

DIEBOLD INC  
Form DEF 14A  
March 13, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
SCHEDULE 14A  
(RULE 14a-101)  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )  
Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-12

Diebold, Incorporated  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

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- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(2) Form, Schedule or Registration Statement No:

(3) Filing Party:

(4) Date Filed:

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5995 Mayfair Road  
P. O. Box 3077 • North Canton, Ohio 44720-8077  
March 13, 2014

Dear Shareholder:

The 2014 Annual Meeting of Shareholders of Diebold, Incorporated will be held at the Courtyard Marriott, 4375 Metro Circle NW, North Canton, Ohio 44720, on Thursday, April 24, 2014 at 11:30 a.m. EDT.

As described in the accompanying Notice and Proxy Statement, at the Annual Meeting, you will be asked to (1) elect twelve directors, (2) ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014, (3) approve, on an advisory basis, our named executive officer compensation, (4) approve the Diebold, Incorporated 2014 Non-Qualified Stock Purchase Plan and (5) approve the Diebold, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan.

We are pleased to continue to take advantage of the Securities and Exchange Commission rules allowing us to furnish proxy materials to shareholders on the Internet. We believe that these rules provide you with proxy materials more quickly and reduce the environmental impact of our Annual Meeting. Accordingly, we are mailing to shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review our 2014 Proxy Statement and Annual Report for the year ended December 31, 2013, and to vote online or by telephone. If you would like to receive a paper copy of our proxy materials, please follow the instructions for requesting these materials on the Notice of Internet Availability of Proxy Materials.

All holders of record of Diebold common shares as of February 28, 2014 are entitled to vote at the 2014 Annual Meeting. You may vote online at [www.proxyvote.com](http://www.proxyvote.com). If you received a paper copy of the proxy card by mail, you may also vote by signing, dating and mailing the proxy card promptly in the return envelope or by calling a toll-free number.

If you are planning to attend the meeting, directions to the meeting location are included on the back page. If you are unable to attend the meeting, you may listen to a replay that will be available on our web site at <http://www.diebold.com>. The replay may be accessed on our web site soon after the meeting and shall remain available for up to three months.

We look forward to seeing those of you who will be attending the meeting.

Sincerely,

HENRY D.G. WALLACE  
Chairman of the Board

ANDREAS W. MATTES  
President and Chief Executive Officer

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on April 24, 2014.

This proxy statement, along with our Annual Report for the year ended December 31, 2013, are available free of charge at [www.proxyvote.com](http://www.proxyvote.com) (you will need to reference the 12-digit control number found on your proxy card or Notice of Internet Availability of Proxy Materials in order to vote).

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5995 Mayfair Road  
P.O. Box 3077 • North Canton, Ohio 44720-8077  
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 24, 2014  
11:30 a.m. EDT

Dear Shareholder:

The Annual Meeting of Shareholders of Diebold, Incorporated will be held at the Courtyard Marriott, 4375 Metro Circle NW, North Canton, Ohio 44720, on April 24, 2014 at 11:30 a.m. EDT, for the following purposes:

1. To elect twelve directors;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014;
3. To approve, on an advisory basis, our named executive officer compensation;
4. To approve the Diebold, Incorporated 2014 Non-Qualified Stock Purchase Plan; and
5. To approve the Diebold, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan.

Your attention is directed to the attached proxy statement, which fully describes these items.

Any action on the items of business described above may be considered at the Annual Meeting at the time and on the date specified above or at any time and date to which the Annual Meeting may be properly adjourned or postponed. Holders of record of Diebold common shares at the close of business on February 28, 2014 will be entitled to vote at the Annual Meeting.

The enclosed proxy card is solicited, and the persons named therein have been designated, by Diebold's Board of Directors.

By Order of the Board of Directors

Chad F. Hesse  
Vice President, General Counsel and Secretary

March 13, 2014  
(approximate mailing date)

You are requested to cooperate in assuring a quorum by voting online at [www.proxyvote.com](http://www.proxyvote.com) or, if you received a paper copy of the proxy materials, by filling in, signing and dating the enclosed proxy and promptly mailing it in the return envelope.

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DIEBOLD, INCORPORATED

5995 Mayfair Road

P.O. Box 3077 • North Canton, Ohio 44720-8077

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, APRIL 24, 2014

General Information

This proxy statement is furnished to shareholders of Diebold, Incorporated in connection with the solicitation by the Board of Directors of proxies to be used at our 2014 Annual Meeting of Shareholders, and any postponements or adjournments of the meeting.

These proxy materials are being sent to our shareholders on or about March 13, 2014.

Q: When and where is the Annual Meeting?

A: The 2014 Annual Meeting will be held at the Courtyard Marriott, 4375 Metro Circle NW, North Canton, Ohio 44720, on April 24, 2014, at 11:30 a.m. EDT.

Q: What items will be voted on at the Annual Meeting?

A: At the Annual Meeting, you are being asked to:

- Elect twelve directors;
- Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014;
- Approve, on an advisory basis, our named executive officer compensation;
- Approve the Diebold, Incorporated 2014 Non-Qualified Stock Purchase Plan; and
- Approve the Diebold, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan.

If a permissible proposal other than the listed proposals is presented at the Annual Meeting, your proxy gives authority to the individuals named in the proxy to vote on any such proposal in accordance with their best judgment. We have not received notice of other matters that may be properly presented at the Annual Meeting.

Q: Who is entitled to vote at the Annual Meeting?

A: Our record date for the 2014 Annual Meeting is February 28, 2014. Each shareholder of record of our common shares as of the close of business on February 28, 2014 is entitled to one vote for each common share held. As of the record date, there were 64,289,504 common shares outstanding and entitled to vote at the Annual Meeting.

Q: How do I vote?

A:

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If you were a shareholder on the record date and you held shares in your own name, you have three ways to vote and submit your proxy before the 2014 Annual Meeting:

- By mail – You may vote by completing, signing and returning the proxy card that you will receive in the mail;
- By Internet – We encourage you to vote and submit your proxy online at [www.proxyvote.com](http://www.proxyvote.com). Even if you request and receive a paper copy of the proxy materials, you may vote online by going to [www.proxyvote.com](http://www.proxyvote.com) and entering your control number, which is a 12 digit number located in a box on your proxy card that you can also receive in the mail, if requested; or
- By telephone – You may vote and submit your proxy by calling 1-800-690-6903 and providing your control number, which is a 12-digit number located in a box on your proxy card that you can also receive in the mail, if requested.

If you complete and submit a proxy card, the persons named as proxies on your proxy card, which we refer to as the Proxy Committee, will vote the shares represented by your proxy in accordance with your instructions. If you submit your proxy card but do not indicate your voting preferences, the Proxy Committee will vote according to the recommendation of the Board.

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Q: How does the Board recommend I vote?

A: The Board recommends a vote:

- FOR each of our twelve nominees for director;
- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014;
- FOR the approval, on an advisory basis, of our named executive officer compensation;
- FOR the approval of the Diebold, Incorporated 2014 Non-Qualified Stock Purchase Plan; and
- FOR the approval of the Diebold, Incorporated Amended and Restated 1991 Equity and Performance Incentive Plan.

Q: Can I change my vote after I have voted?

A: You may change your vote at any time before your proxy is voted at the 2014 Annual Meeting by:

- Revoking your proxy by sending written notice or submitting a later dated, signed proxy before the 2014 Annual Meeting to our Secretary at the Company's address above;
- Submitting a later dated, signed proxy before the start of the 2014 Annual Meeting;
- If you have voted by the Internet or by telephone, you may vote again over the Internet or by telephone by 11:59 p.m. EDT on April 23, 2014; or
- Attending the 2014 Annual Meeting, withdrawing your earlier proxy and voting in person.

Q: What is cumulative voting and how can I cumulate my votes for the election of directors?

A: In cumulative voting, each shareholder may cast a number of votes equal to the number of shares owned multiplied by the number of directors to be elected, and that number of the votes may be cast all for one director-nominee only or distributed among the director-nominees.

In order to cumulate votes for the election of a director, a shareholder must give written notice to our Executive Chairman, any Vice President or our Secretary no later than 11:29 a.m. EDT on April 22, 2014 that the shareholder desires that the voting for the election of directors be cumulative, and if an announcement of such notice is made upon convening the Annual Meeting by the Chairman or Secretary of the meeting, or by or on behalf of the shareholder giving the notice, each shareholder will have cumulative voting.

We have received written notice from a shareholder that it desires that cumulative voting be in effect for the election of directors. Accordingly, unless contrary instructions are received on the enclosed proxy, it is presently intended that all votes represented by properly executed proxies will be divided evenly among the director-nominees. However, if voting in such manner would not be effective to elect all such

director-nominees, votes will be cumulated at the discretion of the Proxy Committee so as to maximize the number of such director-nominees elected.

Q: How many votes are required to adopt each proposal?

A: For Proposal 1, the director-nominees receiving the greatest number of votes will be elected, subject to our Majority Voting Policy described below. For each of Proposals 2, 3, 4 and 5, the affirmative vote of the holders of a majority of the votes cast, whether in person or by proxy, is required for approval. The results of the voting at the meeting will be tabulated by the inspectors of election appointed for the Annual Meeting.

Q: What is the Majority Voting Policy?

A: Votes withheld with respect to the election of directors will not be counted in determining the outcome of that vote. However, our Board of Directors has adopted a policy that any director-nominee that is elected but receives a greater number of votes withheld from his or her election than votes in favor of election is expected to tender his or her resignation following certification of the shareholder vote, as described in greater detail below under "Majority Voting Policy."

Q: What is a "broker non-vote?"

A: If your shares are held in the name of a brokerage firm, your shares may be voted even if you do not provide the brokerage firm with voting instructions. Brokerage firms have the authority under the New York Stock Exchange, or NYSE, rules to vote shares for which their customers do not provide voting instructions on certain "routine" matters. When a proposal is not a routine matter under NYSE rules and the brokerage firm has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm cannot vote the shares on that proposal. This is referred to as a "broker non-vote."



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Proposal 2, the ratification of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2014, is the only routine matter for which the brokerage firm who holds your shares can vote your shares on these proposals without your instructions. Accordingly, there should be no broker non-votes with respect to Proposal 2. Broker non-votes will have no effect on the outcome of Proposals 1, 3, 4 or 5.

Q: How many shares must be present to constitute a quorum and conduct the Annual Meeting?

A: A quorum is necessary to hold the Annual Meeting. A majority of the outstanding shares present or represented by proxy constitutes a quorum for the purpose of adopting a proposal at the Annual Meeting. If you are present and vote in person at the Annual Meeting, or vote on the Internet, by telephone or by submitting a properly executed proxy card, you will be considered part of the quorum. Broker non-votes will not be part of the voting power present, but will be counted to determine whether or not a quorum is present.

Q: What happens if I abstain?

A: A share voted “abstain” with respect to any proposal is considered as present and entitled to vote with respect to the proposal, but is not considered a vote cast with respect to the proposal. Accordingly, for Proposal 1, abstentions will have no effect on the election of directors, except in regards to the Majority Voting Policy described below. For Proposals 2, 3, 4 and 5, abstentions will not be counted for determining the outcome of these proposals.

Q: Why did I receive a one-page notice in the mail regarding Internet availability of proxy materials instead of a full set of proxy materials?

A: Under rules adopted by the Securities and Exchange Commission, or SEC, we have elected to provide access to our proxy materials on the Internet. Accordingly, we are sending you a Notice of Internet Availability of Proxy Materials. The instructions found in the notice explain that all shareholders will have the ability to access the proxy materials on [www.proxyvote.com](http://www.proxyvote.com) or request to receive a printed copy of the proxy materials. You may also request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis. Diebold encourages you to take advantage of the availability of the proxy materials on the Internet to help reduce the environmental impact of our Annual Meeting.

Q: What shares are included on my proxy card or Notice of Internet Availability of Proxy Materials?

A: The number of shares printed on your proxy card(s) represents all your shares under a particular registration. Receipt of more than one proxy card or Notice of Internet Availability of Proxy Materials means that certain of your shares are registered differently and are in more than one account. If you receive more than one proxy card, sign and return all your proxy cards to ensure that all your shares are voted. If you receive more than one Notice, reference the distinct 12-digit control number on each Notice when voting by Internet.

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### CORPORATE GOVERNANCE

#### Board Leadership Structure

We currently separate the roles of our Chief Executive Officer (CEO), and our Chairman of the Board; however, in the past, we have combined them. The Board initially separated the roles in 2005 to allow our CEO at the time to concentrate on re-aligning our business priorities and running our business operations as we transitioned to new leadership. We currently keep these roles separate; however, as disclosed in our proxy statement relating to our 2013 annual meeting of shareholders, on January 19, 2013, the Board appointed Henry D. G. Wallace to temporarily serve as Executive Chairman of the Board during our search for a new CEO. The Board appointed Andreas W. Mattes as President and CEO on June 6, 2013, and he assumed the role of principal executive officer as of August 15, 2013, at which time Mr. Wallace stepped down as Executive Chairman and assumed the role of Non-executive Chairman of the Board.

The Company intends to maintain the separation between its CEO and Chairman of the Board positions for the time being and at least through 2015. Otherwise, the Board does not have a specific policy with respect to separating versus combining these roles, or whether the Chairman should be an employee or non-employee director. As such, the Board, primarily under the guidance of the Board Governance Committee, will continue to periodically review our leadership structure to determine whether to maintain this separation after 2015 in light of applicable corporate governance standards, market practices, our specific circumstances and needs, and any other factors that may be relevant to the analysis.

#### Board Meetings and Executive Sessions

During 2013, the Board held thirteen meetings, either in person or telephonically. Except for Roberto Artavia, all of our current directors attended 75% or more of the aggregate of all meetings of the Board and the Board committees on which they served during 2013. Mr. Artavia joined the Board at the 2013 Annual Meeting of Shareholders, and of the seven 2013 Board and committee meetings that took place following his appointment, he missed three telephonic meetings due to previously scheduled conflicts prior to his joining the Board.

In accordance with the NYSE's corporate governance standards, our independent directors regularly meet in executive session without management present, generally following each regularly-scheduled Board meeting. In addition, on occasion, our independent directors will meet in executive session prior to the start of a Board meeting. As noted above, Henry D. G. Wallace presided over all thirteen meetings in 2013 as either our Executive or Non-executive Chairman: he presided over three meetings as our Non-executive Chairman (those that took place after August 15, 2013) and, therefore, was an independent director; and he presided over the remaining ten meetings as our Executive Chairman.

#### Board Risk Oversight

The Board and the Board committees collectively play an active role in overseeing management of the Company's risks, and in helping the Company establish an appropriate risk tolerance. The Board oversees the Company's risk strategy and effectiveness; however, management is responsible for identifying risks inherent in our business, as well as implementing and supervising day-to-day risk management. Accordingly, the Board and the appropriate committees receive regular reports from our senior management on areas of material risk to us, including operational, financial, strategic, compliance, competitive, reputational, legal and regulatory risks. The Board also meets with senior management, at least annually, and more frequently as circumstances require, for a two-day strategic planning session and discussion of the key risks inherent in our short- and long-term strategies at the development stage. Senior management then provides the Board with periodic updates throughout the year with respect to these strategic initiatives and the impact of these key risks.

In addition, each Board committee is responsible for evaluating certain risks within its area of responsibility and overseeing the management of such risks. The entire Board is then informed about such risks and management's response to each risk through regular committee reports delivered by the committee chairs. Below is a summary of the risk oversight roles of each committee:

**Board Governance Committee Risk Oversight**

As reported in our 2013 proxy statement, the Board Governance Committee assumed the primary oversight responsibility for enterprise risk management generally, including oversight of the Diebold Risk Council, or DRC, which is a management committee responsible for aligning efforts of identifying, assessing, managing and monitoring enterprise-wide risks, and coordinating risk management decisions, practices, policies and activities across our company. The DRC receives regular reports from the other management committees, as noted under “Other Risk Oversight” below, and provides for regular and consistent communications among our senior management and the Board, primarily through the Board Governance Committee.

In addition, the Board Governance Committee manages risks associated with the independence of our Board, corporate governance and potential conflicts of interest.

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### Audit Committee Risk Oversight

Our Audit Committee regularly reviews our financial statements, internal control over financial reporting (among other areas), as well as the effectiveness of our internal control over financial reporting and the status of any efforts that may be required to remediate internal control deficiencies identified by management or our independent auditors. In evaluating the effectiveness of our internal control over financial reporting, the Audit Committee relies on the advice and counsel of our independent auditors to identify risks that arise during their regular reviews of our financial statements, and reports to the Board following each regularly scheduled Audit Committee meeting. The Audit Committee also has primary responsibility for the initial review of any credible ethics complaints disclosed pursuant to our Code of Business Ethics, discussed further in “Code of Business Ethics” below.

### Compensation Committee Risk Oversight

Our Compensation Committee regularly reviews our executive compensation policies and practices, and employee benefits, and the risks associated with each. At the request of our Compensation Committee, management also reviews and evaluates our compensation policies and practices applicable to all employees that may create risks for our company. This evaluation includes reviews by members of our human resources, legal, finance, tax and internal audit departments. The Compensation Committee also engages its independent compensation consultant to conduct a comprehensive risk assessment of our executive compensation policies and practices, discussed in detail below under “Compensation Discussion and Analysis,” and the results of these reviews and assessments are presented to the Compensation Committee for its review and final assessment. As a result, we have determined that our compensation policies and practices do not create risk that is reasonably likely to have a material adverse effect on our company. As described in more detail below under “Compensation Discussion and Analysis,” our Compensation Committee has developed an executive compensation philosophy that does not encourage unnecessary or excessive risk taking. Executives’ base salaries are fixed in amount, bonuses are capped and tied to corporate performance, and a large portion of executives’ compensation is provided in the form of long-term equity awards, the value of which are ultimately tied to the price of our common shares, all of which help to align executives’ interests with those of our shareholders.

