



Siemens Benefits Scheme

Statement regarding Defined Contribution ('DC') governance

Year Ended 30 September 2021

SIEMENS

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Introduction

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (“the Administration Regulations”) require the Trustee to prepare an annual statement regarding governance and include this in the annual report.

This statement has been prepared by the Trustee Directors of the Scheme (the “Trustee”) in accordance with regulation 23 of the Occupational Pension Schemes (Scheme Administration) Regulations (“the Administration Regulations”) 1996 (as amended). It describes how the Trustee has met the statutory governance standards in respect of the DC Section (the “DC Section”) of the Siemens Benefit Scheme (the “Scheme”) in relation to:

- the default arrangement
- assessment of charges and transaction costs
- requirements for processing financial transactions
- the requirement for trustee knowledge and understanding

between 1 October 2020 and 30 September 2021, the 2020/21 scheme year (“the Scheme Year”).

Default Arrangement

For the purposes of the Administration Regulations the “Flexible Access Lifestyle” is the Scheme’s Default Arrangement (the “Default Arrangement”).

The aim of the Default Arrangement is to provide members with the potential for higher levels of growth during the accumulation of their retirement savings and then to gradually diversify their investments to reduce volatility whilst maintaining the potential for a modest level of growth in excess of inflation. The Scheme is used as a Qualifying Scheme for auto-enrolment purposes and the Trustee has put in place the Default Arrangement in acknowledgment that some members will be unwilling or feel unable to make investment choices.

The Default Arrangement invests in the Scheme’s “Opportunity Fund” until 25 years before a member’s selected retirement age. During this ‘growth’ phase, the strategy aims to provide real (i.e. above inflation) growth over the long term.

25 years from a member’s selected retirement age, lower risk and more diverse investments are gradually introduced, including protection and income generating investments, initially through the Scheme’s “Balanced Fund” and then the Scheme’s “Consolidation Fund”.

Statement of Investment Principles

Appended to this statement is a copy of the Scheme's latest statement of investment principles ("SIP") which governs the Trustee's decisions about investments, including its aims, objectives and policies for the Scheme's Default Arrangement, prepared in accordance with regulation 2A of the Occupational Pension Schemes (Investment) Regulations 2005. In particular, it covers:

- The Trustee's policies on risk, return and ethical investing; and
- How the Default Arrangement is intended to ensure that assets are invested in the interests of members and beneficiaries.

In line with regulatory requirements, the SIP also includes detail surrounding the Trustee's policies in relation to:

- Stewardship of the assets the Scheme invests in. Specifically: taking account of financially material considerations (including climate change); taking account of 'non-financial' matters; stewardship of investments (including engagement); and monitoring and exercising of voting rights associated with investments.
- The arrangements with underlying asset managers that invest the Scheme's assets on the Trustee's behalf.

Review of the Default Arrangement

Review of the strategy

The Trustee reviews the strategy of the Default Arrangement at least once every three years or without delay following a significant change in investment policy or the demographic profile of members. The most recent triennial review of the Default Arrangement, carried out by the Trustee at meetings held on 19 June and 12 September 2019, included a full membership analysis and mathematical modelling to assess projected retirement outcomes for a range of representative members. Importantly, this review concluded that:

- Key characteristics of the membership profile of the DC Section remained broadly consistent since the initial design and implementation of the investment strategy in 2016/17, recognising an increase in the proportion of deferred members due to a number of business carve outs.
- Trustee investment beliefs which had been used to set the Default Arrangement three years earlier remained appropriate.
- The lifestyle approach in place supported appropriate outcomes for the current membership, although improvements could (and were) made to investments underlying the Balanced Fund.

The next detailed triennial strategy review of the Default Arrangement will be completed by 12 September 2022 (or sooner, as required, for example if there is a significant change in the membership profile of the Scheme).

Ongoing review of the Default Arrangement and its performance

Throughout the Scheme Year, as part of its established monitoring framework, the Trustee continued to work with its investment advisor to assess the performance and ongoing suitability of the Default Arrangement.

The Trustee has delegated responsibility for a number of monitoring tasks, including in-depth performance monitoring, to the Trustee's Investment, Covenant and Funding Committee (ICFC).

Work completed over the Scheme Year included quarterly monitoring of the investments (based on reports on how the funds have performed over the quarter against target benchmarks), the annual Deep Dive investment review (detailed analysis of performance versus strategic and manager objectives) and a closer look at

the Environmental, Social and Governance (ESG) characteristics and ESG integration of the Scheme's underlying asset managers.

The Trustee agreed several changes over the period to more closely integrate ESG and Responsible Investment within the Default Arrangement. The opportunity for strategy improvement was first highlighted as part of the prior year's Deep Dive review, with further work during the Scheme Year and changes completed during October and November 2021. The following table provides a summary of the changes:

Fund	Allocation during the Scheme Year	New allocation with effect from November 2021
Opportunity	25% BlackRock Aquila MSCI World Global Equity Fund (50% hedge)	25% BlackRock ACS World ESG Equity Tracker Fund (50% hedge)
	22.5% BlackRock Aquila Global Minimum Volatility Index (50% hedge) 22.5% BlackRock Aquila Global Developed Fundamental Weighted Index (50% hedge)	45% State Street ACS Multi-Factor Global ESG Equity Fund (50% hedge)
Balanced	10% BlackRock Absolute Return Bond Fund	10% Robeco Global SDG Credit Fund
Consolidation	10% Legal & General Pre-Retirement Fund	10% Robeco Global SDG Credit Fund

The Trustee and its investment advisor monitored the implementation process to make sure that it was carried out efficiently, including to minimise risk and costs to members during the transition.

Outcomes of the Deep Dive review during the Scheme Year included:

- No immediate or further action recommended for the Default Arrangement's building block funds.
- The Trustee's Scorecard assessment considered the expected return based on underlying asset class exposures versus fund objectives and no required action was identified within the Default Arrangement's building block funds. However, whilst not required, the potential merits of transitioning the emerging market equity allocation within the Opportunity Fund into an actively managed fund was highlighted. This will be discussed further with the ICFC, with potential for action as part of the next detailed triennial strategy review.
- Overall, the Trustee concluded that the Default Arrangement remains appropriate for the membership and performance is in line with expectations.

The Trustee will continue to monitor the performance of the Default Arrangement on an ongoing basis and will take further action as necessary in future. More detail on some of the monitoring carried out by the Trustee is provided below.

Quarterly performance monitoring

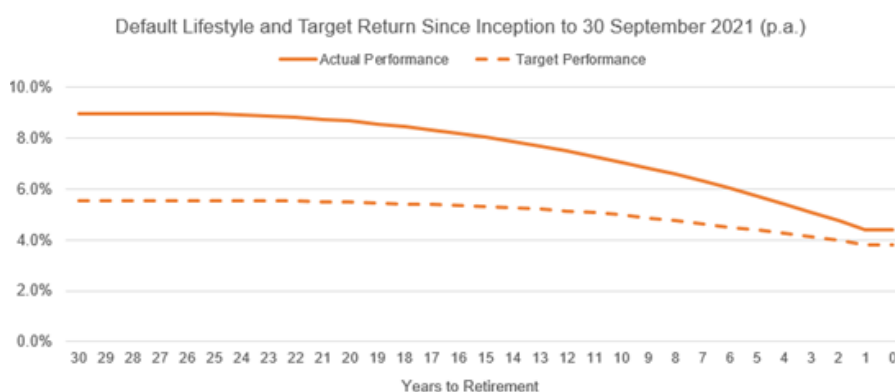
On a quarterly basis, the Trustee monitors both the experienced risk (as measured by variability of returns and maximum expected losses) and return metrics of the Default Arrangement relative to targets. This allows the Trustee to identify whether the strategy is performing as expected and ascertain the source of any underperformance.

These metrics are supported by a more detailed report at each quarterly ICFC meeting which sets out the performance of the underlying managers in all Scheme funds, including the Default Arrangement and the self-select fund range. Performance of legacy AVC investments are included in the report appendix. The quarterly report covers various time periods, from inception of the funds to the latest quarter, with a focus on long-term performance (in line with the long-term savings horizon of most of the membership). The ICFC reviews these reports and raises any concerns about investment performance of specific managers, taking action if and when necessary.

Framework for assessing performance of the Default Arrangement versus target – Investment return

The chart below, to 30 September 2021, provides an example of how investment performance is measured relative to target. The solid amber line shows the actual performance a member has experienced (vertical axis) since the current strategy was put in place on 1 July 2017, whilst the dashed line shows long-term target performance over the same period of time, where the target is based on outperforming inflation by a specified margin. Using this approach allows the Trustee to monitor how the Default Arrangement is performing for a broad range of the membership each with a different number of 'years to retirement' remaining (horizontal axis).

As shown by the chart, as at 30 September 2021, performance of the Default Arrangement since inception was ahead of target for all terms to retirement.



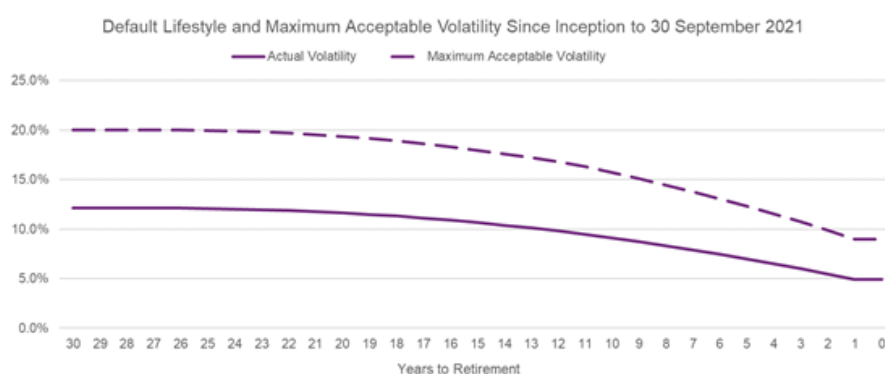
Given that investment markets may move up or down, and due to the nature of the investments held, the Trustee recognises that there may be periods where funds underperform. The market turmoil experienced as a result of the Covid-19 outbreak provides a good example of particularly challenging market conditions which impacted fund performance in the short term. Markets have generally recovered since the initial outbreak, boosted by the success of vaccine rollouts and investor optimism around a

global recovery. As at 22 November 2021, performance of the Default Arrangement remained ahead of target since inception for all terms to retirement.

The Trustee recognises the importance of reviewing investment strategy over a suitably long-term time horizon, whilst also maintaining close, regular monitoring of the underlying investments.

