

## **ENGAGEMENT NOTE**

**26 JANUARY 2015**

### **Dr. Hans-Christoph Hirt, Director of Hermes EOS, provides commentary ahead of the AGM of Siemens in Munich tomorrow:**

“Following intensive private engagement with Siemens, at last year’s AGM we raised concerns on behalf of the institutional investors we represent about the composition and work of the supervisory board. We had particular concerns about the company’s chair, Dr Cromme.

“Our criticism was primarily directed at the CEO change, which appeared ill-prepared and poorly executed. The criticism also related to the implicit understanding of large shareholders that Dr Cromme would not serve for a full term following his re-election in 2013. Lastly, we questioned the ability of the supervisory board to challenge and support the management board on key strategic issues.

“The company has reacted to the criticism of shareholders at the AGM in 2014. It carried out an externally facilitated board evaluation, revamped a key committee and proposed to replace two supervisory board members at its AGM tomorrow – three years prior to the expiry of their mandates.

“At tomorrow’s AGM, we will ask questions on the company’s new strategy and the acquisition of US company Dresser-Rand, urge the management board to focus on executing the portfolio optimisation plan and strengthening project management, and seek more detailed information about the board evaluation.

“While we continue to push for more clarity and urgency on chair succession, we are pleased with the progress we have seen since last year’s AGM and believe that shareholders have played a significant role in bringing about much needed change at Siemens.”

### **Board evaluation**

“We welcome the board evaluation which Siemens carried out with a third party in response to the criticism levelled at its supervisory board at last year’s AGM. Externally facilitated board evaluations can contribute to the development of the work of supervisory boards and provide useful input on their composition.

“We are disappointed with the limited reporting about key details of the board evaluation. Adequate reporting should provide information on potential conflicts of interests of the provider, the applied methodology, a summary of the key findings and a plan for their implementation.

“Unfortunately, on the basis of the reporting provided, it is not possible to assess whether the board evaluation added sufficient value for Siemens’ shareholders.”

### **Recent supervisory board changes**

“The proposal to replace two members of the supervisory board at this year’s AGM is remarkable, given that all 10 shareholder representatives were elected for five year terms in January 2013.

“The proposed election of BMW CEO Dr Reithofer to the supervisory board is positive, as it strengthens its technological experience and expertise. Mrs von Siemens ensures that the

founding family is visibly represented on the supervisory board and improves its gender diversity.

“Following the supervisory board changes over the last 15 months, there now appear to be potential successors for the chair.”

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**For further information, please contact:**

**Hermes Investment Management**

Jeannie Dumas

+44 (0)20 7680 2152

[jeannie.dumas@hermes-investment.com](mailto:jeannie.dumas@hermes-investment.com)  
[www.hermes-investment.com](http://www.hermes-investment.com)

Melanie Bradley

+44 (0)20 7680 2218

[melanie.bradley@hermes-](mailto:melanie.bradley@hermes-investment.com)

**Notes to Editors:**

Hermes EOS, which is owned by Hermes Investment Management, is one of the largest stewardship resources of fund managers in the world. Our 26-person team comprises industry executives, senior strategists, corporate governance and climate change experts, fund managers and lawyers. As at 30 September 2014, we act on behalf of 41 clients and advise on £120.3 billion of assets on behalf of some of the world's leading pension funds.

We help long-term institutional investors around the world to meet their fiduciary responsibilities and become active owners of public and private companies. Our team of engagement and voting specialists monitors clients' investments in companies and intervenes where necessary with the aim of improving their performance. Our activities are based on the premise that companies with informed and involved shareholders are more likely to achieve superior long-term performance than those without.

**Hermes Investment Management**

Hermes is focused on delivering superior, sustainable, risk adjusted returns for our clients – responsibly.

We manage assets on behalf of more than 200 clients\* across equities, fixed income, alternatives and real estate, with £27.9 billion\* assets under management.

We believe in **Excellence, Responsibility and Innovation**

- **Excellence:** We aspire to excellence in everything we do. This manifests itself most visibly in our investment performance. We will only offer products to our clients where we believe there is a strong investment thesis and where we can deliver sustainable alpha.
- **Responsibility:** We believe it is our responsibility to lead discussion and debate about the fiduciary responsibilities of fund managers to our clients, their stakeholders and, ultimately, society at large. We have always sought positive engagement with the firms in which we invest.
- **Innovation:** We have the entrepreneurial culture to identify forward-looking products that meet those needs, along with the resources and speed-to-market mentality to develop them rapidly.

Our structure gives clients globally the benefit of access to a broad range of specialist, high conviction investment teams operating within an established and robust operating platform.

Our investment solutions include:

- **Equities:** Global, Emerging Markets, Small & Mid Cap, Europe, Asia Ex Japan, Greater China
- **Fixed Income:** Inflation-Linked, Government Bonds, Investment Grade, High Yield

- **Real Estate:** Segregated, Unitised, Debt, UK, US Residential, European, UK PRS
- **Alternatives:** Multi Asset, Infrastructure, Private Equity

\*Please note the total AuM figure includes £3.6bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.4bn of total group AuM figure represents HFM mandates under advice. Source: Hermes as at 30 September 2014.