

## **Corporate Governance Statement**

### **Documents pursuant to § 289f (2) and § 315d German Commercial Code (HGB)**

The documents referred to in the Corporate Governance statement pursuant to § 289f and § 315d of the German commercial code (HGB) can be found here. Each of the documents is as of September 30, 2018.

- German Corporate Governance Code
- Business Conduct Guidelines
- Bylaws for the Managing Board
- Bylaws of the Supervisory Board
- Management and control structure

# German Corporate Governance Code

(as amended on 7 February 2017, convenience translation)



REGIERUNGSKOMMISSION

Deutscher Corporate Governance Kodex

## 1 Foreword

The German Corporate Governance Code (the “Code”) incorporates significant statutory requirements for the management and supervision (governance) of German listed corporations and contains internationally and nationally accepted standards of good and responsible governance. The objective of the Code is to make the German Corporate Governance system transparent and understandable. It aims to promote confidence in the management and supervision of German listed corporations by international and national investors, customers, employees and the general public.

The Code highlights the obligation of the Management and Supervisory Boards to ensure the continued existence of the company and its sustainable value creation in line with the principles of the social market economy (the company’s best interests). These principles not only require compliance with the law, but also ethically sound and responsible behaviour (the “reputable businessperson” concept, *Leitbild des Ehrbaren Kaufmanns*).

Institutional investors are of particular importance to companies. They are expected to exercise their ownership rights actively and responsibly, in accordance with transparent principles that also respect the concept of sustainability.

A dual board management system is required by law for German stock corporations.

The Management Board is responsible for managing the company. Its members are jointly accountable for managing the company. The Chair coordinates the work of the Management Board.

The Supervisory Board appoints, supervises and advises the members of the Management Board, and is directly involved in decisions of fundamental importance to the company. The Chair of the Supervisory Board coordinates the work of the Supervisory Board.

The members of the Supervisory Board are elected by the shareholders at the corporation’s General Meeting. 30% of Supervisory Board members of companies with more than 500 employees in Germany have to be employee representatives. The statutory percentage of employee representatives is 50% for companies with more than 2,000 employees in Germany. For companies with more than 2,000 employees, the Chair of the Supervisory Board, who is almost always a shareholder representative, has the casting vote in case of tied votes. Shareholder representatives and employee representatives are obliged in equal measure to act in the best interests of the company.

Alternatively, German corporations may choose the legal structure of the European Company (Societas Europaea, SE), an internationally widespread legal structure that provides for a one-tier system of governance (Administrative Board).

At European Companies, the extent and organisation of co-determination is generally subject to an arrangement established between management and employee representatives. All employees in the EU member states are covered by co-determination.

The financial reporting of German companies is governed by the “true and fair view” principle and must give a true and fair view of the net assets, financial status and results of operations of the company.

**Recommendations** of the Code are indicated in the text by using the word “**shall**”. Corporations may depart from recommendations, but in this case they are obliged to disclose and explain any departures each year (comply or explain). This enables corporations to reflect sector- or company-specific requirements. Well-justified departures from recommendations of the Code may be in the best interests of good corporate governance. Thus, the Code contributes to greater flexibility and more self-regulation in the German corporate constitution. Additionally, the Code contains **suggestions** from which corporations may depart without disclosure; suggestions are indicated in the text by using the word “**should**”. The remaining passages of the Code that do not use these words relate to descriptions of statutory requirements and explanations.

Code stipulations covering not only the corporation itself but also its group entities use the word “company” rather than “corporation”.

Primarily, the Code addresses listed corporations and corporations with access to capital markets pursuant to section 161 (1) sentence 2 of the Stock Corporation Act. Corporations whose securities are not publicly traded are also encouraged to follow the Code.

Listed credit institutions and insurance undertakings are subject to the applicable prudential requirements, which are not reflected in the Code.

As a rule, the Code is reviewed annually in light of national and international developments and is adapted if necessary.

## 2 Shareholders and the General Meeting

### 2.1 Shareholders

2.1.1 Shareholders exercise their rights before or during the General Meeting, as provided by law and the Articles of Association, and thereby exercise their voting rights.

2.1.2 In principle, each share carries one vote. There are no shares with multiple voting rights, preferential voting rights (“golden” shares) or maximum voting rights.

## **2.2. General Meeting**

- 2.2.1 The Management Board submits to the General Meeting the annual financial statements, the management report, the consolidated financial statements and the group management report. The General Meeting adopts resolutions on the appropriation of net profit, approves the actions of the Management Board and the Supervisory Board by way of discharge and, as a rule, elects the shareholder representatives to the Supervisory Board and the auditor.

The General Meeting also adopts resolutions on the content of the Articles of Association, in particular the purpose of the corporation and essential structural measures such as inter-company agreements and transformations, the issuance of new shares, convertible bonds and bonds with warrants, as well as the authorisation to purchase own shares. It can adopt resolutions approving the remuneration system for members of the Management Board.

- 2.2.2 Shareholders generally have pre-emptive rights corresponding to their interest in the share capital when new shares are issued.
- 2.2.3 Every shareholder has the right to attend the General Meeting, to take the floor on matters on the agenda and to submit relevant questions and motions.
- 2.2.4 The Chair of the meeting is responsible for the expeditious progress of the General Meeting. In this context, the Chair should take into account that the Annual General Meeting be completed after four to six hours.

## **2.3 Invitation to the General Meeting, Proxies**

- 2.3.1 The Management Board must convene the General Meeting at least once a year, disclosing the items on the agenda. Groups of minority shareholders are entitled to require the convening of a General Meeting and the extension of the agenda. The notice convening the General Meeting and the reports and other documents required by law, including the annual report, must be made easily accessible to the shareholders on the corporation's website, together with the agenda.
- 2.3.2 The corporation shall facilitate the exercise of shareholders' rights in person or by proxy. The Management Board shall be responsible for the appointment of a proxy to exercise shareholders' voting rights in accordance with their instructions; the proxy should also be reachable during the General Meeting.
- 2.3.3 The corporation should make arrangements to allow shareholders to follow the General Meeting using modern means of communication (e.g. via the Internet).

### 3 Cooperation between Management Board and Supervisory Board

- 3.1 The Management Board and Supervisory Board cooperate closely to the benefit of the company.
- 3.2 The Management Board coordinates the company's strategic approach with the Supervisory Board and discusses the current state of strategy implementation with the Supervisory Board at regular intervals.
- 3.3 The Articles of Association or – if applicable also in the case of individual transactions – the Supervisory Board stipulate that transactions of fundamental importance are subject to approval by the Supervisory Board. They include decisions or measures that fundamentally change the company's net assets, financial status or results of operations.
- 3.4 The Management Board is responsible for keeping the Supervisory Board informed. Nevertheless, the Supervisory Board must itself ensure that it obtains sufficient information. The Supervisory Board shall therefore specify the Management Board's information and reporting duties in greater detail.

The Management Board informs the Supervisory Board regularly, without delay and comprehensively about all issues that are relevant to the company regarding strategy, planning, business development, the risk situation, risk management and compliance. The Management Board addresses departures in the current business development from its existing projections and targets, indicating the reasons for any such departures.

The Management Board's reports to the Supervisory Board are, as a rule, to be submitted in text form. Wherever possible, documents required for decisions are sent to the members of the Supervisory Board in good time before the meeting.

- 3.5 Good corporate governance requires an open dialogue between the Management Board and Supervisory Board as well as between the members of these individual Boards. Comprehensive observance of confidentiality is of paramount importance in this regard.

All Board members ensure that the employees used by them in support functions comply with the obligation of confidentiality in the same way.

- 3.6 In Supervisory Boards governed by co-determination, shareholder representatives and employee representatives can prepare Supervisory Board meetings separately, involving members of the Management Board, if needed.

If necessary, the Supervisory Board shall meet without the Management Board.

- 3.7 In the event of a takeover offer, the Management Board and Supervisory Board of the target corporation must issue a statement of their reasoned position, enabling the shareholders to make an informed decision on the offer.

After the announcement of a takeover offer, the Management Board must not – until publication of the result – take any actions that could prevent the success of the offer,

unless such actions are permitted under applicable law. In making their decisions, the Management Board and Supervisory Board are bound to observe the best interests of the shareholders and the company.

In the event of a takeover offer, the Management Board should convene an Extraordinary General Meeting at which shareholders will discuss the takeover offer and, if appropriate, decide on corporate actions.

- 3.8 The members of the Management Board and Supervisory Board comply with the rules of proper corporate management. If they violate the duty of due care and diligence of a prudent and conscientious manager or Supervisory Board member, they will be held liable to the corporation for damages. However, a business decision is not regarded as a violation of duty if the member of the Management Board or Supervisory Board could reasonably presume that he or she was acting on an informed basis in the best interests of the corporation (business judgement rule).

If the corporation takes out a D&O (directors' and officers' liability insurance) policy for the Management Board, a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration of the Management Board member must be agreed.

A similar deductible shall be agreed in any D&O policy for the Supervisory Board.

- 3.9 Extending loans from the company to members of the Management Board or Supervisory Board or their relatives requires the approval of the Supervisory Board.
- 3.10 The Management Board and Supervisory Board shall report annually on Corporate Governance (Corporate Governance Report), and shall publish this report in connection with the Corporate Governance Statement. Comments should be provided on the suggestions made in the Code. The corporation shall keep previous Declarations of Conformity with the Code available on its website for a period of five years.

## **4 Management Board**

### **4.1 Tasks and Responsibilities**

- 4.1.1 The Management Board assumes full responsibility for managing the company in the best interests of the company, meaning that it considers the needs of the shareholders, the employees and other stakeholders, with the objective of sustainable value creation.
- 4.1.2 The Management Board develops the strategy for the company, agrees it with the Supervisory Board and ensures its implementation.
- 4.1.3 The Management Board ensures that all provisions of law and the company's internal policies are complied with, and endeavours to achieve their compliance by the group

entities (Compliance). It shall also institute appropriate measures reflecting the company's risk situation (Compliance Management System) and disclose the main features of those measures. Employees shall be given the opportunity to report, in a protected manner, suspected breaches of the law within the company; third parties should also be given this opportunity.

4.1.4 The Management Board ensures appropriate risk management and risk control in the company.

4.1.5 When appointing the company's executives, the Management Board shall consider the principle of diversity, and in particular endeavour to achieve the appropriate consideration of women for such positions. The Management Board lays down targets for increasing the share of women in the two management levels below the Management Board.

## **4.2 Composition and Remuneration**

4.2.1 The Management Board shall consist of several members and shall have a Chair or Spokesperson. Rules of procedure shall govern the work of the Management Board, in particular the allocation of duties among individual Management Board members, matters reserved for the Management Board as a whole and the required majority for Management Board resolutions (unanimity or resolution by majority vote).

4.2.2 The full Supervisory Board determines the total remuneration for each Management Board member. If the contracts of Management Board members are dealt with by a committee, the committee submits its proposals to the Supervisory Board for approval in plenary session. The full Supervisory Board resolves the Management Board remuneration system and reviews it regularly.

The total remuneration of each Management Board member is determined by the Supervisory Board in plenary session based on a performance evaluation, taking into consideration any payments made by group entities. The criteria for determining the appropriateness of remuneration consist of the duties of the individual member of the Management Board, their personal performance, the economic situation, the performance and future prospects of the company as well as the customary level of remuneration that takes into account peer corporations as well as the remuneration structure in place elsewhere in the corporation. The Supervisory Board shall consider the ratio of Management Board remuneration to the remuneration paid to the senior management and entire staff, including its development over time, whereby the Supervisory Board determines how senior managers and other relevant staff are to be differentiated for the comparison.

If the Supervisory Board calls upon an external remuneration expert to evaluate the appropriateness of the remuneration, it shall ensure that the expert is independent from the Management Board and the company.



- 4.2.3 The total remuneration of Management Board members comprises monetary remuneration components, pension commitments, other commitments (especially in the event of termination of activity), fringe benefits of all kinds as well as benefits from third parties that were promised or granted during the financial year for the work performed on the Management Board.

The remuneration structure must be focussed on the sustainable growth of the company. Monetary remuneration shall comprise fixed and variable components. Variable remuneration components generally have a multiple-year assessment basis that shall have essentially forward-looking characteristics. Both positive and negative developments shall be taken into account when determining variable remuneration components. All remuneration components must be appropriate, both individually and in the aggregate, and in particular must not encourage the recipients to take unreasonable risks. The amount of remuneration shall be capped with maximum levels, both as regards variable components and in the aggregate. Variable remuneration components shall be based on demanding and relevant comparison parameters. Subsequent amendments to the performance targets or comparison parameters shall be excluded. Early disbursements of multiple-year, variable remuneration components should not be permitted.

The Supervisory Board shall establish the target level of pension benefits for every pension commitment – including based on the duration of membership of the Management Board – and shall consider the resulting annual and long-term expense incurred by the company.

When contracts are entered into with Management Board members, it shall be ensured that payments, including fringe benefits, made to a Management Board member due to early termination of their contract do not exceed twice the annual remuneration (Severance Cap) and do not constitute remuneration for more than the remaining term of the employment contract. If the employment contract of a Management Board member is terminated for good cause for which the Management Board member is responsible, no payments are made to that Management Board member. The severance cap shall be calculated on the basis of the total remuneration paid for the previous financial year and, if appropriate, shall take into account the expected total remuneration for the current financial year.

Benefit commitments made in connection with the early termination of a Management Board member's activity due to a change of control (Change of Control) shall not exceed 150% of the severance cap.

The Chair of the Supervisory Board shall outline to one General Meeting the salient points of the remuneration system and shall inform subsequent General Meetings about any amendments.

- 4.2.4 The total remuneration of every Management Board member is to be disclosed, indicating their name, and classified by fixed and variable remuneration components. The same applies to benefit commitments granted to Management Board members in the event of early or regular termination of Management Board activity, and to benefit

commitments amended during the respective financial year. There is no disclosure, if the General Meeting resolves this with a three-quarters majority.

- 4.2.5 Management Board remuneration is disclosed in the notes to the financial statements or the management report. The remuneration report, which is part of the management report, describes the principal features of the Management Board remuneration system. The description shall be made in a generally comprehensible way.

The remuneration report shall also include information on the nature of the fringe benefits provided by the corporation.

In addition, the remuneration report shall present the following information for every Management Board member:

- the benefits granted for the reporting period, including fringe benefits, supplemented in the case of variable remuneration components by the maximum and minimum remuneration achievable,
- the benefits received for the reporting period, consisting of fixed remuneration, short-term variable remuneration and long-term variable remuneration, broken down by the relevant reference years,
- the service cost incurred in/for the reporting period for pension benefits and other commitments.

The model tables provided as appendices to this document shall be used to disclose this information.

### **4.3 Conflicts of Interest**

- 4.3.1 Members of the Management Board are bound to observe the best interests of the company. When taking decisions, they must not pursue any personal interests, they are subject to comprehensive non-competition arrangements during their term of office and they must not exploit for themselves business opportunities to which the company is entitled.

- 4.3.2 Members of the Management Board and employees must not demand or accept inappropriate benefits from third parties for themselves or for any other person in connection with their work rendered for the company, nor should they grant inappropriate benefits to third parties.

- 4.3.3 Every Management Board member shall disclose conflicts of interest to the Supervisory Board without undue delay and inform the other Management Board members. All transactions between the company and Management Board members, including their related parties, must comply with standards customary to the sector. The Supervisory Board represents the corporation in transactions with members of the Management Board. Significant transactions with a Management Board member's related parties shall be subject to Supervisory Board approval.