Framework for assessing performance of the Default Arrangement versus target – Investment risk

The following chart represents one of the outputs the Trustee considers when monitoring the risk, relative to target, of the Default Arrangement. Another risk output involves assessing the extent to which underlying investment funds have fallen in value since a recent peak. These risk metrics enable the Trustee to monitor whether members are exposed to appropriate levels of risk depending on their time left before expected retirement date.



In the chart above, the dashed line represents the target maximum level of volatility (a measure of the degree of variability in investment performance; mathematically defined as the standard deviation of returns) that the Trustee considers acceptable for a member to be exposed to with a given number of years left until retirement, based on the strategy objectives set by the Trustee. The declining shape of the curve reflects a gradual reduction in risk tolerance as member age increases and selected retirement age nears.

The solid line reflects actual experienced volatility for members with different terms to retirement invested in the Default Arrangement. The chart shows that, at all stages of the journey towards retirement, members have not been exposed to greater levels of risk than is deemed acceptable by the Trustee. For instance, 5 years from retirement, the underlying asset allocation and strategy objectives are consistent with an upper risk level of 12%, whereas the actual risk level has been closer to 7%, and therefore well within expectations. This form of monitoring helps the Trustee to confirm that risk levels remain appropriate and identify any concerns for further investigation, if applicable.

Annual 'Deep Dive' review

An in-depth review of the funds used in respect of the Default Arrangement (both of the top-level Opportunity, Balanced and Consolidation Funds plus the underlying component funds) is carried out by the ICFC on an annual basis and considers both the performance achieved and forward-looking projections.

The 2021 Deep Dive review was discussed in detail at the meeting on 22 September 2021.

Following the previous Deep Dive review in 2020, the Trustee undertook further work and agreed changes to the Default Arrangement to integrate ESG and Responsible Investment (implemented during October and November 2021). No further immediate changes were proposed in the 2021 Deep Dive review. However, in constantly seeking opportunities to improve, a couple of areas have been earmarked for further consideration in the future including, but not limited to:

- Ongoing consideration to further integration of ESG focused strategies within the Default Arrangement
- Consideration of an actively managed emerging market equity allocation within the Opportunity Fund
- ESG and Responsible Investment considerations across the Freestyle Fund range, including following member surveys.

The Trustee and its investment advisor are comfortable that the current strategy in respect of the Default Arrangement remains fit for purpose. However, the Trustee intends to explore each of these areas in more detail during 2022, with the next triennial strategy review of the Default Arrangement to be completed no later than 12 September 2022.

Investment charges

The Trustee is required to regularly monitor the level of charges borne by members through the Default Arrangement and each fund which members are able to select or in which assets relating to members are invested.

These charges comprise:

- Charges: these are explicit, and represent the costs associated with operating and managing an investment fund. They can be identified as a Total Expense Ratio (TER), or as an Annual Management Charge (AMC), which is a component of the TER;
- Transaction Costs: these are not explicit and are incurred when the Scheme's fund manager buys and sells or lends or borrows assets within investment funds but are exclusive of any costs incurred when members invest in and switch between funds.

The Trustee is also required to confirm that the charges on the Default Arrangement have not exceeded 0.75% p.a. (the charge cap) and produce an illustration of the cumulative effect of the costs and charges on members' retirement fund values as required by the Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018.

In accordance with regulation 25(1)(a) of the Administration Regulations, the Trustee has calculated the “charges” and, so far as they were able to do so, the “transaction costs”, borne by members of the Scheme for the period 1 October 2020 to 30 September 2021.

Default Arrangement

During the Scheme Year:

- The level of charges and transaction costs applicable to the Default Arrangement varied depending on the number of years left until a member's selected retirement age, as shown in the table below.
- As required, the TER of the Default Arrangement remained well below the regulatory charge cap of 0.75% for all terms to retirement.

Default Arrangement											
Years to retirement	30-10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.200 – 0.327	0.340	0.354	0.369	0.385	0.402	0.420	0.439	0.459	0.480	0.480
Transaction costs % p.a.	0.020 – 0.134	0.146	0.159	0.173	0.187	0.203	0.219	0.236	0.254	0.273	0.273
Total costs % p.a.	0.220 – 0.461	0.486	0.513	0.542	0.572	0.605	0.639	0.675	0.713	0.753	0.753

Alternative Lifestyle Arrangements

- In addition to the Default Arrangement, two alternative lifestyle strategies are offered for members with different requirements, the Traditional Annuity Lifestyle and the Cash Out Lifestyle.
- The level of charges and transaction costs applicable to these arrangements also varied depending on the number of years left until a member's selected retirement age, as shown in the tables below.

Traditional Annuity Lifestyle											
Years to retirement	30-10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.200 – 0.327	0.340	0.354	0.369	0.385	0.345	0.306	0.268	0.231	0.195	0.195
Transaction costs % p.a.	0.020 – 0.134	0.146	0.159	0.173	0.187	0.159	0.132	0.105	0.080	0.055	0.055
Total costs % p.a.	0.220 – 0.461	0.486	0.513	0.542	0.572	0.504	0.438	0.373	0.311	0.250	0.250

Cash Out Lifestyle											
Years to retirement	30-10	9	8	7	6	5	4	3	2	1	0
TER % p.a.	0.200 – 0.327	0.340	0.354	0.369	0.385	0.339	0.294	0.250	0.207	0.165	0.165
Transaction costs % p.a.	0.020 – 0.134	0.146	0.159	0.173	0.187	0.158	0.129	0.101	0.074	0.048	0.048
Total costs % p.a.	0.220 – 0.461	0.486	0.513	0.542	0.572	0.497	0.423	0.351	0.281	0.213	0.213

- The levels of charges and transaction costs applicable to all funds in which assets relating to members were invested were as follows:

Investor Plan Funds	TER ¹ % p.a.	Transaction costs ² % p.a.	Total costs % p.a.
Opportunity ³	0.20	0.02	0.22
Balanced ³	0.51	0.30	0.81
Consolidation ³	0.39	0.19	0.58
Global equity – index tracker	0.13	0.00	0.13
Inflation linked annuity target	0.13	0.01	0.14
Cash	0.09	0.00	0.09
Global equity – active	0.68	0.06 ⁴	0.74
Property and infrastructure	0.43	0.08	0.51
UK equity – index tracker	0.10	0.06	0.16
Shariah	0.34	0.03	0.37
Ethical	0.40	0.13 ⁴	0.53
Fixed annuity target	0.13	0.01	0.14

Source: Fidelity

1 The total expense ratio (TER) is a measure of the total costs associated with managing and operating an investment fund.

2 The aggregate transaction costs consists of any transaction costs incurred while buying, selling, lending or borrowing investments within a fund.

3 Funds underlying the Default Arrangement.

4 For 12-month period to 30 June 2021.

There is no market benchmarking data available for transaction costs and these are volatile from one year to the next depending on the extent of trades within funds.

There can, on occasion, be a negative transaction cost (profit) as a result of the underlying trades in a fund. However, a floor of 0% p.a. has been applied in these instances to avoid potentially understating the total level of costs and charges.

Additional information on each fund is available on the Siemens Investor Plan website (<https://new.siemens.com/uk/en/company/jobs/life-at-siemens/my-pension.html>)

Investment charges: Legacy AVC funds

A limited number of members of the Scheme are invested in legacy AVC funds. These funds do not form part of the Investor Plan and are invested with a range of other providers. The Trustee has requested details from the providers of the costs and charges applying to arrangements in place for any part of the Scheme Year to allow this to be presented in line with the above information for the Investor Plan. This information is presented below.

The Trustee previously noted that the charges associated with these funds are materially higher than charges of comparable funds in the Investor Plan, and last year completed an exercise giving members holding legacy unit-linked funds the option to transfer into the Investor Plan to access potentially better value.

Legacy AVC funds – Unit Linked	TER ¹ % p.a.	Transaction costs ^{2,3} % p.a.	Total costs % p.a.
Aegon BlackRock UK Equity Index	0.76	0.16	0.92
Aegon Baillie Gifford Balanced Managed Fund	0.77	0.22	0.99
Aegon Long Gilt Fund	0.76	0.01	0.77
Aegon Cash Fund	0.76	0.00	0.76
Aviva UK Equity Tracker	0.55	not available ⁴	not available ⁴
Aviva Lifestyle Retirement 2035	0.55	not available ⁴	not available ⁴
ReAssure Managed Pension Accumulator	1.00	not available ⁴	not available ⁴

Legacy AVC funds – With-Profits	TER ¹ % p.a.	Transaction costs ^{2,3} % p.a.	Total costs % p.a.
Aegon	0.75	0.14 ³	0.89
Aviva	0.55	not available ⁴	not available ⁴
Prudential	0.98 ⁵	not available ⁴	not available ⁴
ReAssure	not available ⁴	not available ⁴	not available ⁴
Royal London	not available ⁴	not available ⁴	not available ⁴
Scottish Widows	0.88 ⁵	not available ⁴	not available ⁴

Source: Providers

1 The total expense ratio (TER) is a measure of the total costs associated with managing and operating an investment fund.

2 The aggregate transaction costs consists of any transaction costs incurred while buying, selling, lending or borrowing investments within a fund.

3 For 12-month period to 31 March 2021.

4 At the date of publishing, the providers have been unable to supply the required cost information. The Trustee will continue to request this information and aims to include it in future reports.

5 Annual Management Costs are implicit in the bonus rate – provider estimates of these costs are provided. TER includes additional expenses.

Illustration of the cumulative effect of costs and charges

To help members understand the impact that costs and charges can have on their retirement savings, the Trustee has provided three illustrations of the cumulative effect of costs and charges on the value of typical members' retirement savings over the period to their retirement.

The illustrations have been prepared having regard to statutory guidance and selecting suitable representative members. They are based on assumptions about the future which are set out below.

Members should be aware that such assumptions may or may not hold true, so the illustrations do not promise what will happen in the future and fund values are not guaranteed. Furthermore, because the illustrations are based on typical members of the Scheme, **they are not a substitute for the individual and personalised illustrations which are provided to members in their Annual Benefit Statements.**

Default Arrangement

The following illustrations show the impact of costs and charges for three different representative members invested in the Default Arrangement, which is the arrangement that most of the membership are invested in. Each chart shows a projection of the member's retirement savings (estimated fund value) at retirement age, with and without costs and charges applied. The tables below show the same projections but in monetary amounts at 5-year age intervals. Note all projections assume salary increases in line with inflation only. The charts and figures provide illustrations only, which make no allowance for future promotional or other salary growth during a member's working life, nor contribution increases.

Illustration 1: Example member A (Youngest Active) - A Scheme member aged 16 who has 49 years to go until their retirement at age 65. The member has a current salary of £12,500 and future contributions of 8% p.a. of salary, including employer contributions. The member has a fund value of £500.

