

Survey of Siemens AG Shareholders: Information Needed for Voting on Settlement and Compensation Issues

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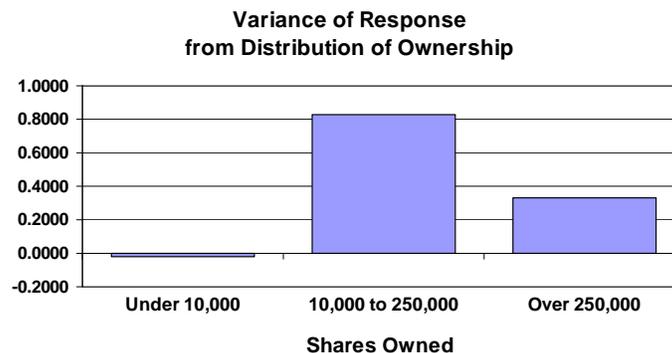
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To determine shareholder information requirements for voting decisions at the annual meeting of Siemens AG on January 26, 2010, the Shareholder Forum and its independently managed German affiliate, [Aktionaersforum AG](#), conducted a survey of the company's investors.¹

The survey questionnaire² addressed current voting inclinations and criteria relating to two subjects of apparent interest to investors:³

- **Proposed settlements of corruption claims** against former directors, which can be rejected by 10% shareholder opposition⁴
- **Compensation issues**, including the new German requirement for shareholder "Say on Pay" and an employee group's proposal to revise supervisory board compensation

¹ The survey was initiated on December 22, 2009, with invitations sent during the following week to samplings of over 4,000 Siemens shareholders, including large institutional investors and U.S. holders of record with more than 100 shares as of December 21, 2009. As indicated in the following analysis of response variance from the distribution of record owners, participation followed a typical pattern of slightly lower rates of response by smaller investors and higher rates by those with larger interests:



² For the forms of invitations and questionnaire, see:

- [Aktionaersforum invitation](#)
- [Shareholder Forum invitation](#)
- [Questionnaire](#)

³ For the company's agenda of proposals addressed in the survey, see:

- [Siemens AG Notice of Annual Meeting of Shareholders](#)

⁴ Aktionaersforum reports that section 93, paragraph 4 of the German company law provides for settlements of claims against directors only if "the shareholders' meeting consents thereto and no minority whose aggregate holding equals or exceeds one-tenth of the share capital records an objection in the minutes."

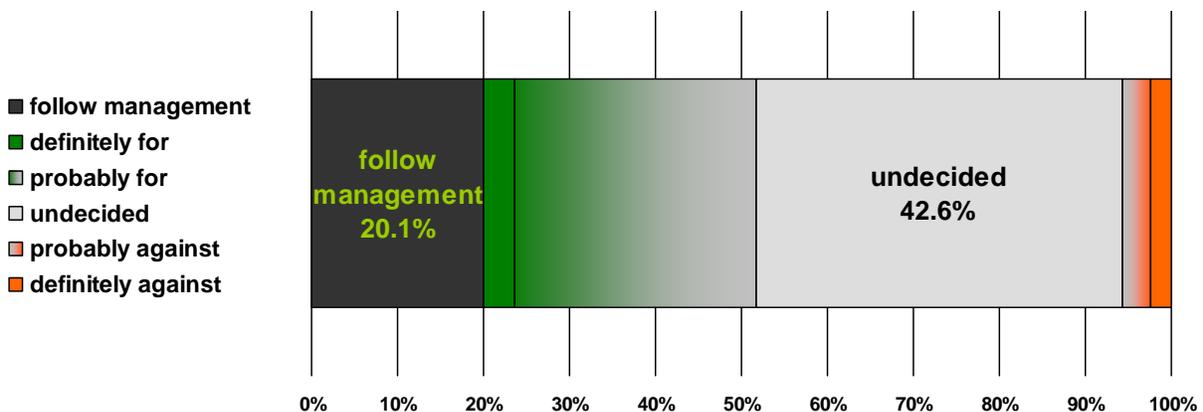
Summary of Results

Survey responses clearly show that Siemens shareholders need more information to understand why they should vote in support of management’s positions:

- ▶ **A very high proportion of investors is undecided.** Over 40% of the total number of respondents reported being undecided about both the settlement and compensation votes, with more than another 25% only “probably” inclined to vote one way or the other.
- ▶ **Investors want information beyond what is presented in traditional reports.** The information that investors considered most important included management explanations and answers to questions, independent opinions, and other responses that are not usually in the standard reports distributed to shareholders for annual meetings.
- ▶ **Current inclinations do not support management positions.** In the absence of information addressing investor decision-making criteria, current ratios of "for" and "against" inclinations suggest that shareholders could reject the proposed settlements and approve the shareholder counter-proposal to revise board compensation.

