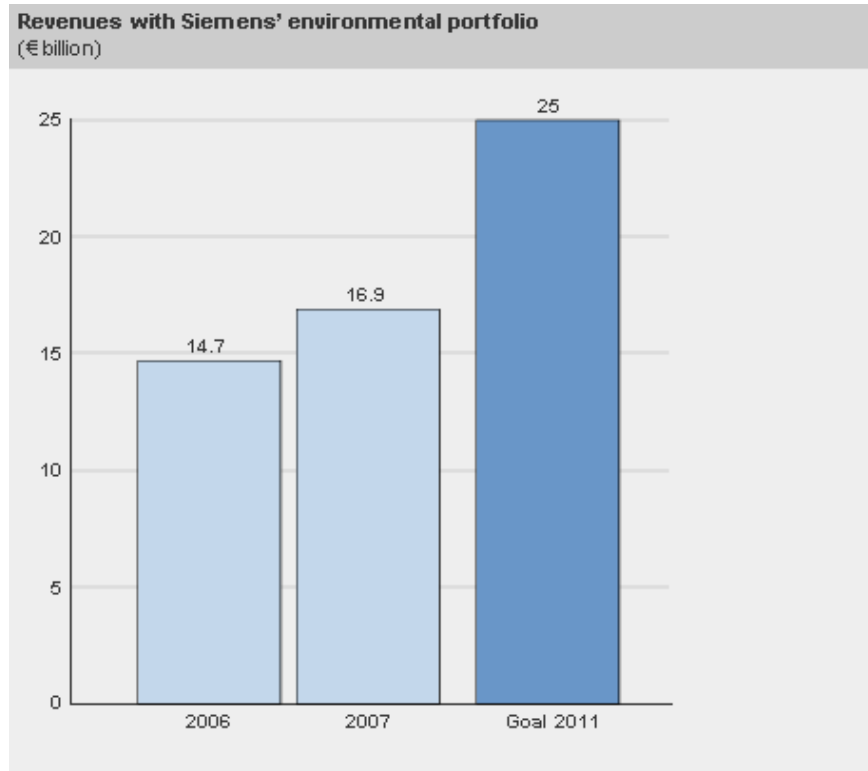
Our environmental portfolio covers the entire energy chain plus environmental technologies

Fossil Power Generation	Renewable Power Generation	Power Transmission
<ul style="list-style-type: none"> ■ Combined-cycle power plants ■ Modernizing and upgrading coal-fired power plants ■ Fuel cells ■ Combined heat and power ■ Instrumentation and control 	<ul style="list-style-type: none"> ■ Wind power ■ Solar power ■ Biomass 	<ul style="list-style-type: none"> ■ Gas-insulated transmission lines ■ High-voltage direct-current transmission (HVDC) ■ Connecting offshore
Power Distribution	Environmental Technologies	Healthcare
<ul style="list-style-type: none"> ■ Substations with gas-insulated switchgear ■ Monitoring the power supply ■ The back-to-back medium-voltage link 	<ul style="list-style-type: none"> ■ Clean air ■ Water technologies 	<ul style="list-style-type: none"> ■ SOMATOM Definition ■ MAGNETOM Avanto ■ MAGNETOM Essenza
Mobility	Solutions for Industry	Lighting (OSRAM)
<ul style="list-style-type: none"> ■ Metro systems and trams ■ Traffic management systems ■ Parking space management systems ■ LED signaling systems ■ Locomotives ■ High-speed trains ■ Regional trains ■ Rail automation 	<ul style="list-style-type: none"> ■ Drive systems* ■ Diesel-electric drives for ships ■ Metal industry and mining ■ Energy recovery in the paper industry 	<ul style="list-style-type: none"> ■ Energy-saving lamps ■ Halogen lamps ■ Light-emitting diodes ■ Fluorescent lamps and electronic control gear
Building Technologies	IT solutions and services	<p>* Currently only as far as included in other Siemens solutions, not yet separate calculation of revenue/GHG abatement for drive technology components directly sold to third parties</p>
<ul style="list-style-type: none"> ■ Performance contracting ■ Building modernization ■ Components and systems for HVAC control and building automation 	<ul style="list-style-type: none"> ■ Data centers ■ Thin-client networks 	

Ambitious growth targets

With our environmental portfolio, we are pursuing ambitious revenue targets. In 2006, revenues totaled €14.7 billion; in 2007, we boosted this figure to €16.9 billion; and by 2011, we aim to generate €25 billion with our environmental portfolio. To achieve this objective we are currently spending more than €850 million per year of our R&D budget on environment and climate protection.

Today, our environmental portfolio already accounts for more than 20 percent of our revenues. The markets we serve with our environmental portfolio imply above average growth. Due to this fact we intend to increase the revenues the environmental portfolio generates by at least 10 percent a year.



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Customers' emission reductions are far greater than our own emissions

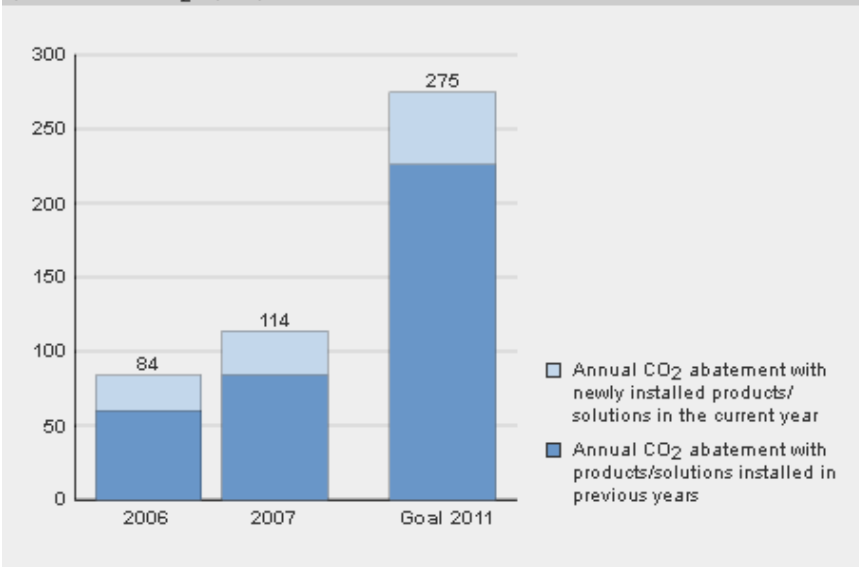
Our highly efficient renewable energy products, solutions and technologies make a measurable and sizeable contribution toward the reduction of our customers' emissions. Our definitive contribution to climate protection is the application of our products and solutions. At the same time, we have set ourselves efficiency targets for consumption of energy and other resources in our own manufacturing operations.

Products and solutions that went into operation between 2002 and the end of 2005 – specifically, combined cycle (GuD) power plants, wind turbines, high-voltage direct-current transmission (HVDC) installations, and Siemens Building Technologies' energy performance contracting solutions – are helping to reduce carbon emissions by around 60 million tons annually. Environmental portfolio products and solutions installed for customers for the first time in 2006 and 2007 are eliminating a further 24 and 30 million tons of CO₂ respectively per year. All this amounts to a total carbon saving of 114 million tons in 2007 – equivalent almost to 13 percent of Germany's total CO₂ emissions in 2006.

The overall CO₂ abatement achieved at the sites of our customers is a multiple of more than 20 compared to our own greenhouse gas emissions of 5.1 million tons (2007).

By 2011, we hope to achieve for our customers an annual carbon dioxide abatement of around 275 million tons.

Customers' CO₂ abatement with products and solutions from Siemens' environmental portfolio (million tons of CO₂ a year)



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Transparent calculation of emission savings

The calculation for determining reductions in greenhouse gas emissions is based on a specific comparison of each relevant product and each relevant solution in our environmental portfolio.

We use three different methods for determining these emissions cuts:

- Direct comparison of emissions before and after activities such as modernizing and upgrading power plants or energy performance contracting for optimizing energy use in buildings
- Direct comparison with a reference technology. For example, we determined the lower emissions achieved through the use of low-loss, high-voltage direct current (HVDC) transmission technology by comparing this technology with conventional alternating-current transmission.
- Comparison with the installed base. This applies, for example, to power generation in modern combined-cycle plants and to trains. In this case, we used emission factors for power generation technologies based on the world average.

Drawing on information provided by the International Energy Agency IEA (IEA Electricity Information 2007) relating to gross power generation and network losses, information provided by the Intergovernmental Panel on Climate Change (IPCC) on fuel-related emission factors and Siemens' own calculations of power generation efficiencies, we used the following emission factors as a baseline:

Calculation of emissions savings		
Category	Emission factor (g/kWh)	Basis for comparing product/solution from environmental portfolio
World power generation – all sources	578	Power generation, excluding renewables
World power generation – fossil sources	870	Renewables/wind
World power generation – coal	940	Service for electrostatic precipitators
Power use (including 9.3% in transmission losses)	631	All power uses, excluding trains
Power use – traction power (including 6% in transmission losses)	612	Trains

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In determining emissions reductions for our customers, we have focused on CO₂ savings during the usage phase. For the products and solutions installed within a fiscal year, we calculated the emissions reduction for the entire fiscal year. The CO₂ emissions resulting from the manufacture of the individual products are reflected in our CO₂ footprint and are not included in the emissions calculations in the "Key Figures" chapter.

Example: calculation of emission reductions

The example of our combined cycle power plants currently under construction illustrates the calculation process. The plants have an efficiency of around 58 percent. Combined-cycle power plants that are fuelled by natural gas therefore have an emission factor of around 345 g CO₂/kWh. For the comparison, we used the emission factor for world average power generation (across all energy sources), which is around 578 g CO₂/kWh. Multiplying the difference by the annual newly installed capacity of Siemens' combined-cycle power plants and by the number of operating hours yields the lower emissions levels.

Company-wide collaboration on our environmental portfolio

The Siemens environmental portfolio was defined in fiscal year 2007 by the Energy & Environmental Care Project - a cross-unit, company-wide project involving people from all of our Groups (today, Divisions) dealing with energy and environmental technologies as well as Corporate Environmental Affairs & Technical Safety, Corporate Development, and Corporate Communications. The project identified solutions in each of the Groups and calculated initial estimates of revenues and emissions reduction. The responsibility for enhancements of our environmental portfolio rests with our operating Divisions and is revised by a cross-departmental team. Further development of the environmental portfolio is coordinated by Corporate Environmental Affairs & Technical Safety.

An independent audit by Pricewaterhouse Coopers (PwC) confirms our portfolio figures

Siemens commissioned PricewaterhouseCoopers to conduct an independent review (a so-called limited assurance engagement) of the Siemens environmental portfolio.

Among other things, PwC reviewed the quality of the information on revenues from our environmental portfolio and our customers' carbon dioxide reduction according to the five criteria specified in the Green House Gas Protocol's Accounting and Reporting Principles: relevance, completeness, consistency, transparency and accuracy.

The review, aimed at providing limited assurance, primarily comprised analytical procedures and interviews, combined with random on-site checks carried out in our Divisions. PwCs independent assurance report can be found in the brochure titled "Energy efficiency and environmental care - Innovation for Climate Protection".

Education and Research

As a knowledge-based company whose success relies heavily on research and innovation, Siemens sets increasingly high educational standards for its employees. At the same time, we are committed to promoting better education all over the world, at every level from preschool to university.

Every working day, Siemens files around 20 patent applications. In fiscal 2007, filings totaled 4,560 – 10 percent more than a year earlier. We employ around 32,500 people in research and development at different locations around the world.

Attracting talent, building employees' skills

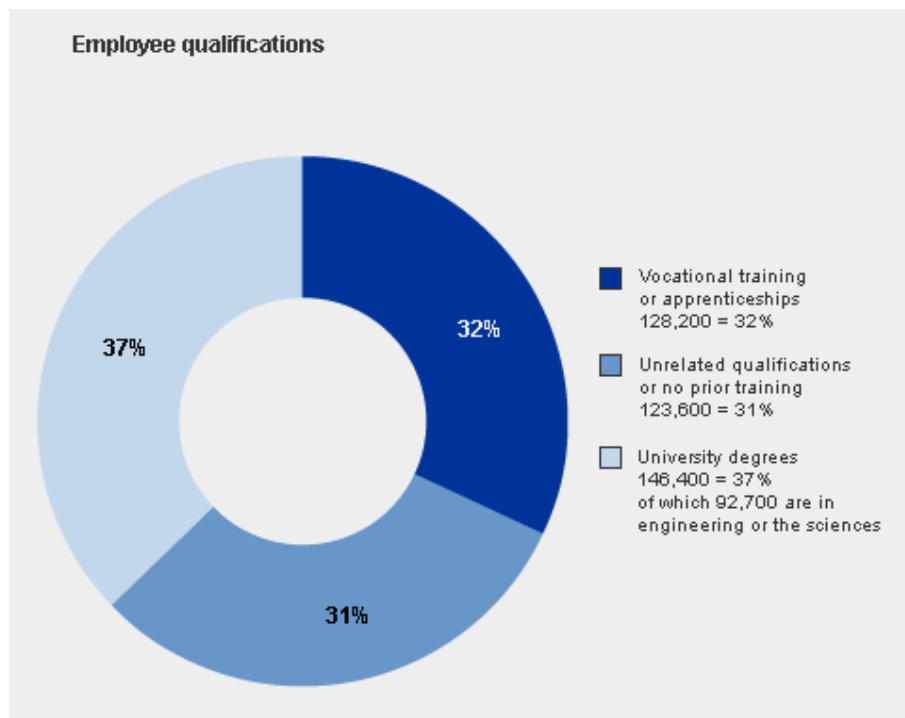
Dedicated, as always, to building a better educated and more highly motivated workforce than our rivals, we spent around €376 million in 2007 on training young people and on systematically expanding our employees' knowledge, skills and abilities. Today, all of our employee and leadership development and training programs are delivered centrally through the Siemens Learning Campus, our worldwide training provider, and interlock tightly with our company-wide Innovation, Customer Focus and Global Competitiveness programs.

To underpin and maintain our high standards as a technology company, we also maintain strong ties worldwide with educators, educational bodies and organizations, and the academic research community.

High education standards

We are constantly raising the bar on employee education standards: In 2007, 37 percent of our employees had university degrees – three percent more than in 2005. Our considerable need for university graduates is a major reason why we seek to engage with undergraduate students early on and offer them support in a number of different ways.

Given the nature of our business, we concentrate these efforts primarily on engineering and the natural sciences, and around 55 percent of the university graduates that Siemens hires have degrees in these fields.



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Employee training worldwide

We have high standards regarding employee training and in recent years have played an active role in designing training for a range of occupations. Besides developing and extending employees' technical and specialist knowledge, our training programs today also set out to advance trainees' method, social and personal skills. We also make our vocational training and work-study programs available to non-Siemens companies and offer them the choice of full employee training or delivery of specific training modules.

Siemens also works to enhance employee education and qualification levels, improve quality, and create value in its Regional Companies by replicating the German work-study training model in foreign countries. The work-study system combines classroom training in technical college with practical job experience in a real-life working environment. Currently, around 9,400 young people in 30 countries across Europe, Asia, the Americas and Africa are enrolled in our vocational programs. Siemens locations in China have been training apprentices with the work-study system since 1996.

Education for sustainability

To successfully develop and market ground-breaking, competitive products, solutions and services, Siemens needs highly qualified employees. We therefore pursue a large number of initiatives to advance education worldwide and feel it is our duty as a good corporate citizen to help young people to obtain the best education possible. In doing so, we also help to secure our future as a company.

The Siemens Generation21 education program is strategic in its alignment and all-encompassing in its approach. It sets out to advance education for everyone from preschool children to university students wherever our support, knowledge and expertise can bring about a change for the better; however, it does so without competing or conflicting with nations' own educational remits. Children and young people in many countries still do not receive the education they need. In industrialized countries, even, state education systems are not always able to adequately cover all areas of knowledge or meet every educational goal. In industrialized and developing countries alike, it is society's responsibility to provide a forward-looking education – a responsibility we share as a corporate citizen.