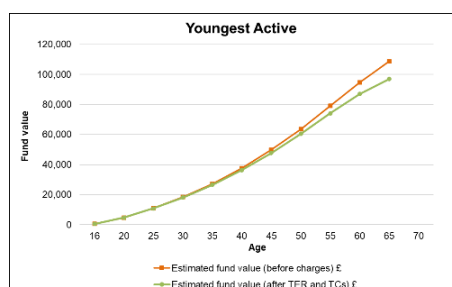


Illustration 2: Example member B (Average Active) - A Scheme member aged 42 who has 23 years to go until their retirement at age 65. The member has a current salary of £44,000 and future contributions of 16.5% p.a. of salary, including employer contributions. The member has a fund value of £78,500.

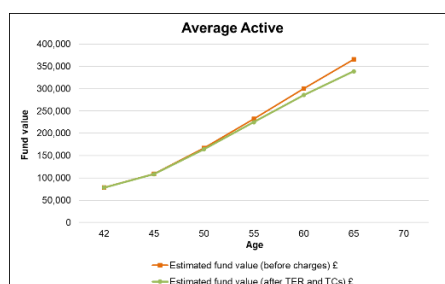
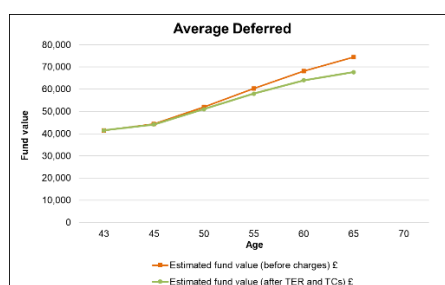


Illustration 3: Example member C (Average Deferred) - A Scheme member aged 43 who has 22 years to go until their retirement at age 65. The member is deferred and is no longer making contributions. The member has a fund value of £41,500.



Example member A – Youngest Active invested in the Default Arrangement				Example member B – Average Active invested in the Default Arrangement			Example member C – Average Deferred invested in the Default Arrangement		
Age	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)
20	4,800	4,770	30	-	-	-	-	-	-
25	11,050	10,930	120	-	-	-	-	-	-
30	18,450	18,120	330	-	-	-	-	-	-
35	27,200	26,530	670	-	-	-	-	-	-
40	37,550	36,360	1,190	-	-	-	-	-	-
45	49,720	47,750	1,970	109,320	108,580	740	44,330	44,110	220
50	63,690	60,530	3,160	167,110	164,100	3,010	52,020	51,000	1,020
55	79,150	74,110	5,040	232,320	224,870	7,450	60,300	58,020	2,280
60	94,770	86,950	7,820	300,830	285,700	15,130	68,210	64,020	4,190
65	108,640	97,020	11,620	365,890	338,880	27,010	74,490	67,700	6,790

Source: Investment advisor, based on data provided by Fidelity and THPA

Alternative fund elections

For comparison purposes, the below tables illustrate the projected retirement savings of being invested in the two alternative lifestyle strategies, along with the highest cost fund (the Siemens Balanced Fund) and the lowest cost fund (the Siemens Cash Fund). These tables are based on the same example members as shown in the Default Arrangement illustrations to allow for direct comparison with the table above.

Traditional Annuity Lifestyle

Example member A – Youngest Active invested in the Traditional Annuity Lifestyle				Example member B – Average Active invested in the Traditional Annuity Lifestyle			Example member C – Average Deferred invested in the Traditional Annuity Lifestyle		
Age	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)
20	4,800	4,770	30	-	-	-	-	-	-
25	11,050	10,930	120	-	-	-	-	-	-
30	18,450	18,120	330	-	-	-	-	-	-
35	27,200	26,530	670	-	-	-	-	-	-
40	37,550	36,360	1,190	-	-	-	-	-	-
45	49,720	47,750	1,970	109,320	108,580	740	44,330	44,110	220
50	63,690	60,530	3,160	167,110	164,100	3,010	52,020	51,000	1,020
55	79,150	74,110	5,040	232,320	224,870	7,450	60,300	58,020	2,280
60	94,770	86,950	7,820	300,820	285,690	15,130	68,210	64,020	4,190
65	101,820	92,180	9,640	343,380	322,330	21,050	69,730	64,260	5,470

Source: Investment advisor, based on data provided by Fidelity and THPA

Cash Out Lifestyle

Example member A – Youngest Active invested in the Cash Out Lifestyle				Example member B – Average Active invested in the Cash Out Lifestyle			Example member C – Average Deferred invested in the Cash Out Lifestyle		
Age	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)
20	4,800	4,770	30	-	-	-	-	-	-
25	11,050	10,930	120	-	-	-	-	-	-
30	18,450	18,120	330	-	-	-	-	-	-
35	27,200	26,530	670	-	-	-	-	-	-
40	37,550	36,360	1,190	-	-	-	-	-	-
45	49,720	47,750	1,970	109,320	108,580	740	44,330	44,110	220
50	63,690	60,530	3,160	167,110	164,100	3,010	52,020	51,000	1,020
55	79,150	74,110	5,040	232,320	224,870	7,450	60,300	58,020	2,280
60	94,770	86,950	7,820	300,820	285,690	15,130	68,210	64,020	4,190
65	100,790	91,320	9,470	339,980	319,380	20,600	69,020	63,650	5,370

Source: Investment advisor, based on data provided by Fidelity and THPA

Highest cost fund (Siemens Balanced Fund)

Example member A – Youngest Active invested in the Balanced Fund				Example member B – Average Active invested in the Balanced Fund			Example member C – Average Deferred invested in the Balanced Fund		
Age	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)
20	4,650	4,570	80	-	-	-	-	-	-
25	10,300	9,930	370	-	-	-	-	-	-
30	16,530	15,620	910	-	-	-	-	-	-
35	23,400	21,660	1,740	-	-	-	-	-	-
40	30,960	28,060	2,900	-	-	-	-	-	-
45	39,280	34,850	4,430	105,330	103,220	2,110	43,140	42,490	650
50	48,450	42,050	6,400	153,660	146,420	7,240	47,510	45,070	2,440
55	58,550	49,690	8,860	206,890	192,240	14,650	52,330	47,800	4,530
60	69,680	57,790	11,890	265,520	240,830	24,690	57,640	50,700	6,940
65	81,930	66,390	15,540	330,100	292,380	37,720	63,490	53,780	9,710

Source: Investment advisor, based on data provided by Fidelity and THPA

Lowest cost fund (Siemens Cash Fund)

Example member A – Youngest Active invested in the Cash Fund				Example member B – Average Active invested in the Cash Fund			Example member C – Average Deferred invested in the Cash Fund		
Age	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)	Value before charges (£)	Value after charges (£)	Effect of charges (£)
20	4,310	4,300	10	-	-	-	-	-	-
25	8,760	8,720	40	-	-	-	-	-	-
30	12,900	12,810	90	-	-	-	-	-	-
35	16,750	16,590	160	-	-	-	-	-	-
40	20,320	20,080	240	-	-	-	-	-	-
45	23,630	23,310	320	96,150	95,890	260	40,290	40,210	80
50	26,720	26,290	430	123,880	123,100	780	37,430	37,170	260
55	29,580	29,050	530	149,640	148,250	1,390	34,770	34,350	420
60	32,240	31,600	640	173,570	171,500	2,070	32,300	31,750	550
65	34,710	33,950	760	195,800	192,980	2,820	30,000	29,340	660

Source: Investment advisor, based on data provided by Fidelity and THPA

Assumptions and data for illustrations:

- Annual salary growth and inflation is assumed to be 2.5% p.a.
- Real salary growth assumption is 0.0%
- The contribution rate for example member A is the default contribution rate (8% total contributions)
- The contribution rate for example member B is the average contribution rate (16.5% total contributions)
- Contributions are assumed to be payable until age 65
- Values shown are estimates and are not guaranteed

- Projected pension pot values are shown in today's money terms, and do not need to be reduced further for the effect of future inflation
- Where data shows a negative transaction cost (profit) as a result of underlying trades in a fund, a floor of 0% has been applied to avoid potentially understating the total level of costs and charges
- The assumed annual growth rate (gross) for each underlying fund is as follows:
 - Opportunity Fund: 6.0%
 - Balanced Fund: 4.5%
 - Consolidation Fund: 2.5%
 - Cash Fund: 1.0%
 - Fixed Annuity Target: 1.47%
- The transaction costs have been averaged over a 4-year period to allow for more realistic cost assumptions

Administration and core financial transactions

Core financial transactions

The Trustee is required to make sure that core financial transactions (see box) in the Scheme are processed promptly and accurately.

These transactions are undertaken on behalf of the Trustee by the Scheme administrator and its investment platform provider, FIL Life Assurance Limited.

During the year the Scheme administration transitioned from Capita to Trafalgar House Pension Administration Limited ('THPA'). For the DC section of the Scheme this transition completed on 25 January 2021. The comments below relate to THPA for the period covered by this statement but the same requirements were in place for Capita for the proportion of the Scheme Year in which Capita provided DC administration services in respect of the DC Section of the Scheme.

The Trustee has an administration agreement with THPA that sets out the services provided, the respective roles and responsibilities and the expected performance targets of the administrator. Performance is measured against the Service Level Agreement ('SLA') – the agreed time to process cases and transactions and the % of time that these timescales should be achieved. The SLA covers the administration and core financial transactions such as collection and reconciliation of contributions, remittance of contributions to the investment manager, transfers in and out of the Scheme, retirements and deaths.

The Trustee also has policies in place that provide clarity to the Scheme administrator on certain aspects of administration, and they expect the Scheme to be administered in accordance with these policies, for example, how members can access flexible DC retirement income payments from within the Scheme.

The Trustee receives regular reports and updates to help them monitor the performance and effectiveness of the Scheme administrator. This monitoring includes:

- The Scheme administrator providing fortnightly administration reports, which are reviewed by the Senior Pensions Manager and reported to the Trustee on a quarterly basis. These reports include reporting against SLAs and, where practical to do so, SLA information is split between Scheme sections to aid DC monitoring.

What are core financial transactions

- Core financial transactions include (but are not limited to)
- the investment of contributions;
- transfers of members' assets to or from the Scheme;
- switches between investment funds in the Scheme;
- payments out of the Scheme to members or their beneficiaries.

- The Senior Pensions Manager:
 - holding fortnightly meetings on behalf of the Trustee to monitor the ongoing administration and SLA. This is reported to the Trustee on a quarterly basis.
 - engaging in regular dialogue with the Trustee and bringing any administration matters (operational or financial) to their attention.
 - considering THPA's key processes and controls to make sure high standards of performance are being maintained.
- Reviewing the Scheme administrator's "Internal Control Statement" which describes the activities THPA undertake to ensure the administration of their pension business is carried out in accordance with the requirements of the law and has good standards of governance and internal controls. There were no qualifications in the most recent Internal Control Statement produced. The processes adopted by the administrator to help meet the SLA include daily monitoring of bank accounts and a dedicated contribution processing team.

