

Siemens Ukraine

Corporate Responsibility Report 2007

www.siemens.ua/corporate_responsibility

SIEMENS

CEO Statement



Siemens is one of the prominent companies of the world which - in harmony with their corporate traditions and culture - have made social responsibility of business one of the most important issues. Our company is a responsible corporate citizen in all the markets where we do business. This – in addition to our excellent products and highly competent people - provides the basis for our reputation and success today and in the future. Under social responsibility we understand friendly, open dialog with partners, clients, consumers and all citizens of the nation along with an engagement in the community.

Today's global tendencies, such as demographic changes, rapid urbanization of population and the threat of natural resources' exhaustion, result in a number of serious problems that society is facing today. Solving these problems is the main guiding line for our business development. As the major natural resources are limited, society requires more efficient solutions in power generation, water supply and industrial production. Quality healthcare and safety are also important for the mankind that is becoming more mobile and at the same time more concerned about protection of the environment. Global mega-trends therefore significantly affect the world around us - and provide new serious tasks for Siemens to cope with.

Siemens joined the UN Global Compact initiative in November 2003, and Siemens Ukraine regional company signed this Compact in April 2006. Since then our company has launched many projects and initiated a number of change processes that are of great importance for implementing and understanding the corporate responsibility principals and their practical application in the company. Publication of this report is the next step in demonstrating our support of the Compact's principles and integration of the social responsibility policy in our company.

Siemens Ukraine participates in solving the acutest social problems of modern society. Our aim is to be not only a supplier of industrial equipment but also an active and constructive member of the Ukrainian society.

To deal with the increasing stakeholders' demands for information on corporate responsibility issues, this report will be placed on the Ukrainian company's official website at www.siemens.ua. The goal is to make our communication with stakeholders in the sphere of corporate responsibility livelier, more up-to-date and more interactive.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Max Egger', written in a cursive style.

Maximilian Egger
CEO

About Our Company

Siemens Ukraine is one of the leading suppliers of products, services and solutions for key infrastructure sectors of Ukrainian economy: power, transport, communications, industry, medicine.

Our history in Ukraine, which goes back to 1853, is extremely rich in events and achievements. For more than one and a half century we have been the pioneers in introducing innovative technologies for various industry sectors. The name Siemens has become a synonym of high quality products, reliability and consumer confidence. We have every reason to be proud of our high reputation in all areas of our operations.

The company set up in 1992, operated until 1997 in the form of Siemens AG representative office in Ukraine. The central company's office in Ukraine is located in Kyiv, and regional branches are in the cities of Dnipropetrovsk, Donetsk, Odesa, Lviv and Kharkiv. Our company is also successfully collaborating with Ukrainian partner companies which act as system integrators adapting the Siemens solutions to conditions and requirements of Ukrainian industry.

Financial revenues from Siemens business activities in Ukraine are coming from two sources: financial results of the contracts with Siemens AG, and income made by the regional units: Siemens Ukraine and OSRAM Ukraine.

All Siemens business units in Ukraine employ nearly 700 people. Development and introduction of innovative Siemens products and solutions will promote improvement of life standards and living conditions of people. The Company is committed to education and professional development of its employees and takes on responsibility for their safety and health.

In order to achieve our targets the Company has developed Fit4 2010 corporate program, which sets clear objectives and defines instruments of the company's strategic re-orientation and sustainable business development. The key program elements: Efficiency and Portfolio, Operational Excellence, People Excellence and Corporate Responsibility encompass the experience accumulated by Siemens over years in the sphere of increasing business efficiency and the company's market value.

Corporate responsibility – the fourth component of the Fit4 2010 program – reflects Siemens principles of corporate governance, targets for the company's sustainable growth, environmental and social responsibility. Siemens actively participates in resolving the toughest social issues of the modern society in every region where the Company operates.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Businesses should make sure that they are not complicit in human rights abuses

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5: Businesses should uphold the the effective abolition of child labour

Principle 6: Businesses should uphold the the effective elimination of discrimination in respect of employment and occupation

People are the company's most valuable asset. In Ukraine we operate in stringent compliance with the norms and standards of Ukrainian and international legislation, in particular the Labour Code and the Constitution of Ukraine. In their professional activities the Company personnel in Ukraine apply the same unified principles of corporate responsibility established for Siemens AG employees, partners and shareholders and formulated in the Business Conduct Guidelines.

