DIEBOLD INC
Form DEF 14A
March 13, 2013

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 þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	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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x	No fee required.
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(1) Amount Previously Paid:

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Table of Contents

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

March 13, 2013

Dear Shareholder:

The 2013 Annual Meeting of Shareholders of Diebold, Incorporated will be held at the Sheraton Suites, 1989 Front Street, Cuyahoga Falls, Ohio 44221, on Thursday, April 25, 2013 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 ten directors, (2) ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2013, and (3) approve, on an advisory basis, our named executive officer compensation.

Diebold is 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, Diebold is mailing to shareholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access and review our 2013 Proxy Statement and Annual Report for the year ended December 31, 2012, 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 25, 2013 are entitled to vote at the 2013 Annual Meeting. You may vote online at 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 Diebold’s web site at http://www.diebold.com. The replay may be accessed on Diebold’s 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
Executive Chairman of the Board

Important Notice Regarding the Availability of Proxy Materials for the
Annual Meeting of Shareholders to be held on April 25, 2013.

This proxy statement, along with our Annual Report for the year ended December 31, 2012, are available free of charge at 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).

Table of Contents

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 25, 2013
11:30 a.m. EDT

Dear Shareholder,

The Annual Meeting of Shareholders of Diebold, Incorporated will be held at the Sheraton Suites, 1989 Front Street, Cuyahoga Falls, Ohio 44221, on April 25, 2013 at 11:30 a.m. EDT, for the following purposes:

1. To elect ten directors;
2. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the year 2013; and
3. To approve, on an advisory basis, our named executive officer compensation.

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 25, 2013 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, 2013
(approximate mailing date)

You are requested to cooperate in assuring a quorum by voting online at 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.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

DIEBOLD, INCORPORATED
5995 Mayfair Road
P.O. Box 3077 • North Canton, Ohio 44720-8077

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS, APRIL 25, 2013
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 2013 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, 2013.
Questions and Answers

Q: When and where is the Annual Meeting?

A: The 2013 Annual Meeting will be held at the Sheraton Suites, 1989 Front Street, Cuyahoga Falls, Ohio 44221, on April 25, 2013, 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 ten directors;

• Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2013; and

• Approve, on an advisory basis, our named executive officer compensation.

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 2013 Annual Meeting is February 25, 2013. Each shareholder of record of our common shares as of the close of business on February 25, 2013 is entitled to one vote for each common share held. As of the record date, there were 63,340,496 common shares outstanding and entitled to vote at the Annual Meeting.

Q: How do I vote?

A: 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 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. Even if you request and receive a paper copy of the proxy materials, you may vote online by going to www.proxyvote.com and entering your control number, which is a 12 digit number located in a box on your proxy card that you will receive in the mail; 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 will receive in the mail.

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.

Table of Contents

Q: How does the Board recommend I vote?

A: The Board recommends a vote:

- FOR each of our ten nominees for director;

- FOR the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for 2013; and

- FOR the approval of our named executive officer compensation.

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 Annual Meeting by:

- Revoking your proxy by sending written notice or submitting a later dated, signed proxy before the Annual Meeting to our Secretary at the company's address above;

- Submitting a later dated, signed proxy before the start of the 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 24, 2013; or

- Attending the 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 9:59 a.m. EDT on April 23, 2013 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 and 3, 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."

Table of Contents

Proposal 2, the ratification of KPMG LLP as our independent registered public accounting firm for the year 2013, 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 Proposal 3.

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 above. For Proposals 2 and 3, 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 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.

Table of Contents

CORPORATE GOVERNANCE

Board Leadership Structure

We currently separate the permanent roles of our Chief Executive Officer, or 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 intend to keep these roles separate. However, as disclosed in our Current Report on Form 8-K filed on January 24, 2013, Thomas W. Swidarski, our former CEO, stepped down from that position and from the Board effective January 19, 2013. In addition, John N. Lauer, our prior Chairman of the Board, is retiring from the Board effective as of the 2013 Annual Meeting. To provide for essential executive management of the company until a permanent CEO is appointed, and to allow for effective transition of the Chairman position prior to the 2013 Annual Meeting, the Board nominated and appointed Henry D.G. Wallace to temporarily serve as Executive Chairman of the Board, effective January 19, 2013.