Dr. Werner Ritter, head of the Siemens location and Mag. Christine Oppitz-Plörer, Innsbruck city councillor, present a Discovery Box to the Lönsstraße municipal kindergarten in Innsbruck, Austria. Source: pressefotos.at/Roland Muehlanger

With Siemens Generation21, we have a comprehensive long-term program in place that can help gifted children and youth throughout their preschool, school and higher education. For example, Generation21 offers promising undergraduates opportunities to take part in worldwide programs and partnerships to gather practical and academic experience outside their own countries.

We believe that investing in child and youth education, promoting an interest in learning, and encouraging a willingness to achieve can create the best possible foundation for sustainable development all over the world. Our goals are:

- To promote key basic values, an enthusiasm for technology, and an interest in the natural sciences at an early age through playful experimentation (preschool)

- To interest young people in careers in technology by introducing them to real-world projects and by helping them obtain foundation qualifications and knowledge that will benefit their careers (school)
- To identify and systematically advance high potentials and to encourage them to pursue technical or science degrees and careers (colleges and universities)

Good health and a sound, basic education are crucial needs that shape a child's future and life opportunities and help create the right foundations for society's sustained development. In association with UNICEF and with local partners around the world, the Siemens Caring Hands program is also working to meet these needs in developing countries. For example, through our support for UNICEF's "Schools for Africa" campaign, we are helping to build schools and supply them with teaching materials. Donations from Siemens and regular sponsorship contributions to the project from 1,800 Siemens employees are going toward the construction of schools in Angola, Malawi, Rwanda, Mozambique, Zimbabwe and South Africa.

Management

We understand Corporate Responsibility (CR) as a company's comprehensive responsibility for its own value chain, its business partners, its customers and the general social environment. Acting in the spirit of this responsibility in all parts of the company – while striving to reach specific business goals – is a central part of our Fit4 2010 company strategy.

The management basis for achieving this is good: Environmental protection has long been a major priority at Siemens. From the very beginning, our goal has been to reduce company-caused environmental burdens even further than required by law. Over the past years, our products have increasingly become the focus of our attention. To ensure that these products are safe and environmentally compatible, we apply our own strict SN 36350 standard in their design and manufacture.

Among our core social responsibilities has always been our care for employees. We face new challenges here, if we want to continue attracting and retaining the best people. For example, we are currently reorganizing our worldwide occupational safety regulations in order to help ensure the health and safety of all employees.

Since serious corporate responsibility doesn't end at the gates of the company, we have anchored fundamental demands for employee work conditions and human rights in a code of conduct for our suppliers. As a good corporate citizen, we also take our responsibility for the communities of our company locations very seriously. The centrally managed Generation21 and Caring Hands projects promote future-oriented developments in the societies we serve.

Environmental Protection

In 1971, we first set up a corporate office with company-wide responsibility for environmental protection. From its inception, its goal was to set standards in environmental stewardship.

Protecting the environment is part of our responsibility as a good corporate citizen and as a business enterprise. This duty is integrated in our Environmental Mission Statement we published in October 1998; it underscores our commitment to improve our environmental performance continuously beyond complying with the many legal requirements in place around the world.

Environmental management

Our environmental management at Siemens is based on a number of binding in-house regulations. The Siemens Business Conduct Guidelines, are the basis and our "Principles Environmental Protection, Technical Safety" are derived from them. They define areas of responsibility, lines of reporting, monitoring and review throughout the company. Guidelines on industrial environmental protection, product stewardship, dangerous goods, radiation safety, fire protection and industrial disaster prevention specify requirements further. Our principles and guidelines also apply to affiliates in which we have a stake of more than 50 percent.

As a result responsibilities for environmental protection are clearly defined at every level within the company and throughout our Regions. With our worldwide network of environmental experts we help to ensure that our environmental standards are implemented company-wide.

This includes that all of our environmentally relevant locations report key environmental data. They do this through the Siemens Environmental and Technical Safety Information System (SESIS), a platform we use to track our environmental performance.

Environmentally relevant organizational units are required to implement and to maintain formal environmental management systems that comply with the international ISO 14001 standard or the European Union's Eco-Management and Audit Scheme (EMAS). Units are free to choose between proving the quality of their management systems with an external certification or validation or by conducting their own internal audits, whereby the quality of internal, self-certification must meet the same standards as external certification. New Siemens affiliates are given three years in which to comply in full with the requirements concerning environmental management. In fiscal 2007, 213 organizational units had externally certified management systems; a further six had successfully obtained internal validation.

Current challenges

We have set ourselves ambitious targets in industrial environmental protection: By 2011, we aim to have substantially improved our resource efficiency. Compared to 2006, our baseline year, we are planning to raise our environmental performance by 20 percent in the areas of energy and water and by 15 percent in the area of waste. One core challenge we faced as we approached this task lay in finding suitable methods of measuring our environmental performance. The performance indicators that we eventually developed were chosen so that they would not be affected by changes to our portfolio or the number of company locations reporting environmental data.

We are currently realigning our environmental management, organizational structure and management processes with the company's new structure. Much of the requisite restructuring has now been accomplished.

Another serious challenge we face, climate change, is also a business opportunity. Our primary focus here is on energy efficiency. We want to help contributing to climate protection through our products as well as by reducing the energy footprint of our manufacturing and operating processes.

2007 project: Green Building

For Siemens, energy efficiency represents a major business opportunity that promises significant rates of growth. Our innovations and technological advancements are helping to conserve energy and reduce greenhouse gas emissions all over the world. And at our company locations, effective building management is enabling us to achieve significant energy savings.

According to expert forecasts, the world's primary energy consumption will likely double between 2000 and 2050. At the same time, the price of oil and prices of energy linked to oil are increasing – due to high demand as well as to a growing raw material shortage. The impact on the environment is considerable and the consequences for the management of commercial real estate are significant: The costs of heating and of technical operations are increasing continuously. Our task, therefore, is to manage our buildings energy- and resource-efficiency.

Sustainable buildings

Siemens Real Estate (SRE) is responsible for managing more than 3,000 locations in 30 countries on five continents. This figure also includes all those small locations which, due to their small environmental footprints and comparatively low resource consumption, are not tracked in Siemens' company-wide environmental data recording system SESIS. As part of its GREEN BUILDING initiative for existing buildings, SRE has developed a natural resources management system (NRM) comprising strategic as well as operational modules. The NRM monitors energy and water consumption at the office locations. At the strategic level, its purpose is to create sustainable industrial and office buildings. At the operational level, it serves to identify possibilities for reducing resource consumption and to implement appropriate measures through modernization work on buildings.

Real estate managers on the ground are notified of simple and immediately effective means of reducing resource consumption, identified on the basis of our Resource Check Guidebook. These measures include turning down the heating at night and adjusting it in line the hours in which buildings are used. The next step generally involves initiatives like installing frequency converters, replacing components like pumps

and control units, and installing fittings that save water. For the most part, measures like these quickly produce tangible successes, while more complex, structural work on buildings, such as the insulation of outer walls, has a positive effect in the longer term.

Other elements of our GREEN BUILDING initiative include life cycle costs analyses carried out to take into account investment and utilization costs in the design of new buildings, and unified certification of major remediation and construction projects around the world conducted in the context of our GREEN BUILDING certification program. A second SRE manual, the Sustainable Building Design Guidebook, covers a wide range of options – everything from choice of location to the use of renewable energy sources and efficient building management – that can enhance buildings' lifecycle sustainability.

Current economy measures

SRE Italy has completed energy checks at three locations. As a result, heating times have been adjusted in line with the business hours, energy-saving lighting systems have been installed, and lighting has been improved. Taken together, these measures alone represent a potential saving of €134,000 a year.



At our 400,000-square-meter office and R&D facility in Munich-Perlach (Germany), we have succeeded in creating annual savings of €250,000 and reducing carbon emissions by 1,450 metric tons by bringing the heating, ventilation and air conditioning system technology up to date.

We have also optimized Siemens' 23,000-square-meter Lindenplatz location in Hamburg so that it now consumes 10,000 cubic meters less water, 584,000 kilowatt-hours less heating energy, and 408,000 kilowatt-hours less electricity and emits 380 tons less carbon dioxide a year.

Product Stewardship

We are committed to supplying our markets with products, systems and solutions that are safe and environmentally compatible. This is a crucial commitment if we are to remain successful in the long term.

Environmentally compatible product design and product safety are key, company-wide objectives enshrined in our Business Conduct Guidelines as well as detailed in-house standards and specifications.

Managing the materials used in products

The European Union's RoHS Directive, in force since July 1, 2006, restricts the use of certain hazardous substances in electrical and electronic equipment; examples include lead in solder and electronic components, certain flame retardants in electronic products, and hexavalent chromium as a means of corrosion protection. Through the implementation of our Fit4 2010 program, in fiscal 2007 our roadmaps for the voluntary substitution of substances, also for products not included in the guideline, not just met but actually exceeded the requirements of the RoHS Directive. For example, all new products developed at Automation & Drives since July 2006 are RoHS-compliant; Siemens Building Technologies is preparing a voluntary switchover of the majority of its products in 2008; and Power Transmission & Distribution's Energy Automation unit is aligning the development of new products with the requirements set out in the RoHS Directive.

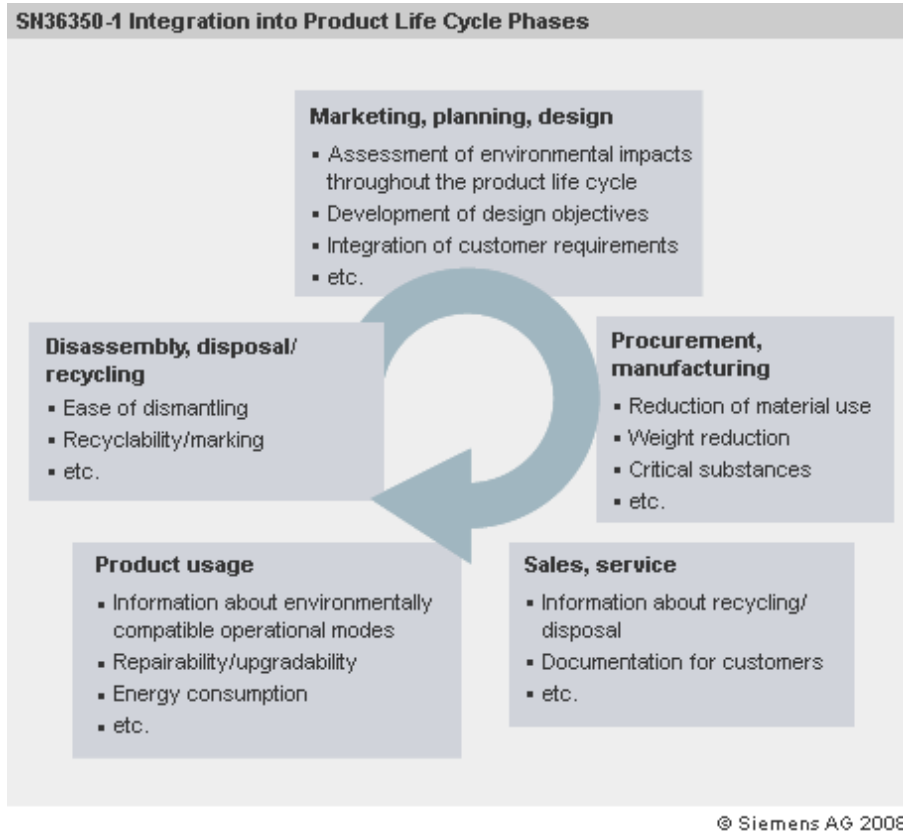
There are, however, special provisions in place that permit exceptions in certain contexts and applications, and we continue to rely on a number of substances in specific instances that we would otherwise take steps to avoid. In the healthcare sector, for instance, lead remains an essential shielding material in X-ray systems, and there are no viable alternatives. New semiconductor X-ray detectors based on cadmium telluride allow X-ray doses to be reduced by a factor of ten – a major advance that benefits patients and healthcare professionals alike. The images these detectors produce also have a higher resolution, allowing more exact and earlier diagnoses.

Our policy is to avoid critical substances wherever we can. In those instances in which we still rely on them, we manage them with exceptional care. Substances to be avoided and substances requiring documentation are listed in our in-house standard SN 36350. The standard ensures that such substances are only used in cases where there are no economically or technically viable alternatives.

Planning environmental compatibility

The purpose of Siemens' SN36350 standard is to guide and inform the environmentally friendly design of products and systems. It covers the entire product lifecycle and contains important guidelines on the design and development of new products and systems. A special tool is also available that helps developers to evaluate the improvements achieved. In the review period, we extended part one of the SN 36350 standard to additionally cover the environmentally compatible design of systems and installations.

We conduct life cycle assessments (LCA) as per DIN ISO 14040 to systematically analyze cradle-to-grave environmental impacts of specific products and product groups in our highly diverse portfolio and to rate their cumulative energy demand (CED). This approach creates the right basis for continuously improving our products and enables us to report on their environmental footprints.



Our environmental portfolio

Designing our products and systems to be environmentally compatible and avoiding hazardous substances gives us a competitive edge. During their operating lives, many of our products can help customers to reduce emissions and protect the climate, and in fiscal 2007, we defined an environmental portfolio as part of our wider Energy and Environmental Care (E&EC) project. This portfolio comprises exceptionally energy-efficient products and solutions and environmental and renewable energy technologies that are helping customers to eliminate 114 million of greenhouse gas emissions each year. Our aim is to increase revenues generated by these products to 25 in 2011 from 16.9 in fiscal 2007.

Ensuring product safety

We work to minimize the safety risks potentially associated with our products. To comply fully with public and statutory product safety requirements in all of the world's countries and across the entire Siemens portfolio, we have published fundamental product safety principles and in-house product safety guidelines detailing key organizational and technical specifications.

Whereas policy rules competence for all aspects of product safety lies with the head of Corporate Technology, it is up to our Sectors to actually implement the guidelines and to monitor compliance (a task handled by our Sectors' own quality management offices). Product safety audits are conducted at regular intervals by our functional and business units.

Involving customers

To gauge market opportunities and address customer needs, we work actively with customers during the product development process. Generally, it is up to the regional and business units to decide when and how to involve customers, depending on the situation in a given industry or market. In product and service businesses that target a mix of customer groups, we hold workshops for our lead customers, and we consistently feed customer input into the development of future versions and generations of products.

When we hand over plants and installations to customers, we ensure that they are fully informed about how to operate them safely and according to sound environmental principles. And when acquiring new

business, we take steps to inform customers about our products' and systems' benefits to the environment and society.

We publish numerous environmental product declarations (EPD) to inform our customers about our products' environmental performance. The Siemens standard SN 36350 has a separate part on preparing these declarations in compliance with the DIN ISO 14021 standard. Examples include EPDs for the Oslo metro, the SOMATOM Definition computed tomography scanner and the AXIOM Iconos R200 fluoroscopy system.

2007 project: PEPINO PROPRO

In product design, we employ a variety of management processes to ensure that the environmental compatibility requirements laid out in SN 36350, our multi-part in-house standard for environmentally compatible product design, are implemented in full. The PEPINO PROPRO project, conducted in 2007, illustrates how.

At Siemens Building Technologies (SBT), the PEPINO PROPRO project (Product-related Environmental Protection – Integration of requirements into product development process) has helped to ensure that our Product Evolution Process (PEP) takes environmental factors and impacts into account during the planning and development of new products.

Developing products to environmental standards

When SBT embarked on the project, it carefully analyzed its own Divisional as well as Siemens' environmental requirements. This process clearly identified a number of conditions and outcomes that had to be met and accomplished at specific, binding milestones by developers during the product development process. Check lists were produced for every phase from product planning to design, and with their help developers can verify that they are complying successfully with our full gamut of environmental requirements. Each new SBT product is subject to a final environmental compatibility review at the end of the design and development process.

Employee training

We not only provide employees with extensive project training, we also conduct worldwide internal audits to ensure that they are thoroughly familiar with the project processes. In addition to a basic grounding, product developers receive more advanced courses on specific mechanisms involved in environmentally compatible product design; they are also required to complete the same online training as our people in product management and purchasing. Through the feedback received from attendees on their experiences in working with these processes on a daily basis, we are steadily improving the environmental compatibility of SBT products.