Siemens Ukraine employs nearly 350 people, 30% of whom are women. This is worth noting that among the company management the proportion of women is higher: 40% of the Company top managers are female. Among the company personnel 5% are people with disabilities of various kinds. All employees can exercise their right to work in line with their labour agreements. Those agreements (contracts) are concluded on voluntary terms in line with the current Ukrainian legislation requirements. The contracts have provisions for the safe working conditions, the right to rest and other rights ensured by the Ukrainian Law. On top of the mandatory compensation guaranteed by the government, the com-

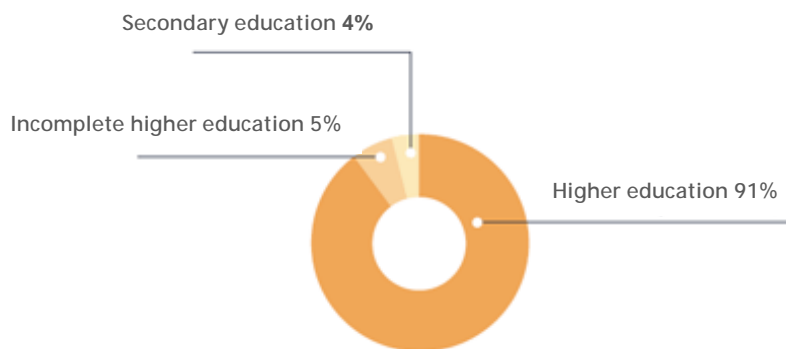


pany has established additional social benefits for all staff groups. Those compensation payments include anniversary benefits, payments in connection with marriage, child birth, death of family members, subsidized holiday vouchers, subsidized loans, medical insurance, private usage of company cars, education costs covered by the company, etc.

Conditions of work comply with the sanitary and hygienic norms and regulations set by the Ministry of Health of Ukraine, the Ministry of Labour and Social Policy of Ukraine as well as by governmental certification and assessment centers.

The employee performance evaluation system is based on the principles of individual approach and regular feedback. The Company has developed understandable standards for any position evaluation (positions are classified by grades - in line with the Mercer methodology) and compensation system structure - setting and changing position salaries, amounts of bonuses, etc. The level of salaries and compensations offered to the Company personnel is in line with salary levels in the leading Ukrainian companies.

We believe that only with the competent and professional personnel, the Company can create corporate culture of a high standard. We recognize the importance of continuous improvement of educational and professional levels of our people and provide broad possibilities for their further qualification development. We are well aware of the fact that this is the way to take care of our future. The staff that sees the prospects for further professional and career growth, is committed to the Company success and its business development. Every year practically all employees are taking part in specialized trainings held in the Siemens training centers (Learning Campus) in Munich and Moscow, as well as in Kiev by the Ukrainian training companies. Technical professionals can improve their knowledge of the new products and technologies. The Company is trying to make its offers attractive in the national HR market and to give its employees confidence in their future - presenting new possibilities for professional development.



In order to get Siemens personnel prepared for the tough challenges of today the Company has introduced a leadership development program. The program in team management is based on clear targets and focuses on high productivity - encouraging people to fully realize their potential. Our people management strategy is based on the long-term development principles. The Company pays special attention to maximum support and encouragement of talented managers, professionals and engineers - the major drivers of our business development.

In order to ensure continued development of the Company personnel we apply the internal corporate program of performance management – Performance Management Process (PMP). The process of performance management is the instrument aimed at supporting the Company employees and managers in their annual target setting. It is also a tool for defining personal development plans and organizing the feedback process.

The major task of this process is to define objectives for the employee and to evaluate his progress and achievements. The performance evaluation process is also instrumental for defining any «problem areas» and for planning the activities aimed at the employee's further professional development.

Thanks to this process any employee can see the recognition of his professional activities, and to get the regular feedback. The Company - in its turn - receives the information required to assess the employee's strong sides along with the possibilities for his further development. In other words, the performance evaluation process is an important component for the individual salaries' revision and for the Company succession business planning.

Principle 7: Businesses should support a precautionary approach to environmental challenges

Environmental competence must be an indispensable and an inherent component of the today's business operations. If the initiatives on environment protection start from "inside the enterprise" - this allows minimizing any environmental impact from the very beginning. Environment protection is a high priority for Siemens.

In 2007 our Company has launched an initiative for collection of the waste paper for recycling - in the framework of the Green Office initiative.

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

Climate change has an impact on the living conditions of the people as well as on the economic development of the countries. This impacts is further enhanced by the growing urbanization. Siemens has been among the first to recognize those problems and has been persistently developing new technologies that can help resolving them.