The monthly administration report includes:

- The investment cycle of contributions
- Transfers of assets into and out of the Scheme
- Fund switches and payments out of the Scheme

THPA run what is known as a 'straight through' processing platform to FIL Life Assurance Limited which speeds up the transaction process:

- THPA reviews the funds that come into the Trustee's account daily to identify and confirm that they have been received
- Each payment is put into the relevant category

SLAs are regularly monitored. After administration had been transferred to THPA in January, it took longer than expected for required performance levels to be reached. Action plans were agreed with THPA to make necessary improvements and were closely monitored by the Trustee and Senior Pensions Manager. SLAs had returned to levels the Trustee expects by the end of the Scheme Year and the Trustee does not therefore consider the temporary drop in SLAs to be a material issue in the circumstances. Regular administration reports and fortnightly meetings will ensure any future issues are highlighted and rectified early. With this in mind, the Trustee considers that the Scheme's core financial transactions were processed accurately during the Scheme Year and within statutory deadlines.




Delivering value for members

Assessing value for members

Charges and transaction costs borne by members can have a significant impact on the value of their investment. The Trustee therefore assesses the extent to which the charges and transaction costs (as set out in the following section) represent good value for members on an annual basis.

In the case of the DC Section, members only pay directly for fund management services, while Siemens pays for the cost of scheme management and governance, as well as the costs of administration and communications. The costs of all funds in the DC Section were subject to extensive discussion when the current Default Arrangement was put in place and are the subject of an annual review in accordance with regulation 25(1)(b) of the Administration Regulations. The costs of these funds (inclusive of transaction costs) were considered fully as part of the value for members assessment.













As part of this assessment, the Trustee engaged a professional consultant to conduct a value for members assessment based on a framework agreed with the Trustee. A summary of the review undertaken by the consultant is shown in the table below.

Key	
	The Scheme meets or exceeds good market practice
	Action plan in place to ensure the Scheme meets good market practice and deliverable date agreed by the Trustee
	The Scheme does not meet good market practice and no action plan in place

Value for members assessment covering the period 1 October 2020 to 30 September 2021

1.	Understand the range of services members pay for and associated costs and charges	<ul style="list-style-type: none">Members only pay for fund management services (Siemens covers all other expenses).Based on the profile of the Scheme, we believe that the TERs are competitive when compared to current market rates on a like-for-like basis and taking account of the benefits of Scheme membership.There is currently no reliable market benchmarking data available for transaction costs, and these are volatile from one year to the next depending on the extent of trades within funds. However, based on a high-level assessment and our broader market experience, we are comfortable that transaction cost data for the Scheme appears reasonable.		
Assessment:		2021: <div></div>	2020: <div></div>	2019: <div></div>
2.	Determine costs and charges of default arrangement(s)	<ul style="list-style-type: none">The current default option, Flexible Access Lifestyle, has been designed to deliver good member outcomes in relation to both the projected risk and expected return profiles.The TER of the default arrangement varies with term to retirement (from between 0.20% p.a. to 0.48% p.a.). At all terms, the TER remains well below the regulatory charge cap of 0.75% p.a.		
Assessment:		2021: <div></div>	2020: <div></div>	2019: <div></div>
3.	Assess the quality of Scheme investments	<ul style="list-style-type: none">The Scheme has a well-constructed investment portfolio, including a high-quality default arrangement and alternative lifestyle strategies, designed to meet members' needs. An appropriate range of self-select investment options is available to members.There is a clear framework in place for Trustee monitoring and review of investments.		
Assessment:		2021: <div></div>	2020: <div></div>	2019: <div></div>

Value for members assessment covering the period 1 October 2020 to 30 September 2021

4.	Assess the quality of Scheme governance and management	<ul style="list-style-type: none"> Given the governance processes and procedures in place, and actions taken by the Trustee (including attendance at training sessions, ongoing learning via TPR's toolkit, etc.) we consider the governance arrangements to be robust and appropriate for the Scheme.
	Assessment:	2021:  2020:  2019: 
5.	Assess the quality of Scheme administration	<ul style="list-style-type: none"> The Trustee has a suitable process in place to monitor standards of administration and record-keeping for the Scheme. This helps to make sure that any issues or delays are investigated thoroughly, and (if and when required) action is taken not only to put things right as quickly as possible but also to address any underlying problems with the processes being used. As part of the Trustee's ongoing oversight and review of administration capabilities, THPA were identified as their preferred provider and fully took over administration of the Scheme on 25 January 2021. The Trustee has carefully monitored the take on of the Scheme by THPA. The Trustee agreed that they would allow a three-month probationary period for THPA to get fully up to speed and SLAs to be met. Unfortunately, this was not being met after the probationary period. Additional monthly meetings were scheduled to review service levels and discuss remediation actions, THPA assigned an operations manager, and a Service Improvement Plan was implemented. SLAs returned to levels the Trustee expects soon after. The Trustee is confident that the service level issues following take on are now resolved, but should they become an issue, adequate monitoring is in place to resolve quickly and effectively and return to the standards of service the Trustee expects.
	Assessment:	2021:  2020:  2019: 
6.	Assess the quality of Scheme communications and retirement support	<ul style="list-style-type: none"> The Trustee works closely with a dedicated provider to develop and deliver regular tailored member communications in line with an overall communications strategy. Communications issued to members are clear, easy to follow and help members understand their retirement savings. The Trustee provides a variety of online support tools for members and we consider the Scheme to have a suitable retirement offering, which provides members access to appropriate support and information to help them make decisions about how to take their retirement income.
	Assessment:	2021:  2020:  2019: 
7.	Ensure that all members receive value for money	<ul style="list-style-type: none"> We have carried out an assessment of the costs borne by members of the Scheme and the extent to which they represent good value in the context of the benefits of membership. We also reviewed the Scheme against market benchmarking information. The Scheme scored a 'green' rating across all assessment categories, indicating a 'pass' outcome. Overall, we believe that the Scheme is well-run and offers good value for members.
	Assessment:	2021:  2020:  2019: 

Based on the assessment outlined above and for the reasons set out in that assessment, the Trustee considers that Scheme charges and transaction costs incurred during the Scheme Year represent good value for members

Trustee's knowledge and understanding

The Trustee Directors' own knowledge and understanding, together with the advice available to them, enables them to properly exercise their functions as trustees of the Scheme. The Trustee Directors also receive specific training during the Scheme Year.

Independent Chair of the Trustee Company	Company Nominated Trustee Directors	Member and Pensioner Nominated Trustee Directors
Joanna Matthews <ul style="list-style-type: none">Professional and independent Chair of the Scheme. In addition to chairing other large pension scheme boards, as a professional trustee Joanna has to comply with strict training requirements every year.On the Board since 2007 and Chair since 2011.	Harriet Padina <ul style="list-style-type: none">HR BackgroundTrustee Director since June 2020 David Helm <ul style="list-style-type: none">Finance backgroundTrustee Director since 2018 Stuart Jones <ul style="list-style-type: none">Finance backgroundTrustee Director since 2009 Neil Jukes <ul style="list-style-type: none">Finance backgroundTrustee Director since 2013 Martine Trouard-Riolle <ul style="list-style-type: none">Experienced professional trusteeLegal backgroundTrustee Director since 2021	Kevin Tutton <ul style="list-style-type: none">Background in commercial and management, and experience in Mobility.Pensioner Nominated Trustee Director since September 2020 Nicki Burridge <ul style="list-style-type: none">Accountant / Finance & Audit backgroundTrustee Director since June 2020 Sarah Jones <ul style="list-style-type: none">Environment ManagerTrustee Director since June 2020 Dave Lee <ul style="list-style-type: none">Past Director with 5-years experience of the SBS.Trustee Director since June 2020

General Trustee training

New Trustee Directors must complete an induction with the Scheme Secretary and the Pensions Regulator's eLearning course / Trustee Knowledge and Understanding modules (the Trustee Toolkit) within six months of appointment. They must also look to complete the PMI's Award in Pension Trusteeship within eighteen months.

The new Trustee Director who joined the Board during the Scheme Year has completed the Trustee Toolkit. There is one Trustee Director looking to complete the PMI award before the end of 2021. Four additional Trustee Directors, two of whom will be appointed following the Scheme Year end, are looking to complete the PMI award in 2022.

All new Trustee Directors also complete an induction process by attending additional sessions covering administration, investment, covenant, legal, actuarial and finance issues relevant to the Scheme.

DC specific training completed during the Scheme Year

During the Scheme Year, the Trustee Directors have met the requirements of sections 247 and 248 of the 2004 Act (requirements for knowledge and understanding). In addition to training covering defined benefit and general scheme issues which occurred regularly throughout the Scheme Year, they had dedicated training on the following DC matters:

Pensions Administration	• Training provided by legal adviser on discretionary benefits and decision making
DC Member Support	• Training provided by pensions adviser on member options, 'at retirement' solutions and pension scams
DC Investments	• Training provided by DC investment adviser on multi-factor equity investing
DC Structures	• Training provided by company adviser on DC master trust structures

As well as these specific training sessions, the Trustee Directors receive updates on developments relating to DC pensions from the legal and investment advisors at each quarterly Full Board meeting. These updates are used to identify any areas where additional training is required.

A Trustee Training Needs identifier was completed between September and December 2020, identifying key areas for future training. This will be completed on an annual basis via a self-assessment questionnaire and helps to ensure needs are continuously identified.

Policies and processes

The Trustee has specific policies and guides in place, for example a Governance Plan, a Policy and Procedure for Managing Conflicts of interest and a Data Protection Policy. These are used by the Trustee Directors to run the Scheme on a daily basis.

There are also specific process documents and policies between the Trustee and the Company and between the Trustee and the administrators. As an example, the Discretionary Benefits Committee use the Ill Health Guide and the Death Benefits Guide on a regular basis to determine whether applicants can be awarded an ill health pension and how to determine where death benefits should be paid. During the Scheme Year, the Trustee Directors also used their Member and Pensioner Nominated Trustee Director policy when looking to find a replacement Trustee Director to fill a vacancy on the Board. They also reviewed and updated their Invoice Payment Policy and began a review of their administration related policies following the move to Trafalgar House.

The Trustee Directors review several governance logs quarterly. All policies are reviewed at least on an annual basis. All key Scheme documents and policies, including the Trust Deed and Rules and Statement of Investment Principles are kept electronically and are available for reference and use by the Trustee whenever required. All Trustee Directors are familiar with these key Scheme documents.

Trustee self-assessment

The Trustee Directors take part in an annual performance assessment and feedback process, the last of these being in Q1 2021. Every three years (most recently April 2021) the Trustee Directors ask each of the key advisors to complete an assessment of the effectiveness of the Trustee Board across 10 common areas. The results of both of these latest assessments were positive.