Efficient products

PEPINO PROPRO's all-encompassing approach – from product design to training, audits, and communication with the customers – is helping Siemens Building Technologies' products to set standards in eco performance. One standout product is a valve drive for heating radiators of the Home Automation Systems Synco living, used in buildings to ensure efficient temperature control and reduce energy consumption and provide a pleasant room climate. Because the device is wireless, it saves on materials as well as operating power. Siemens' wireless device uses only one percent of the energy required by a conventional drive.

Suppliers

At Siemens, corporate responsibility does not stop at the company's borders. As an integral element of our Fit4 2010 corporate strategy, corporate responsibility applies to our procurement strategy as well. Above all, we are seeking to build capacity for sustainable development.

New Code of Conduct for Siemens Suppliers introduced

Procurement at Siemens is organized in the Siemens Procurement Network and this network includes all worldwide purchasing departments. Siemens' suppliers are selected and evaluated on the basis of a completely integrated supplier management system. In addition the sustainability management program is integrated into our supply chain processes.

In the past year, we have enhanced and refined the "Basic Requirements for Suppliers," which have been in effect since 2002, and introduced the revised Code of Conduct for Siemens suppliers as a binding new standard for the entire company towards Siemens suppliers.

Conceived in accordance with the ten principles of the Global Compact of the United Nations and the Siemens Business Conduct Guidelines, the Code of Conduct for Siemens Suppliers establishes rules for the company's suppliers around the world, which are being incorporated into all new and renegotiated procurement contracts in the form of a mandatory contract clause. We expect our suppliers to live up to the same standards of responsible conduct that we demand of our employees.

By undertaking to observe the Code of Conduct for Siemens Suppliers, our suppliers are committed to upholding the following principles in particular:

- Compliance with all applicable laws
- Prohibition of corruption and bribery
- Respect of employees' human rights
- Prohibition of child labor
- Employee health and safety
- Environmental protection
- Upholding these standards in their own supply chains

The principles contained in the Code of Conduct for Siemens Suppliers are minimum requirements that all company suppliers worldwide are bound to observe. As in the past, our business units are free to impose additional, heightened requirements in consideration of the typical risks of their industry or business or to meet the specific demands of their customers.

Incorporation into supply contracts and monitoring of compliance

The new contract clause relative to the above mentioned principles of the Code of Conduct for Siemens Suppliers also grants Siemens the right to demand "self-assessments" of its suppliers, to conduct inspections, such as audits, and cancel contracts if the principles of the Code of Conduct for Siemens Suppliers are breached.

Since December 2007, compliance with the Siemens Code of Conduct for Siemens Suppliers has been established as one of the binding minimum requirements for the selection of new suppliers as part of the initial supplier qualification process. Therefore, we ensure from the very beginning that our sustainability standards are clearly addressed by our suppliers and that we only do business with suppliers that operate under the principles of our Code of Conduct for Siemens Suppliers or an equivalent code of their own.

In the company's existing supplier relationships, compliance with the Code of Conduct for Siemens Suppliers will be assured by continuous, company-wide supplier management in the sense of preventative risk management. In order to reliably monitor compliance with the Code, we are currently implementing a globally standardized process for the conduct of supplier self-assessments.

Defined response to breaches

Compliance with the Code of Conduct for Siemens Suppliers will be monitored by means of an additional corporate responsibility monitoring module in connection with the periodic quality audits of suppliers. If instances of non-compliance are discovered, the supplier will be directed to implement appropriate improvement measures. Especially critical breaches, such as child labor, of the Code of Conduct for Siemens Suppliers have been defined as so-called "K.O. criteria," which if not immediately corrected by the supplier will result in the termination of the business relationship.

Worldwide training courses have begun

The appropriate training of our employees is an important prerequisite for being able to effectively monitor the conduct of our suppliers in matters of corporate responsibility. Since July 2007, for example, the employees of the Procurement and Quality Departments have participated in information events, training courses and regular web conferences to provide global support to the implementation of the Code of Conduct for Siemens Suppliers. Also since July 2007, additional modules on the subject of the Code of Conduct for Siemens Suppliers and corporate responsibility in the supply chain have been added to the regular procurement training courses.

We are also informing our suppliers about the new Code of Conduct for Siemens Suppliers in our regular supplier meetings, supplier development measures, contract negotiations and supplier conferences.

2007 project: Procurement Compliance Conferences

As part of the worldwide introduction of the Code of Conduct for Siemens Suppliers, the company will be conducting Procurement Compliance Conferences for senior managers in the functions of procurement, quality management and compliance. Their participation in these conferences is mandatory.

These two-and-a-half-day conferences will be devoted to the interchange of knowledge, experiences and best practices. Concrete measures for implementing the Code of Conduct for Siemens Suppliers throughout the supply chain will be developed in cross-functional workshops.

First conference to be held in China

The first Procurement Compliance Initiative was held in China because that country is already one of Siemens' most important markets and its importance as a supplier of key products and services will only grow in the future. Nearly 200 managers from China came together in Beijing at the end of July 2007 to establish compliance structures and effective processes in relation to suppliers.

The second Procurement Compliance Conference for Europe was held in Prague in December 2007. At this conference, 150 procurement, compliance and quality managers from all over Europe discussed the challenges that compliance and corporate responsibility place on the procurement function and on the company's suppliers. Another key topic involved the strengthening of cooperation among compliance, procurement and quality managers. The next Procurement Compliance Conference will be held in mid-June 2008 in the United States.

Raising awareness of corporate responsibility issues

The Procurement Compliance Conferences are an opportunity not only to provide training to our employees in the Regions, but also to raise the awareness of corporate responsibility issues throughout the company. At these conferences, the participants are encouraged to reflect on these issues as a means of developing new impetus for corporate responsibility. In China, for example, our Chinese regional company is working very hard on the implementation of the Code of Conduct for Siemens Suppliers.

The first Procurement Compliance Conference was followed in November 2007 by a conference of suppliers, attended by a total of 75 participants from southern China, which was devoted to matters of cor-

porate responsibility in the supply chain. Similar supplier conferences were held with great success in March 2008 for the eastern region (Shanghai metropolitan area) and the northern region (Beijing metropolitan area).

Employees

Outstanding employees and leaders are the cornerstone of our business success. This is why People Excellence is a core value driver in our Fit4 2010 program.

People Excellence is organized in line with a basic Siemens principle: Our operating units and Regional Companies are free to make their own HR decisions within a centrally defined framework of standards. The goal of People Excellence within the wider Fit4 2010 program is to promote a high-performance culture, operate leadership excellence programs, nurture young talent around the globe, and open up new career paths for key experts. For example, the introduction of the Performance Management Process for all highly qualified experts, leaders and global top talents has helped to establish a comprehensive culture of high performance. Around 600 managers have already received training in leadership excellence programs, mostly from Siemens managers responsible for operations. Some 1,700 employees have joined our Global Top Talent Pool; and around 1,000 employees have been offered attractive career options through our Siemens Expert Career program.

Motivation and diversity

We are a global company with 400,000 employees in almost 190 countries. To address the widely differing needs of our employees around the world, we engage in variety of local and specific initiatives based on a few fundamental standards.

Siemens offers employees a wide range of working-hour arrangements, including individually tailored offerings designed to enable them to achieve the right work/life balance.

To recruit the best and the brightest people in local markets, we offer highly competitive compensation structures in all key labor market segments. By employing outstanding people wherever in the world we do business, we benefit not just from their qualifications, but also from their richly diverse national, societal and cultural backgrounds. This diversity enables us to tap into a wealth of ideas and the kind of innovative strength that makes Siemens so successful.

Occupational health and safety

A safe workplace environment that does not impair employees' health is a fundamental prerequisite for high performance: healthy employees are more highly motivated and better able to perform to the best of their abilities; they also produce fewer direct and indirect costs. Our Guidelines for Occupational Health and Safety define binding minimum worldwide labor safety standards and underscore our commitment to providing our people with a healthy workplace. In keeping with our goals, we have signed the European Network for Workplace Health Promotion (ENWHP) Luxembourg Declaration to help advance workplace health in the European Union.

To protect labor safety and health effectively at Siemens locations around the world and to ensure that we comply fully with local laws and regulations, we operate a decentralized org structure with locally devolved competencies through which our Regional Companies implement occupational health and safety policies. These policies are based on company guidelines yet also align with regional management processes.

HSE management systems

In 2002, our former Transportation Systems Group rolled out its own worldwide health, safety and environmental protection management system, PROMEHS (PROcess Management for Environment, Health & Safety); in 2007, our former Medical Solutions Group deployed an integrated EH&S management system based on the ISO 14001 standard; and our former Power Generation Group successfully obtained certification for an integrated management system based on ISO 9001, ISO 14001 and OHSAS 18001 (Occupational Health and Safety Assessment Series).

International reporting

Our goal remains to be better than the industry average when it comes to occupational health and safety. Achieving this involves reviewing the overall performance of the management systems in place at Siemens and developing strategies for their improvement. This is why, in fiscal 2007, we rolled out an international labor safety reporting system that we will use from 2008 to centrally track and evaluate key performance indicators for Siemens locations and construction sites around the world, as well as for major suppliers.

We are also planning to operate a worldwide benchmarking project in fiscal 2008 in an effort to further optimize our occupational health and safety performance. We hope that the project will offer valuable insights into how best to organize and implement labor safety provisions that we can later roll out as part of an overarching, Managing Board-approved global program.

2007 project: Occupational health and safety in project business

Safeguarding occupational health and safety poses a major challenge in our project and service businesses, involving not just compliance with a range of local statutory requirements, but also coordination of multiple project partners and measures to ensure the safety of Siemens and contractors' workers.



In the project and service business, work safety is particularly important.

We have introduced detailed and comprehensive health, safety and environmental (HSE) regulations in Fossil Power Generation, Oil & Gas, and Service Rotating Equipment, our main project-driven Divisions. These regulations define a binding framework for all our service activities and for all our construction sites worldwide.

A systematic approach

From the initial bid phase all the way through planning and construction to the final commissioning of projects, we work to HSE plans that inform and guide the process of systematic compliance with HSE standards. These plans detail project participants' obligations and responsibilities, and the contracts we sign with project partners and contractors bind them to the exact same HSE standards. Besides ensuring compliance with local laws and regulations, our HSE plans pursue a zero harm strategy that aims to provide a level of protection that precludes accidents of any kind. In addition, we continuously review our approach and its fundamental principles against key international standards, including OHSAS 18001, the Safety Certificate for Contractors, and EU construction site regulations. In project work outside Germany, local standards take precedence if they are more stringent than our own or those of the European Union.

Continuous updates

An HSE plan is revised and extended constantly as a project progresses. This is necessary in order to tie in all the organizations and individuals involved, including those who join the project in its latter phases. Furthermore, certain types of process plans and hazard assessments cannot be prepared or updated

properly until the project is actually underway. Continuous revision of HSE plans helps to ensure that everyone is informed about the importance of labor safety. To promote greater awareness, particularly among managers, of general occupational health and safety concerns and specific issues associated with project and service businesses, we provide modular training programs for business units where appropriate and necessary. We also conduct on-site training for project partners and contractors as well as for our own employees.

Overall responsibility

A project's supervisor carries the overall responsibility for health, safety and environmental protection for the project's entire duration. It is his or her duty to ensure that all project managers and employees comply in full with the HSE guidelines. One particular challenge typically associated with project business is ensuring that contractors hired by Siemens also abide by health and safety standards. To this end, contracts with suppliers detail specific HSE requirements that they must meet. It is the project supervisor's duty to align these requirements continuously with project workflow and to make sure contractors' HSE officers are properly instructed. Depending on the scale of the project, several HSE specialists from Siemens and our contractors may be working on site at the same time.

In our project business, just as in our manufacturing operations, personal target agreements are made with supervisors defining key performance targets for everything from accident rates to on-site inspections and training initiatives. This means that people are rewarded for their safety records based on their actual performance.

Healthcare in foreign countries

Siemens Financial Services GmbH and the health insurance carrier Deutschen Krankenversicherung AG (DKV) have jointly developed a Health Care Management (HCM) program, an exemplary project which guarantees comprehensive medical cover for our employees. In our project and services businesses in particular, HCM is an important means of improving the reliability of the healthcare employees receive outside Germany. The program ensures that they get the best care available in the country they are visiting and makes provisions for transportation back home in the event that they require treatment only available in Germany.

Our HCM program also covers emergency care processes, and stipulates, among other things, that a Siemens company doctor must be involved in all decisions as well as the delivery of emergency medical care in a foreign country.

Society

We benefit greatly as a company if the host communities in which we operate are prosperous and stable. We therefore engage in a range of initiatives to help build and sustain societies worth living in.

These initiatives are also crucial to our reputation in our host communities, because a high profile and a strong standing as a corporate citizen are important factors that determine our success as a vendor of infrastructure solutions.

Managerial guidelines

We manage our citizenship programs and initiatives in line with key Siemens values – responsibility, excellence and innovation – and according to binding written policy requirements:

- Our Corporate Citizenship Policy lays out our fundamental principles and the primary focuses of our citizenship activities.
- Our worldwide policy for the award of grants was reframed in a Corporate Executive Committee memo of October 2006.
- Other guidelines define a framework for our activities in areas such as corporate volunteerism, social giving, school, college and university sponsorships, and emergency aid (disaster relief).

Challenges and goals

We are at home in close to 190 countries, and in all of them we form part of the social fabric – as an employer and client, as an investor, and as a supplier of products, solutions and services. To protect our long-term business prospects and opportunities, we support and sustain Siemens locations and their host communities all over the world by acting as a responsible corporate citizen. In our view, the greatest global challenges that lie ahead are:

Improving young people's education

In today's knowledge society, education is the most important capital asset – for the individual as well as for a company like Siemens. Anyone who today, like us, puts funding and effort into the future of children and young people and their education – from preschool to university – creates the best possible foundation for sustainable development. We believe it's crucial to encourage an interest in the natural sciences and technology, to build strong partnerships with local educational organizations, and to raise young people's awareness of what a career with Siemens can offer them.

Combating the effects of climate change

The majority of developing and newly industrializing countries are hit more frequently and much harder than developed countries by the effects of climate change. Bringing about lasting improvements in poorer countries' living conditions is thus a matter of great urgency. Our global presence and the considerable local and regional experience we have gathered over many years mean we can leverage our employees' competencies and our technology in areas like healthcare, the environment, infrastructure and education to enable these countries to support and sustain their own development. Our goal is to help them to help themselves through capacity as well as capacity-building initiatives.

Reducing poverty

Education and health are two crucial factors that shape a child's future. We work with key international organizations and local partners in the world's least developed countries (LDCs) to protect children's health and to help them receive a basic education. Quite aside from the immediate benefits, we believe these efforts will also help to promote sustainable development around the world.

Citizenship programs

Our citizenship efforts center on the following programs:

Siemens Generation21...

...is a worldwide education program for school and university students, as well as for teachers from preschool to university. The program's efforts to support and advance education focus on those fields of knowledge that we regard as essential for our business: mathematics, the natural sciences, and technology. For preschoolers, we offer "research kits" designed to provide an introduction to science through play. In schools, we encourage students to take an interest in the natural sciences through the provision of special tuition materials, plus initiatives like the Siemens Competition in Math, Science and Technology. We also, for example, invite exceptional students to attend our four-day Talent Academy (in German) where they can extend their knowledge by working with other students on solving complex tasks.

We are stepping up our advancement programs for colleges and universities by offering grants for natural science degree programs and by honoring outstanding achievements in the sciences with special awards. We maintain contact with all our grant recipients and award winners through a specially created network. We also share our knowledge and expertise with the academic community: In German-speaking countries alone, more than 220 Siemens professionals hold classes as visiting lecturers at colleges and universities. In addition, we play an active part in the design of curricula, and we advise organizations on education policy decisions.

Siemens Caring Hands...

