

The Siemens logo is displayed in a white rectangular box. The word "SIEMENS" is written in a bold, teal, sans-serif font. The background of the entire page features a light blue gradient with faint, stylized technical drawings of a gear and a circuit board, along with vertical columns of binary code (0s and 1s) on the left side.

SIEMENS

Sustainability Information 2015

As addendum to the Siemens Annual Report

siemens.com

Dear Readers,

In 2015, sustainability was regarded as one of the most critical and globally relevant topics on the political and business agenda. In June, the heads of state of the seven largest industrial nations in the world committed to decarbonizing the global economy by the end of this century. Such a commitment is essential to limit global warming to 2°C and thus slow down climate change. In September, the United Nations adopted the goals for sustainable development as a general principle for the next 15 years.

Now, more than ever, companies are called upon to fulfill their role as corporate citizens. And at Siemens, we accept this role without reservation or restriction. We are convinced that a company is only entitled to exist if it creates sustainable value for society over the long term.

We apply the principles of sustainability at Siemens across the entire value chain – from our suppliers, through our own operations, to our customers – by designing sustainable products and solutions. In the last fiscal year, our Environmental Portfolio enabled our customers and partners throughout the world to significantly reduce their CO₂ emissions by 487 million tons. This corresponds to around half the annual CO₂ emissions of Germany. As a result, they have been able to enhance their energy efficiency while increasing their competitiveness.

But we want to achieve more – and we can achieve more. We have therefore decided to reduce our own CO₂ emissions more quickly: Siemens aims to be the world's first major industrial company to achieve a net-zero carbon footprint by 2030. Our goal is to cut our carbon dioxide emissions – which currently total about 2.2 million metric tons a year – in half by as early as 2020.

To achieve this goal, we will invest some €100 million over the next three years in order to improve the energy efficiency of our production facilities and buildings. This investment is expected to generate annual savings of €20 million. We will also install our own distributed and renewable-energy systems at a growing number of our facilities. For example, we already generate around 80% of the total electricity consumed at our plant in Sacramento – which builds locomotives and light-rail vehicles for the U.S. market – using photovoltaic systems, and we

are in the process of building wind turbines at many of our production facilities. These investments are sustainable from two perspectives: the ecological and the economic.

We support global initiatives to reinforce sustainability standards around the world and extend our know-how. We are fully committed to the targets and principles of the United Nations Global Compact and its CEO Water Mandate. We support the WEF Climate CEO Statement and the “We Mean Business Initiative.” We believe ethics is a key characteristic of sustainability. Since its launch in 2009, the “Siemens Integrity Initiative” has implemented 55 anticorruption projects in over 20 countries, receiving so far more than US\$70 million in support. This initiative will continue to support organizations and projects in the process of combating corruption.

External rankings and ratings prove that we are on the right track. For instance, this year we were again recognized in the Dow Jones Sustainability Index as one of the most sustainable companies in our industry. We also obtained best possible results from the Carbon Disclosure Project (CDP), an index reflecting the climate-protection measures implemented by companies.

And Siemens will continue to apply sustainable business practices in the future. We are very cognizant of our responsibilities as a corporate citizen. We make sure we contribute toward advancing society. This is our commitment to present and future generations.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Joe Kaeser'.

Joe Kaeser

A handwritten signature in blue ink, appearing to read 'Roland Busch'.

Dr. Roland Busch

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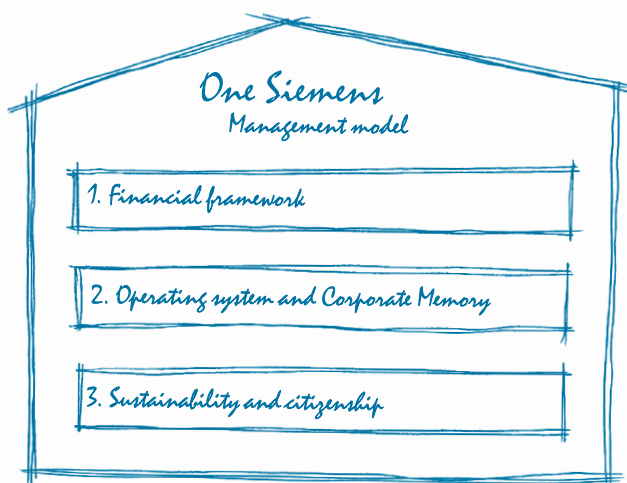
Sustainability at Siemens

An abstract geometric diagram in the bottom right corner, featuring concentric circular arcs and radial lines. A small circle is connected to the diagram by a line, and a small diamond is also connected. The diagram is rendered in light gray and blue tones.

Sustainability at Siemens

For almost 170 years, we have had a clear commitment to thinking and acting in the interest of future generations. We believe acting responsibly is the only way to achieve a balance between profitable long-term growth and the planet and people.

Sustainability has been anchored in our strategy for many years and integrated into our Siemens Management model. We are guided by sustainable business practices in our interactions with external and internal stakeholders, and we “walk the talk” within our own operations. We aim to minimize risks for society, the environment and our company. Similarly, we identify business opportunities to ensure we are sustainable for the long term. We are convinced that sustainability, especially in the sense of energy and resource efficiency, is a business opportunity, and one worth seizing.



With our expertise and passion, our innovative offerings, partnerships and local presence, we contribute to our customers' competitiveness and to the sustainable development of societies. Advancing sustainability is a key element for our aim to be the employer of choice.

Materiality

In regular dialogue with external and internal stakeholders, we identify sustainability topics based on their importance for Siemens and our stakeholders and prioritize them by materiality. The prioritization shows the action areas identified as the key levers for sustainable business success on which we will continue to focus in the future. We conducted a comprehensive process to detail the priorities of “Sustainability and Citizenship” within our “One Siemens Management model.”

The process closely integrated analyses of macroeconomic developments; the way we respond to the five megatrends Demographic Change, Urbanization, Climate Change, Globalization and Digitalization; results from our dialogues with external and internal stakeholders; and assessments from the Company's specialist functions. The results were then discussed with our Sustainability Board and ultimately approved by our Managing Board and Supervisory Board. The following 12 principles were defined in this process:

PROFIT

- > We contribute to our customers' competitiveness with our products, solutions and services.
- > We partner with our customers to identify and develop sustainability-related business opportunities.
- > We operate an efficient and resilient supply chain through a supplier code of conduct, risk management and capacity building.
- > We proactively engage with our stakeholders to manage project and reputational risks and identify business-relevant trends.
- > We adhere to the highest compliance and anticorruption standards and promote integrity via the Siemens Integrity Initiative.

PLANET

- > We enable our customers to increase energy efficiency, save resources and reduce carbon emissions.
- > We develop our products, solutions and services based on a life-cycle perspective and sound eco-design standards.
- > We minimize the environmental impacts of our own operations by applying environmental management programs.

PEOPLE

- > We contribute to the sustainable development of societies with our portfolio, local operations and thought leadership.
- > We foster long-term relationships with local societies through Corporate Citizenship projects jointly carried out with partners.
- > We live a zero-harm culture and promote the health of our employees.
- > We live a culture of leadership based on common values, an innovation mindset, a people orientation and diversity.

These principles guide us in the process of adhering to our global strategy and define the impact we have on our customers, on our suppliers, in our own operations and in the societies we are operating in. Siemens divisions and regional entities define their material action areas in adherence to the above centrally defined 12 principles and in alignment with the One Siemens Management model.

In the following sections we set out the key facts and figures on environmental and social topics that are most material to Siemens and significantly impact our stakeholders. These topics are directly derived from the 12 principles and guided by the GRI G4 reporting guidelines. The “GRI G4 – key aspects and boundaries” overview in the Annex illustrates how we link our 12 principles with the key material aspects of GRI G4. All material economic aspects are covered in the Siemens Annual Report 2015.

Sustainability outlook

Based on the above principles, we will step up our efforts in two specific areas in fiscal 2016 and beyond:

CO₂ NEUTRAL SIEMENS

At Siemens, we believe that taking action against climate change is not just prudent – it’s profitable. That’s why we have launched our “CO₂ neutral Siemens” program in September 2015: Taking 2014 as a baseline, we plan to cut our global carbon footprint from our own operations in half by 2020 and make our global operations carbon neutral by 2030. The reduction of CO₂ will be safeguarded by a set of activities:

- > We will invest more than €100 million in improving energy efficiency at our own sites over the next three years.
- > We will boost our use of distributed energy systems at our own sites by combining wind turbines, small gas turbines, solar panels, intelligent energy management systems and energy storage solutions.
- > We will focus on optimizing our company fleet of about 45,000 vehicles producing roughly 300,000 metric tons of carbon emissions per year.
- > We will buy clean power. To make up for the emissions that cannot be avoided in the near term, we will purchase electricity from renewable sources like wind parks and “carbon credits” from credible organizations working to reduce carbon around the world.

BUSINESS TO SOCIETY

Our lasting contribution to society has not only been a moral and legal obligation for us for almost 170 years, but lies at the center of our business activities with societies being our ultimate customers.

For us, being a business to society means bringing our mission “We make real what matters” to life in the societies we are operating in and in demonstrating how Siemens’ portfolio, own operations, thought leadership activities and voluntary contributions translate into sustainable societal value.

Via the electrification, automation and digitalization value chain, all our businesses contribute significantly and measurably to the sustainable development of societies around the globe. With more than 348,000 employees in nearly all countries, our own operations and supplier network provide a valuable contribution to employment, the local economy and skills development, while ensuring stringent standards with regard to health, safety, compliance and the environment. We are committed to consulting with societies and applying our thought leadership and domain expertise in our business activities and beyond. We drive voluntary external activities in projects on education, environmental protection, compliance and social inclusion.

In fiscal 2015, we developed methodologies on how to assess and measure our impact on the societies we are operating in as the outcome of two pilot projects in the Great Britain and South Africa. In fiscal 2016, we will roll out these methodologies to several of our key countries. In this way, we are equipping our local teams with the necessary expertise for making strategic choices on the four elements of the Business to Society framework: portfolio, own operations, thought leadership and voluntary activities.

Sustainability management and organization

The importance we attach to sustainability is evident from the central position it holds within our Company’s organization, in our programs and in the measures we execute. Efficient sustainability management is a company-wide task that requires clear structures and thorough embedding of sustainability within our corporate culture. All our sustainability activities are steered by the **Chief Sustainability Officer (CSO)**, who is a member of our Managing Board and who chairs the **Siemens Sustainability Board (SSB)**, which consists of representatives from divisions, countries and corporate functions. The **SSB** is the central steering committee for sustainability at Siemens. It meets regularly to direct our sustainability activities as part of our corporate strategy and adopts appropriate measures and initiatives. The **Sustainability Director** manages the **Sustainability Office**, which is responsible for driving sustainability within Siemens and for coordinating the sustainability activities and other company-wide programs and measures. He directly reports to the Chief Sustainability Officer. Additionally, sustainability is anchored across the organization by our global network of **Sustainability Managers** in the various divisions, countries and corporate units, ensuring that all measures and initiatives are implemented.

Sustainability collaborations

Our sustainability efforts are based on our Business Conduct Guidelines, which provide the ethical and legal framework within which we conduct our business activities. They contain the basic principles and rules for our conduct internally and externally. Specific issues, such as those relating to the environment, are covered in more detailed regulations and guidelines. The Business Conduct Guidelines are binding for all companies controlled by Siemens. We require all our suppliers to comply with the principles of the code of conduct for Siemens suppliers, which includes respect for the basic rights of employees; strong safety, and health and environmental protection standards and zero tolerance on corruption and bribery.

Furthermore, we believe that close collaboration with stakeholders supports us in addressing complex, interlocking sustainability challenges. Maintaining an intensive dialogue with partners along the supply chain and with external stakeholder groups and organizations is important for us. We listen to our stakeholders and integrate their perspectives into our business priorities and decision-making processes. Stakeholder engagement creates value for both stakeholders and the Company through knowledge exchange and co-creativity. It is essential for our business license to operate and contributes to the improvement of business conditions and risk reduction on customer projects and in our own operations. Our stakeholder relations are managed by the dedicated departments at the corporate level. Responsibility for their strategic implementation lies within the remit of our local colleagues in the regional entities, which engage with local stakeholder groups on a regular basis everywhere we operate worldwide. Our key stakeholders include, but are not limited to: customers, investors, suppliers, employees, communities, policymakers, media, nongovernmental organizations, business organizations and academia.

We actively engage with leading sustainability organizations such as the World Business Council for Sustainable Development (WBCSD) and the United Nations Global Compact. We are a member of the "Task Force on Anti-Bribery/Corruption" of the Business and Industry Advisory Committee to the OECD. Our activities in the World Economic Forum (WEF) include the company's participation in the "Pact against Corruption" initiative and the Siemens General Council's membership in the "Global Agenda Council on Transparency and Anti-Corruption".

We are committed to international standards and guidelines for sustainability. We signed the UN Global Compact and committed to its 10 principles as well as signed the Global Compact's CEO Water Mandate. We signed the "Charta der Vielfalt," too, and are an engaged member of One Young World. We report on our sustainability performance using the guidelines (G4) of the Global Reporting Initiative (GRI), which aim for high transparency and comparability for corporate sustainability reporting.

Sustainability performance

Siemens has been part of the widely respected **Dow Jones Sustainability Index** for 16 consecutive years. In 2015, we were ranked, with 90 of 100 points, as one of the best companies in the Industry Group "Capital Goods." We also earned high ratings on a number of other indexes and rankings, including **CDP** (formerly the Carbon Disclosure Project). For the first time, Siemens has achieved the highest possible score of 100 out of 100 possible points for the transparency of its reporting on the opportunities and risks associated with climate change. In addition, our efforts to achieve energy efficiency and cut CO₂ emissions enabled Siemens to reach the Climate A List.



Facts and Figures



Reporting method

Sustainability is a fundamental principle for us, guiding our very actions. Our "Sustainability Information 2015 as addendum to the Siemens Annual Report" supplements our reporting in the Annual Report 2015. The reporting method provides details of the underlying key elements on which our reporting is based.

REPORTING APPROACH

The "Sustainability Information 2015 as addendum to the Siemens Annual Report" ("the Report") describes the strategy, organization, initiatives and goals for ensuring sustainability. It supplements our reporting in the Annual Report, following on from last year's reporting. It also serves as our annual progress report on implementing the United Nations CEO Water Mandate and sums up our performance with regard to the 10 principles of the United Nations Global Compact. Furthermore, our Report is guided by the G4 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI) and the recommendations of the Global Compact and Transparency International regarding anticorruption reporting. All key performance indicators of the Environmental Portfolio are reported according to the "Environmental Portfolio Reporting Principles" included in the Annex.

REVIEW PERIOD AND REPORT BOUNDARIES

This Report is based on activities carried out during Siemens' fiscal 2015 (October 1, 2014 – September 30, 2015). Any exceptions are indicated as such. In general, our fully consolidated companies are all covered by the Report. Here, too, possible exceptions regarding the pool of data used are indicated. Minor equity investments are not included in our reporting.

The indicators and information reported below relate to the Company's continuing operations, unless indicated otherwise. In order to ensure comparability of the details, those for the previous year were adjusted accordingly, with any exceptions duly indicated.

