Siemens Benefits Scheme

Statement regarding DC governance
Year Ended 30 September 2019

CONTENTS

Introduction	2
Default Arrangement	2
Statement of Investment Principles	2
Review of Default Arrangement	3
Administration and core financial transactions	7
Delivering value for members	8
Trustee’s knowledge and understanding	13
Conclusion	14
Appendix 1 – Statement of Investment Principles	15

Siemens Benefits Scheme
Year Ended 30 September 2019
Statement regarding DC governance

The Occupational Pension Schemes (Scheme Administration) Regulations 1996 ("the Administration Regulations") require the Trustee to include an annual statement regarding governance in the annual report.

Introduction

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

between 1 October 2018 and 30 September 2019, the 2018/19 scheme year ("the Scheme Year").

Default Arrangement

For the purposes of the Administration Regulations the "Flexible Access Strategy" 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 Trustee has put in place the default option in acknowledgment that some members will be unwilling or feel unable to make investment choices.

The Flexible Access Strategy 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 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 Scheme's "Balanced Fund" and then the Scheme's "Consolidation Fund".

As at 30 September 2019, approximately 85% of members were invested in the Default Arrangement. This includes any Members of the DC Section who have not made an explicit choice regarding the investment of their funds.

Statement of Investment Principles

Appended to this statement is a copy of the Scheme's latest statement of the 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 best interests of members and beneficiaries.

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 review of the strategy of the Default Arrangement was carried out by the Trustee at meetings held on 19 June 2019 and 12 September 2019. This review considered the following points:

<table>
<tr><th>Topic considered</th><th>Conclusion</th></tr>
<tr><td>Whether the membership profile of the DC Section had changed substantially since the previous review in 2016</td><td>The Trustee reviewed the current membership profile and concluded that four representative members identified in the previous strategy review (carried out in 2016) remained appropriate and could be used as a basis for assessing the Default Arrangement. These representative members have the following characteristics:
<table>
<tr><td>Member</td><td>Age</td><td>Salary</td><td>Fund value</td></tr>
<tr><td>A</td><td>21</td><td>£17,000</td><td>£0</td></tr>
<tr><td>B</td><td>36</td><td>£36,000</td><td>£35,000</td></tr>
<tr><td>C</td><td>51</td><td>£18,000</td><td>£16,000</td></tr>
<tr><td>D</td><td>52</td><td>£60,000</td><td>£55,000</td></tr>
</table></td></tr>
<tr><td>Whether the investment beliefs of the Trustee remained appropriate and were adequately reflected in the investment offerings, including the Default Arrangement</td><td>The Trustee reviewed the investment beliefs which had been used to set the Default Arrangement three years earlier and concluded that these remained appropriate.

These beliefs included:

Most members will rely on the default strategy set by the Trustee and will not want to regularly monitor or amend their investment decisions
Flexibility is, however, valuable for some members and the overall fund range should provide balance between ‘enough’ choice to meet differing needs, but not ‘too many’ options which can limit member engagement
All appointed fund managers need to possess the required skills to meet their stated objectives.
For the default strategy, the baseline approach to investing in an asset class should be passive management. Actively managed strategies will be used selectively where appropriate and/or required to access an opportunity set
New asset classes or strategies may provide opportunities to enhance member outcomes, and will be given due consideration, as appropriate
</td></tr>
<tr><td>Whether expected outcomes for the Default Arrangement were appropriate and whether they could be enhanced by adapting the lifestyle matrix</td><td>The Trustee reviewed analysis from their investment advisers, using assumptions based on economic conditions as at 30 June 2019, which looked at multiple simulations (stochastic projections) of future economic and investment scenarios and took into account the various options members are expected to have at retirement.

The projected outcomes for the range of representative members identified in the membership analysis were acceptable. The Trustee assessed this in terms of replacement ratios at retirement. For example, representative member A was projected to have a median expected outcome of between 50-60%.

While alternative arrangements could be identified which increased the median projected outcomes towards the higher end of this range, members in the final years approaching retirement may experience either an increase in the level of risk (volatility and / or capital loss) or a potential reduction in liquidity in periods of market stress as a result.