### Other Risk Oversight

Our Investment Committee oversees the management of risks associated with our credit, liquidity, investments and related strategies.

In addition to the DRC, we also have numerous other management committees tasked in part with reviewing risks and potential risks related to their respective day-to-day functional areas. These management committees meet regularly and report their results to the full Board or applicable committee.

We also have robust internal dialog amongst our operations, finance, treasury, tax, legal and internal audit departments, among others, whenever a potential risk arises. These discussions are escalated to our CEO, Chief Financial Officer, Chief Operating Officer, Chief Compliance Officer, Corporate Controller, General Counsel, Chief Human Resources Officer, Chief Innovation Officer, or Vice President, Internal Audit, as appropriate, with open lines of communication among them, the various management committees described above, the various committees of the Board and the entire Board.

We believe that the Board’s approach and continued evaluation of its risk oversight, as described above, optimizes its ability to assess the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for Diebold. We also believe that our Board leadership structure complements our risk management structure because it allows our independent directors to exercise effective oversight of the actions of management in identifying risks and implementing effective risk management policies and controls.

### Board Committees and Composition

The Board’s current standing committees are the Board Governance Committee, Audit Committee, Compensation Committee and Investment Committee. In addition, in 2010, the Board formed a Special Committee to oversee the Board’s legal representative in connection with our previously disclosed global Foreign Corrupt Practices Act, or

FCPA, review. This Special Committee was dissolved following the Company's resolution of the FCPA matter at the Board's December 2013 meeting, with oversight of the Company's ongoing dedication to compliance to be split between the Board's standing committees going forward. In addition, as previously disclosed in the proxy statement for our 2013 annual meeting of shareholders, the Board formed a CEO Search Committee that was dissolved upon the appointment of Andreas W. Mattes as CEO in June 2014. Below is a summary of our committee structure and membership information:

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<sup>1</sup> Messrs. Artavia and Prather were each elected to the Board at the 2013 Annual Meeting of Shareholders and were each appointed to the Audit Committee effective as of April 25, 2013.

<sup>2</sup> From January 19, 2013 until August 15, 2013, Mr. Wallace served as our Executive Chairman of the Board and, accordingly, was not deemed independent and did not serve on any standing committees, but did serve as Chair of the Special Committee. As of August 15, 2013, he regained his independence and, accordingly, effective as of October 3, 2013, was appointed to the Board Governance and Compensation Committees.

<sup>3</sup> The Special Committee was dissolved as of the Board's December meeting following our resolution of the FCPA matter.

**Audit Committee**

This committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, or the Exchange Act, and its functions are described below under "Report of Audit Committee." The committee's current charter is available on our web site at <http://www.diebold.com>.

The current members of the Audit Committee are Patrick W. Allender, Chair, Roberto Artavia, Bruce L. Byrnes, Robert S. Prather, Jr., and Alan J. Weber, all of whom are independent under the NYSE Rules and applicable SEC requirements. In addition, the Board has determined that Messrs. Allender and Weber are audit committee financial experts within the meaning of such term under Item 407(d)(5) of Regulation S-K. Effective as of January 19, 2013, Mr. Allender served as Chair of the Audit Committee. This committee met in person or telephonically nine times during 2013, and had informal communications between themselves and management, as well as with our independent auditors, at various other times during the year.

**Board Governance Committee**

This committee's functions include reviewing the qualifications of potential director candidates and making recommendations to the Board to fill vacancies or consider the appropriate size of the Board. This committee makes recommendations regarding corporate governance principles, the composition of the Board committees, and the directors' compensation for their services on the Board and on Board committees. This committee also leads the Board's annual self-assessment, and oversees director orientation and education, as described in "Director Orientation and Education" below. Finally, as noted in "Board Risk Oversight" above, in 2012, this committee assumed the primary oversight of enterprise risk management generally and of the DRC. The committee's current charter is available on our web site at <http://www.diebold.com>.

The current members of the Board Governance Committee are Gale S. Fitzgerald, Chair, Patrick W. Allender, Bruce L. Byrnes, Rajesh K. Soin and Henry D. G. Wallace (effective as of October 3, 2013), all of whom are independent. This committee met in person or telephonically six times during 2013, and had informal communications between themselves and management at various other times during the year.

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### Compensation Committee

This committee administers our executive pay program. The committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee or, in the case of non-officers, to the CEO or the Chief Human Resources Officer. The role of the committee is to oversee our equity plans (including reviewing and approving equity grants to executive officers) and to annually review and approve all pay decisions relating to executive officers. This committee also assesses achievement of corporate and individual goals, as applicable, by the executive officers under our short- (annual) and long-term incentive plans, and makes recommendations to the Board for approval of such achievement. This committee reviews the management succession plan and proposed changes to any of our benefit plans, such as retirement plans, deferred compensation plans and 401(k) plans. For a narrative description of the committee's processes and procedures for the consideration of executive officer compensation, and for further discussion of the committee members, see "Compensation Discussion and Analysis" below. The committee's current charter is available on our web site at <http://www.diebold.com>.

The current members of the Compensation Committee are Phillip R. Cox, Chair, Richard L. Crandall, Gale S. Fitzgerald, Rajesh K. Soin and Henry D. G. Wallace (effective as of October 3, 2013), all of whom are independent under the NYSE rules and applicable SEC requirements. This committee met in person or telephonically five times during 2013, and had informal communications between themselves and management, as well as the Committee's independent compensation consultant, at various other times during the year.

### Investment Committee

This committee's functions include establishing the investment policies, including asset allocation, for our cash, short-term securities and retirement plan assets, overseeing the management of those assets, ratifying fund managers recommended by management and reviewing at least annually the investment performance of our retirement plans and 401(k) plans to assure adequate and competitive returns. The committee's current charter is available on our web site at <http://www.diebold.com>.

The current members of the Investment Committee are Alan J. Weber, Chair, Phillip R. Cox and Richard L. Crandall. This committee met in person or telephonically twice in 2013, and had informal communications between themselves and management at various other times during the year.

### Special Committee

As noted above, the Special Committee was dissolved as of our December 2013 Board meeting following the Company's resolution of the FCPA matter. The committee's functions were to oversee the Board's legal representative in connection with our previously disclosed global FCPA review. The committee had the authority to retain independent counsel, and conduct any interviews with officers, employees and/or directors of our company and access all information of our company or our subsidiaries that it believed would assist in its activities.

The members of the Special Committee were Henry D. G. Wallace, Chair, Patrick W. Allender, Phillip R. Cox, Gale S. Fitzgerald and Alan J. Weber. This committee met in person or telephonically four times in 2013.

### Director Independence

The Board determined that each of Patrick W. Allender, Roberto Artavia, Bruce L. Byrnes, Phillip R. Cox, Richard L. Crandall, Gale S. Fitzgerald, Gary G. Greenfield, Robert S. Prather, Jr., Rajesh K. Soin, Henry D. G. Wallace (as of August 15, 2013) and Alan J. Weber, which includes each of the members of the Audit Committee, the Board Governance Committee and the Compensation Committee, has no material relationship with Diebold (either directly or as a partner, shareholder or officer of an organization that has a relationship with us) and is independent within our director independence standards, which are in compliance with the NYSE director independence standards as currently in effect.

In making this determination with respect to Mr. Crandall, the Board determined that the provision of printing services related to our proxy statement for our 2013 annual meeting of shareholders provided by R.R. Donnelley & Sons Company, the board of directors of which Mr. Crandall is a member, did not create a material relationship or impair the independence of Mr. Crandall because he serves only as a board member, and the nature of the services provided

and the fees paid by Diebold for such services were less than \$25,000 in 2013.

Further, in making this determination with respect to Mr. Weber, the Board determined that the provision of our proxy processing, mailing and tabulation services by Broadridge Financial Solutions, Inc., the board of directors of which Mr. Weber is a member, did not create a material relationship or impair the independence of Mr. Weber because he serves only as a board member, and the nature of the services provided and the fees paid by Diebold for such services were less than \$95,000 in 2013.

Under our director independence standards, a director will be determined not to be independent under the following circumstances:

- The director is, or has been within the last three years, an employee of ours, or an immediate family member is, or has been within the last three years, an executive officer of ours;

- The director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$100,000 in direct compensation from us, other than director and committee fees and

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pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);

The director has been affiliated with or employed by, or any of his or her immediate family members has been affiliated with or employed in a professional capacity by, a present or former internal or external auditor of our company during the last three years;

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of our present executive officers at the same time serves or served on that company's compensation committee;

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or two percent of such other company's consolidated gross revenues;

The director has engaged in a transaction with us for which we have been or will be required to make a disclosure under Item 404(a) of Regulation S-K promulgated by the SEC; or

The director has any other material relationship with us, either directly or as a partner, shareholder or officer of an organization that has a relationship with us.

Andreas W. Mattes does not meet these independence standards because he is our President and CEO, and our employee. Further, Mr. Wallace served as our Executive Chairman of the Board from January 19, 2013 (when Mr. Swidarski stepped down as our CEO) until August 15, 2013 (when Mr. Mattes assumed the principal executive officer role), and during such period, Mr. Wallace did not meet these independence standards. However, Mr. Wallace regained his independent status effective as of August 15, 2013, when he assumed the role of non-executive Chairman of the Board.

Our director independence standards are available on our web site at <http://www.diebold.com>.

### Related Person Transaction Policy

Pursuant to our director independence standards, discussed above, and our Corporate Governance Guidelines, discussed below in "Board Diversity, Director Qualifications and Corporate Governance Guidelines," we do not engage in transactions with non-employee directors or their affiliates if a transaction would cause an independent director to no longer be deemed independent, would present the appearance of a conflict of interest or is otherwise prohibited by law, rule or regulation. This includes, directly or indirectly, any extension, maintenance or renewal of an extension of credit to any of our directors.

This prohibition also includes significant business dealings with directors or their affiliates, charitable contributions that would require disclosure in our proxy statement under the rules of the NYSE, and consulting contracts with, or other indirect forms of compensation to, a director. Any waiver of this policy may be made only by the Board and must be promptly disclosed to our shareholders.

Our Corporate Governance Guidelines are available on our website at [www.diebold.com](http://www.diebold.com).

In 2013, we did not engage in any related person transaction(s) requiring disclosure under Item 404 of Regulation S-K.

### Communications with Directors

Shareholders and interested parties may communicate with our committee chairs or with our non-employee directors as a group, by sending an email to:

• Audit Committee – [auditchair@diebold.com](mailto:auditchair@diebold.com)

• Board Governance Committee – [bdgovchair@diebold.com](mailto:bdgovchair@diebold.com)

• Compensation Committee – [compchair@diebold.com](mailto:compchair@diebold.com)

• Directors – [nonmanagementdirectors@diebold.com](mailto:nonmanagementdirectors@diebold.com)

Communications may also be directed in writing to such person or group at Diebold, Incorporated, Attention: Secretary, 5995 Mayfair Road, P.O. Box 3077, North Canton, Ohio 44720-8077. The Board has approved a process

for handling communications we receive that are addressed to non-employee members of the Board. Under that process, the Secretary will review all such communications and determine whether communications require immediate attention. The Secretary will forward communications, or a summary of communications, to the appropriate director or directors.

A majority of the independent directors of the Board approved this process for determining which communications are forwarded to various members of the Board.

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### Code of Business Ethics

All of our directors, executive officers and employees are required to comply with certain policies and protocols concerning business ethics and conduct as provided in our Code of Business Ethics, or the Code. The Code ties our core values to the ethical principles that must guide our business decisions. The Code also provides clear information on the resources available for directors, executive officers and employees to ask questions and report unethical behavior. All members of the Board have received training specific to the Code.

The Code applies not only to us, but also to all of our domestic and international affiliates and subsidiaries. The Code describes certain responsibilities that our directors, executive officers and employees have to Diebold, to each other and to our global partners and communities. It covers many topics, including compliance with laws, conflicts of interest, intellectual property and the protection of competitive and confidential information, as well as maintaining a respectful and non-retaliatory workplace. The Code also includes and links to our Conflicts of Interest Policy, which further details the requirements for our officers, directors and employees to avoid and disclose potential conflicts, including those that may result from related-party transactions. In addition, our employees are required to report any conduct that they believe in good faith to be a violation of the Code. Our Audit Committee has procedures to receive, retain and treat complaints received regarding accounting, internal financial controls or auditing matters, and to allow for the confidential and anonymous submission of concerns regarding questionable practices or potential violations of our policies, including the Code.

The Code of Business Ethics is available on our web site at <http://www.diebold.com>.

### Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during the year ended December 31, 2013 were Phillip R. Cox, Chair, Richard L. Crandall, Gale S. Fitzgerald, Rajesh K. Soin and Henry D. G. Wallace (as of October 4, 2013). Except with respect to Mr. Wallace's temporary executive status, as discussed above in "Director Independence," no member of the Compensation Committee is or has been an executive officer of Diebold. With respect to Mr. Wallace, he joined the Compensation Committee only after he regained his independence as previously discussed. In addition, no member of the Compensation Committee has had any relationships requiring disclosure by us under the SEC's rules requiring disclosure of certain relationships and related person transactions. No officer or employee of Diebold served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity, the executive officers of which served as a director of Diebold or member of the Compensation Committee during 2013.

### Director Orientation and Education

All new directors participate in a director orientation program. The Board Governance Committee oversees this introduction and orientation process where the new director meets with key senior management personnel and takes a tour through our global solutions center to improve his or her understanding of our business and global products and solutions. In addition, the orientation process educates the new director on our strategic plans, significant financial matters, core values, including ethics and compliance programs (and also including our Code of Business Ethics), corporate governance practices and other key policies and practices.

### COMPENSATION OF DIRECTORS

The following director compensation is determined by the Board at the recommendation of the Board Governance Committee. With respect to non-employee directors, it is the company's goal to provide directors with fair and competitive compensation, while ensuring that their compensation is closely aligned with stockholder interests and with the performance of the company.

The annual retainer and committees fees received by the directors during 2013 remained the same as those paid in 2012. Accordingly, during 2013, our non-employee directors received an annual retainer of \$65,000 for their service as directors, and our Non-executive Chairman of the Board received an additional retainer of \$7,500 per month.

In addition to their annual retainers, our non-employee directors also received the following annual committee fees for their participation as members or as Chairs of one or more Board committees:

	Member	Chair
Audit Committee	\$11,000	\$15,000
Compensation Committee	\$7,000	\$12,000
Board Governance Committee	\$5,000	\$8,000
Investment Committee	\$3,000	\$5,000

Additionally, members of the Special Committee also received \$1,500 for each Special Committee meeting held and the Chair of the Special Committee received a \$10,000 annual retainer in addition to the per meeting fee. For the applicable period in 2013, the members of the CEO Search Committee received \$1,500 for each CEO Search Committee meeting held in person, and \$500 for each CEO Search Committee meeting held telephonically. In addition, the Chair of the CEO Search Committee received a one-time retainer of \$5,000 and each member received a one-time retainer of \$2,500 for such service.

Finally, during the time that Mr. Wallace assumed the role of Executive Chairman, he received a monthly stipend of \$70,000, which was inclusive of all Board and Chairman retainer fees (with \$19,000 per month allocated to Board/Chairman fees and \$51,000 per month allocated to salary as interim principal executive officer). This Executive Chairman stipend was determined based upon a benchmarking review performed by the Compensation Committee's independent compensation consultant.

The varying fee amounts are intended to reflect differing levels of responsibility, meeting requirements and fiduciary duties. The fees for a director who joins or leaves the Board or assumes additional responsibilities during the year are pro-rated for his or her period of actual service.

A director may elect to defer receipt of all or a portion of his or her cash compensation pursuant to the Deferred Compensation Plan No. 2 for Directors.

In addition to cash compensation, each non-employee director may also receive equity awards under our Amended and Restated 1991 Equity and Performance Incentive Plan, which we refer to as the 1991 Plan. The aim of the Board is to provide a balanced mix of cash and equity compensation to our directors that targets the directors' total pay at the median of a peer group of companies in similar industries and of comparable size and revenue. This peer group is the same one used by our Compensation Committee for benchmarking executive compensation, which is discussed in more detail below in "Peer Companies and Competitive Market Data" under "Compensation Discussion and Analysis." Prior to 2007, our non-employee directors received stock option awards under the 1991 Plan. Those stock options that vested prior to December 31, 2005 are entitled to reload rights, under which an optionee can elect to pay the exercise price using previously owned shares and receive a new option at the then-current market price for a number of shares equal to those surrendered. The reload feature is only available, however, if the optionee agrees to defer receipt of the balance of the option shares for at least two years.

Beginning in 2007, our non-employee directors were awarded deferred common shares instead of stock options. The deferred shares vest one year from the date of grant, but receipt is deferred until the latest of (1) three years from the date of grant, (2) retirement from the Board or (3) attainment of the age of 65. We believe deferred shares strengthen the directors' ties to shareholder interests by providing awards that more effectively build stock ownership and ensure that the directors' long-term economic interests are aligned with those of other shareholders.