DATA COLLECTION

Given Siemens' size and global spread, gathering data poses a major logistical challenge. Moreover, our companies throughout the world are required to comply with local regulations concerning the compilation and definition of performance figures, which means that the data generated is not always comparable. Where applicable, we point out any significant limitations in the information presented in the Report. As a rule, no company-wide standards exist for the information published in the Report. This applies in particular to specific financial figures, including, for example, the revenue attributable to the Environmental Portfolio. As a result, these figures may not be comparable with the data published under the same or similar designations by other companies. The data published in this Report is collected through various internal reporting systems, which, for the most part, are different from those applicable to the financial information presented in our Consolidated Financial Statements. In particular, the standards and controls applied and the computer systems used during the preparation of the data may be less comprehensive in comparison. We reserve the right to change our internal guidelines regarding the inclusion of data in the Report without prior announcement. Due to rounding, numbers presented throughout this Report may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

INDEPENDENT ASSURANCE REVIEW

We prepared our Report to high quality standards. Consequently, as in previous years, we again commissioned an independent accounting firm to conduct an assurance review of the "Sustainability at Siemens" and "Facts and Figures" chapters of this Report to provide a limited degree of certainty. You can find the results of the review by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in the Annex. For such limited assurance engagements, which provide a limited degree of certainty, the evidence-gathering procedures are more limited than in a reasonable assurance engagement. The auditors merely confirm that nothing has come to their attention during the review that would cause them to believe that the information contained in the "Sustainability at Siemens" and "Facts and Figures" chapters of this Report has not been prepared, in all material respects, in accordance with the criteria of the Global Reporting Initiative (GRI) and with regard to the Environmental Portfolio indicators in accordance with the Environmental Portfolio Reporting Principles described in the Annex.

Employees*

People are one of Siemens' vital strengths. Employees have made Siemens what it is today, and their expertise, capabilities and high level of engagement are laying the foundation for our future success. To stay competitive, we need to continuously win and retain the best and brightest talent worldwide. As an employer of choice, we empower our diverse and engaged people worldwide with a high-performance culture, encourage life-long learning and development, offer an attractive working environment and ensure occupational health and safety. We also believe that employee engagement is a key driver for sustainable company performance. Since 2010, the Siemens Global Engagement Survey has been regarded as an important management tool for measuring employee satisfaction. In our "Vision 2020," we set the target to achieve an approval rating of over 75% on a sustainable basis in the key categories of Leadership and Diversity. In fiscal 2015, more than 260,000 Siemens employees (77% response rate) took part in our worldwide survey, demonstrating once again their strong commitment to shape Siemens, its values and its strategy. Based on the constantly high employee engagement and our results in both key categories in fiscal 2015, we are confident of achieving our target by fiscal 2020.

Demographic change, lifelong employability and the impact of digitalization are Siemens' key employee-related topics. As an employer of choice, we train and develop our people to master the challenges of the tough projects we are taking on for our customers. Each project and each task is an opportunity for personal and professional growth. We are respectful, inclusive and diverse. At Siemens, everyone has a variety of opportunities and everyone is treated in a fair way, even when times are tough. We flatten hierarchies and welcome individual contributions and different ways of thinking.

Siemens employees

	September 30,	
	2015	2014
Siemens (in thousands)	348	357
Europe, C.I.S., ¹ Africa, Middle East (as a percentage of total employees)	61	61
Americas (as a percentage of total employees)	21	21
Asia, Australia (as a percentage of total employees)	18	18

¹ Commonwealth of Independent States.

* All figures quoted in this section refer to continuing and discontinued operations; any deviations from this are indicated.

Proportion of women (as a percentage of total employees)

	September 30,	
	2015	2014
Siemens	23	24
Europe, C.I.S., ¹ Africa, Middle East	22	22
Americas	25	26
Asia, Australia	27	28

¹ Commonwealth of Independent States.

New hires were down by 3% in the year under review. In the same period, exits were down by 11%. The percentage of all Company dismissals – as share of employee exits – was 18.3% for the year, compared with 19.1% the previous year. All other variations result from changes in the basis for consolidation and other changes.

Siemens employee hires (in thousands)¹

	Fiscal year	
	2015	2014
Siemens	32.6	33.5
Europe, C.I.S., ² Africa, Middle East	15.4	14.7
Americas	9.1	8.9
Asia, Australia	8.0	9.9

¹ Discrepancies in totals are the result of rounding.

² Commonwealth of Independent States.

Women hired (as a percentage of new hires)

	Fiscal year	
	2015	2014
Siemens	25	29
Europe, C.I.S., ¹ Africa, Middle East	24	27
Americas	25	30
Asia, Australia	27	32

¹ Commonwealth of Independent States.

Siemens employee exits (in thousands)

	Fiscal year	
	2015	2014
Siemens	28.8	32.5

Employee turnover rate (in %)¹

	Fiscal year	
	2015	2014
Employee decision	4.0	4.1
Other reasons for exit	4.3	4.9
Total	8.3	9.1

¹ Employee turnover rate is defined as the ratio of voluntary and involuntary exits from Siemens during the fiscal year to the average number of employees.

Retiring within the next five years (as a percentage of total employees)¹

	September 30,	
	2015	2014
Siemens	15	14

¹ Based on the Siemens worldwide average retirement age of 60.

The distribution of employees by age group remained virtually unchanged compared with the year before. The median age in the year under review was 41.

Age structure in fiscal 2015 (as a percentage of total employees)¹

	< 35	35–44	45–54	> 54
Siemens	31	28	26	15
Europe, C.I.S., ² Africa, Middle East	27	27	30	16
Americas	27	26	27	21
Asia, Australia	53	31	12	3

¹ Discrepancies in totals are the result of rounding.

² Commonwealth of Independent States.

Average official weekly working hours¹

	September 30,	
	2015	2014
Siemens	39.0	39.0
Europe, C.I.S., ² Africa, Middle East	37.6	37.6
Americas	41.1	41.1
Asia, Australia	41.3	41.3

¹ Contractually agreed weekly working hours at the end of the fiscal year.

² Commonwealth of Independent States.

Use of working-hour programs at Siemens (in thousands)

	September 30,	
	2015	2014
Part-time	10.0	10.0
Employees on leave of absence	8.4	8.8

DIVERSITY

Diversity strengthens our innovative capacity and unleashes the potential of Siemens' employees, thereby directly contributing to our business success. All our activities, measures and programs aim at leveraging the diversity in the workforce and enhancing Siemens as an employer of choice. We strive for an inclusive working environment that taps the maximum potential of all employees. We want to create a working environment that is open to all people, independent of their cultural background, heritage, ethnicity, sexual orientation, gender identity and individual gender expressions. The focus areas are:

- > Diverse workforce at all levels
- > Women in leadership roles
- > Generational diversity
- > Employee networks
- > Inclusive culture

As an example, we have adapted our recruitment processes to ensure that the preliminary selection of candidates better reflects the diversity of our customers and employees at all levels and in all regions. For instance, the percentage of women in management positions at Siemens globally has nearly doubled since fiscal 2002, rising to 15.4%.

Employees in management positions¹

	September 30,	
	2015	2014
Siemens	63,000	53,300
Female employees in management positions (percentage of all management positions)	15.4	15.6

¹ Employees in management positions include all managers with disciplinary responsibility, plus project managers.

The increase of employees in management positions is caused by a broader definition of "management" introduced with a refined job-structure.

TALENT ACQUISITION AND DEVELOPMENT

We believe that people are the key to the success of Siemens and that attracting, developing and retaining them are the most important activities we can engage in. We are continually striving to hire the best people in the most effective way possible, which means we are revolutionizing the way in which we search, engage and onboard our future workforce. We have defined global principles, which all of our countries are applying to their recruiting activities to ensure that all candidates globally have a quality hiring experience.

At Siemens, we consider every employee a talent. Dedicated processes and practices are in place to ensure that our people develop across the board.

The Performance Management Process (PMP) is a one core element of talent development at Siemens. PMP essentially involves maintaining a continuous dialogue about expectations regarding individual contributions and behavior as well as feedback on actual impact and a demonstrated ownership mindset. At the same time, we aim to foster meritocracy. To reflect the focus on recognizing and rewarding high performance within Siemens, our compensation system for our top executives and senior management worldwide includes a variable component.

Furthermore, we promote concepts such as self-reflection on aspirations and abilities to grow into different roles and taking ownership for career development. To continuously develop our talents, we offer a varied portfolio of balanced people-development measures (on the job, people experiences and formal learning) as well as dedicated potential development programs.

LEARNING, LEADERSHIP DEVELOPMENT AND VOCATIONAL EDUCATION

We encourage our employees at all locations to develop their competencies and qualifications. In fiscal 2015, we invested around €265 million in continuing education (without travel expenses), which equals about €758 per employee.

Siemens Global Learning Campus is responsible for managing and offering the global learning portfolio to employees in all countries. It ranges from courses for employees and managers, through tailored training programs and services for groups, to solutions for entire organizations.

In fiscal 2015, the Global Learning Campus was reaccredited by the renowned European Foundation for Management Development (EFMD). The Corporate Learning Improvement Process (CLIP) accreditation emphasized, as a point of excellence, the creation of a globally integrated learning organization that reaches out to all Siemens employees worldwide and makes a significant strategic contribution to the company.

Siemens Leadership Excellence (SLE) is aimed at our current and future senior and top leaders. Targeted programs and offerings are provided to help them find long-term competitive and sustainable solutions to lead their businesses and employees.

Siemens continues to be one of Germany's largest providers of professional education for secondary school graduates (7,000 places for Siemens trainees and 2,700 places for trainees from other companies). As in previous years, we again made 10% of our trainee positions available to young people from disadvantaged backgrounds.

Each year since 2012, young Europeans (approximately 30 persons a year from about 20 countries) have been completing their apprenticeships in mechatronics and electrical/electronic engineering in Berlin. After the apprenticeships, they return to their home countries and work in one of our local operating companies. There is continuous growth in this field and we are in the process of establishing similar programs in other European and non-European countries.

Average number of training hours per participant per category¹

	Fiscal year	
	2015	2014
SLE Training Alumni Top Management (33 participants in fiscal 2015)	25	25
New General Management Appointees (97 participants in fiscal 2015)	94	94
New Advanced Management Appointees (429 participants in fiscal 2015)	66	64
New Management Appointees (463 participants in fiscal 2015)	66	66

¹ Based on mandatory participants in Siemens Leadership Excellence programs or executive courses.

Compared with the previous fiscal year, the average number of hours spent on training by participants in Siemens Leadership Excellence (SLE) programs remained unchanged in fiscal 2015. Training measures at the corporate management level are decided on and implemented as needed in close cooperation with the CEO and the Company's Managing Board.

SIEMENS EQUITY CULTURE

Siemens established its first employee share program in Germany back in 1969. Building on this successful program in Germany, Siemens decided in 2008 to extend employee and management participation. Today, Siemens offers approximately 97% of its employees in 67 countries the opportunity to become a Siemens shareholder, thus rewarding the commitment and loyalty of employees with a participating interest in the company.

The Share Matching Plan is based on a simple principle: Employees participating in the plan will receive one Siemens share without payment of consideration (matching share) for every three Siemens shares bought and continuously held for the applicable vesting period of two or three years – provided the employee is still employed by Siemens and has not transferred or sold the shares. The main idea of the plan has always been to make stock ownership available to employees at all income levels.

Siemens' Vision 2020 sets a clear goal to increase the number of employee shareholders from the current level of approximately 144,000 by at least 50%. With the aim of strengthening the participation of Siemens employees worldwide in the company's success, the Managing Board of Siemens AG is launching a new concept in fiscal 2015 called Siemens Profit Sharing. The Siemens Profit Sharing aims to allow employees below senior management level worldwide to benefit from free Siemens shares in the case of extraordinarily successful business years.

We are convinced that empowering employees with shares motivates them to assume greater responsibility and helps them identify more closely with the company they work for – a fundamental prerequisite for the sustainable development of Siemens.

EMPLOYEE RIGHTS AND RELATIONS WITH EMPLOYEE REPRESENTATIVES

Fair-minded collaboration between Company management, employees and employee representatives plays a central role at Siemens. As one of the largest corporate employers in Germany and worldwide, we are committed to our social responsibility and respect and uphold the fundamental rights of our employees – which already apply worldwide and are firmly anchored in our Business Conduct Guidelines. Underscoring this commitment, Siemens, the Siemens Central Works Council, the German trade union IG Metall and the global industrial union IndustriALL have signed an international framework agreement on the principles of corporate responsibility.

Occupational health and safety management

Occupational health and safety management are key elements of our Company's sustainable strategy and an integral part of our business processes. We therefore develop central programs and processes that are applied locally and adapted to the respective business needs. Occupational health and safety management are an integral part of our Business Conduct Guidelines, our internal monitoring systems, and our risk management and internal controls. In addition, occupational safety is part of an international framework agreement between Siemens AG, the Central Works Council of Siemens AG, IG Metall and the global union IndustriAll.

Promoting a culture of safety – In the past, occupational safety was often characterized by focusing on technical protective measures, an approach that achieved considerable success. We are convinced, however, that further improvement can be achieved only through an actively practiced occupational safety culture and optimal working conditions – in every country and for all Siemens employees as well as those of our contractors. Both as a company and as individuals, we are responsible for ensuring that the working environment at Siemens is safe at all times and for every employee. At present, local management systems and best practices exist that we can build on. We will achieve sustainability, however, only through a global and consistent approach.

Our customers, suppliers and regulatory authorities expect high safety standards from us. Safe behavior is governed not only by complying with laws, regulations and procedures, but also by the personal values of managers and employees. Our "Zero Harm Culture @ Siemens" program, which was launched in fiscal 2012, has been further developed and rolled out to drive the targeted cultural change on occupational health and safety. It contains three principles:

- > Zero incidents – it is achievable.
- > Health and safety – no compromises!
- > We take care of each other!

To align the different businesses and countries, we have developed a Zero Harm Culture @ Siemens Country Concept. In addition, our businesses and countries further improve safety at the local level through various activities according to local needs and requirements. One example of a local activity is the safety park in India, where Siemens and third-party project site managers and personnel are trained with a focus on high-risk

activities. The training is conducted together with TÜV Rheinland and ends with an exam and certificate. Management attention is of utmost importance in fostering and improving safety. The responsible CEO of the business concerned therefore demonstrates commitment by personally reporting any work-related fatality or serious incident, its cause and the measures taken to the Siemens Managing Board.

To achieve sustainable improvement and share lessons learned we have further strengthened our incident investigation capabilities by providing professional training and support. Several courses have already been completed.

In fiscal 2015, the overall number of fatalities was higher than in fiscal 2014. Regrettably, we reported 12 fatalities. Of these, four fatalities (all work related) involved contractors and eight involved Siemens employees. The eight Siemens cases included four commuting accidents on the way to or from work. In the previous year, there were three fatalities involving contractors and four involving Siemens employees.

Promoting health – We are convinced that sustainable health promotion among our employees will only succeed if all health-related measures and initiatives are consistently aligned with the permanently changing requirements of today's working environment and complement each other in a sensible manner. Simply increasing the number of individual measures in itself is not enough. A systematic approach is called for, within which health is actively managed as a resource. Our company-wide program Healthy @ Siemens supports a continuous improvement process within health management. To encourage implementation, we introduced the Health @ Siemens label as a quality characteristic for sustainable health management.

Our innovative approaches in health management are already recognized externally. Siemens Belgium received the "Healthy Workspaces Good Practice Award" in managing stress and psychosocial risk at work from the European Union.

ACCIDENTS WORLDWIDE

When recording lost-time injuries (LTIs), we incorporate the applicable national definitions for categorizing incidents as being work related.

| LTIFR employees and contractors¹

	Fiscal year	
	2015	2014
Employees ²	0.62	0.61
Contractors ³	0.45	0.40

- 1 Lost-time injury frequency rate: number of lost-time injuries (LTI) x 200,000 / work hours performed; LTIs are accidents that result in at least one lost day of work.
- 2 Depending on national regulations, foreign or temporary workers may also count as employees.
- 3 Contractors who bill by time, especially those who work on large project sites.

