B.1 CORPORATE GOVERNANCE REPORT

Good corporate governance is the basis for our decision-making and control processes and comprises responsible, value-based management and monitoring focused on long-term success, goal-oriented and efficient cooperation between our Managing and Supervisory Boards, respect for the interests of our shareholders and employees, transparency and responsibility in all our entrepreneurial decisions and an appropriate risk management system.

Siemens AG fully complies with all recommendations of the German Corporate Governance Code (Code) in the version of May 15, 2012.

The Managing Board and the Supervisory Board of Siemens AG have discussed compliance with the Code’s recommendations in detail. Based on their deliberations, the boards have approved the annual Declaration of Conformity as of October 1, 2012. This document is posted on our website and available on

Siemens voluntarily complies with the Code’s non-binding suggestions, with the following exception:

> In fiscal 2011, the Supervisory Board decided to appoint Dr. Roland Busch, Klaus Helmrich and Dr. Michael Süß to the Managing Board, each for a term of five years, and therefore to no longer follow the suggestion set out in Section 5.1.2 para. 2 sentence 1 of the Code, according to which the maximum possible appointment period of five years should not be the rule for first-time appointments to a managing board.

Our listing on the New York Stock Exchange (NYSE) subjects us to a number of provisions under U.S. securities laws (including the Sarbanes-Oxley Act (SOA) as well as to the rules and regulations of the U.S. Securities and Exchange Commission (SEC) and the NYSE. To facilitate our compliance with the SOA, we have, among other things, a Disclosure Committee in place, comprising the heads of a number of our Corporate Units. This committee is responsible for reviewing certain financial and non-financial information and advising our Managing Board in its decisions regarding disclosure. We also have procedures in place that require the members of the management of our Sectors, Divisions, Financial Services, Cross-Sector Services, Regional Clusters and certain Corporate Units – supported by certifications provided by the management of entities under their direction – to confirm to us the correctness of the financial data that they have reported to Siemens’ corporate headquarters and the effectiveness of the related control systems. Their confirmation provides a basis for our CEO and CFO to certify our financial statements to the SEC. Consistent with the requirements of the SOA, we have procedures for handling accounting complaints in place as well as a Code of Ethics for Financial Matters. This Code of Ethics for Financial Matters was last updated in 2010.

B.1.1 Management and control structure

B.1.1.1 SUPERVISORY BOARD

Siemens AG is subject to German corporate law. It has a two-tier board structure, consisting of a Managing Board and a Supervisory Board. As required by the German Codetermination Act (Mitbestimmungsgesetz), the Company’s shareholders and its employees each select one-half of the Supervisory Board’s members. The term of office of the current members of the Supervisory Board will expire at the close of the Annual Shareholders’ Meeting 2013.

The Supervisory Board first defined the objectives for its composition in fiscal 2010. At its meeting on September 19, 2012, it modified these objectives in order to bring them into line with Section 5.4.1 of the amended Code of May 15, 2012 and reapproved them as follows:

> The composition of the Supervisory Board of Siemens AG shall be such that qualified control and advising 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 knowledge 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. The goal for the next Supervisory Board election in 2013 is to make sure that the present considerable share of Supervisory Board members with international background is maintained.

> In its election proposals, the Supervisory Board shall also take particular attention to the appropriate participation of women. Qualified women shall already be included in the initial process of selecting potential candidates for new elections or for the filling of Supervisory Board positions that have become vacant and shall be considered, as appropriate, in nominations. There are currently four women on our Supervisory Board. Our goal is, at the minimum, to maintain
and, if possible, to increase this number at the next Supervisory Board election in 2013. It is also intended that a woman join the Nominating Committee following this Supervisory Board election.

> 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 age limitation established in the Bylaws of 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.