In 2013, each non-employee director was awarded 4,200 deferred common shares, which was intended to approximate \$125,000 in value in order to bridge the gap between cash compensation and the median total directors' pay of our peer group. In addition, the Chair of the CEO Search Committee was awarded an additional 750 deferred common shares and each member was awarded an additional 400 deferred common shares in recognition of their service on the committee.

The following table details the cash retainers and fees received by our non-employee directors during 2013, as well as the aggregate grant date fair value of stock grants awarded during 2013 pursuant to our 1991 Plan:

#### 2013 Director Compensation

Name	Fees Earned or Paid in Cash <sup>1</sup> (\$)	Stock Awards <sup>2</sup> (\$)	All Other Compensation <sup>3</sup> (\$)	Total (\$)
Patrick W. Allender	90,667	124,866	10,465	225,998
Roberto Artavia	50,667	124,866	3,623	179,156

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Bruce L. Byrnes	81,000	124,866	13,685	219,551
Mei Wei Cheng <sup>4</sup>	27,000	-	8,007	35,007
Phillip R. Cox	98,500	136,758	22,310	257,568
Richard L. Crandall	90,000	147,163	22,612	259,775
Gale S. Fitzgerald	86,000	124,866	21,965	232,831
John N. Lauer <sup>4</sup>	33,167	-	5,189	38,356
Robert S. Prather, Jr.	50,667	124,866	3,623	179,156
Rajesh K. Soin	87,833	136,758	7,245	231,836
Henry D. G. Wallace <sup>5</sup>	199,625	124,866	24,380	348,871
Alan J. Weber	87,000	124,866	21,965	233,831

This column reports the amount of cash compensation earned in 2013 for Board and committee service, including <sup>1</sup> Board retainer amounts discussed above and the following committee fees earned in 2013 (partial amounts reflect pro-rated fees based on time of actual committee service during 2013):

Name	Audit Committee (\$)	Board Governance Committee (\$)	Compensation Committee (\$)	Investment Committee (\$)	Special Committee (\$)	CEO Search Committee (\$)
Patrick W. Allender	14,667	5,000	-	-	6,000	-
Roberto Artavia	7,333	-	-	-	-	-
Bruce L. Byrnes	11,000	5,000	-	-	-	-
Mei Wei Cheng	3,667	1,667	-	-	-	-
Phillip R. Cox	-	-	12,000	3,000	6,000	12,500
Richard L. Crandall	-	-	7,000	3,000	-	15,000
Gale S. Fitzgerald	-	8,000	7,000	-	6,000	-
John N. Lauer	-	1,667	2,333	-	-	-
Robert S. Prather, Jr.	7,333	-	-	-	-	-
Rajesh K. Soin	-	3,333	7,000	-	-	12,500
Henry D. G. Wallace	3,750	1,250	1,750	750	9,750	-
Alan J. Weber	11,000	-	-	5,000	6,000	-

<sup>2</sup> This column represents the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 718 for deferred shares granted to our non-employee directors in 2013, as further described above. Each director received 4,200 deferred shares as of April 24, 2013, with a closing price of our common shares on that date of \$29.73. Furthermore, Mr. Crandall received an additional 750 deferred shares, with a fair value of \$22,297, and Messrs. Cox and Soin each received an additional 400 shares, with a fair value of \$11,892, for their participation on the CEO Search Committee. The actual value a director may realize will depend on the stock price on the date the deferral period ends. As of December 31, 2013, the aggregate number of deferred shares held by our current directors was: Mr. Allender, 10,150; Mr. Artavia, 4,200; Mr. Byrnes, 12,950; Mr. Cox, 20,550; Mr. Crandall, 20,900; Ms. Fitzgerald, 20,150; Mr. Prather, 4,200; Mr. Soin, 7,450; Mr. Wallace, 22,250; and Mr. Weber, 20,150. Also, as of December 31, 2013, Mr. Cheng held 3,100 fully-vested deferred shares that had not yet been released. In addition, as of December 31, 2013, the aggregate number of common shares issuable pursuant to options outstanding held by current directors was: Mr. Cox, 9,000; Mr. Crandall, 13,500; Ms. Fitzgerald, 13,500; Mr. Lauer, 13,500; Mr. Wallace, 13,500; and Mr. Weber, 9,000.

<sup>3</sup> This column represents dividend equivalents on deferred shares.

<sup>4</sup> Messrs. Cheng and Lauer retired from the Board effective as of the 2013 Annual Meeting of Shareholders.



The compensation reflected for Mr. Wallace represents only the amount of compensation earned in 2013 for Board and committee service, including Board and committee retainer amounts discussed above. For a complete  
5 breakdown of Mr. Wallace's compensation earned in 2013, including his salary as Executive Chairman, see "2013 Summary Compensation Table" below.

#### Director Stock Ownership Guidelines

In 2007, the Board Governance Committee established stock ownership guidelines for each non-employee director, and monitors at least annually the directors' progress towards these guidelines. As a result of research conducted with respect to the company's peer group (discussed further below under "Peer Companies and Competitive Market Data" under "Compensation Discussion and Analysis"), in 2013, the Board Governance Committee recommended, and the Board approved, modifying the Board's ownership guidelines in order to better align with the peer group.

Accordingly, each non-employee director is now expected to own common shares of Diebold valued at least five times the annual retainer, as opposed to the flat 6,500 shares previously required. These ownership guidelines are intended to build stock ownership among non-employee directors and ensure that their long-term economic interests are aligned with those of other shareholders. As reflected below under "Security Ownership of Directors and Management," the majority of our directors have exceeded the ownership guidelines, while our directors who were appointed most recently are on track to achieve the ownership guidelines within the next few years. We do not impose any penalties on directors who fail to meet the stock ownership guidelines.

#### CONSIDERATION OF DIRECTOR-NOMINEES

##### Shareholder Nominees

The policy of the Board Governance Committee is to consider properly submitted shareholder nominations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Directors." In evaluating shareholder nominations, the Board Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth below under "Board Diversity, Director Qualifications and Corporate Governance Guidelines."

Any shareholder nominations proposed for consideration by the Board Governance Committee should include: complete information as to the identity and qualifications of the proposed nominee, including name, address, present and prior business and/or professional affiliations, education and experience, and particular fields of expertise; an indication of the nominee's consent to serve as a director of Diebold if elected; and why, in the opinion of the recommending shareholder, the proposed nominee is qualified and suited to be a director of Diebold.

Shareholder nominations should be addressed to Diebold, Incorporated, 5995 Mayfair Road, P.O. Box 3077, North Canton, Ohio 44720-8077, Attention: Secretary. See also "Shareholder Proposals" below.

##### Identifying and Evaluating Nominees for Directors

The Board Governance Committee considers many methods for identifying and evaluating director-nominees. The Board Governance Committee regularly reviews the appropriate size of the Board and whether any vacancies on the Board are anticipated due to retirement or otherwise. When vacancies arise or are anticipated, the Board Governance Committee considers various potential candidates. Candidates may come to the attention of the Board Governance Committee through current Board members, professional search firms, shareholders or other persons.

As described above, the Board Governance Committee considers properly submitted shareholder nominations for candidates for the Board. Following verification of the recommending shareholder's status, recommendations are considered by the Board Governance Committee at a regularly scheduled meeting.

##### Majority Voting Policy

In 2007, the Board adopted a majority voting policy, which provides that, in an uncontested election, any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" election, which we refer to as a Majority Withheld Vote, is expected to tender his or her resignation following certification of the shareholder vote. The Board Governance Committee will then consider the tendered resignation and make a recommendation to the Board. The Board will act on the Board Governance Committee's recommendation within 90 days following certification of the shareholder vote. Any director who tenders his or her resignation pursuant to this policy will not participate in the Board Governance Committee recommendation or Board action regarding whether to accept or reject the tendered resignation.

However, if each member of the Board Governance Committee received a Majority Withheld Vote in the same election, then the Board will appoint a committee comprised solely of independent directors who did not receive a Majority Withheld Vote at that election to consider each tendered resignation offer and recommend to the Board whether to accept or reject each resignation. Further, if all of the directors received a Majority Withheld Vote in the same election, then the Board will appoint a committee

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comprised solely of independent directors to consider each tendered resignation offer and recommend to the Board whether to accept or reject each resignation.

Board Diversity, Director Qualifications and Corporate Governance Guidelines

In evaluating director-nominees, the Board Governance Committee considers many factors it deems appropriate, consistent with our Corporate Governance Guidelines and other criteria established by the Board. While the Board Governance Committee does not have a formal diversity policy, its general goal is to create a well-balanced Board that combines diverse business and industry experience, skill sets and other leadership skills, that represent diverse viewpoints and that enable us to pursue our strategic objectives domestically and abroad.

The Board Governance Committee identifies candidates whose business experience, knowledge, skills, diversity, integrity and global experiences are considered desirable to strengthen the talent and capabilities of the Board and any committees of the Board. Qualifications for service have not been reduced to a checklist of specific standards or minimum qualifications, skills or qualities.

The Board Governance Committee makes its determinations as to director selection based on the facts and circumstances at the time of the receipt of the director candidate recommendation. Applicable considerations include whether:

- the Board Governance Committee is currently looking to fill a new position created by an expansion of the number of directors, or a vacancy that may exist or is anticipated on the Board;
- the current composition of the Board is consistent with the criteria described in our Corporate Governance Guidelines;
- the candidate possesses the qualifications that are generally the basis for selection of candidates to the Board; and
- the candidate would be considered independent under the rules of the NYSE and our standards with respect to director independence.

Final approval of any candidate is determined by the full Board. In addition, the Board Governance Committee annually conducts a review of incumbent directors using the same criteria as outlined above, in order to determine whether a director should be nominated for reelection to the Board.

A copy of our Corporate Governance Guidelines is available on our web site at <http://www.diebold.com>.

The Board Governance Committee has identified the director-nominees below as fitting the general qualifications described above, and in particular, due to the specific experience, skills and qualifications each of them would bring or continue to bring to the Board as set forth in more detail below.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board recommends that its twelve nominees for director be elected at the 2014 Annual Meeting, each to hold office for a term of one year from the date of the Annual Meeting or until the election and qualification of a successor. In the absence of contrary instruction, the Proxy Committee will vote the proxies for the election of the twelve nominees.

All director-nominees are presently members of the Board, with the exception of Mr. Greenfield, who was identified as a director-nominee by the Board Governance Committee. All of the present members of the Board were previously elected by our shareholders, except for Mr. Mattes, who joined the Board upon his election as President and CEO in June 2013. A substantial majority of the director-nominees are independent as required by the corporate governance standards of the NYSE. While Diebold does not have a formal policy regarding directors' attendance at the Annual Meeting of Shareholders, it is expected that all directors attend the 2014 Annual Meeting unless there are extenuating circumstances for nonattendance. All directors standing for re-election attended the 2013 Annual Meeting of Shareholders, except for Mr. Artavia, who had a previously scheduled conflict, and Mr. Mattes who had not yet been appointed President, CEO and Director.

If for any reason any director-nominee is not available for election when the election occurs, the Proxy Committee, at its option, may vote for substitute nominees recommended by the Board. Alternatively, the Board may reduce the number of director-nominees. The Board has no reason to believe that any director-nominee will be unavailable for election when the election occurs.

Recommendation of the Board

The board recommends a vote FOR the election of our twelve nominees as directors.

The Director-Nominees are:

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
<p>Patrick W. Allender Director since 2011 Age — 67</p>	<p>February 2007: Retired Executive Vice President, Chief Financial Officer and Secretary, Danaher Corporation, Washington, D.C. (diversified manufacturing); 2005 - 2007: Executive Vice President, Chief Financial Officer and Secretary, Danaher Corporation. Currently a director of Colfax Corporation, Fulton, Maryland (diversified manufacturing) since 2008, where he serves as Chair of the Governance Committee and a member of the Audit Committee; and Brady Corporation, Milwaukee, Wisconsin (identification solutions) since 2007, where he serves as Chair of the Finance Committee, and a member of the Audit and Nominating Committees.</p> <p>Chair of our Audit Committee, and member of our Board Governance Committee.</p>
<p>Roberto Artavia Director since 2013 Age — 55</p>	<p>Mr. Allender's 18 years as Chief Financial Officer of a large publicly traded company with global operations provides our Board with valuable expertise in financial reporting and risk management. In addition, as a result of Mr. Allender's public accounting background, including as audit partner of a major accounting firm, he is exceptionally qualified to serve as Chair of our Audit Committee.</p> <p>2008 - Present: Chairman and CEO of Fundación Marviva, and Chairman of Marviva Foundation, each not-for-profit organizations dedicated to the protection of marine resources in the Americas and Mid-eastern Pacific, respectively; Protector of AVINA Foundation, which promotes sustainable development in Latin America.</p> <p>Currently a director of Copa Holdings, S.A. (airline industry) since 2005 and Chairman of Viva Trust, and President of Fundación Latinoamérica Posible, each</p>

dedicated to the promotion of sustainable development, integration and social responsibility in Latin America. He is also a Director and CEO of the Global Social Competitiveness Index Initiative, Inc., based in Washington, D.C. From 1999-2007, he served as Rector of INCAE Business School, a school of business with operations in 12 Latin American countries, where he served as Dean from 1994-1996. He also served as an academic researcher for Harvard Business School from 1987-2001.

Member of our Audit Committee.

Mr. Artavia's academic and philanthropic experience within the business sector is a tremendous asset to the Board, particularly in Latin America, a market where we continue to focus on growth.

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
Bruce L. Byrnes Director since 2010 Age — 66	<p>July 2008: Retired Vice Chairman of the Board, Procter &amp; Gamble, Inc., Cincinnati, Ohio (consumer goods); 2004-2007: Vice Chairman of the Board, Household Care, Procter &amp; Gamble, Inc.</p> <p>Currently a director of Boston Scientific Corp., Natick, Massachusetts (medical devices) since 2009, where he serves as a member of the Audit, and the Governance and Nominating Committees; and Brown-Forman Corporation, Louisville, Kentucky (wine and spirits) since 2010, where he serves as a member of the Audit, and Governance and Nominating Committees. Formerly a director of Procter &amp; Gamble from 2002 - 2008 and Cincinnati Bell Inc. (telecommunications) from 2003 - 2013.</p> <p>Member of our Audit and Board Governance Committees.</p> <p>Mr. Byrnes' qualifications to sit on our Board include his 38 years in various leadership roles of an \$80 billion global business, including his extensive marketing and strategy experience, and profit and revenue responsibility at Procter &amp; Gamble. Further, as a result of Procter &amp; Gamble's business-to-consumer focus, he brings a different perspective to our Board and our business-to-business focus.</p>
Phillip R. Cox Director since 2005 Age — 66	<p>1972 – Present: President and Chief Executive Officer, Cox Financial Corporation, Cincinnati, Ohio (financial planning and wealth management services).</p> <p>Currently a director of Cincinnati Bell Inc., Cincinnati, Ohio (telecommunications) since 1993, where he has served as Chairman of the Board since 2003 and where he serves as a member of the Audit and Finance, Compensation, and Governance and Nominating Committees; The Timken Company, Canton, Ohio (engineered steel products) since 2004, where he has served as a member of the Audit Committee since 2004, and served as Chair of the Finance Committee from 2004 – 2011; and Touchstone Investments, Cincinnati, Ohio (mutual fund company) since 1993, where he has served as Chairman of the Board since 2008.</p> <p>Chair of our Compensation Committee and member of our Investment Committee.</p> <p>Mr. Cox's 39 years of experience as a president and Chief Executive Officer in the financial services industry, as well as his experience as a director on the boards of several government-regulated businesses, a global manufacturing company, and the Federal Reserve Bank of Cleveland, provides the Board with experience relevant to many key aspects of our business. Mr. Cox's experience as a Chief Executive Officer also imparts appropriate insight into executive compensation and succession planning issues that are ideal for the Chairman of our Compensation Committee, and his extensive experience in the financial services industry provides the understanding necessary to serve on our Investment Committee.</p>
Richard L. Crandall Director since 1996 Age — 70	<p>2001 – Present: Managing Partner, Aspen Venture LLC, Aspen, Colorado (venture capital and private equity); 2007 – Present: Executive Chairman, Pelstar LLC, Chicago, Illinois (medical equipment manufacturing and sales); 1995 – Present:</p>

Chairman, Enterprise Software Roundtable, Aspen, Colorado (CEO roundtable for software industry).

Currently a director of R.R. Donnelley & Sons Company, Chicago, Illinois (interactive communications provider) since January 2012, where he serves as a member of the Governance Committee. Formerly a director of Novell, Inc. (infrastructure software) from 2003 – 2011, where he served as Chairman of the Board from 2008 – 2011; Claymore Dividend & Income Fund, Lisle, Illinois (management investment company) from 2004 – 2010; and Platinum Energy Solutions, Houston, Texas (energy services) from 2012 - 2013.

Member of our Compensation and Investment Committees.

Mr. Crandall's extensive experience as an entrepreneur, leader and Board member with several companies in the information technology and technology fields, and in the financial industry, including serving as chairman of a \$900 million global information technology business, brings diversity of thought to our Board. Further, during his 17 years on our Board, Mr. Crandall has provided immeasurable assistance to our technology-driven businesses. Mr. Crandall's background in the financial services industry also provides important financial and investment expertise to our Compensation and Investment Committees, and his information technology experience provides perspective on technology risks facing us.

