Collective Action

Kuwait, December 2012
Peter Loescher sets the clear tone from the top with authenticity and clarity.

“Being a responsible company – this is what our foundation was built on, this is a core element of our values. Highest performance with highest ethics”

Peter Lösch, President and Chief Executive Officer of Siemens AG

- Only Clean Business is Siemens business.
- Everywhere - everybody - every time!“
- Compliance as part of corporate Responsibility is 1st priority!
Collective Action is an agreement to jointly fight corruption

Characteristics of Collective Action

- Fight corruption in joint agreement with industry peers and other stakeholders
- Foster equal compliance standards through a preventive concept
- Involve independent facilitator / monitor
- Define consequences in case of infringements

1) Non-Governmental Organization, e.g. Transparency International

Source: Collective Action Project

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There are two forms of Collective Action – project-specific agreements and long-term initiatives

Two forms of Collective Action

<table>
<thead>
<tr>
<th>Project-specific agreements 1)</th>
<th>Long-term initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 All bidding companies are required to sign an <strong>Integrity Pact</strong> issued by the Public Sector customer with the tender</td>
<td></td>
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<tr>
<td>• Equal and fair anti-corruption standards</td>
<td></td>
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<tr>
<td>• External monitoring of tender process</td>
<td></td>
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<tr>
<td>• Sanctions applicable in case of infringements</td>
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<tr>
<td>2 <strong>Compliance Pact</strong> as an industry initiative to ensure common compliance standards between competitors</td>
<td></td>
</tr>
<tr>
<td>3 Work with <strong>peers, government</strong> and <strong>society</strong> to strengthen anti-corruption policies and promote anti-corruption efforts, e.g. through</td>
<td></td>
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<tr>
<td>• Business coalitions</td>
<td></td>
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<tr>
<td>• Business round-tables</td>
<td></td>
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<tr>
<td>• Principle-based initiatives</td>
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</tbody>
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Suggested if individual customer is willing to fight corruption

Paves the way for clean business in a country

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1) Also includes Anti-Corruption Declarations

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Integrity Pacts are project-specific anti-corruption agreements complementing a public tender

Elements of an Integrity Pact

<table>
<thead>
<tr>
<th>Integrity Pact Contract</th>
<th>Independent 3rd party monitor</th>
<th>Sanctions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Project-specific contract</td>
<td>• Subject matter expert</td>
<td>• Sanctions in case of infringements</td>
</tr>
<tr>
<td>• Agreement on anti-corruption principles</td>
<td>• Trusted and ethical</td>
<td>• Penalties</td>
</tr>
<tr>
<td>• Issued by Public Sector customer with tender</td>
<td>• Monitors all meetings, documents, and transactions</td>
<td>• Exclusion from current tender</td>
</tr>
<tr>
<td>• Signed by all bidders</td>
<td>• Informs customer in case of violations</td>
<td>• Exclusion from future tenders</td>
</tr>
</tbody>
</table>

Source: Collective Action Project
Long-term initiatives pave the way for clean business

Collective Action long-term initiatives

**Objective**
- Promote appropriate business conduct
- Pave the way for Integrity Pacts

**Actions against corruption**
- Form coalitions with peers
- Formulate principles against corruption and urge government to improve legislation
- Involve NGOs, recognized individuals, anti-corruption offices of local government, business associations

1) Non-Governmental Organization, e.g. Transparency International

Source: Collective Action Project
Collective Action is beneficial

Benefits of Collective Action

- Clean business in markets with risk of corruption
- Fair selection as a supplier based purely on value (e.g. quality, price, innovation)
- Enhanced reputation and public trust in Companies