In order to reduce the number of accidents, we have introduced additional business-specific actions and activities, particularly on construction sites and in projects. We also take a very rigorous approach to selecting contractor companies and have introduced even more stringent occupational safety requirements.

Part of this approach is that specifically for health and safety management we require a detailed risk assessment for every construction site and project. For all identified hazards and the respective risks, appropriate measures have to be implemented. As a result of the systematic assessment process that we have developed and introduced, a number of contractor companies have been excluded from Siemens projects or are under review. They will not be considered by us as potential contractors until the identified issues have been rectified and assessment processes have been successfully completed again.

Significant progress in enhancing the collaboration with contractors and improving the safety culture was made in India. Siemens has developed a training center with the focus on construction sites to systematically qualify contractors with regard to local and Siemens-specific requirements. Experience and best practices in occupational health and safety aspects are systematically tracked and shared globally. In fiscal 2015, health and safety audits focusing on high-risk activities were carried out. For example, the Siemens internal audit department (CF A) was assigned to conduct EHS-audits. They completed 17 audits at divisions, including Process Industries and Drives and Wind Power and Renewables as well as at sites such as Brande (DK), Aalborg (DK) and Fort Madison (US).

OCCUPATIONAL ILLNESS

The total number of cases of occupational illness relative to the number of employees has remained at a low level for many years. The corresponding indicator (occupational illness frequency rate, or OIFR) relative to 1,000,000 work hours performed was 0.35 in the year under review (fiscal 2014: 0.36). Here we only report the figures for Siemens AG. OIFR is calculated solely on the basis of cases of occupational illness recognized by the Employers' Liability Insurance Association.

Research and development

Our research and development (R&D) activities are ultimately geared to developing innovative, sustainable solutions for our customers – and the Siemens businesses – and simultaneously safeguarding our competitiveness. For these reasons, we focus in particular on

- > enabling energy supplies that are also economically sustainable;
- > further enhancing efficiency in the generation of renewable and conventional power and minimizing losses during power transmission;
- > finding novel solutions for smart grids and for the storage of energy from renewable sources with irregular availability;
- > promoting the efficient utilization of energy, especially in building technology, industry and transportation – e.g., through highly efficient drives for production facilities or for local and long-distance trains;
- > creating the highly flexible, connected factories of tomorrow using advanced automation and digitalization technologies;
- > turning unstructured data into value-adding information – e.g., when providing services such as preventive maintenance;
- > advancing the integration of medical imaging technology, in vitro diagnostics and IT for medical engineering to support achievement of improved patient outcomes.

Beyond these points of focus, we recognize how important highly sophisticated software solutions are for all the fields of business in which Siemens is active. R&D activities are carried out by our businesses as well as our Corporate Technology (CT) department.

Corporate Technology is both a creative driver of disruptive innovations and a partner to the Siemens businesses. Their R&D activities are focused on the company's core activities in the fields of electrification, automation and digitalization. In many research projects, CT works closely with scholars from leading universities and research institutions. These partnerships, along with a close collaboration with start-ups, are an important part of Siemens' open innovation concept, which is designed to make the company even more innovative.

In fiscal 2015, we reported research and development expenses of €4.5 billion, compared with €4.0 billion in fiscal 2014. The resulting R&D intensity, defined as the ratio of R&D expenses and revenue, was 5.9%, thus above the R&D intensity of 5.6% in fiscal 2014. As of September 30, 2015, Siemens held approximately 56,200 granted patents worldwide in its continuing operations. As of September 30, 2014, it held approximately 56,100 granted patents. On average, we had 32,100 R&D employees in fiscal 2015.

RESEARCH AND DEVELOPMENT IN OUR BUSINESSES

R&D at the **Power and Gas** Division concentrates on developing products and solutions for enhancing efficiency, flexibility and economy in power generation and in the oil and gas industry. These products and solutions include turbomachinery – primarily high-performance, low-emission gas turbines for single operation or for combined cycle power plants – and compressor solutions for various process industries. The Division's technology initiative started in fiscal 2015 is aimed at intensifying R&D in innovative materials, advanced manufacturing methods and plant optimization. Along with promoting digitalization in overall product life cycles, Power and Gas is on track preparing for changing energy markets and their increasingly diversified centralized and decentralized structures.

At Siemens' **Wind Power and Renewables** Division, our R&D efforts are focused on innovative products and solutions that allow us to take the lead in performance, improve our competitiveness and build a stronger business case to present to our customers. This includes finding ways to more intelligently monitor and analyze turbine conditions and smart diagnostic services. Our R&D efforts also focus on digitalization. At our remote diagnostics center in Brande, Denmark, we collect digital data from nearly 10,000 turbines in more than 30 countries: a total of more than 24 million data sets annually. We use this data to provide value for our customers: In 85% of cases, problems can be corrected and turbines restarted without the need to send out a service team.

The R&D activities of our **Energy Management** Division focus on preparing our portfolio for changes on all voltage levels in the world of electricity. The increasing infeed of renewable energy to power grids requires that those grids become more flexible and efficient, particularly with distributed generation on the rise. The digitalization of future grids will enable intelligent grid operation and data-driven services. Cost-out programs and optimization of our footprint are improving the competitiveness of our product portfolio on global markets. Our innovations are centered on power electronics, digitalization or grid stabilization. The full integration of energy supply systems with process automation is a core portfolio element for industrial applications and infrastructures.

R&D work at the **Building Technologies** Division focuses on optimizing comfort, operational and energy efficiency in buildings and infrastructures, protecting against fire and security hazards, and minimizing related risks. We aim to create a portfolio of products and services, ranging from the field level to the cloud, based on open standards wherever possible. This includes data-based services for new ways of optimizing energy consumption, easily scalable and reasonably priced services, a new and harmonized system landscape with particularly effective integration of electrical consumption, fire detection and HVAC (heating, ventilation, air conditioning) systems, and a complete range of field-level products tailored specifically to growing markets.

The **Mobility** Division's R&D strategy addresses customers' demand for maximum availability, high throughput and enhanced passenger experience. Although there is a growing need for mobility worldwide, possibilities for building new roads and railways are limited. Meeting the demand for mobility requires intelligent solutions that make transport more efficient, safe and environmentally friendly. Reflecting this, Mobility's R&D activities strongly emphasize digitalization in developing state-of-the-art rail vehicles, automation solutions for rail and road traffic, and rail electrification systems. Most of these goals can be achieved only with intelligent IT solutions such as WLAN-based control systems for driverless and conductorless metro train operation, decentralized wayside architecture for rail automation, cloud-based product solutions, and Integrated Mobility Platforms that intelligently network passengers, mobility service providers and traffic management centers.

One of the R&D priorities at the **Digital Factory** Division is the Digital Enterprise Software Suite. Using Teamcenter software for central data management, the Digital Enterprise Software Suite creates a seamless data connection across the entire value chain – from product design to production planning and setup all the way to real production and subsequent service. Innovative data services are another field of research: Siemens has already developed an open cloud solution for analyzing large datasets in industry. Data-based services such as predictive maintenance, asset and energy data management can be hosted on this platform. Control of Hybrid Manufacturing is another example: Additive manufacturing (e.g., 3D printing) is combined with subtractive procedures (e.g., milling) in one machine to ensure that components or products with a high degree of individualization can be manufactured quickly and efficiently.

The R&D strategy of the **Process Industries and Drives** Division is focusing on the digitalization of crucial portfolio elements across the complete life cycle of processing plants. Innovative technologies for sensors, actuators, communications and simulations are prerequisites for end-to-end digitalization and automation and require, for example, consistent engineering, optimized and more efficient processes, and intelligent and predictive service concepts. The Division is also developing technologies for the digital oil field and the electric propeller pod drive. Our gears portfolio will be expanded and gears will be integrated into a digitalized condition-monitoring and controlling system while increasing energy efficiency, reducing material costs and further cutting emissions.

The R&D activities of our **Healthcare** business are directed toward our growth fields in therapy, molecular diagnostics and services. We want to tap the full potential of imaging solutions in therapy and to establish a closer connection between diagnostics and therapy in cardiology, interventional clinical disciplines, surgery and radiation oncology. Strategic partnerships are an essential part of our strategy to reach this goal. Expanding our innovation map beyond our established portfolio and investing in new ideas will help us tap new business fields. As an example, we will drive our activities in the highly dynamic growth field of molecular diagnostics. We will expand our services business beyond product-related services by adding a digital services portfolio and increasing enterprise transformation services to help customers in their transition to value-based care within more and more provider organizations across geographical borders.

Supply chain management

SUPPLY CHAIN MANAGEMENT PRINCIPLES

The principal goal of supply chain management (SCM) at Siemens is to provide a substantial and sustainable value contribution for the success of our businesses. The four elements of this value contribution include:

- > Productivity
- > Quality
- > Availability
- > Innovation

As such, the objectives clearly go beyond cost savings alone. In fiscal 2015, Siemens' purchasing volume amounted to approximately €38 billion, which equaled roughly half of our total revenue. Based on the priorities of the Siemens divisions, the Siemens Procurement Council defined several key levers to achieve the SCM value contribution in alignment with Vision 2020. With the reorganization of the SCM function concluded in 2015, a strong focus will be on the ratio output to input – i.e., the financial contribution of the SCM functions versus its cost of organization.

All purchasing activities are being executed within the limitations of our sustainability requirements. They are the guiding principles for our supply chain management and an integral part of all relevant supplier management processes – such as supplier selection, supplier qualification and evaluation, and supplier development.

REQUIREMENTS FOR SUPPLIERS

We require all our suppliers to comply with the principles of our "Code of Conduct for Siemens Suppliers and Third-Party Intermediaries", among which include, besides others, "respect for the basic rights of employees," strong "health and safety" and "environmental protection" standards, and as well as zero-tolerance on "corruption and bribery". The Code of Conduct is based on the 10 principles of the UN Global Compact and reflects the content of our Siemens Business Conduct Guidelines.

In fiscal 2015, we updated our Code of Conduct and included additional requirements on "fair competition, antitrust laws and intellectual property rights," a chapter on "conflicts of interest" and the avoidance of "conflict minerals." By doing so, we managed to harmonize our requirements for our Suppliers and our Third-Party Intermediaries with in one Code of Conduct.

IDENTIFYING RISKS AND IMPLEMENTING MEASURES FOR IMPROVEMENT

Due to our very large and widely spread supplier network – we procure from some 90,000 suppliers in over 160 countries – it is not possible for us to inspect all suppliers to the same extent by auditing them on site. We have therefore established a risk-based system to systematically identify potential risks in our supply chain. This system consists of sustainability self-assessments by suppliers, risk evaluations conducted by our purchasing departments, sustainability questions within supplier quality audits and sustainability audits by external auditors.

| Sustainability self-assessments¹

Number	Fiscal year	
	2015	2014
Europe, C.I.S., ² Africa, Middle East	940	549
Americas	543	423
Asia, Australia	2,025	1,162
Total	3,508	2,134

Results	Fiscal year	
	2015	2014
Category "green" (no deviations)	2,577	1,464
Category "yellow" (minor deviations) ³	436	342
Category "red" (suspicion of serious deviations) ³	495	328
Total	3,508	2,134

- 1 To be conducted mainly by suppliers from non-OECD states with a purchasing volume > €50,000 p.a. Questionnaires initiated and completed in the year under review.
- 2 Commonwealth of Independent States.
- 3 Clarification of the situation by the designated buyer, agreement on corrective measures within a defined period of time or completion of an external sustainability audit.

The sustainability self-assessments are, as part of the Siemens supplier qualification process, under continuous review in order to meet the latest requirements. Besides the qualification of new suppliers, our existing suppliers are periodically re-qualified in accordance with our supplier qualification process. This three-year-modus leads to a substantial increase in sustainability self-assessments compared with fiscal 2014.

| Supplier quality audits with integrated sustainability questions

Number	Fiscal year	
	2015	2014
Europe, C.I.S., ¹ Africa, Middle East	463	443
Americas	172	191
Asia, Australia	346	237
Total	981	871

- 1 Commonwealth of Independent States.

Since late fiscal 2013, we increased the number of supplier quality audits with integrated sustainability questions due to a modification of the audit procedure. We now assess sustainability in all supplier quality audits as part of the modified procedure. The strongest detection tool to review our suppliers' sustainability performance is an external sustainability audit. It is conducted by one of our audit partners. As a quintessential element of our risk-based approach, we use this tool as a control mechanism for higher risk suppliers. In fiscal 2015, the number of external sustainability audits remained stable.

| External sustainability audits

Number	Fiscal year	
	2015	2014
Europe, C.I.S., ¹ Africa, Middle East	9	9
Americas	1	7
Asia, Australia	40	33
Total	50	49

Agreed improvement measures ²	Fiscal year	
	2015	2014
Legal compliance/prohibition of corruption and bribery	136	203
Respect for the basic human rights of employees	357	331
Prohibition of child labor	35	24
Health and safety of employees	388	445
Environmental protection	170	44
Supply chain	56	67
Total	1,142	1,114

1 Commonwealth of Independent States.

2 Improvement measures agreed with suppliers relate either to actual deviations from the Code of Conduct or to structural improvements to management systems and the lack of specific processes and guidelines at the supplier.

If deviations from our requirements are identified in our sustainability self-assessments or different audits, they must be remedied by the suppliers in question within a reasonable period of time. Besides follow-up audits handled by our external audit partners, the responsible procurement units also discuss the corrective actions defined during our audits directly with the respective suppliers.

In all we do, we are guided by the principles of developing our suppliers in close partnership and building up their competencies for the long term. Deviations identified in the audits mainly relate to structural deficiencies in management systems and the lack of specific processes and guidelines at the supplier. This includes, for instance, measures to effectively ensure occupational health and safety and prevent corruption and bribery. Serious deviations, such as in the areas of "health and safety for employees," were identified at five suppliers but were corrected by the set deadline.

In the event of substantial deviations or an unwillingness to implement measures for improvement, we exclude the suppliers from any business with Siemens. To be faster and more effective in reacting to major breaches of the Code of Conduct requirements – e.g., proven child labor issues – we have implemented the process of a "Central Warning Message," which again was tightened in fiscal 2015: All local instances of blocked suppliers now have to be reported to Corporate SCM, where the necessity of a worldwide blocking is discussed and decided centrally. It allows us to block suppliers for all Siemens organizations worldwide in the short term.

Since fiscal 2012, we have been continuously working on the requirements for occupational health and safety standards for suppliers at our project construction sites. Specifically for the health and safety management systems, we require a detailed risk assessment for every site, an appraisal of the risks identified and measures to minimize them. In fiscal 2015, we promoted specially designed health and safety audits in our procurement organizations worldwide: The 12 largest countries identified their contractor business and their need to audit contractors to minimize health and safety risks. For fiscal 2016, Corporate SCM, together with the Siemens divisions and their local organizations, agreed on specific audit targets that include occupational health and safety audits at our project construction sites.

KNOW-HOW TRANSFER AND CAPACITY BUILDING

We continue to promote our strategy and belief that our suppliers' commitment to complying with our sustainability principles is most effective when it is based on their own convictions. The underlying key is to build up our suppliers' competency levels, while intensifying their knowledge of sustainability. In support of this, we updated our "Code of Conduct brochure" in 2015, which is available in both an electronic and print version. In addition to in-person meetings, we support our suppliers with an Internet-based information and training platform available free of charge to all suppliers. Currently, we are updating our respective "Web-Based Training," which will be published in fiscal 2016.