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
Gale S. Fitzgerald Director since 1999 Age — 63	December 2008: Retired President and Director, TranSpend, Inc., Bernardsville, New Jersey (total spend optimization).  Currently a director of Health Net, Inc., Woodland Hills, California (managed healthcare) since 2001, where she serves as Chair of the Finance Committee and a member of the Audit Committee; and Cross Country Healthcare, Inc. Boca Raton, Florida (healthcare staffing) since 2007 where she serves as Chair of the Governance Committee and a member of the Audit Committee.  Chair of our Board Governance Committee and member of our Compensation Committee.  Ms. Fitzgerald's international experience as a Chief Executive Officer in the information technology industry, a Chief Executive Officer of a business unit of International Business Machines and the President and Chief Executive Officer of two privately-held consulting companies brings a well-rounded and diverse perspective to our Board discussions and provides significant insight in critical areas that impact our company, including information technology, supply chain management, procurement solutions, human resources, strategic planning and operations management. Ms. Fitzgerald's service on the Compensation Committee of Health Net, Inc. also brings valuable experience with compensation and succession planning issues to our Compensation Committee, and her 21 years of multiple board experiences provides a unique point of view to our Board Governance Committee.
Gary G. Greenfield Director-nominee Age — 59	2013 - Present: Partner, Court Square Capital Partners, New York, New York (private equity); 2007 - 2013: Chairman, CEO and President, Avid Technology, Inc., Burlington Massachusetts (digital media and entertainment).  Currently a director of Vocus, Inc., Beltsville, Maryland (marketing and public relations software) since 2008, where he serves as Chair of the Nominating and Governance Committee.  Mr. Greenfield's proven senior executive experience in high technology industries, coupled with his exceptional ability to grow markets, both domestic and international, and develop products, provides the Board with experience relevant to many key aspects of our business. Mr. Greenfield's strong skills at developing company vision and strategies in the evolving software development field will further strengthen the proficiency of our Board in this area.
Andreas W. Mattes Director since 2013 Age — 52	2013 - Present: President and Chief Executive Officer, Diebold, Incorporated; 2011 - 2013: Senior Vice President, Global Strategic Partnerships, Violin Memory (computer storage systems); 2008 - 2011: Senior Vice President and General Manager of Enterprise Services for the Americas, Hewlett-Packard Co. (computer technologies).



Robert S. Prather, Jr.  
Director since 2013  
Age — 69

As President and Chief Executive Officer of Diebold, Mr. Mattes' day-to-day leadership provides him with intimate knowledge of our operations that are a vital component of our Board discussions.

2012 - Present: Managing Director, Heartland Media (television broadcast); 1992 – 2012: President and Chief Operating Officer, Gray Television, Inc. (television broadcast).

Mr. Prather currently serves as lead independent director of GAMCO Investors, Inc. (asset management and financial services). Previously, Mr. Prather served as director of Bull Run Corporation (sports marketing and management), Draper Holdings Business Trust (television broadcasting trust), and Ryman Hospitality Properties, Inc. (real estate investment trust).

Member of our Audit Committee.

Mr. Prather brings significant acumen to the Board as a result of his extensive, broad-based business background, and critical leadership and Board roles in diverse industries. Particularly, Mr. Prather's long-term experience within the financial and investment services market brings valuable insight to the Board. In addition, his knowledge and familiarity with the specific needs of companies within regulated industries further strengthens the proficiency of our Board in that area.

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
Rajesh K. Soin Director since 2012 Age — 65	1998 – Present: Chairman of the Board and Chief Executive Officer, Soin International LLC, Beavercreek, Ohio (IT and management consulting services); 2002 - 2008: Chairman of the Board and Chief Executive Officer, MTC Technologies, Inc. (military defense systems).  Member of our Board Governance and Compensation Committees.  Mr. Soin’s experience as an entrepreneur is a tremendous asset. Mr. Soin has extensive experience in India, where we continue to focus on growth in that emerging market, and his engineering and software development background brings additional technical expertise to our Board. Further, Mr. Soin’s significant government contracting experience as the founder and Chairman of MTC Technologies Inc., a NASDAQ listed company before being acquired by BAE Systems, provides additional perspective in helping us grow our security business. August 2013 – Present: Non-executive Chairman of the Board, Diebold, Incorporated; January 2013 – August 2013: Executive Chairman of the Board, Diebold, Incorporated; December 2001: Former Group Vice President and Chief Financial Officer, Ford Motor Company, Dearborn, Michigan (automotive).  Currently a director of Lear Corporation, Southfield, Michigan (automotive components) since 2005, where he has served as non-executive Chairman of the Board since August 2010 and where he serves as a member of the Governance & Nominating, and Compensation Committees. Mr. Wallace also served as director of Hayes Lemmerz International Inc. (steel and aluminum wheels) from 2003 until February 2012; and Ambac Financial Group, Inc., New York, New York (financial guarantee insurance holding company) from 2004 until March 2013.  Chairman of the Board and member of our Board Governance and Compensation Committees.  Mr. Wallace’s experience in various senior leadership positions, including Chief Financial Officer of Ford Motor Company and President and Chief Executive Officer of Mazda Motor Corporation, bring a broad understanding of managing a global business. Further, Mr. Wallace’s financial expertise, extensive experience in Europe, Latin America and Asia, and his demonstrated leadership on the boards of several publicly traded companies, is a tremendous asset to our Board. As a result of Mr. Wallace’s background as a Chief Financial Officer, he is exceptionally qualified to serve as our current Executive Chairman of the Board and on our Investment Committee, as well as serving as Chair of our Audit Committee in 2012.
Henry D.G. Wallace Director since 2003 Age — 68	2007 - Present: Chief Executive Officer, Weber Group LLC, Greenwich, Connecticut (investment advisory); 2009 - Present: Operating Partner, Arsenal Capital Partners, LLC, New York, New York (private equity).  Currently a director of Broadridge Financial Solutions, Inc., Lake Success, New York (securities processing, clearing and outsourcing) since 2007, where he serves as a member of the Audit Committee, and as Chairman of the Compensation Committee; and Sandridge Energy, Inc., Oklahoma City, Oklahoma (energy
Alan J. Weber Director since 2005 Age — 65	

exploration and production) since 2013, where he serves as Chairman of the Nominating and Governance Committee.

Chair of our Investment Committee and member of our Audit Committee.

Mr. Weber's experience as a Chief Executive Officer and Chief Financial Officer in the financial industry, as well as 27 years of experience at Citibank, including 10 years as an Executive Vice President, provides a tremendous depth of knowledge of our customers and our industry. Further, Mr. Weber's experience as Chief Financial Officer of Aetna, Inc., and insurance services company, brings extensive financial expertise to both our Audit Committee and our Investment Committee.

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## BENEFICIAL OWNERSHIP OF SHARES

To our knowledge, no person beneficially owned more than five percent of our outstanding common shares as of December 31, 2013, except for the shareholders listed below. The information provided below was derived from reports filed with the SEC by the beneficial owners on the dates indicated in the footnotes below.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Shares	State Street Corporation One Lincoln Street Boston, Massachusetts 02111	7,106,415 <sup>1</sup>	11.05%
Common Shares	GGCP, Inc. et al. One Corporate Center Rye, New York 10580	6,317,124 <sup>2</sup>	9.83%
Common Shares	Michael W. Cook Asset Management, Inc. d/b/a SouthernSun Asset Management 6070 Poplar Avenue, Suite 300 Memphis, Tennessee 38119	4,438,295 <sup>3</sup>	6.90%
Common Shares	BlackRock, Inc. 40 East 52nd Street New York, New York 10022	4,108,672 <sup>4</sup>	6.39%
Common Shares	The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	3,422,187 <sup>5</sup>	5.32%
Common Shares	Wells Fargo & Company 420 Montgomery Street San Francisco, California 94104	3,319,520 <sup>6</sup>	5.16%

<sup>1</sup> The Schedule 13G filed with the SEC on February 3, 2014 indicates that, as of December 31, 2013, State Street Corporation, a holding company, had shared voting and dispositive power with respect to 7,106,415 shares through its direct or indirect subsidiaries.

The Schedule 13D/A filed with the SEC on January 16, 2014 indicates that, as of January 14, 2014: (A) Gabelli Funds, LLC had sole voting and dispositive power with respect to 1,708,900 common shares; (B) GAMCO Asset Management Inc. had sole voting power with respect to 4,248,641 common shares and sole dispositive power with respect to 4,467,741 common shares; (C) MJG Associates, Inc. had sole voting and dispositive power with respect to 8,000 common shares; (D) MJG - IV Limited Partnership had sole voting and dispositive power with respect to 5,000 common shares; (E) Gabelli Foundation, Inc. had sole voting and dispositive power with respect to 5,000 common shares; (F) GGCP, Inc. had sole voting and dispositive power with respect to 35,000 common shares; (G) Mario J. Gabelli had sole voting and dispositive power with respect to 86,403 common shares; (H) GAMCO Investors, Inc. had sole voting and dispositive power with respect to 80 common shares; and (I) Gambelli Securities, Inc. had sole voting and dispositive power of 1,000 common shares. Mario Gabelli is deemed to have beneficial ownership of the securities owned beneficially by each of the foregoing persons. GAMCO Investors, Inc., and GGCP, Inc. are deemed to have beneficial ownership of the securities owned beneficially by each of the foregoing persons other than Mario Gabelli and the Gabelli Foundation, Inc.

<sup>3</sup> The Schedule 13G filed with the SEC on February 14, 2014 indicates that, as of December 31, 2012, Michael W. Cook Asset Management, Inc. had sole voting power over 4,168,330 common shares and sole dispositive power over 4,438,295 common shares.

The Schedule 13G/A filed with the SEC on January 28, 2014 indicates that, as of December 31, 2013, BlackRock,<sup>4</sup> Inc. had sole voting power with respect to 3,806,812 common shares and sole dispositive power with respect to 4,108,672 common shares.

The Schedule 13G/A filed with the SEC on February 12, 2014 indicates that, as of December 31, 2013, The<sup>5</sup> Vanguard Group had sole voting power over 40,333 common shares, sole dispositive power over 3,386,954 common shares, and shared dispositive power over 35,233 common shares.

The Schedule 13G filed with the SEC on January 27, 2014 indicates that, as of December 31, 2013, Wells Fargo &<sup>6</sup> Company on its own behalf and on behalf of its subsidiaries had sole voting and dispositive power over one common share, shared voting power over 2,924,917 common shares and shared dispositive power over 3,305,945 common shares.

#### SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows the beneficial ownership of Diebold's common shares, including those shares that individuals have a right to acquire (for example, through exercise of options under the 1991 Plan) within the meaning of Rule 13d-3(d)(1) under the Exchange Act, by (1) each director-nominee, (2) (a) our CEO, (b) our Vice President, Global Finance (who has performed principal financial officer functions since November 6, 2013), (c) our former CEO, (d) our former CFO, (e) our three other most highly compensated executive officers serving as of December 31, 2013, (f) two other individuals who would have been deemed a Named Executive Officer had they remained in their roles as of December 31, 2013, all of whom we refer to collectively as the "Named Executive Officers," and (3) all director-nominees, Named Executive Officers and other executive officers as a group as of February 28, 2014. Ownership is also reported as of February 28, 2014 for shares in the 401(k) Savings Plan over which the individual has voting power, together with shares held in our Employee Stock Purchase Plan.

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Director-Nominees:	Common Shares Beneficially Owned	Stock Options Exercisable Within 60 Days	Deferred Shares <sup>1</sup>	Percent of Class
Patrick W. Allender	-	-	10,150	*
Roberto Artavia	-	-	4,200	*
Bruce L. Byrnes	-	-	12,950	*
Phillip R. Cox	-	9,000	20,550	*
Richard L. Crandall	6,089	13,500	20,900	*
Gary G. Greenfield	-	-	-	*
Gale S. Fitzgerald	6,089	13,500	20,150	*
Robert S. Prather, Jr.	-	-	4,200	*
Rajesh K. Soin	3,000	-	7,450	*
Henry D. G. Wallace	3,000	13,500	22,250	*
Alan J. Weber	1,500	9,000	20,150	*
Named Executive Officers:				
Andreas W. Mattes <sup>2</sup> President and Chief Executive Officer	27,987	-	-	*
Christopher A. Chapman <sup>3</sup> Vice President, Global Finance	17,085 <sup>10</sup>	18,188	-	*
George S. Mayes, Jr. <sup>4</sup> Executive Vice President, Chief Operating Officer	54,685 <sup>10</sup>	73,895	-	*
Lance (Tony) Byerly Executive Vice President, Electronic Security	8,859	9,873	-	*
Dennis D. Deering <sup>5</sup> Former Vice President, Global Services and Operations	5,505 <sup>10</sup>	14,850	-	*
Thomas W. Swidarski <sup>6</sup> Former President and Chief Executive Officer	-	196,900	-	*
Bradley C. Richardson <sup>7</sup> Former Executive Vice President and Chief Financial Officer	12,471	-	-	*
M. Scott Hunter <sup>8</sup> Former Vice President, Treasurer and Chief Tax Officer	5,311 <sup>10</sup>	-	-	*
Miguel A. Mateo <sup>9</sup> Former Vice President, Latin America Division	29,006	42,575	-	*
All Current Directors, Director-Nominees, Named Executive Officers and Current Executive Officers as a Group (20)	206,231	514,045	142,950	1.12%

\*Less than 1%.

The deferred shares awarded to the director-nominees, as discussed above under “Compensation of Directors,” are not included in the shares reported in the “Common Shares Beneficially Owned” column, nor are they included in the “Percent of Class” column.

<sup>2</sup> Mr. Mattes was appointed President and CEO effective as of June 6, 2013, and began serving as Principal Executive Officer as of August 15, 2013.

<sup>3</sup> Mr. Chapman assumed the interim Principal Financial Officer functions effective as of November 6, 2013.

<sup>4</sup> Mr. Mayes was our Executive Vice President, Global Operations during 2012. Effective as of January 19, 2013, he became our Executive Vice President and Chief Operating Officer.

<sup>5</sup> Effective as of December 31, 2013, Mr. Deering elected to retire under our Voluntary Early Retirement Program.

For further explanation and discussion, see “Retirement” under “Compensation Discussion and Analysis” below.

<sup>6</sup> Mr. Swidarski stepped down as our President and Chief Executive Officer effective as of January 19, 2013.

<sup>7</sup> Mr. Richardson stepped down as our Executive Vice President and Chief Financial Officer effective as of November 5, 2013.

Mr. Hunter stepped down as our Vice President, Treasurer and Chief Tax officer effective as of November 8, 2013.

<sup>8</sup> For further explanation and discussion, see “Separation Agreements” under “Compensation Discussion and Analysis” below.

<sup>9</sup> Effective as of November 30, 2013, Mr. Mateo elected to retire under our Voluntary Early Retirement Program. For further explanation and discussion, see “Retirement” under “Compensation Discussion and Analysis” below.

<sup>10</sup> Includes shares held in his name under the 401(k) Savings Plan over which he has voting power.

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of our common shares, to file with the SEC reports of ownership of our securities on Form 3 and changes in reported ownership on Form 4 or Form 5, as applicable. Such directors, executive officers and greater than 10% shareholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file.

Based solely upon a review of the reports furnished to us, or written representations from reporting persons that all other reportable transactions were reported, we believe that during the year ended December 31, 2013, our directors, executive officers and greater than 10% shareholders timely filed all other reports they were required to file under Section 16(a).

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the following “Compensation Discussion and Analysis” section of this proxy statement. Based on our review and discussions, we recommend to the Board that the “Compensation Discussion and Analysis” be included in our Annual Report on Form 10-K for the year ended December 31, 2013 and this proxy statement.

The foregoing report was submitted by the Compensation Committee of the Board and shall not be deemed to be “soliciting material” or to be “filed” with the SEC or subject to Regulation 14A promulgated by the SEC or Section 18 of the Exchange Act.

The Compensation Committee:

Phillip R. Cox, Chair

Richard L. Crandall

Gale S. Fitzgerald

Rajesh K. Soin

Henry D. G. Wallace

**COMPENSATION DISCUSSION AND ANALYSIS**

Our Compensation Committee (Committee) has oversight responsibility for the development and administration of our executive compensation policies and programs. This “Compensation Discussion and Analysis” describes the material components of our executive pay program for our Named Executive Officers (NEOs) as identified below under “2013 Company Highlights,” and explains how and why the Committee arrived at specific compensation policies and decisions for our NEOs in 2013.

Our executive compensation structure consists of three primary components: base salary, annual incentives, and long-term incentives. Within the long-term incentive component, we utilize a mix of programs. Our structure is as follows:



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To assist shareholders in finding important information, this "Compensation Discussion and Analysis" is organized as follows:

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Executive Summary

2013 Company Highlights

Leadership changes: In 2013, we experienced a leadership change that positions us to deliver long-term value through a transformational business strategy. Mr. Mattes was hired as our new President and Chief Executive Officer on June 6, 2013 to develop and implement that strategy.

