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SIEMENS BENEFITS SCHEME

Statement of Investment Principles
DC Section
June 2019

CONTENTS

Contents **Page**

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 the Trustee of the Scheme and is in compliance with the Government's voluntary code of conduct for Institutional Investment in the UK ("the Myners Principles"). This SIP also reflects the requirements of Occupational Pension Schemes (Investment) Regulations 2005 and other subsequent legislation.

Siemens Benefits Scheme Ltd ('the Trustee') acts as trustee of the Siemens Benefits Scheme and 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 consultant and / or other professional advisors as appropriate to ensure that it is appropriately familiar with the issues concerned.

This Statement covers all investment matters relating to investment of the DC and AVC assets of the Scheme. A separate Statement of Investment Principles has been prepared to cover investment matters relating to the DB Section of the Scheme.

The Trustee will review this Statement at least every three years and as soon as possible either where any significant change in investment policy is contemplated or if there is a significant change in the demographic profile of the relevant members. There will be no obligation to change this SIP as part of such a review.

A copy of this Statement is available to the members of the Scheme on request.

Signed .... **Date** ...23/7/19.........

For and on behalf of the Trustee of the 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 "Sponsor") and other Siemens UK employers that participate in the Scheme. It is governed by the Definitive Trust Deed dated 18 December 2017.

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 investment managers or its advisors as appropriate.

In order to effectively manage the varied requirements of running the Scheme, a number of Sub-committees are in operation, each with its own delegated powers and terms of reference. At present the Sub-committees are responsible for: administration and communications (ACSC); benefits (BSC); documentation (DSC); investment, covenant and funding (ICFSC); finance, audit and risk (FARSC).

The ICFSC, or Investment, Covenant and Funding Sub-committee, 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 advisors. The ICFSC 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 ICFSC or the Investment Executive (the latter two with the appropriate delegated authority from the Trustee).

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager under a written contract and those where a product is purchased directly, e.g. the purchase of an insurance policy or units in a pooled vehicle. The latter are known as direct investments.

The Trustee's policy is to review its direct investments and to obtain written advice about them at regular intervals. When deciding whether or not to make any new investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

3. INVESTMENT OBJECTIVES

The Trustee's principal objective is to provide a range of investments that are suitable for meeting members' long and short term investment objectives. The Trustee has taken into account members' circumstances, in particular the expected range of members' attitudes to risk and term to retirement.

The Trustee has identified a number of investment strategies that have been chosen to maximise the likelihood of members achieving their individual objectives. The investment strategies, including the default option, 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 default option 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 default option 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 Trustee has put in place the default option in acknowledgement that some members will be unwilling or feel unable to make investment choices.

The Trustee, in conjunction with its advisors, completed its formal review of all investment options (including the default option) during 2016, and implemented the current strategy during 2017.

The Trustee's policies in relation to the default option in respect of matters set out in Regulation 2(3) of the Occupational Pension Schemes (Investment) Regulations 2005, as amended, are those set out elsewhere in this document.

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.

4. 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 default option 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.

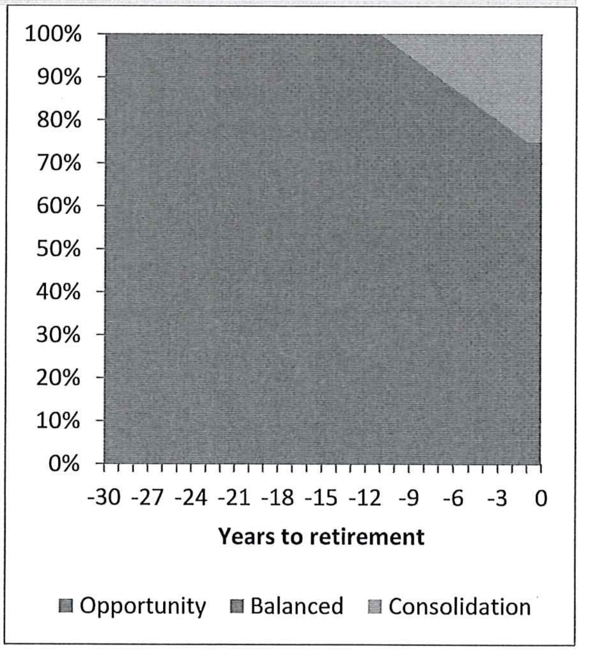
The funds that are utilised in the lifestyle and self-select range have been designed by the Trustee and "white labelled" to reduce disruption to members should a change need to be made at manager or strategy level.