Aktionaersforum will be presenting its own analysis of the survey results summarized below, and will be inviting Siemens management to respond to the reported interests of the company’s shareholders.

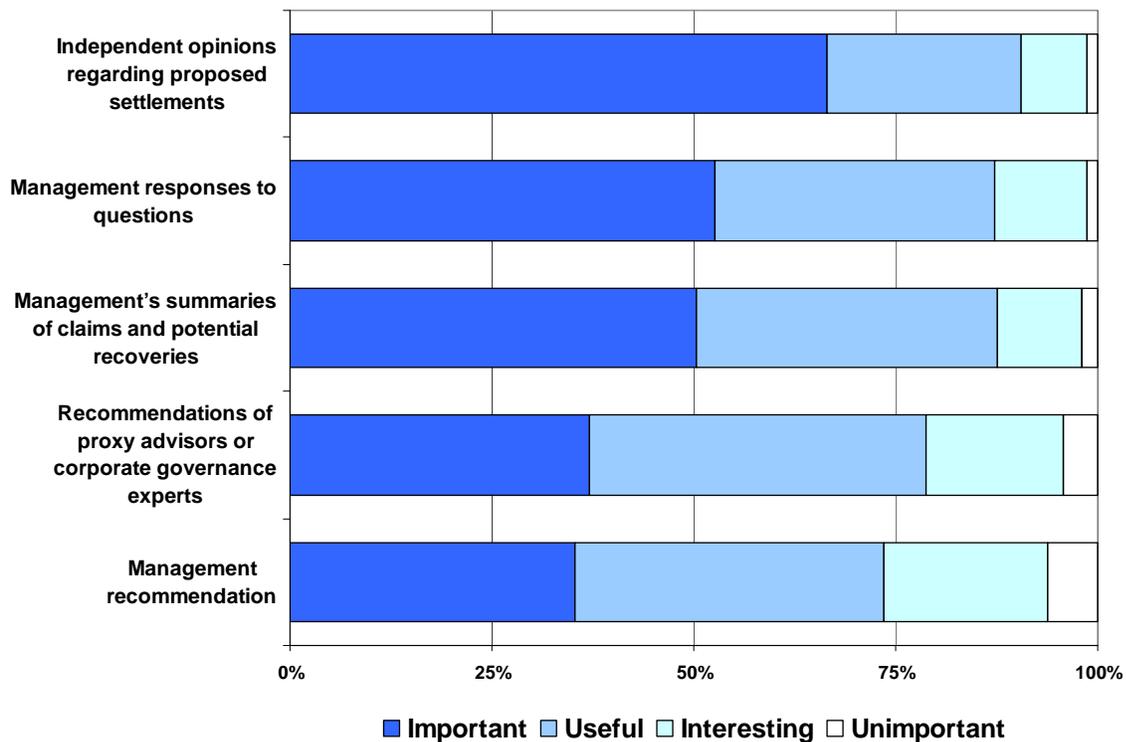
Approval of Claim Settlements



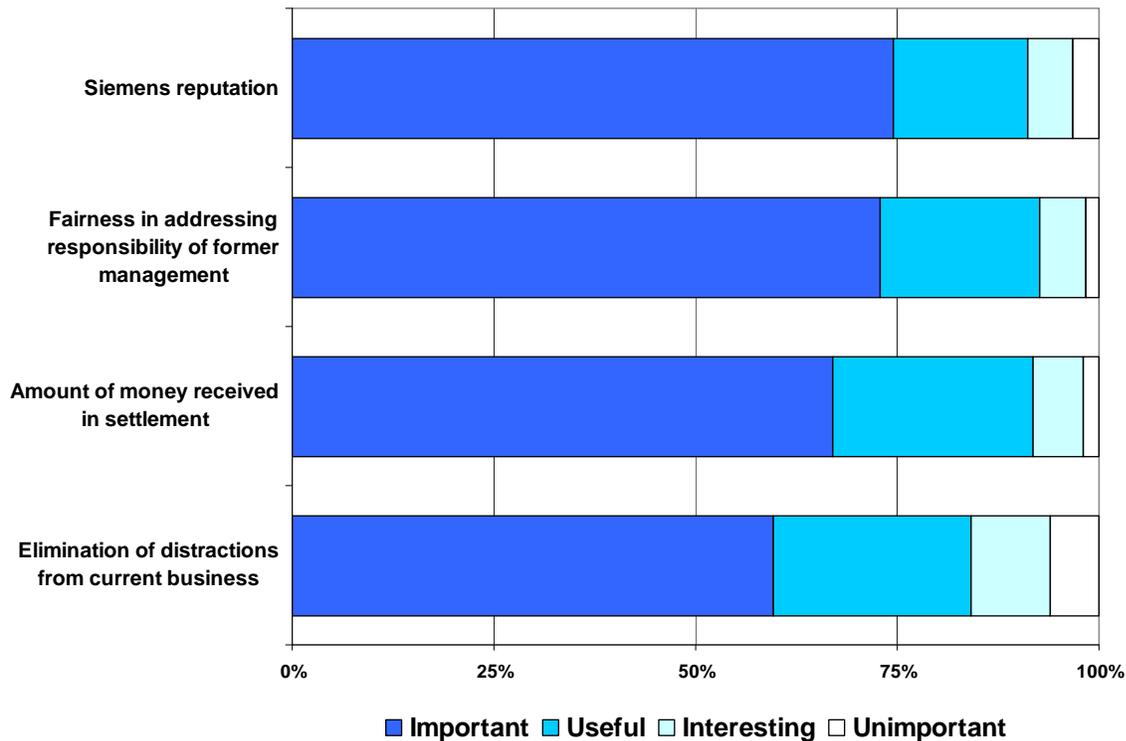
Of the survey participants who stated their voting inclinations in relation to the proposed settlement of corruption claims, 42.6% reported being undecided. Excluding the 20.1% who planned to follow management recommendations, presumed to be primarily individual holders

without fiduciary duties to exercise independent judgment, the proportion of undecided voters was 53.2%.

Of the participants reporting an inclination to vote one way or another based on their current knowledge, 84.7% said they would probably or definitely vote in support of the settlements and 15.3% against. If that is the proportion of undecided votes that ultimately supports or opposes the settlements, the final proportion of shareholders against the settlement would be 12.2%, enough to defeat the proposal.



Addressing the types of information shareholders considered relevant to their consideration of the proposed settlements, the most important was independent opinions, followed by management responses to questions and summaries of the conditions. Recommendations of either proxy advisors or management were clearly not as important as the detailed explanations.