Upon the appointment of a permanent CEO, Mr. Wallace will become our non-executive Chairman of the Board, in addition to his other Board committee appointments. Also following the appointment of a permanent CEO, the Board intends to maintain separation of the permanent CEO and Chairman roles 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 2012, the Board held five meetings. Except for Mr. Soin, 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 2012. Mr. Soin joined the Board at the April 2012 Annual Meeting of Shareholders, and of the three 2012 Board and committee meetings that took place following his appointment, he missed one due to a previously scheduled conflict.

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. Our Chairman of the Board during 2012, John N. Lauer, was an independent director and presided over executive sessions. Mr. Lauer was unable to attend one Board meeting, in December 2012, and delegated his Chairman responsibilities and oversight obligations for that Board meeting to Henry D.G. Wallace, who, at the time, was also an independent director.

Board Risk Oversight

The Board and the Board committees collectively have 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, 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 of Directors is then informed about such risks and management's response to each one 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 proxy statement for our 2012 Annual Meeting of Shareholders, the Board and management created the Diebold Risk Council, or DRC, in 2011 in order to better align our efforts of identifying, assessing, managing and monitoring enterprise-wide risks, and to better coordinate our risk management decisions, practices, policies and activities across the company. In 2012, the Board Governance Committee assumed the primary oversight responsibility for enterprise risk management generally, including oversight of the DRC. The DRC receives regular reports from the other management

Table of Contents

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.

Audit Committee Risk Oversight

Our Audit Committee regularly reviews our financial statements, internal controls over financial reporting (among other areas), as well as the effectiveness of our internal controls 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 controls, 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 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 the 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 our shareholders.

Other Risk Oversight

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

In addition, we have numerous 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 of Directors 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, CFO, Chief Operating Officer, Chief Compliance Officer, 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 Audit Committee, Board Governance 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. In January 2013, following Mr. Swidarski's departure, the Board also formed a CEO Search Committee to identify and evaluate potential CEO candidates. Below is a summary of our committee structure and membership information:

Table of Contents

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[1] Mr. Allender moved off of the Compensation Committee, and on to the Audit and Board Governance Committees, effective as of April 26, 2012. In addition, he assumed the Chair of our Audit Committee upon Mr. Wallace's appointment as our Executive Chairman of the Board, effective as of January 19, 2013.

[2] Mr. Cheng is not standing for reelection at the 2013 Annual Meeting.

[3] Mr. Lassiter retired from the Board effective as of the April 2012 Annual Meeting of Shareholders.

[4] Mr. Lauer will be retiring from the Board and not standing for reelection at the 2013 Annual Meeting.

[5] Mr. Soin was elected to the Board at the 2012 Annual Meeting of Shareholders and appointed to the Compensation Committee effective as of April 26, 2012.

[6] In 2012, Mr. Wallace served as Chair of our Audit Committee, but stepped down from that position and from the Audit Committee effective January 19, 2013, when he was appointed Executive Chairman of the Board.

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 (effective as of January 19, 2013), Bruce L. Byrnes, Mei-Wei Cheng, and Alan J. Weber, all of whom are independent. In addition, the Board has determined that Messrs. Allender and Weber are audit committee financial experts. During 2012, Mr. Wallace served as Chair of the Audit Committee, but effective as of January 19, 2013, when he was appointed Executive Chairman of the Board, he stepped down as Chair and as a member of the Audit Committee. This committee met in person or telephonically eight times during 2012, 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, Mei-Wei Cheng, and John N. Lauer, all of whom are independent. This committee met in person or telephonically six times during 2012.

Table of Contents

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 on the independence 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, John N. Lauer, and Rajesh K. Soin, all of whom are independent. This committee met in person or telephonically five times during 2012.

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, Richard L. Crandall and Henry D. G. Wallace. This committee met once in 2012.

Special Committee
This committee's functions are to oversee the Board's legal representative in connection with our previously disclosed global FCPA review. The committee has the authority to retain independent counsel, and may conduct any interviews with officers, employees and/or directors of the company and access all information of the company or our subsidiaries that it believes will assist in its activities.
The current members of the Special Committee are Henry D. G. Wallace, Chair, Phillip R. Cox, Gale S. Fitzgerald and Alan J. Weber. This committee met in person or telephonically five times in 2012.