On top of that, sustainability is an integral part of the company-wide training programs for buyers. Moreover, all employees with purchasing responsibility are obligated to take part in intranet-based training on the subject of "Sustainability in the Supply Chain".

RESOURCE EFFICIENCY, CLIMATE PROTECTION AND REGULATORY REQUIREMENTS IN THE SUPPLY CHAIN

As part of CDP reporting, we collect and publish data on our greenhouse gas emissions (Scope 3) caused by purchased products and services.

We work to minimize the environmental impact within our logistics and transport network. To this end, a corporate tutorial provides our logistics employees with all the necessary information and tools to not only create and optimize sustainable logistics networks, but also design transport solutions within projects. The measures we have initiated include using carriers with modern fleets, optimizing our logistics networks, ensuring the contractual commitment of service providers to improve efficiency and bringing about modal shifts, for example, from air freight to sea or road freight to rail.

We continuously adapt our internal supply chain processes to meet new regulatory requirements such as the European Union Timber Regulation and the “conflict minerals rule,” which is mandatory for many of our customers in the United States. Both regulations require an in-depth transparency of the several tiers of our supply chain.

Siemens is aware of the challenging situation whereby products and components purchased from suppliers may contain minerals originating from conflict-affected countries. We therefore continue to pursue our Conflict Minerals policy, rolling out a uniform process to determine the use, source and origin of conflict minerals in our supply chain. We cooperate closely with our direct suppliers to support the process of carrying out these steps. Where necessary, we work with suppliers in order to mitigate risks and perform additional due diligence so that we can continue to source responsibly, building on established management processes.

Siemens has actively supported the “OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas” and will continue to do so as a pilot member in the initiative to develop the respective due diligence processes, expressly recognizing a risk-based due diligence in the mineral supply chain. We also support industry-wide initiatives such as the “Conflict-Free Sourcing Initiative.”

Distribution and customer relations

Our divisions have global responsibility for their business, sales and results. They are able to support customers around the world directly from their respective headquarters, especially for large contracts and projects. However, most of our customers are small and medium-sized companies and organizations that require local support. To address local business opportunities with them, we are able to draw on a large global sales force steered by our regional companies. They are responsible for serving our customers in the respective countries, leveraging our global network of market partners like consultants, distributors, integrators, EPCs and machine builders. We are currently selling products and services in almost every country in the world.

Sustainable customer relationships are the basis for our long-term success. We employ a structured key account management (KAM) approach throughout the Company to take care of our key customers. Our key account managers continuously develop and maintain relationships with them over the long term. This approach is supplemented by our Executive Relationship Program. In this program, members of the Company’s Executive Management stay in direct contact with selected customers and maintain an ongoing dialogue with them to familiarize Siemens with their needs.

Our business success is strongly dependent on the satisfaction of our customers. For this reason, we measure customer satisfaction in every unit of the Company using the Net Promoter Score (NPS). This internationally recognized and commonly applied managerial performance indicator, which we determine annually on a worldwide basis by means of customer surveys, measures the referral rate of our customers. The NPS for fiscal 2015 was based on the results of around 25,000 interviews, with customer representatives having been asked for their opinion regarding Siemens in about 100 countries and in 42 survey languages. In fiscal 2015, our company-wide NPS once again increased compared to the previous fiscal year.

We closely cooperate with well-known universities. This provides access to top-rate knowledge as a basis for continuously developing our go-to-market approach.

Siemens Environmental Portfolio

The Siemens Environmental Portfolio is part of Siemens' response to global challenges such as climate change, scarcity of natural resources and environmental pollution. The Environmental Portfolio consists of products, systems, solutions and services (Environmental Portfolio elements) that meet one of our selection criteria, namely energy efficiency and renewable energy. These elements reduce impact on the environment and emissions of carbon dioxide and other greenhouse gases (defined together in the following as carbon dioxide emissions), which are responsible for climate change. The reduced level of impact is measured by carrying out comparisons with reference solutions (baselines).

With our Environmental Portfolio we intend, among other things, to help our customers to reduce their carbon dioxide footprint, cut their energy costs and improve their profitability through an increase in their productivity. In addition to its environmental benefits, our Environmental Portfolio enables us to compete successfully in attractive markets and generate profitable growth underlining Siemens' strategic focus on technologies for energy efficiency and climate and environmental protection. For fiscal 2015, about three-quarters of the revenue from our Environmental Portfolio was generated from products and solutions for energy efficiency.

Key performance indicators

	Fiscal year	
	2015	2014 ¹
Revenue generated by the Siemens Environmental Portfolio (continuing operations, in billions of €)	32.7	31.5
Annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio newly installed in the reporting year (continuing operations, in millions of metric tons)	58	57
Accumulated annual customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio within the reporting year (continuing operations, in millions of metric tons)	487	428

¹ Prior year numbers were adjusted to reflect the deletion of the environmental technologies selection criteria in order to ensure year-on-year comparability.

The Environmental Portfolio elements that contribute the most to the total reduction of carbon dioxide emissions at our customers are combined cycle power plants (CCPP), power plant modernization and upgrade activities, power generation from wind power, frequency converters and high-voltage direct current (HVDC) power transmission systems.

Including revenue from newly developed and additionally qualified Environmental Portfolio elements and excluding revenue from elements that no longer fulfill our qualification criteria, revenue from continuing operations relating to the Environmental Portfolio in the current year amounted to €32.7 billion, exceeding the comparable revenue of €31.5 billion from fiscal 2014. This means that in fiscal 2015 our Environmental Portfolio accounted for 43% of our revenue from continuing operations.

Furthermore, with our Siemens Environmental Portfolio elements installed in fiscal 2015, we helped our customers reduce their emissions by a further 58 million metric tons of carbon dioxide. With the total of our Siemens Environmental Portfolio elements installed at customer locations since the beginning of fiscal 2002 and remain in use today, we reduced accumulated annual customer carbon dioxide emissions by 487 million metric tons in fiscal 2015.

To learn more about the Siemens Environmental Portfolio, please visit: www.siemens.com/environmentalportfolio

Environmental protection

To respond to today's global ecological challenges responsibly, Siemens has installed a comprehensive EHS (Environmental protection, Health management and Safety) management system. The process requirements of this management system help our operating units to comply with the applicable laws, regulations and customer requirements; fully satisfy our corporate requirements; and achieve our Siemens-wide environmental targets. The environmental protection management system requires our relevant production and office sites to implement an environmental management system that fulfills the requirements of the internationally recognized ISO 14001 standard as well as our own internal standard, known as "Specifications on environmentally compatible product and system design." This internal standard defines requirements to reduce the environmental impact of our products and systems during the production, use and disposal phase and forms an integral part of our business processes. We conduct regular internal reviews of our environmental performance and progress in order to create a cycle of continuous improvement.

Siemens aims to improve energy and resource efficiency, fulfill growing international requirements with regard to environmental protection, increase customer benefits and proactively strengthen our position as a sustainable company. To continuously support this approach, the programs "Serve the Environment" (StE) for industrial environmental protection and "Product Eco Excellence" (PrEE) for product-related environmental protection were reconfirmed in 2014 and extended to 2020. As of fiscal 2016, we also intend to start the process of cutting our own CO₂ emissions by 50% as early as fiscal 2020, with the ultimate aim of being carbon neutral by 2030. As Siemens plans to invest €100 million globally in energy-efficiency measures for its major plants within the next three years, this will also considerably support the StE energy-efficiency target and enhance carbon efficiency. We monitor the success of our programs using corporate-wide indicators:

Indicators (in %)	
	Fiscal year 2015
Energy efficiency improvement compared with baseline in fiscal 2014 ^{1,2}	-1.0
Waste efficiency improvement compared with baseline in fiscal 2014 ¹	-2.0
Waste for disposal reduction compared with baseline in fiscal 2014	6.1
Carbon dioxide emission efficiency improvement compared with baseline in fiscal 2014 ¹	1.1

1 Adjusted for currency translations and portfolio effects.

2 Indicator incorporates weighted calculations related to the primary fuels consumed in generating the energy used at our sites and the amount of energy used to extract, convert and distribute the fuels consumed.

We calculate environmental performance in industrial environmental protection on a portfolio-adjusted basis equivalent to the adjustment used to calculate the comparable revenue change as stated in the annual report. Revenue change in this context means the change of revenue from fiscal 2014 to fiscal 2015 excluding currency translations and portfolio effects. This portfolio adjustment procedure for revenue was accordingly used for the environmental parameters of waste, energy and CO₂ from energy use. The approach therefore enables us to monitor and compare our environmental performance over time, regardless of acquisitions and disposals from year to year, and closely relates environmental performance to business performance.

In the first year of continuing StE applying the new metric and compared with the baseline of fiscal 2014, the decrease in revenue adjusted for currency translations and portfolio effects of 1.3% had a negative impact on our efficiency KPIs, although we were able to reduce total energy use and CO₂ emissions from energy use on a portfolio-adjusted basis. Waste production in fiscal 2015, on the other hand, also increased due to improved awareness and waste reporting as a result of our worldwide waste training campaign during fiscal 2015.

With regard to efficiency improvements from the last StE program period from 2010 to 2014 (energy efficiency: +11%, CO₂ efficiency: +20%, waste efficiency: +12%, and reduction of waste for disposal: +8%), we can see that overall efficiency improvements since the start of the StE program are still at a overall high level and, as far as CO₂ efficiency is concerned, even increasing. In view of these efficiency improvements to date, our objectives for 2020 are certainly achievable, and the new €100 million energy-efficiency budget, combined with other initiatives to reach our new carbon targets, will contribute to this.

INDUSTRIAL ENVIRONMENTAL PROTECTION

Our industrial environmental protection efforts focus on optimizing energy and resource efficiency at our sites. With the reconfirmed program "Serve the Environment," we are committed to the following Siemens-wide main targets in the period from fiscal 2014 to 2020:

- > Continue our systematic effort to improve energy efficiency and carbon dioxide efficiency
- > Improve waste efficiency
- > Reduce waste for disposal

To continue the StE program, energy and waste efficiency aspects will be integrated into our supply chain. Air pollution control will be considered holistically, taking into account the local air emission situation at our production plants and offices. Climate-change-inducing impacts of water use in our businesses will also be integrated.

Reporting on environmental factors and collecting environmental data

In fiscal 2015, we used our environmental information system to analyze 307 reports from sites in all relevant countries where defined threshold values were exceeded for parameters such as energy use, resource consumption and emissions within environmental management. To measure and monitor our environmental impact, we use absolute values such as energy consumption in gigajoules. We report environmental data for continuing operations. Extrapolation to 100% was applied to reflect complete consumption in our figures. Overall, the extrapolation was significant only for primary energy, with 14%, and water and wastewater, with 10%, in the figures reported. We monitor our environmental impact for all office and production sites of environmental relevance using environmental data gathered quarterly.

Environmental management system

All our locations have an environmental management system in place; 268 of them are also certified in accordance with ISO 14001. The majority of these, 264 sites, are externally certified, while four have been audited and certified by Siemens internal auditors. The decision as to whether a unit has its environmental management system certified in accordance with ISO 14001 is made by the environmental protection executives of the businesses and countries in close consultation with the environmental protection officers. The requirements of the new ISO 14001:2015 standard were introduced into our management processes. A total of 28 Siemens locations have implemented an energy management system in accordance with ISO 50001, and further locations are in the process of implementation. To implement the EU Energy Efficiency Directive EED (2012/27/EU), a European-wide approach has been developed taking full advantage of our own energy services.

Energy consumption

| Primary energy (1,000 gigajoules)¹

	Fiscal year	
	2015	2014
Natural gas/liquid petroleum gas	4,848	4,557
Fuel oil, coal, gasoline/diesel	403	414
Total	5,252	4,971

| 1 Discrepancies in totals are the result of rounding.

In fiscal 2015, total consumption of natural and liquid petroleum gases increased by 6%. The consumption of other fossil fuels plays less of a role compared with gas consumption and has decreased by 3%. In particular, there was a reduction in the consumption of on-site car fuels and fuel oil. Overall, total primary energy consumption increased by 6% compared

with the previous year, mostly due to newly acquired business activities, increased production programs at some Power and Gas sites and the implementation of a decentralized energy supply in the form of combined heat and power generation.

| Secondary energy (1,000 gigajoules)

	Fiscal year	
	2015	2014
Electricity	8,655	8,613
District heating	2,015	2,075
Total	10,670	10,688

Electricity consumption remained at the same level. Implemented efficiency measures helped to partially offset the impact of the high demand for cooling in Europe and the United States during last summer, newly acquired business activities and a slightly lower workload. The consumption of district heating decreased, mostly due to the shorter heating period in Europe compared with previous years.

In order to use energy efficiently, the Siemens Energy Efficiency Program continued in fiscal 2015. Energy-saving projects have been carried out and energy management systems are being further implemented at energy-intensive locations. For example at Process Industries and Drives and Digital Factory, five sites reduced their energy consumption and now save collectively 32,000 MWh of energy per year. This means a reduction of almost 6,000 tons of CO₂ emissions.

In addition to energy consumption at the locations reported above, the energy consumed by the Company's business vehicles is recorded centrally. Staff vehicles, service vehicles and trucks owned by Siemens are grouped together for this purpose. In fiscal 2015, the company fleet consumed fuel with an energy content of around 4.3 million gigajoules.

Greenhouse gas emissions

Our greenhouse gas balance is made up of the total emissions at our locations and the emissions generated by company vehicles and business travel. We report our greenhouse gas emissions on the basis of the Corporate Standard of the Greenhouse Gas Protocol of the World Resource Institute and of the World Business Council for Sustainable Development. Direct greenhouse gas emissions (Scope 1) arise from sources in the Company's ownership or under its control. Indirect greenhouse gas emissions (Scope 2) refer to the consumption of purchased electrical energy and district heating. Business travel is reported in Scope 3 because it is based on the use of services and vehicles provided by external companies.

| Greenhouse gas emissions (in 1,000 metric tons of CO₂ equivalents)

	Fiscal year	
	2015	2014
Scope 1	845	876
Scope 2	1,181	1,217
Sum Scope 1 and 2	2,026	2,093
Scope 3 ¹	378	393

| 1 Emissions from travel (flights, rail, rental cars).

| Distribution of greenhouse gas emissions (in %)

	Fiscal year	
	2015	2014
Electricity and district heating	49	49
Natural gas, liquid petroleum gas, heating oil, fuels	26	24
Other Kyoto gases ¹	9	11
Business travel	16	16

| 1 This includes technical CO₂, SF₆, HFC, PFC, CH₄ and N₂O.

Direct greenhouse gas emissions have been reduced by 4%. This is mainly due to reduced other Kyoto gases, especially sulfur hexafluoride (SF₆). Electricity and district heating emissions decreased by 3% due to lower consumption of district heating and purchasing of green electricity. It was possible to reduce emissions from business travel by 4%, as emissions from flights and train travel have in particular been reduced. In total, greenhouse gas emissions decreased by 3% year on year.

Atmospheric pollutant emissions

Other industrial emissions into the atmosphere are also relevant in terms of environmental protection. Volatile organic compounds (VOC) contribute to the formation of ozone close to the earth's surface and are responsible for what is known as summer smog. We use these organic compounds as solvents in paints and adhesives, in impregnation processes and for surface cleaning. We also monitor the use of ozone-depleting substances (ODS) and comply with the Montreal Protocol, an international convention on the protection of the ozone layer, as well as with country-specific legislation.

| Atmospheric pollutant emissions (in metric tons)

	Fiscal year	
	2015	2014
Volatile organic compounds	818	875
Ozone-depleting substances in metric tons of R11 equivalent ¹	0.26	0.13

| 1 R11 equivalent measures ozone-depletion potential.