...is our worldwide social aid program. With global poverty and the mounting impacts of climate change and the human emergencies they trigger, particularly in poorer countries where state infrastructure and resources are lacking, this program is more important today than ever before. As a company with a global reach, we are eager to help in a variety of ways. Our efforts have three primary focuses. First, disaster relief: We donate money, infrastructure products, and technical expertise in an effort to ensure that emergency aid and relief reach people as quickly as possible. Second, we operate corporate volunteerism programs in which Siemens employees donate their time, skills and knowledge to community projects chosen on the basis of criteria defined in our Volunteerism Guidelines. And third, we engage in social giving, supporting charitable organizations with grants and long-term sponsorship programs. Here, too, we have Social Giving Guidelines in place that clearly define the criteria that qualify organizations for support.

Advancement of the arts and culture through the Siemens Arts Program

Support for the arts and culture forms an important part of our wider corporate citizenship strategy because of the crucial and indispensable role they play in a society's sense of its own identity and in people's quality of life. Given the emphasis we as a company place on innovation, we primarily support and advance contemporary art and young creative artists through the Siemens Arts Program. The Program, the main pillar of our corporate arts and cultural sponsorships, carries our commitment as a company to innovate and to shape the future over into the cultural sphere and emphasizes the importance of the arts and culture in a dynamic and changing society.

Managing our citizenship programs

From an operational perspective, implementing corporate citizenship programs, projects and initiatives involves efficient internal communication and careful coordination. For example, to safeguard the success of our programs, heads of communications meet at regular intervals, and representatives from key Regional Companies, Siemens' Sectors, and Corporate Communications convene twice yearly in the Global Communications Council to discuss policy. Through best-practice sharing, workshops, seminars, intranet sites and newsletters, we ensure that employees responsible for citizenship initiatives have access to the information they need in order to implement company policies and programs effectively. And thanks to ongoing improvements to our financial and other citizenship reporting, we are better able to track and evaluate the effect and monetary worth of our activities.

Assessing our efforts

We are keen to find out how our citizenship initiatives are benefiting communities and what effect our programs are having on people's perception of Siemens. We have a variety of options for gauging the success of our programs, including project-specific tools developed in-house, research conducted in a variety of fields, external analyses, and even the awards we receive from target groups and stakeholders. For example, we work with Lokando, a partner organization, to hold regular workshops with teachers to assess the benefits achieved in the classroom by an award-winning set of Siemens tuition media. And in 2007 Siemens' Generation21 program was honored with a prize from the Association of German Engineers for its efforts to promote youth interest as part of its "Ideas, made in Germany" initiative.

An open dialogue with policymakers and society

Public debate and policymaking affect Siemens in numerous different ways. By the same token, our activities impact on society and policymaking in the countries in which we operate. We believe firmly that playing an active role in shaping public opinion, taking a firm stance where appropriate, and communicating our positions and perceptions as a company all constitute an important part of corporate citizenship. We willingly share our expertise and experience – often at the request of stakeholders and interest groups – in our dialogue with the public at the local, regional and global levels.

We communicate with policymakers, communities and interest groups out of the conviction that the challenges we all face today are best solved globally and collaboratively by industry, policymakers and civil society. The most pressing issues at this time include globalization, education, climate change, energy, water, and healthcare.

Public dialogue takes different forms, including bilateral talks, panel discussions, work with associations, and involvement in international organizations and initiatives like the United Nations Global Compact, the World Economic Forum, the European Round Table of Industrialists (ERT) and the TransAtlantic Business Dialogue (TABD). We believe in a neutral political stance, we respect freedom of opinion, and we regard the diversity we encounter in our worldwide activities as enriching for our business and for our corporate culture.

2007 project: Schools for Africa

Education is an individual's most important capital asset when it comes to making the most of life's opportunities, and without education, sustainable development is impossible. Yet in southern Africa, 45 million young girls and boys – almost one in every two children – have no access to basic education. To help change this, Siemens is supporting UNICEF's Schools for Africa project.



Siemens and its employees support the UNICEF project Schools for Africa, so that children in southern Africa too have the opportunity to receive an education.

As part of its partnership with UNICEF, Siemens has been concentrating on education in Africa since 2006. Our donations make it possible to build and renovate schools in southern Africa, purchase school supplies and train teachers.

Siemens creates educational opportunities

In the country of Angola, which has been devastated by three decades of civil war, UNICEF with the help of Siemens has built 14 new schools, renovated five schools and supplied children with tablets, pencils and other materials. The schools are built with the help of the villagers themselves, who assume responsibility for operating them as well, thereby ensuring the proper maintenance of the school buildings and the continuation of classroom instruction. In Malawi, Siemens supplied tables and benches for classrooms and built wells and latrines for 20 schools. Siemens also made it possible for 1,200 teachers to obtain continuing education. In southern Sudan, where four out of every five girls of elementary school age have no access to education, Siemens supported the construction of village schools for girls in 2006. In fiscal year 2007, Siemens and its employees together donated more than 320,000 euros to the Schools for Africa project. The company's contributions to improving education in Africa are part of its worldwide Caring Hands program.

Project management for children

As part of the PM4Children project, Siemens combines continuing education for its employees with social giving for the Schools for Africa project. In the spirit of the motto "Think global – act social," future project managers of Siemens AG are assigned the task of raising as much money as possible for UNICEF, through donations and/or supporting members, in two different events. The funds are donated to the project "Schools for Africa" and the seminar participants are given the chance to hone their project management skills through practical experience. Besides supporting viable, long-term concepts, another key goal of Siemens' partnership with UNICEF is to incorporate this partnership into our daily business. As a responsible corporate citizen, Siemens is seeking to recruit new friends of UNICEF Germany among its employees, customers, business partners and shareholders through the campaign "Friendship – Friends help each other out forever." To date, 1,800 employees have committed themselves to supporting UNICEF projects on a continuing basis as project mentors.

Key Figures

Siemens determines the extent of its activities on behalf of the environment, employees and society with the help of a variety of key figures. These figures are an important prerequisite for controlling the company's corporate responsibility.

The compilation of data on consumption and emissions, for which Siemens established its own reporting system in the 1990s, is particularly detailed. The company has also set up a system to compile data on socially relevant activities. In other CR areas such as employees and suppliers, appropriate worldwide compilation systems still have to be developed and implemented. We are working toward this goal by, for example, establishing a management system for work health and safety. We are also developing a similar system for supplier data.

The intention of such systems, however, is not to generate a flood of data, but to establish suitable controlling parameters. To this end, we will expand our key figures system in the coming years, but above all orient our efforts toward meeting the requirements of our company strategy. And the declared goal here is to become best-in-class – also in the area of corporate responsibility.

Environmental Protection at Siemens Locations

The monitoring of environmental impacts and performance plays a crucial part in our environmental management.

Energy consumption, water consumption, greenhouse gas emissions, VOC emissions, emissions of R11 equivalents, and waste volumes are all key parameters that we track at company level and for which we set targets where appropriate. You find a summary of all of our key environmental indicators in the following chart.

Environmental Key Figures – overview			
	2005	2006	2007
Water consumption	16,600,000 m³	15,900,000 m³	16,700,000 m³
Direct energy consumption	9,040,000 GJ	11,140,001 GJ	8,800,001 GJ
Natural gas/liquid gas	8,300,000 GJ	10,200,000 GJ	8,200,000 GJ
Fuel oil	370,000 GJ	470,000 GJ	353,000 GJ
Hard coal	1 GJ	1 GJ	1 GJ
Petrol/diesel	370,000 GJ	470,000 GJ	247,000 GJ
Indirect energy consumption	11,800,000 GJ	18,300,000 GJ	17,000,000 GJ
Electricity power consumption	10,400,000 GJ	15,100,000 GJ	14,700,000 GJ
District heating	1,400,000 GJ	3,200,000 GJ	2,300,000 GJ
Capital expenditure	23,000,000 EUR	21,000,000 EUR	24,000,000 EUR
Ongoing expenses	45,000,000 EUR	50,000,000 EUR	35,000,000 EUR
Data coverage in relation to employees	65%	76%	73%
Number of reporting locations	282	320	351
Overall waste water	13,300,000 m³	15,600,000 m³	16,900,000 m³
Waste water from manufacturing processes	1,700,000 m ³	1,800,000 m ³	4,400,000 m ³
Waste water from employee facilities	6,700,000 m ³	7,800,000 m ³	6,800,000 m ³
Cooling water	4,900,000 m ³	3,700,000 m ³	3,300,000 m ³
Other	1)	2,500,000 m ³	2,300,000 m ³
Overall waste volumes	320,000 t	550,000 t	440,000 t
Hazardous waste ²⁾	33,000 t	34,000 t	39,000 t
Waste recovered in percent	76%	83%	78%
Greenhouse gas emissions in CO₂ equivalents	4,290,000	48,500,000	5,100,000
Indirect	2,400,000	2,400,000	2,500,000
Direct	1,560,000	2,000,000	2,100,000
Business travel	330,000	450,000	500,000
VOC emissions	1)	1,900 t	1,700 t
Emissions of substances with R11 equivalent³⁾	1)	0.2 t R11-Äquivalent	0.3 t R11-Äquivalent
1) not yet collected in 2005			
2) excluding building rubble			
3) ozone-depleting potential is measured in R11 equivalents			

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Locations required to submit environmental reports

All Siemens sites that exceed one of the resource consumption, waste output or emissions thresholds shown in the table below are required to submit environmental reports:

Thresholds mandating environmental reporting	
Primary energy	> 1,000 GJ
Secondary energy	> 1,000 GJ
Waste water (from manufacturing and employee facilities)	> 1,500 m ³
Hazardous waste	> 1 t
Non-hazardous waste	> 50 t
Refrigerants (e.g. R22)	> 50 kg
Direct greenhouse emissions (equivalent)	> 1,000 t

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This requirement applies to R&D and office locations just as much as to manufacturing facilities. The data they submit is collected and compiled in our environmental information system, SESIS (Siemens Environmental and Technical Safety Information System).

In fiscal 2007, 351 locations in 37 countries submitted environmental data. Of these, 202 were in Europe, 115 in the Americas, and 34 in Asia. Based on employee headcounts, this equals a coverage of 73 percent. The Siemens VDO figures are included in the 2007 reporting; however they are also reported separately. Siemens VDO was sold to Continental AG, and from 2008 its locations will not submit environmental data to Siemens.

Environmental management systems

According to company requirements, locations that exceed an additional threshold for resource consumption or waste output are not only required to submit environmental data, they must also deploy an ISO 14001 or EMAS-based environmental management system:

Thresholds mandating environmental management systems	
Primary energy	> 5,000 GJ
Secondary energy	> 10,000 GJ
Waste water (from manufacturing and employee facilities)	> 5,000 m ³
Waste	> 250 t
Hazardous waste	> 10 t

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Locations with plants and installations that require authorization or notification and locations at which Siemens is responsible for facility management are also required to have an environmental management system.

To ensure the quality of environmental management systems, we require that they submit to an independent review. Divisions may choose between having their management systems externally certified or validated and having them reviewed by their own environmental offices in a self-certification process.

Number of locations with environmental management systems	2005	2006	2007
ISO 14001	176	212	213*
Of which EMAS validated	4	4	5
Self-certified	7	5	6

* The figure includes 50 Siemens VDO locations

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The number of ISO 14001 certificates hardly increased in fiscal 2007, even though several new locations were added to our environmental reporting system. Newly acquired locations have three years' time in which to roll out an environmental management system. For example, 30 of our Siemens Water Technology locations (formerly, US Filter) are currently in the process of implementing environmental management systems. They plan to obtain certification by the end of the 2009 calendar year.

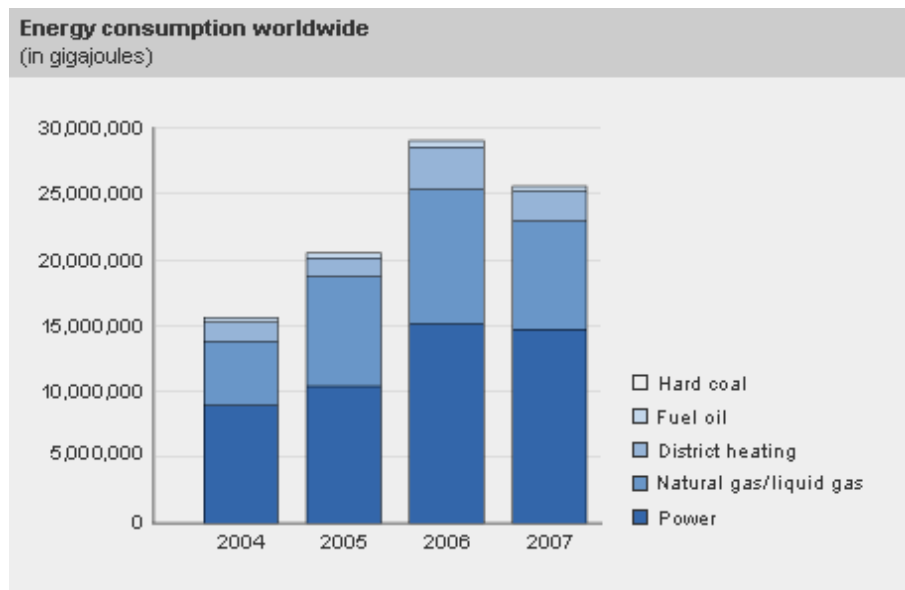
Environmental performance

We monitor Siemens' environmental impacts based on absolute figures. To track locations' environmental performance at the corporate level we use standardized portfolio-adjusted key performance indicators (KPI). These KPIs are also used to monitor compliance with targets.

We have revised and adjusted the indicators we reported for last year, because when we first calculated the KPIs, we included a number of locations that cannot be classed as manufacturing locations and therefore are not subject to target setting. To track the achievement of environmental targets, we are aggregating the efficiency gains we record between 2007 and 2011. Our goal is to achieve a total of 20 percent or more in the areas of energy and water and 15 percent or more in the area of waste by 2011.

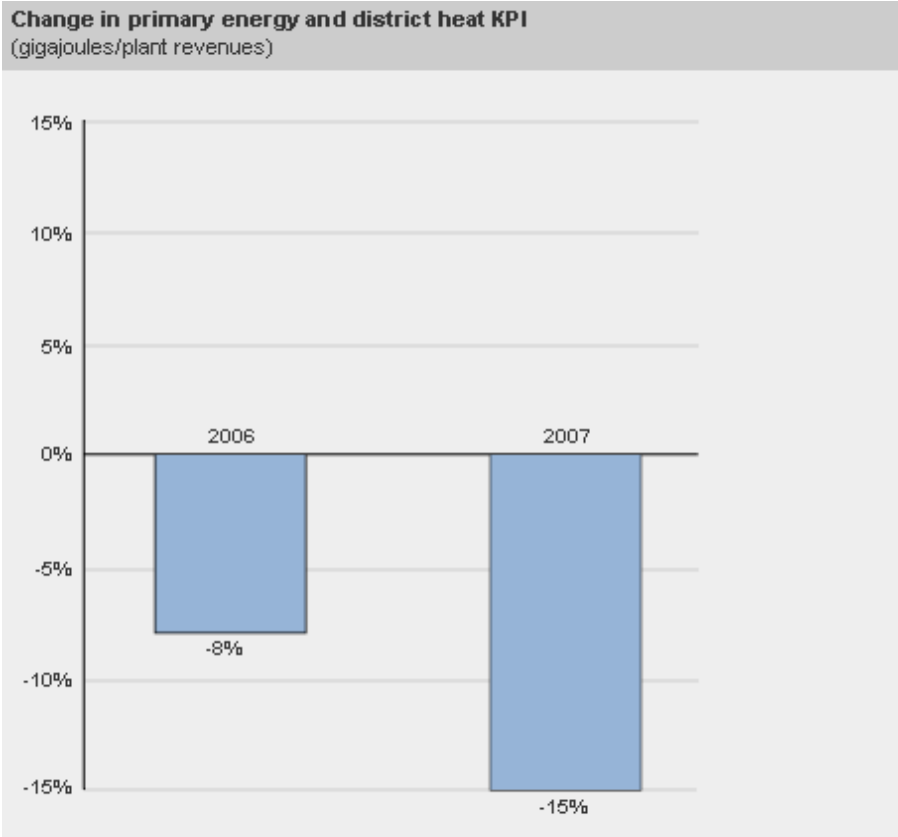
Energy

Overall energy consumption in fiscal 2007 was lower than in 2006. This was due to the mild winter as well as to a number of energy-saving projects at major company locations. Osram Sylvania, a highly energy-intensive Division, has joined the Climate Leadership Initiative in the United States and has begun working to reduce its energy consumption by 10 percent. The chart shows the decrease in natural gas and district heating consumption.