Mr. Mattes replaced Mr. Swidarski, who served as our President and Chief Executive Officer through January 19, 2013. Prior to Mr. Mattes' hiring, Mr. Wallace served as our interim principal executive officer from the date of Mr. Swidarski's departure through August 15, 2013, when Mr. Mattes assumed that role. Also, our Executive Vice

President and Chief Financial Officer, Mr. Richardson, resigned from the Company on November 5, 2013. Mr. Chapman began serving as our principal financial officer on November 6, 2013. Messrs. Mateo and Deering retired on November 29, 2013 and December 31, 2013, respectively, under our Voluntary Early Retirement Program. For purposes of this “Compensation Discussion and Analysis,” in accordance with SEC rules, our NEOs are:

- Andreas (Andy) W. Mattes: President and Chief Executive Officer;
- Christopher A. Chapman: Vice President, Global Finance;

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George S. Mayes, Jr.: Executive Vice President and Chief Operating Officer (formerly our Executive Vice President, Global Supply Chain);

Lance (Tony) Byerly: Executive Vice President, Electronic Security;

Dennis Deering: Former Vice President, Global Services and Operations;

Henry D. G. Wallace: Non-Executive Chairman of the Board (appointed Executive Chairman effective January 19, 2013, but resumed non-Executive Chairman of the Board role as of August 15, 2013);

Thomas W. Swidarski: Former President and Chief Executive Officer;

Bradley C. Richardson: Former Executive Vice President and Chief Financial Officer;

M. Scott Hunter: Former Vice President, Treasurer and Chief Tax Officer (stepped down as of November 8, 2013); and

Miguel A. Mateo: Former Vice President, Latin America Division.

Transformation strategy: We recently unveiled our multi-year turnaround strategy, Diebold 2.0, at the Investment Community Conference in November of 2013. The objective is to transform the company into a world-class, services-led and software enabled provider of secure, convenient and efficient solutions for our customers. The turnaround strategy will follow a “Crawl, Walk, Run” approach that requires the core business operations to be stabilized in the “Crawl” phase while building the foundation for future growth in the “Walk” and “Run” phases. Four core pillars provide a clear path toward reaching this multi-year objective:

Reduce our cost structure and improve our near-term delivery and execution;

Generate increased free cash flow in order to fund the investments necessary to drive profitable growth, while preserving the ability to return value to shareholders in the form of reliable dividends and, as appropriate, share repurchases;

Attract and retain the talent necessary to drive innovation and the focused execution of the transformation strategy; and

Return to a sustainable, profitable growth trajectory.

We see opportunities to leverage our capabilities in services, software and innovation to meet the needs of our rapidly evolving markets. We have sharpened our focus on executing our core strategies in financial self-service (FSS) and electronic security. This includes making the appropriate investments to deliver growth within these areas. In addition, we remain committed to a disciplined risk assessment process, focused on proactively identifying and mitigating potential risks to our continued success.

2013 Say-on-Pay Vote

At the 2013 Annual Meeting of Shareholders, the advisory vote to approve the executive compensation program for our NEOs received strong support (97.3% of votes cast on that issue). Management and the Committee considered this strong support of the current pay structure by our shareholders in their compensation program discussions throughout 2013.

Based on our say-on-pay results, the Committee expects to continue to apply the same principles in determining future executive compensation policies and programs. The Committee is dedicated to continuous improvement to the executive pay program, consistent with its overall compensation strategy, and will continue to review and evaluate market trends and best practices in designing and implementing elements to our compensation program.

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Corporate Governance Policies

We strive to maintain best practice executive compensation governance standards, including the oversight of our executive compensation programs and policies. The following guidelines and policies were in effect during 2013, some of which are described in more detail below under "Other Compensation Policies" or elsewhere in this "Compensation Discussion and Analysis":

**Recoupment (or clawback) policy:** In addition to our stand-alone clawback policy regarding recovery of excessive performance-based incentive compensation in certain circumstances, our equity grants also include general provisions that allow us to cancel or "claw back" shares received pursuant to awards or stock option exercises.

**Insider trading policy:** Our employees, officers and directors are prohibited from trading in Diebold securities, and in derivative securities, when he or she is aware of material, non-public information about the company.

**Blackout periods:** In addition to the insider trading policy, executives are prohibited from trading our stock within the period that begins two weeks prior to the end of each quarter through the first business day following our next quarterly earnings release.

**Anti-hedging policy:** Our employees, officers and directors are prohibited from entering into speculative transactions in company securities including hedging or monetization transactions, in which the stockholder continues to own the underlying security without all the risks or rewards of ownership. In addition, employees may not purchase company securities on margin, or borrow against any account in which company securities are held (except for employee loans from the Company's 401(k) Savings Plan accounts).

**Stock ownership guidelines:** Five times salary for CEO; three times salary for CEO direct reports; and one and a half times salary for performance share plan participants. The Committee regularly tracks progress towards achievement.

**Tally sheets:** The Committee annually reviews tally sheets in order to analyze our NEO total compensation opportunities based on historical grant practices, and to review the potential compensation under various termination scenarios.

**Performance goal disclosure:** We disclose our 2013 incentive plan performance goals and achievement levels.

**Incentive payment thresholds and maximums:** As discussed below in "2013 Compensation Elements," both the annual cash bonus plan and the performance share program have threshold performance requirements which must be achieved in order to receive a payment. Maximum payments are capped. Further, performance share payments are capped at target in periods of negative total shareholder return (TSR), even if an above-target award is earned (TSR is a measure of the total return to our shareholders over time, combining our share price appreciation and dividends paid).

**Limited executive perquisites and other benefits:** As discussed below in "Benefits and Perquisites," these items are limited and do not include income tax gross-ups. In addition, the company eliminated the company car program for executives in March 2013.

**Change-in-control benefits:** As discussed below in "Change-in-Control Protection," these benefits provide for management continuity and alignment of executive and shareholder interests in the event of a change-in-control of the company. They are not excessive in that existing coverage for Diebold executives does not provide (1) severance multiples in excess of three times salary and target bonus, (2) single trigger cash payments, and/or (3) modified single trigger provisions. As of 2013, future change-in-control provisions will not include excise tax gross-ups.

**Independent compensation consultant:** Aon Hewitt is retained directly by the Committee, advises on all executive officer pay decisions, keeps the Committee apprised of trends/best practices, and performs no other services.

**Compensation risk assessment:** As discussed above in "Compensation Committee Risk Oversight," the Committee conducts an annual risk assessment of the company's compensation policies and practices to ensure that our programs are not reasonably likely to have a material adverse effect on the company.

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Our Compensation Strategy

Our executive pay program is specifically designed to:

Focus on performance metrics that align executives and management with the creation of long-term shareholder value through performance-based compensation, including the direct utilization of TSR;

Utilize metrics that are balanced and support the four pillar strategy of Cost, Cash, Growth and Talent;

Encourage decision-making in alignment with our business strategies, with goal-setting based on a philosophy of continuous improvement, commitment to becoming a “top tier” performer and supporting our longer-term business strategy;

Reflect industry standards, offer globally competitive program design and pay opportunities, and balance our need for talent with our need to maintain reasonable compensation costs; and

Attract, motivate, and retain executive talent willing to commit to building long-term shareholder value.

Our compensation structure will continue to evolve in support of our new strategic business transformation. The following table summarizes key elements of our 2013 executive compensation program:

Element	Primary Propose	Key Characteristics
Base Salary	To compensate the executive fairly and competitively for the responsibility level of the position.	Fixed compensation to pay the executive fairly for the responsibility level of the position.
Annual Cash Bonus	To motivate and reward organizational and individual achievement of annual strategic financial and individual objectives.  Our plan will appropriately motivate the behaviors and performance results needed to accomplish our strategic transformation.	Variable compensation component. The 2013 primary performance components are:  Corporate non-GAAP earnings per share (EPS) <sup>1</sup> Adjusted free cash flow (FCF) <sup>2</sup> Division operating profit Other division working capital metrics Key initiatives
Long-Term Incentives	To align executives with shareholder interests, to reinforce long-term value creation, and to provide a balanced portfolio of long-term incentive opportunity.	Variable compensation component. Reviewed and granted annually.
Performance Shares	To motivate the appropriate behaviors to provide superior TSR over the long term.	TSR relative to peers and the S&P 400 mid-cap companies.
Stock Options	To motivate the appropriate behaviors to increase shareholder value above the exercise price.	Stock price growth above the exercise price.
Restricted Stock Units (RSUs)	To motivate the appropriate behaviors to increase shareholder value and promote a base-level of executive retention.	Stock price growth.
Health/Welfare Plan and Retirement Benefits	To provide competitive benefits promoting employee health and productivity and support financial	Fixed compensation component.

Perquisites and Other Benefits	security. To provide limited business related benefits, where appropriate.	Fixed compensation component.
Change-in-Control Protection	To bridge future employment if terminated following a change-in-control of the company.	Fixed compensation component; only paid in the event the executive's employment is terminated following a change-in-control of the company.
Severance Protection	To bridge future employment if terminated other than "for cause."	Fixed compensation component; only paid in the event the executive's employment is terminated other than "for cause."

<sup>1</sup> Non-GAAP EPS is net income per share, excluding restructuring charges, non-routine income and expenses, and impairment charges.

<sup>2</sup> FCF is net cash generated from our operating activities and available for execution of our business strategy, excluding capital expenditures.

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2013 NEO Compensation Highlights - Target Compensation Structure

The Committee approved the following key compensation items in 2013, each discussed further in “2013 Compensation Elements” below:

Pay Component	Summary
Base Salary	<p>At the February 2013 meeting, the Committee approved NEO base salary increases ranging from 0% to 5.0%, except for Mr. Mayes and Mr. Deering.</p> <p>Mr. Mayes: Received a 38.6% increase to reflect his promotion to Executive Vice President and Chief Operating Officer, effective January 28, 2013.</p> <p>Mr. Deering: Received a 20.8% increase to reflect a market adjustment for his role, also effective January 28, 2013.</p> <p>Mr. Chapman: received a subsequent 6.0% increase to reflect his increased responsibilities as interim principal financial officer, effective November 4, 2013.</p>
Target Annual Cash Bonus	<p>NEO target bonuses did not change, except for Mr. Mayes.</p> <p>Mr. Mayes: Target bonus increased from 75% to 80% of salary to reflect his promotion to Executive Vice President and Chief Operating Officer, effective January 28, 2013.</p> <p>2013 LTI value mix: 50% performance shares; 30% stock options; and 20% RSUs.</p> <p>Stock option vesting was changed from four-year ratable to three-year ratable to align with the three-year performance period in our performance share grants and the three-year "cliff" vesting in our RSU grants.</p>
Long-Term Incentives (LTI)	<p>At the February 2013 meeting, the Committee reviewed competitive market data to determine 50<sup>th</sup> percentile grant levels. Modest adjustments were made to LTI grant levels to maintain a competitive standing for total compensation opportunity.</p> <p>Mr. Mayes: 2013 equity grant value increased from approximately 1.5x salary to approximately 2.3x salary to reflect his promotion to Executive Vice President and Chief Operating Officer (based on a review of competitive market data for similar roles at peer companies).</p> <p>Mr. Chapman: received a grant of 2,000 RSUs with three-year cliff vesting to reflect his role as principal financial officer, effective November 4, 2013.</p> <p>Mr. Mattes' compensation package was developed based on a review of competitive market data and an understanding of his compensation opportunity at his previous employer.</p> <p>Annual base salary: \$775,000</p> <p>Annual target bonus: 120% of base salary</p> <p>Annual target LTI value: 350% of base salary</p> <p>Minimum bonus in 2013 only: To make Mr. Mattes “whole” for foregone compensation opportunity at his previous employer, he will be paid a minimum of full target bonus (on a prorated basis, according to an effective hiring date of June 6, 2013).</p>
New CEO - 2013 Compensation Structure	<p>Inducement equity grant: Also, as a means to make Mr. Mattes “whole” for foregone compensation opportunities at his previous employer, he received \$500,000 of vested company stock, subject to a “clawback” provision whereby Mr. Mattes must repay Diebold (1) 100% of the grant value if he voluntarily terminates employment prior to his one-year employment anniversary date, or (2) 50% of the grant value if he voluntarily terminates employment after his one-year anniversary but prior to his two-year anniversary date.</p> <p>Additional benefits and perquisites consistent with market practice (for more details see below under "CEO Compensation for 2013").</p>
Interim Principal Executive Officer Compensation	<p>Mr. Wallace served as our interim Executive Chairman and principal executive officer from January 19, 2013 through August 15, 2013. Effective with his appointment as Executive Chairman, his compensation was structured as follows, based on the Committee’s review of</p>

Structure

competitive market data for similar interim roles:

Monthly stipend: \$70,000 (\$51,000 per month allocated for salary as interim principal executive officer and \$19,000 per month allocated for Board/Chairman-related fees).

NEO annual cash bonus plan: Not eligible

NEO LTI grants: Not eligible

Non-employee director board or committee retainers / fees: Not eligible

Non-employee director equity grants: Eligible consistent with other directors (for more details see above under "2013 Director Compensation").

On August 15, 2013, Mr. Wallace resumed his non-Executive Chairman role. At that time, he stopped receiving the monthly stipend and resumed his participation in the regular ongoing non-employee director compensation program.

Mr. Wallace is not included in the detailed compensation charts included in this CD&A because he was not eligible for the NEO annual cash bonus plan or the NEO equity grants.

We generally target total compensation opportunity at or near the size-adjusted 50<sup>th</sup> percentile of our compensation peer group discussed further below. Overall, the Committee believes targeted compensation should be more heavily weighted on variable "at-risk" compensation and longer-term components.

Total Compensation

Our target total compensation for Mr. Mattes on a go-forward basis is approximately 82% "at-risk" (annual bonus and LTI) and 74% of the "at-risk" compensation is long-term. The average for our other active NEOs (excluding NEOs who are former employees and Mr. Wallace) is approximately 70% "at-risk" and 65% of the "at-risk" compensation is long-term.



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2013 NEO Compensation Highlights - Actual Compensation

The Committee approved the following compensation items in 2013, each discussed further in “2013 Compensation Elements” below:

Pay Component	Comments
	Mr. Mattes received a \$900,953 cash bonus, which was 170% of target, prorated from the time at which he joined the Company in June 2013.
	Mr. Chapman received a \$184,100 cash bonus, which was 140% of target.
	Mr. Mayes, Jr. received a \$525,000 cash bonus, which was 140% of target.
	Mr. Byerly received a \$274,628 cash bonus, which was 105% of target.
	Mr. Deering received a \$75,200 cash bonus, which was 91% of target.
Actual Annual Cash Bonus	Mr. Wallace was not eligible to receive a cash bonus under our Annual Cash Bonus Plan.
	Mr. Swidarski was not eligible to receive a cash bonus in 2013 due to the timing of his separation in January 2013.
	Mr. Richardson did not receive a cash bonus due to his resignation in November 2013.
	Mr. Hunter did not receive a cash bonus due to his separation in November 2013.
	Mr. Mateo received a cash bonus of \$75,625, which was 60% of target, prorated due to his retirement in November 2013.
LTI	Performance share grant for the 2011-2013 performance period: No payout was earned, based on the performance / payout scale approved by the Committee at the start of the performance period. Our three-year TSR was 14.8%, which ranked at the 22 <sup>nd</sup> percentile versus the S&P 400 Midcap peer group, and at the 15 <sup>th</sup> percentile versus our custom peer group. The minimum percentile ranking required to start earning payouts is the 35 <sup>th</sup> percentile.

Compensation Decision Process

Role of the Compensation Committee

The Committee is responsible to our Board for oversight of our executive compensation programs. The Committee consists of independent directors and is responsible for the review and approval of all aspects of our program. Among its duties, the Committee is responsible for:

Reviewing and assessing competitive market data from the independent compensation consultant, discussed below;

Reviewing and approving incentive goals, objectives and compensation recommendations for the NEOs;

Evaluating the competitiveness of each executive’s total compensation package; and

Approving any changes to the total compensation package for the NEOs including, but not limited to, salary, annual incentives, LTI award opportunities and payouts, and retention programs.

Following review and discussion, the Committee submits recommendations to the Board for approval. The Committee is supported in its work by the Chief Human Resources Officer and staff, and an independent compensation consultant, discussed in “Role of the Independent Compensation Consultant” below. For additional information regarding the Committee’s duties and responsibilities, see “Compensation Committee Risk Oversight” and “Compensation Committee” above.

Role of the Independent Compensation Consultant

The Committee retains an independent compensation consultant, Aon Hewitt, in accordance with the Committee’s charter. The consultant reports directly to the Committee. The Committee retains sole authority to hire or terminate Aon Hewitt, approve its compensation, determine the nature and scope of services, and evaluate performance. A representative of Aon Hewitt attends Committee meetings, as requested, and communicates with the Committee Chair between meetings. The Committee makes all final decisions. Other than Aon Hewitt’s roles and services listed below with respect to compensation consulting, it performs no other services for the company.

Aon Hewitt’s specific compensation consultation roles include, but are not limited to, the following:

Advise the Committee on executive compensation trends and regulatory developments;

Provide a total compensation study for executives against the companies in our peer group and recommendations for executive pay;

Provide advice to the Committee on governance best practices, as well as any other areas of concern or risk;

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Serve as a resource to the Committee Chair for meeting agendas and supporting materials in advance of each meeting; Review and comment on proxy disclosure items, including the “Compensation Discussion and Analysis”;

Advise the Committee on management’s pay recommendations; and

From time to time, Aon Hewitt is also engaged by the Board Governance Committee to review and provide compensation recommendations for non-employee directors.

The Committee has assessed the independence of Aon Hewitt, as required under NYSE listing rules. The Committee has also considered and assessed all relevant factors, including but not limited to those set forth in Rule 10C-1(b)(4)(i) through (vi) under the Exchange Act, that could give rise to a potential conflict of interest with respect to Aon Hewitt.