The Trustee Directors also complete an annual assessment of the Trustee's Knowledge and Understanding. This covers 81 different areas, of which 61 are either DC-specific or relevant to the Trustee Directors in their role overseeing both DB and DC pension arrangements, for example knowledge of the Trust Deed and Rules. The Trustee Directors assessed themselves as being "on track" in all areas in their last assessment (June 2021).

Conclusion

The Trustee of the Scheme has reviewed and assessed the systems, processes and controls across key governance functions are consistent with those set out in The Pensions Regulator's:

- Code of Practice 13: Governance and administration of occupational defined contribution trust-based schemes; and
- Regulatory guidance for defined contribution schemes.

Based on its assessment the Trustee believes that it has adopted the standards of practice set out in the DC code and DC regulatory guidance.

The Statement regarding DC governance was approved by the Trustee onand signed on its behalf by:

JM

Capital Cranfield Pension Trustees Limited
Chairperson



Appendix 1 – Statement of Investment Principles

Registered number: 10126751
PSO reference: SF19/78032

SIEMENS BENEFITS SCHEME

Statement of Investment Principles

July 2021

SIEMENS BENEFITS SCHEME

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SIEMENS BENEFITS SCHEME

1. INTRODUCTION

This document contains the Statement of Investment Principles ('the SIP') required under Section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004 (the "Act"), for the Siemens Benefits Scheme ('the Scheme'). It describes the investment policy being pursued by Siemens Benefits Scheme Ltd ('the Trustee') acting as trustee of the Scheme and is in compliance with the requirements of The Occupational Pension Schemes (Investment) Regulations 2005 and other subsequent legislation.

The Trustee is responsible for the investment of the Scheme's assets and arranges administration of the Scheme. Where it is required to make an investment decision, the Trustee may take advice from the investment advisor(s) and / or other professional advisors as appropriate to ensure that it is appropriately familiar with the issues concerned.

A copy of this Statement is available to the members of the Scheme on request. The latest version is also made available on the Trustee's website: <https://new.siemens.com/uk/en/company/jobs/life-at-siemens/my-pension.html>

SIEMENS BENEFITS SCHEME

2. SCHEME GOVERNANCE

The Scheme is an occupational pension scheme set up under corporate trust to provide retirement benefits for employees of Siemens Plc (the “Employer”) and other Siemens UK employers that participate in the Scheme. It is governed by the Definitive Trust Deed dated 18 December 2017.

The Scheme is a hybrid pension arrangement incorporating a Defined Benefit (DB) section and a Defined Contribution (DC) section.

Responsibility for setting the strategy and for managing the Scheme rests with the Trustee. This includes responsibility for the governance and investment of the Scheme’s assets. The Trustee considers that the governance structure set out in this SIP is appropriate for the Scheme as it allows the Trustee to make the important decisions on investment policy, while delegating the day-to-day aspects to the asset managers or its advisors as appropriate.

To manage the requirements of running the Scheme, various committees are in operation, each with its own delegated powers and terms of reference. At present the committees are responsible for: administration and communications; benefits; documents; investment, covenant and funding; finance and audit.

The Investment, Covenant and Funding Committee, or ICFC, develops and implements appropriate investment strategies for both the Defined Benefit Section’s assets and members’ Defined Contribution funds. This is done in conjunction with the Scheme’s investment advisor(s) and following Full Board approval as required by the committee’s terms of reference. The ICFC then regularly monitors these investments and strategies to ensure they are meeting expectations and to make changes where necessary. The Trustee has also appointed an Investment Executive to assist in carrying out these duties.

Throughout this document any references to the Trustee may represent either the Trustee, the ICFC or the Investment Executive (the latter two with the appropriate delegated authority from the Trustee).

SIEMENS BENEFITS SCHEME

3. COMPLIANCE WITH INVESTMENT REGULATIONS

Section 35 of the Pensions Act 1995 requires the Trustee to prepare and maintain a Statement of Investment Principles for the Scheme. This document has been prepared for this purpose.

This section explains how the Trustee expects to meet the requirements as set out in section 2 of The Occupational Pension Schemes (Investment) Regulations 2005. This section applies to both DB and DC arrangements, except for 2A below which applies only to the DC default arrangement.

(1) (a) and (b) Review of the Statement of Investment Principles

The Trustee will review this SIP at least every three years and as soon as possible after any significant change in investment policy. There will be no obligation to change this SIP as part of such a review.

(2) (a) and (b) Taking advice on the Statement of Investment Principles / Consulting the employer

When reviewing the SIP, the Trustee shall obtain and consider written advice from the Trustee's investment advisor(s) and will consult with the employer.

(3) (a) The Trustee's policy for securing compliance with the requirements of section 36 of the 1995 Act (choosing investments)

The Trustee's policy in relation to this requirement is set out in section 8, including specific considerations in relation to the DC section where an investment platform is used.

(3) (b) The Trustee's policy in relation to:***(i) the kinds of investments to be held & (ii) the balance between different kinds of investments***

The Trustee's policies in relation to this requirement for the DB section are set out in sections 4 and 5, and in relation to this requirement for the DC section in sections 6 and 7.

(iii) risks, including the ways in which risks are to be measured and managed

The Trustee's policies in relation to this requirement are set out in section 9, covering risks in relation to both the DB and the DC section.

(iv) the expected return on investments

The Trustee believes that, as the investment horizon lengthens, the probability increases that returns on "growth" assets (e.g. equities, multi-asset funds and property) will be greater than risk-free assets (e.g. UK gilts). This belief is applicable to both the DB and the DC section. Some further comments on expected return on DC investments are set out in section 7.

The Trustee and its investment advisor(s) monitor changes in expected returns on investments. The effect any changes will have on the ability of the Scheme to meet the investment objectives will be considered and the investment strategy of the Scheme will be reviewed if required.

(v) the realisation of investments

The Trustee's policy is to hold enough investments in liquid assets to meet cash flow requirements in foreseeable circumstances without disrupting the Scheme's asset allocation or incurring excessive transaction costs.

In the DB Section, the Trustee monitors the amount of cash and other liquid instruments held to ensure that all liabilities e.g. benefits, collateral, margins, expenses and other cash calls can be paid as required.

In the DC Section, the Trustee aims to ensure that the DC default arrangement and other investment options made available to members are sufficiently liquid to ensure daily pricing. The Trustee will take advantage of the ability to invest the underlying assets in less liquid assets where possible providing it does not reduce the liquidity of the overall fund range made available to members.

SIEMENS BENEFITS SCHEME

3. COMPLIANCE WITH INVESTMENT REGULATIONS

The asset managers have ultimate discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

(vi) financially material considerations over the appropriate time horizon of the investments, including how those considerations are taken into account in the selection, retention and realisation of investments

The Trustee's primary duty in relation to investment strategy (in respect of both the DB and the DC section) is to invest the Scheme assets in the best financial interests of members and beneficiaries, having regard to an appropriate level of risk. The Trustee expects (and expects its managers) to take account of any financially material considerations in the selection, retention and realisation of investments, including Environmental, Social and Governance ("ESG") considerations (e.g. climate change) where these are considered relevant financial factors.

(vii) the extent (if at all) to which non-financial matters are taken into account in the selection, retention and realisation of investments

The Trustee does not take into account any non-financial factors (for example, personal preferences of members and beneficiaries about investing in specific industries and/or companies) in the selection, retention and realisation of investments. This includes when setting the Scheme's DC default arrangement.

The Trustee does however recognise the importance of offering a suitable range of investment options for DC members who wish to express a personal preference in their pension saving, which may be non-financial in nature. The Trustee aims to offer a suitable range of funds to cater for these preferences and, where appropriate, will consider member feedback on the range of funds to offer.

(3) (c) The Trustee's policy in relation to:

(i) the exercise of the rights (including voting rights) attaching to the investments

(ii) undertaking engagement activities in respect of the investments (including the methods by which, and the circumstances under which, trustees would monitor and engage with relevant persons about relevant matters)

The Trustee's policy in relation to this requirement (in respect of both DB and DC sections) is set out in section 10.

SIEMENS BENEFITS SCHEME

3. COMPLIANCE WITH INVESTMENT REGULATIONS

(3) (d) The Trustee's policy in relation to the trustees' arrangement with any asset manager, setting out the following matters or explaining the reasons why any of the following matters are not set out:

- (i) how the arrangement with the asset manager incentivises the asset manager to align its investment strategy and decisions with the Trustee's policies mentioned in sub-paragraph (b)*
- (ii) how that arrangement incentivises the asset manager to make decisions based on assessments about medium to long-term financial and non-financial performance of an issuer of debt or equity and to engage with the issuers of debt or equity in order to improve their performance in the medium to long-term*
- (iii) how the method (and time horizon) of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the Trustee's policies mentioned in sub-paragraph (b)*
- (iv) how the Trustee monitors portfolio turnover costs incurred by the asset manager, and how the Trustee defines and monitors targeted portfolio turnover or turnover range; and*
- (v) the duration of the arrangement with the asset manager*

The Trustee's policy in relation to this requirement is set out in section 8.

2A (1) Additional requirements in relation to the DC default arrangement

This section sets out how the Trustee meets specific requirements in relation to the DC default arrangement.

(1) (a) the aims and objectives of the trustees in respect of such investments

The Trustee's principal objective is to provide a range of investments that are suitable for meeting members' long-term, medium-term and short-term investment objectives. The Trustee has considered members' circumstances, including the expected range of members' attitudes to risk and term to retirement.

The aim of the DC default arrangement is to provide members with the potential for higher levels of growth (an initial target of Consumer Price Inflation plus 4%) during the accumulation of their retirement savings and then to gradually diversify their investments to reduce volatility whilst maintaining the potential for a modest level of growth in excess of inflation (Consumer Price Inflation plus 2% in the final years before retirement). The Trustee has put in place the DC default arrangement in acknowledgement that some members will be unwilling or feel unable to make investment choices.

(1) (c) how the aims and objectives and the policies mentioned in (3) (b) above are intended to ensure that assets are invested in the best interests of the group of persons consisting of relevant members and relevant beneficiaries

The Trustee's policies for the DC section as set out in 3 (b) above are applicable to both the DC default arrangement and all other DC investment options. To ensure the DC default arrangement remains appropriate for the relevant members and beneficiaries, the Trustee conducts regular analysis of the Scheme's membership (at least every three years) and takes this into account when setting the strategy. More information on the DC default arrangement, and the considerations used to set this strategy, can be found in section 7.

SIEMENS BENEFITS SCHEME

4. DB INVESTMENT OBJECTIVES

The principal objective of the Trustee is to invest the assets of the Scheme to meet its liabilities when they fall due.

