

## C.4 Corporate Governance

### C.4.1 Management and control structure

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

#### C.4.1.1 MANAGING BOARD

As the Company's top management body, the Managing Board is committed to serving the interests of the Company 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 multi-year plans.

The Managing Board prepares the Company's Quarterly Statements and Half-year Financial Report, the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements and the Combined Management Report of Siemens AG and the Siemens Group. In addition, the Managing Board must ensure that the Company adheres to statutory requirements, official regulations and internal Company policies (compliance) and works to achieve compliance with these provisions and policies within the Siemens Group. 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 Managing Board has defined targets for the proportion of women at the two management levels below the Managing Board.

Currently, there is one Managing Board committee, the Equity and Employee Stock Committee. This committee oversees, in particular, the utilization of authorized capital in connection with the issuance of employee stock and the implementation of certain capital measures. It also determines the scope and conditions of the share-based compensation components and/or programs for employees and managers (with the exception of the Managing Board).

In fiscal 2016, the committee comprised Joe Kaeser (Chairman), Janina Kugel and Dr. Ralf P. Thomas.

Information on the compensation paid to the members of the Managing Board is provided in chapter → **A.10 COMPENSATION REPORT**.

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

In fiscal 2016, the **Managing Board** comprised the following members:

Name	Date 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, 2016)	Group company positions (as of September 30, 2016)
<b>Joe Kaeser</b> President and Chief Executive Officer	June 23, 1957	May 1, 2006	July 31, 2018	German positions: ➤ Allianz Deutschland AG, Munich ➤ Daimler AG, Stuttgart Positions outside Germany: ➤ NXP Semiconductors B.V., Netherlands	Positions outside Germany: ➤ Siemens Ltd., India
<b>Roland Busch, Dr. rer. nat.</b>	November 22, 1964	April 1, 2011	March 31, 2021	German positions: ➤ OSRAM Licht AG, Munich (Deputy Chairman) ➤ OSRAM GmbH, Munich (Deputy Chairman) Positions outside Germany: ➤ Atos SE, France	German positions: ➤ Siemens Postal, Parcel & Airport Logistics GmbH, Constance Positions outside Germany: ➤ Siemens Ltd., China (Chairman) ➤ Siemens Ltd., India
<b>Lisa Davis</b>	October 15, 1963	August 1, 2014	July 31, 2019		Positions outside Germany: ➤ Siemens Corp., USA (Chairwoman)
<b>Klaus Helmrich</b>	May 24, 1958	April 1, 2011	March 31, 2021	German positions: ➤ EOS Holding AG, Krailling ➤ inpro Innovationsgesellschaft für fortgeschrittene Produktionsysteme in der Fahrzeugindustrie mbH, Berlin	Positions outside Germany: ➤ Siemens AB, Sweden (Chairman) ➤ Siemens Aktiengesellschaft Österreich, Austria (Chairman) ➤ Siemens Proprietary Ltd., South Africa (Chairman) ➤ Siemens Schweiz AG, Switzerland (Chairman)
<b>Janina Kugel</b>	January 12, 1970	February 1, 2015	January 31, 2020	German positions: ➤ Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit, Cologne Positions outside Germany: ➤ Konecranes Plc., Finland	German positions: ➤ Siemens Healthcare GmbH, Munich
<b>Siegfried Russwurm, Prof. Dr.-Ing.</b>	June 27, 1963	January 1, 2008	March 31, 2017	German positions: ➤ Deutsche Messe AG, Hanover	German positions: ➤ Siemens Healthcare GmbH, Munich Positions outside Germany: ➤ Arabia Electric Ltd. (Equipment), Saudi Arabia ➤ ISCOZA Industries and Maintenance Ltd., Saudi Arabia (Deputy Chairman) ➤ Siemens Ltd., Saudi Arabia ➤ Siemens W.L.L., Qatar ➤ VA TECH T&D Co. Ltd., Saudi Arabia
<b>Ralf P. Thomas, Dr. rer. pol.</b>	March 7, 1961	September 18, 2013	September 17, 2018		German positions: ➤ Siemens Healthcare GmbH, Munich Positions outside Germany: ➤ Siemens Aktiengesellschaft Österreich, Austria ➤ Siemens Corp., USA (Deputy Chairman)