1. Flexible Access (Default Option)

The Flexible access strategy has been designed to provide an investment strategy that is appropriate for the majority of 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.

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.



4. INVESTMENT STRATEGY

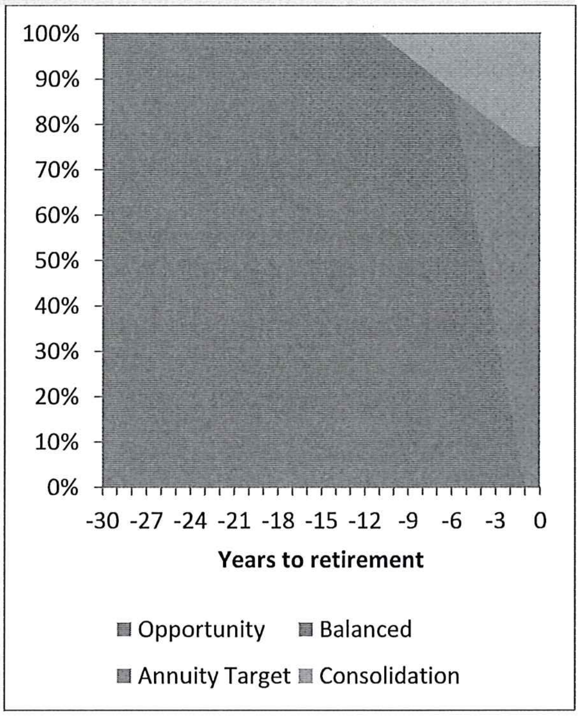
2. Traditional annuity

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.



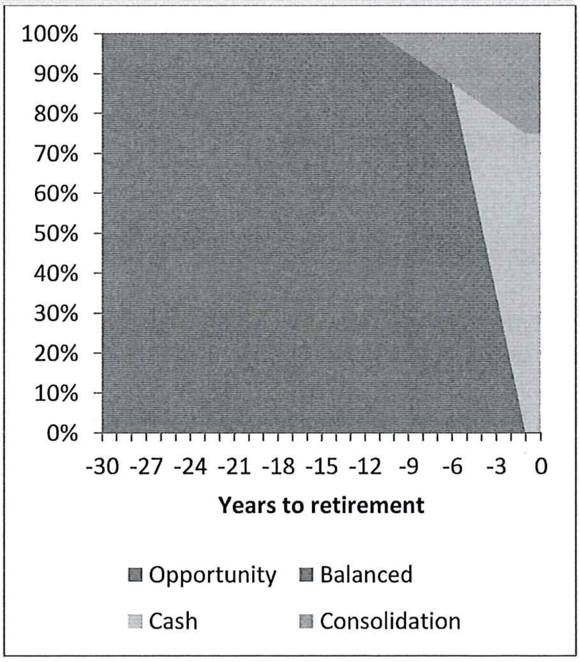
3. Cash out

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.



4. INVESTMENT STRATEGY

4. Self-select

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

5. 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 investment managers.

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

Fund	Self-Select	Flexible Access (Default)	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	✓	✗	✗	✗

6. AVC Section

Any member opting to pay Additional Voluntary Contributions (AVCs) may choose to invest contributions in any of the options described in 4.1 – 4.5 above.

The Trustee has previously made a selection of funds available to members other than those described above, including with profits, cash, equities 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.

7. Expected return on investments

Over the long-term the Trustee's expectations are:

- For units representing "growth" assets (UK equities, overseas equities, multi-asset funds and property) to achieve a real return (in excess of inflation) over the long term. The Trustee considers

4. INVESTMENT STRATEGY

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.
- 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.

5. INVESTMENT MANAGERS

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

Investment managers are carefully selected by the Trustee to manage underlying mandates, taking appropriate professional advice on the suitability of those investment managers as required. Mandates take the form of an investment in a pooled investment vehicle operated by a specific investment manager and made available to the Scheme through the Fidelity investment platform.