Regarding the issues that need to be explained, participants reported considering all the suggested criteria to be important. The company’s reputation and a sense of fairness received the highest rankings, with almost 75% considering them “important,” but the amount of money to be paid and the elimination of distractions were also considered “important” by well over half.

These priorities are explained in the following examples of comments:

“I would like to know two things: 1) are the accused individuals being punished appropriate to their personal gain from all transactions with which they were associated? and 2) are the accused individuals also being punished in a means that sends an effective message to all other executives who are expected to provide honourable and legally compliant corporate behaviour in conduct of business? Clearly, these individuals have damaged the economic health of the company and its investors so the punishment for any carelessness or selfishness on their part, should be damaging to them as individuals.”

“Must send a very strong message that unethical and inappropriate behavior will not be tolerated and will be prosecuted vigorously.”

“Former management failed the stockholders with their naive actions and a clear message must be sent to current employees and

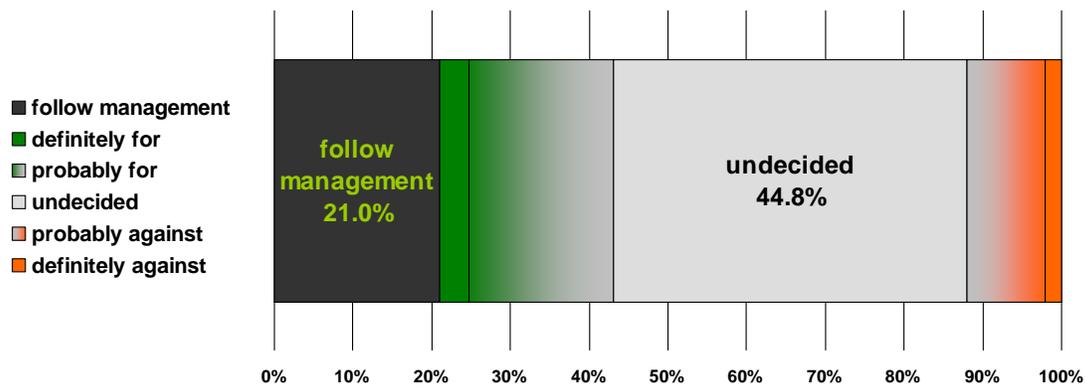
managers that such action will severely impact their future careers and quality of life.”