For several years our Company has supported scientific society of students and post-graduates of the National Technical University of Ukraine "Kyiv Polytechnic Institute" (NTUU "KPI"). The company employees made their presentations at the IX International Academic Conference of the post-graduates and young researchers "Environment. Human. Society". Besides the Company personnel gives lectures at the annual open summer workshops for students, post-graduates and young researchers "Achievements in modern mathematics, information sciences and physics" (AACIMP), which take place at the NTUU "KPI".

In 2008 our company sponsored participation in the training "Writing on the subjects of the climate change" for two Ukrainian journalists (from the "Correspondent" and "Gazeta po-Kiyivsky" publications), organized jointly by the UNDP (UN Development Program) and the Reuters News Agency. The training took place

in Kyrgyzstan in the vicinity of a well-known Issyk-Kul lake, a vivid example of the climate change.

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

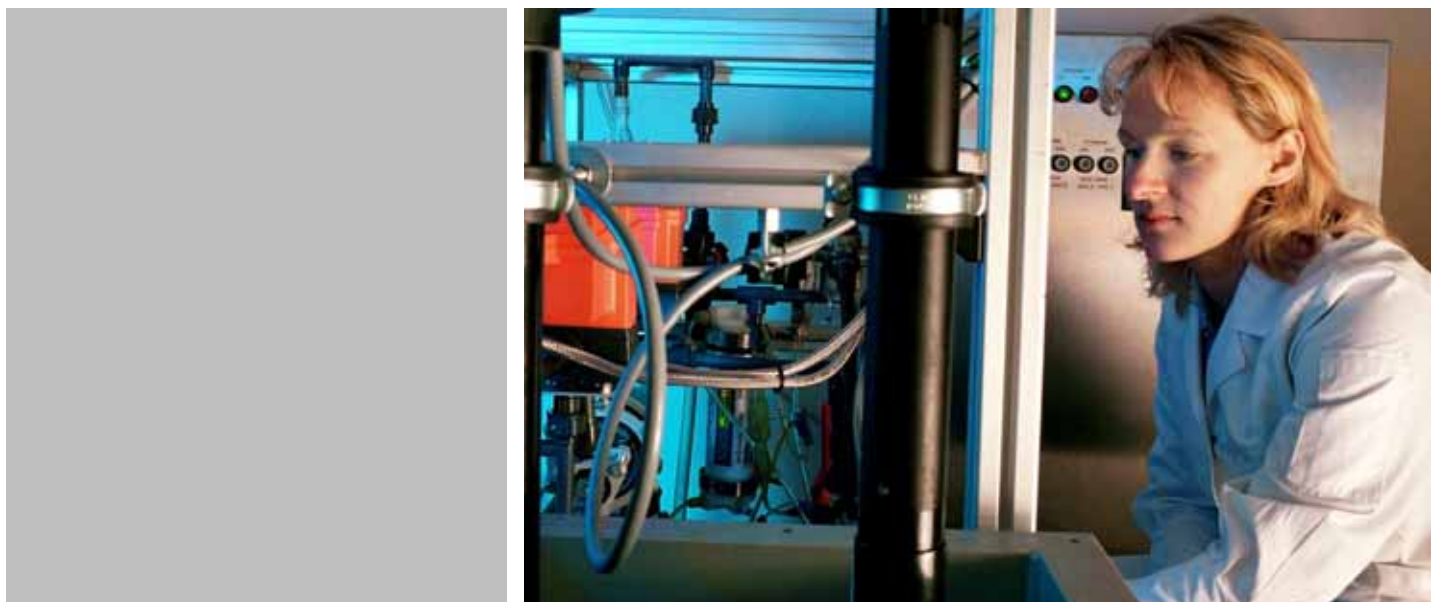
One of the key points of the Fit4 2010 Program is Corporate Responsibility: Corporate Environmental Protection Program being an extension of our environmental products portfolio. Siemens environmental portfolio was created in line with the Energy & Environmental Care project and covers, among other things, energy saving products and solutions, environmental technologies and renewable energy sources. Reports on revenue generated as the result of introducing products and solutions from the Company environmental portfolio - and of the funds raised in result of the reduction of CO₂ emissions - shall be prepared in line with the requirements established by the corporate technologies' department in the energy sector.

Our products and services are safe and fully meet the environmental standards. The Siemens internal SN 36350 standard is a good example of a holistic approach to environmental problems. Since 1993 this standard has been applied in the process of the new products' development. Product specifications should include the following requirements: using standard components, a long service term, a low energy consumption in production and work, materials safety.

Siemens Ukraine fully supports the Corporate Environmental Protection Program. This program was adopted by Siemens AG in order to achieve better results in the area of corporate responsibility and to strengthen the Companies' positions at the environmental products' markets. This program is yet another important step on our way to successful and consistent implementation of the Fit4 2010 program.