The status of implementation of these objectives can be summarized as follows: On September 25, 2012, three women were elected, pursuant to the German Codetermination Act’s provisions regarding the election of employee representatives to a supervisory board, to serve as employee representatives on Siemens’ Supervisory Board. Their terms of office will begin at the close of the Annual Shareholders’ Meeting on January 23, 2013. In fiscal 2012, the Nominating Committee met six times in order to prepare the election of the Supervisory Board’s shareholder representatives by the Annual Shareholders’ Meeting 2013. In proposing candidates to the Supervisory Board, the Nominating Committee took into account not only the requirements of the German Stock Corporation Act, the Code and the Bylaws for the Supervisory Board but also the Supervisory Board’s objectives for its composition. On the basis of the Nominating Committee’s the Supervisory Board will propose that the Annual Shareholders’ Meeting 2013 elect as shareholder representatives on the Supervisory Board several candidates who are currently engaged in international activities and/or have many years of international experience. The candidates will include two women, one of whom is intended to join the Nominating Committee following the Supervisory Board election.

Some Supervisory Board members hold – or have held in the past year – high-ranking positions at other companies with which Siemens does business. Nevertheless, 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 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 implementation. It reviews the Annual Financial Statements of Siemens AG, the Consolidated Financial Statements of Siemens worldwide, Management Reports of these financial statements and the proposal for the appropriation of net income. It also discusses Siemens’ quarterly and half-yearly reports and approves the Annual Financial Statements of Siemens AG as well as the Consolidated Financial Statements of Siemens worldwide, taking into account both the audit reports issued by the independent auditors thereon and the results of the review conducted by the Audit Committee. In addition, the Supervisory Board concerns itself with the Company’s adherence to the statutory provisions, official regulations and internal Company policies (compliance). It also appoints the members of the Managing Board and determines each member’s duties. Important Managing Board decisions – such as those regarding major acquisitions, divestments and financial measures – require Supervisory Board approval, unless the Bylaws for the Supervisory Board specify that such authority be delegated to the Finance and Investment Committee of the Supervisory Board. In the Bylaws for the Managing Board, the Supervisory Board has established the rules that govern the work of the Managing Board – in particular, the rules regarding the allocation of duties among individual Managing Board members, the matters reserved for the Managing Board as a whole and the quorum required for Managing Board decisions.

The Supervisory Board currently has six committees whose duties, responsibilities and procedures fulfill the requirements of the German Stock Corporation Act and the Code, reflect applicable SOA requirements and incorporate applicable NYSE rules as well as certain NYSE rules, with which Siemens AG complies voluntarily. Each committee’s chairperson provides the Supervisory Board with regular reports regarding the activities of his or her committee.

The Chairman’s Committee, which comprises the Chairman and Deputy Chairman of the Supervisory Board as well as one further employee representative elected by the Supervisory Board, performs the collective tasks of a "nominating, compensation and corporate governance committee" to the extent that such tasks are not performed by the Nominating Commit-
The Chairman’s Committee makes proposals regarding the appointment and dismissal of Managing Board members, handles contracts with members of the Managing Board, prepares the determination of Managing Board compensation and the review of the Managing Board compensation system to be conducted at the Supervisory Board’s plenary meetings. In preparing recommendations on the appointment of Managing Board members, the Chairman’s Committee takes into account a candidate’s professional qualifications, international experience and leadership qualities, the board’s long-range plans for succession as well as the board’s diversity and, in particular, the appropriate consideration of women. The Chairman’s Committee concerns itself with questions regarding the Company’s corporate governance and prepares the resolution regarding the Declaration of Conformity with the Code to be approved by the Supervisory Board. Furthermore, the Chairman’s Committee submits recommendations to the Supervisory Board regarding the composition of Supervisory Board committees and decides whether to approve business transactions with Managing Board members and parties related to them.