To meet this principal objective, the Trustee seeks to invest the assets in a manner that allows the Scheme to reach full funding on a low-risk basis (Gilts + 0.25%). If the Scheme achieves full funding on this basis, it is expected to be able to generate enough returns to remain fully funded without relying on further deficit repair contributions or taking significant investment risk.

The Trustee has set an objective of reaching full funding on the above low risk basis by 2024 (the “Funding Target”) and has adopted an Investment Strategy consistent with this Funding Target.

The Funding Target and Investment Strategy were set by the Trustee following advice from the investment advisor(s), based on results from an Asset-Liability Management analysis, a survey of the Scheme’s key stakeholders and input from the Scheme Actuary and the Trustee’s covenant advisor.

The Trustee has consulted with the Employer when setting the Funding Target and Investment Strategy and will consult on future changes as required. The Trustee will take the Employer’s comments into account when it believes it is appropriate to do so.

The Scheme’s progress towards the Funding Target is managed and monitored using a Pensions Risk Management Framework (“PRMF”). The PRMF is prepared by the investment advisor and reviewed by the Trustee on at least a quarterly basis.

The Trustee has considered the risks associated with the Investment Strategy and believes it to be appropriate at the current time. The Trustee will review this from time to time and may revise either the Funding Target or the Investment Strategy to reflect, for example, changes in market conditions or the Trustee’s opinion of the strength of the covenant provided by the Employer.

SIEMENS BENEFITS SCHEME

5. DB INVESTMENT STRATEGY

In setting the investment strategy, the Trustee's policy is to:

- Target an expected return on investments close to the return required to meet the Funding Target, based on the Trustee's best judgement of what is necessary to meet the liabilities given its understanding of the contributions likely to be received and the risk level it regards as appropriate.
- Manage the investment risk including that which arises due to mismatch between assets and liabilities and limit the total Scheme risk to below agreed levels.
- Hedge an agreed proportion of the Scheme liabilities' exposure to changes in long-term interest rates and inflation in order to stabilise the funding ratio.
- Maintain suitable liquidity of assets such that the Scheme is not forced to sell investments at particular times to pay member benefits or meet potential collateral calls.

Taking the above into account, the Trustee has agreed a target investment strategy for the Scheme's investable assets as follows:

Category	Allocation (%)	Range (+/-)
LDI	45.0	5.0
Liquid market strategies	0.0	5.0
Liquid and semi liquid credit	50.0	5.0
Illiquid credit	1.0	n/a*
Illiquid market strategies	4.0	n/a*
Total invested assets	100.0	n/a

** Given the nature of the investments no rebalancing ranges have been defined*

The choice of investments is designed to ensure that the Scheme's investments are adequately diversified given the Scheme's circumstances. The Trustee will monitor the strategy regularly to ensure that they are comfortable with the level of diversification. The Trustee will consider the appropriate course of action to take in the event of a breach in a range on a case-by-case basis.

In addition to the above, the Trustee invests in three bespoke illiquid assets: a Scottish Limited Partnership asset backed funding arrangement and two buy-in policies (see Section 11 for more information). The characteristics of these assets are considered when determining the target investment strategy.

The Trustee has taken advice to ensure that the investment strategy is suitable for the Scheme, considering:

- The Scheme's liability profile.
- The strength of the Employer.
- Liquidity requirements.
- Any legal requirements and regulatory guidance.
- Any restrictions in the Trust Deed.

SIEMENS BENEFITS SCHEME

6. DC INVESTMENT OBJECTIVES

The Trustee's principal objective is to provide a range of investments that are suitable for meeting members' long-term, medium-term and short-term investment objectives. The Trustee has considered members' circumstances, including the expected range of members' attitudes to risk and term to retirement.

The Trustee has selected investment strategies that have been chosen to maximise the likelihood of members achieving their individual objectives. The investment strategies, including the DC default arrangement, have been constructed following analysis of the existing membership of the Scheme. This analysis took into account factors such as age, accumulated fund values and term to retirement, to identify different types of member in order to test alternative investment strategies. The design of the DC default arrangement offered to members reflects this analysis, having carried out multiple simulations of future economic and investment scenarios, and also taking into account the various options members will have regarding the way in which they draw their benefits in retirement.

The aim of the DC default arrangement is to provide members with the potential for higher levels of growth (an initial target of Consumer Price Inflation plus 4%) during the accumulation of their retirement savings and then to gradually diversify their investments to reduce volatility whilst maintaining the potential for a modest level of growth in excess of inflation (Consumer Price Inflation plus 2% in the final years before retirement). The Trustee has put in place the DC default arrangement in acknowledgement that some members will be unwilling or feel unable to make investment choices.

A choice of alternative investment strategies, as well as self-select fund options, are offered so members can tailor their investment selections to meet their requirements, if they so wish.

The Trustee's policy is to review the suitability of the investment objective and whether the DC default arrangement and other investment options are expected to meet this objective at least once every three years.

SIEMENS BENEFITS SCHEME

7. DC INVESTMENT STRATEGY

The Trustee offers members a choice of three lifestyle strategies. Members are also free to choose from a range of self-select fund options. The Trustee has chosen one of the lifestyle strategies, Flexible Access, as the DC default arrangement for members.

The Trustee has taken advice to ensure that the investment strategies and self-select fund options are suitable for the Scheme, taking into account:

- The Scheme's membership profile
- Liquidity requirements
- The ongoing costs to members
- Any legal requirements and regulatory guidance
- Any restrictions in the Trust Deed.

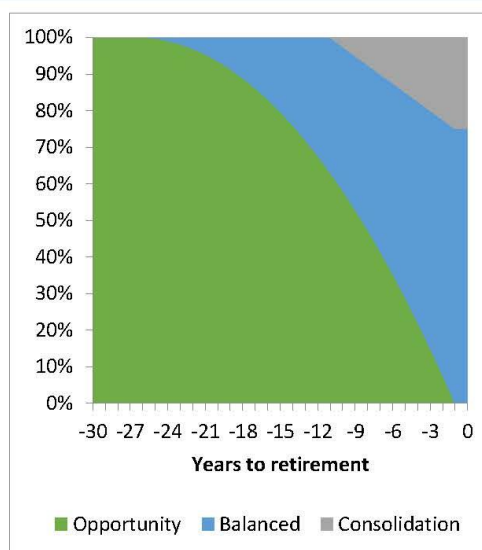
The funds that are utilised in the lifestyle and self-select range have been designed by the Trustee and "white labelled" to reduce disruption to members should a change need to be made at manager or strategy level.

• **Flexible Access (DC default arrangement)**

The Flexible access strategy has been designed to provide an investment strategy that is appropriate for most members and that provides flexibility on when and how they access their pot.

The strategy invests in the Opportunity fund until 25 years before a member's selected retirement age. During this 'growth' phase, the strategy aims to provide real growth (in excess of inflation) over the long term by investing in, for example, equities, property and infrastructure investments.

25 years from a member's selected retirement age, lower risk investments (for example multi-asset funds, corporate and government bonds) are gradually introduced, initially through the Balanced fund and then the Consolidation fund.



SIEMENS BENEFITS SCHEME

7. DC INVESTMENT STRATEGY

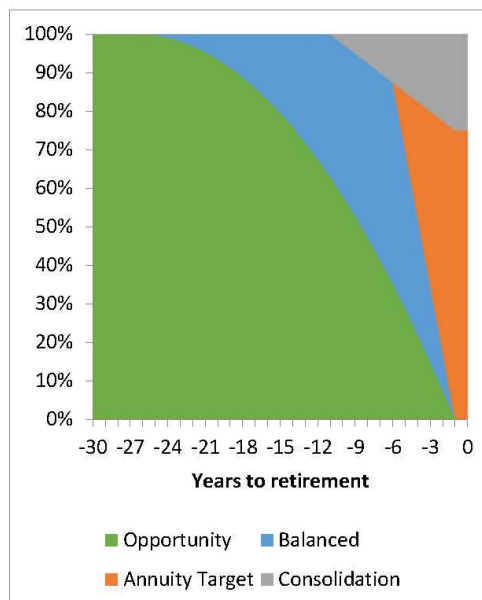
• **Traditional annuity**

The Traditional annuity strategy has been designed to provide a member with an investment strategy that is appropriate if they expect to purchase an annuity with their pot at retirement.

As for the Flexible access strategy, this strategy invests in the Opportunity fund until 25 years before a member's selected retirement age. During this 'growth' phase, the strategy aims to provide real growth (in excess of inflation) over the long term.

25 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, initially through the Balanced fund and then the Consolidation fund.

5 years from a member's selected retirement age, an allocation to the Annuity Target fund is introduced to protect the accrued pot against fluctuations in the price of an annuity.

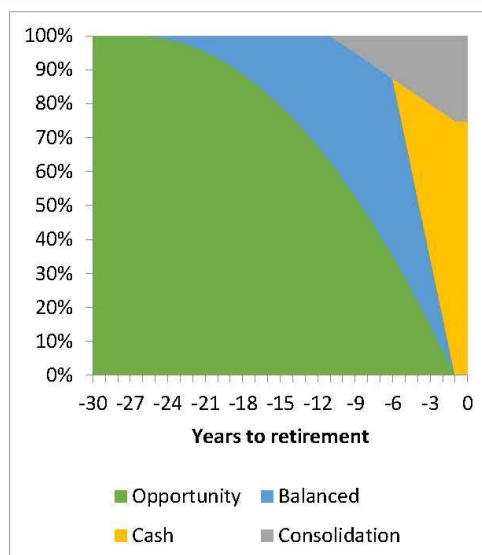
• **Cash out**

The Cash out strategy has been designed to provide a member with an investment strategy that is appropriate if they expect to take their entire pot as cash at retirement.

As for the Flexible access strategy, this strategy invests in the Opportunity fund until 25 years before a member's selected retirement age. During this 'growth' phase, the strategy aims to provide real growth (in excess of inflation) over the long term.

From 25 years from a member's selected retirement age, lower risk investments are gradually introduced, including protection and income generating investments, initially through the Balanced fund and then the Consolidation fund.

5 years from a member's selected retirement age, an allocation to the Cash fund is introduced to significantly reduce market risk within the portfolio.



SIEMENS BENEFITS SCHEME

7. DC INVESTMENT STRATEGY

- Self-select

The Trustee offers a range of funds for members who prefer to make their own investment choices.

- Fund range

The following table illustrates the full fund range available to members. Each fund consists of one or more investments in pooled investment vehicles operated by a range of different asset managers.

Further details of the funds (including the fund objectives, charges, underlying investments and risks) is available in the fund factsheets produced by the fund provider.