#### C.4.1.2 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 AG, the Consolidated Financial Statements and the Combined Management Report of Siemens AG and the Siemens Group, and the proposal for the appropriation of net income. It approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements, 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 Compliance Committee, which is described in more detail below, concern themselves with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies (compliance). The Supervisory Board also appoints the members of the Managing Board and determines each member's portfolios. Important Managing Board decisions – such as those regarding major acquisitions, divestments, fixed asset investments or financial measures – require Supervisory Board approval, unless the Bylaws for the Supervisory

Board specify that such authority be 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.

Information on the work of the Supervisory Board is provided in chapter → [C.3 REPORT OF THE SUPERVISORY BOARD](#). The compensation paid to the members of the Supervisory Board is explained in chapter → [A.10 COMPENSATION REPORT](#).

The Supervisory Board of Siemens AG has 20 members. As stipulated by the German Codetermination Act (*Mitbestimmungsgesetz*), half of the members represent Company shareholders, and half represent Company employees. The employee representatives' names are marked below with an asterisk (\*). The terms of office of the Supervisory Board members will, as a general rule, expire at the conclusion of the Annual Shareholders' Meeting in 2018. The terms of office of Dr. Leibinger-Kammüller, Mr. Snabe and Mr. Wenning will expire at the conclusion of the Annual Shareholders' Meeting in 2021.

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

In fiscal 2016, the [Supervisory Board](#) comprised the following members:

Name	Occupation	Date 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, 2016)
<b>Gerhard Cromme, Dr.iur.</b> Chairman	Chairman of the Supervisory Board of Siemens AG	February 25, 1943	January 23, 2003	
<b>Birgit Steinborn*</b> First Deputy Chairwoman	Chairwoman of the Central Works Council of Siemens AG	March 26, 1960	January 24, 2008	
<b>Werner Wenning</b> Second Deputy Chairman	Chairman of the Supervisory Board of Bayer AG	October 21, 1946	January 23, 2013	German positions: ➤ Bayer AG, Leverkusen (Chairman) ➤ Henkel AG & Co. KGaA, Düsseldorf <sup>1</sup> ➤ Henkel Management AG, Düsseldorf
<b>Olaf Bolduan*</b>	Chairman of the Works Council of Siemens Dynamowerk, Berlin, Germany	July 24, 1952	July 11, 2014	
<b>Michael Diekmann</b>	Supervisory Board Member	December 23, 1954	January 24, 2008	German positions: ➤ BASF SE, Ludwigshafen am Rhein (Deputy Chairman) ➤ Fresenius Management SE, Bad Homburg ➤ Fresenius SE & Co. KGaA, Bad Homburg (Deputy Chairman) ➤ Linde AG, Munich (Deputy Chairman)
<b>Hans Michael Gaul, Dr.iur.</b>	Supervisory Board Member	March 2, 1942	January 24, 2008	German positions: ➤ BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (Deputy Chairman) ➤ HSBC Trinkaus & Burkhardt AG, Düsseldorf

<sup>1</sup> Shareholders' Committee.