The Audit Committee comprises the Chairman of the Supervisory Board, two of the Supervisory Board’s shareholder representatives and three of the Supervisory Board’s employee representatives. According to German law, the Audit Committee must include at least one independent Supervisory Board member with knowledge and experience in the application of accounting principles or the auditing of financial statements. The Chairman of the Audit Committee, Dr. Hans Michael Gaul, fulfills these German statutory requirements. The Supervisory Board has designated Dr. Hans Michael Gaul – in addition to Dr. Gerhard Cromme – as an “audit committee financial expert,” as defined by the SOA and the regulations of the SEC. The Audit Committee oversees the accounting process. It also 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 full Supervisory Board. Furthermore, in addition to the work performed by the independent auditors, the Audit Committee discusses the Company’s financial statements prepared quarterly, half-yearly and annually by the Managing Board. On the basis of the independent auditors’ report on the annual financial statements, the Audit Committee makes, after its own review, recommendations to the Supervisory Board regarding the approval of the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of Siemens worldwide. It concerns itself with the Company’s risk monitoring system and oversees the effectiveness of the internal control system as this relates, in particular, to financial reporting, the risk management system and the internal audit system. The Internal Audit Department reports regularly to the Audit Committee. The Audit Committee awards the audit contract to the independent auditors elected by the Annual Shareholders’ Meeting and monitors the independent audit of the financial statements – including, in particular, the auditor’s independence, professional expertise and services – and performs other functions assigned to it under the SOA.

The Compliance Committee comprises the Chairman of the Supervisory Board, two of the Supervisory Board’s shareholder representatives and three of the Supervisory Board’s employee representatives. The Compliance Committee concerns itself, in particular, with the Company’s adherence to the statutory provisions, official regulations and internal Company policies.

The Nominating Committee, which comprises the Chairman of the Supervisory Board and two of the Supervisory Board’s shareholder representatives, is responsible for making recommendations to the Supervisory Board’s shareholder representatives regarding the shareholder candidates to be proposed for election to the Supervisory Board by the Annual Shareholders’ Meeting. In preparing these recommendations, the objectives specified by the Supervisory Board regarding its composition are to be taken into account as well as the required knowledge, abilities and experience of the proposed candidates; attention shall also to be paid to independence, diversity and, in particular, the appropriate participation of women.

The Mediation Committee, which comprises the Chairman of the Supervisory Board, the First Deputy Chairman (who is elected in accordance with the German Codetermination Act), one of the Supervisory Board’s shareholder representatives and one of the Supervisory Board’s employee representatives, 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.

The Finance and Investment Committee comprises the Chairman of the Supervisory Board, three of the Supervisory Board’s shareholder representatives and four of the Supervisory Board’s employee representatives. Based on the Company’s overall strategy, which is the focus of an annual strategy meeting of the Supervisory Board, the Committee prepares the discussions and resolutions of the Supervisory Board regarding questions relating to the Company’s financial situation and structure as well as its fixed assets and financial investments. In addition, the Finance and Investment 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. The Finance and Investment Committee also exercises the right of the Supervisory Board pursuant to Section 32 of the German Codetermination Act to make decisions regarding the exercise of ownership rights resulting from interests in other companies. Section 32 para 1 sentence 2 of the German Codetermination Act stipulates that decisions made by the Finance and Investment Committee require only the votes of the shareholder representatives.

The composition of the Supervisory Board and its committees is presented in chapter D.7. Information on the work of this body is provided in the Report of the Supervisory Board on Pages 12–17. The compensation paid to the members of the Supervisory Board is explained in the Compensation Report on Pages 42–43.

**B.1.1.2 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 and half-yearly reports, the Annual Financial Statements of Siemens AG and the Consolidated Financial Statements of Siemens worldwide. In addition, the Managing Board must ensure that the Company adheres to the statutory provisions, official regulations and internal Company policies (compliance) and works to achieve compliance with these provisions and policies within the Siemens group. Further comprehensive information on the compliance program and related activities in fiscal 2012 is available on Pages 29–30 (Compliance Report) and Pages 109–111. 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.

The Bylaws for the Managing Board provide for the establishment of committees to deal with specific tasks. Currently, there is one Managing Board committee, the Equity and Employee Stock Committee. This committee comprises three members of the Managing Board and oversees 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).

The composition of the Managing Board and its committee is presented in chapter D.7. Information on the compensation paid to the members of the Managing Board is provided in the Compensation Report on Pages 35-41.

**B.1.1.3 SHARE OWNERSHIP**

As of October 12, 2012, the Managing Board’s current members held a total of 293,808 (2011: 248,137) Siemens shares representing 0.03% of the capital stock of Siemens AG, which totaled 881,000,000 (2011: 914,203,421) shares.

