2. Compliance in Procurement

Siemens can act in the value chain as a purchaser, i.e. as a customer itself, or as a supplier ([Chapter H.3](https://webbooks.siemens.com/public/LC/chen/index.htm?n=Part-2-Business-Perspective,H.-Compliance-in-Business-Processes-and-Projects,3.-Requirements-of-third-parties-e.g.-in-tenders).). In both constellations, Compliance related risks must be considered and minimized.

This Chapter describes the measures for Siemens Procurement to minimize Compliance related risks, especially in sourcing and purchasing activities. Supply Chain Management (SCM) has a central meaning for Siemens and is a major contributing factor to the sustainable company success. In the corresponding processes, Siemens would also like to ensure that all involved employees and business partners comply with the applicable rules and regulations. We extend this responsibility to our suppliers, too, and strive to ensure and promote sustainability within our supply chain.

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| Following procurement processes require the involvement of the Compliance organization:  the supplier registration  changes/deletions to our Code of Conduct for Siemens Suppliers and Third-Party Intermediaries  insufficient assessment/audit results of the Corporate Responsibility Detection Modules  Vendor Dashboard  P2P Process  in order to support the business and purchasing departments directly in exercising its business responsibility. |

## 2.1. Supplier registration

The incorporated compliance check in the supplier registration of SCM STAR/PEGA SMDM on global layer level consists of the Business Partner (BP) check and in case that an [AML Red Flag](https://webbooks.siemens.com/public/LC/chen/index.htm?n=Part-1-Activity-Fields,C.-Anti-Money-Laundering-(AML),1.-AML-Red-Flags) occurs, of an [Anti-Money-Laundering (AML) Due Diligence](https://webbooks.siemens.com/public/LC/chen/index.htm?n=Part-1-Activity-Fields,C.-Anti-Money-Laundering-(AML),1.-AML-Red-Flags).   
  
In case that a newly registered supplier is acting as a [Business Partner a BP Compliance Due Diligence](https://intranet.for.siemens.com/cms/059/en/processes/publications/Pages/compliance_business-partner.aspx) has to be executed in the BPC Tool and the respective BP ID has to be entered therein.

## 2.2. Code of Conduct

The "[Code of Conduct for Siemens Suppliers and Third Party Intermediaries](https://intranet.for.siemens.com/cms/050/en/about/initiatives/Pages/coc.aspx)" (CoC) is based to a great extent on the principles of the UN Global Compact relating to human rights, labor standards, environmental protection and anticorruption initiatives. These principles are derived from the Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO) and the principles of the Rio Declaration on Environment and Development.

Siemens expects all suppliers to demonstrate their commitment towards the standards and principles of the Code of Conduct for Siemens Suppliers and Third-Party Intermediaries.

### 2.2.1. Different ways of submitting to CoC

Suppliers can commit to the CoC in various ways:

* via electronical submittal during supplier registration process in SCM STAR / PEGA or via signed Corporate Responsibility Declaration in written form. Both options have an unlimited validity.
* via acceptance of the Corporate Responsibility Contract Clause, which has to be a mandatory element of all new and extended procurement contracts. This commitment is valid during the validity of the respective contract. For the definition of procurement contracts please see: [Definition of relevant Procurement Contracts](https://intranet.for.siemens.com/cms/050/en/about/initiatives/Documents/Procurement_Standards/CoC/Definition_Procurement_Contract.pdf)
* via acceptance of Siemens' Conditions of Purchase in which the CoC has to be included by the local responsible procurement units. This commitment is valid only Purchase Order based.

### 2.2.2. Deviations from CoC: Escalation process

In case a supplier insists on changes/deletions to the Corporate Responsibility contract clause/declaration or to the Code of Conduct, exceptions can be granted according to the Escalation Process. The Compliance Officer is part of the approval process for exceptions according to the [Escalation Process](https://intranet.for.siemens.com/cms/050/en/about/initiatives/Pages/coc.aspx).

## 2.3. Detection Modules and CWM Process

CWM = Central Warning Message

Corporate Responsibility Detection Modules

Corporate Responsibility [Detection Modules](https://intranet.for.siemens.com/cms/050/en/about/initiatives/Pages/detection_modules.aspx) monitor the adherence with the requirements and principles of the CoC for Siemens Suppliers.