Name	Occupation	Date 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, 2016)
<b>Reinhard Hahn*</b>	Trade Union Secretary of the Managing Board of IG Metall	June 24, 1956	January 27, 2015	German positions: ➤ Pfleiderer GmbH, Neumarkt (Deputy Chairman) ➤ Siemens Healthcare GmbH, Munich
<b>Bettina Haller*</b>	Chairwoman of the Combine Works Council of Siemens AG	March 14, 1959	April 1, 2007	
<b>Hans-Jürgen Hartung*</b>	Chairman of the Works Council of Siemens Erlangen Süd, Germany	March 10, 1952	January 27, 2009	
<b>Robert Kensbock*</b>	Deputy Chairman of the Central Works Council of Siemens AG	March 13, 1971	January 23, 2013	
<b>Harald Kern*</b>	Chairman of the Siemens Europe Committee	March 16, 1960	January 24, 2008	
<b>Jürgen Kerner*</b>	Executive Managing Board Member of IG Metall	January 22, 1969	January 25, 2012	German positions: ➤ Airbus Operations GmbH, Hamburg ➤ MAN SE, Munich (Deputy Chairman) ➤ Premium Aerotec GmbH, Augsburg (Deputy Chairman)
<b>Nicola Leibinger-Kammüller, Dr. phil.</b>	President and Chairwoman of the Managing Board of TRUMPF GmbH + Co. KG	December 15, 1959	January 24, 2008	German positions: ➤ Axel Springer SE, Berlin ➤ Voith GmbH, Heidenheim
<b>Gérard Mestrallet</b>	Chairman of the Board of Directors of ENGIE S.A.	April 1, 1949	January 23, 2013	Positions outside Germany: ➤ ENGIE S.A., France (Chairman) ➤ Société Générale S.A., France ➤ Suez S.A., France (Chairman)
<b>Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.</b>	Chairman of the Supervisory Board of Bayerische Motoren Werke Aktiengesellschaft	May 29, 1956	January 27, 2015	German positions: ➤ Bayerische Motoren Werke Aktiengesellschaft, Munich (Chairman) ➤ Henkel AG & Co. KGaA, Düsseldorf <sup>1</sup>
<b>Güler Sabancı</b>	Chairwoman and Managing Director of Haci Ömer Sabancı Holding A.Ş.	August 14, 1955	January 23, 2013	
<b>Nathalie von Siemens, Dr. phil.</b>	Managing Director and Spokesperson of Siemens Stiftung	July 14, 1971	January 27, 2015	German positions: ➤ Messer Group GmbH, Sulzbach ➤ Siemens Healthcare GmbH, Munich
<b>Michael Sigmund*</b>	Chairman of the Committee of Spokespersons of the Siemens Group; Chairman of the Central Committee of Spokespersons of Siemens AG	September 13, 1957	March 1, 2014	
<b>Jim Hagemann Snabe</b>	Supervisory Board Member	October 27, 1965	October 1, 2013	German positions: ➤ Allianz SE, Munich ➤ SAP SE, Walldorf Positions outside Germany: ➤ A.P. Møller-Mærsk A/S, Denmark ➤ Bang & Olufsen A/S, Denmark (Deputy Chairman)
<b>Sibylle Wankel*</b>	General Counsel, Managing Board of IG Metall	March 3, 1964	April 1, 2009	German positions: ➤ Daimler AG, Stuttgart

<sup>1</sup> Shareholders' Committee.

## Objectives of the Supervisory Board's composition

The composition of the Supervisory Board is to be such that its members as a group have the knowledge, skills and professional experience necessary to perform its duties properly. In fiscal 2015, the Supervisory Board – taking into account the recommendations of the German Corporate Governance Code (Code) – approved the following concrete objectives for its composition:

- The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advice for the Managing Board is ensured. The candidates proposed for election to the Supervisory Board shall have the expertise, skills and professional experience necessary to carry out the functions of a Supervisory Board member in a multinational company and safeguard the reputation of Siemens in public. In particular, care shall be taken in regard to the personality, integrity, commitment, professionalism and independence of the individuals proposed for election. The goal is to ensure that, in the Supervisory Board, as a group, all know-how and experience is available that is considered essential in view of Siemens' activities.
- Taking the Company's international orientation into account, care shall also be taken to ensure that the Supervisory Board has an adequate number of members with extensive international experience. Our goal is to make sure that the present considerable share of Supervisory Board members with extensive international experience is maintained.
- In its election proposals, the Supervisory Board shall also pay particular close attention to ensuring diversity. In accordance with the German Law for Equal Participation of Women and Men in Management Positions in the Private and Public Sectors, the Supervisory Board is composed of at least 30 percent women and at least 30 percent men. The Nominating Committee shall continue to include at least one female member. Qualified women shall be included during the initial process of selecting potential candidates for new elections or for the filling of Supervisory Board positions that have become vacant, and they shall be given appropriate consideration in nominations.
- An adequate number of independent members shall belong to the Supervisory Board. Material and not only temporary conflicts of interest, such as organizational functions or advisory capacities with major competitors of the Company, shall be avoided. Under the presumption that the mere exercise of Supervisory Board duties as an employee representative gives no cause to doubt the compliance with the independence criteria pursuant to Section 5.4.2 of the Code, the Supervisory Board shall have a minimum of sixteen members who are independent in the meaning of the Code. In any case, the Supervisory Board shall be composed in such a way that a number of at least six independent shareholder representatives in the meaning of Section 5.4.2 of the Code is achieved. In addition, the Supervisory Board members shall have sufficient time to