- 4.3.4 Members of the Management Board shall only assume sideline activities, especially Supervisory Board mandates outside the company, with the approval of the Supervisory Board.

## **5 Supervisory Board**

### **5.1 Tasks and Responsibilities**

- 5.1.1 The task of the Supervisory Board is to regularly advise and supervise the Management Board in its management of the company. It must be involved in all decisions of fundamental importance to the company.

- 5.1.2 The Supervisory Board appoints and dismisses the members of the Management Board. When appointing Management Board members, the Supervisory Board shall take diversity into account. The Supervisory Board determines targets for the share of female Management Board members. Together with the Management Board, it shall ensure that there is long-term succession planning. The Supervisory Board is free to delegate to committees the preparations for appointing Management Board members and the elaboration of the conditions in the employment contracts, including remuneration.

For first-time appointments, the maximum permissible appointment period of five years should not be applied as a rule. Any re-appointment prior to one year before the end of an appointment period at the same time as termination of the current appointment shall only happen if special circumstances apply. The Supervisory Board shall specify an age limit for the members of the Management Board.

- 5.1.3 The Supervisory Board shall adopt its own rules of procedure.

### **5.2 Duties and Authorities of the Supervisory Board Chair**

The Supervisory Board Chair is elected by the Supervisory Board from among its members. The Chair coordinates the activities of the Supervisory Board, chairs its meetings and safeguards the matters of the Supervisory Board externally.

The Supervisory Board Chair should be available – within reasonable limits – to discuss Supervisory Board-related issues with investors.

Between meetings, the Supervisory Board Chair shall be in regular contact with the Management Board, in particular the Management Board Chair or Spokesperson, in order to discuss with them issues of strategy, planning, business development, the risk situation, risk management and compliance of the company. The Management Board Chair or Spokesperson informs the Supervisory Board Chair without undue delay of major events that are of material importance for the assessment of the company's status and performance, and for the management of the company. The Supervisory Board Chair

subsequently informs the Supervisory Board and, if required, shall convene an extraordinary Supervisory Board meeting.

### **5.3 Establishment of Committees**

5.3.1 Depending on the specific circumstances of the company and the number of Supervisory Board members, the Supervisory Board shall form committees of members with relevant specialist expertise. The committee Chairs report regularly to the Supervisory Board on the work of their committees.

5.3.2. The Supervisory Board shall establish an Audit Committee that – provided no other committee has been entrusted with this work – addresses in particular the monitoring of the accounting, the accounting process, the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance.

The Audit Committee submits to the Supervisory Board a reasoned recommendation for the appointment of the auditor, which comprises at least two candidates if the audit engagement is put out to tender. The Audit Committee monitors the auditor's independence and concerns itself with the additional services rendered by the auditor, the issuance of the audit engagement, the determination of the key audit areas and the fee agreement.

The Chair of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures. The Chair shall be independent and shall not be a former member of the Management Board of the corporation whose term of office ended less than two years ago. The Chair of the Supervisory Board shall not chair the audit committee.

5.3.3 The Supervisory Board shall form a Nomination Committee, composed exclusively of shareholder representatives, which proposes suitable candidates to the Supervisory Board for its recommendations to the General Meeting.

### **5.4 Composition and Remuneration**

5.4.1 The composition of the Supervisory Board has to ensure that its members collectively have the knowledge, skills, and professional expertise required to properly perform all duties.

The Supervisory Board shall determine concrete objectives regarding its composition, and shall prepare a profile of skills and expertise for the entire Board. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity. The specific requirements of the co-determination acts (*Mitbestimmungsgesetze*) in regard of the elected employee representatives have to be taken into account.

In listed corporations subject to the Co-determination Act, the Co-determination Act for the Coal, Iron and Steel Industry (*Montan-Mitbestimmungsgesetz*) or the Act Supplementing the Codetermination Act for the Coal, Iron and Steel Industry (*Mitbestimmungsergänzungsgesetz*), the Supervisory Board comprises at least 30% women and at least 30% men.\* In other corporations subject to the Gender Equality Act (*Gleichstellungsgesetz*), the Supervisory Board determines targets for the share of female members.

Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the overall profile of required skills and expertise of the Supervisory Board. The implementation status shall be published in the Corporate Governance Report. This report shall also provide information about what the Supervisory Board regards as the appropriate number of independent Supervisory Board members representing shareholders, and the names of these members.

When making its proposals to the General Meeting concerning the election of new members to the Supervisory Board, the Supervisory Board shall satisfy itself that the respective candidates are able to devote the expected amount of time required. The proposal for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and experience; it shall be supplemented by an overview of the candidate's material activities in addition to the Supervisory Board mandate, and shall be updated annually for all Supervisory Board members and published on the company's website.

In its election proposals to the General Meeting, the Supervisory Board shall disclose the personal and business relationships of every candidate with the company, the governing bodies of the corporation and any shareholders with a material interest in the corporation.

The disclosure recommendation is limited to information and circumstances that, in the appraisal of the Supervisory Board, an objectively judging shareholder would consider decisive for their election decision.

A material interest in the meaning of this recommendation refers to shareholders who directly or indirectly hold more than 10% of the voting shares of the corporation.

- 5.4.2 The Supervisory Board shall include what it considers to be an appropriate number of independent members, thereby taking into account the shareholder structure. Within the meaning of this recommendation, Supervisory Board members are to be considered non-independent in particular if they have a personal or business relationship with the corporation, its governing bodies, a controlling shareholder or a company affiliated with

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\* With effect from 1 January 2016, the minimum share of 30 percent respectively for men and women members of the Supervisory Board must be observed in any new elections or delegations that become necessary for filling individual or several positions on a Supervisory Board (Law on Equal Participation of Men and Women in Private-Sector and Public-Sector Management Positions, Section 25 Subsection 1 EG-AktG (Introductory Law of the German Stock Corporation Act), German Federal Gazette I. 2015, 642, 656).

the controlling shareholder that may cause a substantial and not merely temporary conflict of interest. No more than two former members of the Management Board shall be members of the Supervisory Board. Members of the Supervisory Board shall not be members of governing bodies of, or exercise advisory functions at, significant competitors of the company.

5.4.3 Supervisory Board members shall be elected individually. Where an application is made for the appointment of a Supervisory Board member by the Court, the term of that member shall be limited until the next General Meeting. Proposed candidates for the Supervisory Board Chair shall be announced to the shareholders.

5.4.4 Management Board members may not become a member of the corporation's Supervisory Board before two years have lapsed since the end of their appointment, unless they were elected on the proposal of shareholders holding more than 25% of the corporation's voting rights. In the latter case, appointment as Chair of the Supervisory Board shall be an exception that has to be justified to the General Meeting.

5.4.5 Each Supervisory Board member must ensure that they have sufficient time available to discharge their duties. Members of the Management Board of a listed corporation shall not accept more than a total of three Supervisory Board mandates in non-group listed corporations or on supervisory bodies of non-group entities that make similar requirements.

The members of the Supervisory Board take responsibility for undertaking any training or professional development measures necessary to fulfil their duties. The corporation shall adequately support them in this regard.

5.4.6 The remuneration of Supervisory Board members is specified by resolution of the General Meeting or in the Articles of Association. The status as Chair or deputy Chair of the Supervisory Board, as well as Chair or membership of a committee, shall also be taken into consideration in this context.

The members of the Supervisory Board receive remuneration that is appropriate to their tasks and the status of the corporation. If members of the Supervisory Board are granted performance-related remuneration, it shall be linked to sustainable growth of the company.

The remuneration of Supervisory Board members shall be disclosed individually in the notes to the financial statements or the management report, classified by remuneration components. Payments made or benefits granted by the company to Supervisory Board members for personal services, particularly advisory or agency services, shall also be disclosed separately on an individual basis.

5.4.7 If, in any given financial year, any member of the Supervisory Board attended half or less than half of the meetings of the Supervisory Board or the committees of which they are a member, this fact shall be noted in the report of the Supervisory Board. Participation

by telephone or video conference also counts as attendance, but this should not be the rule.

#### **5.5 Conflicts of Interest**

5.5.1 Every member of the Supervisory Board is bound to observe the company's best interests. No member of the Supervisory Board may pursue personal interests in their decisions or exploit for themselves business opportunities to which the company is entitled.

5.5.2 Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest, particularly if they could arise as a result of an advisory or governing body function at clients, suppliers, lenders or other third parties.

5.5.3 In its report, the Supervisory Board shall inform the General Meeting of any conflicts of interest that have arisen and how they were addressed. Material conflicts of interest involving a member of the Supervisory Board that are not merely temporary shall result in the termination of that member's Supervisory Board mandate.

5.5.4 Advisory and other service agreements or contracts for work between a member of the Supervisory Board and the corporation are subject to the Supervisory Board's approval.

#### **5.6 Efficiency Review**

The Supervisory Board shall review the efficiency of its activities on a regular basis.

### **6 Transparency**

6.1 All other things being equal, the corporation will ensure equal treatment of all shareholders in respect of information. The corporation shall disclose to shareholders, without undue delay, all material new facts made available to financial analysts and similar addressees.

6.2 As part of regular information policy, the corporation shall disclose in a "financial calendar" on its website, giving sufficient advance notice, the publication dates of the annual reports and interim financial information as well as the dates of the General Meeting, the annual report press conferences and analyst conferences.

## **7 Financial Reporting and Auditing**

### **7.1 Financial Reporting**

- 7.1.1 Shareholders and third parties are kept informed by the consolidated financial statements and the group management report, as well as by interim financial information. If the corporation is not required to publish quarterly statements, it shall still inform shareholders during the course of the year in an appropriate way –in addition to the half-year financial report – about business developments, and in particular about material changes in the business outlook and the risk situation.
- 7.1.2 The consolidated financial statements and the group management report are prepared by the Management Board and audited by the auditor and examined by the Supervisory Board. The Management Board shall reason interim financial information with the Supervisory Board or its Audit Committee before being published. The consolidated financial statements and the group management report shall be made publicly accessible within 90 days from the end of the financial year, while mandatory interim financial information shall be made publicly accessible within 45 days from the end of the reporting period.
- 7.1.3 The Corporate Governance Report shall contain specific information on stock option programmes and similar securities-based incentive systems of the corporation, unless this information is already provided in the annual financial statements, the consolidated financial statements or the remuneration report.
- 7.1.4 Relationships with shareholders classified as related parties within the meaning of the applicable financial reporting requirements shall be explained in the consolidated financial statements.

### **7.2 Auditing**

- 7.2.1 Prior to submitting a proposal for election, the Supervisory Board or the Audit Committee shall obtain a statement from the proposed auditor stating whether and, where applicable, which business, financial, personal or other relationships exist between the auditor and its governing bodies and lead auditors on the one hand, and the company and the members of its governing bodies on the other, that could call its independence into question. This statement shall also include the extent to which other services were provided for the company over the past financial year, especially in the area of consulting, or that have been contracted for the following year.

The Supervisory Board shall agree with the auditor that the Chair of the Supervisory Board or the Audit Committee will be informed, without undue delay, of any grounds for exclusion or disqualification due to impairment of the auditor's independence that occur during the audit, unless any such grounds are eliminated immediately.



7.2.2 The Supervisory Board issues the engagement letter to the auditor and concludes with the auditor regarding the fee.

7.2.3 The Supervisory Board shall arrange for the auditor to report, without undue delay, on all findings and issues of importance for the tasks of the Supervisory Board which come to the knowledge of the auditor during the performance of the audit.

The Supervisory Board shall arrange for the auditor to inform it or note in the long-form audit report if, during the performance of the audit, the auditor identifies any facts that indicate an inaccuracy in the declaration on the Code issued by the Management Board and Supervisory Board.

7.2.4 The auditor takes part in the Supervisory Board's deliberations on the annual financial statements and consolidated financial statements and reports on the key findings of its audit.

## APPENDIX

### **Model table 1 relating to section 4.2.5(3) (1<sup>st</sup> indent)**

#### **Value of benefits granted for the reporting period**

This table shows the value of benefits granted for the reporting period. It also shows the minimum and maximum achievable values.

In contrast to the analysis of the amount disbursed (Table 2), the target value (i.e. the value in the event of 100% target achievement) granted for the year under review is disclosed for one-year variable remuneration and the deferred components of one-year variable remuneration (deferrals). If the system does not provide for a target value, e.g. as part of direct profit-sharing, a comparable value for an “average probability scenario” is disclosed.

In addition, the multi-year variable remuneration granted in the reporting period is broken down by different plans, disclosing the relevant terms. In the case of subscription rights and other share-based payments, the fair value of the remuneration at the grant date is calculated and reported, as before. If multi-year variable remuneration components comprise non-share-based payments, the target value or a comparable value for an “average probability scenario” must be disclosed at the time the commitment is made (if available). In the case of plans that are not granted annually but on a regular, multi-year basis, a pro-rated value for the year must be determined and disclosed.

For pension commitments and commitments of other related benefits, the pension expense, i.e. the service cost in accordance with IAS 19, is disclosed. This is included as a component of total remuneration, even if no new benefits in the narrower sense have been granted, but a Supervisory Board decision made in the past continues to apply.

Benefits granted by third parties to individual members of the Management Board with regard to that Management Board member’s work are also disclosed by adding such benefits to the fixed, one-year and multi-year variable remuneration components.

The information provided in the table does not replace other obligatory information to be disclosed in the remuneration report and the notes to the financial statements.

		I	II	III	IV				
a	<b>Benefits granted</b>	Name				Name			
b		Function				Function			
c		Date of appointment/retirement				Date of appointment/retirement			
d		n-1	n	n (Min)	n (Max)	n-1	n	n (Min)	n (Max)
1	Fixed remuneration								
2	Fringe benefits								
3	<b>Total</b>								
4	One-year variable remuneration								
5	Multi-year variable remuneration								
5a	Plan ID (plan term)								
...	Plan ID (plan term)								
6	<b>Total</b>								
7	Pension expense								
8	<b>Total remuneration</b>								

Explanatory notes:

- a Name of Management Board member
- b Function of Management Board member, e.g. Chief Executive or Chief Financial Officer
- c Management Board member's date of appointment/retirement, provided date is within the reporting periods (n = year under review), or (n-1 = previous year)
- d Year under review (n), or previous year (n-1)
- I Benefits granted during previous year (n-1)
- II Benefits granted during year under review (n)
- III Achievable minimum value of the respective remuneration component granted during the year under review (n), e.g. zero
- IV Achievable maximum value of the respective remuneration component granted during the year under review (n)
- 1 Fixed remuneration components, e.g. fixed salary, fixed annual one-off payments (amounts correspond to the amounts provided in Table 2 "benefits received"); values of columns II, III and IV are identical
- 2 Fixed remuneration components, e.g. benefits in kind or fringe benefits (amounts correspond to the amounts provided in Table 2 "benefits received"); values of columns II, III and IV are identical
- 3 Total of fixed remuneration components (1 + 2) (amounts correspond to the amounts provided in Table 2 "benefits received"); values of columns II, III and IV are identical
- 4 One-year variable remuneration, e.g. bonus, royalty, short-term incentive (STI), profit share, excluding deferrals
- 5 Multi-year variable remuneration (total of lines 5a-...), e.g. multi-year bonus, deferrals from one-year variable remuneration, long-term incentive (LTI) subscription rights, other share-based payments
- 5a-... Multi-year variable remuneration, broken down by different plans and terms
- 6 Total of fixed and variable remuneration components (1 + 2 + 4 + 5)
- 7 Service cost in accordance with IAS 19 from pension commitments and commitments of other related benefits (amounts correspond to the amounts provided in Table 2 "benefits received"); values of columns II, III and IV are identical
- 8 Total of fixed and variable remuneration components as well as pension expense (1 + 2 + 4 + 5 + 7)

## **Model table 2 relating to section 4.2.5(3) (2<sup>nd</sup> indent)**

### **Benefits received for the reporting period**

This table contains the same values for fixed remuneration and fringe benefits as provided in Table 1, which shows the value of the benefits granted for the reporting period. As before, the benefits received for the reporting period (amount disbursed) are disclosed for fixed remuneration and one-year variable remuneration.