CEO Search Committee
This Committee was formed immediately following Mr. Swidarski's departure from the company in January 2013 in order to begin the process of hiring a permanent CEO. This committee's functions include identifying and evaluating potential CEO candidates, and ultimately advising the Board on its recommendations for hiring a CEO. This committee is also responsible for preparing a development plan for George S. Mayes, Jr., as a result of his appointment as Executive Vice President and Chief Operating Officer in January 2013, and his management team.
The members of this committee are Richard L. Crandall, Chair, Phillip R. Cox and Rajesh K. Soin.
Director Independence
The Board determined that each of Patrick W. Allender, Bruce L. Byrnes, Mei-Wei Cheng, Phillip R. Cox, Richard L. Crandall, Gale S. Fitzgerald, John N. Lauer, Rajesh K. Soin 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 reflect 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 our printing services related to our proxy statement 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 2012.

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 $90,000 in 2012.

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 $120,000 in direct compensation from us, other than director and committee fees and 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 the 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

Table of Contents

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.

Thomas W. Swidarski, who was a member of our Board in 2012, did not meet these independence standards because he was our President and CEO, and our employee, through January 19, 2013. Further, Mr. Wallace does not currently meet these standards as our current Executive Chairman of the Board, effective January 19, 2013; however, Mr. Wallace will regain his independent status and become a non-executive director once we hire a permanent CEO.
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.

Both the director independence standards and our Corporate Governance Guidelines are available on our website at www.diebold.com.

In 2012, 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

Table of Contents

- Board Governance Committee – bdgovchair@diebold.com
- Compensation Committee – compchair@diebold.com
- Directors – 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 received by the company and 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.

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. Effective November 21, 2012, we implemented a new Code of Business Ethics, or the Code, which replaced our prior Business Ethics Policy, as reflected in our Current Report on Form 8-K filed on November 28, 2012. The new Code was implemented as part of our ongoing mission to improve and expand our ethics and compliance culture by tying our core values to the ethical principles that must guide our business decisions. Our Code provides clear information on the resources available for directors, executive officers and employees to ask questions and report unethical behavior.

Our Code applies not only to the company, 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 our 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 our 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, 2012 were Phillip R. Cox, Chair, Patrick W. Allender (through April 25, 2012), Richard L. Crandall, Gale S. Fitzgerald, John N. Lauer, and Rajesh K. Soin, who was appointed to the Committee following his election to the Board at our 2012 Annual Meeting of Shareholders. No member of the Compensation Committee is or has been an executive officer of the company, and no member of the Compensation Committee had any relationships requiring disclosure by the company under the SEC's rules requiring disclosure of certain relationships and related person transactions. No officer or employee of the company 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 the company or member of our Compensation Committee during 2012.

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 of the company to thoroughly understand our business. In addition, the orientation process educates the new director on our strategic plans, significant financial matters, core values, including ethics and compliance programs, corporate governance practices, and other key policies and practices.

Table of Contents

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.

During 2012, our non-employee directors received an annual retainer of $65,000 for their service as directors, and our 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.

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, which mix 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 2012, each non-employee director was awarded 2,850 deferred common shares.

The following table details the cash retainers and fees received by our non-employee directors during 2012, as well as the aggregate grant date fair value of stock grants awarded during 2012 pursuant to our 1991 Plan:

Table of Contents

2012 Director Compensation

Name	Fees Earned or Paid in Cash[1] ($)	Stock Awards[2] ($)	All Other Compensation[3] ($)	Total ($)
Patrick W. Allender	77,999	115,539	5,971	199,509
Bruce L. Byrnes	81,000	115,539	9,163	205,702
Mei-Wei Cheng	81,000	115,539	13,153	209,692
Phillip R. Cox	87,500	115,539	17,371	220,410
Richard L. Crandall	75,000	115,539	17,371	207,910
Gale S. Fitzgerald	87,500	115,539	17,371	220,410
Phillip B. Lassiter[4]	27,001	—	12,882	39,883
John N. Lauer	167,000	115,539	19,765	302,304
Rajesh K. Soin	48,000	115,539	2,437	165,976
Henry D. G. Wallace	100,500	115,539	19,765	235,804
Alan J. Weber	88,500	115,539	17,371	221,410