The Trustee concluded that the current risk and return profile was the best balance for members, providing a suitable balance of cost, complexity and liquidity, and that no change was required to the overall Default Arrangement from a strategic perspective.

The Trustee did note that there were concerns over the performance of one of the underlying funds in the Default Arrangement. The steps the Trustee took to address this are described below.</td></tr>
</table>

Review of performance

During the Scheme Year, the Trustee worked with the investment consultant to develop a new framework for assessing the performance of the Default Arrangement on an ongoing basis. This new framework (which supplements existing reporting already in place) allows the Trustee to monitor performance of the default and easily identify whether the strategy is performing as expected and, if not, where any underperformance is coming from. It is reviewed on a quarterly basis, or without delay following a significant change in investment policy or the demographic profile of members. It was most recently reviewed at the Trustee's board meeting in September 2019.

The framework uses similar representative members as were used for the strategy review described above, the only difference being member D. For the review of performance, the Trustee focuses on a 60-year-old member to provide more contrast to member C. A member's age is more important than pot size when looking at investment returns as the member's age determines the asset allocation and as a result the investment returns that the member experiences.

The three main outputs from this framework are explained in more detail below (see outputs one, two and three), using the performance to 30 September 2019 as an example. This framework focuses on longer term performance (since inception of the arrangement).

This framework is also supplemented by a detailed report at each quarterly Trustee meeting which sets out the performance of the underlying managers in all of the funds, including the Default Arrangement, the self-select fund range and any AVC investments. This report covers various time periods, from inception of the funds to the latest quarter. The Trustee reviews this report and raises any concerns about investment performance of specific managers.

The Trustee has also delegated responsibility to the Trustee's Investment Covenant and Funding Committee (ICFC) for carrying out more in-depth reviews of fund performance on an annual basis. The ICFC makes recommendations back to the Trustee on any actions to take. The last such review was carried out at a meeting on 16 July 2019.

Overall, the Trustee has concluded that the performance of the Default Arrangement is in line with expectations.

The key concern arising out of the review and monitoring of the performance of the Default Arrangement has been the underperformance of the Balanced Fund, which underperformed its objective in 2018 and continued to underperform into the first part of 2019. This underperformance had been highlighted in a review carried out in July 2018 and the Trustee agreed changes to the structure of the Balanced Fund at a meeting in December 2018 in order to address these concerns. These changes, which included a reduction in the allocation to two of the underlying funds and the introduction of a new property and infrastructure element, were implemented between February and June 2019. The Trustee monitored this process to ensure that it was carried out efficiently and that members were not unduly exposed to any risks or excessive costs during the transition.

The ICFC and the Trustee agreed no further action was necessary as a result of the July 2019 review because:

- The changes to the structure of the Balanced Fund described above had only been implemented recently and time was required for them to influence performance; and
- The Balanced Fund was designed to work in combination with the other two funds used in the default arrangement. Taking further steps to increase the return potential in the Balanced Fund could increase the overall risk profile of the fund. This could limit its ability to preserve capital during a market downturn and so reduce its effectiveness as a counterbalance to the Opportunity Fund.

The Trustee will continue to monitor the performance of the Default Arrangement in the manner described and will take further action in future as necessary.

Framework for assessing performance of the default arrangement
Output one: Performance by Representative member

Representative member performance to 30 September 2019		A	B	C	D
Age		21	36	51	60
Lifestyle Investments	Opportunity	100%	100%	76%	29%
	Balanced	0%	0%	24%	56%
	Consolidation	0%	0%	0%	15%
Actual Performance Since Inception		20.3%	20.3%	17.2%	11.5%
Target Performance Since Inception		14.3%	14.3%	13.4%	11.1%

This table sets out the investment performance for four representative members of the Scheme. It shows how each representative member's investments are allocated between the three funds in the default arrangement (Opportunity, Balanced and Consolidation). It also shows the actual and target performance for each member's investments since 1 July 2017

For example, representative member A is 21 years old and is currently 100% invested in the Opportunity fund with a view to generating real growth (in excess of inflation) over the long term. The investment strategy has produced investment returns of 20.3% since it was put in place, 6.0% more than the target. In £ terms, this would be equivalent to a gain of £20.30 compared to a target of £14.30 for every £100 invested on 1 July 2017.