be able to devote the necessary regularity and diligence to their mandate.

- The limits on age and length of membership established in the Bylaws for the Supervisory Board will be taken into consideration. In addition, no more than two former members of the Managing Board of Siemens AG shall belong to the Supervisory Board.

These objectives for the Supervisory Board's composition have been fully achieved: a considerable number of Supervisory Board members are currently engaged in international activities and/or have many years of international experience. Since the Supervisory Board election in 2015, the Supervisory Board has had six female members. Dr. Nicola Leibinger-Kammüller is a member of the Nominating Committee. The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, a minimum of 16 Supervisory Board members are independent in the meaning of Section 5.4.2 of the Code. Some Supervisory Board members hold – or have held in the past fiscal year – high-ranking positions at other companies with which Siemens does business. Transactions between Siemens and such companies are carried out on an arm's-length basis. We believe that these transactions do not compromise the independence of the Supervisory Board members in question. The regulations establishing limits on age and limiting membership in the Supervisory Board to three full terms of office (15 years) are complied with.

## Supervisory Board Committees

The Supervisory Board has seven 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** makes proposals, in particular, 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 terms of these appointments shall not, as a rule, 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 Managing Board's long-range plans for succession as well as its diversity. It also takes into account the targets for the proportion of women on the Managing Board specified by the Supervisory Board. The Chairman's Committee concerns itself with questions regarding the Company's corporate governance and prepares the resolutions to be approved by the Supervisory Board regarding the Declaration of Conformity with the Code –

including the explanation of deviations from the Code – and regarding the approval of the Corporate Governance Report as well as the Report of the Supervisory Board to the Annual Shareholders' Meeting. Furthermore, the Chairman's Committee submits recommendations to the Supervisory Board regarding the composition of the Supervisory Board committees and decides whether to approve contracts and business transactions with Managing Board members and parties related to them.

In fiscal 2016, the Chairman's Committee comprised Dr. Gerhard Cromme (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Compensation Committee** prepares, in particular, the proposals for decisions by the Supervisory Board's plenary meetings regarding the system of Managing Board compensation, including the implementation of this system in Managing Board contracts, the definition of the targets for variable Managing Board compensation, the determination and review of the appropriateness of the total compensation of individual Managing Board members and the approval of the annual Compensation Report.

In fiscal 2016, the Compensation Committee comprised Werner Wenning (Chairman), Dr. Gerhard Cromme, Michael Diekmann, Robert Kensboc, Jürgen Kerner and Birgit Steinborn.

The **Audit Committee** oversees, in particular, the accounting process and conducts a preliminary review of the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements and the Combined Management Report of Siemens AG and the Siemens Group. On the basis of the independent auditors' report on their audit of the annual financial statements, the Audit Committee makes, after its preliminary review, recommendations regarding Supervisory Board approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements. The Audit Committee discusses the Quarterly Statements and Half-year Financial Report with the Managing Board and 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 the 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 as well as the auditors' selection, independence, qualification, rotation and efficiency.