Based on this review, there are no conflicts of interest raised by the work performed by Aon Hewitt.

Role of Management

Our Chief Human Resources Officer serves as management’s primary contact with the Committee and attends all Committee meetings. For executives other than the CEO position, our CEO and Chief Human Resources Officer make pay recommendations to the Committee based on market pay comparisons and an analysis of each executives’ individual performance. No member of our management team, including the CEO, has a role in making pay recommendations to the Committee for his or her own position.

Role of Peer Companies and Competitive Market Data

Annually, the Committee reviews competitive total compensation market data provided by Aon Hewitt. To assess competitive pay levels, the Committee first annually reviews and approves our peer group composition. The following peer group criteria are considered:

Company size: Approximately 0.5 to 2 times Diebold’s annual revenues, with a focus on market capitalization of 0.2 to 5 times Diebold’s market capitalization, as a secondary reference;

Direct competitors for business and management talent;

Companies covered by the investment analysts that track Diebold;

Companies that include Diebold in their compensation peer group; and

Global companies that design and manufacture products for their customers, and provide related services.

In December 2012, Aon Hewitt conducted a total compensation study to assist with 2013 compensation decisions. The prior year peer group was revised to replace the three largest companies (Dover Corp., Mastercard Inc., and Rockwell Automation), which had increased beyond the desired revenue range. For 2013, the Committee approved the following compensation peer group:

Actuant Corp	Flowserve Corp.	NCR Corp.
Benchmark Electronics Inc.	Global Payments Inc.	Pitney Bowes Inc.
Brady Corp.	Harris Corp. <sup>2</sup>	Sensata Technologies
The Brinks Company	Imation Corp.	SPX Corp.
Coinstar Inc.	International Game Technology	The Timken Company
Cooper Industries plc <sup>1</sup>	Lexmark International <sup>2</sup>	Unisys Corp.
DST Systems <sup>2</sup>	Logitech International SA	The Western Union Company
Fidelity National Information Services	Mettler-Toledo International Inc.	Woodward Inc.
Fiserv, Inc.		

<sup>1</sup> Cooper Industries was acquired by Eaton Corporation in November 2012.

<sup>2</sup> Denotes new peer company.

Aon Hewitt benchmarks total compensation opportunities for each of our NEOs using peer company proxy data, as well as published and private compensation survey data. Size-adjusted market values for comparable executive compensation were developed using regression analysis. This statistical technique accounts for revenue size differences within the peer group and develops an estimated market value for a similar-size company as Diebold. The

size-adjusted 50th percentile for total compensation is a key reference point for the Committee. On average, our NEO total compensation opportunities are competitively positioned at or near the size-adjusted 50th percentile.

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## Timing of Compensation Decisions

Pay recommendations for our executives, including the NEOs, are typically made by the Committee at its first scheduled meeting of the year, normally held in February. This meeting is normally held around the same time we report our fourth quarter and year-end financial results for the preceding fiscal year and provide our financial guidance for the upcoming year. This timing allows the Committee to have a complete financial performance picture prior to making compensation decisions.

Decisions with respect to prior year performance, performance for other relevant periods and any resulting award payouts, as well as annual equity awards, base salary increases and target performance levels for the current year and beyond, are also typically made at this meeting. Generally, any increases in base salary approved at this meeting are made effective in the next pay period. Further, any equity awards recommended by the Committee at this meeting are then reviewed by the Board and, if approved, are dated as of the date of the Board meeting held the following day. As such, the Committee does not time the grants of options or any other equity incentives to the release of material non-public information.

The exceptions to this timing are awards to executives who are promoted or hired from outside the company during the year. These executives may receive salary increases or equity awards effective or dated, as applicable, as of the date of their promotion or hire.

## Determination of CEO Compensation

At the February Committee meeting, in executive session without management present, the Committee reviews and evaluates CEO performance, and determines achievement level, for the prior fiscal year. The Committee also reviews competitive compensation data. The Committee presents pay recommendations for the CEO to the independent members of the Board. During executive session, the Board conducts its own review and evaluation of the CEO's performance taking into consideration the recommendations of the Committee.

## 2013 Compensation Elements

Note: In his role as interim Executive Chair, Mr. Wallace received a monthly stipend as described in more detail under "Compensation of Directors" above, and in the "2013 Summary Compensation Table" below. Other than the portion of his stipend that was allocated to salary, Mr. Wallace was otherwise ineligible for any of the compensation elements, benefits and perquisites discussed in the remainder of this "Compensation Discussion and Analysis."

## Base Salary

Base salaries are designed to recognize and reward the skill, competency, experience and performance an executive brings to his or her position. Changes in salary result primarily from a comparison against competitive market data, individual and company performance, internal equity considerations, promotions, and the executive's specific responsibilities. The Committee reviews salaries annually.

For 2013, the Committee reviewed competitive market data and individual performance assessments for the NEOs and approved the following base salary changes:

Name	2012 Salary	2013 Salary	Increase %
Andreas W. Mattes	---	\$775,000 <sup>1</sup>	---
Christopher A. Chapman	\$236,130	\$263,000	11.4% <sup>2</sup>
George S. Mayes, Jr.	\$360,767	\$500,000	38.6% <sup>3</sup>
Lance A. Byerly	\$350,000	\$350,000	0.0%
Dennis D. Deering	\$194,575	\$235,000	20.8% <sup>4</sup>
Henry D. G. Wallace	---	\$51,000/month <sup>5</sup>	---
Thomas W. Swidarski	\$840,000	\$840,000	0.0%
Bradley C. Richardson	\$520,032	\$520,032	0.0%
M. Scott Hunter	\$233,137	\$240,000	2.9%
Miguel A. Mateo	\$266,545	\$275,000	3.6%

<sup>1</sup> Represents Mr. Mattes' 2013 annual salary rate.

<sup>2</sup> Represents a 5.0% merit increase effective January 1, 2013 and a 6.0% increase effective November 6, 2013 to reflect his interim principal financial officer responsibilities.

<sup>3</sup> Represents his promotion to Executive Vice President and Chief Operating Officer.

<sup>4</sup> Represents market adjustment and increased global role.

<sup>5</sup> During the time that Mr. Wallace held the position of Executive Chairman, he received a monthly stipend of \$70,000, \$51,000 of which was allocated to salary and the remainder was allocated to Board and committee retainer amounts, which is discussed in more detail in "Compensation of Directors" above. For a complete breakdown of Mr. Wallace's compensation earned in 2013 including his salary as Executive Chairman, see "2013 Summary Compensation Table" below.

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## Annual Cash Bonus Plan

Our NEOs are eligible to earn cash incentive awards under our Annual Cash Bonus Plan, originally approved by shareholders in 2005, and re-approved at our 2010 Annual Meeting of Shareholders. Payout under the Annual Cash Bonus Plan depends on corporate, division, and individual performance against pre-determined performance objectives approved by the Committee at the beginning of the fiscal year.

Target opportunities: Individual NEO targets (as a percent of base salary) are approved by the Committee at the beginning of the fiscal year. Actual cash bonuses may range from 0% to 200% of target (generally 40% of target earned at threshold performance, 100% of target earned as target performance and 200% of target earned at maximum performance). For 2013, based on a thorough review and comparison against competitive market data, the Committee approved the following targets:

Name	Target Incentive (% of Salary)
Andreas W. Mattes	120%
Christopher A. Chapman	50%
George S. Mayes, Jr.	80% <sup>1</sup>
Lance A. Byerly	75%
Dennis D. Deering	35% <sup>2</sup>
Thomas W. Swidarski	100%
Bradley C. Richardson	75%
M. Scott Hunter	50%
Miguel A. Mateo	50%

<sup>1</sup> Increased from 75% to reflect his promotion in January 2013.

<sup>2</sup> Based upon competitive market data for his position, Mr. Deering's target opportunities were 20% at threshold, 35% at target and 50% at maximum.

Financial performance metrics: For 2013, the Committee approved Non-GAAP EPS, FCF, Division Operating Profit (and other working capital metrics), and certain key initiatives for each NEO. These financial measures are important bottom-line indicators that allow investors to evaluate our company. The approved key initiatives focus on other important financial and non-financial metrics critical to our success.

Performance Measure <sup>1</sup>	Organizational Level	Threshold <sup>2</sup>	Target <sup>2</sup>	Maximum <sup>2</sup>
Non-GAAP EPS	Corporate	\$1.75	\$2.00	\$2.25
Free Cash Flow	Corporate	\$100	\$125	\$150
Operating Profit	Corporate	\$163	\$186	\$209
Operating Profit <sup>3</sup>	Electronic Security	---	---	---
Operating Profit <sup>3</sup>	Latin America	---	---	---
Cash Conversion	Latin America	63 Days	57 Days	51 Days

<sup>1</sup> When evaluating financial goals and results, the Committee generally excludes certain restructuring, non-routine income and expense, and impairment items consistent with our guidance to investors.

<sup>2</sup> Payment opportunities are extrapolated between threshold, target, and maximum performance -- 40% payout at threshold; 100% payout at target; and 200% payout at maximum (except for Mr. Deering as discussed above). Dollars in millions, except per share values.

<sup>3</sup> Disclosing the quantitative performance measures for certain divisional performance metrics, which we do not otherwise disclose publicly, would cause us competitive harm by potentially disrupting our customer relationships and

providing competitors with insight to our specific strategy. We typically set target performance at a level consistent with investor guidance that is "stretch but reasonable", taking into account the current economic / business environment, our transformation strategy, and continuous improvement requirements for the company and key executives.

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Key initiative performance metrics: Key initiatives are approved by the Committee. These key initiatives are intended to drive strategic and/or operational results in the division, business unit or functional groups. Similar to the Committee's assessment of financial goals, the Committee's subjective assessment of key initiatives generally excludes certain non-recurring or extraordinary items. Also, similar to financial goals, we do not disclose some key initiative quantitative goals due to the same potential competitive harm. Our target key initiative goals are "stretch but reasonable".

Name	Approved Key Initiative	Description
Andreas W. Mattes	N/A	N/A
Christopher A. Chapman	Organization re-alignment & reporting Information Technology / Global Business Services (IT/GBS) Roadmap Implementation	Realign organization structure to support Chief Operating Officer organization. Oracle R12 Financial implementation; Custom Relationship Management (CRM) blueprint and implementation
George S. Mayes, Jr.	Transformation Plan	Sustainable cost reduction in Selling, General & Administrative Expense
Lance A. Byerly	Electronic Security growth Electronic Security profitability	Grow order entry Improve Electronic Security gross margin
Dennis D. Deering	Improve global service cost structure	Sustainable cost reduction via functionalizing service and eliminating waste without negatively impacting customers
Thomas W. Swidarski	N/A	N/A
Bradley C. Richardson	IT/GBS Roadmap implementation Remediate Brazil tax material weakness Improve capital structure Address near term costs	Oracle R12 Financial implementation; CRM blueprint and implementation; Affect strategy for resolution of Brazil tax assessment; minimize Brazil tax expense through defense and commercial strategy; resolve FCPA and reach settlement Refinance notes; Repatriate a portion excess cash; and finance acquisition strategy as required
M. Scott Hunter	Liquidity improvement Commence project with Risk International to reduce Diebold's total cost of risk (TCOR)	Sustainable reduction in addressable General & Administrative spend versus plan Tax efficient utilization of foreign earnings; accomplish all repatriation activities identified in audit committee meeting; execute tax efficient purchase of Brazilian subsidiary; complete capital structure changes to replace a portion of private placement notes
Miguel A. Mateo	Grow revenue in security business in Latin America Grow sales of deposit automation units	Target reduction of TCOR Target growth for security business Increase revenue

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Actual 2013 performance results: The Committee approved the following performance achievements and earned incentive percentages (dollars in millions, except per share values).

Name / Goals	Weight	Target Performance	Actual Performance	Incentive Earned (% of Target)
Andreas W. Mattes				
Corporate Free Cash Flow	50%	\$125	\$165	200%
Corporate Operating Profit	30%	\$186	\$138.7	100% <sup>2</sup>
Key Initiatives <sup>1</sup>	20%	---	---	200% <sup>2</sup>
Total:	100%			170%
Christopher A. Chapman				
Corporate Free Cash Flow	50%	\$125	\$165	200%
Non GAAP EPS	30%	\$2.00	\$1.36	0%
Key Initiatives <sup>1</sup>	20%	---	---	200%
Total:	100%			140%
George S. Mayes, Jr.				
Corporate Free Cash Flow	50%	\$125	\$165	200%
Corporate Operating Profit	30%	\$186	\$138.7	0%
Key Initiatives <sup>1</sup>	20%	---	---	200%
Total:	100%			140%
Lance A. Byerly				
Corporate Free Cash Flow	50%	\$ 125	\$ 165	200%
Electronic Security Operating Profit <sup>1</sup>	30%	---	---	40%
Key Initiatives <sup>1</sup>	20%	---	---	43%
Total:	100%			105%
Dennis D. Deering				
Corporate Free Cash Flow	50%	\$125	\$165	143%
Corporate Operating Profit	30%	\$186	\$138.7	0%
Key Initiatives <sup>1</sup>	20%	---	---	100%
Total:	100%			91%
Thomas W. Swidarski		Mr. Swidarski was not eligible to participate due to his separation in January 2013 before performance metrics were established.		
Bradley C. Richardson		Mr. Richardson did not receive a cash bonus due to his resignation in November 2013.		
M. Scott Hunter		Mr. Hunter did not receive a cash bonus due to his separation in November 2013.		
Miguel A. Mateo				
Latin America Operating Profit <sup>1</sup>	40%	---	---	0%
Corporate Free Cash Flow	20%	\$125	\$165	200%
Latin America Cash Conversion	20%	57 Days	67 Days	0%
Key Initiatives <sup>1</sup>	20%	---	---	100%
Total:	100%			60%

<sup>1</sup> Disclosing the qualitative and quantitative performance measures for key initiatives, which we do not otherwise disclose publicly, would cause us competitive harm by potentially disrupting our customer relationships and providing competitors with insight to our specific strategy. We typically set target performance at a level consistent with investor guidance that is "stretch but reasonable", taking into account the current economic / business environment,

our transformation strategy, and continuous improvement requirements for the Company and key executives.

<sup>2</sup> For Corporate Operating Profit, Mr. Mattes received a minimum guaranteed payout at target pursuant to his employment agreement, as discussed in more detail under "Employment Agreements" below. For his key initiatives, after taking into consideration his overall performance following his appointment, and consistent with the achievement of certain established key initiatives of the other NEOs and of his broader senior leadership team, the Committee approved a maximum payout for Mr. Mattes.

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2013 actual bonuses earned: Based on the previous table showing the approved performance achievement levels and the percentage of target earned, the table below summarizes earned dollar amounts by NEO:

Name	2013 Actual Bonus	2013 Target Bonus	Actual as % of Target
Andreas W. Mattes <sup>1</sup>	\$900,953	\$529,973	170%
Christopher A. Chapman	\$184,100	\$131,500	140%
George S. Mayes, Jr.	\$525,000	\$375,000	140%
Lance A. Byerly	\$274,628	\$262,500	105%
Dennis D. Deering	\$75,200	\$82,250	91%
Thomas W. Swidarski	\$0	\$840,000	0%
Bradley C. Richardson	\$0	\$390,024	0%
M. Scott Hunter	\$0	\$120,000	0%
Miguel A. Mateo <sup>1</sup>	\$75,625	\$137,500	60%

<sup>1</sup> Prorated amounts.

#### Long-Term Incentives

The Committee believes in a balanced approach to LTI compensation. As such, our practice is to grant total LTI value according to the following value mix:

Performance shares: 50%

Stock options: 30%

RSUs: 20%

In this manner, the Committee strikes a balance of awards based on the full value of our shares, awards tied solely to stock price appreciation, and awards tied to performance and stock price growth. This approach aligns our LTI compensation with market practice, mitigates risk and enhances our shareholder alignment.

To determine annual grant sizes, the Committee subjectively considers individual performance, potential future contributions to our business, internal equity, and competitive market values, in addition to management's recommendations. The Committee approves long-term incentive grants at the regular February Committee meeting, and actual grants are generally made on the day of the February Board Meeting.

Performance shares: Earned over a three-year performance period based solely on our TSR ranking relative to our peer group and the S&P Midcap 400 Index. The number of shares earned at the completion of the performance cycle may range from 0% to 200% of target, based on our relative ranking against the two groups. This program meets a key objective of our compensation strategy to focus on performance metrics that drive shareholder value and achievement of "top tier" performance.

The minimum performance requirement is 35<sup>th</sup> percentile, at which 25% of target is earned. The maximum performance requirement is 80<sup>th</sup> percentile, at or above which 200% of target is earned. No dividends are paid until shares are earned.

For the 2011 performance share grant covering 2011-2013 TSR performance, no performance shares were earned. Diebold's TSR ranking was at the 22<sup>nd</sup> percentile versus the S&P midcap 400 midcaps and at the 15<sup>th</sup> percentile versus our peer group.

Stock options: Provide value based solely on stock price appreciation. Grants of stock options have a ten-year term and vest ratably over a three-year period. The exercise price is based on the closing price of our common stock on the grant date and is valued using the Black-Scholes option valuation method.

RSUs: Provide a base level of retention value in our executive compensation program, and incentive for building shareholder value. RSUs provide additional value if our stock price appreciates and cliff vest at the end of three years following the grant date. Dividend equivalents are paid on RSU awards.