In contrast, member D is 60 years old and has entered the de-risking phase with the investment strategy now having a bias towards lower risk investments. As a result, this member is 29% invested in the Opportunity fund, 56% in the Balanced fund and 15% invested in the Consolidation fund. Performance is 0.4% ahead of target since inception of the strategy. This would be equivalent to a growth of £11.50 compared to target of £11.10 for every £100 invested on 1 July 2017.

Both of these examples ignore the impact of cashflows. The actual outcomes a member will experience will depend on the timings and relative size of any contributions invested (or disinvestments where applicable) made over the period in question.

Framework for assessing performance of the default arrangement

Output two: Aggregate performance of the default arrangement

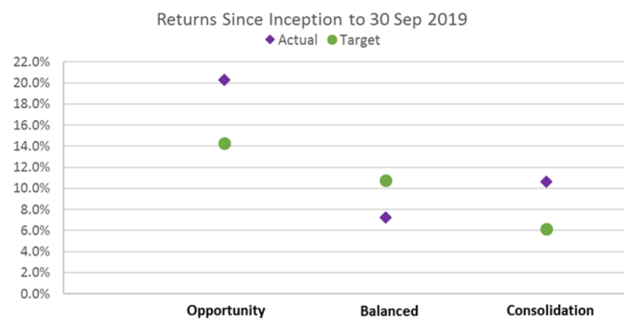
This chart compares investment performance at all ages of the default arrangement against target performance. The solid green line shows the actual performance a member would have experienced since 1 July 2017, while the dashed green line shows target performance.

The chart shows in graph form the same basic information as shown for the four members above, i.e. how far ahead or behind target the default arrangement is, but it illustrates this at all ages. This allows the Trustee to assess how the combination of funds in the default arrangement has performed overall, whether the underperformance of any fund (or funds) outweighs performance of the other funds and the magnitude of any underperformance / outperformance at the aggregate level.

In this instance, members invested in the default arrangement who are approximately 4 years or less from retirement (i.e. age 61 or above assuming target retirement age of 65) will have experienced aggregate returns that are less than target over the period since inception, albeit the returns are still positive in absolute terms and ahead of realised inflation (the dashed grey line).

Framework for assessing performance of the default arrangement

Output three: Underlying Fund performance



This chart shows performance of the underlying funds since inception. The purple diamond shows actual fund performance, the green circles are target performance. In summary:

- The Opportunity Fund has outperformed its target by 6.0% since inception.
- The Balanced Fund has underperformed since inception by 3.5%.
- The Consolidation Fund has outperformed by 4.5%.

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, Capita, and its investment platform provider, FIL Life Assurance Limited.

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 Trustee has in place a service level agreement (SLA) with Capita that sets out the services provided, the respective roles and responsibilities and expected performance targets of the administrator. 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 receives regular reports and updates to help them monitor that the SLA is being met:

- Capita provides monthly administration reports. These are summarised by the Siemens Pension Services department and reported to the Trustees on a quarterly basis.
- The Siemens Pension Services department have fortnightly meetings on behalf of the Trustee to monitor the ongoing administration and SLA with Capita and report to the Trustees on a quarterly basis.
- Siemens Pension Services also consider Capita's key processes and controls to make sure their performance is being maintained.
- The Trustee reviewed Capita's "Internal Control Statement" which describes the activities they 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.

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

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

- Capita 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

The Trustee understands the Scheme's core financial transactions were processed promptly and accurately during the Scheme Year and within the stated SLA. There are no specific issues to report in the Scheme Year.

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. They were reviewed in December 2018, within the period under review in this report, and also more recently in December 2019.

As part of this review, the Trustee engaged a professional consultant to conduct a value for members review in respect of all services during the Scheme Year. A summary of the review is shown in the table below. Ratings from the prior two years are also shown for comparison purposes.

Having assessed the advice from its consultants, and taking the below into account, overall the Trustee considers that the Scheme offered good value for members during the Scheme Year.