“investigators findings”

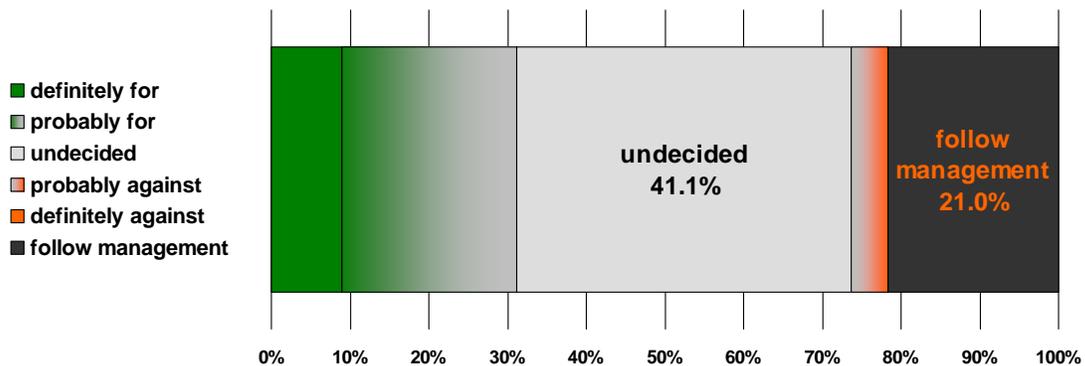
“With the greatest respect to a fine company's management, on issues which have passed -- or passed through -- the hands of directors and management, I'd like a thoroughly independent analysis.”

Compensation Issues

Approval of Executive Management Compensation
(Agenda #6)



Shareholder Proposal for Revised Board Compensation
(Agenda #14)



Of the survey participants stating their voting inclinations in relation to the compensation proposals, 44.8% were undecided about the approval of executive compensation and 41.1% were undecided about a shareholder proposal to revise the compensation for members of the