1 This column reports the amount of cash compensation earned in 2012 for Board and committee service, including Board retainer amounts discussed above and the following committee fees earned in 2012 (partial amounts reflect pro-rated fees based on time of actual Committee service during 2012):

Name	Audit Committee ($)	Board Governance Committee ($)	Compensation Committee ($)	Investment Committee ($)	Special Committee ($)
Patrick W. Allender	7,333	3,333	2,333	—	—
Bruce L. Byrnes	11,000	5,000	—	—	—
Mei-Wei Cheng	11,000	5,000	—	—	—
Phillip R. Cox	—	—	12,000	3,000	7,500
Richard L. Crandall	—	—	7,000	3,000	—
Gale S. Fitzgerald	—	8,000	7,000	—	7,500
Phillip B. Lassiter	3,667	1,667	—	—	—
John N. Lauer	—	5,000	7,000	—	—
Rajesh K. Soin	—	—	4,667	—	—
Henry D. G. Wallace	15,000	—	—	3,000	17,500
Alan J. Weber	11,000	—	—	5,000	7,500

2 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 2012, as further described above. Each director received 2,850 deferred shares as of April 26, 2012, with a closing price of our common shares on that date of $40.54. The actual value a director may realize will depend on the stock price on the date the deferral period ends. As of December 31, 2012, the aggregate number of deferred shares held by our current directors was: Mr. Allender, 5,950; Mr. Byrnes, 8,750; Mr. Cheng, 12,250; Mr. Cox, 15,950; Mr. Crandall, 15,950; Ms. Fitzgerald, 15,950; Mr. Lauer, 18,050; Mr. Soin, 2,850; Mr. Wallace, 18,050; and Mr. Weber, 15,950. In addition, as of December 31, 2012, the aggregate number of common shares issuable pursuant to options outstanding held by current directors was: Mr. Cox, 9,000; Mr. Crandall, 17,500; Ms. Fitzgerald, 17,500; Mr. Lassiter, 17,500; Mr. Lauer, 16,500; Mr. Wallace, 17,500; and Mr. Weber, 9,000.

3 This column represents dividend equivalents on deferred shares.

[4] Mr. Lassiter retired from the Board effective as of the 2012 Annual Meeting of Shareholders.

Director Stock Ownership Guidelines

In 2007, the Board Governance Committee established stock ownership guidelines for each non-employee director. Under the ownership guidelines, each non-employee director is expected to own at least 6,500 common shares. 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.

Table of Contents

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. Specifically, in 2012, the Board Governance Committee engaged Heidrick & Struggles, a global board- and executive-level search firm, to assist with identifying potential director candidates.

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 Withhold Vote in the same election, then the Board will appoint a committee 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 team that combines diverse business and industry experience, skill sets and other leadership skills, that represent diverse viewpoints and that enables 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.

Table of Contents

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 to the Board as set forth in more detail below.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board recommends that its ten nominees for director be elected at the 2013 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 ten nominees.

All director-nominees are presently members of the Board, with the exception of Mr. Artavia, who was identified as a director-nominee by the Board Governance Committee, and Mr. Prather, who was properly nominated by a shareholder of the company and, after review, recommended by the Board Governance Committee. All of the present members of the Board were previously elected by our shareholders. 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 Annual Meeting unless there are extenuating circumstances for nonattendance. All directors standing for reelection attended the 2012 Annual Meeting of Shareholders, except for Mr. Soin who had a prior engagement.

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 ten 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
Patrick W. Allender Director since 2011 Age — 66	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 industrial products) 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.

Chair of our Audit Committee, and member of our Board Governance Committee.

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.