Value for members assessment covering the period 1 October 2018 to 30 September 2019

1.	Understand the range of services members pay for and associated costs and charges	• Members only pay for fund management services. • Fund management costs are competitive and investment arrangements are high quality (as described in 2 and 3 below) representing good value for members. **Assessment:** **2019:** **2018:** **2017:**
2.	Determine costs and charges of default arrangement(s)	• The costs and charges of the three funds which make up the default arrangement are set out on p12 of this report. • These have been benchmarked against other schemes of a comparable size during the Scheme Year and continue to be competitive. **Assessment:** **2019:** **2018:** **2017:**
3.	Assess the quality of Scheme investments	• The Scheme has a well-designed investment portfolio and robust governance processes in place for setting, monitoring and reviewing the investments. • The investment strategy has been set with regard to the membership and was reviewed in detail in the period under review. See p4 of this report for more details. **Assessment:** **2019:** **2018:** **2017:**

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

4.	Assess the quality of Scheme governance and management	• The Trustee has a dedicated DC board meeting each quarter and various sub-committees in place which meet between board meetings to oversee their areas of focus. These sub-committees will dedicate a meaningful proportion of the meeting to DC matters. • The Trustee receives advice and regular training from professional advisors specialized in DC matters. **Assessment:** **2019:** (green) **2018:** (green) **2017:** (green)
5.	Assess the quality of Scheme administration	• The Trustee has worked with the employer and the third-party administrator to consistently monitor and maintain performance against agreed service levels, including timeliness of investing member contributions. • Additional initiatives have been undertaken during the Scheme Year to improve overall member experience over the longer-term. **Assessment:** **2019:** (green) **2018:** (green) **2017:** (green)
6.	Assess the quality of Scheme communications	• The Trustee works closely with a dedicated communications provider to develop and deliver regular tailored member communications in line with the overall communications strategy. • Significant resources have been spent developing a new Scheme website which was launched during the Scheme Year. • A targeted campaign was carried out to help members understand changes to the Scheme being made as a result of the new auto enrolment requirements from April 2019 with positive results (increased contributions and increased take up of financial education). **Assessment:** **2019:** (green) **2018:** (green) **2017:** (green)
7.	Ensure that all members receive value for money	• The consultant's assessment is that the Scheme is a well-run, high quality scheme, and that the additional benefits provided to members which are paid for by the employer are good value for money. **Assessment:** **2019:** (green) **2018:** (green) **2017:** (green)

Key

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

Investment charges

In accordance with regulation 25(1)(a) of the Administration Regulations, the Trustee 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 30 September 2018 to 30 September 2019.

For these purposes, "charges" means "administration charges other than transaction costs, costs relating to certain court orders, charges relating to pension sharing under the Welfare Reform and Pensions Act 1999, winding up costs and costs associated with the provision of death benefits. Transaction costs are those incurred as a result of the buying, selling, lending or borrowing of investments.

During the Scheme Year,

- the level of charges and transaction costs applicable to the Default Arrangement were as follows:

Investor Plan Funds	TER[1] (% p.a.)	Aggregate transaction costs [2] (%)
Opportunity	0.20	0.04
Balanced	0.51	0.25
Consolidation	0.39	0.20

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

- The levels of charges and transaction costs applicable to all funds which are not part of the Default Arrangement and in which assets relating to members were invested were as follows.

Investor Plan Funds	TER[1] (% p.a.)	Aggregate transaction costs[2] (%)
Global equity – passive	0.11	0.01
Inflation linked annuity target	0.14	0.01
Cash	0.14	-0.01
Global equity – active	0.69	0.15
Property and infrastructure	0.43	0.11
UK equity – passive	0.10	0.07
UK equity – active	0.69	0.07
Shariah	0.34	0.06
Ethical	0.41	0.13
Fixed annuity target	0.14	0.02

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

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 (continued)

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 of the costs and charges applying to these arrangements from the providers to allow this to be presented in line with the above information for the Investor Plan. This information is presented below. The Trustee has noted that the charges associated with these funds are materially higher than charges of comparable funds in the Investor Plan. The Trustee has therefore started an exercise giving members in the unit-linked funds the option to transfer into the Investor Plan. This will take place during the next Scheme Year.