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2013 Grants: The Committee performed a thorough review of competitive market data, individual and company performance, and management's recommendations. Based on that review and the Committee's objective to deliver 50<sup>th</sup> percentile total compensation opportunity, the Committee approved the following equity grants to NEOs, with the exception of Mr. Mattes, at the February 2013 meeting (and for Mr. Mattes, the Committee approved the following prorated equity grants when he was appointed President and CEO on June 6, 2013):

Name	Stock Options	Performance Shares (Target)	RSUs
Andreas W. Mattes	98,082	37,033	17,203
Christopher A. Chapman	7,540	3,192	3,277 <sup>1</sup>
George S. Mayes, Jr.	44,379	18,787	7,515
Lance A. Byerly	10,981	4,649	1,859
Dennis D. Deering	n/a	n/a	636
Thomas W. Swidarski	n/a	n/a	n/a
Bradley C. Richardson	31,124	13,176	5,270
M. Scott Hunter	7,540	3,192	1,277
Miguel A. Mateo	8,575	3,630	1,452

<sup>1</sup> Includes a grant of 2,000 RSUs with three-year cliff vesting, awarded as of November 6, 2013, to reflect his interim role as principal financial officer.

## CEO Compensation for 2013

Mr. Mattes was hired as our President and Chief Executive Officer effective June 6, 2013. His compensation package was developed based on a thorough review of competitive market data and a solid understanding of his total compensation opportunity at his former employer. Mr. Mattes' 2013 total compensation program consists of the following elements:

2013 CEO Pay Element	Description
Base Salary	Annual rate of \$775,000
Target Bonus	120% of base salary
Target LTI	350% of base salary (actual 2013 equity grants are summarized in the chart above)
2013 Minimum Bonus	Prorated target, based on days employed in 2013
Inducement Equity Grant	\$500,000 of Diebold common stock with "clawback" provision; 100% repayment for voluntarily termination prior to one-year anniversary and 50% repayment for voluntarily termination after one-year anniversary, but prior to two-year anniversary
Financial Planning Services	Reimbursement not to exceed \$12,000 annually
Executive Physical	Coverage consistent with all Vice Presidents (approximately \$2,500 annual value)
Commuting Expenses	Reimbursed for up to one year; represents taxable income to Mr. Mattes with no income tax gross-up provided by the Company. Such reimbursement consists of an allowance of \$2,900 per pay for travel and lodging.
Relocation Expenses	Benefits provided pursuant to our relocation policy, as well as certain additional expenses as may be approved by our Chairman.

## Compensation Decisions For 2014

In the fourth quarter of 2013 and the first quarter of 2014, the Committee and management discussed issues impacting our business transformation/turnaround, including incentive plan design. Specific discussions centered on:

- Annual incentive plan design: Alignment of goals with our transformation/turnaround objectives, consistent both vertically and horizontally across the organization;

- Long-term incentive plan design: Our current programs will be examined to make sure they encourage the appropriate behaviors and reward the achievement needed to transform the Company successfully;

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Retention value of outstanding equity awards: The retentive value of our outstanding stock options, RSUs, and performance shares is low and, in some cases, hindering our ability to attract, motivate, and retain key talent; Transformation equity grant: Management and the Committee discussed the merits of a special equity grant to drive financial performance, enhance the retentive value of our equity structure, and support our transformation/turnaround efforts. A one-time equity grant was approved by the Committee at its December 2013 meeting and made effective in January 2014; and

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Shareholder outreach: During 2014, management intends to reach out to shareholders to discuss our 2014 compensation structure.

### Benefits and Perquisites

We provide executives with medical, dental, long-term disability, and life insurance under the same programs used to provide benefits to all U.S.-based associates. Our executives may buy additional life insurance coverage at their own expense. The maximum life insurance coverage that may be purchased by an executive is \$1.5 million. Our executives' personal benefits are not tied to individual or company performance and changes to these benefits reflect the changes to the benefits of all U.S.-based associates.

### Deferred Compensation

Our executives, including the NEOs (except for Mr. Wallace), may elect to defer receipt of annual cash bonuses and performance shares pursuant to our Deferred Incentive Compensation Plan No. 2. Mr. Wallace is eligible to defer Board/Committee-related fees pursuant to our Deferred Compensation Plan No. 2 for Directors, as discussed in more detail under "Non-Qualified Deferred Compensation" below. Current investment choices under the plan for cash deferrals (cash bonuses and dividends on deferred performance shares) mirror those in our 401(k) plan, except it does not include Diebold common shares. Our deferred compensation plan does not provide participants with additional pay, but merely provides a tax deferred investment vehicle. Moreover, we do not guarantee any specific rate of return and do not contribute to the return that may be earned.

### Retirement

We maintain qualified and non-qualified retirement programs. Our executives, including the NEOs (except for Mr. Wallace), participate in our qualified defined benefit (pension) and defined contribution (401(k)) plans on the same terms as all U.S.-based associates. In 2013, we amended the pension plan to cease future benefit accruals for all participants after December 31, 2013.

We also have four non-qualified supplemental retirement plans: (1) the Pension Supplemental Executive Retirement Plan, or Pension SERP, (2) the Pension Restoration Supplemental Executive Retirement Plan, or Pension Restoration SERP, (3) the 401(k) Restoration Supplemental Executive Retirement Plan, or 401(k) Restoration SERP, and (4) the 401(k) Supplemental Executive Retirement Plan, or 401(k) SERP. These plans are described in detail below under "2013 Pension and Retirement Benefits." Participation in the 401(k) Restoration SERP is based on the annual IRS compensation limits. Participation in the other plans is limited to executive officers in positions that help develop, implement and modify our long-term strategic plan, as nominated by the CEO and approved by the Committee; however, we closed the Pension SERP, Pension Restoration SERP and 401(k) SERP to any new participants effective December 31, 2013 and also amended these Plans to cease future benefit accruals after December 31, 2013.

Mr. Swidarski participated in the Pension SERP, Pension Restoration SERP, and the 401(k) Restoration SERP; however, based on design, benefits accrued under the Restoration SERPs and the Pension SERP are not duplicative. Messrs. Richardson, Hunter and Mateo participated in the 401(k) Restoration SERP as does Mr. Mattes currently. Mr. Chapman participates in the Pension Restoration SERP and Mr. Mayes participates in the 401(k) Restoration SERP and the 401(k) SERP.

In addition, as part of our transformation journey and its focus on cost reduction, we determined that a limited-time voluntary early retirement program (VERP), would be offered to encourage select longer service employees to retire from employment at the end of 2013. As an incentive to participate in the VERP, for purposes of calculating pension benefits an enhancement of two additional years of age credit and two additional years of service credit were provided to participants in our pension plan whose age plus years of service totaled at least 70 points. Participants were also permitted to take their pension benefit in a single lump sum as part of the VERP. Messrs. Deering and Mateo elected to take part in the VERP. In addition to the enhancement provided under our pension plan, we provided severance to VERP participants in the amount determined under our severance policies, which for Messrs. Deering and Mateo were pursuant to the terms of our Senior Leadership Severance Policy, as discussed in more detail below under "Severance Protection."



Perquisites

We provide our executives with limited perquisites. The Committee believes that these benefits are set at a reasonable level, are highly valued by recipients, have limited cost to the company, are part of a competitive reward system, and help in attracting and retaining top management talent. Perquisites received by executives include the following, the values of which differ based on an executive's reporting level:

A membership at Firestone Country Club is maintained by the company for business purposes. Access to this membership is generally available only to our CEO, Mr. Mattes, as it is believed Diebold will benefit from the business development and networking opportunities provided by this corporate club membership;

Reimbursement for financial planning services up to \$12,000;

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A complete annual physical exam (assessment of overall health, screening and risk reviews for chronic diseases, exercise and dietary analysis, and other specialty consultations), which helps protect in small measure the investment we make in these key individuals; and

Our company car program, or car allowance, was eliminated for all executives, including the NEOs, effective March 2013.

The Committee periodically reviews our practices in this area and makes any necessary adjustments based on market trends and the cost to provide these benefits.

### Change-in-Control Protection

We maintain change-in-control agreements for our executive officers, including the NEOs (except for Mr. Mattes, whose change-in-control protection is included in his employment agreement, discussed in more detail under "Employment Agreements" below, and Mr. Wallace, who is ineligible for change-in-control protection), that provide our executives with the potential for continued employment (or benefits) for three years following a change-in-control. As a result, these agreements help retain these executives and provide for management continuity in the event of an actual or threatened change-in-control of the company. They also help ensure that our executives' interests remain aligned with shareholders' interests during a time when their continued employment may be in jeopardy. Finally, they provide some level of income continuity should an executive's employment be terminated without cause in connection with a change-in-control.

The agreements provide:

Severance of two times base salary (for Mr. Byerly, severance of two times base salary and target bonus as discussed further below);

One year of continued participation in our employee retirement income, health and welfare benefit plans, including perquisites; and

One year of additional service for determining the executives' non-qualified retirement benefits in the 401(k) Restoration SERP, to the extent applicable.

In addition, with the exception of Mr. Byerly, the agreements provide a tax gross-up for any excise tax imposed under Section 280G of the Internal Revenue Code covering severance amounts payable under any other agreement, plan or arrangement. The Committee feels that this tax gross-up is reasonable in light of the salary-only pay definition (bonus is not included in the pay definition) and to ensure that our executives are kept "whole" in the event of a change-in-control so that the individual receives the same after-tax amount as he or she would have received without the imposition of the excise tax.

Change-in-control benefits are only paid upon the occurrence of two events. First, there must be a "change-in-control" of the company, as defined in the agreements. Second, an executive must be terminated without cause or he or she must terminate his or her own employment for good cause, as described in the agreements. In this manner, benefits are only paid to executives if they are adversely affected by a change-in-control, consistent with the agreements' objectives.

The terms and conditions of these agreements are identical in all material respects. The Committee periodically reviews our policy with respect to these change-in-control agreements, and engages its independent compensation consultant to provide a competitive analysis of our practices. The Committee has determined that this type of agreement is still a valued component of overall compensation for purposes of attracting and retaining quality executive officers and, as such, the Committee approved the continued award of these agreements to new executives. Aon Hewitt's market review of our change-in-control benefits in late 2011 reflected that defining pay to include only base salary was below market. Therefore, the Committee determined, beginning in 2012, any new change-in-control agreements provided to executives will provide severance benefits defining pay to include base salary and target bonus. However, any new change-in-control agreements will no longer provide a tax gross-up feature for any excise tax imposed under Section 280G of the Internal Revenue Code. Mr. Byerly is the only NEO with a new change-in-control agreement, although the change-in-control provisions in Mr. Mattes' employment agreement include

similar severance benefits.

The Committee does not account for the value of these agreements when making other compensation decisions.

Severance Protection

Our Senior Leadership Severance Policy provides coverage to executives that are involuntarily terminated other than for cause or upon certain constructive terminations, in each case separate from a change-in-control. These benefits also provide a consistent approach to ensuring reinforcement of an executive's confidentiality, non-competition and non-solicitation obligations. Our policy provides for the following:

Severance of two times salary and target bonus for the CEO, and one and a half times salary and target bonus for the other NEOs, as well as a pro-rated bonus payment in the year of termination, based on actual performance;

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Two years of continued participation in our employee health and welfare benefit plans for our CEO, and one and one-half years of continued participation for the other NEOs (excluding perquisites and any qualified or non-qualified pension or 401(k) plans);

Vesting of all outstanding unvested options, which shall remain exercisable for three months; and

Pro-rata vesting of all outstanding restricted stock, RSUs and performance shares (to the extent such performance awards are earned).

Professional outplacement services for a limited time period.

### Employment and Separation Agreements

#### Employment Agreements

Historically, in order to attract high-quality candidates we have entered into formal employment agreements with our President and CEO, and when those positions have been held by separate individuals, with both our President and our CEO. No other NEO has an employment agreement.

**Thomas W. Swidarski:** In April 2006, we entered into an employment agreement with Mr. Swidarski when he was appointed as our President and CEO, with a term of two years and with automatic one-year renewals thereafter unless either party notified the other at least six months before the scheduled expiration date that the term was not to renew. Pursuant to his agreement, Mr. Swidarski was to receive a base salary of \$550,000 for the first year, with a cash bonus opportunity up to 200% of base salary, as well as other compensation. Further, Mr. Swidarski was entitled to a monthly car allowance up to \$3,295, financial planning and tax preparation services up to \$20,000 annually, country club dues and fees, and an annual physical examination.

As disclosed in our Current Report on Form 8-K filed on January 21, 2013, Mr. Swidarski stepped down as our President and CEO, effective as of January 19, 2013, and we consider his departure as an involuntary termination without cause, as discussed in more detail below under "Separation Agreements." Prior to his departure, Mr. Swidarski had been the only NEO with an employment agreement.

**Andreas W. Mattes:** In June 2013, we entered into an employment agreement with Mr. Mattes in connection with his appointment as our President and CEO. The agreement has an initial term of two years and automatically renews for one-year terms unless either party gives the other at least six months' notice of non-renewal prior to the scheduled expiration date. Pursuant to the agreement, Mr. Mattes is entitled to receive an annual base salary of \$775,000 for the first year and will be eligible for annual incentive awards as determined by the Company in its sole discretion; provided that, for 2013, any annual incentive award for Mr. Mattes will be paid on a pro rata basis, based upon a guaranteed minimum payout of at least 100% of the target opportunity. Under the agreement, Mr. Mattes also received an inducement grant of \$500,000 in the form of the Company's common shares, subject to an obligation to repay 100% of such shares (or equivalent value) to the Company in the event that he voluntarily terminated his employment prior to the first year anniversary of the agreement, and repay 50% of such shares in the event that he voluntarily terminated his employment prior to the second anniversary of the agreement. Additionally, Mr. Mattes is eligible to participate in the Company's long-term equity incentive plan as determined by the Company in its sole discretion.

Under the terms of the agreement, if Mr. Mattes is terminated without cause or he terminates his employment for "good reason" (as defined in the agreement), in either case other than in the two-year period following a "change-in-control" (as defined in the agreement), assuming he otherwise satisfies certain conditions, he will be entitled to receive, among other things, (i) a lump sum amount equal to any unpaid salary and accrued vacation pay and unreimbursed business expenses, (ii) a lump sum amount equal to two times his annual base salary and annual incentive award at target, (iii) a lump sum pro rata amount, if any, equal to the actual annual incentive that would have been payable to him based on the Company's actual performance against applicable goals and his personal goals/key initiatives (based on his assumed target level performance), and (iv) continuation of medical, dental, vision and Company-paid basic life insurance coverage for 24 months, and (A) any outstanding and unvested stock options will immediately vest, (B) any restrictions on unvested RSUs will immediately lapse on a pro rata basis and (C) all unearned performance shares and

performance units will be paid out on a pro rata basis.

In addition, in connection with a change-in-control, the term of Mr. Mattes' employment will automatically be extended to the second anniversary of the change-in-control. If, during the two-year period following a change in control, Mr. Mattes is terminated without cause or he terminates his employment for good reason, assuming he otherwise satisfies certain conditions, he will be entitled to receive, among other things, (i) a lump sum amount equal to any unpaid salary and accrued vacation pay and unreimbursed business expenses, (ii) a lump sum amount equal to two times Mr. Mattes' annual base salary and annual incentive award at target, (iii) a lump sum pro rata amount, if any, equal to the actual annual incentive that would have been payable to him based on the Company's actual performance against applicable goals and his personal goals/key initiatives (based on his assumed target level performance), and (iv) continuation of medical, dental, vision and Company-paid basic life insurance coverage for 24 months, and (A) any outstanding and unvested stock options will immediately vest, (B) any restrictions on unvested RSUs will immediately lapse, and (C) all unearned performance shares and performance units will become non-forfeitable at 100% of target.

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The employment agreement also provides that Mr. Mattes will not (i) compete with the Company for a period of two years after the termination of his employment or (ii) solicit employees of the Company for a period of three years after the termination of his employment. Mr. Mattes' employment agreement does not provide for any tax gross-ups for any excise tax that may be imposed under Section 280G of the Internal Revenue Code.

Separation Agreements

Historically, we entered into individually-negotiated separation agreements with our executive officers upon their separation from service in order to reinforce that individual's confidentiality, non-competition and non-solicitation obligations. Any such separation agreements were typically heavily negotiated, but ultimately consistent with prior separation agreements. Accordingly, in 2011 the Committee approved the Severance Policy discussed above under "Severance Protection" in order to better align with market practice, provide greater consistency in the event of an involuntary termination, and to minimize the cost and negotiations associated with such severance events.

Thomas W. Swidarski: As a result of Mr. Swidarski's termination without cause, pursuant to his employment agreement, he received severance payments, including: a lump sum amount equal to two years of base salary; a lump sum amount equal to twice his target annual cash bonus for the year in which termination occurs; a pro rata annual cash bonus for the year in which termination occurs, but only to the extent an annual cash bonus is paid to others for the year of termination; and continued participation in our employee benefits plans for a period of two years (not including any qualified or non-qualified pension plan or 401(k) plan benefits). As a result, we entered into a Separation Agreement and Release with Mr. Swidarski effective as of January 25, 2013, pursuant to which, in 2013 Mr. Swidarski received a severance payment of \$3,360,000 and, in addition, \$64,615 in accrued vacation and \$36,074 in health and welfare benefits continuation. Mr. Swidarski also received certain equity and other benefits consistent with his employment agreement. Mr. Swidarski is subject to non-competition and non-solicitation obligations for a period of two years following his termination of employment, as well as a perpetual obligation of confidentiality, regardless of the circumstances surrounding such termination.