The key components of the Corporate Environmental Protection Program are:

- company-wide introduction of the environmental management system
- improvement of the resource and energy efficiency in production
- rigorous implementation of environmentally-compatible product design
- expansion of our environmental portfolio.



Principle 10: Businesses should work against all forms of corruption, including extortion

Siemens principles of Corporate Responsibility lie in compliance with the ethical and legal norms of the business conduct. Those uniform principles for the Company employees and shareholders are outlined in the Business Conduct Guidelines. Siemens demands unconditional compliance with all the legal requirements and any specific norms in the sphere of competition, charity, protection of the company's assets, etc.

Compliance Program sets up a code of corporate guidelines and rules in the sphere of the Company legal regulations. Compliance is an absolute priority for our Company. Compliance implies strict observation of the norms: the violation of those norms may result in criminal or administrative sanctions. Compliance also implies unconditional abidance by internal rules and regulations related to those norms.

For the sake of applying the Siemens best practices and in order to ensure implementation of the Compliance Program, existing compliance regulations shall be regularly revised. Hence the base of Compliance Program is formed by the legal requirements and norms – those should be continuously revised and updated. With the objective of providing information to employees, partners, customers and community the enterprise has introduced the procedure for communicating its anticorruption policies.

With the purpose of respecting the corporate rules in the sphere of charity, the company has introduced a procedure for approvals and controls in providing any financial support, or transferring Company assets for charity purposes. We do not provide charitable support to individuals, commercial entities, organizations which do not have the status of non-commercial organizations, religious organizations, as well as organizations, whose objectives are not in alignment with corporate principles outlined in the Business Conduct Guidelines.

Besides, the Company has introduced the following practices:

- All new employees should be briefed regarding ethical and legal rules of the business conduct and should sign the Code of Business Conduct.
- Company employees should receive a one-day anticorruption training with discussion on some specific cases.
- Company employees participate in the anti-corruption on-line trainings Global Bribery and Corruption Awareness and Global Competition
- All Siemens Ukraine employees get on the regular basis an e-mail reminder from Corporate Responsibility Officer on the "Tell us" and "Ask us" hot lines. Every employee can receive the needed information – and to speak about his concerns or to put a question regarding Compliance - using those lines.

Examples of Social Investments

Siemens recognizes the importance of participation in the country's social life. The company provides support to education and science, promotes culture and arts, promotes the medicine development and provides assistance in crisis situations. **Siemens Generation21** program is implemented in educational institutions of various levels and provides significant contribution into the projects of society's development through educational issues and initiatives. This Program focuses mainly on the sciences and technologies, thus enhancing chances of young generation for self-realization in these areas.

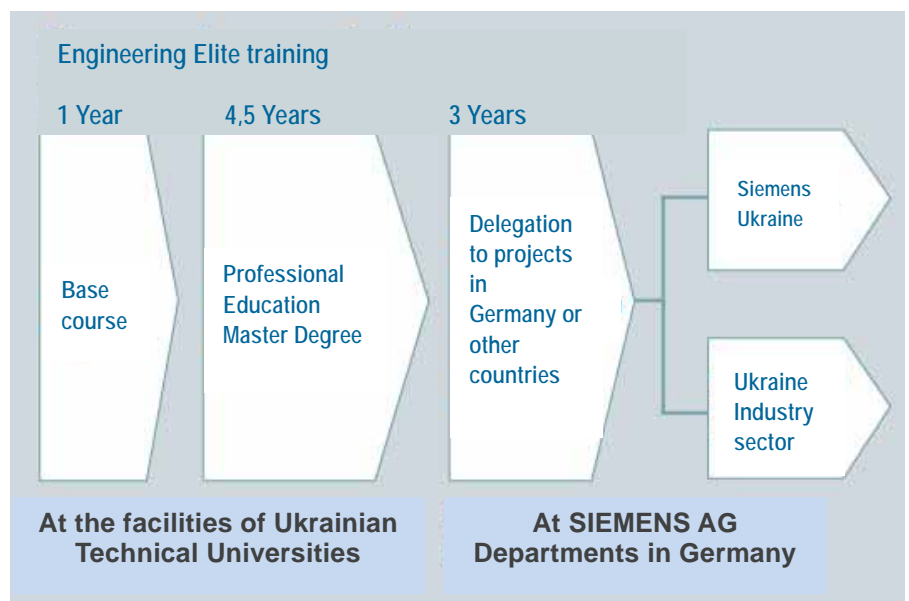
Siemens Caring Hands is a social program which unites all our initiatives aimed at relieving the social problems of each region or country where Siemens has its business.

