Corporate governance statement

Siemens Mobility Limited: for the year ended 30 September 2020

The Board and its responsibilities

The Company is required by The Companies (Miscellaneous Reporting) Regulations 2018 to issue a statement in relation to its corporate governance practices. Having considered a number of corporate governance codes, the Directors have adopted the Wates Corporate Governance Principles for Large Private Companies. The purpose of this report is to outline the way in which the Company has applied the principles over the financial year.

Principle 1 – Purpose and Leadership

"An effective board develops and promotes the purpose of a company and ensures that its values, strategy and culture align with that purpose"

Siemens Mobility Limited is part of the Siemens group of companies, of which the ultimate shareholder is Siemens AG, which is responsible for setting the overall strategy for the Siemens group.

The Company's intermediate parent company is Siemens Mobility GmbH, which is responsible for setting the more detailed strategy for the mobility group of companies ("Mobility Group"). Engagement with shareholders is an ongoing process and the Board have regard to the strategy set by its immediate and ultimate parent companies when setting the strategy for the Company.

The Mobility Group's vision is to be "global entrepreneurs, trusted by our partners to pioneer transportation, moving people sustainably and seamlessly from the first mile to the last".

The Board are responsible for developing and promoting the Mobility Group's vision in the UK and Ireland and ensuring that its values, strategy and culture align with that vision.

The Siemens values are:

- Responsible
- Excellent
- Innovative

In order to help the Company apply the values, the Company has adopted a set of Business Conduct Guidelines, which guide the Company's decisions and the overall conduct of employees at Siemens. Every employee is trained on the Business Conduct Guidelines and is required to follow them in their activities.

At the core of the vision, we place the culture we want to nurture. Culture is a key focus area for the Board and the Board has sponsored a number of cultural enquiries within the Company to ascertain how the employees perceive the culture. These led to a number of workshops with senior management teams across the businesses and the roll out of the Company's five cultural tenets: We care for each other, we lead with integrity, we are one team, we are innovative and agile, we are accountable. The adoption of this culture is firmly led by the Board, sharing their passion for the culture and setting the tone from the top.

Principle 2 – Board Composition

"Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

The Board comprises the Chief Executive Officer, the Chief Financial Officer and the chief executive officer of the Company's affiliated company, Siemens plc. The composition of the Board is dictated by the Company's shareholder, which has adopted a lean boards approach to governance.

The Board have reflected on the size of the Board and have concluded that it is appropriate, considering the scale and complexity of the Company.

Each of the members of the Board has a wealth of experience and knowledge gained either with Siemens group companies or elsewhere, which enables each member to bring their own perspective to Board discussions.

Principle 3 – Responsibilities

"The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision making and independent challenge."

The Company has adopted a three tier governance structure as follows:

- Executive Board
- Core Leadership team
- Business Unit management teams

The Executive Board is chaired by the Chief Executive. There is regular dialogue between the members of the Executive Board and formal meetings are held as required.

The Core Leadership team comprises the Chief Executive Officer, Chief Financial Officer, Company Secretary, managing and finance leads for each business unit and the heads of core functions. The Core Leadership team has a formal meeting once a month, and operational management calls twice a week.

The Company Secretary is responsible for calling all meetings of the Executive Board and the Core Leadership Team. Executive Board meetings are minuted and decisions and actions from Core Leadership Team meetings are recorded.

The Directors receive regular updates from each business unit and from core functions including human resources, real estate, legal and health and safety.

The Board have reserved certain matters for its own approval, whilst the day to day management of the Company is undertaken by the Core Leadership Team.

Further corporate governance practices are contained in the Business Conduct Guidelines, referred to earlier in this statement.

Each Board member is reminded of their accountability and responsibilities on an annual basis, and is required to confirm that they have understood them.

Principle 4 – Opportunity and Risk

"The Board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establish oversight for identification and mitigation of risk."

Risk and internal control is a key part of the Siemens Group's governance. All Siemens entities are required to implement an effective and efficient risk and internal control system within their area of responsibility. The risk and internal control system is driven by the expectations of stakeholders, legal and regulatory requirements and the needs of management since it provides a degree of assurance that:

- risks and opportunities regarding meeting the Company's business objectives are being adequately managed;
- assets are safeguarded;
- financial reporting is reliable; and
- laws and regulations are complied with.

The Company has adopted an Enterprise Risk Management (ERM) system to provide a standardised method for identifying Siemens-wide risks and clearly defined accountabilities and procedures for managing these risks. The ERM system is based on the globally accepted "COSO Enterprise Risk Management – Integrating with Strategy and Performance" (2017). By establishing and maintain a comprehensive and integrated ERM process the Company creates the necessary foundation to identify, assess and respond to relevant risks and opportunities.

The framework for managing risks and opportunities in projects is governed by procedures issued by the Company's shareholder which require the entry of project risks and opportunities into a reporting tool. By this method, all members of the project team are made aware of the significant risks to their work and are able to take action to manage the risks effectively.

The Board review the risks associated with underperforming projects based on a traffic light system. These reviews are conducted together with the managing and finance leads for the relevant business unit, together with their counterparts in the Company's shareholder. Other projects are reviewed by the business unit management team.

Principle 5 – Remuneration

"A board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the Company."

Executive remuneration is set by Siemens AG and structures are aligned across all Global Senior Managers. Executive remuneration principles encourage a focus on both long term and short term performance and considerations. In addition, the principles are designed to encourage a focus on financial and non-financial performance and ensure a competitive overall remuneration package.

1/ Compensation linked to performance: Exceptional achievements are to be adequately rewarded, while falling short of targets results in an appreciable reduction in compensation. Annual pay award is significantly and explicitly influenced by individual performance.

2/ Ensuring competitiveness: In order to attract outstanding candidates for Senior Manager roles and to retain them for the long term, compensation should be attractive compared to that offered by competitors. This is ensured through annual external benchmarking using executive remuneration surveys from established and credible providers. Such data is systematically used in recruitment, promotion and pay review decision making.

3/ Focus on successful, sustainable management of the Company: Senior managers are expected to make a long-term commitment to and on behalf of the Company. As a result, they can benefit from any sustained increase in the Company's value. For this reason, a substantial portion of their total compensation is linked to the long-term performance of Siemens Shares.

4/ Focus on financial and non-financial performance and contribution: All aspects of executive remuneration are influenced by both financial and non-financial measures of performance. Annual pay review is influenced by "WHAT" a Senior manager achieves (which include both financial and other measures such as health and safety, employee engagement and corporate social responsibility) and "HOW" they contribute (demonstrating exemplary behaviours against the Company's values). Short term incentive (Annual Bonus) achievement is determined by financial measures but in the case of any compliance breach no bonus would be paid. Long term incentives are based on long term share performance measures and also include explicit Environmental and Social sustainability elements such as CO_2 reduction, customer satisfaction scores and employee learning.

Based on these principles, Senior managers' remuneration comprises both non-performance based and performance based elements and is divided into three main components:

- Base compensation
- Short term variable compensation
- Long-term stock-based compensation.

Principle 5 – Remuneration

"Directors should foster effective relationships aligned to the Company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."

A detailed description of how the Board engages with its stakeholders is set out in the Company's Section 172(1) statement which forms part of the Strategic Report.

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