

Vanguard Investment Stewardship Insights

Voting insights: Shareholder rights at Siemens

Vanguard publishes Investment Stewardship Insights to promote good corporate governance practices and to provide public companies with our perspectives on important governance topics and issues that come up for shareholder votes



February 2021

Company: Siemens AG

Meeting date: February 3, 2021

Proposal: Item 10 (shareholder proposal)—Amend Articles to Allow Shareholder Questions During the Virtual Meeting



How the funds voted

Vanguard funds voted to support a shareholder proposal at the Siemens AG (Siemens) annual general meeting. The proposal, filed by an association representing the interests of current and former company employee shareholders, sought to amend the company's articles of association to allow shareholders to ask questions during virtual general meetings. The proposal drew 57.8% support from shareholders but did not meet the qualified majority level of 75% that is required to amend articles.

Vanguard's principles and policies

Vanguard believes in provisions and structures that empower shareholders and protect their rights. This includes the right of shareholders to ask questions in real time at general meetings, whether held physically or virtually. We believe this fundamental right should be preserved, even if not required by regulation. The COVID-19 pandemic has highlighted the importance of shareholders being able to raise valid questions to a company, as well as the importance of a company being able to adapt to the needs of the current environment.

When evaluating amendments to a company's articles of association, Vanguard will consider the applicable corporate laws and listing rules, local best-practice standards, and the effect on shareholder rights. In this case, local laws and practices supported Siemens' approach to the detriment of shareholder rights.

Analysis and voting rationale

During the pandemic, public companies around the world have switched to purely virtual meetings, and many countries have adapted their laws accordingly. In some instances, new provisions have created seeming conflict with existing laws. The German Stock Corporation Act, for example, has long given shareholders the right to ask questions during a general meeting, and the company management must answer them. At the same time, Germany's new COVID-19 Measures Act allows management to stipulate that questions must be submitted ahead of a virtual meeting.

In the case of Siemens, a provision says the management board may decide "at its duty-bound and free discretion which questions it will respond to and how to answer them." Siemens may also summarize shareholder questions, and those in languages other than German will not be considered. Vanguard's Investment Stewardship team researched the approach taken by other companies in the market and concluded that Siemens' approach appears to have become common.

Vanguard engaged with Siemens to understand the company's perspectives on the shareholder proposal. Siemens representatives said that Germany had no current legal framework for how to handle questions during virtual general meetings, and that forcing Siemens to adopt this proposed amendment in a legal vacuum could create unforeseen risks. The Siemens team noted, for example, that current rules require that meetings conclude by midnight; if, within that time, the company cannot address all the questions submitted by shareholders, it could face litigation risks. Siemens recommended waiting until a new legal framework was in place to address such uncertainties.

After the Investment Stewardship team considered the points made by Siemens and the shareholder proposal's proponents, the Vanguard funds voted in favor of the proposal.

What we expect from companies on this matter

The right to ask questions at general meetings is a fundamental shareholder right. As companies have transitioned to virtual-only meetings during the pandemic, they must preserve the right of their shareholders to effectively voice questions and perspectives. The Vanguard funds support this shareholder proposal, and Vanguard endorses efforts to update the German legal framework to make virtual meetings more shareholder-friendly and reduce legal uncertainty for companies.