The table also shows the benefits received (amount disbursed) for multi-year variable remuneration components under plans that ended in the reporting period. The amounts are broken down by different plans and terms. In the case of subscription rights and other share-based payments, the timing and value under German tax law apply to the date of receipt and the amount received.

Bonus/penalty arrangements must be reflected in the amount disbursed for both one-year and multi-year variable remuneration.

Clawbacks are entered into the "Other" row with a negative amount, with a reference to previous disbursements, and must be explained separately in the remuneration report, particularly if former members of the Management Board are concerned.

As in Table 1, the pension expense, i.e. the service cost in accordance with IAS 19, is disclosed for pension commitments and commitments of other related benefits. Although this is not a benefit received in the narrower sense, it is included in order to illustrate the total remuneration.

Benefits granted by third parties to individual members of the Management Board with regard to that Management Board member's work are also disclosed by adding such benefits to the fixed, one-year and multi-year variable remuneration components.

The information provided in the table does not replace other obligatory information to be disclosed in the remuneration report and the notes to the financial statements.

	Benefits received	Name		Name		Name		Name	
		Function		Function		Function		Function	
		Date of appointment/retirement		Date of appointment/retirement		Date of appointment/retirement		Date of appointment/retirement	
		n	n-1	n	n-1	n	n-1	n	n-1
1	Fixed remuneration								
2	Fringe benefits								
3	<b>Total</b>								
4	One-year variable remuneration								
5	Multi-year variable remuneration								
5a	Plan ID (plan term)								
...	Plan ID (plan term)								
6	Other								
7	<b>Total</b>								
8	Pension expense								
9	<b>Total remuneration</b>								

*Explanatory notes:*

- a Name of Management Board member
- b Function of Management Board member, e.g. Chief Executive or Chief Financial Officer
- c Management Board member's date of appointment/retirement, provided date is within the reporting periods (n = year under review), or (n-1 = previous year)
- d Year under review (n), or previous year (n-1)
- 1 Fixed remuneration components, e.g. fixed salary, fixed annual one-off payments (amounts correspond to the amounts provided in Table 1 "benefits granted")
- 2 Fixed remuneration components, e.g. benefits in kind or fringe benefits (amounts correspond to the amounts provided in Table 1 "benefits granted")
- 3 Total of fixed remuneration components (1 + 2) (amounts correspond to the amounts provided in Table 1 "benefits granted")
- 4 One-year variable remuneration, e.g. bonus, royalty, short-term incentive (STI), profit share, excluding deferrals
- 5 Multi-year variable remuneration (total of lines 5a-...), e.g. multi-year bonus, deferrals from one-year variable remuneration, long-term incentive (LTI), subscription rights, other share-based payments
- 5a-... Multi-year variable remuneration, broken down by different plans and terms
- 6 Other items, e.g. clawbacks, which are taken into consideration with a negative amount and a reference to previous disbursements
- 7 Total of fixed and variable remuneration components (1 + 2 + 4 + 5 + 6)
- 8 Service cost in accordance with IAS 19 from pension commitments and commitments of other related benefits (amounts correspond to the amounts provided in Table 1 "benefits granted"); these items do not represent benefits received during the year under review
- 9 Total of fixed, variable and other remuneration components as well as pension expense (1 + 2 + 4 + 5 + 6 + 8)

# Siemens Business Conduct Guidelines

September 2017

[siemens.com](http://siemens.com)

# Content

<b>Foreword</b>	<b>3</b>	<b>D. Handling of company property</b>	<b>24</b>
<b>A. Basic behavioral requirements</b>	<b>5</b>	<b>E. Handling of Information</b>	<b>26</b>
A.1. Behavior which complies with law	6	E.1. Records and financial integrity	27
A.2. Mutual respect, honesty and integrity	7	E.2. Confidentiality	28
A.3. Responsibility for the reputation of Siemens	8	E.3. Data protection and data security	29
A.4. Management, responsibility and supervision	9	E.4. Insider trading rules	30
<b>B. Treatment of business partners and third parties</b>	<b>11</b>	<b>F. Environment, safety and health</b>	<b>32</b>
B.1. Fair competition and anti-trust laws	12	F.1. Environment and technical safety	33
B.2. Anti-corruption: offering and granting advantages	13	F.2. Work safety	34
B.3. Anti-corruption: demanding and accepting advantages	15	<b>G. Complaints and comments</b>	<b>35</b>
B.4. Political contributions, charitable donations and sponsoring	16	<b>H. Compliance implementation and monitoring</b>	<b>37</b>
B.5. Government procurement	17	Further information and contacts	39
B.6. Anti-money laundering	18	Conventions and recommendations of international organizations	40
B.7. Trade controls	19		
B.8. Working with suppliers	20		
<b>C. Avoiding conflicts of interest</b>	<b>21</b>		
C.1. Competing with Siemens	22		
C.2. Sideline work	22		
C.3. Interests in third companies	23		

# Foreword



*Dear Colleagues,*

I'm sure you're aware of the fact that sometimes a small stone can trigger a major landslide. The same goes for unclean business practices. The misconduct of one individual can jeopardize the reputation and existence of an entire company, putting hundreds of thousands of jobs on the line.

Siemens learned this the hard way. In 2006, the corruption scandal had pushed the company to the brink of the abyss. The financial damage was enormous, but the loss of our good name was a far heavier burden. A global corporation, synonymous with innovation, quality, reliability, and integrity since its founding in 1847, saw its reputation dragged through the dirt. With diligence and persistence, we succeeded in drawing the right conclusions and coming to terms with the scandal in an exemplary manner. It was a long and rocky road. Since then, we've gotten most things right: Today, our compliance culture and our commitment to integrity in business are recognized around the world. Today, we once again stand for what sets Siemens apart.

Today and in the future, only clean business is Siemens business – without any ifs or buts, without any compromises. That applies to me personally, to each member of the Managing Board, to each manager, and to each employee – to all of us, wherever in the world we represent Siemens. And it also applies to all of our business partners. So how should we conduct ourselves? The guiding principle of our ownership culture can be summarized in just nine words: "Always act as if it were your own com-

pany." If we take that to heart, if we truly act in the interest of the company, we will follow the rules, the law, and generally applicable, socially accepted values.

I urge you to read our Business Conduct Guidelines. They offer guidance for our daily business. They make it easier for us to decide how to behave in tricky situations. They tell us who we can turn to for advice. And they are based on statutory provisions as well as international and generally accepted conventions on upholding human rights and fair competition.

All of us have the responsibility to be familiar with the rules and standards of the Business Conduct Guidelines, to adhere to them at all times, to make them an integral part of our lives, and to convey them to others. We at Siemens want to be a good example. And that involves taking responsibility for ourselves and others, upholding highest standards of integrity, and doing what is right – not only because we want to follow the rules but also because we believe they are valid. Ultimately, it's about playing fair. Fairness is good for society. And fairness is what Siemens should stand for – everywhere and at all times.

*Sincerely yours,*

Joe Kaeser  
President and Chief Executive Officer of Siemens AG



# Foreword



Dear Colleagues,

"Only clean business is Siemens business." This is our premise and the standard that we set ourselves every day. The Business Conduct Guidelines are not a set of "compliance rules" intended just for experts; they provide us all with a common frame of reference in our daily work. The Legal and Compliance function is on hand to give you advice and practical support in all questions relating to the interpretation and application of the Business Conduct Guidelines, and to ensure that suspected violations are dealt with quickly, fairly and professionally. As you are already aware, our colleagues work with you in the Regions, Divisions, and other units and departments. We have put together a full list of your contacts ► [here](#).

Of course, you can also turn in confidence to our ► [Tell Us Hotline](#) or our ► [Ombudsman](#) if you have any information regarding potential misconduct.

Please read through the Business Conduct Guidelines carefully and take advantage of the training courses on offer, which are always being updated. These in particular are intended to help you apply the Business Conduct Guidelines in your daily work.

We have achieved a great deal since the corruption scandal of 2006 and the ensuing crisis which threatened our company's very existence. Once again, Siemens stands for integrity and reliability. Let us work together on a basis of mutual trust to ensure that it stays that way in the future, too.

Andreas Hoffmann  
General Counsel of Siemens AG

Klaus Moosmayer  
Chief Compliance Officer of Siemens AG



## A. Basic behavioral requirements

## A.1. Behavior which complies with law

Observing the law and the legal system in every country where we do business is a fundamental principle for Siemens<sup>1</sup>. All employees must obey the laws and regulations of the legal systems within which they are operating in addition to applicable Siemens policies. Violations of the law must be avoided under all circumstances.

Regardless of the sanctions that could be imposed by law, all employees guilty of a violation will be subject to disciplinary consequences because of the violation of their employment duties.



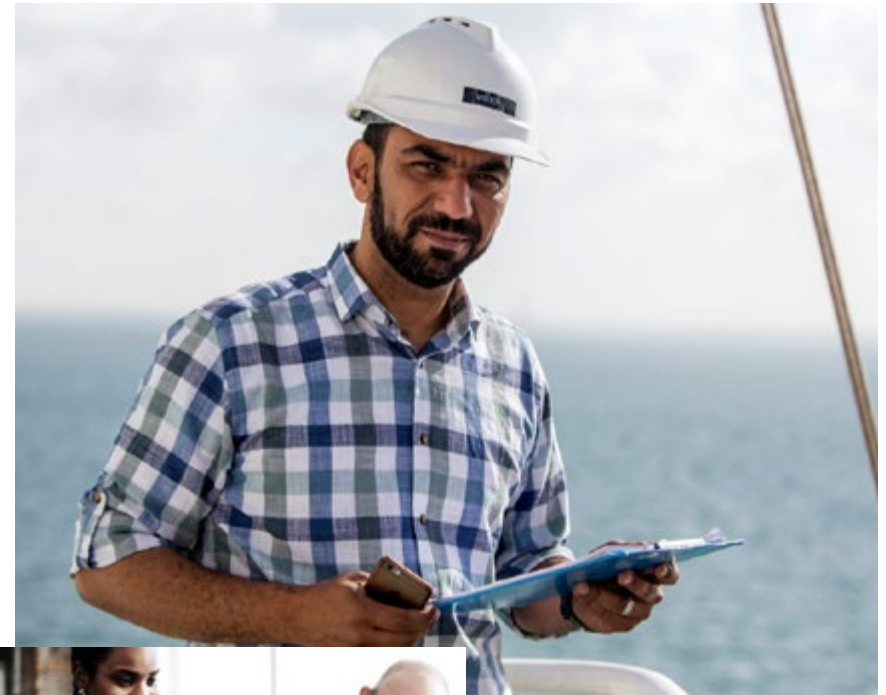
<sup>1</sup> "Company" or "Siemens" denotes Siemens AG or its subsidiaries.

## A.2. Mutual respect, honesty and integrity

We respect the personal dignity, privacy, and personal rights of every individual. We work together with individuals of various ethnic backgrounds, cultures, religions, ages, disabilities, races, sexual identity, world view and gender. Consistent with our corporate principles and with the employment laws of numerous countries in which we work, we do not tolerate discrimination against anyone on the basis of any of these characteristics or harassment or offensive behavior, whether sexual or otherwise personal.

These principles apply to both internal cooperation and conduct towards external partners. We make decisions about those we work with – including personnel, suppliers, customers and business partners – based only on appropriate considerations, not on the basis of inappropriate considerations such as discrimination or coercion.

We are open, honest and stand by our responsibilities. We are reliable partners and make no promises we cannot keep. And we expect our employees to act with integrity.



## A.3. Responsibility for the reputation of Siemens

To a substantial degree, the reputation of Siemens is determined by our actions and by the way each and every one of us presents and conducts himself/herself. Illegal or inappropriate behavior on the part of even a single employee can cause the Company considerable damage.

Every employee should be concerned with maintaining and promoting the good reputation of Siemens in the respective country.



## A.4. Management, responsibility and supervision

The culture of integrity and compliance in an organization starts at the top. All managers must fulfill their duties of organization and supervision. All managers bear responsibility for all employees entrusted to them. All managers must earn respect by exemplary personal behavior, performance, openness, and social competence. This means, among other things, that each manager must emphasize the importance of ethical conduct and compliance, make them regular topics of everyday business and promote them through personal leadership and training. Each manager must also set clear, ambitious and realistic goals and lead by example.

Managers should permit their employees as much individual responsibility and leeway as possible, while making it clear that compliance is required under all circumstances, at all times. All managers shall also be accessible in case employees wish to raise compliance concerns, ask questions or discuss a professional or personal problem.

These responsibilities of managers do not relieve employees of their own responsibilities. We must all work together to comply with applicable laws and Siemens policies. These specific manager responsibilities are listed here to give employees an idea of the leadership and support they should expect from their superiors.

It is the responsibility of all managers to see to it that there are no violations of laws within their area of responsibility that proper supervision could have prevented. They still remain responsible, even if they delegate particular tasks.





In particular, the following duties apply to managers:

1. The manager must carefully select employees based on their personal and professional qualifications and suitability. The duty of due care increases with the significance of the task the employee must perform (duty of selection).
2. The manager must give precise, complete and binding instructions to employees, especially with regard to compliance with the law (duty to give instructions).
3. The manager must ensure that compliance with the law is continuously monitored (duty of monitoring).
4. The manager must clearly communicate to employees the importance of integrity and compliance in everyday business. He/she must also communicate that violations of the law are unacceptable and will have employment consequences (duty of communication).



## B. Treatment of business partners and third parties



## B.1. Fair competition and anti-trust laws

Fair competition permits markets to develop freely – with attendant social benefits. Accordingly, the principle of fairness also applies to competition for market share.

Every employee is obliged to abide by the rules of fair competition.

Anti-trust evaluation can be difficult, particularly because the rules can differ from country to country and from case to case. For example, in many places special anti-trust law requirements apply to large companies.

Here are examples of the types of behavior that can lead to a violation of anti-trust laws. Employees may not:

- talk to competitors about prices, output, capacities, sales, bids, profits, profit margins, costs, methods of distribution or any other parameter that determines or influences the Company's competitive behavior with the aim to solicit parallel behavior from the competitor,
- enter into an agreement with a competitor not to compete, to restrict dealings with suppliers, to submit bogus offers for bidding or to divide up customers, markets, territories or production programs,
- have any influence on the resale prices charged by our purchasers, or attempt to make them restrict the export or import of goods supplied by Siemens.

Moreover, employees may not obtain competitive intelligence by using industrial espionage, bribery, theft or electronic eavesdropping, or communicate knowingly false information about a competitor or its products or services.



## B.2. Anti-corruption: offering and granting advantages

We compete fairly for orders with the quality and the price of our innovative products and services, not by offering improper benefits to others. As a result, no employee may directly or indirectly offer, promise, grant or authorize the giving of money or anything else of value to a government official to influence official action or obtain an improper advantage. The same applies to a private commercial counterparty in a business transaction in consideration for an improper advantage. Any offer, promise, grant or gift must comply with applicable laws and Siemens' policies, and must not raise an appearance of bad faith or unsuitableness. This means that no such offer, promise, grant or gift may be made if it could reasonably be understood as an effort to improperly influence a government official or as a bribe to a commercial counterparty to grant Siemens a business advantage.