Emissions of volatile organic carbon decreased due to improved training and monitoring VOC use. The volume of emissions of ozone-depleting substances rose from 0.13 to 0.26 tons of R11 equivalents. The reasons for this increase were one major leakage and improved reporting performance. Overall, we see growing awareness with respect to balancing emissions and implementing phase-out plans for a step-by-step substitution, especially for the still often used R22.

In calculating nitrogen oxides, we have assumed typical combustion conditions in the relevant thermal processes, obtaining a figure of 165 metric tons for environmentally relevant locations in the year under review. The figure includes nitrogen oxides released during the incineration of fuels reported in the section on primary energy.

Waste

The environmental relevance of waste depends on the type of waste and its method of disposal. We differentiate between hazardous and nonhazardous waste. These two groups are further divided into recyclable waste and waste for disposal. We report waste from construction or demolition work separately because this kind of waste material arises independently of production.

| Waste (in 1,000 metric tons)

	Fiscal year	
	2015	2014
Nonhazardous waste	331	326
Hazardous waste	26	26
Construction waste	168	211
Total	524	563

Year on year, nonhazardous waste increased by 2%. Hazardous waste remained at the prior year's level. Overall, the quantity of waste (including construction waste) decreased by 7%. The decreased volume of construction waste in comparison with fiscal 2014 was due to reduced construction measures.

| Recycling (in %, including construction waste)

	Fiscal year	
	2015	2014
Share of recycling in total waste	91	86

The waste recycling rate was 91%, 5% higher than in fiscal 2014. This is due to the higher proportion of recycling waste in non-hazardous wastes and a marked decrease in disposal waste.

Water and wastewater

| Water consumption (in million cubic meters)¹

	Fiscal year	
	2015	2014
Water consumption	7.63	7.74

¹ Does not include 20.69 million cubic meters of cooling water drawn from groundwater and surface water resources and returned chemically unchanged, but warmed.

For the last two years, Siemens water consumption has remained stable.

| Wastewater (in million cubic meters)¹

	Fiscal year	
	2015	2014
Cooling water	0.49	0.45
Wastewater from employee facilities	4.88	5.09
Wastewater from manufacturing processes (total)	0.75	0.78
Other (incl. losses)	1.43	1.29
Total	7.55	7.61

¹ Does not include 20.69 million cubic meters of cooling water drawn from groundwater and surface water resources and returned chemically unchanged, but warmed.

Environment-related incidents and penalties

In the year under review, we recorded two environment-related incidents and a small number of hydraulic oil spillages. These are occurrences that require the authorities to be notified – notifiable incidents – or that had an external impact on the environment. Both occurrences were due to minor nonconformances with waste regulations that had no environmental impact. Total fines from penalties in the year under review were insignificant.

PRODUCT-RELATED ENVIRONMENTAL PROTECTION

With respect to product-related environmental protection, Siemens strives to continuously and comprehensively improve the overall environmental performance of its products and systems. The confirmed **“Product Eco Excellence”** program therefore aims to generate transparency, responds to market developments and delivers added value for the customer. To this end, our program is focused on materials and components, product environmental assessments and increased material-related resource efficiency. Our program supports operational units in taking future market and customer requirements into consideration as well as regulatory developments. At the same time, communication about the program increases employee and stakeholder environmental awareness.

By 2020, the Product Eco Excellence Program will:

- > Implement automated data collection and processing for declarable substances to increase transparency on substances in our products. This is the prerequisite for further proactive substitution activities to address future statutory requirements and customer demands.
- > Improve the coverage of LCAs (Life-Cycle Assessments) and EPDs (Environmental Product Declarations), as we consider the availability of product-related environmental information an important basis for future legal and customer requirements such as Product Environmental Footprinting.
- > Reduce critical materials being used in Siemens products through the support of a material assessment methodology. The overall target of the program module is the reduction of critical material purchasing volumes.

To achieve these objectives, several tools will be developed by Siemens in the framework of the continued environmental program, e.g., a map of evaluated substance risks and evaluated substitutes, quality check for substance declarations, enhanced EPD guidance (including service and supplier aspects), tools and training for critical material assessment to support the process of reducing or substituting substances, enhanced communication to increase awareness of critical materials and environmental impact assessments.

Life-cycle thinking

At Siemens, closing material loops (cradle to cradle) is increasingly important for resource conservation in product development. Based on compulsory requirements, which are defined and continuously enhanced in our internal environmental standard “Specifications on environmentally compatible product and system design,” we support the integration and consideration of these environmental aspects of our products and systems during the development, production, use and disposal phases. For this reason, our internal environmental standard closes the information loop between the end of life of one product and the development phase of a new product for our product designers. It means that by reusing, refurbishing or recycling products, components or materials, they go through more than just one life cycle, which make a substantial contribution to protecting the environment. In this context, the use of critical substances in an electronic product can greatly impact the product’s recyclability. As far as technically feasible, Siemens avoids the use of all LoDS-listed substances (List of Declarable Substances) in its products worldwide, thereby exceeding existing statutory requirements.

During the supplier qualification process, new suppliers must commit to declaring substances listed on the LoDS. These substance declaration requirements are mandatory for our suppliers and are included in procurement and project contracts. This means that our suppliers must notify us if their products and components contain declarable substances and must provide us with the relevant detailed information. To make an easy-to-use method with high data quality readily available, Siemens relies on an Internet-hosted database in which our suppliers declare the substances they use in their products.

Additionally using a critical material assessment methodology developed by Siemens, we help our product designers to evaluate potential critical materials (ecological or toxicological effects or possible future scarcity) and support decisions for avoiding or reducing particular materials.

At the end of the life cycle, the handling or disposal of used electrical and electronic equipment entails much more than collecting and recycling old devices. It is therefore important to have an adequate return and recycling system in place for such devices or even to run a refurbishing process for complete systems as demonstrated by our Healthcare activities.

Life-cycle assessments and environmental product declarations

We use specific software solutions and scientifically recognized databases to determine and evaluate the ecological footprint of our products and solutions on the basis of LCAs. In addition to detailed life-cycle assessments (full-scale LCAs), we make use, where appropriate, of simplified life-cycle assessments (screening LCAs) such as CO₂ screenings.

The results of the LCAs are the basis of our environmental product declarations (EPDs) and support product development. In this way, we help our customers improve their current and future environmental impact. To ensure that our EPDs offer a consistent level throughout the company, we bring together the experience of the individual Business Units in the form of a dedicated panel of experts. To optimize internal processes, the panel of experts has developed process guidance for the preparation of environmental product declarations. This guidance has been verified by an external auditor for compliance with the criteria set out in ISO 14025. By applying this process guidance, Siemens increases its standard of quality in drawing up EPDs.

The current reporting period shows continuous high coverage of businesses with LCAs (Screening and Full-Scale) and EPDs. Compared with the figures for fiscal 2014 in last year's report, the ones reported for fiscal 2014 in this year are slightly different due to organizational changes (Sector vs. Division) and minor corrections of prior year data.

Life-cycle assessments and environmental product declarations | (percentage of revenue covered)¹

	Fiscal year	
	2015	2014
Full-scale LCAs	69	69
Screening LCAs	50	52
EPD	70	70

¹ We consider the revenue of a Business Unit in relation to Siemens revenue once we have carried out at least one "Full-scale LCA," "Screening LCA," or "EPD" for their products or systems. No product-related coverage is calculated.

The organizational changes have also led to an increased depth in the detail of our investigation into some businesses. A revision of data took place at the same time. With our product-related environmental program, we aim to increase our LCA and EPD investigations in the future.

Compliance

For us at Siemens, integrity means acting in accordance with our values – responsible, excellent and innovative – wherever we do business. A key element of integrity is compliance: adherence to the law and to our own internal regulations. We have zero tolerance for corruption and violations of the principles of fair competition – and where these do occur, we rigorously respond.

Our Business Conduct Guidelines describe how we fulfill our compliance-related responsibilities. They are also an expression of our values and lay the foundation for our own internal regulations. Our Business Conduct Guidelines are binding for all employees worldwide.

Our Compliance System aims to ensure that all our worldwide business practices are in line with these guidelines and in compliance with all applicable laws. To serve this purpose and provide the Company with reliable protection against compliance risks, our Compliance System has three pillars: Prevent, Detect and Respond. We are continuously working to further strengthen compliance in our Company and to combat corruption together with other organizations (Collective Action).

We actively support the enactment of the United Nations Convention against Corruption and the Anti-Bribery Convention of the OECD, which – like the 10 principles of the United Nations Global Compact – provide important guidance for our entire organization. We are also actively involved in the Global Compact. At the end of 2013, our Chief Compliance Officer was elected Chairman of the Task Force on Anti-Bribery/Corruption of the Business and Industry Advisory Committee to the OECD.

Our activities in the World Economic Forum include the Company's participation in the Pact Against Corruption Initiative and the Siemens General Counsel's membership in the Global Agenda Council on Transparency & Anti-Corruption.

COMPLIANCE PRIORITIES FOR FISCAL 2015 AND ACHIEVEMENTS

Our compliance priorities provide the basis for the ongoing development and further improvement of our Compliance System. In this connection, we take into account and aim to fulfill continuously evolving requirements in the compliance field, which reflect both our own work and the changing market conditions and compliance risks of our business activities.

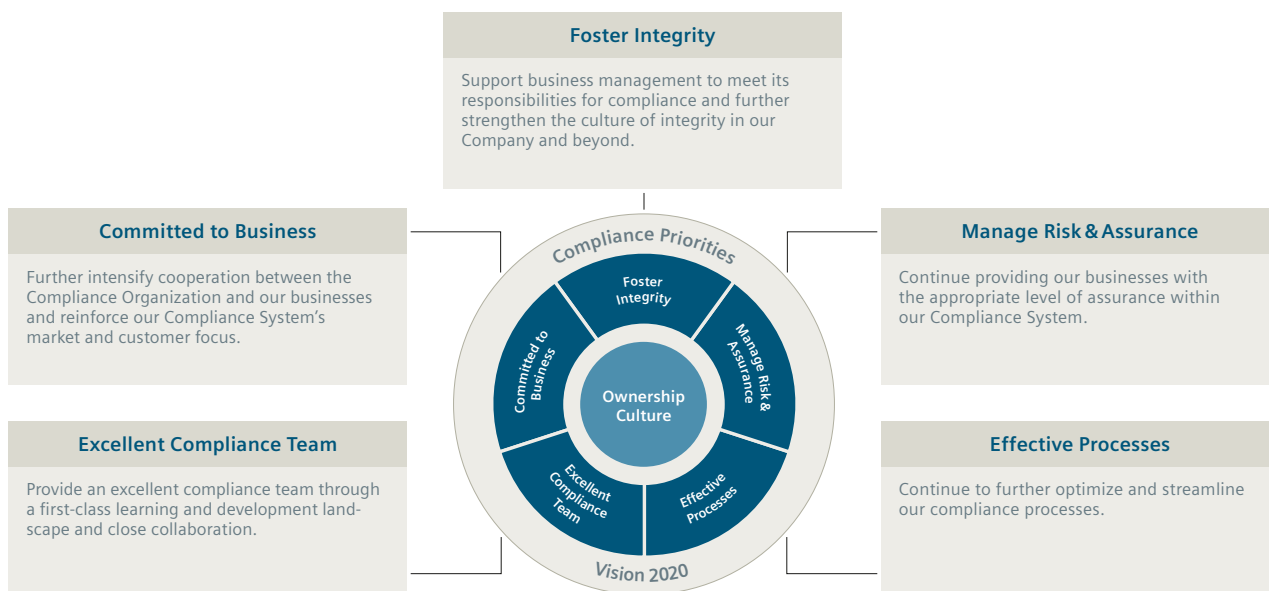
In light of our experience to date and – above all – in line with our entrepreneurial concept Vision 2020, we have developed this approach further in order to create a reliable long-term perspective for the ongoing development of compliance at Siemens.

Ownership culture is a cornerstone of Vision 2020, and the integrity of our employees' decisions and actions is an essential part of it. Every employee is expected to act responsibly and to live up to this principle. Our Compliance System aims to support Siemens employees in making risk-based decisions with integrity – this is how compliance can ultimately provide reliable assurance to our Company and its employees and at the same time help strengthen an ownership culture at Siemens. Therefore, ownership culture lies at the heart of our compliance priorities. Compliance will continuously contribute to Vision 2020.

With effect from fiscal 2015, we defined the compliance priorities as illustrated and briefly described in the figure below. These priorities, which have also guided our activities in fiscal 2015, are supplemented by focus areas and activities for each fiscal year.

Achievements in fiscal 2015 include the implementation of the Siemens Compliance Operating Model as a comprehensive Management System for the global Compliance Organization, the conclusion of funding contracts for projects we selected for the second funding round of the Siemens Integrity Initiative and the start of first projects (see section "Collective Action and Siemens Integrity Initiative" below).

Compliance priorities



We have also completed a project to reinforce our business-partner compliance due-diligence process launched in fiscal 2014. Among other improvements, the company's compliance risk assessment process has been further developed: Anti-money laundering has been included as part of our activities to integrate this topic area into the Siemens Compliance System.

The planned Integrity Award has been incorporated into one of the categories of the "Werner von Siemens-Award." This new company award is the successor to our former competition and was held in fiscal 2015 for the first time. It honors Siemens employees who have made outstanding contributions to driving our business as currently outlined in our Vision 2020 and fostering our Company's ownership culture.

Lastly, we largely concluded a company-wide project aimed at creating a comprehensive learning and development landscape for the Siemens Compliance Organization.

COMPLIANCE RISK MANAGEMENT

Our Compliance Risk Assessment (CRA) process requires that CEOs and managers in the Company – together with the relevant Compliance Officers – systematically determine and assess the compliance risks to their units on a regular basis.

As previously reported, a CRA was performed for all the Company's operating units in fiscal 2013. Based on our experience to date and the analysis of these results, the CRA process has been further developed. Starting in fiscal 2014, the CRA is performed in two different ways:

- > In even-numbered years, the CRA process is performed for "top-risk" countries in order to complement the analyses at the Lead Country/Division level and in Healthcare with in-depth risk assessments for selected countries. We identify these countries in advance based on an analysis of external and internal compliance risks.
- > In odd-numbered years (starting in fiscal 2015), the CRA process is performed at the Lead Country/Division level and in Healthcare.

Accordingly, in fiscal 2015, the CRA was performed for the divisions, Healthcare and Lead Countries. The CRA results have been incorporated into the Group-level compliance risk analysis, which aims to determine systematic and globally recurring compliance risks to the Company as quickly as possible. Along with the CRA results, this analysis of the overall Group-level compliance risks takes into account, for example, the insights from compliance controls – the ongoing assessment of the operation of our compliance processes to ensure their effectiveness – and the results of case-related investigations.

The corporate compliance risks are derived from these consolidated results, which are then shared with the Company's businesses. As in the CRA process, relevant risks are reported to Siemens' Enterprise Risk Management (ERM), and measures to reduce the risks are drawn up and implemented.

The identification of compliance risks in individual Siemens entities worldwide (CRA) and the Group-level compliance risk analysis are complemented by an interdisciplinary exchange during the quarterly Compliance Risk Radar meeting.

BUSINESS PARTNERS AND SUPPLIERS

Cooperation with third parties such as sales agents, customs clearing agents, consultants, distributors and resellers is part of Company operations and often essential in order to reach certain areas of the market. At the same time, however, the Company may be liable for the actions of these third parties.