Legacy AVC funds – Unit Linked	TER[1] (% p.a.)	Aggregate transaction costs[2] (%)
Aegon BlackRock World ex UK Equity Index	0.76	0.00
Aegon BlackRock UK Equity Index	0.76	0.10
Aegon Ethical Fund	0.76	0.26
Aegon Baillie Gifford Balanced Managed Fund	0.78	-0.03
Aegon Long Gilt Fund	0.75	0.04
Aegon Cash Fund	0.75	0.00
Aegon BlackRock Aquila Consensus Lifestyle	0.76	-0.01
Equitable Life Managed Pension	0.75	0.10
Equitable Life Money Pension	0.5	0.00
ReAssure Managed Pension Accumulator	1.14	not available[3]

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 ReAssure has not provided the Trustee with the required information despite multiple requests. The Trustee will continue to request this information and aims to include it in future reports.

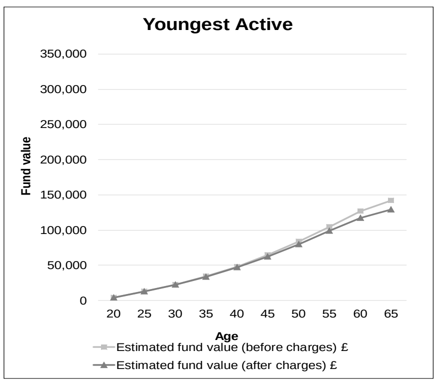
Legacy AVC funds – With-Profits	TER[1] (%p.a.)	Aggregate transaction costs[2] (%)
Aegon	0.75	0.17
Equitable Life	1.5	0.07
Prudential	1.04	0.07
ReAssure	1.00	0.00
Royal London	1.45	0.00
Scottish Widows	No explicit charges	0.17

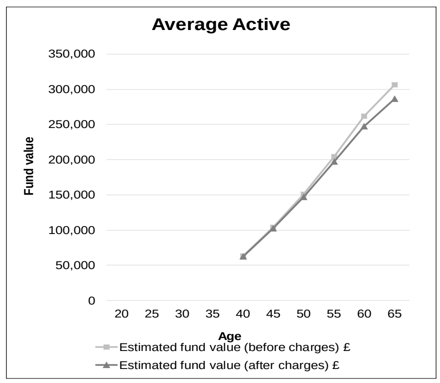
Source: Providers
1 The total expense ratio (TER) is a measure of the total costs associated with managing and operating an investment fund.
2 The aggregate transaction costs consists of any transaction costs incurred while buying, selling, lending or borrowing investments within a fund

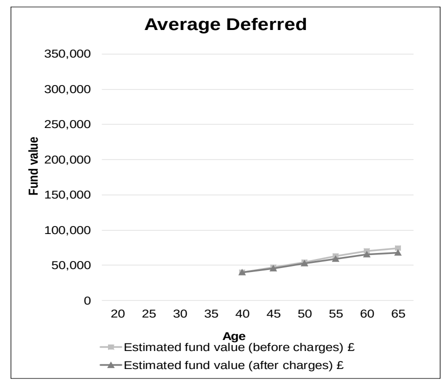
Member illustrations

The following illustrations demonstrate the effect of the above costs and charges. Illustrations are shown for three example members and assume all are invested in the default arrangement:

- **Example member A (Youngest Active):** A member joining the Scheme at 17 years old is expected to accrue pension savings of c.£130,000 by the time they reach 65, assuming they contribute the default amount (8% of salary, including employer contributions) throughout their working life.
- **Example member B (Average Active):** In contrast, the "average active" scheme member is 36 years old, has already accrued a pot of £35,000 and has annual contributions of 15% (including employer contributions) of his or her salary. This member is projected to have pension savings closer to c.£290,000 at age 65.
- **Example member C (Average Deferred):** member C is representative of the "average" deferred scheme member, i.e. a member no longer in employment with Siemens. The member is no longer making contributions and so the expected pension savings at age 65 are much lower at c.£70,000.