An important contribution to **Siemens Generation21** corporate programme is the Science to Business (S2B) project - Siemens Ukraine's investment initiative in the area of higher technical education.

Ukraine is known for its developed system of technical education and qualification of its engineers. Possessing powerful potential, it can and should take a worthy place on the world map of cutting-edge knowledge and technology centres, become a European challenge for competitors from India and China. The Science to Business (S2B) initiative offers Ukraine a real chance to succeed on this way.

The **Science to Business (S2B)** initiative is a combination of effort and financial capacity of Siemens concern, the German Academic Exchange Office (Deutscher Akademischer Austausch Dienst, or DAAD), Otto von Guericke Magdeburg University and Ukraine's leading higher education establishments aimed at training in Ukraine highly qualified technical specialists for the world market of engineering services.

Siemens Ukraine company has extensive experience of carrying out long-term projects in the area of higher technical education. One example of successful integration of Ukraine's engineering education into the pan-European education network is multiyear operation of the German Technical Faculty (GTF) created in 1992 at Donetsk Technical University with the assistance of Siemens.



Currently, over 300 students are receiving education at GTD in five specialities. The university's graduates who undergo training under this programme gain up-to-date technical knowledge and practical know-how on the basis of Siemens products and solutions and study two foreign languages.

The programme's participants during their externship at various Siemens departments in Germany acquaint themselves with the Western management style and the specifics of working in the area of modern high-tech businesses.

Since 1998, GTF has graduated 270 specialists. 113 of them have taken part in various Siemens projects abroad, including those in China, Egypt, India, UAE, Turkey. Given high demand for highly qualified technical specialists and multiyear experience of successful operation of the Donetsk-based GTF, the management of Siemens Ukraine took the decision to develop this initiative into the **Science to Business** large-scale project which covers different regions of Ukraine. The company's additional investment will make it possible to extend the programme to the country's leading technical higher education establishments - the National Technical University of Kharkov Polytechnical Institute, the National Technical University of Kiev Polytechnical Institute, Ivano-Frankovsk Oil and Gas University, Odessa National Polytechnical University.

S2B programme is a practical realisation of the new concept of cooperation of education, science and business in the highly qualified labour market. The programme's success is guaranteed by the availability of economic benefit for all of its participants. In 1998, Siemens Ukraine's Engineering and Technical Centre was opened in Donetsk whose personnel are GTF graduates.

Since 1997 Siemens, in cooperation with the Children of Chernobyl Fund established by the German State of Lower Saxony, has been implementing a program for early diagnostics of thyroid gland diseases among children living in areas of Ukraine affected by the Chernobyl catastrophe. Within the program framework Siemens is donating ultrasound systems to Ukrainian pediatric hospitals. So far we have installed 120 systems with a total value of some 3.5 million euros.

The Programme is not limited only by supply of the medical equipment. Since 1998 Siemens Ukraine organizes at the facilities of the central basin hospital in



cooperation with the Ministry of health of Ukraine annual advanced training course for doctors who use this equipment. Nearly 230 professionals already attended these courses, where training is delivered by German and Ukrainian professionals.

Siemens Ukraine in cooperation with the Department for protection of population against the effects of Chernoby NPP disaster donated Mammomat 3000 Nova and Sonoline G40 units to the hospital №3 of Shevchenkovsky District in Kyiv. This initiative was aimed at providing modern diagnosis equipment to medical institutions. Charitable support was also offered to Kyiv City Hospital №16.

Since 2006 Siemens Ukraine actively cooperates with the charitable organization "ChildRescue", which provides round the clock support to homeless children, is involved in their rehabilitation and reintegration in their biological or foster families. Siemens Ukraine employees collected clothes and money for the purchase of text books. The company also donated computer equipment and provided 10 000 UAH for buying vouchers to summer camps. And on Saint Mykolay Day children received sweets, gifts and the chegue for 10 000 Euro.

Our company understands that Ukraine's huge cultural heritage requires sponsors' support. Siemens considers it an honor to invest in values that should be preserved and made widely available, by investing in culture and the arts. That's why Siemens proudly offered its help in organizing and holding the International Vladimir Horowitz Memorial Young Pianists' Competition. This event has a special meaning for Siemens, as the musician's father the talented engineer O. Horowitz headed one of the first engineering offices of the Russian based Siemens and Halske Electrical Engineering JSC in Kyiv, at the beginning of the twentieth century.



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