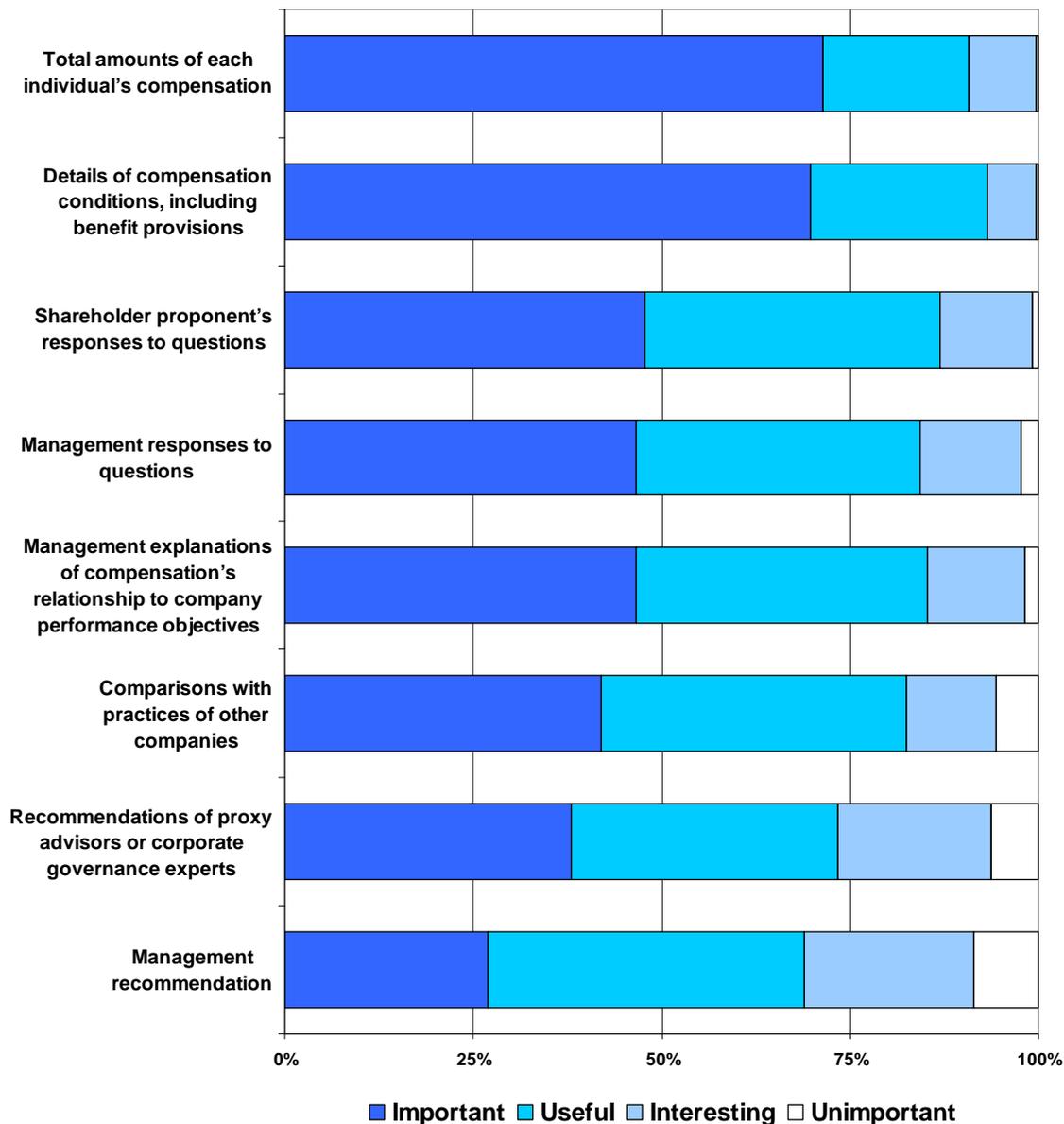
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company's supervisory board. The proportions of undecided votes after excluding the 21.0% who said they would follow management recommendations were 56.7% for executive compensation approval and 54.2% for the shareholder proposal.

The proportions of participants who reported being definitely or probably for rather than against the compensation proposals were 64.7% in relation to approval of executive compensation and 86.8% in favor of the shareholder proposal for revised board compensation. Projecting these proportions to the undecided voters would result in a 72.1% vote approving executive compensation and a 68.0% vote in favor of the shareholder proposal to revise supervisory board compensation.



The issues that were considered most important by participants were the amounts and the details of compensation,¹ and approximately half the participants considered responses to questions by both management and shareholder proponents to be important.

These are examples of participant comments explaining what they consider relevant to their voting on compensation issues:

“[E]specially interested in compensation linkage to long-term profitability and gain of market share.”

“Compensation should be based on the performance overall and not what any government office deems fair.

“I want all involved with Siemens to benefit from growth and profit.”

“How does executive compensation compare with that of the rank and file, the men and women who actually promote, design, and produce the product and thus make the money for the company.”

“Need information, details. While jobs well done deserve recognition and good compensation, they should be reasonable and not burden the company or adversely affect the bottom line.”

Shareholder Questions and Management Responses

Survey participants were invited to submit questions for Siemens management, to be presented by Aktionaersforum without identifying the source other than as an anonymous participant in the survey.

Aktionaersforum will also be providing Siemens with its own suggestions of information that shareholders may consider important in their voting decisions, based on the survey. These presentations and all Siemens responses will be posted on the freely accessible Aktionaersforum web site:

www.aktionaersforum-siemens.de



¹ It should be noted that in a recent survey of professional investors conducted as part of the Shareholder Forum’s public interest program addressing “Say on Pay” issues, the importance of management responses to questions and their explanations of compensation’s relationship to performance ranked significantly higher than the amounts and details of pay. (See [December 14, 2009 Forum Report: Survey of Investor Voting Criteria for Compensation Issues](#).) The current survey of Siemens shareholders did not seek information from participants that would allow analysis to determine the extent to which this difference in results might be attributable to demographics of the investor sampling or to company-specific conditions.

Comments and questions about the survey will be welcomed.

Thanks are due to all the Siemens investors who participated in the survey and, especially, to the managers of Aktionaersforum who supported this project to serve Siemens shareholders.

– *January 6, 2009*

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