Age	Example member A - representative of youngest active member			Example member B - Representative of a typical active member			Example member C - Representative of a typical deferred member		
	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	4,251	4,237	14	-	-	-	-	-	-
25	12,461	12,343	118	-	-	-	-	-	-
30	22,291	21,941	350	-	-	-	-	-	-
35	34,030	33,276	754	-	-	-	-	-	-
40	48,016	46,635	1,381	62,754	62,281	473	39,820	39,454	366
45	64,549	62,221	2,328	103,372	101,755	1,617	46,714	45,730	984
50	83,591	79,784	3,807	150,799	146,999	3,800	54,425	52,519	1,906
55	104,699	98,551	6,148	204,377	196,600	7,777	62,610	59,309	3,301
60	126,426	116,764	9,662	261,199	246,793	14,406	70,437	65,137	5,300
65	146,630	132,030	14,600	316,475	291,967	24,508	76,840	68,873	7,967

Source: Aon

- *The age at start, salary and starting pension pot value, respectively, for the example members are:*
  - *Member A (Active): 17, £17,000, £0*
  - *Member B (Active): 36, £36,000, £35,000*
  - *Member C (Deferred): 36, £0, £35,000*
- *The contribution rate for Member A is the default contribution rate (8% total contributions)*
- *The contribution rate for Member B is the average contribution rate (as at September 2019) for active members of age 32-40 (around 15% total contributions)*
- *Values shown are estimates*
- *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*
- *Inflation assumption is 2.5%*
- *Real salary growth assumption is 0.5%*
- *The assumed annual growth rate (net) for each arrangement is as follows:*
  - *Opportunity Fund: 5.6%*
  - *Balanced Fund: 3.5%*
  - *Consolidation Fund: 2.6%*
  - *Fixed Annuity Target Fund: 2.5%*
  - *Cash Fund: 1.8%*

Siemens Benefits Scheme
Year Ended 30 September 2019
Statement regarding DC governance

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.

Trustee Directors background and experience

Independent Chair of the Trustee Company

Joanna Matthews
- 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.

Company Nominated Trustee Directors

Sarah Blair
- Finance background
- Trustee Director since 2017

Gerard Gent
- Legal background
- Trustee Director since 2012

David Helm
- Finance background
- Trustee Director since 2018.

Stuart Jones
- Finance background
- Trustee Director since 2009.

Neil Jukes
- Finance background
- Trustee Director since 2013.

Member Nominated Trustee Directors

Clive Gilmour
- Audit background
- Pensioner Nominated Trustee Director over two periods, 2008 to 2012 and since 2015.

Alastair Harton
- Engineering background
- Trustee Director since 2017.

John Holden
- Finance background
- Trustee Director since 2018.

Jon May
- Background in manufacturing, engineering, sales and product management
- Trustee Director since 2018.

One MNT vacancy

General trustee training

New Trustee Directors must complete an induction with the Scheme Secretary and complete the Pensions Regulator's eLearning course / Trustee Knowledge and Understanding modules (the Trustee Toolkit) within six months of appointment, and the PMI's Award in Pension Trusteeship within 18 months.

All Trustee Directors have competed the Induction, Process, with John Holden completing the Induction Process during the Scheme Year.

All Trustee Directors have completed the Trustee Toolkit, with David Helm and John Holden completing the Trustee Toolkit during the Scheme Year..

All Trustee Directors have completed the PMI Award in Trusteeship, except the Chair who is a professional Trustee and so has to comply with separate training requirements. Sarah Blair, Alastair Harton, David Helm and Jon May all completed the PMI Award during the Scheme Year.

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). They had dedicated training on the following DC matters:

Investment performance (Nov 2018)

Training from investment advisors on multi asset class investments used in the Plan

Presentations from two of the Plan's investment managers

Responsible Investment in DC schemes (March 2019)

Training from legal and investment advisors on Responsible Investment and the new regulations relating to DC pension schemes

Investment strategy (Sept 2019)

Training from investment advisors on setting appropriate investment objectives and strategies as part of the triennial review

DC governance and general pensions matters (Sept 2019)

Training from legal advisors on general trends in DC, new requirements in relation to the statement on DC governance, further updates on responsible investment; pensions taxation; and the interaction between occupational and state pensions

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.