Based on a Risk Based Approach the following Detection Modules exist:

* Corporate Responsibility Self Assessment
* Supplier Quality Audits
* External Sustainability Audits
* Incident Driven Inspections

Supply Chain Management/Procurement will involve the responsible/operational Compliance Officer in case of insufficient assessment/audit results of the compliance requirements therein, based on the decision of Supply Chain Management/Procurement.

Central Warning Message Process (CWM)

In case of a massive breach of a CoC requirement and if supplier did not respond, refused or failed to correct measures in the expected time frame a Central Warning Message (CWM) process can be initiated.

The CWM process ensures that appropriate measures will be defined to react regarding supplier's breaches of CoC. This may include a message to the local master data responsible to block the suppliers in the respective systems.   
SCM FE has possibilities to address the local responsible via individual message or via "CAP Monitor" of Corporate Master Data (CMD).

If a CWM process is needed, please contact SCM FE to define appropriate measures.

Please note: All Siemens employees and employees of affiliated companies should report suppliers’ massive breach of CoC to SCM FE.

## 2.4. Vendor Dashboard

Siemens places a high priority on the complete, worldwide transparency, effective execution and control of Supply Chain Management and Procurement processes to safeguard the company’s business success and to protect it against associated compliance risks. In the spirit of the Siemens Ownership Culture each of us is responsible for adhering to Supply Chain Management and Procurement related circulars and policies in order to ensure compliance - company-wide.

Supply Chain Management and Procurement activities are to be monitored on a regular basis. Based on defined criteria certain vendors will be identified for further analysis regarding their adhering to compliance requirements. The [Vendor Dashboard](https://intranet.for.siemens.com/cms/050/en/processes/jobrole/vendor-dashboard/Pages/Default.aspx) is an IT-based application in that all vendor data of relevant ARE´s are uploaded and quarterly updated. Target of the SCM Vendor Dashboard is to proactively enable the local SCM organization by provision of these identified vendors to foster compliant P2P processes by analysis of systematic process deficiencies and detection of possible fraud cases.

A close collaboration between Supply Chain Management/Procurement and the Compliance Organization thereby ensures an effective assessment approach and results.

Role of local compliance organization:

* Pre-alignment of Top supplier selection. Verify about already existing investigations/clarifications.
* Support of transaction deep dive in case of possible fraud incidents.
* Receive possible fraud cases or other violations of Siemens Circular 226 and drive further compliance internal investigation/clarification.
* Approve final assessment conclusions e.g. in cross-functional P2P review board.

More information is included in the [Introduction and Assessment Guide](https://wse04.siemens.com/content/P0003122/Vendor%20Dashboard/Support_Trainings_official/SCM%20Vendor%20Dashboard_Intro_and_Assessment_Guide.pdf).

## 2.5. Purchase to Pay

Siemens places a high priority on the complete worldwide transparency and effective control of the purchasing processes, in order to protect against the associated compliance risks. The rules applicable to the purchasing process, which are binding on the affected company entities, have been documented in the [P2P Purchasing Control Framework.](https://intranet.for.siemens.com/cms/050/en/processes/jobrole/Pages/purchase-to-pay.aspx)   
In order to protect against key compliance risks and to sustainably implement an internal control system in the P2P process, IT-supported, preventative and detective rules and controls have been instituted.

## 2.6. Training and supporting material

[SCM Procurement Compendium](https://intranet.for.siemens.com/cms/050/en/processes/jobrole/Pages/procurement-standards.aspx)

The objective of the Supply Chain Management Procurement Compendium is to provide an insight into procurement key topics. It addresses procurement employees and interface partners - for example in projects or product development - as well as all interested Siemens' employees.

The SCM Procurement Compendium

* provides details about specific procurement topics and links to further information
* presents an overview of the SCM functions and procurement levers
* explains key principles, processes, methods, applications and services.

[Web Based Training "Correct Purchasing"](https://intranet.learning-campus.siemens.com/E-LEARNING/en/catalog/DBAAAFQ/chapter/DBAARQU/index.do?hash=f8d29da498fa13606e483e0230f6896f)

In the Web based Training "Correct Purchasing" you will see how the involvement of the Supply Chain Management mitigates risks and how procurement creates value for our company. SCM employees or SCM cross-functional partners will get to know the principles of correct purchasing, the so-called mandatory elements, as the basis of compliant and successful procurement for Siemens and will learn how important it is to follow the rules of correct purchasing.