Fund	Self-Select	Flexible Access (DC default arrangement)	Traditional Annuity	Cash Out
Opportunity	✓	✓	✓	✓
Balanced	✓	✓	✓	✓
Consolidation	✓	✓	✓	✓
Annuity Target	✓	✗	✓	✗
Cash	✓	✗	✗	✓
Inflation Linked Annuity Target	✓	✗	✗	✗
Passive UK equity	✓	✗	✗	✗
Active UK equity	✓	✗	✗	✗
Passive global equity	✓	✗	✗	✗
Active global equity	✓	✗	✗	✗
Shariah	✓	✗	✗	✗
Ethical	✓	✗	✗	✗
Property and Infrastructure	✓	✗	✗	✗

- AVC Section

Any member opting to pay Additional Voluntary Contributions (AVCs) may choose to invest contributions in any of the options described in this section.

The Trustee has previously made funds available to members other than those described above, including with-profits, cash, equity and bond funds offered by a range of providers. Members are no longer able to make contributions to these legacy AVC funds, but existing assets may remain invested until further notice.

- Expected return on investments

Over the long-term the Trustee's expectations for the DC investments are:

- For units representing "growth" assets (equities, multi-asset funds and property) to achieve a real return (in excess of inflation) over the long term. The Trustee considers short-term volatility in equity price behaviour to be acceptable, given the general expectation that over the long-term equities will outperform the other major asset classes.
- For units representing monetary assets (UK bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing fixed income annuities.

SIEMENS BENEFITS SCHEME

7. DC INVESTMENT STRATEGY

- For units representing inflation-linked assets (UK index-linked bonds), to achieve a rate of return which is expected to be approximately in line with changes in the cost of providing real annuities that increase in line with inflation.
- For units representing cash, to protect the capital value of the investment and achieve a rate of return in line with money market interest rates.

SIEMENS BENEFITS SCHEME

8. ASSET MANAGERS

The Trustee delegates the day-to-day management of the assets to appropriate asset managers.

Asset managers are carefully selected by the Trustee to manage underlying mandates, taking appropriate professional advice on the suitability of those asset managers as required in line with section 36 of the 1995 Act.

Mandates may take the form of either:

- a segregated account managed by the Trustee's chosen asset manager; or
- an investment in a pooled investment vehicle operated by the Trustee's chosen asset manager;
- In the case of the DC section, an investment in a pooled investment vehicle operated by the Trustee's chosen asset manager and made available to the Scheme through the Fidelity investment platform.

As far as possible the Trustee aims to follow a comparable approach for selecting asset managers in both the DB section and the DC section and has the same standards and expectations for each section. The Trustee does however recognise that liquidity and charge cap constraints specifically, and investing via an investment platform generally, can place certain constraints on the availability of asset managers for the DC section. The Trustee will work with the investment platform provider and its advisor(s) to seek to minimise the effects of this on the overall investment strategy.

Each mandate's performance targets, benchmarks, restrictions and fees are set out in the respective Investment Management Agreements, pooled fund documentation or the respective factsheets as provided by the investment platform provider. The documents governing the manager appointments include guidelines which, among other things, are designed to ensure that only suitable investments are held by the Scheme.

The Trustee will consider on a case by case basis whether a mandate should be limited to a single asset class, investment strategy or style; or whether a mandate that combines multiple strategies together is preferable.

The Trustee regularly monitors the Scheme's investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with the Trustee's policies as set out in this statement. This includes monitoring the extent to which the asset managers:

- Make decisions based on assessments about medium- to long-term performance of an issuer of debt or equity; and
- engage with issuers of debt or equity to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment advisor(s).

The Trustee has, with support from its advisor(s), developed separate frameworks for monitoring the performance and suitability of the investments of the DB and the DC sections. The Trustee receives regular reports and verbal updates from the investment advisor(s) covering investment strategy, performance, diversification, and longer-term positioning of the Scheme's investments. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Scheme objectives, and (where possible) assesses the asset managers over a range of different time horizons with more weight given to long-term performance and risk-adjusted returns.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by their asset manager, which supports the Trustee in determining the extent to which the Scheme's engagement policy has been followed throughout the year. The Trustee expects, over time, to follow the framework of the Task Force on Climate-related Financial Disclosures ("TCFD") and expects its asset managers (and other providers where appropriate) to do the same when producing their financial

SIEMENS BENEFITS SCHEME

8. ASSET MANAGERS

disclosures. The Trustee will monitor the extent to which its asset managers and providers adopt TCFD reporting.

The Trustee shares the policies, as set out in this SIP, with the Scheme's asset managers, and requests that the asset managers review and confirm whether their approach is in alignment with the Trustee's policies.

Before appointment of a new asset manager, the Trustee will seek to understand the manager's investment approach and policies, reviewing the governing documents and fee structures associated with the investment. When investing in a pooled investment fund, the Trustee will consider the extent to which the investment approach of that fund aligns with the Trustee's policies. Where a segregated mandate is used, the Trustee may use its discretion, where appropriate, to agree specific guidelines within the Investment Management Agreement that align with the Trustee's policies. Where this is not possible the Trustee may express its expectations to the asset managers by other means (for example, through a side letter, in writing or verbally at trustee meetings).

The Trustee believes that having appropriate governing documentation, setting clear expectations to the asset managers by other means (where necessary) and regular monitoring of asset managers' performance and investment strategy, is in most cases sufficient to incentivise the asset managers to make decisions that align with the Trustee's policies and are based on assessments of medium- and long-term performance. Where asset managers are considered to make decisions that are not in line with the Trustee's policies, expectations, or the other considerations set out above, the Trustee will typically first engage with the manager but could ultimately replace the asset manager where this is deemed necessary. In the DC Section, the Trustee has adopted a fund structure that should minimise disruption to members in the event a change is required. The Trustee will also evaluate and seek to minimise costs and risks to members before making a change.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers will be reviewed periodically, and at least every three years. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

Cost Transparency

The Trustee is aware of the importance of monitoring its asset managers' total costs and the impact these costs can have on the overall value of the Scheme's assets. The Trustee recognises that in addition to annual management charges, there are other costs incurred by their asset managers that can increase the overall cost.

The Trustee receives annual cost transparency reports covering their investments from the asset managers (via their investment advisor(s)/the investment platform provider), which allows it to understand total asset manager costs. The Defined Contribution section costs, along with estimated impact on representative members, are made publicly available in the Chair's Statement.

The Trustee accepts that transaction costs will be incurred to drive investment returns and that the level of these costs varies across asset classes and by manager style within an asset class. In both cases, a reasonable level of transaction costs is acceptable provided it is consistent with the asset class characteristics and manager's style and historic trends. Where the Trustee's monitoring identifies a lack of consistency the mandate will be reviewed.

Targeted portfolio turnover is defined as the expected frequency with which each underlying asset managers' fund holdings change over a year. The Trustee's investment advisor(s) include this in the monitoring they provide and the advisor(s) flag to the Trustee where there are concerns.

In the DC Section, the Trustee assesses the (net of all costs) performance of their asset managers over a range of different time horizons by comparing performance against benchmark and the stated investment objective. Cost information is set out alongside this performance to provide context. The Trustee monitors these costs and performance trends over time.

SIEMENS BENEFITS SCHEME

9. INVESTMENT RISKS

There are various risks to which any pension scheme is exposed. The Trustee maintains a risk log which sets out the risks the Trustee has identified and any actions the Trustee has taken to mitigate these risks, including any risks associated with the investments. The following sets out the main risks associated with the Scheme's investments and steps taken by the Trustee to mitigate them. The Trustee notes there are a range of other risks not covered here which may affect the investments and / or the Scheme's liabilities from time to time and which the Trustee also attempts to take into account when setting the investment strategy and / or selecting asset managers.

The Trustee and its investment advisor(s) carry out periodic reviews to ensure the Trustee understands the extent to which these represent risks to the investments. Should there be a material change in the Scheme's circumstances or the market environment, the Trustee will review whether and to what extent the investment arrangements should be altered, including whether the current risk profile remains appropriate.

1. Investment strategy risk

The primary investment risk the Trustee focuses on is that the Investment Strategy may fail to deliver the required investment returns. This applies to both DB and DC sections' investments.

The Trustee recognises that adopting an investment strategy which seeks to deliver higher investment returns over the long term also increases the risk of a shortfall in returns relative to that required, as well as the potential for more short-term volatility. This would lead to a requirement for either increased contributions (by the Employer or member for DB or DC section respectively) or more investment risk in future or the member extending their working life (DC section only).

In order to address this, the Trustee has:

- Taken advice on the matter and considered carefully the implications of adopting different levels of risk in order to find the right balance between investing for growth and to match the liabilities;
- Diversified the investments across a range of asset classes, geographies and expected drivers of return;

In the DB section, the Trustee has also hedged a significant proportion of the interest rate and inflation risks arising from the liabilities.

In the DC section, the Trustee offers three lifestyle approaches (including the DC default arrangement) which have been tailored to reduce risk as a member approaches retirement age, as well as freestyle options with differing risk ratings.

2. Primary risks to members

The investment options made available to members in the DC section have been chosen with the aim of enabling members to control the following risks:

- **Inflation risk.** The risk that the growth in investments over members' working lives will not keep pace with inflation and will not, therefore, secure an adequate retirement benefit.
- **Volatility risk.** The risk of significant short-term fluctuations in the value of members' invested capital which some members may be concerned about.
- **Capital risk.** The risk of a significant fall in the value of members' invested capital as they approach retirement.
- **Conversion risk.** The risk that relative market movements in the years just prior to retirement lead to a substantial reduction in benefits secured.

SIEMENS BENEFITS SCHEME

9. INVESTMENT RISKS

The DC default arrangement has been designed with these risks in mind, targeting a higher level of return over inflation earlier in a member's career and modestly reducing this target (and consequently volatility) as a member approaches retirement. Strategies have been identified that seek to mitigate the risk of a significant fall in capital value and the DC default arrangement increases exposure to these as the member approaches retirement. Flexible Access has been selected as the DC default arrangement given the flexibility a member has over when and how they access their pension pot.

A range of self-select options are made available to members, allowing them to tailor their investments and risk exposure to their own circumstances if they choose to do so.

3. Credit risk

The Scheme is subject to credit risk in both the DB and DC sections.

- In the DB section, the Scheme invests directly in bonds and properties, over the counter ("OTC") derivatives, has cash balances and enters into repurchase agreements and these arrangements are all subject to credit risk.
- The Scheme invests in pooled investment vehicles in both the DB and DC sections. There is direct credit risk in relation to the pooled investment vehicles and indirect risk where those pooled investment vehicles hold bonds or properties.
- The Scheme is also subject to credit risk in relation to the buy-in policies held in the DB section (see section 10).