The term government official is defined broadly to include officials or employees of any government or other public body, agency or legal entity, at any level, including officers or employees of stateowned enterprises and public international organizations. It also includes candidates for political office, political party officials and employees, as well as political parties.

In addition, employees may also not give money or anything of value indirectly (for example, to a consultant, agent, intermediary, business partner or other third party) if the circumstances indicate that all or part of may possibly be directly or indirectly passed on to a government official to influence official action or obtain an improper advantage or to a private commercial counterparty in consideration for an unfair advantage in a business transaction.



For that reason, employees responsible for hiring consultants, agents, partners in joint ventures or comparable entities must take action as appropriate to:

- ensure that those third parties understand and will abide by Siemens' anti-corruption policies or comparable equivalents,
- evaluate the qualifications and reputation of such third parties, and
- include appropriate provisions in agreements and contracts designed to protect Siemens.

This applies in particular, but not only if they have contact with government officials on behalf of Siemens.

Finally, each investment decision made by the Company – whether it is the purchase of a controlling interest in a company or a minority interest, or a joint venture arrangement – must be based on a prior compliance check.



## B.3. Anti-corruption: demanding and accepting advantages

Employees are not permitted to use their jobs to solicit, to demand, accept, obtain or be promised advantages. This does not apply to the acceptance of occasional gifts of purely symbolic value or meals or entertainment reasonable in value that are consistent with local customs and practices and Siemens policies. Any other gifts, meals or entertainment must be refused.



## B.4. Political contributions, charitable donations and sponsoring

Siemens does not make political contributions (donations to politicians, political parties or political organizations).

As a responsible member of society, Siemens makes monetary or product donations for education and science, art and culture, and social and humanitarian projects. Sponsorships for which Siemens receives advertising are not considered donations, nor are contributions to industry associations or fees for memberships in organizations that serve business interests.

Some donations are always prohibited, including donations

1. to individuals and for-profit organizations,
2. paid to private accounts,
3. to organizations whose goals are incompatible with Siemens' corporate principles, or
4. that would damage Siemens' reputation.

All donations must be transparent. This means, among other things, that the recipient's identity and planned use of the donation must be clear and the reason and purpose for the donation must be justifiable and documented. Quasi-donations, meaning donations which appear to be compensation for a service but are substantially larger than the value of the service, are prohibited as violating the principles of transparency.

Sponsoring means any contribution in money or in kind by Siemens towards an event organized by a third party in return for the opportunity to advertise the Siemens brands by, for example, displaying the Siemens logo, being mentioned in the opening or closing addresses, or the participation of a speaker on a discussion panel, as well as tickets to the event.

All sponsoring contributions must be transparent, pursuant to written agreement, for legitimate business purposes, and commensurate with the consideration offered by the event host.

Contributions may not be promised, offered or made to secure unjustified competitive advantages for Siemens or for other improper purposes, and they may not be made towards events organized by individuals or organizations that have goals incompatible with Siemens' corporate principles or that would damage Siemens' reputation.

## B.5. Government procurement

Siemens competes for contracts from government entities and government-owned businesses around the world. In all of Siemens' dealings and interactions with governments, we act in a manner that is transparent, honest and accurate.

We comply with all applicable laws and regulations related to government procurements, including laws prohibiting efforts to improperly influence government officials.





## B.6. Anti-money laundering

Money laundering is the process of disguising the nature and source of money connected with criminal activity – such as terrorism, drug trafficking or bribery – by integrating dirty money into the stream of commerce so that it appears legitimate or its true source or owner cannot be identified.

It is Siemens' objective to conduct business with reputable customers, consultants and business partners who are involved in lawful business activities and whose funds are derived from legitimate sources. We do not facilitate money laundering.

All employees must abide by applicable anti-money laundering laws and Siemens' procedures, such as finavigate®, designed to detect and deter suspicious forms of payment or customers or other transactions that could involve money laundering. To avoid problems in this area, employees must be attentive to and report suspicious behavior by customers, consultants and business partners. Employees must also follow all accounting, record-keeping and financial reporting requirements applicable to cash and payments in connection with other transactions and contracts.



## B.7. Trade controls

Siemens complies with applicable export controls and customs laws and regulations in the countries where it does business. Export controls generally apply to the transfer of goods, services, hardware, software or technology across certain national borders, including by email.

Export control laws may be triggered in connection with direct or indirect exports to or imports from sanctioned countries or parties, who, for example, may be designated based on national security grounds or because of participation in criminal activity. Violations of these laws and regulations may lead to serious penalties, including fines and governmental withdrawal of simplified import and export procedures (interruption of seamless supply chain).

Employees involved in the import and export of goods, services, hardware, software or technology as described above must follow applicable economic sanctions, export control and import laws and regulations and any related policies and procedures established by the business in which they work.





## B.8. Working with suppliers

Siemens as a company expects its suppliers to share Siemens' values and comply with all applicable laws. Furthermore, Siemens expects its suppliers to act in accordance with the following principles, similarly adopted by Siemens, concerning responsibilities vis-à-vis stakeholders and the environment:

- Comply with all applicable laws,
- prohibit corruption,
- respect basic human rights of employees,
- comply with laws prohibiting child labor,
- take responsibility for the health and safety of their employees,
- act in accordance with applicable statutory and international standards regarding environmental protection, and
- promote compliance among their suppliers with Siemens' Code of Conduct for Suppliers.



## C. Avoiding conflicts of interest

It is the duty of Siemens employees to make business decisions in the best interest of Siemens, not based on their own personal interests. Conflicts of interest arise when employees engage in activities or advance personal interests at the expense of Siemens' interests.

Employees must inform their supervisor of any personal interest they could possibly have in connection with the execution of their professional duties.

Employees are not permitted to use, for their own personal contracts or orders, companies with which they have business dealings as part of their activities for Siemens if they could derive any advantage from the personal contract or order. This is particularly applicable if the

employee exercises or is capable of exercising a direct or indirect influence upon whether that company receives a contract from Siemens.

A conflict can take the form of a business relationship with, or an interest in, a competitor or customer of Siemens, or participation in sideline activities that prevent employees from being able to fulfill their responsibilities at Siemens. It is important that all employees recognize and avoid conflicts of interest, or even the appearance of a conflict of interest, as they conduct their professional activities.

## C.1. Competing with Siemens

An employee may not operate or assist a company that competes with Siemens or engage in any competing activities.



## C.2. Sideline work

Employees may not engage in sideline work that competes with Siemens. Before employees may engage in other sideline work for remuneration they must notify Siemens and seek written permission.

Occasional writing activities, lectures, and comparable occasional activities are not considered sideline work. Permission will not be granted if it is detrimental to the interests of Siemens. Permission may be refused if employees have dealings in the course of their official Siemens' duties with the company in question. Previously granted permission may be revoked on these grounds as well.



## C.3. Interests in third companies

Employees who directly or indirectly hold or acquire a stake in a competitor company, must disclose this fact to their personnel department if this stake gives them the opportunity to exert influence on the management of that company. It can be assumed, as a general rule, that the possibility of exerting influence on the management exists when a stake exceeds 5 % of a competitor company's total capital.

Employees who directly or indirectly hold or acquire an interest in a Siemens business partner or a company in which Siemens has ownership shares also have to disclose this fact to the personnel department responsible, if they have dealings with the business partner or company in the course of their official duties or if they will hold a position in that company. For shares in listed companies, this applies only if the interest exceeds 5 % of total equity.

Once an interest in a third company has been disclosed, the Company may take suitable measures to eliminate any conflict of interest.







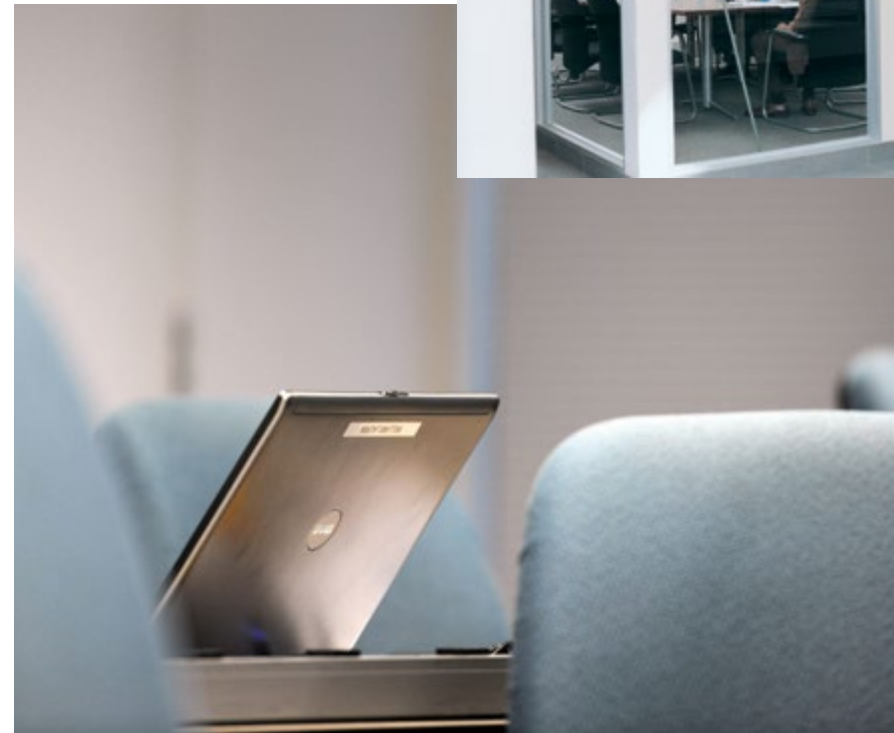
## D. Handling of company property

There are many devices and pieces of equipment in Siemens offices and workshops, such as telephones, copying machines, computers, software, Internet/Intranet, machines and other tools, including e-mail and answering machine systems. These are only to be used for Company business and not for personal gain. Exceptions, and payment if applicable, can be agreed upon locally, provided that the use of Siemens property does not:

- relate to any illegal activity,
- cause an actual or perceived conflict of interest, or
- lead to significant added costs, disruption of Siemens business or other adverse effects for the Company, including by interfering with an employee's assigned duties or the assigned duties of other employees.

In no case may information be retrieved or transmitted that furthers or incites racial hatred, glorification of violence or other criminal acts, or contains material which is sexually offensive within the respective culture.

Employees are not permitted without the consent of their supervisor to make records, files, video or audio recordings, or reproductions using Siemens equipment or facilities if the activity is not directly related to Company business.



## E. Handling of Information



## E.1. Records and financial integrity

Open and effective communication requires accurate and truthful reporting. This applies equally to relationships with investors, employees, customers and business partners, as well as with the public and all governmental offices.

Siemens is also required to maintain sound processes and controls so that transactions are executed according to management's authorization. Siemens must also prevent and detect unauthorized use of Siemens assets. All Siemens employees are required to make sure that the Siemens books and records they create or are otherwise responsible for are:

- complete,
- accurate,
- honestly reflect each transaction or expenditure, and
- are timely and in accordance with applicable accounting rules and standards

whether or not the information will be included in a public filing or provided to a government agency. Such books and records include all data, certifications and other written materials provided for financial reporting and disclosure purposes as well as materials collected for other purposes. These also include internal expense records (such as expense account reports).



## E.2. Confidentiality

Confidentiality must be maintained with regard to Siemens' internal confidential or proprietary information that has not been made known to the public. Nonpublic information from or concerning suppliers, customers, employees, agents, consultants and other third parties must also be protected in accordance with legal and contractual requirements.

Confidential or proprietary information may include, in particular:

- details concerning a company's organization and equipment, prices, sales, profits, markets, customers and other matters of business,
- information on manufacturing or research and development, and
- internal reporting figures.

The obligation to maintain confidentiality extends beyond the termination of the relevant relationship, since the disclosure of confidential information could cause harm to Siemens' business, clients or customers no matter when it is disclosed.

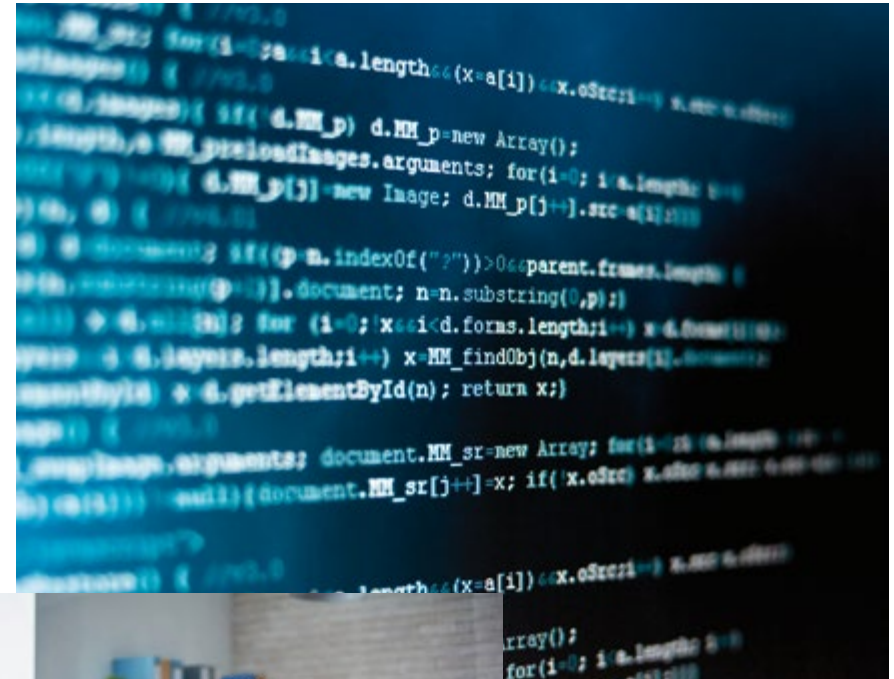


## E.3. Data protection and data security

Access to the Intranet and Internet, worldwide electronic information exchange and dialogue, and electronic business dealings are all crucial to the effectiveness of each and every one of us, and for the success of the business as a whole. However, the advantages of electronic communication are tied to risks in terms of personal privacy protection and data security. Effective foresight with regard to these risks is an important component of information technology management, the leadership function, and also the behavior of each individual.

Personal data may only be collected, processed, or used insofar as it is necessary for pre-determined, clear, and legitimate purposes. In addition, personal data must be maintained in a secure manner and appropriate precautions should be taken when transmitting it. High standards must be ensured with regard to data quality and technical protection against unauthorized access. The use of the data must be transparent for those concerned and the rights of those concerned must be safeguarded with regard to use and correction of information and, if applicable, to objections pertaining to blocking, and deletion of information.

In some jurisdictions (such as the European Union) there are strict laws and regulations pertaining to the collection and use of personal data, including data on others, such as customers or business partners. All employees must abide by such laws, to the extent they are applicable, to protect the privacy of others.



## E.4. Insider trading rules

People who have inside information with regard to Siemens or another company, such as a customer, supplier or joint venture partner whose securities are admitted to trading on a stock exchange or an organized securities market, are not allowed to trade in these companies' securities or in financial instruments the prices of which depend directly or indirectly on these companies' securities (insider securities).

Inside information is any specific information which is not public knowledge relating to Siemens or such other issuer of insider securities, which, if it became publicly known, would likely have a significant effect on the price of the insider security. Such likelihood exists if a reasonable investor would view the information as likely to have an impact on the price of the security. It would also exist if a reasonable investor would take the information into account in making an investment decision.

