I. Compliance in Mergers and Acquisitions

Prior to the acquisition or divestment of a company, a part of a company or an interest in a company, it is necessary to evaluate the potential compliance risks for Siemens and mitigate them by taking appropriate action. This applies also to measures taken in preparation – for example, in the case of carve-outs.

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| M&A principles  Regardless of the type of transaction involved – for example, a share deal, an asset deal or a merger – a Compliance Due Diligence must be conducted prior to the I-Application.  MAP DF&CLM in alignment with LC CO RFC LF M&A provides comments on the proposed transaction usually prior to the I-Application.  For (1) projects of EUR 100 million or more or (2) in embargoed countries or (3) if specific compliance issues might be indicated, MAP DF&CLM and LC CO RFC LF M&A have to be involved already in preparation of the P-Proposal and have to provide comments to the P-Proposal of a proposed transaction respectively. |

## 1. Compliance Due Diligence

Prior to every investment and divestment decision, an assessment of compliance-related risks - referred to as a Compliance Due Diligence - must be conducted. In particular, the following applies:

### 1.1. Time of execution

Regardless of the type of transaction involved – for example, a share deal, an asset deal or a merger – a Compliance Due Diligence must be conducted prior to the [I-Application](https://regulations-admin.siemens.com/content/SC/222/en) at the latest, in any case

* before the acquisition or divestment of a company or a part of a company
* before the acquisition or divestment of an interest in a company.

MAP DF&CLM in alignment with LC CO RFC LF M&A provides comments on the proposed transaction usually prior to the I-Application. However, in case

1. the materiality threshold of a proposed transaction of EUR 100 million is exceeded,
2. the proposed transaction takes place in a so-called embargo country or
3. other indications for potentially compliance critical topics exist,

MAP DF&CLM and LC CO RFC LF M&A have to be involved already in preparation of the P-Proposal and have to provide comments to the [P-Proposal](https://regulations-admin.siemens.com/content/SC/222/en) of a proposed transaction respectively.

### 1.2. Responsibility

The execution of a Compliance Due Diligence constitutes a work stream within the M&A due diligence process. Further information and tools relating to this process are available on the MAP DF&CLM intranet site.

The M&A negotiator must involve MAP DF&CLM as early as possible in the course of the project (for example, in the case of divestments, already at the carve-out stage).

MAP DF&CLM is responsible for conducting the Compliance Due Diligence in alignment with LC CO RFC LF M&A and, if necessary, with the involvement of the compliance organization of the unit responsible for the transaction and of the compliance organization in the regions.

LC CO RFC LF M&A has the governance for the contents of the Compliance Due Diligence. In addition, LC CO RFC LF M&A has the governance for mandating and supervising of external compliance consultants which is determined together with MAP DF&CLM on a project-specific basis.

LC CO RFC LF M&A provides MAP and the unit responsible for the transaction with legal advice in compliance-related matters in connection with M&A transactions, majority investments, joint ventures and minority investments. This regulation does not affect LC M&A’s responsibility for providing advice in respect of contracts for mergers and acquisitions, majority investments, joint ventures and minority investments.

For investments by N47 a specific process without involvement of MAP applies.

### 1.3. Scope

Subject of a Compliance Due Diligence is, in particular, the contracting party and the company or part of a company that is to be (partially) acquired or sold.

The Compliance Due Diligence should in particular focus on risks in the areas of corruption, antitrust law, money laundering, data privacy, export control, human rights and indications of criminal or administrative offences or criminal investigations or monetary fine proceedings against the contracting party, its shareholders, the company, its management, or against any employees with a key role in the transaction, all of the foregoing in respect of the company´s business activities, as well as on breaches of recordkeeping obligations.

### 1.4. Results

MAP DF&CLM and LC CO RFC LF M&A have to document the results of a Compliance Due Diligence and report the results to the M&A negotiator. The results have to be adequately taken into consideration in the course of the negotiations, in particular, when drafting the contract.

If risks identified in the Compliance Due Diligence cannot be adequately taken into account, MAP DF&CLM and LC CO RFC LF M&A, have to document this fact and provide an assessment of the resulting compliance-related risks in the respective decision proposal. In addition, mitigation proposals with regard to the remaining compliance-related risks have to be provided.

The compliance organization of the unit responsible for the transaction must ensure the implementation of the proposed mitigation measures to reduce the remaining compliance-related risks. In this connection, the compliance organization will be supported by LC CO RFC LF M&A and, if necessary, by MAP DF&CLM.

## 2. Compliance standards in investments

### 2.1. Compliance standards in majority investments

When a company or a majority interest in a company is acquired through a M&A transaction, the Siemens unit taking over the business is obliged to set up – within 12 months from closing and in accordance with the Mandatory Items set out in the Integration Master Planner (IMP) – a compliance system that meets Siemens’ standards.

### 2.2. Compliance standards in minority investments

When a minority interest is acquired, the M&A negotiator must undertake every effort to contractually agree with the relevant other parties in the transaction the implementation of an adequate Compliance System in the acquired business considering the specifics of the business and the transaction.