Credit risk arising on bonds held directly is managed by investing in government bonds where the credit risk is minimal, or corporate bonds which are predominantly rated investment grade. The Trustee has appointed asset managers who are responsible for assessing credit risk on the corporate bond portfolios and ensuring the Scheme is being appropriately rewarded for taking this risk.

Credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and, where appropriate, diversification of investments. The Trustee's investment advisor(s) carries out checks on the appointment of new asset managers and monitors these managers on an ongoing basis for any significant issues that may be relevant to the Scheme's investment. In the case of the DC section, the Trustee also considers the security of the pooled investment arrangement on a periodic basis.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or OTC. OTC derivative contracts are not guaranteed by any exchange and therefore the Scheme is subject to the risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements and, as of August 2016, through clearing. Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. Credit risk on repurchase agreements is mitigated through counterparty diversification and collateral arrangements.

Cash is held within financial institutions that are at least investment grade. The Trustee holds sufficient cash to meet ongoing cash flow requirements, with any surplus cash balances invested in a daily access money market fund that is rated triple A by S&P, Moody's and Fitch.

Credit risk associated with the buy-in policies is assessed prior to transaction. The Trustee has also sought to reduce risk by transacting with more than one counterparty. While the Trustee assesses the ongoing strength of the counterparties periodically, the Trustee does not have the ability to terminate the contracts and so would be reliant on the insurance regime to ensure the ultimate creditworthiness of these contracts if a counterparty did experience difficulty.

SIEMENS BENEFITS SCHEME

9. INVESTMENT RISKS

4. Currency risk

The Scheme is subject to currency risk either through direct investments in assets denominated in non-GBP currencies or through investments in pooled vehicles which invest in overseas markets and so provide indirect exposure to non-GBP currencies. Where currency risk is deemed to be clearly risk additive, the Trustee has taken steps to control currency risk, either through putting in place direct currency hedges or by investing in currency-hedged share classes.

5. Interest rate and inflation risk

The Scheme's assets are subject to interest rate and inflation risk because some of the Scheme's investments are in bonds, gilts and derivatives (liability matching assets). The values of these investments are sensitive to interest rates and inflation. These investments are used to hedge interest rate and inflation risk arising from the Scheme's liabilities.

6. Other price risk

Other price risk arises principally in relation to the Scheme's investments in property, infrastructure and secure income investments. These investments are made either directly or indirectly through pooled investment vehicles. The Scheme manages this exposure to overall price movements by maintaining a diverse portfolio of investments.

7. Liquidity risk

There is a risk that the Trustee will not be able to redeem investments at the point they are required at an acceptable price. The Trustee considers this risk when selecting investments and aims to ensure that the investments are sufficiently liquid and that adequate compensation is received for any illiquidity risk. The Trustee also maintains an ongoing cash balance to cover any short-term cash requirements, including benefit payments and margin calls.

8. Custody of assets

The Trustee recognises the risks associated with the Scheme's assets not being held in safe custody. To manage this risk, day-to-day control of segregated custody arrangements has been delegated to a single global custodian appointed by the Trustee. The Trustee has a service level agreement in place with the custodian.

Whilst the Trustee does not directly appoint a custodian of the assets contained within pooled fund investments, the Trustee is satisfied that the managers responsible for the appointment and monitoring of the relevant custodians fulfil this obligation competently.

9. Risk associated with Climate Change

The Trustee is aware of the risks posed by climate change, and how these risks will differ over the short, medium, and long term. These include both risks associated with transitioning to a low carbon economy, and physical risks as a direct result of climate change. The Trustee includes ESG-related risks, including climate change, on the Scheme's risk register as part of ongoing risk assessment and monitoring. The Trustee's policy on ESG related risks, including climate change, is set out in the next section.

SIEMENS BENEFITS SCHEME

10. RESPONSIBLE INVESTMENT**1. Environmental, Social and Governance Considerations**

In setting the Scheme's investment strategy, the Trustee seeks to act in the best financial interests of the Scheme and its beneficiaries. The Trustee recognises that ESG factors, including climate change, can have a material financial impact on the value of investments held over the time horizon of the Scheme if not understood and evaluated properly.

The Trustee takes account of these factors by taking advice from the investment advisor(s) when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance. The Trustee uses ratings information provided by its investment advisor(s), where relevant and available, to monitor the extent to which the Scheme's asset managers' have integrated ESG into their processes (including risks associated with climate change). The Trustee's expectation is that ESG integration (and stewardship) will be explicit topics of discussion between the Trustee, the investment advisor(s) and a prospective asset manager before any new asset manager appointment is finalised.

2. Climate-related Beliefs

The Trustee believes that climate change will be a financial risk affecting the Scheme's investments and therefore considers climate-related risks when setting the Scheme's investment strategy, including the effect that climate change may have on individual asset classes or investment mandates. The Trustee takes advice from its investment advisor(s) when setting the Scheme's asset allocation, when selecting managers and when monitoring their performance. The Trustee integrates the monitoring of appropriate climate risk metrics into the its Scheme-wide risk management framework and considers these when making investment decisions. Where deemed appropriate, the Trustee also considers modelling tools such as scenario analysis.

The Trustee believes that climate-related factors are likely to create investment opportunities that the Scheme should do its best to take advantage of, where it is appropriate and as part of the wider strategic objectives and/or its fiduciary responsibilities.

The Trustee does not believe that it can currently rely on markets to adequately price in climate-related risks sufficiently quickly or accurately. The risks arising from climate change should therefore be mitigated within the investment strategy where this is possible, appropriate and consistent with the Scheme's wider investment strategy.

The Trustee believes that climate-change risk needs to be considered alongside and balanced against the other relevant investment risks and considerations when evaluating investments. The Trustee therefore acknowledges that it may not always be able to minimise climate-related risk if doing so would be to the detriment of wider strategic objectives and/or its fiduciary responsibilities.

The Trustee recognises that best practices will continue to evolve and adapt in this area, and therefore it requires its investment advisor(s) to keep it updated on the most pertinent developments and provide appropriate training. The Trustee is committed to periodically reviewing its approach to responsible investment to ensure it remains appropriate.

3. Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Scheme invests, as this ultimately creates long-term financial value for the Scheme and its beneficiaries. The Trustee expects its asset managers to use their influence as major institutional investors to carry out the Trustee's rights and duties as a shareholder including voting, along with – where relevant and appropriate – engaging with underlying investee companies to promote good corporate governance, accountability and positive change.

SIEMENS BENEFITS SCHEME

10. RESPONSIBLE INVESTMENT

The Trustee's policy on the exercise of rights attaching to investments, including voting rights, is that these rights should be exercised by the asset managers on behalf of the Trustee having regard to the best financial interests of the beneficiaries. The Trustee has been made aware of each asset manager's corporate governance policy where appropriate and has delegated the exercise of such rights to the asset managers.

The Trustee reviews the suitability of the Scheme's appointed asset managers and takes advice from its investment advisor(s) as required. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers. If an incumbent manager is found to be falling short of the standards the Trustee has set out in their policy, the Trustee will engage with the manager and seek a more sustainable position. Ultimately, the Trustee may look to replace the manager.

Likewise, the Trustee believes that engagement (including the use of voting rights) is one means of helping to manage the Scheme's climate-related risks. However, its efficacy can be limited, and other actions should be considered alongside engagement. Engagement with underlying companies, as well as other relevant organisations, on this matter is carried out primarily by investment managers on behalf of the Trustee. Where consistent with its fiduciary duty, the Trustee may look to disinvest from investments or asset managers which are inadequately managing their climate-related risks if attempts to engage with these parties to address this are not successful.

The Trustee's policy is to review the stewardship activities of their asset managers on an annual basis, covering both engagement and voting actions. The Trustee will work collaboratively with managers and relevant industry stakeholders to set Scheme-wide objectives for engagement activities that are carried out on the Trustee's behalf. The Trustee will review the alignment of the Trustee's policies to those of the Scheme's asset managers and ensure their managers, or other third parties, will use their influence as major institutional investors to carry out the Trustee's rights and duties as a responsible shareholder and asset owner. This will include voting, along with – where relevant and appropriate – engaging with the underlying investee companies and assets to promote good corporate governance, accountability and positive change. This will be disclosed in the Scheme's annual Task Force on Climate-related Financial Disclosures ("TCFD") report.

The Trustee will engage with its asset managers as necessary for more information, to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned.

The Trustee expects the Scheme's appointed asset managers to comply with the United Nations Global Compact and will level scrutiny on their asset managers accordingly. It is the expectation of the Trustee that the Scheme's asset managers will prioritise and actively monitor for these risks within the investment, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate. The Trustee may periodically request a "look through" to the underlying investments from managers to allow this engagement.

The transparency for voting should include voting actions and rationale with relevance to the Scheme. Where voting is concerned, the Trustee expects the asset managers to recall stock lending procedures as necessary to carry out reflective voting actions.

The Trustee recognises that collaborative behaviours can further work to mitigate the risks identified above. The Trustee will look to collaborate where necessary to protect and enhance the value of Scheme assets and encourages its asset managers to actively participate in investor initiatives, for example by becoming a signatory of the UN Principles for Responsible Investment.

From time to time the Trustee will consider the methods by which, and the circumstances under which, they would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity and other stakeholders. The Trustee may, for example, engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

SIEMENS BENEFITS SCHEME

10. RESPONSIBLE INVESTMENT

The Trustee has entered into various buy-in insurance agreements. The Trustee expects the providers of these insurance agreements to operate to a similar standard in respect of ESG and Stewardship as set out for asset managers above.

SIEMENS BENEFITS SCHEME

11. OTHER ISSUES

1. Statutory Funding Objective

The Trustee obtains and considers proper advice on the question of whether the investments are satisfactory having regard to both the investment objectives and the requirement to meet the statutory funding requirements of the DB section.

The funding position is reviewed periodically by the Scheme Actuary, with a full actuarial valuation at least every three years. The Trustee considers with its advisors whether the results of these actuarial valuations suggest that any change to investment strategy is necessary to ensure continued compliance with the statutory funding objective.

2. Scottish Limited Partnership

In July 2013, the Trustee entered into an agreement with the Employer (“the Orelle agreement”), designed to provide protection to the Scheme in the event of the insolvency of the Employer. As part of the Orelle agreement, the Trustee holds an interest in a Scottish Limited Partnership which makes half-yearly distributions to the Scheme.

3. Buy-in policy

In June 2018, the Trustee entered into a buy-in insurance agreement with Pension Insurance Corporation (“PIC”), which provides monthly payments to the Scheme covering benefit payments to the insured population, c.5,900 pensioner members at outset.

In July 2020, the Trustee entered into a buy-in insurance agreement with Legal & General (“L&G”), providing monthly payments to the Scheme covering benefit payments to the insured population, c.2,100 pensioner members at outset.