Inside information may be acquired as a result of an employee's position and responsibilities or inadvertently, and includes non-public information about such things as:

- financial results,
- financial plans or budgets,
- dividend changes,
- significant mergers or acquisitions,
- divestitures,
- particularly important contract awards or strategic plans,
- major developments in litigation,
- technical or product developments,
- major management changes, joint ventures and major business agreements, or
- business relationships.





The disclosure of inside information is unauthorized whenever it is made outside the normal scope of an insider's work functions or professional duties, or in fulfilling other duties on behalf of the issuer. This applies both to information disclosed within Siemens and to information disclosed outside Siemens, including to journalists, financial analysts, customers, consultants, family members, or friends. Furthermore, employees must always make sure that insider-relevant information is secured or kept under lock and key so that unauthorized persons cannot gain access to it.

Persons who have inside information are not allowed to recommend that a third party acquire or dispose securities for which that information is relevant, or to otherwise induce a third party to do so.

Managers can be held personally liable for damages in some cases if an employee violates insider trading rules and proper supervision could have prevented the violation.

Additional or special insider trading rules and local law have to be complied with, as applicable.



## F. Environment, safety and health

## F.1. Environment and technical safety

Protecting the environment and conserving natural resources are high priorities for our Company. Through management leadership and employee commitment, Siemens strives to conduct its operations in a manner that is safe for the environment and continually improves environmental performance. A worldwide environmental management system has been implemented by Siemens to ensure observation of the law and sets high standards for this purpose. Beginning at the product development stage, environmentally compatible design, technical safety and health protection are fixed as targets.

All employees must contribute to these goals through their own behavior.



## F.2. Work Safety

Protecting the health and safety of employees in the workplace is a high priority for Siemens. It is the responsibility of everyone to foster Siemens' efforts to conduct its operations in a safe manner. The responsibility vis-à-vis employees requires the best possible accident prevention measures, and applies to:

- the technical planning of workplaces, equipment and processes,
- safety management, and
- personal behavior in the everyday workplace.

The work environment must conform to the requirements of health-oriented design.

All employees must constantly be attentive to work safety.







## G. Complaints and comments

All employees may lodge a complaint with their supervisor, their compliance officer, personnel manager or some other person/unit designated for this purpose or with an existing internal works council.

Circumstances which point to a violation of the Business Conduct Guidelines are to be reported

- to the ► [Chief Compliance Officer](#),
- to the ► [Compliance Officer](#) responsible for the Division, Regional or Corporate Units,
- via the ► [Tell Us reporting channel](#) or
- to the ► [Siemens Ombudsman](#)

There is a special process for handling complaints related to accounting practices.

All complaints can be submitted both confidentially and anonymously, and all complaints will be investigated. Corrective measures will be implemented if necessary.

All documentation will be kept confidential to the extent permitted by law. No reprisal of any kind against complainants will be tolerated.





## H. Compliance implementation and monitoring

The management of Siemens throughout the world shall actively foster the widespread distribution of the Business Conduct Guidelines and see to it that they are implemented.

Compliance with the law and observance of the Business Conduct Guidelines shall be monitored worldwide in all Siemens companies on a regular basis. This shall be done in accordance with applicable national procedures and legal provisions.

An extensive compliance organization is in place at the level of Siemens, the Divisions and Regions to ensure that the Siemens compliance system is enforced.



## Further information and contacts

Integrity is at the heart of all our actions. These Guidelines define what integrity means for our business. But they can't tell the whole story or answer every question.

► [Siemens' Compliance Intranet Web Site](#) provides additional information that add content-related specifics to these Guidelines including detailed regulations covering certain topics, related processes, tools, training materials and other aids as well as company-wide, frequently asked questions.

Further information including our ► [Siemens Compliance Brochure](#) can also be found on ► [Siemens' external Compliance Web Site](#).

If a Siemens employee is not sure what the right thing to do is in a specific case, there are many sources of information available to help, including the employee's supervisor and Division, Regional or Corporate Compliance Officer. Their responsibilities and contact details are available on the Siemens ► [Intranet](#).

In addition, he has the option to e-mail us at:  
[askus.compliance@siemens.com](mailto:askus.compliance@siemens.com)

Moreover, if an employee has discovered a case of possible misconduct, various options are available to report it. These include not only an employee's supervisor and compliance officer but also the Compliance reporting channel ► [Tell Us](#), now available 24/7 by phone and external Internet, and the ► [Siemens Ombudsman](#).

# Conventions and Recommendations of International Organizations

In addition to the laws and regulations of individual countries, there are a number of Conventions and Recommendations from international organizations which are noteworthy. Although these documents are primarily addressed to Member States and not directly to companies, they nevertheless function as important guidelines for the conduct of multinational companies and their employees. Siemens supports the requirements of these conventions and recommendations.

Siemens is a participant in the United Nations Global Compact and regards its ten principles, as well as the rules laid down in the framework agreement of the International Metalworkers' Federation (IMF), as binding for the entire Company. Otherwise, the Company's internal arbitration arrangements apply.

Siemens is committed to embracing, supporting and enacting, within its further sphere of influence, the set of core values in the areas of human rights, labor standards, the environment, and anticorruption included therein as an integral part of its business strategy and operations.

In line with its Global Compact commitment Siemens therefore expects its employees, suppliers and business partners around the globe to recognize and apply particularly the standards of the:

- International Bill of Human Rights consisting of the:
  - Universal Declaration of Human Rights, the
  - International Covenant on Civil and Political Rights and the
  - International Covenant on Economic, Social and Cultural Rights.
- European Convention for the Protection of Human Rights and Fundamental Freedoms
- ILO (International Labor Organization) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and ILO Declaration on Fundamental Principles and Rights at work (specially with following issues: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and right to collective bargaining)
- OECD Guidelines for Multinational Enterprises
- Agenda 21 on Sustainable Development (final document of the basic UN-conference on environment and development, Rio de Janeiro)
- UN Convention Against Corruption

Siemens supports the United Nations Guiding Principles on Business and Human Rights. They provide important guidance for the further operationalization of the company's responsibility to respect human rights.

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This edition of our Bylaws (Rules of Procedure) for the Managing Board, prepared for the convenience of English-speaking readers, is a translation of the German original. In the event of any conflict the German version shall prevail.

## **Bylaws (Rules of Procedure)**

for the Managing Board  
of  
Siemens Healthineers AG

Version dated February 26, 2018



## **Rules of Procedure for the Managing Board of Siemens Healthineers AG**

### **§ 1**

#### **General**

- (1) The Managing Board shall manage the Company's businesses in accordance with the law, the Articles of Association as amended, the resolutions of the Annual General Meeting and of the Supervisory Board as well as these Bylaws (Rules of Procedure).
- (2) The Managing Board shall ensure that all applicable statutory provisions and internal company guidelines are observed and shall also endeavor to ensure their observation by subsidiary companies (compliance). It shall ensure an adequate Controlling, Audit, Risk Management, and Internal Control System.
- (3) Due to its affiliation with the Siemens Group, the Company is included in its consolidated financial statements. Against this background, it has an interest in a functioning cooperation within the group of companies. To the extent the Company is included in the consolidated financial statements, the Managing Board shall provide to Siemens AG any information and documents necessary for the preparation of the consolidated financial statements and management report and, to the extent legally permissible and if the Company does not suffer a disadvantage, provide the Managing Board of Siemens AG with any other information and perform all measures to enable the Managing Board of Siemens AG to meet its obligations in connection with the management of Siemens Group, including the principles of Group Governance applicable within Siemens Group, in particular regarding the establishment and maintenance of a group-wide compliance and risk management system. To the extent the Managing Board is of the opinion that the Company or a dependent entity (§§ 15 ff. AktG) cannot meet this requirement on an individual basis, the Managing Board shall report this to the Supervisory Board.
- (4) When filling management positions within the Healthineers Group, the Managing Board shall take into account diversity and particularly aim at appropriate consideration of women.

## **§ 2**

### **Conflicts of Interest; Competition**

- (1) In reaching their decisions the members of the Managing Board may neither pursue their own personal interests nor make personal use of business opportunities available to the Healthineers Group. During their membership in the Managing Board and for the duration of their employment contract, they shall be subject to a comprehensive ban on competition beyond the provisions under § 88 AktG. Members of the Managing Board shall engage in secondary activities, in particular supervisory board mandates outside the Healthineers Group, only with the Supervisory Board's approval.
- (2) In connection with their work, members of the Managing Board must not solicit or accept improper benefits for themselves or for other individuals or provide third parties with improper benefits.
- (3) Each member of the Managing Board shall disclose conflicts of interest to the Chair of the Supervisory Board without delay and notify the other members of the Managing Board accordingly. All transactions between the Company or a company affiliated thereto on the one hand and the members of the Managing Board or persons, companies or associations closely related thereto on the other hand shall be subject to the same standards which would be relevant for transactions with external third parties. If involvement of the Supervisory Board is not required anyway in accordance with § 112 AktG, such transactions shall be subject to the Supervisory Board's approval if their transaction value exceeds the amount of €10,000 on an individual basis.

## **§ 3**

### **Overall Responsibility and Allocation of Duties**

- (1) The members of the Managing Board are jointly accountable for the entire management of the Company. The arrangement of the Managing Board into functions as well as the allocation of duties to the individual members of the Managing Board shall be stipulated in a schedule of duties to be resolved by the Supervisory Board.
- (2) The members of the Managing Board shall work together in a cooperative manner and shall constantly keep one another informed of significant actions and events within their executive functions. Each member shall arrange for a resolution to be passed by the Managing Board if he or she has serious reservations about an affair of

another executive function if these reservations remain even after discussion with the other member of the Managing Board. In such case, the measure shall be refrained from until a resolution by the Managing Board is executed.

- (3) The overall interests of the Healthineers Group take priority over the interests of the individual executive functions, unless provided otherwise by legal regulations.
- (4) A resolution passed by the Managing Board shall be required in all affairs in which such a resolution is prescribed under the law, the Articles of Association or these Bylaws (Rules of Procedure) for the Managing Board, in particular regarding
  - a) Questions of principle regarding the corporate policy and company strategy,
  - b) the Company's annual budget, including the financial and investment budget and the personnel development derived thereof as well as the multi-year planning,
  - c) the preparation of the annual financial statements and the consolidated financial statements, the management report and the group management report as well as their presentation to the Supervisory Board,
  - d) the convening of the Annual General Meeting,
  - e) suggestions on passing of resolutions of the Annual General Meeting,
  - f) the submittals to the Supervisory Board and the Annual General Meeting as required by law or the Articles of Association,
  - g) transactions subject to the Supervisory Board's approval,
  - h) all issues presented to the Managing Board by the Chair or a member for passing a resolution.
- (5) Individual members of the Managing Board shall independently manage the executive functions assigned to them within the scope of the Managing Board's resolutions. To the extent measures and transactions of an executive function concern one or several other executive functions at the same time, the member of the Managing Board shall first coordinate with the other members involved. If an agreement cannot be reached, each involved member of the Managing Board shall be obliged to initiate a passing of resolution by the Managing Board. In such case, the

measure shall be refrained from until a resolution by the Managing Board is executed.

- (6) Measures and transactions of an executive function that are of extraordinary importance for the Company or that involve an extraordinary economic risk shall require the prior consent of the Managing Board. The same shall apply to measures and transactions for which a member of the Managing Board requests a prior resolution from the Managing Board.
- (7) The member of the Managing Board may perform measures and transactions of the type as designated in Paragraph 5 Sentence 2 and Paragraph 6 without prior approval of the Managing Board or – in the case of Paragraph 5 Sentence 2 – without prior approval of the other members involved if according to such member's professional judgment, this is required in order to avoid directly imminent and severe disadvantages to the Company. The Managing Board shall be notified of any such event without delay.

#### **§ 4**

##### **Chair of the Managing Board**

- (1) The Chair of the Managing Board shall be responsible for coordination of all Managing Board responsibilities. He or she shall endeavor to ensure that the management of all executive functions is uniformly oriented towards the goals as set forth by the Managing Board's resolutions.
- (2) The Chair shall be regularly informed by the members of the Managing Board on all material matters of their executive functions and can demand that he or she be informed of certain transactions or types of transactions in advance.
- (3) The Chair of the Managing Board shall represent the Managing Board towards the general public, in particular towards authorities, associations, economic organizations and media. For matters of a specific nature or in individual cases, he or she may assign these tasks to another member of the Managing Board.
- (4) The Chair of the Managing Board shall be responsible for the general management of the Managing Board regarding cooperation with the Supervisory Board and its members. He or she shall regularly report to the Chair of the Supervisory Board on the progress of transactions and the situation of the Healthineers Group. On important occasions and for business matters which might have substantial influence

on the situation of the Healthineers Group, he or she shall immediately report to the Chair of the Supervisory Board.

- (5) If the Chair of the Managing Board is prevented, his or her Deputy shall perform the rights and duties of the Chair. If there is no Deputy Chair, the duties in the Chair's responsibility shall be performed by a member of the Managing Board designated by the Chair if the Chair is prevented. The respective representative does not have the right to a casting vote under § 5 Paragraph 6 Sentence 3.

## **§ 5**

### **Meetings and Resolutions**

- (1) The meetings of the Managing Board shall be convened by the Chair of the Managing Board. The Managing Board shall stipulate the Board Calendar. Any member can demand convening of a meeting, stating the items to be addressed.
- (2) The convening which shall take place no later than one week before the meeting shall include the agenda and the suggestions for resolutions on the items on the agenda. The Chair of the Managing Board may reasonably reduce the deadlines for convening, notification of the agenda and the suggestions for resolutions if he or she is of the opinion that the matter cannot be delayed. Any member can demand additions to the agenda. Such request has to be communicated to the Chair of the Managing Board by the fifth day before the meeting at the latest, unless an urgent matter justifies later notification. The Chair informs the other members of the Board without delay.
- (3) The Chair of the Managing Board shall preside over the meetings. He or she may instruct another member of the Managing Board to preside over the meeting. The chair of the meeting shall determine the order in which the items of the agenda are discussed as well as the type and order of the votes. The chair of the meeting may postpone discussions and passing of resolutions on individual items of the agenda, unless the majority of the members of the Managing Board are of the opinion that the item of the agenda cannot be delayed.
- (4) The Chair of the Managing Board can decide that individuals which are not members of the Managing Board can be involved in discussions on individual items.
- (5) The Managing Board has a quorum if at least two thirds of the members participate in the passing of the resolution. Members participating by phone or video conferencing are deemed present. Absent members can cast their votes in writing, by

phone, fax, e-mail or other commonly used means of communication. The absent members shall be informed on the resolutions taken in their absence without any delay. Discussions and decisions on matters within the function of an absent member may only take place with such member's approval – this provision does not apply to urgent cases.

- (6) Resolutions by the Managing Board shall be unanimous if possible. If this cannot be realized, the resolution by the Managing Board shall be subject to a simple majority of the votes cast. In the event of a tie vote, the Chair of the Managing Board is entitled to cast a deciding vote.
- (7) Upon the instruction of the Chair of the Managing Board, resolutions can also be taken in a phone or video conference or outside of meetings by votes cast in writing, by phone, fax, e-mail or other commonly used means of communication. In deviation from Paragraph 6 Sentence 2, a resolution taken in such manner shall be valid if at least two thirds of the members of the Managing Board voted in favor thereof.
- (8) Minutes indicating the place and date of the meeting, the participants, the form of participation, the agenda and the verbatim of the resolutions shall be prepared for each meeting of the Managing Board (for evidence purposes, not as prerequisite for validity). The minutes shall be signed by the keeper of the minutes as designated by the Chair of the Managing Board and transmitted to all members of the Managing Board. The minutes shall be presented at the next meeting of the Managing Board for approval and shall be deemed approved of if no member of the Managing Board objects to the minutes until the end of such meeting. Resolutions by the Managing Board taken according to Paragraph 7 shall be recorded in minutes; the minutes shall be transmitted to each member of the Managing Board without any delay.