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
Roberto Artavia Director-nominee Age — 54	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; 2005 - Present: Board member of Copa Holdings, S.A. (airline industry). Also currently Chairman of Viva Trust, and President of Fundación Latinoamérica Posible, each 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. Mr. Artavia's academic and philanthropic experience within the business sector is a tremendous asset, particularly in Latin America, a market where we continue to focus on growth.
Bruce L. Byrnes Director since 2010 Age — 65	July 2008: Retired Vice Chairman of the Board, Procter & Gamble, Inc., Cincinnati, Ohio (consumer goods); 2004-2007: Vice Chairman of the Board, Household Care, Procter & Gamble, Inc. Currently a director of Cincinnati Bell Inc., Cincinnati, Ohio (telecommunications) since 2003, where he serves as Chair of the Governance and Nominating Committee; Boston Scientific Corp., Natick, Massachusetts (medical devices) since 2009, where he serves as Chair of the Governance and Nominating Committee, and a member of the Audit Committee; 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 & Gamble from 2002 - 2008. Member of our Audit and Board Governance Committees. 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 & Gamble. Further, as a result of Procter & Gamble's business-to-consumer focus, he brings a different perspective to our Board and our business-to-business focus.
Phillip R. Cox Director since 2005 Age — 65	1972 – Present: President and Chief Executive Officer, Cox Financial Corporation, Cincinnati, Ohio (financial planning and wealth management services). 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 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. Formerly a director of Duke Energy Corporation/Cinergy Corporation (gas and electric) from 1994 – 2008.

Chair of our Compensation Committee and member of our Investment and CEO Search Committees.

Mr. Cox’s 38 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.

Name, Term and Age	Position, Principal Occupation, Business Experience and Directorships Last Five Years, and Qualifications to Serve
Richard L. Crandall Director since 1996 Age — 69	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: Chairman, Enterprise Software Roundtable, Aspen, Colorado (CEO roundtable for software industry). Currently a director of R.R. Donnelley Inc., Chicago, Illinois (interactive communications provider) since January 2012, where he serves as a member of the Governance Committee, and Platinum Energy Solutions (energy services) since January 2012, where he serves as Chair 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, and Claymore Dividend & Income Fund, Lisle, Illinois (management investment company) from 2004 – 2010. Member of our Compensation and Investment Committees, and Chair of our CEO Search Committee. 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 16 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 Audit and Investment Committees, and his information technology experience provides perspective on technology risks facing the company.
Gale S. Fitzgerald Director since 1999 Age — 62	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 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 bring a well-rounded and diverse perspective to our Board discussions and provide 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 also brings valuable experience with compensation and succession planning issues to our Compensation Committee, and her 20 years of multiple

	board experiences provides a unique point of view to our Board Governance Committee.
Robert S. Prather, Jr. Director-Nominee Age 68	1992 – Present: 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). 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 will bring valuable insight to the Board. In addition, his knowledge and familiarity with the specific needs of companies within regulated industries will further strengthen 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 — 64	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 Compensation and CEO Search 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, a NASDAQ listed company before being acquired by BAE Systems, provides additional perspective in helping us grow our security business.
Henry D.G. Wallace Director since 2003 Age — 67	January 2013 – Present: 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 Ambac Financial Group, Inc., New York, New York (financial guarantee insurance holding company) since 2004, where he serves as a Lead Independent Director, and member of the Audit and Risk Assessment, Governance and Compensation Committees; and 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. Executive Chairman of the Board and member of our Investment Committee. 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.
Alan J. Weber Director since 2005 Age — 64	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.

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., an insurance services company, brings extensive financial expertise to both our Audit Committee and our Investment Committee.

Table of Contents

BENEFICIAL OWNERSHIP OF SHARES

To our knowledge, no person beneficially owned more than five percent of our outstanding common shares as of December 31, 2012, 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	4,966,809 [1]	7.90
Common Shares	GGCP, Inc. et al. One Corporate Center Rye, New York 10580	4,753,358 [2]	7.51
Common Shares	Janus Capital Management, LLC 151 Detroit Street Denver, Colorado 80206	4,459,310 [3]	7.00
Common Shares	BlackRock, Inc. 40 East 52nd Street New York, New York 10022	3,903,179 [4]	6.17
Common Shares	The Vanguard Group 100 Vanguard Blvd. Malvern, Pennsylvania 19355	3,409,341 [5]	5.39

1 The Schedule 13G filed with the SEC on February 11, 2013 indicates that, as of December 31, 2012, State Street Corporation, a holding company, had shared voting and dispositive power with respect to 4,966,809 shares through its direct or indirect subsidiaries.