M. Scott Hunter: Effective as of November 8, 2013, we entered into a Separation Agreement and Release with M. Scott Hunter, our former Vice President, Treasurer and Chief Tax Officer, who stepped down from the Company. Pursuant to the separation agreement, Mr. Hunter received a separation payment of \$1,075,000 and, in addition, \$12,923 in accrued vacation and \$200,000 for attorneys' fees incurred in connection with the separation agreement. Such payments are not treated as pensionable earnings. Mr. Hunter also received certain equity and other benefits consistent with our Senior Leadership Severance Policy, and as detailed below in the "Summary Compensation Table" and "Post-Termination Payments Table." In consideration of these payments and benefits, Mr. Hunter agreed to a general release of existing and potential claims against us and certain related parties, as well as a non-competition agreement, non-solicitation agreement and confidentiality obligations consistent with our Severance Policy.

Miguel A. Mateo: Effective as of November 29, 2013, we entered into a Separation Agreement and Release with Miguel A. Mateo, our former Vice President, Latin America Division, who retired from the Company as of that date in connection with our VERP, as discussed in more detail above under "Retirement." Pursuant to this agreement, Mr. Mateo received a severance payment of \$618,750 and, in addition, a prorated annual cash bonus for 2013 of \$75,625 (as discussed in more detail under "Annual Cash Bonus Plan" above), \$21,154 in accrued vacation and \$25,106 in health and welfare benefits continuation, consistent with the terms of our Senior Leadership Severance Policy discussed in more detail above under "Severance Protection." Such payments are not treated as pensionable earnings. Mr. Mateo also received certain equity and other benefits consistent with our Senior Leadership Severance Policy, and as detailed below in the "Summary Compensation Table" and "Post-Termination Payments Table". In consideration of these payments and benefits, Mr. Mateo agreed to a general release of existing and potential claims against us, as well as a non-competition agreement, non-solicitation agreement and confidentiality obligations consistent with our Senior Leadership Severance Policy.

Dennis D. Deering: Effective as of December 31, 2013, we entered into a Separation Agreement and Release with Dennis D. Deering, our former Vice President, Global Services and Operations, who retired from the Company as of

that date in connection with our VERP, as discussed in more detail above under "Retirement." Pursuant to this agreement, Mr. Deering received a severance payment of \$475,875 and, in addition, a prorated annual cash bonus for 2013 of \$75,200 (as discussed in more detail under "Annual Cash Bonus Plan" above) and \$17,597 in health and welfare benefits continuation, consistent with the terms of our Senior Leadership Severance Policy discussed in more detail above under "Severance Protection." Such payments are not treated as pensionable earnings. Mr. Deering also received certain equity and other benefits consistent with our Senior Leadership Severance Policy, and as detailed below in the "Summary Compensation Table" and "Post-Termination Payments Table". In consideration of these payments and benefits, Mr. Deering agreed to a general release of existing and potential claims against us, as well as a non-competition agreement, non-solicitation agreement and confidentiality obligations consistent with our Senior Leadership Severance Policy.

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### Other Compensation Policies

#### Clawback Policy

In addition to any other rights or remedies legally available to us, all of our equity plans include provisions that allow us to cancel awards or “claw back” any shares received pursuant to awards or the exercise of stock options for certain specified conduct that is deemed detrimental to the company. To the extent that an executive has already received value for such awards, these provisions also allow us to seek reimbursement of such value directly from the executive or through the garnishment of salary or cash bonus. Examples of such detrimental conduct include:

• Engaging, directly or indirectly, in any activity in competition with us, in any product, service or business activity for which the executive had any direct responsibility or direct involvement during the two previous years.

• Soliciting one of our employees to terminate his or her employment with us.

• Unauthorized disclosure of confidential, proprietary or trade secret information obtained during employment with us.

• Failure to promptly disclose and assign any interest in any invention or idea conceived during the executive’s employment and related to any of our actual or anticipated business, research or development work.

• Any activity that results in a termination for cause, including gross neglect and any act of dishonesty constituting a felony.

In addition, the Committee has implemented a separate and independent Clawback Policy, effective August 2, 2012, which provides an additional avenue to recover excessive performance-based incentive compensation paid during a three-year look-back period in the event of willful act of misconduct resulting in an obligation on the company to prepare a financial accounting restatement due to a material noncompliance with any reporting requirement under the U.S. federal securities laws.

#### Insider Trading Policy

Under our Insider Trading Policy, each employee, officer and director of the company is prohibited from buying or selling our securities when he or she is aware of material, non-public information about the company, or information about other public companies which he or she learns as our employee or director. These individuals are also prohibited from providing such information to others. In addition, this policy prohibits employees, officers and directors from engaging in short sales of Diebold stock, and from buying or selling any derivative securities related to Diebold stock.

#### Company-Imposed Black-Out Periods

As noted above, if an executive is in possession of material non-public information, he or she is prohibited from trading in our stock. Apart from these trading restrictions, we also impose routine black-out periods that prohibit executives, including the NEOs, from trading during the period that begins two weeks prior to the end of each quarter and extends through the first business day following our next scheduled quarterly earnings release. These self-imposed black-out periods are an example of good corporate governance and help to protect both us and the individual from allegations of insider trading violations.

However, our black-out policy was not intended to penalize employees for this type of positive corporate behavior, and in the past the Committee has approved a cash distribution to employees, including NEOs, who were barred from exercising stock options prior to their expiration due to extended company-imposed black-out periods. No such exceptions were made during 2013.

#### Stock Ownership Guidelines

The Committee believes that stock ownership guidelines reinforce executive and shareholder alignment. Our executive stock ownership guidelines are:

• CEO: 5x salary

• CEO direct reports: 3x salary

• Other performance share participants: 1.5x salary

The Committee eliminated retention and holding requirements to provide leaders more flexibility in managing their investment portfolios. However, the Committee will increase its oversight of executive stock ownership levels to ensure reasonable and appropriate progress is being made towards the Company’s stated ownership guidelines.



In determining an executive's stock holdings, we count the shares beneficially owned, including the after-tax value of RSUs, shares deferred pursuant to our deferred compensation program, and shares owned through our 401(k) savings plan. Outstanding stock options and unearned performance shares do not count towards the executives' stock ownership guidelines.

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## Limitations on Deductibility of Compensation

Section 162(m) of the Internal Revenue Code generally limits the deductibility of executive compensation paid by publicly-held corporations to \$1 million per year for the CEO and the next three most highly compensated executive officers, excluding the CFO. The \$1 million limitation does not apply to compensation that qualifies as performance-based. The company considers the tax and accounting impact of all compensation. Our annual and long-term incentive plans have been designed so that awards granted under such plans may be able to qualify as performance-based compensation. For example, certain incentive compensation for certain executive officers will not be earned unless 50% of our target non-GAAP EPS is achieved. Although the Committee plans to continue taking actions intended to limit the impact of Section 162(m) of the Code, the Committee also believes that the tax deduction is only one of several relevant considerations in setting compensation. The Committee believes that the tax deduction limitation should not be permitted to compromise the Company's ability to design and maintain executive compensation arrangements that will attract and retain the executive talent to compete successfully. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes.

## EXECUTIVE COMPENSATION

The table below summarizes the total compensation earned by each of our NEOs for the fiscal years ended December 31, 2013, 2012 and 2011, as applicable. The amounts shown include compensation for services in all capacities that were provided to us.

## 2013 Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus <sup>1</sup> (\$)	Stock Awards <sup>2</sup> (\$)	Option Awards <sup>3</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Non-qualified Deferred Compensation Earnings <sup>5</sup> (\$)	All Other Compensation <sup>6</sup> (\$)	Total (\$)
Andreas W. Mattes <sup>7</sup> President and Chief Executive Officer	2013	408,365	370,980	2,104,265	813,747	529,973	—	95,732	4,323,062
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
Christopher A. Chapman <sup>8</sup> Vice President, Global Finance	2013	239,238	—	190,651	57,095	184,100	—	20,366	691,450
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
George S. Mayes, Jr. Executive Vice President and Chief Operating Officer	2013	468,674	—	772,114	336,051	525,000	—	193,797	2,295,636
	2012	360,797	—	488,880	264,500	149,093	—	175,522	1,438,792
	2011	351,997	—	406,040	217,800	446,684	—	143,679	1,566,200
Lance A. Byerly	2013	335,192	—	191,047	83,151	274,628	—	155,466	1,039,484
	2012	—	—	—	—	—	—	—	—

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Executive Vice President, Electronic Security	2011	—	—	—	—	—	—	—	—
Dennis D. Deering <sup>9</sup>	2013	222,104	—	18,997	—	75,200	127,270	554,376	997,947
Former Vice President, Global Services and Operations	2012	—	—	—	—	—	—	—	—
Henry D. G. Wallace <sup>10</sup>	2011	—	—	—	—	—	—	—	—
Non-executive Chairman of the Board and Former Executive Chairman of the Board	2013	331,500	—	124,866	—	—	—	224,005	680,371
Thomas W. Swidarski <sup>11</sup>	2012	—	—	—	—	—	—	—	—
Former President and Chief Executive Officer	2011	—	—	—	—	—	—	—	—
Bradley C. Richardson <sup>12</sup>	2013	61,385	—	—	—	—	—	5,953,600	6,014,985
Executive Vice President and Chief Financial Officer	2012	840,000	—	3,138,360	1,840,920	—	961,014	289,653	7,069,947
M. Scott Hunter <sup>13</sup>	2011	840,000	—	2,408,475	1,522,800	1,000,000	1,075,308	200,680	7,047,263
Former Vice President, Treasurer and Chief Tax Officer	2013	442,027	—	541,495	235,680	—	—	46,044	1,265,246
Miguel A. Mateo <sup>14</sup>	2012	520,032	—	722,895	423,200	—	—	213,022	1,879,149
Former Vice President, Latin America Division	2011	499,550	—	505,665	326,700	583,275	—	227,827	2,143,017
	2013	219,692	—	131,191	57,095	—	—	1,300,971	1,708,949
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—
	2013	273,942	—	149,186	64,932	82,500	179,431	1,022,143	1,772,134
	2012	—	—	—	—	—	—	—	—
	2011	—	—	—	—	—	—	—	—

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This column represents that portion of Mr. Mattes' annual cash bonus that did not qualify for inclusion in the "Non-Equity Incentive Plan Compensation" column above. The details of the amount are discussed in more detail in "Annual Cash Bonus Plan" under "Compensation Discussion and Analysis" above.

For 2013, this column represents the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, for performance shares and RSUs (and, for Mr. Mattes, his unrestricted shares grant, and, for Mr. Wallace, his director deferred shares) awarded to the NEOs in 2013. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. For the performance shares, such amounts are calculated based on the probable outcome of the relevant performance conditions as of the grant date using a Monte Carlo simulation model. For more information regarding 2013 awards, including the assumptions used in calculating the fair value of performance shares, see the "2013 Grants of Plan-Based Awards Table" below. The maximum number of performance shares that may be earned is also reflected below under the "2013 Grants of Plan-Based Awards Table," the grant date fair value of which would be: for Mr. Mattes, \$2,159,024; for Mr. Chapman, \$186,094; for Mr. Mayes \$1,095,282; for Mr. Byerly \$271,036; for Mr. Richardson, \$768,160; for Mr. Hunter, \$186,094; and for Mr. Mateo, \$211,630. Messrs. Deering, Wallace and Swidarski did not receive performance shares in 2013. The specific terms of the director deferred shares are discussed in more detail under "Compensation of Directors" above, and the specific terms of the performance shares and RSUs (and Mr. Mattes' grant of unrestricted shares) are discussed in more detail in "Compensation Discussion and Analysis" above. These amounts reflect the grant date fair value for these awards, and do not necessarily correspond to the actual value that will be realized by the NEOs.

With respect to Mr. Mattes, 15,343 common shares (less 6,059 shares withheld for taxes) were granted to Mr. Mattes as an inducement grant in August 2013. This number of inducement shares was calculated based on a 20-day trailing average of the Company's stock price as of August 13, 2013, although pursuant to SEC rules, such shares are reflected in the table above as of the grant date fair value. The Committee believes that this 20-day trailing average calculation method is consistent with how the Company calculates other equity grants to executives. In addition, the Committee felt that this was a fair method to avoid making the grant on any specific date, and therefore, at a specific stock price.

For 2013, this column represents the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718, for options awarded to the NEOs in 2013. For more information regarding 2013 grants, see the "2013 Grants of Plan-Based Awards Table" below. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. The assumptions used in calculating the fair value of these stock options can be found under Note 3 to the Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. The specific terms of the stock options are discussed in more detail above under "Compensation Discussion and Analysis." These amounts reflect the grant date fair value for these awards, and do not necessarily correspond to the actual value that will be realized by the NEOs.

For 2013, this column reflects amounts earned by the NEOs under our Annual Cash Bonus Plan for the 2013 fiscal year, but that were not actually paid out until February 2014. For Mr. Mattes, however, the amount reported in this column reflects only the amount earned by him under our Annual Cash Bonus Plan for the 2013 fiscal year above the minimum full target bonus guaranteed to Mr. Mattes under his 2013 compensation package, which guaranteed amount is instead reported under the "Bonus" column. For a more detailed description of the related performance measures for the Annual Cash Bonus Plan, see above under "Compensation Discussion and Analysis."

For 2013, these amounts shown are the difference (to the extent positive) between the actuarial present value of pension benefits as of December 31, 2013 based on a 5.09% discount rate and the RP-2000 Combined Healthy Mortality Table with mortality improvement to December 31, 2013 based on Scale AA and the actuarial present value of pension benefits as of December 31, 2012 based on a 4.21% discount rate and the RP-2000 Combined Healthy Mortality Table with mortality improvement to December 31, 2012 based on Scale AA. Further, the values were determined assuming the probability is nil that the NEO will terminate, retire, die or become disabled before normal retirement date. There was no above-market or preferential interest earned by any NEO in 2013 on

non-qualified deferred compensation. The actual changes in actuarial present values for Messrs. Chapman, Swidarski and Hunter were losses of \$23,407, \$1,305,939 and \$29,581, respectively. The benefit values for Mr. Swidarski reflects his participation in the Qualified Retirement Plan, Pension SERP and Pension Restoration SERP based upon 16 years of service, as discussed further in "2013 Pension and Retirement Benefits" below. The decreases in pension values for Messrs. Chapman, Swidarski and Hunter are attributable to the recognition of the actual form of payments elected in the Pension Restoration SERP and due to the increase in the interest rate used to value the liabilities. The increases in pension values shown above for Messrs. Deering and Mateo are attributable to the enhanced benefits available to them as part of the VERP and due to their election to receive the value of their Qualified Retirement Plan benefits as lump sums.

For 2013, the amounts reported for "All Other Compensation" consist of amounts provided to the NEOs as outlined in the table below, with respect to (a) the use of a car or cash in lieu thereof (which was discontinued as of March 2013), (b) club memberships for Mr. Swidarski, (c) amounts contributed for the executive by us under our 401(k) <sup>6</sup> plan and any non-qualified defined contribution plan, including taxes attributable to such non-qualified defined contribution plan, for which the executive is a participant, (d) financial planning services/tax assistance, (e) dividend equivalents paid on unvested RSUs or for Mr. Wallace on director deferred shares, (f) severance related payments, and (g) other.

For Messrs. Deering, Swidarski, Hunter and Mateo, the amounts in column (f) include severance- or separation-related payments, accrued vacation and other miscellaneous benefits pursuant to their separation agreements. In addition, for Messrs. Deering, Swidarski and Mateo, the amounts in column (f) include the value of stock option awards accelerated pursuant to their separation agreements, with an aggregate intrinsic value (the difference between the closing market price of the company's shares on the effective date of their separation and the exercise price, multiplied by the number of "in-the-money" options) of \$27,387 for Mr. Deering; \$2,486,734 for Mr. Swidarski; and \$134,664 for Mr. Mateo, as also reflected in the "Post Termination Payments Table" below. For Messrs. Deering and Mateo, the amounts in column (f) also include incremental pension benefits attributable to the enhancements provided pursuant to the VERP of \$24,117 for Mr. Deering; and \$199,951 for Mr. Mateo. For further explanation and discussion of these amounts in column (f) related to Messrs. Deering, Swidarski, Hunter and Mateo, see "Separation Agreements" under "Compensation Discussion and Analysis" above.

For NEOs, as applicable, the amount in column (g) reflects the approximate value of an annual physical exam provided to our executives. For Mr. Mattes the amount in column (g) also includes \$19,405 for reimbursement of attorney's fees in connection with his employment agreement and \$34,800 for commuting expenses. For Mr. Byerly the amount in column (g) also includes \$135,581 for expenses in connection with his relocation to Ohio. For Messrs. Mayes and Mateo, the amounts in column (f) include expenses related to the company's sales awards recognition program. For Mr. Wallace, the amount in column (g) reflects Chairman/Board/Committee fees he received during 2013, which are discussed in more detail under "2013 Director Compensation" above.

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Named Executive Officer	All Other Compensation (\$)						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
Andreas W. Mattes	-	-	17,765	9,970	9,892	-	58,105
Christopher A. Chapman	-	-	4,590	-	1,876		