## **§ 6**

### **Approval by the Supervisory Board**

- (1) The Managing Board requires the Supervisory Board's approval for the following transactions and measures:
  - a) Acquisition, sale and reorganization of companies, equity investments and parts of companies if the fair market value or – if the fair value is not known or is exceeded by the book value – the book value of the individual transaction exceeds the amount of €100 million – or a loss on sale reaches or exceeds the amount of €100 million;

- b) Measures or transactions leading to the initiation of new or restriction or discontinuation of existing businesses or to a material deviation from the existing strategy to the extent this affects revenue equivalent to at least 5% of the revenue generated by Healthineers Group in the most recently completed fiscal year, costs for internal restructuring connected thereto reach or exceed the amount of €100 million or this affects more than 500 employees;
- c) Investments or divestments regarding movable assets, intangible assets and external renting if the value of the investment or divestment reaches or exceeds the amount of €100 million;
- d) Acquisition, development, sale, and encumbrance of land, rights equivalent to land, and rights to land, if the value of the individual transaction is equal to or exceeds an amount of €100 million;
- e) Financial measures, if the value of the individual transaction is equal to or exceeds an amount of €100 million; the approval requirement shall not apply to
  - aa) Financial transactions in day-to-day business used to manage liquidity and other financial risks, such as foreign exchange, interest rate and, if applicable equity risks as well as the repurchase of own debt issuances in accordance with the terms of issue as well as
  - bb) Measures planned as part of the annual budget approved by the Supervisory Board;
- f) Assumption of sureties, guarantees, letters of comfort or similar liabilities to the extent their value reaches or exceeds the amount of €100 million on an individual basis;
- g) Entering into settlement agreements in court or arbitration proceedings with a settlement value exceeding €50 million;
- h) The annual budget of the Company;
- i) Appointment and dismissal of the owners of the following executive functions on the first level under the Managing Board:
  - CEOs of the segments or, if a segment is led by a member of the Managing Board, of the sub-segments;
  - CEOs of the Regions;

- Heads of the Strategy, Legal and Compliance and Human Resources functions;
  - j) Fundamental principles of the remuneration and incentive system for employees of the Company and its dependent entities (§§ 15 ff. AktG);
  - k) Changes or measures in the course of or in connection with the strategy regarding the corporate, brand and design image of the Company and its dependent entities (§§ 15 ff. AktG), in particularly regarding or with relevance to its image as a company within the Siemens Group (“Siemens Brand”).
- (2) When calculating the thresholds mentioned in Paragraph 1, individual measures that are related in substance shall be combined. The Managing Board shall ensure that the measures mentioned in Paragraph 1 are implemented by dependent entities (§§ 15 ff. AktG) in which the Company participates directly or indirectly only with the approval of the respective governing body controlled by the Company. The Managing Board may in turn approve such transactions in dependent entities (§§ 15 ff. AktG) only with the approval of the Supervisory Board.
  - (3) The Supervisory Board's approval may be granted in advance for individual transactions or for a defined group or category of measures.
  - (4) For the granting of loans to members of the Managing Board, § 89 AktG shall apply.
  - (5) The Supervisory Board's right to make the performance of other measures subject to its approval shall remain unaffected by this § 6.

## **§ 7**

### **Reporting Obligation towards the Supervisory Board**

- (1) In order to ensure that the Supervisory Board is provided with sufficient information, the Managing Board shall report to the Supervisory Board regularly, promptly and comprehensively on all issues of relevance to the Company in terms of strategy, planning, business performance, risk situation, risk management and compliance. It shall provide the Supervisory Board with the annual budget and the multi-year planning and shall report to it on any discrepancies between the actual course of business and the plans and objectives prepared, stating reasons.



- (2) The Supervisory Board or individual members thereof shall address requests for information to the Managing Board via the Chair of the Supervisory Board or the Audit Committee.



This edition of our Bylaws (Rules of Procedure) for the Supervisory Board, prepared for the convenience of English-speaking readers, is a translation of the German original. In the event of any conflict the German version shall prevail.

## **Bylaws (Rules of Procedure)**

of the Supervisory Board  
of  
Siemens Healthineers AG

Version dated February 26, 2018

## **Rules of Procedure of the Supervisory Board of Siemens Healthineers AG**

### **§ 1**

#### **General**

- (1) The Supervisory Board shall regularly advise the Managing Board in running the Company and supervise its management activities.
- (2) The Supervisory Board shall conduct its activities in accordance with the legal provisions, the Articles of Association, and these Rules of Procedure. It shall observe the recommendations and suggestions of the German Corporate Governance Code.
- (3) All members of the Supervisory Board shall act in the interests of the Company. They shall not be bound by orders and instructions and shall in their decisions neither pursue their own personal interests nor make personal use of business opportunities available to the Company. Any conflicts of interest, especially those that may arise as a result of advisory roles with or service on the governing bodies of customers, suppliers, lenders, or other third parties or significant competitors, shall be disclosed to the Chair of the Supervisory Board. The Chair of the Supervisory Board shall disclose his or her own conflicts of interest to the Chairman's Committee. For substantial conflicts of interests connected to his or her personal circumstances which are not only temporary, the Supervisory Board member concerned shall resign his or her Supervisory Board mandate.
- (4) The Supervisory Board checks the efficiency of its activities on a regular basis.
- (5) The Supervisory Board shall take care to ensure that the Managing Board and employees of the Company are subject to standards of conduct (Business Conduct Guidelines). The members of the Supervisory Board shall comply with these guidelines in their current form insofar as they are transferable to members of the Supervisory Board and compatible with their duties.

### **§ 2**

#### **Composition of the Supervisory Board**

- (1) The Supervisory Board shall be composed in a manner in which its members collectively possess the required knowledge, skills and professional experience necessary for proper performance of their duties and, as a whole, are familiar with the

sector in which the Company is operating. In due consideration of the recommendations of the German Corporate Governance Code, the Supervisory Board shall name concrete goals for its composition and establish a competency profile for the overall body.

- (2) As a rule, only individuals who are not older than 70 years shall be recommended for election or appointment as Supervisory Board member. The recommendation for election or appointment shall take into account the regular limit for the length of membership in the Supervisory Board of three full terms of office (15 years).
- (3) A Supervisory Board member whose professional activities change substantially towards the point in time of their election shall discuss possible termination of his or her mandate with the Chair of the Supervisory Board.

### **§ 3**

#### **Secrecy**

- (1) The members of the Supervisory Board shall maintain secrecy on confidential information, reports and consultations as well as secrets of the Company, namely trade and business secrets that came to their knowledge as a result of their work within the Supervisory Board. This obligation shall continue to apply even after the individual concerned resigns.
- (2) If a member of the Supervisory Board intends to pass on to third parties information for which it cannot be ruled out with certainty that it is confidential or relates to secrets of the Company, he or she shall inform the Chair of the Supervisory Board (or, if applicable, the Chairman's Committee) in advance and give him or her the opportunity to comment. The Supervisory Board members shall ensure that the employees involved by them for support observe the obligation of secrecy to the same extent.

### **§ 4**

#### **Chair and Deputy Chair**

- (1) The Supervisory Board will appoint a Chair and a Deputy Chair from among their number.
- (2) If the Chair or his/her Deputy resigns from office before expiry of the term of office, the Supervisory Board shall perform a re-election immediately, no later than during the next meeting of the Supervisory Board prior to any other decision.

- (3) The Deputy Chair shall have the same rights as the Chair in all cases in which he or she, while the Chair is unable to perform his or her office, acts in substitution of the Chair, but with the exception of the casting vote granted to the Chair in accordance with § 5 Paragraph 8 Sentence 3.
- (4) In case both the Chair and the Deputy Chair are unable to perform their duties, these duties shall be taken over by the most senior member or, in the case of equal seniority, by the oldest member of the Supervisory Board who is not unable to attend. He or she shall not be entitled to the casting vote under § 5 Paragraph 8 Sentence 3.
- (5) The Chair of the Supervisory Board shall coordinate the work within the Supervisory Board and represent the Supervisory Board's interests externally. Declarations of intent by the Supervisory Board and the Committees thereof shall be issued on behalf of the Supervisory Board by the Chair or his or her Deputy if the Chair is not available. The Chair or, if the Chair is not available, his or her Deputy shall be entitled to receive declarations for the Supervisory Board.
- (6) The Chair of the Supervisory Board shall be entitled to conduct discussions with investors on topics relevant to the Supervisory Board. He/she shall inform the Supervisory Board or its Committees of such discussions.

## **§ 5**

### **Meetings; Convening of Meetings; Resolutions**

- (1) The meetings shall be called by the Chair with a notice period of at least fourteen days, not counting the day on which the invitation is sent or the day on which the meeting is to be held. This notice period may be shortened in urgent cases. Meetings may be called in writing, verbally, by phone, by fax, by e-mail, or using other commonly used means of communication. The individual calling the meeting shall determine the format of the meeting. The Chair may cancel or move a called meeting that has been called at his or her due discretion.
- (2) The invitation shall make known the agenda of the meeting. Additions to the agenda shall be notified by the third day before the meeting, unless an urgent matter justifies later notification. Proposed resolutions relating to items on the agenda and the documents necessary to prepare for the meeting shall be distributed by the fifth day before the meeting, unless an urgent matter justifies later notification.

- (3) The Chair shall conduct the meetings and determine the working language of the meeting as well as the method and order in which the items on the agenda are dealt with.
- (4) The Supervisory Board has a quorum if at least half of the members that the Supervisory Board must comprise take part in the passing of resolutions. Absent Supervisory Board members who request a Supervisory Board member personally attending the meeting to submit written votes (including by e-mail or fax), Supervisory Board members who cast their votes in accordance with § 5 Paragraph 7, and members who abstain from casting their votes during a resolution, shall be deemed to be in attendance within the meaning of preceding Sentence.
- (5) The passing of a resolution on an agenda item that was not included in the invitation convening the meeting or notified in accordance with § 5 Paragraph 2 Sentence 2 shall only be permitted if no member of the Supervisory Board objects to passing the resolution. Absent members shall be given the opportunity, within a reasonable period of time to be determined by the Chair of the Supervisory Board, to oppose to the resolution or to send a written vote or to cast their vote subsequently, in writing, verbally, by phone, fax, or e-mail, or using other commonly used means of communication. The resolution shall only enter into force if none of the absent Supervisory Board members notify the Chair of the Supervisory Board of their opposition within said period of time. Members of the Supervisory Board attending by conference call or using electronic means of communication shall be deemed present.
- (6) If a motion relating an item on the agenda is submitted or amended fewer than three days before the Supervisory Board meeting in such a way that a vote can be cast only with knowledge of the motion or amendment, absent members shall be given the opportunity, within a reasonable period of time to be determined by the Chair of the Supervisory Board, to cast their vote subsequently, in writing, verbally, by phone, fax, or e-mail, or using other commonly used means of communication. When determining the result of the vote on the resolution, the votes cast shall be included, if they have been received by the Chair of the Supervisory Board within the specified period of time. The passing of the resolution shall only be concluded, when the votes have been received or the specified period of time has expired without the votes having been received. Members of the Supervisory Board attending by conference call or using electronic means of communication shall be deemed present.
- (7) On the Chair's instruction and provided adequate notice is given, meetings may in individual circumstances be held and resolutions passed in writing, verbally, by phone, fax, or e-mail, or using other commonly used means of communication or a combination of such forms of communication, and individual members of the

Supervisory Board may be allowed to participate in meetings and resolutions by conference call or using electronic means of communication (in particular video transmission). The option to cast votes in writing within the meaning of § 5 Paragraph 4 shall remain unaffected. The members of the Supervisory Board shall not be entitled to a right to object the instruction of the Chair.

- (8) The resolutions shall be passed with simple majority of the votes cast, unless the law determines otherwise in a mandatory manner. Abstention shall not be counted as votes cast in this sense. In the event of a tie, the vote shall be repeated, and if the repeated vote again results in a tie, the Chair of the Supervisory Board is entitled to the casting vote; these votes may also be cast in writing within the meaning of § 5 Paragraph 4 or by conference call or using electronic means of communication (in particular video transmission).
- (9) Minutes shall be taken down of the meetings and resolutions of the Supervisory Board (for the purpose of record-keeping rather than entry into force) and shall be signed by the person presiding over the respective meeting and his or her selected keeper of the minutes or, if the resolutions were passed outside of a meeting, by the Chair of the Supervisory Board.

## **§ 6**

### **Third-party attendance at meetings; involvement of third parties**

- (1) The meetings of the Supervisory Board shall be attended by members of the Managing Board, unless the Chair of the Supervisory instructs otherwise on an individual basis. The Supervisory Board shall meet at least once per fiscal year without the Managing Board.
- (2) To perform its duties, the Supervisory Board may, at its discretion, involve auditors, legal, or other external or internal advisors. The Chair of the Supervisory Board may allow such individuals as well as experts and knowledge bearers, especially auditors and/or the Company's legal or tax advisors, to attend meetings of the Supervisory Board. Attendance by third parties required by law shall remain unaffected. The cost of involving the aforementioned individuals shall be borne by the Company.

**§ 7**  
**General Rules for Committees**

- (1) The Supervisory Board shall establish and appoint from among its number the following committees:
  - a) a Chairman's Committee,
  - b) an Audit Committee and
  - c) an Innovation and Finance Committee.
- (2) The Supervisory Board may establish other committees and appoint members to them from amongst its members. To the extent legally permissible, decision-making authorities of the Supervisory Board may be transferred to the Committees or individual members of the Supervisory Board.
- (3) The term of office of the committee members shall correspond to their term of office as members of the Supervisory Board, unless a shorter period of office has been determined at the time of election by the Supervisory Board.
- (4) The Committee may elect a chair from amongst its members, unless the Supervisory Board specifies a chair. A committee shall only have a quorum if half of the committee's members, but at least three members, take part in the passing of resolutions. Each committee's chair shall provide the Supervisory Board with regular reports on the activities of the relevant committee.
- (5) The members of the Managing Board shall attend the meeting of the committees, if requested by the chair of the committee or a majority of the committee members.
- (6) To perform their respective duties, the committees of the Supervisory Board may exercise the special inspection and examination rights assigned to the Supervisory Board in accordance with § 111 Paragraph 2 of the AktG.
- (7) If the Chair of the Supervisory Board is member of a committee and in the event of a tie in such committee, the vote shall be repeated, and if the repeated vote again results in a tie, the Chair of the Supervisory Board is entitled to a casting vote; if the Chair of the Supervisory Board is not a member of a committee, then the entitlement falls to the Chair of the committee in such cases as described above.



- (8) In other respects, the proceedings of the committees shall be subject to the provisions of § 5, unless the Supervisory Board determines otherwise for the committee.