Our mandatory process and tool for business-partner compliance due diligence is designed to help all Siemens entities conduct risk-based integrity checks of business partners. Transparent and risk-oriented decisions about a business partner relationship are based on high-quality compliance due diligence.

The management of each Siemens unit is responsible for the unit's utilization of business partners. This means that business partners must be carefully selected and appropriately monitored and managed throughout the course of a business relationship.

In fiscal 2014, we carried out a project to reinforce the effectiveness of our business-partner compliance due-diligence process and of management's assessment of the related compliance risks. As a consequence of the project, we implemented a Web-based compliance training course that we made mandatory for certain business partners prior to them entering into business relationships with Siemens in fiscal 2014. Furthermore, both the regular review of business-partner portfolios in Lead Countries, divisions and Healthcare as well as on-site compliance checks for selected types of business partners as part of due diligence were implemented in fiscal 2015.

Another outcome of the business-partner project is the new "Code of Conduct for Siemens Suppliers and Third Party Intermediaries:"

Prior to this new setup, Siemens business partners were obliged by the binding contract provisions to comply with principles of the Siemens Business Conduct Guidelines whereas our suppliers were required to comply with our Code of Conduct for Siemens Suppliers, which included compliance with all applicable laws and, in particular, the prohibition of corrupt

activities. We also required our suppliers to support the Code's implementation in their own supply chains. The Code of Conduct is based on the 10 principles of the United Nations Global Compact. Instruments such as sustainability self-assessments by suppliers and sustainability audits by external auditors enable us to systematically identify potential risks in our supply chain and to monitor whether our suppliers are in compliance with the Code's requirements.

In connection with the business-partner project we have created a common code of conduct for suppliers and business partners. The previous "Code of Conduct for Siemens Suppliers" was widely known, and the number of suppliers far exceeded the number of business partners. Apart from updating various aspects, we enhanced the provisions of the existing code in the areas of anticorruption and antitrust and added specific clauses about the prohibition of conflicts of interest. Both Siemens business partners and suppliers now have to contractually commit to comply with this new code.

COMPLIANCE TRAINING AND COMPLIANCE PERCEPTION

One focus of our preventive measures under the Compliance System is to provide compliance training to all managers and employees who hold positions with a particular risk profile. In fiscal 2014, the definition of these "sensitive functions" was expanded and specified more precisely. In accordance with the company-wide binding definition of these "sensitive functions," the Compliance Officers of the relevant company units identify the managers and employees whose participation is required and ensure that they attend the training sessions. They monitor and confirm the fulfillment of these requirements at regular intervals.

Our company-wide compliance training portfolio consists of in-person and Web-based training programs. The in-person training programs also provide our employees with an opportunity to discuss correct behavior based on day-to-day work examples. The third element of our compliance training portfolio is the annual Integrity Dialogue to maintain an ongoing and high awareness of integrity and compliance topics at Siemens. The Dialogue, which is conducted across the entire Company, serves as a forum for managers to discuss recent compliance matters with their employees.

The assessment and analysis of compliance risks for the operating units and at the Group level offer important indicators that help us develop and define the focus of our training activities, including the selection of themed modules for the annual events held in conjunction with the Integrity Dialogue. Our operating units address specific challenges by enhancing their training activities with additional topics from their own businesses or by extending the mandatory target groups for specific compliance training programs in their units. In this way, our training activities reflect both Siemens-wide topics and the key topics specific to the operating units.

We conduct regular surveys to gauge how Siemens employees perceive the topic of compliance. Since fiscal 2010, this has been an integral component of the company-wide Siemens Global Engagement Survey. The survey was carried out in fiscal 2015. We consider the results an indication of the continued positive perception of compliance by our employees.

COMPLIANCE INDICATORS

Compliance indicators¹

	Fiscal year	
	2015	2014
Compliance cases reported	568	653
Disciplinary sanctions	208	195
therein warnings	116	114
therein dismissals	79	50
therein other ²	13	31

¹ Continuing and discontinued operations.

² Includes loss of variable and voluntary compensation elements, transfer and suspension.

The "Tell us" whistleblowing system and the Company's ombudsman are two secure reporting channels that can be used by our employees and external stakeholders to report violations of external and internal rules. Reports using these channels are passed on to our Compliance Organization. Possible misconduct may also be reported directly via the Managing Board or via supervisors to the Compliance Organization and, in particular, to the Compliance Officers in our individual company units. Our employees regularly make use of this reporting channel. In fiscal 2015, the total number of compliance cases requiring further inquiries or investigations reported via all the above-mentioned reporting channels was 568. We believe that the decrease from fiscal 2014 (653) is within the normal range of variation.

The total number of disciplinary sanctions for compliance violations in fiscal 2015 was 208 (fiscal 2014: 195). The disciplinary sanctions reported in a specific fiscal year do not all relate to the compliance cases reported in the same period: Disciplinary sanctions are frequently not implemented in the year in which a case was reported. This is due to the fact that a reported compliance case has to undergo the Company's entire internal case-handling process, from the mandating and performing of an internal investigation to the documentation of its results in an investigation report that will form the basis for related disciplinary sanctions and remediation measures.

Furthermore, a single reported compliance case may, for instance, result in several disciplinary sanctions or in no disciplinary sanctions at all – for instance, because the employee concerned has in the meantime left the company for some other reason in the meantime. Therefore, here too, it is not possible to establish a direct correlation between the numbers of reported compliance cases and the numbers and types of disciplinary sanctions implemented in a given reporting period.

In our view, the detected compliance violations in our Company in the past fiscal year demonstrate once again that our Compliance System has been properly designed and is being effectively implemented. Based on the nature of our businesses and the environment and regional areas we are working in, we do not regard the number of such incidents as unusual.

The Compliance "Ask us" function allows our employees to ask compliance-related questions. Incoming questions are automatically forwarded without prior registration to the Compliance Officers responsible for the employees' entities. Furthermore, all employees can pose questions directly to the Compliance Officers responsible for their respective units. In light of these developments, we decided to discontinue the reporting of inquiries submitted to the "Ask us" help desk from fiscal 2014.

EXTERNAL REVIEW OF SIEMENS COMPLIANCE

Siemens has retained the law firm Gibson, Dunn & Crutcher LLP ("Gibson Dunn") to conduct an independent review and assessment of the implementation and operative effectiveness of Siemens' anticorruption policies, procedures and internal controls. The goal of this review was to verify that the Siemens Compliance System, as designed as of October 1, 2014, is in compliance with the standards reviewed and certified on October 12, 2012, by the Siemens Foreign Corrupt Practices Act ("FCPA") Compliance Monitor Dr. Theo Waigel.

Like the Siemens Compliance Monitorship, the Gibson Dunn review was not designed to be a comprehensive review of all business lines, all business activities or all markets. Rather, Gibson Dunn's targeted review focused on a limited number of projects, divisions and countries, selected using a risk-based approach, as well as Company headquarters. Gibson Dunn summarized the scope, methodology and results of its review in a report issued to the Company dated November 15, 2015. The report concludes with the statement that, based on its review, Gibson Dunn has found that the Siemens Compliance System is adequately designed and implemented to prevent, detect and respond to violations within Siemens of the FCPA and other applicable anticorruption laws. Further, based on certain tests of the Siemens Compliance System conducted by Gibson Dunn for the period of October 1, 2014, and March 30, 2015, Gibson Dunn has found that the Siemens Compliance System is effective in its implementation.

COLLECTIVE ACTION AND SIEMENS INTEGRITY INITIATIVE

If substantial progress is to be made in combating corruption and fostering fair competition, as many stakeholders as possible must act collectively. That is why we have joined forces with other organizations to fight corruption and promote ethical markets through Collective Action and the Siemens Integrity Initiative.

The global Siemens Integrity Initiative was launched by Siemens on December 9, 2009. It earmarks more than US\$100 million for supporting organizations and projects fighting corruption and fraud through Collective Action, education and training. The initiative focuses on supporting projects that have a clear impact on the business environment, can demonstrate objective and measurable results, and have the potential to be scaled up and replicated. The Siemens Integrity Initiative constitutes one element of the July 2009 settlement between Siemens and the World Bank and the March 2013 settlement between Siemens and the European Investment Bank (EIB).

Within the first funding round – based on the settlement with the World Bank – 31 projects were funded with a total contractual funding volume of US\$37.7 million.

The second funding round was announced on June 27, 2013, and the deadline for applications was August 29, 2013. We received more than 180 applications from about 60 countries. In a two-stage review and due diligence process, we selected projects that are to receive approximately US\$35.6 million of total funding over a period of three to five years. Related funding contracts were concluded by the end of fiscal 2015.

Recipients of Siemens funding awarded under the second tranche include projects set up by the Ethics Institute of South Africa, which works to combat corruption in South Africa and Mozambique, TEID (Ethics and Reputation Society of Turkey), the Global Compact Network India and the Berlin-based Transparency International Secretariat. Another project partner is the International Anti-Corruption Academy (IACA) in Vienna, which again receives funding to support research and educational activities in the area of combating corruption.

The effectiveness of compliance at Siemens is based on the global governance of our Compliance Organization as well as clear-cut reporting lines and close cooperation between our Compliance Officers around the world and our company units. The other pillar of our Compliance System – with its three action levels of Prevent, Detect and Respond – is the requirement that all Siemens managers assume personal responsibility for compliance in their respective units.

We will continue to further develop our compliance system in order to adapt it to evolving requirements in the field of compliance. Our compliance priorities described above will further guide us and are specified by focus areas for fiscal 2016. Our overall aim remains unchanged: We want to anchor integrity permanently throughout our company in order to ensure sound business decisions based on clear principles of integrity.

FURTHER INFORMATION AND LEGAL PROCEEDINGS

For further information, please refer to:

Compliance Risks on pages 30–32 in A. Combined Management Report and Note 21 Legal Proceedings on pages 88–90 in B.6 Notes to Consolidated Financial Statements in the Siemens Annual Report 2015.

Corporate citizenship

Corporate citizenship is Siemens' external, voluntary engagement in society. The aim is to advance societies by making our technology and knowledge accessible to more people around the world. We strive to create shared value for society, while at the same time strengthening our business. These activities can take on a variety of forms, ranging from philanthropic disaster relief to more strategic shared-value or inclusive business approaches like our mobile clinics in India.

Within a global framework, responsibility for choosing and carrying out charitable activities lies with the local units in each country. This ensures that we provide support where it is needed most. In doing so, we apply high management standards and strategically focus our corporate citizenship activities in three focus areas where our company competencies, resources and employee volunteering can make a meaningful difference:

- > Education and science: Our goal is to maintain a continuous dialogue with young people and to identify and foster talent from an early age. We support educational and research activities, particularly in natural sciences, engineering and healthcare.
- > Social: Projects in this area aim to bring about a systematic and lasting improvement in people's living conditions. In addition, we provide urgent humanitarian relief, including financial and technical assistance after natural disasters.
- > Environment: We want to make an effective contribution toward protecting the environment, particularly through our core competencies, and raise environmental awareness among younger generations.
- > Arts and culture: In addition to the above three focus topics, we support Arts and Culture because a society's cultural heritage is a key aspect of its identity.

We demonstrate our social commitment on the basis of figures. That is why we provide information about our donations by category and region.

| Donations

	Fiscal year	
	2015	2014
Total (in millions of €)	26.6	26.3
Share of net profit (in %)	0.5	0.5

|

| **Donations by category** (in millions of €)

	Fiscal year	
	2015	2014
Education and science	16.1	14.8
Social	6.2	6.8
Environment	0.1	0.2
Arts and culture	4.2	4.5
Total	26.6	26.3

| **Donations by region** (in millions of €)

	Fiscal year	
	2015	2014
Europe, C.I.S., ¹ Africa, Middle East	14.8	16.3
<i>therein Germany</i>	11.5	12.3
Americas	9.3	8.0
Asia, Australia	2.5	2.0
Total	26.6	26.3

| 1 Commonwealth of Independent States.

The Siemens Stiftung aims to empower people to actively contribute toward solutions to social challenges. It focuses on holistic, non-business-related, transferable projects and models in sub-Saharan Africa, Latin America and Europe (with a particular emphasis on Germany).

Established in 2008 with capital of €390 million, Siemens Stiftung is a nonprofit foundation under German civil law. It complements Siemens' corporate citizenship activities and co-operates with the other six corporate foundations established by the Company in Argentina, Brazil, Denmark, Columbia, the United States and France.

Annex



GRI G4 – key aspects and boundaries

| Siemens principles, boundaries and key aspects

No.	1. Profit	Internal Boundaries	External Boundaries	GRI G4 Aspects
1.1	We contribute to our customers' competitiveness with our products, solutions and services.		Customers	Economic: Economic Performance
1.2	We partner with our customers to identify and develop sustainability related business opportunities.	own operations	Customers	Economic: Economic Performance
1.3	We operate an efficient & resilient supply chain through supplier code of conduct, risk management, and capacity building.	own operations	Suppliers	Economic: Procurement practices Environmental: Supplier environmental assessment; Grievance mechanism (environmental) Labor practices: Supplier assessment for labor practices; Grievance mechanism (labor practices) Human rights: Supplier human rights assessments; Grievance mechanism (human rights) Society: Supplier assessment (for impact on society); Grievance mechanism (for impacts on society)
1.4	We proactively engage with our stakeholders to manage project and reputational risks and identify business relevant trends.	own operations	Customers, Suppliers, Society	Economic: Economic performance; Indirect Economic Impacts
1.5	We adhere to the highest compliance & anti-corruption standards and promote integrity via the Siemens Integrity Initiative.	own operations	Customers, Suppliers, Society	Environmental: Compliance; Grievance mechanism (environmental) Labor practices: Grievance mechanism (labor practices) Human rights: Forced or Compulsory Labor; Grievance mechanism (human rights) Society: Anti-Corruption, Anti-competitive behavior; Grievance mechanism (for Impacts on society) Product responsibility: Compliance

Siemens principles, boundaries and key aspects

No.	2. Planet	Internal Boundaries	External Boundaries	GRI G4 Aspects
2.1	We enable our customers to increase energy efficiency, save resources and reduce carbon emissions.		Customers	Environmental: Energy, Emissions
2.2	We develop our products, solutions and services based on a life-cycle perspective and sound eco-design standards.	own operations	Customers	Environmental: Product and Services Product Responsibility: Product responsibility and service labelling
2.3	We minimize the environmental impacts of our own operations by applying environmental management programs.	own operations	Society	Environmental: Materials; Energy; Water; Emissions; Effluents and Waste; Transport
No.	3. People	Internal Boundaries	External Boundaries	GRI G4 Aspects
3.1	We contribute to the sustainable development of societies with our portfolio, local operations, and thought leadership.		Society	Economic: Indirect economic impacts Society: Local communities
3.2	We foster long-term relationships with local societies through Corporate Citizenship projects jointly with partners.	own operations	Society	Economic: Indirect economic impacts Society: Local communities
3.3	We live a zero-harm culture and promote the health of our employees.	own operations	Suppliers	Labor practices: Occupational health and safety
3.4	We live a culture of leadership based on common values, innovation mindset, people orientation and diversity.	own operations		Economic: Market Presence Labor practices: Employment; Training & Education; Diversity and equal opportunity; Equal remuneration for women and men; Non discrimination

The detailed GRI G4 Index – Comprehensive Option is available at our Sustainability website at:

 WWW.SIEMENS.COM/ABOUT/SUSTAINABILITY/EN

United Nations Global Compact

Siemens has been a participant in the UN Global Compact since 2003 and is expressly committed to upholding the Compact's ten principles. These "Sustainability Information 2015 as addendum to the Siemens Annual Report", our online Communication on

Progress at the UN Global Compact webpage and in particular the following report index, describes the progress we have made during the year – broken down according to the systems and measures we have implemented as well as our achievements.