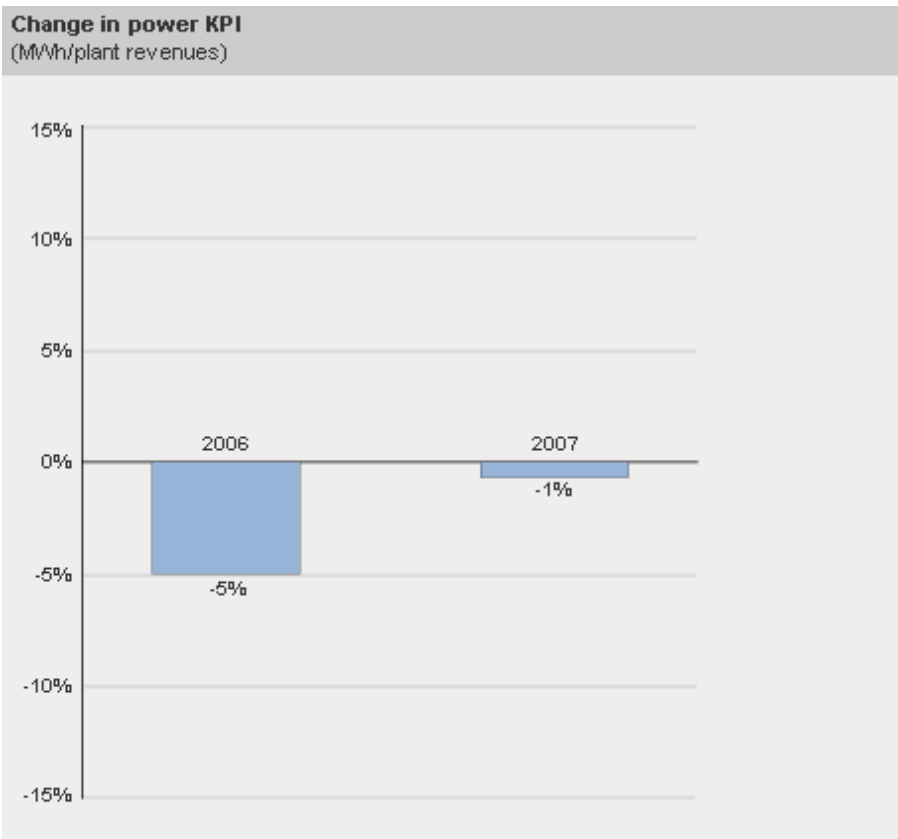
Siemens VDO's share in 2007: 2.8 million GJ of electric power; 0.5 million GJ of natural gas; 50,000 GJ of district heating; 50,000 GJ of fuel; 10,000 GJ of fuel oil.

Our power consumption remained almost flat. The COM carve-out reduced the number of locations participating in the reporting process; however, this was offset by company-wide revenue growth of around 9 percent.



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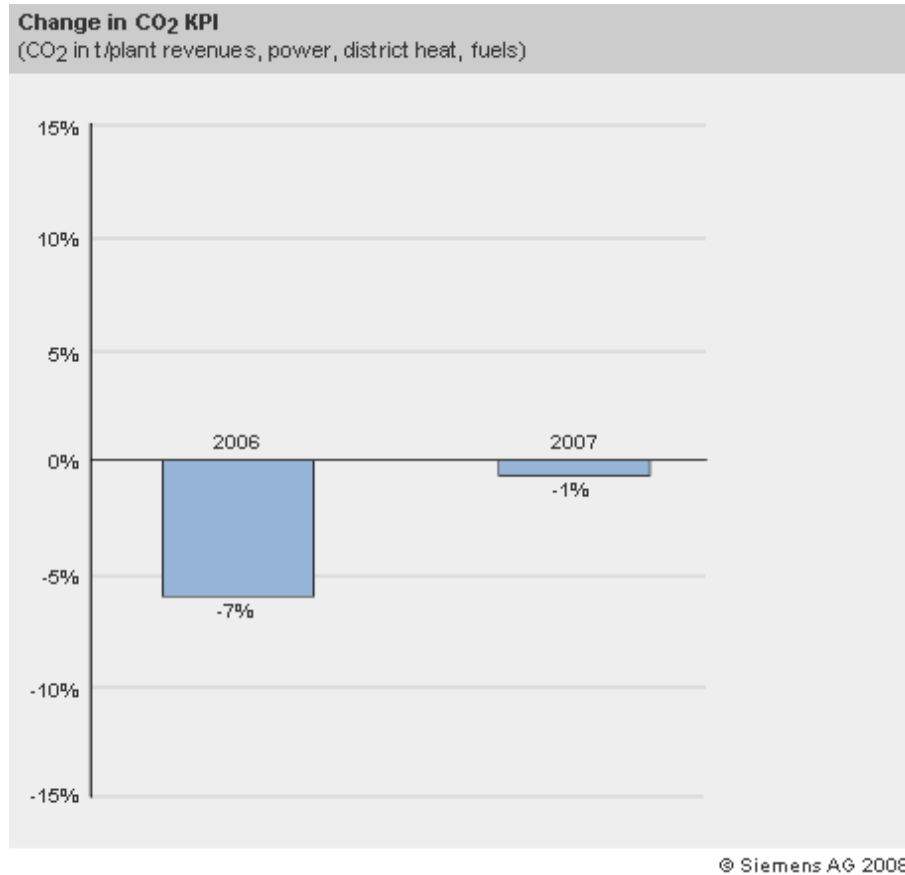
Our KPI for primary energy reflects the warm winter as well as efforts to conserve energy. The primary energy indicator was down 15 percent in 2007, which equates to a 15 percent increase in energy efficiency. This means we still need to achieve 5 percent of our 20 percent target in the area of heat consumption.



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The total change in our power KPI in the past two years has been just six percent. In order to reach our target of a 20 percent efficiency increase, we need to achieve an additional 19 percent saving over the next four years.

Our KPI for emissions of CO₂ equivalents caused by energy consumption reveals that electric power consumption at Siemens has greater climate relevance than the consumption of heating energy. Here, too, we still need to achieve a 19 percent increase in efficiency over the next four years.



Greenhouse gas emissions

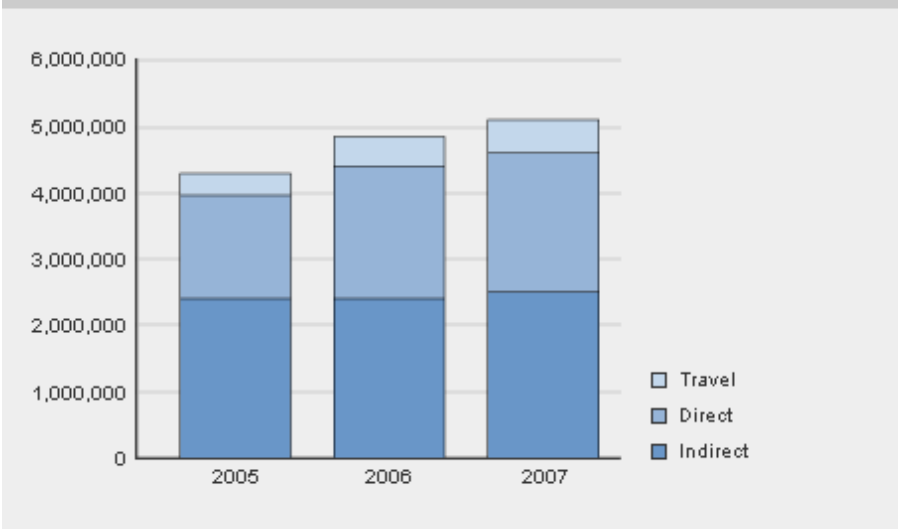
In response to numerous requests from external stakeholders, we decided in 2007 to align Siemens' reporting of greenhouse gas emissions with WRI/WBCSD guidelines (World Resource Institute/World Business Council for Sustainable Development, March 2004). All of the figures published in this section are calculated according to this system:

- Emissions figures are extrapolated to 100 percent if the data collected does not cover the whole of Siemens.
- Data for prior years is adjusted by eliminating emissions of those locations that have been sold. If no exact data is available for emissions at recently acquired locations, these are estimated for prior years.
- The baseline year for computations is fiscal 2005.

The exact method is documented in our guidelines for computing greenhouse gas emissions.

In keeping with stakeholder requirements, Siemens' Greenhouse Gas Report 2007 has been verified by Det Norske Veritas (DNV).

Siemens' greenhouse gas emissions
(portfolio adjusted, in tons)



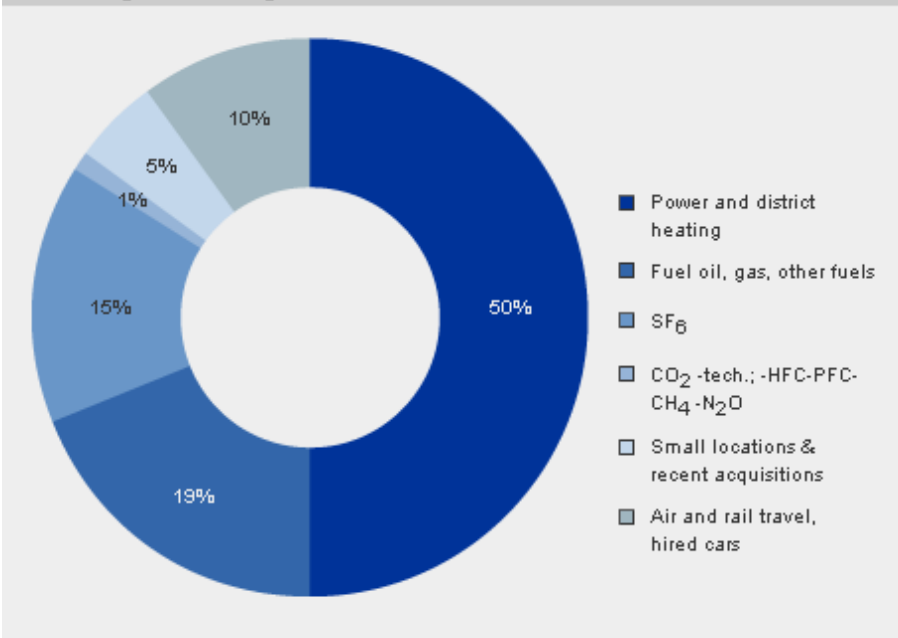
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Direct greenhouse gas emissions are those that occur at our locations; indirect greenhouse gas emissions are those produced by utilities suppliers in the process of generating electric power and district heat that we consume. The increase in emissions in 2007 is due to revenue growth of 9 percent in the past fiscal year.

For the first time in 2007, our reporting includes SF₆ emissions for locations outside Germany that manufacture switchgear. The volumes of SF₆ output have been calculated back to 2005. SF₆ emissions have remained largely stable in relation to revenue and at low level.

As a result of our business growth, emissions due to business travel have increased. Direct emissions from the consumption of natural gas and fuel oil were slightly lower on account of the mild winter in Europe in 2006.

Siemens' greenhouse gas emissions in 2007: 5.10 million tons



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Our emissions in 2007 totaled 5.1 million tons of CO₂ equivalent. This figure includes all emissions attributable to the consumption of energy (see the Energy section), direct emissions of Kyoto gases (SF₆, HFC, PFC, CH₄, N₂O and CO₂ [technical]), emissions resulting from business travel, and estimates of the emissions of recently acquired company locations as well as smaller locations not tracked in SESIS.

EU emissions trading

Four Siemens locations participated in the initial phase of EU emissions trading (2005-2007). These were relatively small facilities which, in total, accounted for 5 percent of Siemens' fossil fuel emissions.

Atmospheric emissions

Climate change and greenhouse gas emissions have recently become hot topics in the political arena, but there are other industrial atmospheric emissions, too, that have an environmental impact.

Volatile organic compounds – VOCs – play an important role as precursor substances in the formation of ground-level ozone. They are one of the causes of summer smog. Siemens uses VOCs in the form of solvents in paints and adhesives and in impregnation and surface cleaning processes. At some sites with comparatively high solvent emissions, technical improvements are currently being made to production facilities to minimize amounts released into the atmosphere.

The use of ozone-depleting substances (ODSs) – the substances that affect the ozone layer in the stratosphere – is heavily restricted under the Montreal Protocol and under country-specific regulatory initiatives around the world. Siemens has radically reduced its use of these substances and now uses only a few refrigerants with ozone-depleting potential that could not yet be replaced with environmentally friendlier substances. The reason we record these parameters is to keep an eye on residual emissions in order to determine whether action needs to be taken.

By compiling material balances of solvents and refrigerants we have been able to document emissions from relevant processes in SESIS since 2006.

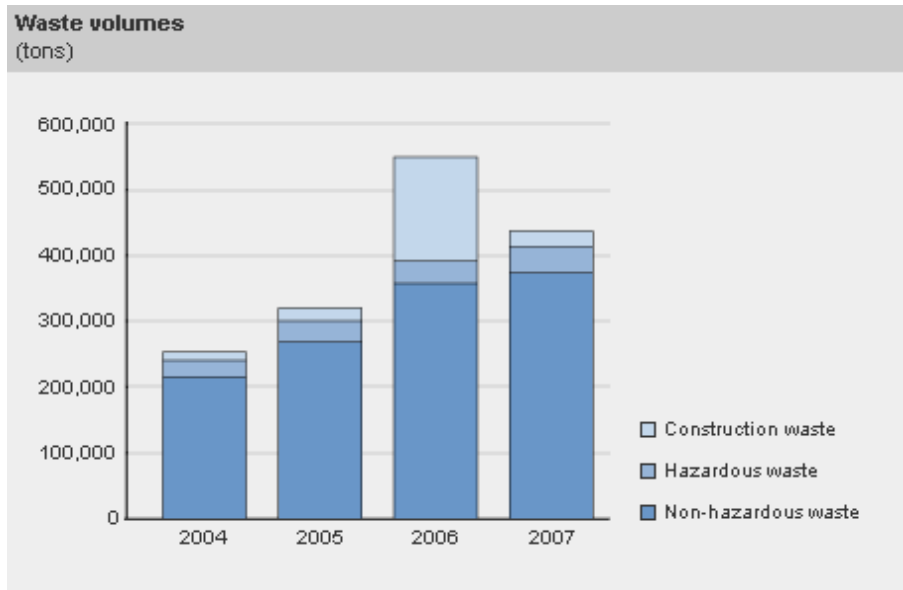
VOCs und R11 equivalent		
	2006	2007*
VOC in tons	1,900	1,700
Ozone-depleting substances in tons of R11 equivalent	0.245	0.308

*In 2007, Siemens VDO accounted for 270t of VOCs and 60kg of R11 equivalents

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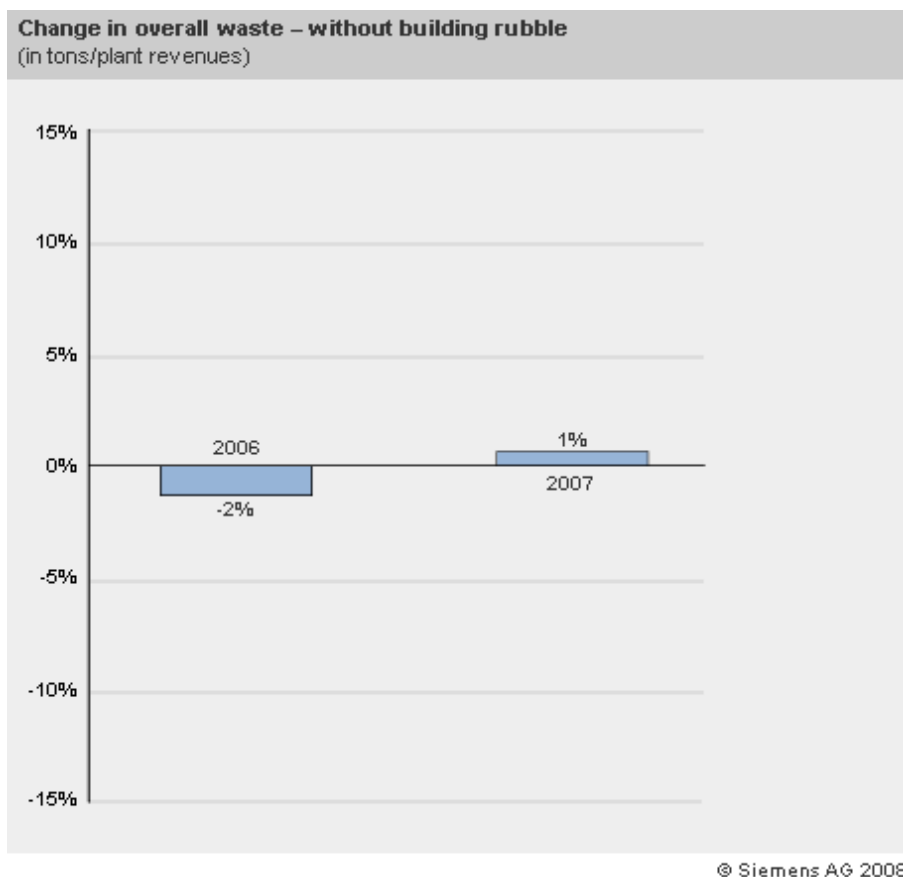
Waste

Waste's environmental relevance depends on how potentially hazardous it is and on how it is disposed of. We therefore differentiate between hazardous and non-hazardous waste and between waste that is recovered and waste that is disposed of. Given that the amounts of construction waste – building rubble and excavated material – depend extensively on the scale of construction and demolition activities and can have a considerable impact on total waste figures, we report these materials separately.