As of the same day, the Supervisory Board’s current members of the Supervisory Board held Siemens shares representing less than 0.01% (2011: less than 0.01)% of the capital stock of Siemens AG, which totaled 881,000,000 (2011: 914,203,421) shares. These figures do not include the 11,454,464 (2011: 11,715,342) shares, or 1.30 (2011: 1.28)% of the capital stock of Siemens AG, which totaled 881,000,000 (2011: 914,203,421) shares, over which the von Siemens-Vermögensverwaltung GmbH (vSV), a German limited liability company, has voting control under powers of attorney based on an agreement between – among others – members of the Siemens family, including Gerd von Brandenstein, and vSV. These shares are voted together by vSV based on proposals by the family partnership established by the Siemens family or by one of its committees. Gerd von Brandenstein is the current chairman of the executive committee and has a deciding vote in cases of deadlock.

**B.1.2 Purchase or sale of the Company’s shares**

Pursuant to §15a of the German Securities Trading Act (WpHG), members of the Managing Board and the Supervisory Board are legally required to disclose the purchase or sale of shares of Siemens AG or of financial instruments based thereon if the total value of such transactions entered into by a board member or any closely associated person reaches or exceeds €5,000 in any calendar year. All transactions reported to Siemens AG in accordance with this requirement have been duly published and can be found on the Company’s website.

`www.siemens.com/directors-dealings`
B.1.3 Shareholder relations

Siemens AG reports to shareholders on its business development, financial position and earnings on a regular basis four times a year. An ordinary Annual Shareholders’ Meeting, at which we also report on business development, normally takes place within the first four months of each fiscal year. The Managing Board facilitates shareholder participation in this meeting through electronic communications – in particular 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 (voting by mail). 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. The reports, documents and information required by law, including the Annual Report, may be downloaded from our website. The same applies to the agenda for the Annual Shareholders’ Meeting and to possible counterproposals or shareholders’ nominations, if any, that are required to be disclosed.

The Annual Shareholders’ Meeting decides, among other things, on the appropriation of 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. Shareholders may submit proposals regarding the proposals of the Managing and Supervisory Boards and may contest decisions of the Annual Shareholders’ Meeting. Shareholders owning Siemens stock with an aggregate notional value of €100,000 or more may also demand the appointment of special auditors to examine specific issues.

As part of our investor relations activities, we inform our investors comprehensively about developments within the Company. For communication purposes, Siemens makes extensive use of the Internet. We publish quarterly, half-yearly 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, at WWW.SIEMENS.COM/INVESTORS. Details of our investor relations activities are provided on PAGE 20 of this Annual Report.

B.1.3.1 CORPORATE GOVERNANCE GUIDELINES

Our Articles of Association, the Bylaws for the Supervisory Board and for its most important committees, the Bylaws for the Managing Board, all our Declarations of Conformity with the Code and a variety of other corporate-governance-related documents are posted on our website at WWW.SIEMENS.COM/CORPORATE-GOVERNANCE.

B.1.4 Significant differences between Siemens’ corporate governance and NYSE Corporate Governance Standards

Companies listed on the NYSE are subject to the Corporate Governance Standards of Section 303A (NYSE Standards) of the NYSE Listed Company Manual. Under the NYSE Standards, Siemens AG, as a foreign private issuer, is permitted to follow its home-country corporate governance practices in lieu of the NYSE Standards, except that it must comply with the NYSE Standards in having an audit committee whose members are independent within the meaning of the SOA as well as with certain NYSE notification obligations. In addition, the NYSE Standards require that foreign private issuers disclose any significant differences between their own corporate governance practices and those that the NYSE Standards require of U.S. domestic companies.

As a company incorporated in Germany, Siemens AG must comply in the first instance with the German Stock Corporation Act and the German Codetermination Act and voluntarily follows the recommendations of the German Corporate Governance Code as set out on PAGES 22-25 above. Furthermore, Siemens complies with all binding rules and regulations of the markets on which its securities are listed, such as the NYSE, and also voluntarily complies with many of the NYSE requirements that by their terms apply only to U.S. domestic issuers.