[Siemens Circular No. 213](https://regulations-admin.siemens.com/content/sc/213/en)

Procurement principles at Siemens are defined in the [Siemens Circular No. 213](https://circulars.siemens.com/documents/circulardownload.aspx?id=sc_213.pdf).

[SCM Functional Excellence - Procurement Standards](https://intranet.for.siemens.com/cms/050/en/processes/jobrole/Pages/procurement-standards.aspx)

The core objectives of the strategic procurement processes are to sustain the company's success by making a consistently high contribution to earnings from the purchasing of material and services, to assert high quality standards along the entire supply chain, to identify and exploit opportunities to create value through procurement competence, and to ensure compliance and sustainability. To ensure that these objectives can be achieved an efficient and effective Risk Management is obligatory.

[Sustainability in the Siemens Supply Chain Brochure](https://redirect-yp.siemens.com/redir/rpk5eyo2s4wx6mcvoboi7qappwzcf2sezylylkrk4us64koepveq/p9G50BV3h4I7w6xV-fXVsNSGWUiszsWD46hstp5Rhgk)

“Sustainability in the Siemens Supply Chain Brochure” supports you in your daily work internally with colleagues and externally with customers and stakeholders. It provides you a detailed, structured and coherent compilation of main SCM efforts in this regard.

[Correct Purchasing at Siemens "Do's and Don'ts"](https://findit.compliance.siemens.com/content/10000101/Compliance/Sectors_CU_XSBS/Sector_CU/findIT_Sector_CU_5882.pptx) and ["Training Deck"](https://findit.compliance.siemens.com/content/10000101/Compliance/Sectors_CU_XSBS/Sector_CU/findIT_Sector_CU_5883.pptx)

Procurement and sourcing activities are highly exposed to compliance risks. In particular breaches of anticorruption and antitrust laws can not only damage Siemens but can also result in penalties against the individuals involved. The "Do's and Don'ts" contain key rules on behavior and thus serve as a guide.   
The Compliance organization provides initial training on the rules of conduct so that the managers of the units concerned can transfer the contents of the rules of conduct to their own organization. Training material is available for this purpose.

[Code of Conduct Brochure](https://intranet.for.siemens.com/cms/050/en/processes/jobrole/Documents/Procurement_Standards/Download-Center/CoC/CoC_Brochure_en.pdf)

The Code of Conduct brochure serves as a detailed guideline to Corporate Responsibility in the supply chain for all stakeholders, especially our suppliers, third party intermediaries and employees in Procurement, Quality, Compliance and Legal functions, with the focus on our expectations of and how we work together with our suppliers in order to ensure our activities are sustainable and responsible throughout the entire value chain.

[Compliance Intranet > Procurement, Purchasing, Payments](https://intranet.for.siemens.com/cms/059/en/processes/publications/Pages/compliance_procurement.aspx)

## 2.7. History of changes

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| --- | --- | --- |
| **Date** | **Author** | **Major changes of binding content** |
| January 1, 2019 | Marcus Schoderer, (LC CO GR CORP) | First release through Compliance Handbook. |
| February 11, 2019 | Marcus Schoderer, (LC CO GR CORP) | Adjustment to the corporate structure as of April 1, 2019 |
| August 19, 2019 | Marcus Schoderer, (LC CO GR CORP) | Adjustment to the Siemens structure as of October 1, 2019 |
| April 1, 2020 | Marcus Schoderer, (LC CO RFC CU) | Anti-Money-Laundering (AML) assessment in case of AML Red Flags in chapter 2.1 Supplier Registration |
| October 1, 2020 | Marcus Schoderer, (LC CO RFC CU) | Adjustment to the Siemens structure as of October 1, 2020 |
| April 1, 2021 | Marcus Schoderer, (LC CO RFC CU) | Adjustment due to organizational changes (i.e. Circular 130 integrated into Circular 213) |

## 2.8. Contacts

Compliance Officer

The Compliance Officer responsible for your unit can be found through the following [link](https://intranet.for.siemens.com/cms/059/en/about/org/Pages/compliance_organization.aspx).

Corporate Governance Owner

[Marcus Schoderer](https://scd.siemens.com/luz/IdentitySearch?cn=Marcus+Schoderer+&maxanz=50&suchart=schnell&utI=I&utX=X&utT=T&rtH=H&rtS=S&rtZ=Z&rtO=O&rtAktiv=A) (LC CO RFC CU)