2 The Schedule 13D/A filed with the SEC on January 10, 2013 indicates that, as of January 10, 2013: (A) Gabelli Funds, LLC had sole voting and dispositive power with respect to 1,140,000 common shares; (B) GAMCO Asset Management Inc. had sole voting power with respect to 3,333,358 common shares and sole dispositive power with respect to 3,536,358 common shares; (C) MJG Associates, Inc. had sole voting and dispositive power with respect to 4,000 common shares; (D) MGJ - 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 8,000 common shares; (F) GGCP, Inc. had sole voting and dispositive power with respect to 4,000 common shares; and (G) Mario J. Gabelli had sole voting and dispositive power with respect to 56,000 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.

3 The Schedule 13G filed with the SEC on February 14, 2013 indicates that, as of December 31, 2012, Janus Capital Management LLC had sole voting and dispositive power over 4,403,310 common shares and shared voting and dispositive power over 56,000 common shares.

4 The Schedule 13G filed with the SEC on January 30, 2013 indicates that, as of December 31, 2012, BlackRock, Inc. had sole voting and dispositive power with respect to 3,903,179 common shares.

5 The Schedule 13G filed with the SEC on February 12, 2013 indicates that, as of December 31, 2012, The Vanguard Group had sole voting power over 44,967 common shares, sole dispositive power over 3,367,174 common shares, and shared dispositive power over 42,167 common shares.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows the beneficial ownership of Diebold's common shares, including those shares which 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) the former CEO, (3) the CFO, our three other most highly compensated executive officers serving as of December 31, 2012, and another individual that would have been deemed a Named Executive Officer had she remained in her role as of December 31, 2012, all of whom we refer to collectively as the "Named Executive Officers," and (4) all director-nominees, Named Executive Officers and other executive officers as a group as of February 25, 2013.
Ownership is also reported as of February 25, 2013 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.

Table of Contents

Director-Nominees:	Common Shares Beneficially Owned	Stock Options Exercisable Within 60 Days	Deferred Shares[1]	Percent of Class
Patrick W. Allender	—	—	5,950	*
Roberto Artavia	—	—	—	*
Bruce L. Byrnes	—	—	8,750	*
Phillip R. Cox	—	9,000	15,950	*
Richard L. Crandall	6,089	17,500	15,950	*
Gale S. Fitzgerald	6,089 [4]	17,500	15,950	*
Robert S. Prather, Jr.	—	—	—	*
Rajesh K. Soin	—	—	2,850	*
Henry D. G. Wallace	1,000	17,500	18,050	*
Alan J. Weber	1,500	9,000	15,950	*
Other Named Executive Officers:				
Thomas W. Swidarski [2] Former President, CEO and Director	226,035 [3]	424,282	—	1.02%
Bradley C. Richardson Executive Vice President and Chief Financial Officer	32,741	66,250	—	*
Charles E. Ducey, Jr. [5] Former Executive Vice President, North America Operations	45,991[3]	66,600	1,180	*
George S. Mayes, Jr. [6] Executive Vice President and Chief Operating Officer (Former Executive Vice President, Global Operations)	53,462[3]	44,250	—	*
Frank A. Natoli, Jr. Executive Vice President, Chief Innovation Officer	22,640[3]	8,950	—	*
Leslie A. Pierce [7] Former Vice President and Corporate Controller	8,632[3]	—	—	*
All Current Directors, Director-Nominees, Named Executive Officers and Current Executive Officers as a Group (25)	554,237 [3,4]	865,931	132,157	2.25%

*Less than 1%.

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1 The deferred shares awarded to the director-nominees, as discussed above under "Compensation of Directors," and shares deferred by Mr. Ducey pursuant to our deferred incentive compensation plans, are not included in the shares reported in the "Common Shares Beneficially Owned" column, nor are they included in the "Percent of Class" column.

2 Mr. Swidarski stepped down as our President and Chief Executive Officer effective as of January 19, 2013.

3 Includes shares held in his or her name under the 401(k) Savings Plan over which he or she has voting power, and/or shares held in the Employee Stock Purchase Plan.

4 Includes shares held in the name of the spouse of the director-nominee, Named Executive Officer or other corporate officer.

[5] Mr. Ducey stepped down as our Executive Vice President, North America Operations effective as of January 23, 2013.

[6] 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.

[7] Ms. Pierce stepped down as Vice President and Corporate Controller effective as of April 18, 2012. For further explanation and discussion, see “Separation Agreements” under “Compensation Discussion and Analysis” below.