Siemens VDO's share in 2007: 850t of construction waste; 6,000t of hazardous waste; 34,000t of non-hazardous waste.

The drop in the waste volume between 2006 and 2007 can be attributable to a lower volume of building rubble. Other waste increased by 5 percent, of which half was generated by new locations.



We were unable to improve our overall waste performance, company-wide. In total, the change in the KPI in the past two years amounts to an efficiency gain of just one percent. In 2007, efficiency actually dropped by one percent.

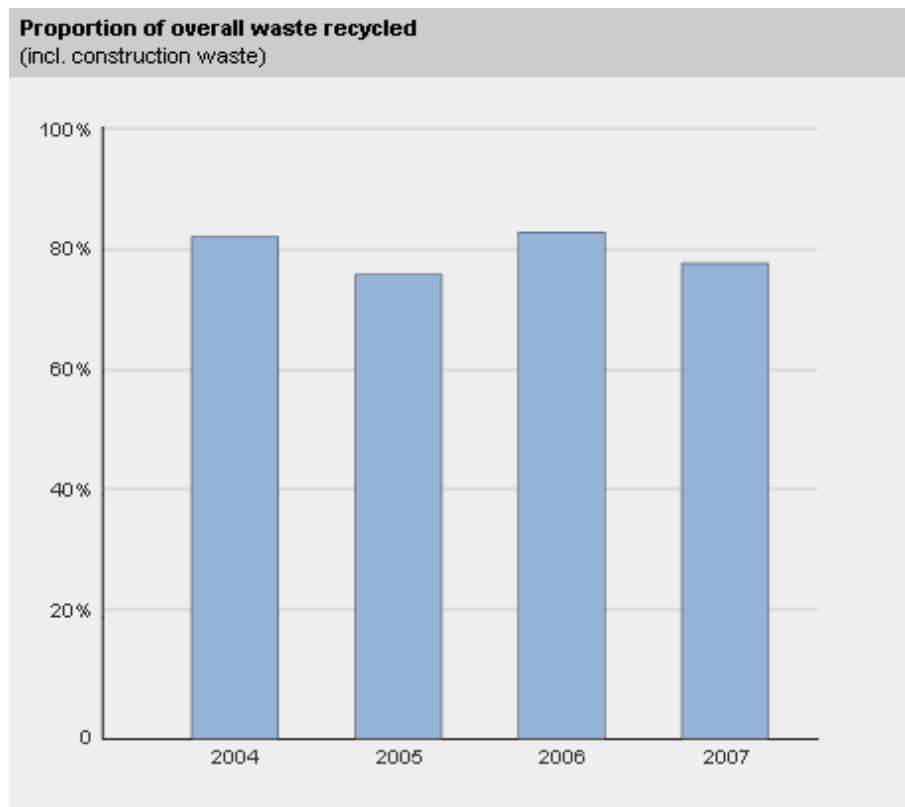
If we are to successfully improve our performance by achieving the company target of a 15 percent increase in efficiency by 2011, we need to step up our efforts considerably.

The rise in our absolute waste output between 2004 and 2006 is due to the following: Our volumes of hazardous and non-hazardous waste increased in 2006, because 26 waste-intensive locations operated by our Automation and Drives (A&D) Group were added to our environmental data tracking system. These include Flender, a company that manufactures large gearboxes for ships and wind power plants.

The majority of our building rubble in 2006 was generated by a special building project conducted by our Power Generation Group in Duisburg: A legacy site purchased by the Group had to be remediated, requiring the excavation and processing 123,000 tons of contaminated soil. Today, a brand new, large-scale testing centre for gas and steam turbines and compressors stands on the site.

The increase in the volume of hazardous and non-hazardous waste recorded in 2005 is due to 18 OSRAM Sylvania facilities reporting their data for the first time. Osram Sylvania is a U.S. subsidiary of our lighting maker OSRAM.

Besides tracking our absolute waste volumes and our environmental performance in the area of waste, we also monitor our recycling rate: In 2007, this dropped slightly, partly as a result of the reduced volume of building rubble.

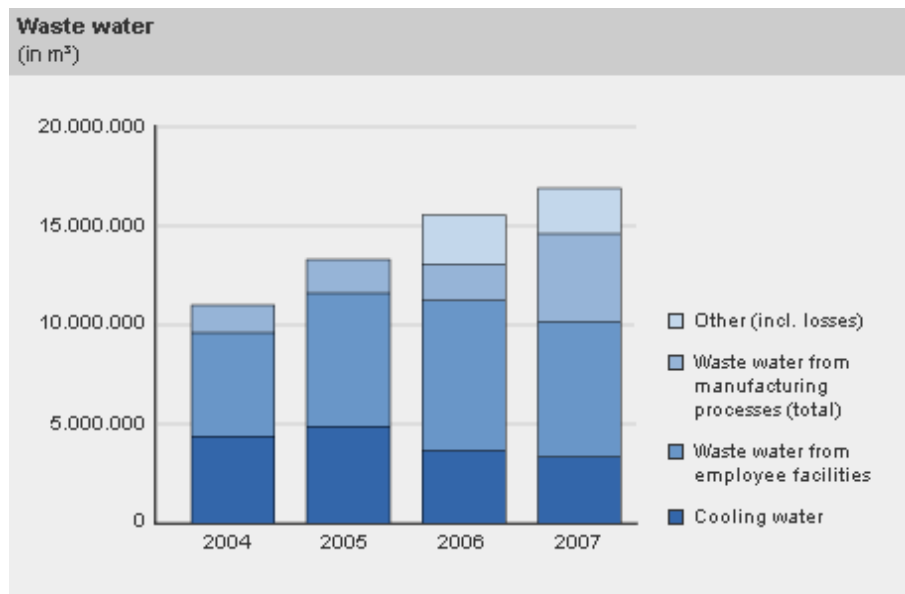


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Siemens VDO achieved a recycling rate of 80 percent in 2007.

Water and waste water

In fiscal 2007, we used around 16.7 million cubic meters of raw water worldwide. (This figure does not include approximately twelve million cubic meters of cooling water drawn from and returned to water sources without any change to its chemical makeup.)

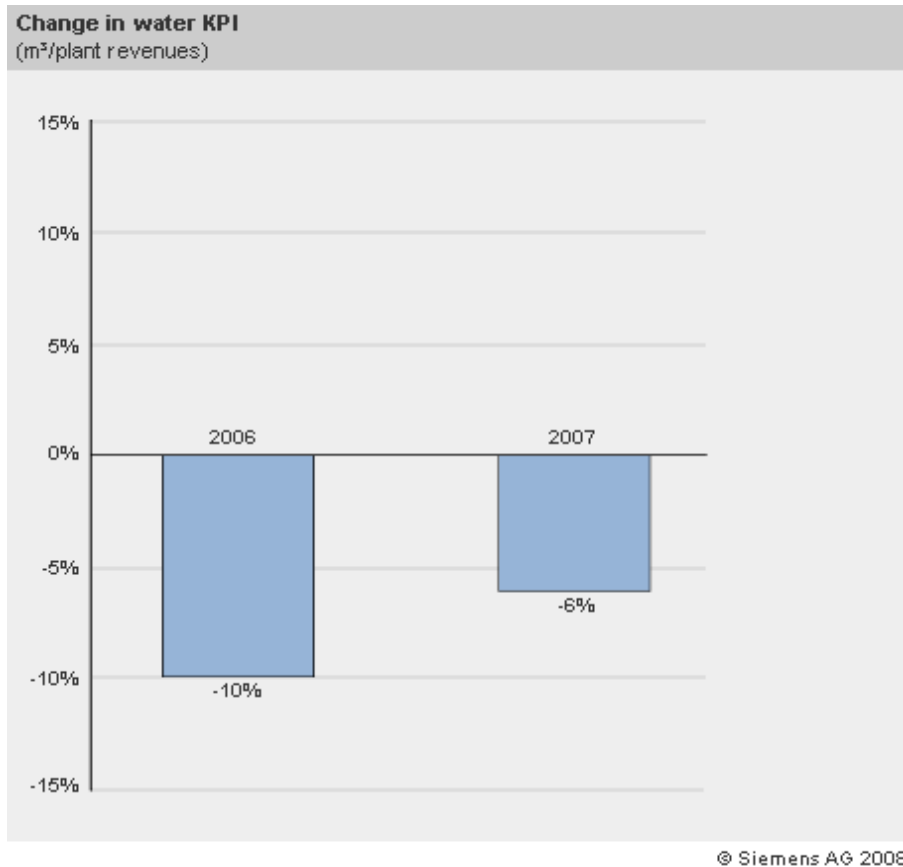


Siemens VDO's share in 2007: 400,000m³ of cooling water; 800,000m³ of waste water from employee facilities; 90,000m³ of waste water from manufacturing processes; 400,000m³ of other water.

As of 2007, 30 Siemens Water Technologies locations are included in our reporting process. This addition is evident from our figures for waste water generated by manufacturing processes: The new segment accounted for 2.4 million cubic meters.

The increase in our absolute volume of waste water in 2006 is largely the result of an improved data recording system, introduced to enable us to compare fresh water consumption with waste water output more effectively. With this new system, we can now take into account water losses as well as water used in parks and gardens (included in the chart under "Other").

The higher water consumption in 2005 is primarily due to the addition of Osram Sylvania locations in the U.S. to our reporting system. These locations are exceptionally energy-intensive and water-intensive.



In spite of the increase in Siemens' absolute water consumption, the company has improved its environmental performance with regard to water over the past two years. The efficiency gain of 6 percent in 2007 means that we need to achieve a further 14 percent increase in efficiency by 2011.

Ongoing expenses and capital expenditure

In fiscal 2007, Siemens' ongoing expenses and capital expenditure on environmental protection totaled €35 million and €24 million, respectively.

Capital expenditure and ongoing expenses that are clearly connected to an environmental issue, such as air pollution or noise, are booked under environmental protection. This applies both to end-of-pipe solutions and to production-integrated measures. The figures also include expenses associated with setting up and maintaining our environmental management systems.

Environmental protection forms an integral part of our business processes – not just in manufacturing but also in other areas like product development or sales and marketing. In our factories, we often implement measures that are necessary from a manufacturing or business perspective but also have the benefit of reducing our environmental impact. However, the attendant costs are not reported under environmental expenditure. This means that we actually spend more on environmental measures than we can show in our environmental reporting.

Environmental protection has a long tradition at Siemens. Over the years, we have invested heavily in waste water treatment, air pollution control, and environmental management systems, and our task now is to maintain systems. Our investments are paying off in that we now spend less than in the past on environmental protection. In 1995, for example, we spent around €110 million on environmental protection.

Product Stewardship

Our products, systems and services have to fulfill high environmental standards. The environmental product declarations we publish for many of our products, provide comprehensive environmental information for our customers regarding the entire product life cycle. With our products and solutions being part of our environmental portfolio we support our customers to reduce emissions and protect the climate.

Environmental portfolio

Within the "environmental portfolio" Siemens offers exceptional products and solutions contributing actively to environmental and climate protection, especially during the use phase. The three key criteria that qualify products for inclusion in the environmental portfolio are high energy efficiency, renewable energies, and environmental technology.

Today, the environmental portfolio already generates about 20 percent of our revenues. As the growth of the market we meet with our environmental portfolio increases above-average, we aim to achieve a growth in sales of at least 10 percent annually with these products.

The products and solutions of our environmental portfolio enable our customers to obtain the carbon dioxide abatement which is a multiple of our greenhouse gas footprint.

Our goal is to be one of the world's top three vendors in wind, biomass and solar thermal energy.

Environmental portfolio	2006	2007
Revenue from environmental portfolio products/solutions (billions of euros)	14.7	16.9
Customers' additional annual greenhouse gas savings (millions of tons)	24.2	30.1

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Further information can be found in the section about our Environmental Portfolio.

Evaluation of environmental impacts

For optimizing our products' environmental performance we use several instruments. Our internal standard SN 36350, for example, requires that designers and engineers conduct a systematic evaluation of a product's environmental impacts already during the development phase. For several products we also carry out life cycle assessments (LCAs) and life cycle screenings, including evaluations of products' cumulative energy demand (CED). Here, we mainly focus on product families where the LCA supports us in finding ways to optimize the environmental benefit of our products and systems and where we deduce future development focuses.

	Rated with LCAs			Rated with LCA screening		
	2005	2006	2007	2005	2006	2007
Coverage (percentage of total revenue*)	39%	37%	56%	28%	53%	61%

* Basis: Percentage share of total revenue generated by company units conducting LCAs and LCA screening for selected products, as compared to the total number of units in which LCAs would be of relevance (IT services not included); sales-related, adjusted to portfolio changes.

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Environmental product declarations

We publish environmental product declarations (EPDs) to inform our customers about our products' environmental footprints. These data sheets are created on the basis of part 7 of SN 36350 which is in accordance to ISO 14021 (Environmental labels and declarations – Self-declared environmental claims). However, due to our heterogeneous product portfolio and the diversity of our customers' needs and requirements, not all our business units publish EPDs.

EPDs	2005	2006	2007
Coverage (percentage of total revenue generated by company units with EPDs*)	38%	43%	41%
* Basis: Company units that publish EPDs for selected products/systems, as compared to the total number of units in which EPDs would be of relevance; sales-related, adjusted to portfolio changes.			

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Suppliers

Since May 2007, all new and renewable purchasing contracts must incorporate the Code of Conduct for Siemens Suppliers as a company-wide requirement. In order to intensify our efforts to impose the Code of Conduct for Siemens Suppliers as a requirement for all current supplier relationships in the supply chain, we have asked our most important suppliers, starting in May 2007, to accept as binding upon them the Code of Conduct for Siemens Suppliers and the related cooperation obligations and rights of Siemens.

Code of Conduct for Siemens Suppliers has been implemented

The Code of Conduct for Siemens Suppliers, which was introduced with worldwide effect on May 4, 2007, is more than just a well-meaning statement of intent. To ensure compliance with Siemens' sustainability principles, we took an important first step in the past fiscal year by informing our most important suppliers in writing of our new Code of Conduct for Siemens Suppliers and asking them to undertake a written, contractual commitment to comply with the principles set forth in the Code of Conduct for Siemens Suppliers. Elements of this written undertaking include the obligation to conduct supplier self-assessments and clauses that grant certain auditing and cancellation rights to Siemens in case of violations.