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 Benefits Sub-Committee use the Ill Health Guide and the Death Benefits Guide on a regular basis to determine whether applicants can be awarded an ill heath 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.

The Trustee Directors reviews the governance logs quarterly. All policies are reviewed 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.

Trustee self-assessment and Identifying training needs
The Trustee Directors take part in an annual performance assessment and feedback process, the last of these being in January 2019. Every three years (most recently May 2018) 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 (September 2019). The Trustee Directors also complete a training needs identifier each quarter. During the Scheme Year this highlighted the need for the additional training carried out on pension taxation, the interaction between occupational and state pension arrangements and responsible investment. These were all then covered during separate training sessions.

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
- 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 on 25 March 2020.

Appendix 1 – Siemens Benefits Scheme Statement of Investment Principles for the DC Section Dated June 2019

Registered number: 10126751
PSO reference: SF19/78032

SIEMENS BENEFITS SCHEME

Statement of Investment Principles
DC Section
June 2019

Unrestricted

SIEMENS BENEFITS SCHEME

CONTENTS

Contents	Page
1. INTRODUCTION	1
2. SCHEME GOVERNANCE	2
3. INVESTMENT OBJECTIVES	3
4. INVESTMENT STRATEGY	4
5. INVESTMENT MANAGERS	8
6. INVESTMENT RISKS	9
7. OTHER ISSUES	10

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.

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.

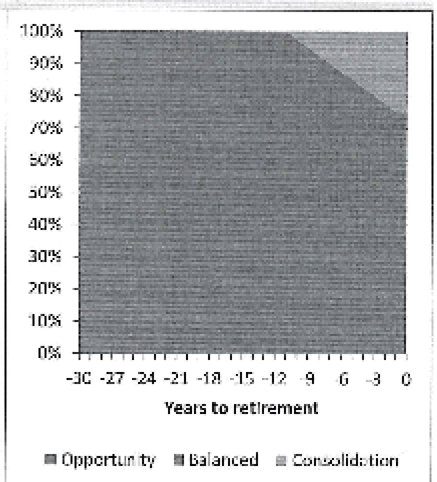
The funds that are utilised in the lifestyle and self-select range have been designed by the Trustee and "white labelled" to reduce disruption to members should a change need to be made at manager or strategy level.

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

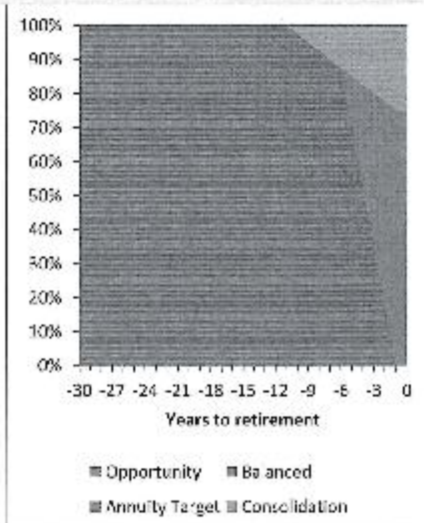
2. Traditional annuity

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.



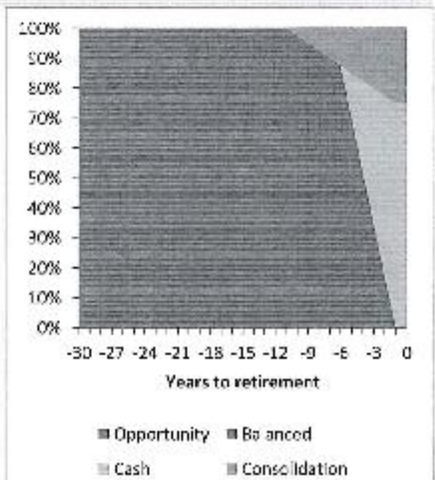
3. Cash out

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.