The significant differences between our governance practices and those of domestic U.S. NYSE issuers are as follows:

B.1.4.1 TWO-TIER BOARD STRUCTURE

The German Stock Corporation Act requires Siemens AG to have a two-tier board structure, consisting of a Managing Board and a Supervisory Board. The two-tier structure is characterized by a strict separation of management and supervision. The roles and responsibilities of each of the two boards are clearly defined by law. The composition of the Supervisory Board and for its most important committees, the Bylaws for the Managing Board, all our Declarations of Conformity with the Code and a variety of other corporate-governance-related documents are posted on our website at WWW.SIEMENS.COM/CORPORATE-GOVERNANCE.

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Board is determined in accordance with the German Codetermination Act, which stipulates that one-half of the required 20 Supervisory Board members are to be elected by our employees in Germany. The Chairman of the Supervisory Board is entitled to cast a deciding vote when the Supervisory Board is unable to reach a decision in two separate rounds of voting.

B.1.4.2 INDEPENDENCE
In contrast to the NYSE Standards, which require a board of directors to affirmatively determine the independence of the individual directors with reference to specific tests of independence, German law does not require the Supervisory Board to make such affirmative findings on an individual basis. German law requires an audit committee to include at least one independent supervisory board member with knowledge and experience in the application of accounting principles or the auditing of financial statements. In addition, the Bylaws for Siemens’ Supervisory Board contain several provisions to help ensure the independence of our Supervisory Board’s advice and supervision. Furthermore, the members of our Supervisory and Managing Boards are strictly independent of one another: a member of one board is legally prohibited from being concurrently active on the other. Our Supervisory Board members have independent decision-making authority and are legally prohibited from following any direction or instruction. Moreover, they may not enter into consulting, service or certain other contracts with Siemens, unless approved by the Supervisory Board. We also use the independence criteria of the Code as guiding principles.

B.1.4.3 COMMITTEES
In contrast to the NYSE Standards, which require the creation of several specific board committees, composed of independent directors and operating pursuant to written charters that define their tasks and responsibilities, the Supervisory Board of Siemens AG has assigned many of the functions of a nominating, compensation and corporate governance committee to its Chairman’s Committee and has delegated part of the remaining functions to its Nominating Committee. Nevertheless, certain responsibilities – for example, the determination of the compensation of the members of the Managing Board – have not been delegated to a committee because German law requires that these functions be performed by the full Supervisory Board. The Audit Committee, the Chairman’s Committee and the Compliance Committee have written bylaws – adopted by the Supervisory Board – that define their respective tasks and responsibilities. The NYSE Standards were taken into consideration in drawing up these bylaws.

The Audit Committee of Siemens AG is subject to the requirements of the SOA and the U.S. Securities Exchange Act of 1934, as these apply to a foreign private issuer, and performs – in cooperation with the Compliance Committee – functions similar to those assigned to an audit committee by the NYSE Standards. Nevertheless, German law prohibits delegating certain responsibilities – such as the selection of independent auditors (who, under German law, must be elected at the shareholders’ meeting) – to a committee.

The Supervisory Board of Siemens AG also has a Finance and Investment Committee and a Mediation Committee, the latter of which is required under German law. Neither of these committees is required by the NYSE Standards.

B.1.4.4 SHAREHOLDER APPROVAL OF EQUITY COMPENSATION PLANS; STOCK REPURCHASES
The NYSE Standards generally require that the domestic, i.e. U.S. companies listed on the NYSE obtain shareholder approval of all equity compensation plans (including stock option plans) and of any material revisions to such plans. Under German law, the creation of authorized or contingent capital in order to issue shares requires approval by our shareholders. Shareholders must also approve of the key points of a stock option plan as part of a decision regarding the creation of contingent capital or the authorization to repurchase and use Siemens shares for servicing a stock option plan.

Under German law, share buybacks generally require prior shareholder authorization. Such authorization was last given at our Annual Shareholders’ Meeting on January 25, 2011, and this matter will, as a general rule, be voted upon at the expiration of each authorization.