From May 2007 to the end of the company's fiscal year, 59 percent of our most important suppliers issued this written undertaking. We have managed to increase the return rate to 71 percent by the middle of fiscal year 2008.

Supplier audits with Corporate Responsibility monitoring module

In order to fully exploit the existing synergy potential in the task of auditing our suppliers to verify compliance with our sustainability requirements, we have decided that quality audits which are conducted as a general rule throughout the company worldwide will be added as a monitoring module to the Code of Conduct for Siemens Suppliers. Siemens conducts several thousand quality audits every fiscal year and a growing number of those audits also cover compliance with the company's sustainability requirements. The audits are planned and conducted in our business units on the basis of centralized guidelines for using the CR monitoring module. The Quality Management Department, which reports directly to the Managing Board, adopts the minimum company-wide requirements for the CR audit protocol and monitors its conduct. Depending on their specific needs, our business units can adopt additional contents for the CR monitoring module and supplement the audit protocol accordingly.

An important element of our supplier audits has proven to be the question of whether our suppliers are imposing the sustainability requirements of the Code of Conduct for Siemens Suppliers on their own suppliers. A need for improvement in this respect was discovered in the course of numerous audits. More detailed information on this subject will be reported in the 2008 Corporate Responsibility Report.

Corporate responsibility reporting in the supply chain as of fiscal year 2008

An assessment of the sustainability performance of our suppliers and the measures we have taken in this regard can tell us whether the activities we have undertaken on the basis of the Code of Conduct for Siemens Suppliers are really making an effective contribution to the continued implementation of our fundamental sustainability principles. Therefore, this assessment will be at the center of our future reports on corporate responsibility in the supply chain. Starting with fiscal year 2008, our corporate responsibility reports will cover the following indicators or topics at least:

- Number of supplier audits conducted, with a key to indicate the regional breakdown
- The deficiencies noted in connection with these audits, broken down by
 - Content, according to the requirements of the Code of Conduct for Siemens Suppliers
 - Regional distribution

- The measures adopted by us in respect of the deficiencies noted in the audits, broken down by
 - Type of measures adopted
 - Regional distribution

The regional distribution is based on the segmentation applied in Siemens' financial reporting: Germany, Europe (excluding Germany), Americas, Asia/Pacific, Africa/Near & Middle East/CIS.

We certainly encourage honest feedback from our suppliers on the subject of our program, being convinced that the positive assessment of our activities from our suppliers represents an important contribution to the success of our efforts. Starting in fiscal year 2008, we will also report on the results of the survey conducted in connection with the supplier self-assessments:

- Evaluation of our sustainability management program by our suppliers

We are currently evaluating the possibility of reporting additional information on the conduct of the supplier self-assessments. We will report the results of this evaluation in the 2008 Corporate Responsibility Report.

Employees

Our highly skilled and qualified workforce is expanding, especially in Asia-Pacific countries. Overall, though, our employee population shrank in fiscal 2007.

Workforce size

Due to the carve-out of Siemens VDO and much of COM, our headcount contracted by 16 percent year over year in fiscal 2007; the number of women in the workforce dropped by a slightly higher margin.

Employees	2005	2006	2007
Total	460,800	474,900	398,200
Women	27%	27%	26%

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Workforce distribution by Region

Siemens' workforce is expanding faster in Asia-Pacific than in other Regions.

Employees by Region	2005	2006	2007
Germany	36%	34%	32%
Europe excl. Germany	27%	27%	26%
North America	16%	15%	18%
Latin America	6%	6%	5%
Asia-Pacific	12%	15%	16%
Africa/Middle East/CIS	3%	3%	3%

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Women in the workforce

The number of women in the workforce is highest in Asia and in Latin America. Around one-third of all employees in these Regions are women.

Women in the workforce by Region	2005	2006	2007
Germany	24%	24%	21%
Europe excl. Germany	27%	27%	26%
North America	26%	26%	26%
Latin America	36%	35%	33%
Asia-Pacific	34%	34%	32%
Africa/Middle East/CIS	26%	28%	28%

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Employees' qualifications

To drive innovation and turn technological advances into globally marketable products, we rely on highly qualified employees in all of the world's regions. Since 2005, the number of Siemens employees with a university-level qualification has risen sharply. In North and Latin America, we have seen a significant gain of around five percentage points. In Africa, the increase was even more pronounced: Here, the number of employees with a university degree rose eight percentage points. The number of university and college graduates in the Siemens workforce is highest in Asia-Pacific and in Africa (46 percent) and lowest in Germany (32 percent) and in North America (30 percent). However, in Germany we have an exceptionally high number of employees with vocational training (49 percent), as well as a significant number across Europe as a whole (34 percent). By contrast, employees with this type of qualification are less numerous in other Regions, with numbers ranging from 10 percent in Africa to 22 percent in Latin America.

Employee qualifications	2005	2006	2007
University degree	34%	36%	37%
Vocational training	35%	33%	32%
Unrelated qualifications or no prior training	31%	31%	31%

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Employee qualifications by Region in 2007	University degree	Vocational training	Unrelated qualifications or no prior training
Germany	32%	49%	19%
Europe excl. Germany	40%	42%	18%
North America	30%	10%	60%
Latin America	35%	22%	43%
Asia-Pacific	46%	15%	39%
Africa/Middle East/CIS	46%	9%	45%

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Training and continuing education

In 2007, we spent EUR376 million on employee training and continuing education – on average, €944 per employee. Our expenditure on continuing education totaled €211 million, compared to €165 million on training new hires. In 2007, Siemens (excluding VDO and COM) was training 9,400 young people to cover its HR needs.

Vocational trainees by Region	2005	2006	2007
Germany	7,200	7,100	6,300
Europe excl. Germany	1,930	2,120	1,600
North and Latin America	840	1,000	500
Africa	170	130	100
Asia	960	900	900
Total	11,100	11,250	9,400

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Society

We see corporate citizenship as being about helping in different and quantifiable ways to advance society and sustain our host communities.

We fulfill our commitment to good corporate citizenship in a variety of ways – through charitable giving, sponsorships and company-funded employee initiatives, as well as through corporate programs and projects. In recent years we have taken steps to channel our grants more tightly than in the past and to focus funding on our Siemens Generation21 and Siemens Caring Hands citizenship programs and their objectives. Our aim remains to improve the efficacy and efficiency of our initiatives worldwide while at the same time raising the profile of our citizenship efforts so as to communicate more effectively what we are doing.

- Expenditure by category
- Charitable expenditure
- Expenditures by Regions
- Corporate Citizenship expenses

Charitable expenditure

In fiscal 2007, we refined our reporting processes to enable us to track our global corporate citizenship expenditures more exactly and to clearly categorize areas of funding. We have defined the following categories: Arts and Culture, Humanitarian and Social Affairs, and Education and Research. For greater transparency, we prefer to distinguish clearly between charitable expenditure on corporate citizenship and expenditure that is, say, more marketing-driven or cannot be booked clearly under one of the three aforementioned categories. This means we have taken great care in categorizing spending on grants and corporate citizenship initiatives – one reason why total overall grants are down slightly in 2007. Also new in our 2007 report is that we distinguish between financial and in-kind contributions. This means that figures for 2005 and for 2007 cannot be compared directly.

We are currently assessing the feasibility of tracking and valuating time donated by employees in corporate volunteerism programs and have launched a pilot project in China, Germany, India and the U.S. to explore this option.

Expenditure by category

Expenditure by category (€)	2005	2006	2007
Financial contributions	Arts and Culture: 4.7 million	Arts and Culture: 5.0 million	Arts and Culture: 5.4 million
	Public welfare: 9.0 million	Public welfare: 7.2 million	Humanitarian and Social Affairs: 10.0 million
	Learning and Research: 10.6 million	Learning and Research: 8.6 million	Education and Research: 16.6 million
	Dialogue: 1.4 million	Dialogue: 2.2 million	Initiatives will be reclassified (see below)
	Amounts < 2,500: 11.8 million	Amounts < 2,500: 15.2 million	Initiatives will be reclassified (see below)
	Other: 0.1 million	Other: 2.5 million	
In-kind contributions: Grants of products or services, projects, partnerships, etc.	n.a.	n.a.	Arts and Culture: 0.1 million
			Humanitarian and Social Affairs: 1.6 million
			Education and Research: 0.7 million
Total	37,533,824	40,656,990	34,271,831

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Whereas the Arts and Culture category remained in place in the past fiscal year, the categories Public Welfare and Learning and Research were redefined as Humanitarian and Social Affairs and Education and Research. As of fiscal 2007, all grants formerly reported in the category Dialogue are assigned to these two new categories. Minor grants that are aggregated and booked together (previously, amounts up to €2,500, now amounts up to €5,000 as of this fiscal year) are booked to the above categories.

Charitable expenditure

Charitable expenditure (€)	2005	2006	2007
Financial contributions	37,533,824*	40,656,990*	31,913,090**
In-kind contributions: Voluntary work by employees during working hours	n.a.	n.a.	10,185 hours in China, Germany and India; 10,847 hours in the U.S.
In-kind contributions: Grants of products or services, projects, partnerships, etc.	n.a.	n.a.	2,358,741
Total	37,533,824	40,656,990	34,271,831
As a percentage of pre-tax profits	0.9%	1.19%	0.67%
* Education, Public Welfare, Arts and Culture, Dialogue			
** Education and Research, Humanitarian and Social Affairs, Arts and Culture			

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Expenditures by Regions

Expenditure by Regions in fiscal 2007 (€)	Education and Research	Humanitarian and Social Affairs	Arts and Culture	Total
Germany	7,702,913	2,804,790	3,447,608	13,955,311
Europe excl. Germany	2,187,884	2,655,947	1,803,058	6,646,889
North America	5,832,202	3,385,588	168,405	9,386,194
Latin America	282,942	861,608	38,475	1,183,026
Asia-Pacific	1,086,448	2,085,272	16,859	3,188,578
Africa/Middle East/CIS	162,476	336,871	16,924	516,270

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The €604,074 difference between the grants listed by category and the grants listed by Region is due to the COM carve-out. COM corporate-level grants can be identified and subtracted out, but expenditure by individual COM units in the Regions, especially smaller amounts, cannot be tracked and listed individually. As a result, the aggregate contributions by Regions exceed the aggregate contributions by categories.

Company-wide expenditure on direct corporate citizenship projects – as part of our Siemens Generation21 and Siemens Caring Hands programs, for example – is booked to Corporate Communications' budget. Spending on these projects is tracked in a worldwide survey of marketing and communications expenditures spanning communications departments in all our company units and regional units. The survey enables us to analyze expenditure amounts and structures by individual programs, thus easing the process of evaluation and control.

Corporate citizenship expenditures (in Corporate Communications) in fiscal 2006 and 2007:

Corporate Citizenship expenses

Corporate Citizenship expenses (within Corporate Communications)			
Expenses (Mio. €)	Category	2006 ¹⁾	2007 ¹⁾
Net project expenses	Community related projects incl. donations (Siemens Caring Hands)	4.7	4.4
	Educational programs related projects incl. donations (Siemens Generation21)	6.2 ²⁾	6.0
	Siemens Arts Program	1.9	1.9
	Other projects	2.4 + 0.6 ³⁾	2.2 + 1.1 ⁴⁾
Net project expenses total		15.8	15.6
Corporate Citizenship global coordination	Incl. personnel, training, internal communications expenses	5.5	6.0
Total		21.3	21.6

Because the figures for fiscal 2006 and fiscal 2007 reflect different circumstances (e.g. acquisition/sale of company units, categories) they are only comparable to a limited extent. For instance, SiemensVDO (SV) is included in the figures for fiscal 2006 but not for fiscal 2007, while OSRAM is included in fiscal 2007 but not in fiscal 2006.

1) Fiscal year from October 1 to September 30

2) Contains an additional budget from Corporate Finance (CF) for Siemens Generation21: school (€1.8 million) and university (€1.9 million) projects

3) Communications related to sustainability projects with environmental topics; category no longer included under CC in fiscal 2007

4) Community related projects incl. donations; Comm. related to sustainability projects: only at OSRAM, not yet entered in fiscal 2006

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A review of internal reporting figures for the fiscal years 2006 and 2007 reveals room for improvement in the way data is recorded and expenditures are assigned to specific categories. Nonetheless, there has been major progress in how we track our grants, sponsorship, and corporate citizenship spending worldwide.

Goals

Based on the results of a materiality analysis, we have identified those areas of corporate responsibility in which we want to achieve significant improvements in the coming years.

The Materiality Portfolio outlines the management priorities we have adopted for the coming years. It therefore represents the basis for the Siemens CR Program and the goals of that program.

An especially important goal is to reduce the energy consumption of our manufacturing operations and our products, in order to make a significant contribution to meeting the climate protection goals of the European Union. Other important goals are to achieve an excellent position with regard to external assessments, especially those of stock analysts and investors. In the future, we intend to provide our customers with more in-depth information about the environmental benefits of our products. Furthermore, we intend to engage in more intensive exchanges with our most important stakeholders, in order to identify opportunities and risks at an early stage.

The section entitled "Summary of Goals" provides a preview of the activities that will be undertaken to coordinate CR measures and goals at Siemens, as well as the projects and goals that have been adopted for the defined management priorities of human rights and Millennium Development Projects. In the past, the functional departments adopted their own goals within the framework of the corporate strategy. The same decentralized approach will be taken to advance the operational implementation of the projects conducted by the functional departments.

In the following, the various functional departments report on the goals that have been set within the framework of the corporate strategy and the progress they have achieved to date with regard to achieving those goals.

Environmental Protection

Climate protection and environmental protection pose great challenges to Siemens, already today and will continue to do so in the future. By means of the goals we have set, we can assure continuous improvement on a worldwide basis.

Siemens published quantified goals for improving its environmental performance for the first time in fiscal year 2006. By fiscal year 2011, we want to increase our environmental performance in the areas of energy/CO₂ and water by 20 percent in both cases. With regard to waste, we have set the goal of increasing our environmental performance by 15 percent.

On the way to achieving these goals, we can already point to several successes. In the last two years, for example, we have achieved continuous improvements in the areas of energy efficiency (primary energy) and water. In the past fiscal year, we achieved a good portion of the planned efficiency improvement by 2011 with respect to the company's consumption of water and primary energy. Nonetheless, the efficiency improvement in the CO₂ emissions from primary energy use and electricity consumption was below average in 2007. Only in the area of waste production has the company not achieved any improvement to date.

Appropriate reporting systems and management instruments are needed to reliably assess and manage the company's environmental performance. The Siemens Environmental and Technical Safety Information System (SESIS) provides a consistently solid data basis for this purpose. In the period covered by this report, only about 5 percent of the data calculated in SESIS was missing. The degree of coverage offered by the formal environmental management systems based on ISO 14001 is still about 85 percent.

Specific programs have been initiated to ensure the fulfillment of our goal of establishing certifiable environmental management systems at all environmentally relevant locations in the next few years.

Industrial environmental protection program	
Performance indicator	Goal
Improvement of environmental performance with regard to energy consumption (manufacturing locations subject to the EMS ¹⁾)	20% by 2011 ²⁾
Improvement of environmental performance with regard to CO ₂ emissions (manufacturing locations subject to the EMS ¹⁾)	20% by 2011 ²⁾
Improvement of environmental performance with regard to water (manufacturing locations subject to the EMS)	20% by 2011 ²⁾
Improvement of environmental performance with regard to waste (manufacturing locations subject to the EMS)	15% by 2011 ²⁾
Implementation of Environmental Management Systems at all environmentally relevant locations (locations subject to the EMS)	100% by 2011
Implementation of environmental reporting at all environmentally relevant locations (locations subject to reporting requirements)	100% by 09/2008
1) Environmental Management System	
2) As of fiscal year 2006	

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Product Stewardship

With our environmentally compatible products and solutions, we make an important contribution to climate protection and environmental protection already today. Nonetheless, we intend to increase this contribution substantially by way of our environmental portfolio.

In the coming years, we intend to increase the volume of revenues generated with the Siemens environmental portfolio and thereby more than triple the CO₂ reductions achieved with the help of our products and solutions, compared with 2006. We also intend to provide more detailed information about the environmental compatibility of our products to our customers and other stakeholders by producing a broader spectrum of Environmental Product Declarations (EPDs) for our products.