Index according to the ten principles of the Global Compact

Principle	Systems	Measures	Achievements
Principle 1 Support of human rights	Our Siemens Business Conduct Guidelines (BCG) provide the ethical and legal framework within we conduct our business activities. They contain our basic principles and rules for our conduct internally and externally, for example on human rights core labor standards. The BCG are mandatory for all Siemens entities worldwide. With our Code of Conduct (CoC) for Siemens Suppliers we ensure that these basic rights and principles are also observed in our supply chain. Sustainability at Siemens → THIS REPORT PAGE 6 Supply chain management → THIS REPORT PAGE 18	Our Code of Conduct (CoC) for Siemens suppliers and third party intermediaries includes besides other: > respect for basic rights of employees > strong "health and safety" > environmental protection > zero tolerance on bribery and anti-corruption In 2015 we updated our CoC and included additional requirements on fair competition, anti-trust laws and intellectual property rights, a chapter on conflicts of interest and the avoidance of conflict minerals. Supply chain management → THIS REPORT PAGE 18	In the year under review, the number of sustainability self-assessments added up to 3,508. We conducted 981 supplier quality audits with integrated sustainability questions and 50 external sustainability audits. In the external sustainability audits, we identified a total of 1,142 potential improvements. Serious deviations, such in the areas of "health and safety for employees", were identified at five suppliers but were corrected by the set deadline in direct interaction with the responsible procurement unit. Supply chain management → THIS REPORT PAGE 18
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			
Principle 6 Elimination of discrimination	We do not tolerate discrimination and have anchored that in the Siemens Business Conduct Guidelines. We actively foster diversity within the Company by creating a working environment that is open to all people, independent of their cultural background, heritage, ethnicity, sexual orientation, gender identity and individual gender expressions. Employees → THIS REPORT PAGE 11	Our various global diversity networks promote and discuss diversity topics across the Company. These groups and programs include the Global Leadership Organization of Women (GLOW), Diversity Ambassador and GENE, our generation's network to foster cross-generation exchange. In addition, we have over 140 local employee networks worldwide with employees actively engaged in diversity-related programs and activities. The success of all measures is assessed annually in the diversity scorecard. Employees → THIS REPORT PAGE 11	In the year under review, women accounted for 23% of our total workforce. The proportion of female employees in management positions at Siemens has risen continuously in recent years and is now 15.4%. Employees → THIS REPORT PAGE 11
Principle 7 Precautionary approach to environmental protection	Siemens has installed a comprehensive EHS management system. This system requires our relevant production and office sites to implement an environmental management system which fulfills the requirements of the internationally recognized ISO 14001 standard as well as our own internal standard, known as "Specifications on environmentally compatible product and system design". Environmental protection → THIS REPORT PAGE 21	We took extensive action in this field by continuing our "Serve the Environment" program and our Energy Efficiency Program (EEP). As far as product-related environmental protection is concerned, the program "Product-Eco Excellence" enables us to define environmental requirements throughout the product lifecycle. Environmental protection → THIS REPORT PAGE 21	Our programs "Serve the Environment (StE)" for industrial environmental protection and "Product Eco Efficiency (PrEE)" for product-related environmental protection were reconfirmed in 2014 and extended to 2020. Additionally, as of 2016, we intend to reduce our CO ₂ -emissions by 50% as early as 2020, aiming to being carbon neutral by 2030. Environmental protection → THIS REPORT PAGE 21

| **Index according to the ten principles of the Global Compact**

Principle	Systems	Measures	Achievements
Principle 8 Specific initiatives to promote environmental protection	Raising our employees' awareness of environmental and climate protection is an element of both our environmental strategy and our social commitment. With internal communications measures and our corporate citizenship focus on "environmental," we help create a greater sense of responsibility for ecological issues. Environmental protection → THIS REPORT PAGE 21 Corporate citizenship → THIS REPORT PAGE 31	Siemens maintains a global environmental communications network to ensure that knowledge about environmental management, methods, solutions and experiences is communicated across locations, Businesses and national borders. Additionally we will invest €100 million over the next three years to improve energy efficiency of our production facilities and buildings. Sustainability at Siemens → THIS REPORT PAGE 6 Environmental protection → THIS REPORT PAGE 21	In the year under review, we donated around €26.6 million for corporate citizenship activities, of which € 16.1 million went to education and science and €0.1 million to environmental activities. Additionally support the WEF Climate CEO Statement and the "We mean business" initiative. Sustainability at Siemens → THIS REPORT PAGE 6 Corporate citizenship → THIS REPORT PAGE 31
Principle 9 Development and diffusion of environmentally friendly technologies	As part of our Environmental Portfolio, we develop and market products, solutions and services that enable our customers to reduce their CO ₂ emissions, lower lifecycle costs and protect the environment. Siemens Environmental Portfolio → THIS REPORT PAGE 21	We continuously review our portfolio with regards to newly developed or acquired portfolio elements that qualify as Environmental Portfolio elements or exclude elements that do no longer fulfill our qualifications criteria. Siemens Environmental Portfolio → THIS REPORT PAGE 21	The Environmental Portfolio elements that were installed for our customers from 2002 to 2015 helped them cut their CO ₂ emissions by 487 million tons. Siemens Environmental Portfolio → THIS REPORT PAGE 21
Principle 10 Measures against corruption	The Siemens Business Conduct Guidelines (BCG) provide the ethical and legal framework within which we conduct our business activities. Our compliance system aims to ensure that all our worldwide business practices remain within this framework as well as in compliance with applicable laws. We have zero tolerance for corruption and violations of the principles of fair competition – and where these do occur, we rigorously respond. Our compliance system has three pillars: Prevent, Detect, Respond. Compliance → THIS REPORT PAGE 26	With effect from fiscal 2015, we defined our compliance priorities: > Foster Integrity > Manage Risk and Assurance > Effective Processes > Excellent Compliance Team > Committed to Business These priorities are supplemented by focus areas and activities for each fiscal year. We actively support the enactment of the UN Convention against Corruption and Bribery of the OECD. Our Chief Compliance Officer was elected Chairman of the Task Force on Anti-Bribery/Corruption of the Business and Industry Advisory Committee to the OECD. Compliance → THIS REPORT PAGE 26	We have implemented our Siemens Compliance Operating Model as a comprehensive Management System for the global Compliance Organization, the conclusion of funding contracts for projects we selected for the second funding round of the Siemens Integrity Initiative and the start of the first projects. We have completed the project to reinforce our business partner compliance due diligence process launched in fiscal 2014. Anti-Money laundering has been additionally included in our Compliance Management System. We largely concluded a company-wide project aimed at creating a comprehensive learning and development landscape for the Siemens Compliance Organization. In fiscal 2015 the total number of compliance cases, requiring further inquiries or investigations, reported via all available reporting channels were 568. We believe that the decrease from fiscal 2014 (653) is within the normal range of variation. Since the launch in 2009, the Siemens Integrity Initiative has implemented 55 anti-corruption projects in over 20 countries, receiving so far more than US\$70 million in support. Foreword → THIS REPORT PAGE 2 Compliance → THIS REPORT PAGE 26

United Nations Water Mandate

Progress report

Siemens became a signatory to the United Nations CEO Water Mandate in 2008. Our continuing support for the CEO Water Mandate reflects our commitment on two fronts: Firstly, managing water efficiently in our own facilities. Secondly, providing solutions that help our customers and societies handle water and waste water more economically.

OUR OWN ACTIVITIES

For more information about the resource conservation and water consumption at Siemens locations, see section Environmental Protection (→ THIS REPORT PAGE 21). We are pursuing a new approach to water resources management that was developed in 2012. At locations where there are increased water-related risks – for example, as a result of aridity, high wastewater loads, or poorly developed technical infrastructures – we define goals that are matched to local circumstances. This enables us to effectively reduce risks and negative impacts on the environment.

Our Business Units offer solutions for drive technologies, energy distribution and automation for water and wastewater treatment plants and water transport. Furthermore they provide solutions for intelligent monitoring and control of water networks, such as the Siemens Cities Performance Tool. We also require Leadership in Energy and Environmental Design (LEED) certification for all our new buildings, including our new global headquarters in Munich, where efficient use of water is a key element of building design criteria.

OUR SUPPLIERS

The environmental requirements that our suppliers must fulfill are defined in our Code of Conduct for Siemens Suppliers. The responsible use of water forms an integral part of this code. For more information on these requirements and on supply chain management (→ THIS REPORT PAGE 18).

COMMUNITY ENGAGEMENT

As a member of various international organizations, we're involved in numerous initiatives and programs, including the Action 2020 Water Project of the World Business Council for Sustainable Development. We initiate and implement projects in various regions that promote efficient use of water, such as:

Water harvesting initiative

Siemens has developed and supplied a system for the irrigation of the cricket and football grounds of Bayswater Oval in Melbourne that collects water from roof space, parking lots and other run-off areas, cleans and stores it until it is used.

Water recycling in India

At the location of the Siemens works in Kalwa, India, a wastewater treatment system has been installed that would, for the most part, regulate itself.

For more information on these projects please refer to:

 WWW.SIEMENS.COM/ABOUT/SUSTAINABILITY/EN

In addition, the Siemens Stiftung drives an entrepreneurial approach to supply clean drinking water to communities. Project examples include:

Safe Water Enterprises

With Safe Water Enterprises, Siemens Stiftung is committed to a sustainable supply of safe drinking water in rural regions in Kenya. In Kisumu, the third Safe Water Enterprise has started operations in fiscal 2015 and is providing safe drinking water to the community. It was built in cooperation with our partners SOS Children's Villages and SkyJuice Foundation.

Water-Energy Hubs (WE!Hubs)

In the first phase, five new WE!Hubs will be built in Kenya and three existing hubs will be refurbished, upgraded with an Internet café, and equipped with new, more technically advanced products. Three of the five new WE!Hubs will be built around Lake Victoria, one in a Nairobi township, and one on a tea farm in Kericho.

For more information with regards to the projects of the Siemens Foundation, please refer to:

 WWW.SIEMENS-STIFTUNG.ORG/EN/PROJECTS

Environmental Portfolio reporting principles

ENVIRONMENTAL PORTFOLIO GUIDELINE

As there are currently no accepted international standards addressing the identification and reporting of so-called “green products”, we report the revenue from our Environmental Portfolio and the accumulated annual customer reductions of carbon dioxide emissions generated by it in accordance with internal regulations defined in our Environmental Portfolio guideline.

This guideline set out criteria and processes for the qualification of elements for the Environmental Portfolio, defines roles and responsibilities as well as processes to account for annual customer reduction of carbon dioxide emissions and refers to financial reporting guidelines for recognition of revenue. It is based on the Reporting Principles set forth in “A Corporate Accounting and Reporting Standard – Revised Edition” and “GHG Protocol for Project Accounting” issued by the Greenhouse Gas Protocol Initiative. These principles are relevance, completeness, consistency, transparency, accuracy and conservativeness. Revenue generated by the Environmental Portfolio is recognized in accordance with revenue recognition policies as described in Note 2 in B.6 Notes to the Consolidated Financial Statements in the Annual Report of the Siemens Group (“Siemens”) as of September 30, 2015.

SCOPE OF REPORTING

To date, the Environmental Portfolio-related key performance indicators are revenue and customer reductions of carbon dioxide emissions generated by elements from the Siemens Environmental Portfolio.

Carbon dioxide emission reductions at our customers are calculated based on comparing the Environmental Portfolio element (e.g. a combined cycle power plant and the related carbon dioxide emissions per kilowatt hour) with a reference solution (e.g. a global average grid factor for power production). The annual reduction of carbon dioxide in the reporting year is calculated based on technical parameters (e.g. the installed capacity in gigawatts in the reporting year or load hours). For all Environmental Portfolio elements sold in a reporting year, the annual reductions are added up to calculate the annual carbon dioxide emissions reductions at our customers at the end of that year.

Our Environmental Portfolio elements are typically long-lasting products (e.g. motors) or infrastructure elements (power plants, trains) that contribute to reduction of carbon dioxide emissions not only in the reporting year but for many years. We therefore also calculate the accumulated annual customer reductions of carbon dioxide emissions. The accumulated annual emission reductions are calculated as customer reductions of carbon dioxide emissions generated by Environmental Portfolio elements installed in the current reporting period (see above) plus those elements installed since the beginning of fiscal 2002 that are still in use at the customer. If elements installed in previous reporting periods are no longer in use, they are no longer taken into consideration when calculating the accumulated annual customer reductions of carbon dioxide emissions in the respective reporting period.

For the Environmental Portfolio elements installed in a given reporting period, we consider the reductions of carbon dioxide emissions for the entire reporting period, irrespective of the actual date of installation during the year of first time recognition.

GOVERNANCE – PROCESSES AND DEFINITIONS

The qualification of our Environmental Portfolio elements as well as the respective reporting is based on clearly defined processes and criteria.

In principle, products, systems, solutions and services of Siemens AG and its subsidiaries may qualify for the Environmental Portfolio. The entire Siemens business portfolio is reviewed on an annual basis to ensure the appropriate qualification of Environmental Portfolio elements based on the criteria described hereafter. This covers the inclusion of newly developed elements as well as the integration of additionally qualified elements where evidence of fulfillment of the qualification criteria was not available in prior reporting periods. For additionally qualified Environmental Portfolio elements, we report their prior-year revenue and prior-year contribution to the accumulated annual customer reduction of carbon dioxide emissions on a comparable basis. Elements that no longer fulfill our qualification criteria are excluded from our Environmental Portfolio; prior periods are not adjusted.

Prior to inclusion in the Environmental Portfolio, potential new Environmental Portfolio elements have to undergo a multilevel internal evaluation process which includes reviews in the respective Siemens divisions as well as a review in the Sustainability department.

Within this process, Siemens verifies the completeness of documentation supporting the fulfillment of the qualification criteria. Furthermore, Siemens considers whether or not significant “adverse effects” exist. Adverse effects describe the situation that a potential Environmental Portfolio element, despite fulfilling the qualification criteria, might cause considerably higher environmental effects elsewhere in the element’s life cycle. If material adverse effects are known, the element is not included in the Environmental Portfolio.

If the revenue related to an Environmental Portfolio element cannot be accurately separated from our total revenue, the respective revenue will not be accounted for and reported due to the principle of conservativeness. In fiscal 2015, revenue and carbon dioxide emission reductions at our customers generated with the acquired aero-derivative gas turbine and compressor business of Rolls-Royce plc, U.K., (Rolls-Royce) and with the acquired business of Dresser-Rand Group Inc. (Dresser-Rand), a supplier for the oil and gas industry, has not been included in the Environmental Portfolio due to the fact that the evaluation process of the portfolio has not been finalized yet.

The Siemens Sustainability Board chaired by Siemens Managing Board member and Chief Sustainability Officer Roland Busch annually acknowledges changes in the composition of the Environmental Portfolio. Another task of the Sustainability Board is to discuss potential concerns of stakeholders with regard to the inclusion or deletion of certain technologies in the Environmental Portfolio.

CRITERIA FOR INCLUDING ELEMENTS IN THE ENVIRONMENTAL PORTFOLIO

An Environmental Portfolio element can be a product, a system, a solution or a service as defined above.

If all products, systems, solutions or services of a Siemens’ organizational unit meet one of the selection criteria, this unit may be considered as an Environmental Portfolio element as a whole.