In fiscal 2016, the Audit Committee comprised Dr. Hans Michael Gaul (Chairman), Dr. Gerhard Cromme, Bettina Haller, Robert Kensboc, Jürgen Kerner, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe and Birgit Steinborn. 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 chairman or chairwoman of the Audit Committee shall have specialist knowledge and experience in the application of accounting principles and internal control processes, shall be independent and may not be a former Managing Board member whose appointment ended less than two years ago. The Chairman of the Audit Committee, Dr. Hans Michael Gaul, fulfills these requirements.

The **Compliance Committee** concerns itself, in particular, with monitoring the Company's adherence to statutory provisions, official regulations and internal Company policies.

In fiscal 2016, the Compliance Committee comprised Dr. Gerhard Cromme (Chairman), Dr. Hans Michael Gaul, Bettina Haller, Harald Kern, Dr. Nicola Leibinger-Kammüller, Jim Hagemann Snabe, Birgit Steinborn and Sibylle Winkel.

The **Nominating Committee** is responsible for making recommendations to the Supervisory Board on suitable candidates for election as shareholder representatives on the Supervisory Board by the Annual Shareholders' Meeting. In preparing these recommendations, the objectives specified by the Supervisory Board regarding its composition – including, in particular, independence and diversity – are to be taken into account as well as the required knowledge, abilities and professional experience of the proposed candidates. Attention shall also be paid to an appropriate participation of women and men in accordance with the legal requirements relating to the gender quota.

In fiscal 2016, the Nominating Committee comprised Dr. Gerhard Cromme (Chairman), Dr. Hans Michael Gaul, Dr. Leibinger-Kammüller and Werner Wenning.

The **Mediation Committee** submits proposals to the Supervisory Board in the event that the Supervisory Board cannot reach the two-thirds majority required for the appointment or dismissal of a Managing Board member.

In fiscal 2016, the Mediation Committee comprised Dr. Gerhard Cromme (Chairman), Jürgen Kerner, Birgit Steinborn and Werner Wenning.

The **Innovation and Finance Committee** discusses, in particular, based on the Company's overall strategy, the Company's focuses of innovation and prepares the Supervisory Board's discussions

and resolutions regarding questions 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 €600 million.

In fiscal 2016, the Innovation and Finance Committee comprised Dr. Gerhard Cromme (Chairman), Robert Kensboc, Harald Kern, Jürgen Kerner, Dr. Norbert Reithofer, Jim Hagemann Snabe, Birgit Steinborn and Werner Wenning.

**Disclosure of participation by individual Supervisory Board members in meetings of the Supervisory Board of Siemens AG and its Committees in fiscal 2016**

Supervisory Board Members	Supervisory Board and Committee meetings	Participation	Presence
<b>Gerhard Cromme, Dr.iur.</b> (Chairman)	30	30	100%
<b>Birgit Steinborn</b> (First Deputy Chairwoman)	29	29	100%
<b>Werner Wenning</b> (Second Deputy Chairman)	20	20	100%
<b>Olaf Bolduan</b>	7	6	86%
<b>Michael Diekmann</b>	10	9	90%
<b>Hans Michael Gaul, Dr.iur.</b>	18	18	100%
<b>Reinhard Hahn</b>	7	7	100%
<b>Bettina Haller</b>	17	17	100%
<b>Hans-Jürgen Hartung</b>	7	7	100%
<b>Robert Kensboc</b>	20	20	100%
<b>Harald Kern</b>	15	15	100%
<b>Jürgen Kerner</b>	25	22	88%
<b>Nicola Leibinger-Kammüller, Dr.phil.</b>	18	18	100%
<b>Gérard Mestrallet</b>	7	5	71%
<b>Norbert Reithofer, Dr.-Ing. Dr.-Ing. E.h.</b>	11	10	91%
<b>Güler Sabancı</b>	7	7	100%
<b>Nathalie von Siemens, Dr.phil.</b>	7	7	100%
<b>Michael Sigmund</b>	7	7	100%
<b>Jim Hagemann Snabe</b>	21	21	100%
<b>Sibylle Wankel</b>	11	11	100%