Depending on these specifics, an adequate compliance system for minority investments should usually comprise at least the following components:

* “tone from the top” (a clear commitment by top management to combat compliance violations);
* execution of business-related risk assessments in respect of compliance – focusing, in particular on topics relating to anti-corruption, antitrust laws and anti-money laundering;
* nomination of compliance officers;
* drafting and implementing of a set of compliance regulations (covering, for example, the treatment of gifts and invitations as well as dealings with business partners);
* the implementation of communication and training measures;
* a system for taking receipt of reports of suspected misconduct, investigating the compliance allegations and, where applicable, sanctioning such violations;
* regular reviews of implemented compliance measures – focusing, in particular, on anti-corruption, antitrust and anti-money laundering measures;
* establishment of a corporate culture that is committed to compliance.

Regarding the monitoring of Compliance in minority shareholdings after closing, see [Chapter H.6](https://webbooks.siemens.com/public/LC/chen/index.htm?n=Part-2-Business-Perspective,H.-Compliance-in-Business-Processes-and-Projects,6.-Compliance-in-Minorities).

### 2.3. Joint ventures

During the formation of a joint venture, the M&A negotiator must ensure – even in case of a minority interest – that the contractual partner cannot unilaterally change the compliance standards in place at the joint venture.

If this is not negotiable and cannot be agreed in the contract, this fact must be documented by LC M&A and communicated to MAP DF&CLM and LC CO RFC LF M&A so that it can be taken into account in the decision proposal and in the decision to invest / divest in an appropriate way.

## 3. Divestments

### 3.1. Contractual regulations

In case of a divestiture of a company, a part of a company or an interest in a company, the M&A negotiator and LC M&A must ensure that Siemens’ obligations vis-à-vis government authorities (for example, the SEC, the U.S. Department of Justice) and other organizations relating to the agreement of specific compliance-related regulations are fulfilled. Such requirements must be reflected in the contract with the purchaser in an appropriate way. LC CO RFC LF M&A has to inform the MAP organization and LC M&A regarding the respective compliance-related obligations.

### 3.2. Carve-out/Stand-alone

LC CO RFC LC M&A manages the carve-out and stand-alone process for all Compliance related topics in divestment projects. The tasks include the management of the Workstream Compliance (“blue team”) in carve-out / stand-alone projects, as well as the management of the baselining and TSA (transitional service agreement) processes, the implementation of the Siemens Compliance system in the newly founded entities and the development of concepts for an independent stand-alone compliance system together with the target business and ensuring the implementation of this system.

## 4. Training and supporting material

* [Circular No. 222 “Application for and approval of capital investments and divestments”](https://regulations-admin.siemens.com/content/SC/222/en)
* [Code of practice for compliance due diligences in M&A transactions](https://findit.compliance.siemens.com/content/10000101/Compliance/LC_CO/LC_CO_RG_M_A/findIT_LC_CO_RG_M_A_7309.pdf)
* [Circular No. 206 “Corporate Governance Rules for Siemens’ Equity Investments”](https://soc.siemens.cloud/#/c/1ojprl)
* [Integration Master Planner (IMP)](https://intranet.siemens.com/integration)
* [ARE Masterlist](https://findit.compliance.siemens.com/content/10000101/Compliance/LC_CO/LC_CO_STR_SP/findIT_LC_CO_STR_SP_4272.xlsx)

## 5. History of changes

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| **Date** | **Author** | **Major changes of binding content** |
| January 1, 2019 | Karin Bliemel LC CO RFC LF M&A) | First Release through the Compliance Handbook based on Siemens Circular SC No. 226 “Global Compliance”. |
| January 1, 2020 | Frank Vormstein (LC CO RFC LF M&A) | Update due to organizational changes |
| April 1, 2020 | Koen Miezenbeek (LC CO RFC LF)  Yvonne Hamm-Düppe (LC CO RFC LF) | Update due to organizational changes  Structural restructuring of PEs and Minorities, so that Minorities becomes Chapter H.6, PEs becomes Chapter H.7 and previous Chapters I.1. and 2. become Chapter I |
| Jan 1, 2021 | Ulf Lafrenz, Uli Müller  (LC CO RFC LF M&A) | Update due to organizational changes.  Clarification of responsibility for carve-out and stand-alone process. |

## 6. Contacts

Compliance Officer

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

Corporate Governance Owner

The contact person for invest- and divestments is:

[Uli](https://scd.siemens.com/luz/IdentitySearch?cn=VORMSTEIN+FRANK+Z002NT5K&tcgid=Z002NT5K&c=DE&o=SIEMENS&ou=LC&l=MCH+M&department=LC+CO+RG+CL+M%26A&&utI=I&utX=X&utT=T&rtH=H&rtS=S&rtZ=Z&rtO=O&rtAktiv=A) Müller (LC CO RFC LF M&A)