Furthermore, a core component of a system or solution may qualify as an Environmental Portfolio element, if the component provided by Siemens is key to enabling environmental benefits resulting from the system’s or solution’s overall application. This means that the environmental functionality of the overall system or solution cannot be achieved without the component provided by Siemens. Examples of core components qualifying as elements of the Siemens Environmental Portfolio are gear boxes for wind turbines or thyristor valves for high-voltage direct current (HVDC) power transmission systems.

Service types are differentiated between “product-related service” and “value-add service”. In cases in which a Siemens product, system or solution qualifies as an Environmental Portfolio element, the revenue, and if applicable, the annual customer reduction of carbon dioxide emissions of the “product-related service” shall generally be accounted for and reported on in line with the related Environmental Portfolio element. In cases of “value-add services” the revenue and, if applicable, the annual customer reduction of carbon dioxide emissions shall be accounted for and reported on only if the service itself qualifies as an Environmental Portfolio element by meeting one of the selection criteria as defined below.

To qualify for inclusion in the Environmental Portfolio, an element must meet one of the following selection criteria. Products, systems, solutions and services with planned application in military use or nuclear power are not included in the Environmental Portfolio.

Energy efficiency

The criterion for energy efficiency is an improvement in energy efficiency of 20% or more during the customer use phase compared to the applicable baseline, or a reduction of at least 100,000 metric tons of carbon dioxide equivalents per reporting period in the customer use phase compared to the applicable baseline. If an energy efficiency increase can only be reasonably defined as reduction of dissipation losses (e.g. as defined by the International Electrotechnical Commission (IEC) standards for energy efficiency classification of motors), a 20% reduction of dissipation loss would also qualify products for our Environmental Portfolio.

Examples of products and systems meeting the above mentioned energy efficiency criterion are combined cycle power plants, intelligent building technology systems (both reduce carbon dioxide emissions by at least 100,000 metric tons per reporting period) or ELFA Hybrid Drives for buses (20% efficiency improvement).

Renewable energy

This criterion covers technologies in the field of renewable energy sources or smart grid¹ applications and their respective core components. The scope of the renewable energy criterion is power generation and heat generation from, for example wind power (onshore and offshore), tidal power, wave power, hydroelectricity, geothermal power or biomass.

¹ According to the National Institute of Standards and Technology (NIST) – Smart Grid Interoperability Standards Project (USA), the term smart grid, “refers to a modernization of the electricity delivery systems so it monitors, protects and automatically optimizes the operation of its interconnected elements – from the central and distributed generation through the high-voltage transmission network and the distribution system, to industrial users and building automation systems, to energy storage installations and to end-use consumers and their thermostats, electric vehicles, appliances and other household devices.”

Examples of the respective Environmental Portfolio elements are wind turbines as well as core components such as gear-boxes for wind turbines.

The previous third selection criterion of environmental technologies was removed in fiscal 2015, as energy efficiency and renewable energy are the main relevant selection criteria contributing to the Environmental Portfolio. Prior year numbers were adjusted accordingly in order to ensure year-on-year comparability.

DETERMINING THE REFERENCE SOLUTION – BASELINE METHODS

Energy efficiency and annual customer reduction of carbon dioxide are all assessed by carrying out a comparison with a reference solution (baseline). There are three different options for the reference solution: before-and-after comparison, direct-comparison with a reference technology or comparison with the installed base. The final decision as to which baseline is used is taken by the respective Division within Siemens based on the following options:

Before-and-after comparison

A before-and-after comparison refers to the difference between an initial situation at the customer and the situation after installation of a Siemens product, system, solution or service. A before-and-after comparison implies the presence of a pre-existing product, system, solution or service at the customer, the characteristics of which are improved or substituted by the employment of a Siemens product, system, solution or service. This comparison may be applied, for example, in cases in which a Siemens product, system, solution or service modernizes a power plant or optimizes the energy consumption of a building.

Direct comparison with a reference technology

Direct comparison with a reference technology refers to the difference between the Siemens product, system, solution or service and either an appropriate single other technology or a predecessor. Direct comparison with a reference technology implies the existence of one alternative or predecessor product, system, solution or service in the market which is employed for the same or a similar purpose. This comparison may be applied, for example, by using low-loss high-voltage direct current (HVDC) power transmission in comparison to conventional alternating current power transmission.

Comparison with an installed base

Comparison with an installed base refers to the difference between the Siemens product, system, solution or service and an average of several installations employed for the same or a similar purpose. Comparison with an installed base implies the existence of global or regional average data on several installed products, systems, solutions or services employed for the same or a similar purpose. This comparison may be applied, for example, to combined cycle power plants (CCPP) by drawing a comparison with the average global greenhouse gas emissions factor for electricity generation.

When calculating emission reductions compared to the baseline, we consider either direct savings (e.g. by power plants or efficient motors) or the indirect effects that occur when different products in a system interact and create emission reductions (e.g. components for building automation). If Siemens only delivers core components but not the entire system, annual customer reduction of carbon dioxide emissions will only be calculated for these parts.

The baselines are reviewed annually and, if necessary adjusted, such as when statistical data on the installed base is updated because of technical innovations or regulatory changes.

The calculation of the reduction of carbon dioxide emissions is based on a specific comparison for every relevant Environmental Portfolio element with a baseline. For this calculation, we focus on those elements that have a material impact on the overall carbon dioxide emissions reduction.

EMISSION FACTORS FOR CALCULATING THE ANNUAL REDUCTION OF CARBON DIOXIDE EMISSIONS

For some emission reduction calculations, the baseline reference for the installed base is determined using known global emission factors such as those for power production. The baselines used for our calculations are mainly based on data from the International Energy Agency (IEA) for gross power production and for grid losses, on data from the Intergovernmental Panel on Climate Change (IPCC) for fuel-based emission factors, and our own assessments of power production efficiency.

Most relevant emissions factors applied in 2015 are:

Emission factors for CO₂ abatement calculation

Category	Emission factor (g/kWh)	Basis for comparison of Environmental Portfolio elements (g CO ₂ /kWh)
Global power generation all primary energy carriers	583	Power generation
Global power generation fossil energy carriers	857	Renewables
Utilization of electricity (including transmission losses)	630	All types of utilization of electricity apart from trains

Source: IEA (IEA World Energy Outlook 2014)¹, own calculations

¹ Emission factors were updated to IEA World Energy Outlook 2014 (prior year: IEA World Energy Outlook 2013).

For consistency reasons, we generally apply global emission factors for calculating emission reductions unless specific conditions of a solution require application of local emission factors. For the calculation of annual customer reductions of carbon dioxide emissions e.g. for wind turbines, we apply the emission factor 857 g/kWh of global fossil power production as the baseline.

Generally, our approach includes all greenhouse gases covered by the Kyoto-Protocol. However, for power production and electrical applications, we consider the only relevant greenhouse gas to be carbon dioxide. If other greenhouse gases occur in technical applications, they are included in our calculations.

For some Environmental Portfolio elements, we do not know the detailed parameters of use at our customers. We therefore apply internal and external expert estimates for these, following the principle of conservativeness.

REPORTING ESTIMATES

To date, there is no applicable international standard that applies across companies for qualifying products, systems, solutions and services for environmental and climate protection, or for compiling and calculating the respective revenue and the quantity of reduced carbon dioxide emissions attributable to such products, systems, solutions and services.

Thus, the inclusion of elements in the Environmental Portfolio is based on criteria, methodologies and assumptions that other companies and other stakeholders may view differently. Factors that may cause differences, among others, are: choice of applicable baseline methodology, application of global emission factors that may be different from local conditions, use patterns at customers that may be different from standard use patterns used for carbon dioxide emission reduction calculations, assessment of the life span of the Environmental Portfolio elements, internal assessments of our own power production efficiency factors, share of a core component and expert estimates if no other data is available.

Accordingly, revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. We report the annual carbon dioxide emissions reduction in the period of installation of the Environmental Portfolio element. The period of installation will be determined by milestones or based on estimated construction periods. This may differ from the timing of revenue recognition. Furthermore, we subject revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions to internal documentation and review requirements which are less sophisticated than those applicable for our financial information. We may change our policies for recognizing revenue from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without prior notice.

Independent assurance report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF-version of the chapters "Sustainability at Siemens" and "Facts and Figures" of the report "Sustainability Information 2015 as addendum to the Siemens Annual Report." The following text is a translation of the original German Independent Assurance Report.

To Siemens AG, Berlin and Munich

OUR ENGAGEMENT

We have been engaged to perform a limited assurance engagement on the chapters "Sustainability at Siemens" and "Facts and Figures" of the report "Sustainability Information 2015 as addendum to the Siemens Annual Report" of Siemens AG (hereinafter: the sustainability reporting) for the reporting period from October 1, 2014 to September 30, 2015.

The report "Sustainability Information 2015 as addendum to the Siemens Annual Report" is published as a PDF-version at

 WWW.SIEMENS.COM/INVESTOR/EN.

LIMITATIONS OF OUR ENGAGEMENT

Our engagement is exclusively limited to the German PDF-version of the chapters "Sustainability at Siemens" and "Facts and Figures" of the report "Sustainability Information 2015 as addendum to the Siemens Annual Report". Our engagement did not include any prospective statements and links to other web pages.

CRITERIA

We assessed the report against the criteria set out in the Sustainability Reporting Guidelines G4 issued by the Global Reporting Initiative (GRI). In addition, the key performance indicators of the Environmental Portfolio were assessed against the reporting principles as outlined in the Annex "Environmental Portfolio reporting principles" and the underlying criteria set forth in "A Corporate Accounting and Reporting Standard – Revised Edition" and "GHG Protocol for Project Accounting" issued by the Greenhouse Gas Protocol Initiative.

We believe that these criteria are suitable for our assurance engagement.

MANAGEMENT'S RESPONSIBILITY

The Managing Board of Siemens AG is responsible for the preparation and the content of the sustainability reporting in compliance with the above-mentioned criteria. This responsibility includes the design, implementation and maintenance

of internal controls for the preparation of a sustainability reporting that is free from material misstatements, in accordance with the above mentioned criteria and based on suitable methods for gathering source data including judgments and estimates of the individual sustainability data.

OUR RESPONSIBILITY

Our responsibility is to issue an assurance report on the sustainability reporting based on our work performed.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. This standard requires that we comply with our professional duties and plan and perform the assurance engagement to obtain a limited level of assurance to preclude that the sustainability reporting is not in accordance, in material respects, with the aforementioned reporting principles and criteria. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement.

We are independent from the company in compliance with the IESBA Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and have complied with other professional requirements of the IESBA Code.

KEY PROCEDURES

The performance of our engagement mainly involved the following work:

- > Inquiries of employees concerning the sustainability strategy, sustainability principles and sustainability management including the stakeholder dialog of Siemens AG.
- > Inquiries of employees responsible in the central Corporate Development Strategy – Sustainability department for the preparation of the sustainability reporting in order to assess the sustainability reporting system, the data capture and compilation methods as well as internal controls to the extent relevant for a review of the sustainability reporting.
- > Inquiries of employees responsible in the corporate departments for the topics employees, occupational health and safety management, research and development, supply chain management, distribution and customer relations, environmental portfolio, environmental protection, compliance and corporate citizenship to assess the data capture and compilation methods as well as internal controls to the extent relevant for the review of the sustainability reporting.

- > Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating sustainability data in the reporting period and testing such documentation on a sample of basis.
- > Analytical measures at Group level, on the level of divisions and the separately managed business Healthcare regarding the quality of the reported data.
- > Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the sustainability data from the topics environmental protection and occupational safety during site visits
 - at the location Finspang (Sweden) of the Division Power and Gas,
 - at the location Frankfurt of the Division Energy Management,
 - at the locations Karlsruhe and Nürnberg of the Division Process Industries and Drives,
 - at the location Aalborg (Denmark) of the Division Wind Power and Renewables,
 - at the location Walpole (USA) of Healthcare
 - as well as at the divisions Power and Gas, Energy Management, Process Industries and Drives, Wind Power and Renewables and the separately managed business Healthcare.
- > Inquiries and inspection of documents on a sample basis relating to the collection and reporting of the key performance indicators of the Environmental Portfolio including the procedures for determining the qualification of products, solutions and services for the Environmental Portfolio during site visits at the divisions Mobility, Power and Gas and Process Industries and Drives.

- > Inquiries of employees from selected departments at the Group's headquarters, corporate departments, divisions and the separately managed business Healthcare and at the sites visited on material qualitative statements in the sustainability reporting as well as the inspection of selected underlying documents.
- > Review of material qualitative statements in the sustainability reporting for plausibility and consistency.

OUR CONCLUSION

Based on our procedures performed to obtain a limited level of assurance, nothing has come to our attention that causes us to believe that the information in the chapters "Sustainability at Siemens" and "Facts and Figures" of the report "Sustainability Information 2015 as addendum to the Siemens Annual Report" has not been prepared, in all material respects, in accordance with the aforementioned criteria.

Munich, November 30, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Spannagl
Wirtschaftsprüfer
(German Public Auditor)

Johne
Wirtschaftsprüferin
(German Public Auditor)

Notes and forward-looking statements

There is no standard system that applies across companies for qualifying products and solutions for environmental and climate protection, or for compiling and calculating the respective revenues and the quantity of reduced carbon dioxide emissions attributable to such products and solutions. Accordingly, revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions may not be comparable with similar information reported by other companies. Revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions are derived from various internal reporting systems that are generally different from those applicable to the financial information presented in our Consolidated Financial Statements and are, in particular, subject to less sophisticated internal documentation as well as preparation and review requirements, including the IT systems in use and the general internal control environment. We may change our policies for recognizing revenues from our Environmental Portfolio and the reduction of our customers' annual carbon dioxide emissions in the future without previous notice.

This document contains statements related to our future business and financial performance and future events or developments involving Siemens that may constitute forward-looking statements. These statements may be identified by words such as "expect," "look forward to," "anticipate" "intend," "plan," "believe," "seek," "estimate," "will," "project" or words of similar meaning. We may also make forward-looking statements in other reports, in presentations, in material delivered to shareholders and in press releases. In addition, our representatives may from time to time make oral forward-looking statements.

Such statements are based on the current expectations and certain assumptions of Siemens' management, of which many are beyond Siemens' control. These are subject to a number of risks, uncertainties and factors, including, but not limited to those described in disclosures, in particular in the chapter Risks in this Annual Report. Should one or more of these risks or uncertainties materialize, or should underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Siemens may (negatively or positively) vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Siemens neither intends, nor assumes any obligation, to update or revise these forward-looking statements in light of developments which differ from those anticipated.

This document includes – in IFRS not clearly defined – supplemental financial measures that are or may be non-GAAP financial measures. These supplemental financial measures should not be viewed in isolation or as alternatives to measures of Siemens' net assets and financial positions or results of operations as presented in accordance with IFRS in its Consolidated Financial Statements. Other companies that report or describe similarly titled financial measures may calculate them differently.

Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This document is an English language translation of the German document. In case of discrepancies, the German language document is the sole authoritative and universally valid version.

Further information and information resources

Further information on the contents is available from:

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Email: press@siemens.com
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Additional information

The Siemens Annual Report 2015 is available online at:

 WWW.SIEMENS.COM/ANNUAL-REPORT

Further sustainability information

Further information on our commitment to sustainability and additional sustainability-related indicators are available at:

 WWW.SIEMENS.COM/SUSTAINABILITY

Further information on research, development and innovation at Siemens is available at:

 WWW.SIEMENS.COM/INNOVATION

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