## **§ 8**

### **Chairman's Committee**

- (1) The Chairman's Committee shall consist of the Chair of the Supervisory Board, the Deputy Chair elected in accordance with § 4 Paragraph 1 and one further member to be elected by the Supervisory Board. The Chairman's Committee shall be chaired by the Chair of the Supervisory Board.
- (2) The Chairman's Committee shall coordinate the work within the Supervisory Board, prepare the meetings of the Supervisory Board and the assessment of its efficiency and monitor the execution of the resolutions taken by the Supervisory Board or its committees.
- (3) The Chairman's Committee shall substitute for the Supervisory Board in passing resolutions on
- a) the entry into transactions between the Company or an affiliated company on the one hand and a member of the Managing Board or individuals, enterprises, and associations closely related to a member of the Managing Board on the other, provided they require the Supervisory Board's approval in accordance with § 112 of the AktG or another requirement;
  - b) the approval of secondary activities of a member of the Managing Board under § 88 AktG as well as of Supervisory Board mandates outside the Healthineers Group;
  - c) the granting of loans to the group of individuals named in § 89, 115 of the AktG;
  - d) approval of contracts with members of the Supervisory Board in accordance with § 114 of the AktG;
  - e) legal representation of the Company in litigious procedures in which the Company is represented by the Managing Board together with the Supervisory Board or by the Supervisory Board alone, in particular in the event of an action for annulment or rescission (§ 246 Paragraph 2 Sentence 2, § 249 Paragraph 1 Sentence 1 AktG);

- f) approval of transactions and measures for which approval is required under § 6 Paragraph 1 letters i) and j) of the Bylaws (Rules of Procedure) for the Managing Board.
- (4) The Chairman's Committee shall be competent for suggestions to the Supervisory Board for the appointment and dismissal of members of the Managing Board as well as extension of their mandates. In the case of suggestions for initial appointments, it is to be taken into consideration that the duration of appointment is not to exceed three years in general.
- (5) Within the framework of the remuneration system and the remuneration of individual members of the Managing Board resolved by the full Supervisory Board, the Chairman's Committee shall be competent for entering into, amending, extending and terminating contract of employment with members of the Managing Board.
- (6) The Chairman's Committee shall submit to the full Supervisory Board proposals for determining the respective compensation of the individual members of the Management. The Chairman's Committee shall prepare resolutions of the full Supervisory Board on the remuneration system for the Managing Board as well as regular review thereof.
- (7) The Chairman's Committee shall, taking into account the defined targets for its appointment suggestions to the Annual General Meeting as stipulated under § 2, suggest to the Supervisory Board suitable candidates as new members of the Supervisory Board.

## **§ 9**

### **Audit Committee**

- (1) The Audit Committee shall comprise four members to be elected by the Supervisory Board. The Audit Committee has to include at least one member of the Supervisory Board with expertise in the areas of accounting or auditing.
- (2) The Audit Committee shall have the following duties:
  - a) Monitoring of the annual audit, in particular of the selection, independence and qualification of the auditor as well as their services, including the additional services rendered by them; for this purpose, it shall observe the legal provisions, in particular the requirements under EU Regulation No. 537/2014 on annual audits.

- b) Recommendation for the suggestion of the Supervisory Board to the Annual General Meeting on the election of the auditor and the group auditor as well as the auditor for the condensed financial statements and the interim management report for the group (half-year financial report for the group) to the extent they are audited or reviewed by the auditor;
- c) Issuing the audit engagement to the auditors, determining areas of emphasis for the audit, and stipulating the fee with the auditors;
- d) Preparation of the Supervisory Board's audit of the annual and consolidated financial statements and the Managing Board's suggestion on the appropriation of profits;
- e) Discussion of half-year and, if applicable, quarterly reports with the Managing Board before publication thereof;
- f) Issues of accounting and risk management, including the monitoring of the accounting process, the effectiveness of the internal control system, the risk management system, and the internal audit system;
- g) Monitoring compliance with legal requirements, official regulations, and Company-internal guidelines (Compliance);
- h) Dealing with the non-financial declaration or the separate non-financial report and, if applicable, assignment of an external audit under § 111 Paragraph 2 Sentence 4 AktG.

## **§ 10**

### **Innovation and Finance Committee**

- (1) The Innovation and Finance Committee shall consist of the Chair of the Supervisory Board, the Deputy Chair elected in accordance with § 4 Paragraph 1 and two further members to be elected by the Supervisory Board.
- (2) The Innovation and Finance Committee shall be entrusted with the duties as stipulated by resolution of the Supervisory Board. In particular, it is responsible – based on the Company's overall strategy, which is the focus of the strategic discussions in the Supervisory Board – for discussions of the Company's innovation strategy and the preparation of negotiations and resolutions of the Supervisory Board on the financial situation and resources of the Company, including the annual budget, as well as

investments in tangible assets and financial measures. In addition, in accordance with § 6 Paragraph 1 letters a), c), d), e), f) and g) of the Bylaws (Rules of Procedure) of the Managing Board, the Innovation and Finance Committee shall resolve instead of the Supervisory Board on the approval of transactions and measures for which approval is required to the extent their value does not reach the amount of €300 million. Moreover, the Innovation and Finance Committee shall regularly deal with the corporate, brand and design image of the Company and its dependent companies (§§ 15 ff. AktG), in particularly regarding its image as a company within the Siemens Group (“Siemens Brand”). Accordingly, the Innovation and Finance Committee shall resolve on the approval of measures for which approval is required under § 6 Paragraph 1 letter k) of the Bylaws (Rules of Procedure) for the Managing Board instead of the Supervisory Board.

## C.3 Corporate Governance

### C.3.1 Management and control structure

Siemens Healthineers AG is subject to German corporate law. It therefore has a two-tier board structure, consisting of a Managing Board and a Supervisory Board.

#### C.3.1.1 Managing Board

As the Company's top management body, the Managing Board is committed to serving the Company's interests and achieving sustainable growth in company value. The members of the Managing Board are jointly responsible for the entire management of the Company and decide on the basic issues of business policy and corporate strategy, as well as on the Company's annual and multiyear plans.

The Managing Board prepares the quarterly statements and the half-year financial report, the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of the Group, and the combined management report of Siemens Healthineers AG and the Group. In addition, the Managing Board ensures that the Company adheres to statutory requirements, official regulations and internal Company guidelines and works to achieve compliance with these provisions and guidelines within the Group. The Managing Board has established a comprehensive compliance management system. Details are available on the Company's website at → [www.corporate.siemens-healthineers.com/compliance](http://www.corporate.siemens-healthineers.com/compliance).

The Managing Board and the Supervisory Board cooperate closely for the benefit of the Company. The Managing Board informs the Supervisory Board regularly, comprehensively and without delay on all issues of importance to the Company with regard to strategy, planning, business development, financial position, earnings, compliance and risks. When filling managerial positions at the Company, the Managing Board takes diversity into consideration and, in particular, aims for an appropriate consideration of women and internationality.

The Supervisory Board has defined a target for the share of women on the Managing Board of Siemens Healthineers AG, and has set a deadline for its attainment. The Managing Board has defined a target for the share of women at the management level immediately below the Managing Board, and has set a deadline for its attainment. Details are set out in chapter → *C.3.2.4 Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board.*

Information on the areas of responsibility and the curricula vitae of the members of the Managing Board are available on the Company's website at → [www.corporate.siemens-healthineers.com/about/management](http://www.corporate.siemens-healthineers.com/about/management). Information on the compensation paid to members of the Managing Board is provided in chapter → *A.12 Remuneration report.*

## Members of the Managing Board and positions held by Managing Board members

As of September 30, 2018, the Managing Board comprised the following members:

Name	Year of birth	First appointed	Term expires	Memberships in Supervisory Boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises	
				External positions (as of September 30, 2018)	Group company positions (as of September 30, 2018)
Dr. Bernhard Montag Chief Executive Officer	1969	2018	2021	None	None
Michael Reitermann	1962	2018	2021	<b>Positions outside Germany:</b> • Siemens Foundation, USA	None
Dr. Jochen Schmitz	1966	2018	2021	None	None

### C.3.1.2 Supervisory Board

The Supervisory Board oversees and advises the Managing Board in its management of the Company's business. At regular intervals, the Supervisory Board discusses business development, planning, strategy and strategy implementation. It reviews the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of the Group and the combined management report of Siemens Healthineers AG and the Group, and the proposal for the appropriation of net income. It approves the annual financial statements of Siemens Healthineers AG as well as the consolidated financial statements of the Group, based on the results of the preliminary review conducted by the Audit Committee and taking into account the reports of the independent auditors. The Supervisory Board decides on the Managing Board's proposal for the appropriation of net income and the Report of the Supervisory Board to the Annual Shareholders' Meeting. In addition, the Supervisory Board or the Audit Committee, which is described in more detail below, concern themselves with monitoring the Company's compliance with legal requirements, official regulations and Company-internal guidelines (Compliance). The Supervisory Board also appoints the members of the Managing Board and determines each member's business responsibilities. Important Managing Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments or financial measures – are subject to Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority is delegated to the Innovation and Finance Committee of the Supervisory Board. In the Bylaws for the Managing Board, the Supervisory Board has established the rules that govern the Managing Board's work.

More detailed information on the work of the Supervisory Board is provided in the → **Report of the Supervisory Board**. The curricula vitae of the members of the Supervisory Board are available on the Siemens Healthineers website at → [www.corporate.siemens-healthineers.com/about/supervisory-board](http://www.corporate.siemens-healthineers.com/about/supervisory-board). The compensation paid to the members of the Supervisory Board is provided in chapter → **A.12 Remuneration report**.

The Supervisory Board of Siemens Healthineers AG has nine members. It is composed entirely of shareholder representatives. The terms of office of the members of the Supervisory Board will expire at the conclusion of the Annual Shareholders' Meeting in 2023.

## Members of the Supervisory Board and positions held by Supervisory Board members

As of September 30, 2018, the Supervisory Board comprised the following members:

Name	Occupation	Year of birth	Member since	Memberships in Supervisory Boards whose establishment is required by law or in comparable domestic or foreign controlling bodies of business enterprises
				(as of September 30, 2018)
Michael Sen Chairman	Member of the Managing Board of Siemens Aktiengesellschaft	1968	2018	<b>German positions:</b> • Siemens Healthcare GmbH (Chairman) <b>Positions outside Germany:</b> • Siemens Gamesa Renewable Energy, S.A., Spain
Dr. Norbert Gaus Deputy Chairman	Executive Vice President Corporate Technology of Siemens Aktiengesellschaft	1961	2018	<b>German positions:</b> • evosoft GmbH (Chairman) <b>Positions outside Germany:</b> • evosoft kft, Hungary (Chairman)
Dr. Marion Helmes	Corporate consultant	1965	2018	<b>German positions:</b> • ProSiebenSat.1 Media SE (Vice Chairwoman) • Uniper SE <b>Positions outside Germany:</b> • British American Tobacco p.l.c., United Kingdom • Heineken N.V., The Netherlands
Dr. Andreas C. Hoffmann	General Counsel of Siemens Aktiengesellschaft	1964	2018	None
Dr. Philipp Rösler	Chief Executive Officer of Hainan Cihang Charity Foundation Inc.	1973	2018	<b>German positions:</b> • Bertelsmann Stiftung • Jacobs University Bremen
Dr. Nathalie von Siemens	Managing Director and Spokesperson of Siemens Stiftung	1971	2018	<b>German positions:</b> • Messer Group GmbH • Siemens Aktiengesellschaft • Siemens Healthcare GmbH
Dr. Gregory Sorensen	Executive Chairman of IMRIS (Deerfield Imaging, Inc.) and President and CEO of DeepHealth, Inc.	1962	2018	<b>Positions outside Germany:</b> • Fusion Healthcare Staffing, LLC, USA (Chairman) • Invicro, LLC, USA • DFB Healthcare Acquisitions Corp., USA
Karl-Heinz Streibich	President of acatech – Deutsche Akademie der Technikwissenschaften	1952	2018	<b>German positions:</b> • Dürr AG (Chairman) • Deutsche Telekom AG • Deutsche Messe AG • Wittenstein SE
Dr. Ralf P. Thomas	Member of the Managing Board of Siemens Aktiengesellschaft (Chief Financial Officer)	1961	2018	<b>German positions:</b> • Siemens Healthcare GmbH <b>Positions outside Germany:</b> • Siemens Aktiengesellschaft Österreich, Austria • Siemens Corp., USA (Deputy Chairman) • Siemens Gamesa Renewable Energy, S.A., Spain

## Targets for the Supervisory Board's composition and profile of required skills and expertise

Taking into account the recommendations of the German Corporate Governance Code (hereinafter the "Code"), the Supervisory Board has adopted targets for its composition, including a profile of the skills and expertise that the Supervisory Board should possess; these are described in chapter → C.3.2.6 *Targets for the composition, profile of required skills and expertise, and diversity concept for the Supervisory Board.*

## Supervisory Board committees

The Supervisory Board has three committees, whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act ("Aktiengesetz") and the Code. The chairmen of these committees provide the Supervisory Board with regular reports on their committees' activities.

The **Chairman's Committee** coordinates the work of the Supervisory Board, prepares the meetings of the Supervisory Board and the evaluation of its efficiency, and monitors the execution of the resolutions adopted by the Supervisory Board or its committees. It makes proposals regarding the appointment and dismissal of Managing Board members and handles contracts with members of the Managing Board. When making recommendations for first-time appointments, it takes into account that the term of these appointments is not, as a rule, to exceed three years. In preparing recommendations on the appointment of Managing Board members, the Chairman's Committee takes into account the candidates' professional qualifications, international experience and leadership qualities, the age limit specified for Managing Board members, the long-range plans for succession, and diversity. It also takes into account the targets that the Supervisory Board has specified for the share of women on the Managing Board. It decides on approving contracts and transactions with members of the Managing Board and their related parties, whether individuals or entities. The Chairman's Committee submits proposals to the Supervisory Board's plenary meetings for setting the compensation of the individual Managing Board members. The Chairman's Committee prepares resolutions of the Supervisory Board's plenary regarding the system of Managing Board compensation, including the regular review of that system. The Chairman's Committee furthermore has the task of recommending suitable candidates to the Supervisory Board for nomination for election to the Supervisory Board by the Annual Shareholders' Meeting. It therefore has the tasks of a nominating committee. In preparing these recommendations, the targets defined by the Supervisory Board for its composition are to be given appropriate consideration, as are the proposed candidates' required knowledge, abilities and professional experience. Fulfillment of the profile of required skills and expertise is also to be aimed for. The Chairman's Committee has furthermore been authorized by the Supervisory Board to decide on the approval of the Managing Board's proposals regarding the appointment and dismissal of persons in certain management positions at the first level below the Managing Board, and the main principles of the compensation and incentivization system for employees.

In fiscal year 2018, the Chairman's Committee comprised Michael Sen (Chairman), Dr. Norbert Gaus and Dr. Andreas C. Hoffmann.

The **Audit Committee** oversees, in particular, the accounting and the accounting process and conducts a preliminary review of the annual financial statements of Siemens Healthineers AG, the consolidated financial statements of the Group and the combined management report of Siemens Healthineers AG and the Group, as well as the report on relationships with affiliated companies. On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its own preliminary review, recommendations regarding the Supervisory Board's approval of the annual financial statements of Siemens Healthineers AG and the consolidated financial statements of the Group. The Audit Committee discusses the quarterly statement and half-year financial report with the Managing Board and the independent auditors and deals with the auditors' report on the review of the half-year consolidated financial statements

and interim Group management report. It concerns itself with the Company's risk monitoring system and oversees the effectiveness of the internal control, risk management and internal audit systems. The Audit Committee receives regular reports from the Internal Audit Department. It prepares the Supervisory Board's recommendation to the Annual Shareholders' Meeting concerning the election of the independent auditors and submits the corresponding proposal to the Supervisory Board. It awards the audit contract to the independent auditors elected by the Annual Shareholders' Meeting and monitors the independent audit of the financial statements, particularly the auditors' selection, independence, and qualifications, as well as their work, including the additional services they provide; in this regard, the committee complies with the applicable terms of law, including the requirements of the EU Audit Regulation (Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC) regarding statutory audits. The Audit Committee furthermore concerns itself with monitoring compliance within the Company, and with nonfinancial categories of reporting and exemptions from such reporting.