The performance targets, benchmarks and fees for each of the fund options are set out in the respective factsheets as provided by Fidelity. The documents governing the manager appointments include a number of 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 receives a report on the performance of all Scheme assets on a regular basis. The Trustee assesses performance against benchmarks appropriate to each mandate, taking into account the level of risk allowed.

The Trustee will regularly review the activities of the investment managers to satisfy itself that each investment manager continues to carry out their work competently and has the appropriate knowledge and experience to manage the assets of Scheme. The Trustee will also consider whether or not each investment manager:

- Is carrying out its function competently.
- Has regard to the need for diversification of investments.
- Has regard to the suitability of each investment and each category of investment.
- Has been exercising its powers of investment with a view to giving effect to the principles contained in this SIP, so far as is reasonably practical.

From time to time managers and/or mandates are changed. This may be either due to a change in strategy or because the Trustee has concerns about a specific mandate. The Trustee has adopted a fund structure that should minimise disruption to members in the event of a change. The Trustee will also evaluate and seek to minimise costs and risks to members before making a change.

6. 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 Trustee has set out below the main risks facing members. The Trustee notes there are a wide range of other risks which may affect the investments and which the Trustee also attempts to take into account when setting the investment strategy, both for the default option and also when considering the range of other funds to make available to members. These risks could be market related (e.g. fluctuations in equity / currency markets), operational (e.g. a fund manager's performance fails to meet expectations) or due to external factors (e.g. environmental, social and governance factors, including climate change).

The Trustee and its investment advisors carry out periodic reviews to ensure the Trustee understands the extent to which these represent risks to members. Should there be a material change in the Scheme's circumstances, the Trustee will review whether and to what extent the investment arrangements should be altered and in particular whether the current risk profile remains appropriate.

1. Primary risks to members

The investment options made available to members 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.

The default option 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 default option increases exposure to these as the member approaches retirement. Flexible Access has been selected as the default option 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 particular circumstances if they choose to do so.

7. OTHER ISSUES

1. Custody of assets

Investment in pooled funds gives the Trustee rights to the cash value of the units rather than to the underlying assets. The underlying investment manager of each of the pooled funds is ultimately responsible for the appointment and monitoring of the custodian of the fund's assets.

2. Corporate Governance

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

3. Responsible Investment

Environmental, Social and Governance Considerations

In setting the Scheme's default investment strategy (and other lifestyle strategies), the Trustee's primary concern is to act in the best financial interests of the Scheme's members invested in those strategies, seeking the best return that is consistent with a prudent and appropriate level of risk based on members' anticipated term to retirement. The Trustee recognises that environmental, social and governance factors, including climate change, can have a material financial impact on the value of investments held over the time horizon applicable to members invested in those strategies if not understood and evaluated properly.

The Trustee takes account of these factors by taking advice from their investment adviser when setting the asset allocation of the funds and lifestyle arrangements offered, and when selecting (and when monitoring the performance of) managers for the default fund, lifestyle strategies and self-select fund options.

Stewardship – Voting and Engagement

As part of their delegated responsibilities, the Trustee expects the Scheme's investment managers to:

- Where appropriate, engage with investee companies with the aim to protect and enhance the value of assets; and
- exercise the Trustee's voting rights in relation to the Scheme's assets.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from the investment adviser with regard to any changes. This advice includes consideration of broader stewardship matters and the exercise of voting rights by the appointed managers.

Members' Views and Non-Financial Factors

The Trustee does not take in to account any non-financial matters (ie matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in setting the Scheme's default investment strategy or other lifestyle strategies. However, it recognises the importance of offering a suitable range of investment options for members who wish to express an ethical preference in their pension saving. Where applicable the Trustee will consider member feedback on updating the range of ethical funds.

The Trustee has made the Ethical and Shariah funds available to members who would like to invest in funds with these specific considerations.

7. OTHER ISSUES

For further details on the Scheme's investment beliefs and approach to Responsible Investment, please refer to the Scheme's Responsible Investment Policy. (Add hyperlink)

4. Realisation of Investments

The investment managers have 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.

The Trustee aims to ensure that all investments in funds made available to members are sufficiently liquid to ensure daily pricing of the funds.