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. Such directors, executive officers and 10% shareholders are also required by SEC rules to furnish us with copies of all Section 16(a) forms they file.

In 2012, due to administrative oversight, one grant of restricted stock units (RSUs) to Frank A. Natoli, Jr. was not timely reported on Form 4. A Form 5 was timely filed reflecting Mr. Natoli’s annual statement of changes in beneficial ownership. 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, 2012, our directors, executive officers and 10% shareholders timely filed all other reports they were required to file under Section 16(a).

Table of Contents

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the following "Compensation Discussion and Analysis" section of this 2013 proxy statement. Based on our review and discussions, we recommend to the Board that the "Compensation Discussion and Analysis" be included in the company's Annual Report on Form 10-K for the year ended December 31, 2012 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
John N. Lauer

COMPENSATION DISCUSSION AND ANALYSIS

In this section, we describe the material components of our executive pay program for our Named Executive Officers, whose compensation is set forth in the tables following this discussion in accordance with SEC rules:

Thomas W. Swidarski: Former President and Chief Executive Officer
Bradley C. Richardson: Executive Vice President and Chief Financial Officer
Charles E. Ducey, Jr.: Former Executive Vice President, North America Operations
George S. Mayes, Jr.: Executive Vice President and Chief Operating Officer (formerly our Executive Vice President, Global Supply Chain, through January 18, 2013)
Frank A. Natoli, Jr.: Executive Vice President, Chief Innovation Officer
Leslie A. Pierce: Former Vice President and Corporate Controller

Compensation information is detailed for Leslie A. Pierce, our former Vice President and Corporate Controller, who stepped down from the company effective as of April 18, 2012. For further explanation and discussion regarding Ms. Pierce, see "Employment and Separation Agreements" below.

The Compensation Committee, or the Committee, has oversight responsibility for the development and administration of Diebold's executive compensation policies and programs. This "Compensation Discussion and Analysis" explains how and why the Committee arrived at specific compensation policies and decisions for our Named Executive Officers in 2012, as well as compensation decisions for 2013.

Our Business and 2012 Highlights

Diebold is a global leader in providing integrated self-service delivery and security systems and services primarily to the financial, commercial, government, and retail markets in nearly 90 countries worldwide. In 2012, we focused on three pillars to accelerate the company into a world-class, software-led services provider:

- A strategy that leverages our leadership in software-led services, attuned with the needs of our core global markets for financial self-service and security solutions.
- The financial capacity to implement that strategy and fund the investments necessary to drive growth, while preserving the ability to return value to shareholders in the form of reliable, growing dividends and, as appropriate, share repurchases.
- A disciplined risk assessment process, focused on proactively identifying and mitigating potential risks to our continued success.

The Committee designed the 2012 executive pay program for our Named Executive Officers primarily to motivate, incentivize and reward the achievement of financial and performance goals related to these strategies. The Committee

Table of Contents

evaluated factors within the following 3 categories for the 2012 executive pay program, each described in more detail under "2012 Pay Elements" below:

- Overall corporate achievement of non-GAAP earnings per share, or EPS (non-GAAP EPS is net income per share, excluding restructuring charges, non-routine income and expenses, and impairment charges);
- The Named Executive Officers' respective roles in executing our short- and long-term strategic goals; and
- The Named Executive Officers' respective individual performance goals.

Our Compensation Strategy

Our executive pay program is specifically designed to:

- Focus on performance metrics that drive long-term shareholder value, including total shareholder return, or TSR.
- 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 competitive program design and pay opportunities, and balance our need for talent with our need to maintain reasonable compensation costs.
- Attract, motivate, and retain executive talent willing to commit to building long-term shareholder value.
- Emphasize a global approach, locally customized to accommodate specific country conditions — ensuring fairness, market competitiveness, and compliance.