In fiscal year 2018, the Audit Committee comprised Dr. Ralf P. Thomas (Chairman), Dr. Marion Helmes, Dr. Andreas C. Hoffmann and Michael Sen. The members of the Audit Committee are, as a group, familiar with the sector in which the Company operates. Pursuant to the German Stock Corporation Act, the Audit Committee must include at least one Supervisory Board member with knowledge and experience in the areas of accounting or the auditing of financial statements. Pursuant to the Code, the chairperson of the Audit Committee shall have specific knowledge and experience in applying accounting principles and internal control procedures, shall be independent and shall not be a former Managing Board member whose term of office ended less than two years ago. The Chairman of the Audit Committee, Dr. Ralf P. Thomas, fulfills these requirements, with the exception of the requirement of independence, as the Code does not view representatives of a controlling shareholder as independent.

The **Innovation and Finance Committee** particularly has the task, based on the Company's overall strategy, of discussing the Company's focuses of innovation and preparing the Supervisory Board's discussions and resolutions relating to the Company's financial situation and structure – including annual planning (budget) – as well as the Company's fixed asset investments and its financial measures. In addition, the Innovation and Finance Committee has been authorized by the Supervisory Board to decide on the approval of transactions and measures that require Supervisory Board approval and have a value of less than €300 million. The Innovation and Finance Committee furthermore regularly deals with the Company's corporate, brand and design image and that of its dependent companies, particularly its image as a Siemens company (the Siemens Brand), and is authorized by the Supervisory Board to decide on changes or other measures in this regard.

In fiscal year 2018, the Innovation and Finance Committee comprised Michael Sen (Chairman), Dr. Norbert Gaus, Dr. Gregory Sorensen and Karl-Heinz Streibich.



**Disclosure of participation by individual Supervisory Board members in meetings of the Supervisory Board and its committees in fiscal year 2018**

Supervisory Board Members	Supervisory Board and Committee meetings	Participation	Presence
Michael Sen Chairman	11	10	91 %
Dr. Norbert Gaus Deputy Chairman	8	8	100 %
Dr. Marion Helmes	6	4	67 %
Dr. Andreas C. Hoffmann	9	9	100 %
Dr. Philipp Rösler	3	2	67 %
Dr. Nathalie von Siemens	3	3	100 %
Dr. Gregory Sorensen	5	5	100 %
Karl-Heinz Streibich	5	5	100 %
Dr. Ralf P. Thomas	6	6	100 %

**C.3.1.3 Share transactions by members of the Managing and Supervisory Boards**

Pursuant to Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC, members of the Managing Board and the Supervisory Board are required by law to disclose all transactions conducted on their own account relating to the shares or debt instruments of Siemens Healthineers AG or to derivatives or other financial instruments linked thereto, if the total value of such transactions entered into by a board member or any related party of that member reaches or exceeds €5,000 in any calendar year. All transactions reported during the past year to Siemens Healthineers AG in accordance with this requirement have been duly published and are available on the Company's website at: → [www.corporate.siemens-healthineers.com/investor-relations/corporate-governance/directors-dealings](http://www.corporate.siemens-healthineers.com/investor-relations/corporate-governance/directors-dealings).

**C.3.1.4 Annual Shareholders' Meeting and investor relations**

Shareholders exercise their rights at the Annual Shareholders' Meeting. An ordinary Annual Shareholders' Meeting takes place within the first eight months of each fiscal year. The Annual Shareholders' Meeting decides, among other things, on the appropriation of unappropriated net income, the ratification of the acts of the Managing and Supervisory Boards, and the appointment of the independent auditors. Amendments to the Articles of Association and measures that change the Company's capital stock are approved at the Annual Shareholders' Meeting and are implemented by the Managing Board. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular, via the Internet – and enables shareholders who are unable to attend the meeting to vote by proxy. Furthermore, shareholders may exercise their right to vote in writing or by means of electronic communications (absentee voting). The Managing Board may enable shareholders to

participate in the Annual Shareholders' Meeting without the need to be present at the venue and without a proxy and to exercise some or all of their rights fully or partially by means of electronic communications. Shareholders may submit proposals regarding the resolutions proposed by the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders' Meeting. Shareholders owning Siemens Healthineers stock with an aggregate value of €100,000 or more may also demand a court appointment of special auditors to examine specific issues. The reports, documents and information required by law for the Annual Shareholders' Meeting, including the annual report, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders' Meeting and to any counterproposals or shareholders' nominations that are required to be disclosed.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For reporting purposes, Siemens Healthineers also makes extensive use of the Internet. At → [www.corporate.siemens-healthineers.com/investor-relations](http://www.corporate.siemens-healthineers.com/investor-relations), we publish quarterly statements, half-year financial and annual reports, earnings releases, ad hoc announcements, analyst presentations and press releases as well as the financial calendar for the current year, which contains the publication dates of significant financial communications and the date of the Annual Shareholders' Meeting.

Our Articles of Association, the Bylaws for the Supervisory Board and its committees, the Bylaws for the Managing Board, the declaration of conformity with the Code and a variety of other corporate-governance-related documents are posted on our website at → [www.corporate.siemens-healthineers.com/investor-relations/corporate-governance](http://www.corporate.siemens-healthineers.com/investor-relations/corporate-governance).

## C.3.2 Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code

The Corporate Governance statement pursuant to Sections 289f and 315d of the German Commercial Code (“Handelsgesetzbuch”) is an integral part of the combined management report. Pursuant to Section 317 (2) sentence 6 of the German Commercial Code, the independent auditor’s review of the disclosures made within the scope of Sections 289f and 315d of the German Commercial Code is to be limited to ascertaining whether the disclosures were made.

### C.3.2.1 Declaration of conformity with the German Corporate Governance Code

The Managing Board and the Supervisory Board of Siemens Healthineers AG approved the following declaration of conformity pursuant to Section 161 of the German Stock Corporation Act for the first time as of September 30, 2018:

“Declaration of conformity by the Managing Board and the Supervisory Board of Siemens Healthineers AG with the German Corporate Governance Code

Since March 15, 2018, the date on which the shares were first admitted to stock exchange trading, Siemens Healthineers AG has complied with all recommendations of the German Corporate Governance Code (the Code) in the version dated February 7, 2017, published by the Federal Ministry of Justice in the official section of the Federal Gazette, with the exception of the recommendation in Section 5.3.2 (3) sentence 2 of the Code regarding the independence of the Chairman of the Audit Committee. The Chairman of the Audit Committee has specific knowledge and experience in the application of accounting principles and internal control procedures, in particular due to his work as Chief Financial Officer of Siemens AG, which particularly enables him to chair the Audit Committee of Siemens Healthineers AG. The company is included in Siemens’ consolidated financial statements because it is a member of the Siemens Group. Against this background, the functions of the Audit Committee of Siemens Healthineers AG are strengthened by the fact that the Chief Financial Officer of the majority shareholder chairs the Audit Committee.

Munich, September 30, 2018  
Siemens Healthineers AG

The Managing Board

The Supervisory Board”

### C.3.2.2 Information on corporate governance practices

#### Suggestions of the Code

Siemens Healthineers AG voluntarily complies with the Code’s nonbinding suggestions, with the following sole exception:

Pursuant to Section 3.7 (3) of the Code, in the case of a takeover offer, a management board should convene an extraordinary general meeting at which shareholders discuss the takeover offer and may decide on corporate actions. The convening of a shareholders’ meeting – even taking into account the shortened time limits stipulated in the German Securities Acquisition and Takeover Act (Wertpapiererwerbs und Übernahmegesetz) – is an organizational challenge for large publicly listed companies. It appears doubtful whether the associated effort is justified in cases where no relevant decisions by the shareholders’ meeting are intended. Therefore, extraordinary shareholders’ meetings shall be convened only in appropriate cases.

Further corporate governance practices applied beyond legal requirements are contained in our business conduct guidelines.

#### Business conduct guidelines

The Siemens Healthcare unit, which is now Siemens Healthineers, has been impressing its customers with innovative products in medical technology for more than 170 years. Technical high performance, innovation, quality, reliability and internationality are the company’s outstanding features. With its top achievements and high ethical standards, Siemens Healthineers is helping to shape the healthcare delivery of the future.

The Siemens business conduct guidelines provide the ethical and legal framework within which we intend to operate and to remain on course for success. They contain the basic principles and rules for the conduct of all Siemens Healthineers employees and in relation to our external partners and the general public. They set out how Siemens Healthineers AG meets its ethical and legal responsibilities as a Company.

### C.3.2.3 Operation of the Managing Board and the Supervisory Board, and composition and operation of their committees

The composition and operation of the Managing Board and Supervisory Board, and of the committees of the Supervisory Board, are described above in chapter → C.3.1 *Management and control structure*. Further details can be derived from the Bylaws for the corporate bodies concerned.

This information and these documents, including the Code and the business conduct guidelines, are available at:

→ [www.corporate.siemens-healthineers.com/investor-relations/presentations-financial-publications](http://www.corporate.siemens-healthineers.com/investor-relations/presentations-financial-publications).

#### **C.3.2.4 Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board**

Pursuant to the German Stock Corporation Act, the Supervisory Board is to set targets for the share of women on the Managing Board and Supervisory Board. The Managing Board is to set targets for the share of women in the two levels of management immediately below the Managing Board. If the share of women is less than 30% when the targets are set, the targets cannot be less than the respective share that has already been achieved.

At Siemens Healthineers AG, targets have been set for the Managing Board to include at least one woman by June 30, 2023, and for the first management level below the Managing Board to include at least 25% women by June 30, 2022. There is only one level of management below the Managing Board. A target has been set for the Supervisory Board to be composed at least 2/9 of women by June 30, 2023.

#### **C.3.2.5 Diversity concept for the Managing Board**

With the support of the Chairman's Committee, and in consultation with the Managing Board, the Supervisory Board ensures long-term succession planning for members of the Managing Board. The aim is for the Managing Board as a whole to have all knowledge and experience that are considered essential in light of the activities of Siemens Healthineers. The Supervisory Board has decided that in nominating individuals for appointment to the Managing Board, the Chairman's Committee is to give special attention to the following aspects:

- professional qualifications;
- international experience;
- leadership qualities;
- the age limit set for members of the Managing Board. In general, an appointment or a renewal of an appointment to the Managing Board is permitted only for persons below the age of 64;
- long-term succession planning;
- diversity.

The target for the share of women on the Managing Board is explained in chapter → C.3.2.4 *Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board*.

The decisive factor for the decision on the filling of a specific Managing Board position is always the company's interest, taking into account all circumstances of the individual case.

#### **Implementation of the diversity concept for the Managing Board**

The diversity concept is implemented as part of the procedure for the Supervisory Board's appointment of the Managing Board. In selecting candidates, the Supervisory Board is to take account of the requirements set out in the diversity concept for the Managing Board.

No decisions on filling a specific position on the Managing Board have been made since the diversity concept went into effect.

#### **C.3.2.6 Targets for the composition, profile of required skills and expertise, and diversity concept for the Supervisory Board**

The diversity concept for the Supervisory Board was adopted by the Supervisory Board together with the targets for the Board's own composition, including the profile of the skills and expertise that the Supervisory Board should possess. This framework requires the composition of the Supervisory Board of Siemens Healthineers AG to be such as to ensure that its members collectively are qualified to supervise and advise the Managing Board.

#### **Profile of required skills and expertise**

The candidates proposed for election to the Supervisory Board should have the knowledge, skills and experience that enable them to perform the duties of a supervisory board member at an international enterprise and bolster the public image of the Group. The character, integrity, motivation and professionalism of the persons proposed for election should be given particular consideration.

The aim is for the Supervisory Board as a whole to have all the knowledge and experience considered essential in view of the activities of Siemens Healthineers. This includes knowledge and experience of medical and healthcare technology (including information technology and digitalization), transformation, entrepreneurship, purchasing, production and sales, finance and legal (including compliance), and human resources. The Supervisory Board should also have knowledge and experience of the lines of business important to Siemens Healthineers, in particular (diagnostic) imaging, laboratory diagnostics and clinical therapy. The Supervisory Board in its entirety should be familiar with the sector in which the company operates. At least one member of the Supervisory Board must have accounting or auditing expertise. The Chair of the Audit Committee should have specific knowledge and experience of applying accounting principles and internal control procedures. In particular, the Supervisory Board members should also include persons who have management experience at a large international enterprise as a result of performing an executive function or as a member of a supervisory board or similar body.

When a new member is about to be appointed, a review should be undertaken to determine which of the desirable skills on the Supervisory Board ought to be enhanced.

### International profile

In light of the company's international profile, it should be ensured that the Supervisory Board has a sufficient number of members with many years' international experience.

### Diversity

It should be ensured that the Supervisory Board is sufficiently diverse in its composition. In addition to an appropriate quota of women, this also includes diversity with regard to cultural origin, religion and ethnic background as well as diversity of professional background, experience and mindset. When examining potential candidates for reelection or first-time appointment to vacant Supervisory Board positions, diversity should be given appropriate consideration early on in the selection process.

The Supervisory Board has set a target for the share of women among its members, together with a deadline for achieving that target. The details of this target are presented in chapter → C.3.2.4 *Targets for the share of women on the Managing Board and at the management level immediately below the Managing Board; target for the share of women on the Supervisory Board.*

### Independence

The Supervisory Board should include an appropriate number of independent members. Conflicts of interest that are substantial and not merely temporary, for example as a result of a person serving as a member of a governing body or performing an advisory role at a significant competitor of the company, should be avoided. The composition of the Supervisory Board should ensure that its members include at least three independent shareholder representatives as defined in Section 5.4.2 of the Code.

The Supervisory Board members should have sufficient time to enable them to discharge their duties with the necessary regularity and care.

### Age limit and length of membership

Observing the age limit laid down by the Supervisory Board in the bylaws, only persons no more than 70 years of age should usually be proposed for election as a member of the Supervisory Board. The proposal for election should take into account the regular limit on length of Supervisory Board membership, of three full terms of office (15 years), set by the Supervisory Board. The aim is for the Supervisory Board to have an appropriate experience and age structure.

### Implementation of targets for composition, including profile of required skills and expertise and diversity concept; independent members of the Supervisory Board

In the process of selecting and nominating candidates for the Supervisory Board, the Supervisory Board takes account of the targets for the composition and the requirements laid down in the diversity concept.

With its current membership, the Supervisory Board meets all the above targets for its composition and fulfills the profile of required skills and expertise and the diversity concept. The Supervisory Board members have the professional and personal qualifications considered necessary. As a group, they are familiar with the sector in which the Company operates and have the knowledge, skills and experience essential for Siemens Healthineers. A considerable number of Supervisory Board members are engaged in international activities and/or have many years of international experience. Appropriate consideration has been given to diversity in the Supervisory Board. In fiscal year 2018, the Supervisory Board had two female members.

The Supervisory Board also has an adequate number of independent members. In the opinion of the Supervisory Board, there are currently at least four Supervisory Board members who are independent within the meaning of Section 5.4.2 of the Code – namely, Dr. Marion Helmes, Dr. Philipp Rösler, Dr. Gregory Sorensen and Karl-Heinz Streibich. The regulations establishing limits on age and limiting membership in the Supervisory Board to three full terms of office (15 years) are complied with.