Program: Product-related environmental protections	
Performance indicator	Goal
Revenues generated with the environmental portfolio	25 billion euros in fiscal year 2011 (2006: 14.7 billion euros)
Quantity of CO ₂ emissions our customers avoid by the use of Siemens products and solutions per year	275 million tons in fiscal year 2011* (2006: 84 million tons*)
Number of business units that voluntarily waive the use of restricted substances according to the RoHS Guideline in their electronics products, although these products are not covered by the RoHS Guideline	All business units within the scope of application (company's own electronics manufacturing operations), which today comprise more than 90% of products*
Number of Divisions issuing environmental compatibility declarations for their products according to Siemens' in-house standard SN 36350-7 "Product Declaration"	<ul style="list-style-type: none"> ▪ To increase the number of environmental compatibility declarations ▪ Such declarations to be issued also by the divisions Drive Technologies, Industry Solutions, Power Transmission, Power Distribution, Fossil Power Generation and Renewable Energy by fiscal year 2010
Development of training modules for: <ul style="list-style-type: none"> ▪ Environmentally compatible product development according to SN 36350 (module for product developers) ▪ Integration of restricted substances into the requirements profile for suppliers (module for purchasing managers) 	by 10/2009 by 10/2008
Complete integration of restricted substances into contracts with suppliers	by 10/2010
*A business unit is considered to have waived the use of restricted substances if at least 90 percent of its products comply with the RoHS guideline. One-hundred percent compliance is not always possible since some products cannot comply with the guideline for technical or economic reasons (for example, availability of components, long-standing delivery obligations).	

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Suppliers

With the Code of Conduct for Siemens Suppliers, we want to make a real contribution to the worldwide implementation of responsible business practices. Besides monitoring our suppliers, we also want to build capacity for sustainable development, which is a key element of the improvement measures agreed with our suppliers in connection with our corporate responsibility audits.

In the past fiscal year, 59 percent of our suppliers agreed to abide by the Code of Conduct for Siemens Suppliers. And by the middle of fiscal year 2008, 71 percent of our suppliers had made this commitment. We intend to conclude the pilot phase of our self-assessments for suppliers and commence worldwide implementation of those self-assessments by the end of fiscal year 2008. These steps represent an important addition to our supply chain monitoring activities and also serve the goal of receiving feedback from our suppliers about the effectiveness of our sustainability management program.

"Suppliers" program	
Performance indicator	Goal
Have our most important suppliers commit to observe the sustainability requirements of the Code of Conduct for Siemens Suppliers	by 09/2008
Conclude the pilot phase and commence implementation of the self-assessments for Siemens suppliers	by 09/2008
Establish a global monitoring system for supplier development	by 09/2008
Intensify the training for Siemens auditors in matters of the content requirements for audits of compliance with the Code of Conduct and develop a global training concept to encompass all future training activities	by 09/2008

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The indicators and topics to be applied in our reporting on sustainability management in the supply chain as of fiscal year 2008 were developed on the basis of the goals published in the 2006 Corporate Responsibility Report 2006. For details, see chapter "Key Figures/Suppliers".

We are currently studying the possibilities for reporting on the improvements achieved in the sustainability performance of our suppliers on the basis of the knowledge gained from our monitoring activities. The possibilities for doing this are the following:

- To use the evaluation of the sustainability performance of the audited suppliers that is contained in the audit protocol, or
- To use the overall evaluation contained in the self-assessments.

We will report on any (interim) results of this analysis in the 2008 Corporate Responsibility Report.

As soon as we have been able to collect sufficient quantitative data from the evaluation of the Siemens sustainability management program by our suppliers, we will quantify a performance goal and to improve the rate of positive feedback from our suppliers and establish a time frame for this purpose, which will be published in the Corporate Responsibility Report for fiscal year 2009.

Employees

We strive to uphold worker safety and health protection on the highest level, as part of our corporate responsibility and as a basic prerequisite for top performance.

In order to continue being better than the industry average with regard to worker safety and health protection, we need to evaluate the effectiveness of our management systems in their entirety and develop strategies for improving them. To this end, we established an international reporting system for worker safety and health protection in fiscal year 2007. This system will make it possible to track and assess all important indicators of our worldwide locations and construction sites, as well as those of relevant suppliers, already in fiscal year 2008.

Employees program	
Performance indicator	Goal
Percentage of non-compliance incidents in the area of occupational health and safety that have been clarified within ten days: 80 percent	Ongoing
Percentage of non-compliance incidents in the area of occupational health and safety that have been clarified within 60 days: 100 percent	Ongoing
Implementation of a global benchmarking project to improve our goals and methods	by Dec. 2008
Implementation of a worldwide monitoring system to provide relevant information to the management on a regular basis	Launch Sept. 2008
Implementation of self-assessments for project and manufacturing locations	by Jan. 2009
Implementation of integrated, risk-oriented company audits (including occupational health and safety)	by April 2009

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The implementation of these goals, and especially the benchmarking project, will give rise to further performance goals, which will be quantified and scheduled in the upcoming reporting period:

- Reduction of reportable illnesses
- Reduction of lost work days
- Reduction of traffic accidents in traffic and transport operations
- Number of reports of non-compliance with internal standards

Society

The strategic consolidation and refocusing of our corporate citizenship activities are meant to enhance the quality of life in society, while also strengthening our “license to operate.”

The overriding goal in fiscal year 2007 was to realign our corporate citizenship activities to better reflect our core competencies and to allocate the available donations to certain thematically delineated programs. To this end, we developed clear criteria and recommendations for the Siemens companies in the regions. Also, we extended the corporate citizenship programs Siemens Generation 21 and Siemens Caring Hands, which were developed on the basis of these criteria, to 50 countries of the world. The thematic and financial consolidation of our corporate citizenship expenditures was further advanced by other measures, including an improvement of the internal reporting system and project evaluation program. The online Sponsoring & Hospitality Governance Tool, which has been available on the Siemens intranet since June 2007, serves the purpose of centrally tracking and evaluating the company’s worldwide sponsoring projects in the areas of education and science. Furthermore, larger projects must be approved by corporate headquarters. This tool is used to monitor the compatibility of the planned corporate citizenship measures with the objectives, target groups and defined priorities, and to ensure compliance.

The CR Award, a companywide contest that was held for the first time in fiscal year 2007, was instrumental in promoting a company-wide evaluation of our projects. More than 180 projects were submitted to the contest. The best five projects were honored and communicated throughout the company as best practices. The criteria we developed for evaluating corporate citizenship projects can also be used for the general evaluation of all our projects. Another goal that we set and were able to accomplish in fiscal year 2007 was to develop a disaster prevention program within the framework of Siemens Disaster Relief.

We have set ambitious goals for the coming year as well, in order to further improve the efficiency and effectiveness of our corporate citizenship activities.

“Society” program	
Performance indicator	Goal
Establish sector-oriented corporate citizenship partnerships with key customers and/or strategic partners in order to build capacity in the areas of education, volunteering and disaster relief	Three model projects in every sector by 09/2009
Percentage of the worldwide Siemens donations that can be attributed to the defined humanitarian/social welfare priorities	80% by 04/2010
Further develop the worldwide reporting and advisory system for corporate citizenship activities	by 09/2008
Develop a set of analytical instruments to measure the significance of social welfare activities, which will also include an evaluation method for the regional companies, among other things	by 09/2008
Introduce these analytical instruments to key regions	as of 10/2008

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Ratings and Rankings

Companies are audited with respect to their sustainability strategy, their environmental and social performance and the quality of their reporting by a diverse group of institutions. Of these, the ratings published by the sustainability-oriented rating agencies are among the most important.

Sustainability-oriented ratings

These rating procedures employ detailed questionnaires to determine which companies engage in especially sustainable business practices, in the interest of ethically or environmentally aware investors. One of the most widely-accepted methods is the annual rating published by the Zurich-based SAM Group, which selects the companies for the Dow Jones Sustainability Index. These and other ratings also provide important indications to be considered in developing our own management priorities.

As a result of the assessments conducted for 2007, Siemens was again selected for inclusion in the Dow Jones Sustainability World Index (DJSI World) and the European Dow Jones STOXX Sustainability Index (DJSI STOXX).

SAM evaluation of performance (2005-2007)			
	2005	2006	2007
Economic dimension	81%	65%	47%
Ecological dimension	59%	61%	73%
Social dimension	65%	69%	70%

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Siemens is a regular participant in the survey of FT-500 companies in connection with the Carbon Disclosure Project (CDP). Most recently, Siemens was selected for inclusion in the Climate Leadership Index of CDP 4.

Global Compact Index

Like few other companies in the world, Siemens possesses a tradition and a corporate culture that places a high priority on corporate responsibility. That is because, ever since it was founded, Siemens' goal has been to pass on the company's legacy to the coming generations, and because we are integral members of society in nearly 190 countries of the world and because we strive to shape the future not only through innovations, but also through training and education. This commitment is underscored by our membership in the Global Compact of the United Nations, which dates back to November 2003. In this regard, we expressly profess adherence to the ten principles of the Global Compact and promote them wherever we operate as a company.

In the past year, we at Siemens have continued to pursue our goals and projects with single-minded dedication, despite or in some cases precisely because of the significant changes and extraordinary events that have occurred within our company. Some important steps that have been accomplished include the introduction of the Code of Conduct for Siemens Suppliers, various measures related to compliance and the development of our environmental portfolio.

With the worldwide roll-out of the Code of Conduct for Siemens Suppliers in fiscal year 2007, which is being accompanied by special training programs for our employees, we are sending important signals, internally and externally, in support of human rights, freedom of association and the abolition of forced labor and child labor. By calling for the unconditional respect of human rights everywhere in the world, our Code of Conduct raises awareness for the importance of human rights. This effect extends not only to the many employees of Siemens who are directly affected by the Code of Conduct, but also to our suppliers, who are obligated to observe our Code of Conduct as well.

In the tables that follow, we outline the management systems and guidelines that Siemens has implemented, the measures that have been taken in the past year and the successes that have been achieved in relation to the ten principles of the Global Compact.

Principles 1 to 5

Principle 1: Support of human rights

Principle 2: Exclusion of human rights abuses

Principle 3: Assurance of freedom of association

Principle 4: Elimination of all forms of forced labor

Principle 5: Abolition of child labor

Systems

- Business Conduct Guidelines
- Code of Conduct for Siemens Suppliers
- Management System for Suppliers

Measures

The "Basic Requirements for Suppliers" that have been in effect since 2002 were refined and the new Code of Conduct for Siemens Suppliers was introduced as binding rules for all suppliers.

The senior managers of the corporate functions of procurement, quality management and compliance were required to attend the Procurement Compliance Conference in China.

Accomplishments

More than 3,000 suppliers have undertaken in writing to observe the Code of Conduct. Since the beginning of 2007, moreover, the Code of Conduct has been incorporated as an obligatory element of all new and renewed procurement agreements.

Principle 6: Elimination of discrimination

Systems

With 398,200 employees in nearly 190 countries, we employ the best people in every region of the world. Besides benefiting from their qualifications, we are also enriched by their different national, social and cultural backgrounds. We promote this diversity with our binding, companywide Guiding Principles for Promoting and Managing Diversity.

Measures

As part of its partnership with UNICEF, Siemens is involved in the provision of school education for children in the poorest countries of Africa. By supporting the UNICEF project "Schools for Africa," Siemens wants to give children – especially girls – opportunities for the future through basic education and help mitigate the discriminating effect of poverty.

Accomplishments

Through its Young Ladies' Network of Technology, or YOLANTE for short, Siemens seeks to whet the interest of young women in science and engineering and encourage them to pursue one of the many highly promising career opportunities in these fields, where they can make significant contributions to the future of society.

Principle 7: Precautionary approach to environmental protection

Systems

We consider environmental protection to be our duty, part of our commitment to society. This understanding is anchored in the Siemens Environmental Mission Statement of October 1998.

Measures

By the year, 2011, Siemens is striving to achieve the following efficiency improvements over 2006: energy (20%), water (20%), waste (15%)

Accomplishments

Energy savings can be achieved and greenhouse gas emissions reduced by means of technical innovations in building systems – as in, for example, the Siemens Real Estate (SRE) business unit, in connection with the Green Building program.

Principle 8: Specific initiatives to promote environmental protection

Systems

Our goal is to design our products, systems and solutions to be safe and environmentally compatible, as a fundamental prerequisite for long-term success in the market. Therefore, our Business Conduct Guidelines stipulate the environmentally friendly design and safety of products as binding, companywide goals. Our internal guidelines and norms also contain specific requirements to this end.

The Siemens Norm SN 36 350 serves the goal of assuring the environmentally compatible design of our products and systems.

Measures

The goals developed in conjunction with our Fit4 2010 Program with regard to the voluntary substitution of certain potentially hazardous substances went far beyond the requirements of the RoHS Directive. For example, we have already substituted more environmentally friendly products for the critical substances of lead and bromine in the production of our printed circuit boards.

Accomplishments

The PEPINO PROPRO project (Product-related Environmental Protection – Integration of requirements into product development process) of Siemens Building Technologies (SBT) seeks to ensure that all environmentally relevant aspects of the Product Evolution Process (PEP) are taken into consideration already in the planning and development of new products.

Principle 9: Diffusion of environmentally friendly technologies

Systems

Our goal is to design our products, systems and solutions to be safe and environmentally compatible, as a fundamental prerequisite for long-term success in the market. Therefore, our Business Conduct Guidelines stipulate the environmentally friendly design and safety of products as binding, companywide goals. Our internal guidelines and norms also contain specific requirements to this end.

The Siemens Norm SN 36 350 serves the goal of assuring the environmentally compatible design of our products and systems.

Measures

For Siemens and its stakeholders, climate protection and environmental protection represent an excellent opportunity, which we intend to fully exploit by means of the Siemens Environmental Portfolio. Our energy-efficient products and solutions, renewable energies and environmental technologies can help our customers reduce their CO₂ footprint, lower their lifecycle costs and protect the environment.

Accomplishments

We have adopted ambitious revenue goals for our Environmental Portfolio. In 2006, the revenues generated from these products amounted to approximately 14.7 billion euros; in 2007, we increased this figure to 16.9 billion euro. Our goal is to generate revenues of 25 billion euros from our environmental portfolio by the year 2011. Also, we intend to be among the top three suppliers of products and solutions for wind energy, biofuels and solar thermal energy. To this end, we will invest more than two billion euros of our R&D budget in developing environmentally friendly technologies.

Already today, we generate about 20% of our total revenues from the products and solutions of our environmental portfolio. Because the markets we are seeking to tap for our environmental portfolio are experiencing above-average growth, we have set to goal of achieving year-on-year revenue increases of at least 10%.

Principle 10: Measures against corruption

Systems

The Managing Board Chairman of Siemens AG, Peter Löscher, has declared that anti-corruption measures are a priority for the senior management. He and the entire Siemens Managing Board will personally strive to anchor an awareness for ethical and lawful conduct throughout the company. Our Business Conduct Guidelines (applicable to dealings with business partners and third parties) codify the basic values to be observed by all employees at all times.

Measures

To raise awareness for compliance matters, Siemens has consolidated all its internal anti-corruption regulations within a single, easy-to-use source, the "Siemens Compliance Guide Anti-Corruption", which has been distributed to every employee throughout the company, without exception.

The Compliance Help Desk with its "Ask us" function is a central contact point for our employees for all questions related to compliance matters, including anti-corruption. Our compliance experts are available to help 24 hours a day.

As a logical addition to the Compliance Help Desk, the second function known as "Tell us" gives our employees and all external stakeholders the chance to report any indications of possible violations of the Siemens Business Conduct Guidelines, through the internet or on the telephone, in any one of 160 languages. The incoming reports are not traced or registered.

Accomplishments

Between February and October 2007, 1,400 managerial employees received intensive training in matters of anti-trust law and anti-corruption. A total of 36,000 employees have completed our web-based training program on the specific rules and regulations to be observed in money transfers, accounting and the handling of gifts, for example. All together, up to 100,000 employees will complete this training program.

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