The following table summarizes key elements of our 2012 executive compensation program:

Element	Primary Purpose	Key Characteristics
Base Salary	To compensate the executive fairly for the responsibility level of the position.	Fixed compensation component; reviewed annually.
Annual Cash Bonus	To motivate, incentivize and reward organizational and individual achievement of annual strategic financial and individual objectives.	Variable compensation component; reviewed annually. The primary performance components are: • Corporate non-GAAP EPS; • Key initiatives (e.g., free cash flow, or FCF[1]); and • Individual performance goals.
Long-Term Incentives	To align executives with shareholder interests, and to reinforce and reward long-term shareholder value creation.	Variable compensation component; reviewed and granted annually.
• Performance Shares	• To motivate and reward performance achievement over a three-year period.	• TSR relative to peers and S&P 400 Mid-Cap companies, and stock price growth.
• Stock Options	• To increase shareholder value.	• Stock price growth above the exercise price at grant.
• RSUs	• To increase shareholder value and promote executive retention.	• Stock price growth.
Health/Welfare Plan and Retirement Benefits	To provide competitive benefits that promote employee health and productivity and support financial security.	Fixed compensation component.
Perquisites and Other Benefits	To provide business-related benefits, where appropriate.	Fixed compensation component.

Change-in-Control Protection	To bridge to future employment if employment is 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 to future employment if employment is terminated other than "for cause."	Fixed compensation component; only paid in the event the executive's employment is terminated other than "for cause."

[1] FCF is net cash generated from our operating activities and available for execution of our business strategy, excluding capital expenditures.

Table of Contents

2012 Executive Compensation Summary

The Committee approved the following compensation items in 2012, each discussed further in "2012 Pay Elements" below:

Pay Component	Comments
Base Salary	• Mr. Swidarski did not receive an increase in 2012. • Mr. Richardson received a 4.1% increase based on competitive market data for his position. • Mr. Ducey received a 10.5% increase based on competitive market data for his position. • Mr. Mayes received a 2.5% increase based on competitive market data for his position. • Mr. Natoli received a 20% increase due to his promotion to Executive Vice President, Chief Innovation Officer. • Ms. Pierce received a 2.5% increase based on competitive market data for her position.
Annual Cash Bonus	• Mr. Swidarski did not receive a cash bonus. • Mr. Richardson did not receive a cash bonus. • Mr. Ducey did not receive a cash bonus. • Mr. Mayes received a $149,093 cash bonus, which was 55% of target. • Mr. Natoli received a $117,283 cash bonus, which was 83% of target. • Ms. Pierce stepped down from the company effective as of April 18, 2012, and was not eligible for a cash bonus. The company did not meet its non-GAAP EPS goal for 2012. Therefore, cash bonuses that were granted were based on key initiatives and individual performance goals. In addition, the Committee used its negative discretion to eliminate cash bonuses for Messrs. Swidarski, Richardson and Ducey due to the company's 2012 performance.
Long-Term Incentives	• Consistent with prior-year practices, the Committee approved grants based on a thorough review of competitive market data, individual and Company performance, and management's recommendations. • Value mix: 40% stock options, 40% performance shares, and 20% RSUs. • The 2010 to 2012 performance share grant payout was 30% of target, based on the performance/payout scale approved by the Committee at the start of the performance period. Our total TSR for the three-year period 2010 to 2012 was 20.4%, which ranked us at the 23rd percentile against our custom peer group discussed further in "Peer Companies and Competitive Market Data" below), and at the 27th percentile against the S&P Midcap 400 index. • To enhance the design of long-term incentives, starting with the 2012 to 2014 performance cycle, performance share payouts are limited to target in periods when TSR is negative, even if the performance/payout scale calculates that a higher payout was earned.

Corporate Governance Standards

We endeavor to maintain good executive compensation governance standards, including the oversight of our executive compensation programs and policies. The following guidelines and policies were in effect during 2012:

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. In addition, we have retention requirements for pre- and post-guideline attainment (as described below under "Executive Stock Ownership Guidelines"). The Committee annually tracks progress towards achievement of these ownership guidelines.

Clawback policies: In addition to our stand-alone Clawback Policy regarding recovery of excessive performance-based incentive compensation in certain circumstances (as described below under "Other Compensation Policies"), our equity grants also include general provisions that allow us to cancel or "claw back" incentive

compensation pursuant to any shares received pursuant to awards or stock option exercises.
Insider trading policy: The company’s 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 (as described below under “Other Compensation Policies”).
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 (as described below under “Other Compensation Policies”).
Tally sheets: The Committee annually reviews tally sheets in order to analyze our Named Executive Officers’ total compensation opportunities based on historical grant practices, and to review the potential compensation under various termination scenarios.