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SIEMENS BENEFITS SCHEME

Statement of Investment Principles

September 2024

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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 available here.

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.

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 the assets. 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).

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.

(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 6.

(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 are set out in sections 4 and 5.

(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 7.

(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).

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.

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.

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 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,

3. COMPLIANCE WITH INVESTMENT REGULATIONS

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 in to 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.

(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 is set out in section 8.

(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 6.

4. 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 also set an objective of reaching a more prudent Solvency basis (buy-out proxy[1]) by 2032 (the "Solvency Funding Target") and has adopted an Investment Strategy consistent with this Solvency Funding Target. The Investment Strategy has been set consistent with the Solvency Funding Target rather than the Gilts + 0.25% objective mentioned above as it is a more prudent, longer-term target; as such, the latter objective will be achieved on the road to the former.

The Solvency 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 Solvency 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 Solvency 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 Solvency 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.

[1]The Solvency basis more closely represents the value of the liabilities as measured by insurers as part of a buy-out transaction. It therefore offers a reasonable proxy as to how close the Scheme is to reaching a buy-out ready position.

5. 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 Solvency Full 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	60.0	10.0**
Liquid market strategies	15.0	10.0
Liquid and semi liquid credit	25.0	10.0
Illiquid credit	0.0	n/a***
Illiquid market strategies	0.0	n/a***
Total invested assets	100.0	n/a

** Should there be a breach of the specified ranges outlined above, this will not automatically trigger a call-to-action to rebalance the investment strategy. Rather, the Trustee will review the investment strategy and decide whether any rebalancing is required based on the Scheme's position vs. its agreed strategic objectives.*

*** Collateral headroom within the LDI portfolio is reviewed regularly to maintain collateral such that the LDI portfolio can withstand at least a 400bps interest rate rise.*

**** Given the illiquid nature of the investments no rebalancing ranges have been defined. The Trustee has agreed to sell down its illiquid assets in an orderly fashion as soon as reasonably practicable.*

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 three buy-in policies (see Section 9 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.

5. INVESTMENT STRATEGY

- Liquidity requirements.
- Any legal requirements and regulatory guidance.
- Any restrictions in the Trust D

6. 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;

Each mandate's performance targets, benchmarks, restrictions and fees are set out in the respective Investment Management Agreements, pooled fund documentation. 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. 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.

From 1 October 2022 the Scheme is subject to climate change governance and reporting requirements under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (which is based on the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"). The Trustee expects its asset managers (and other providers where appropriate) to also adopt the TCFD recommendations when producing their financial 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

6. ASSET MANAGERS

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.

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 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.

7. 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.

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 more investment risk in future.

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;

The Trustee has also hedged a significant proportion of the interest rate and inflation risks arising from the liabilities.

2. Credit risk

The Scheme is subject to credit risk.

- 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. 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 (see section 9).

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.

7. INVESTMENT RISKS

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.

3. 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.

4. 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.

5. Other price risk

Other price risk arises principally in relation to the Scheme's investments in equity, 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.

6. 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.

7. Custody of assets

7. INVESTMENT RISKS

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.

8. 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.

8. 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 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. Integrating climate-related risks and opportunities into Governance, Risk Management and Strategy

The processes for identifying, assessing and managing climate-related risks form part of the overall Risk Management Framework. The ultimate responsibility for identifying, assessing and monitoring climate-related risks and opportunities sits with the Trustee; however, the Trustee has delegated the day-to-day responsibilities to the Investment, Covenant and Funding Committee ("ICFC"). The Sponsor is consulted as a matter of course when climate-related risks and opportunities are considered.

In order to effectively carry out its responsibility, the ICFC monitors ESG reporting provided to it on an annual basis by its Investment Advisor. This contains relevant climate metrics as set out under the Occupational Pension Schemes (Climate Change Governance and Reporting) Regulations 2021 (the results

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of which will be disclosed in the Scheme's annual TCFD-aligned report). The ICFC also rely on the manager research capabilities of its Investment Advisor(s) in order to effectively assess climate-related risks and opportunities, this includes, for example, carrying out climate change scenario analysis. Finally, active engagement with companies in which the Scheme is invested, specifically relating to climate-related risks and opportunities, is delegated to the Scheme's investment managers. To monitor this the ICFC meets with at least two of their appointed fund managers a year. In the interim, the Scheme's Investment Advisor(s) raise points to note as appropriate and any key takeaways from this day-to-day monitoring are reported back to the Trustee.

Climate-related risks and opportunities are assessed by the Trustee in the setting of the Scheme's funding strategy. For example, the results of various climate scenarios are incorporated when setting the investment strategy, and the impact of various climate scenarios on the liabilities and Sponsor strength are also considered with the help of the Scheme's advisors. The results of these climate scenarios are aligned where possible to ensure a consistent approach is taken across the Scheme's entire funding strategy.

The Trustee assesses climate risks and opportunities over the following time horizons which it deems appropriate in light of the Scheme's existing strategic objectives:

	Time frame
Short term	3 years (in line with the Scheme's primary funding objective)
Medium term	6 years
Long term	10 years+ (in line with the Scheme's secondary funding objective)

4. Stewardship – Voting and Engagement

The Trustee believes that effective stewardship is part of its fiduciary duty to act in the best financial interests of members.

Good stewardship is the responsible allocation, management, and oversight of capital to create long-term value for members, leading to sustainable benefits for the economy, the environment and society. The Trustee aims to use its influence as an owner of assets to ensure that as far as possible best practices are reflected in terms of environmental, social and governance ("ESG") factors, and investment managers are held to account for the effective use of their influence as owners of assets.

Resourcing stewardship

The approach to stewardship reflects the Scheme's broad investment approach: to hire investment managers and to hold them to account for delivery, rather than for the Trustee to invest themselves. In a similar way, the Trustee carries out stewardship through oversight and challenge of investment managers rather than operating as active stewards directly of the underlying assets in which the Scheme invests.

The role of the ICFC is to provide oversight of the investment managers, holding them to account for delivery. The Scheme hires appropriately skilled investment managers, sets clear expectations, assesses the quality of their performance, and holds them to account where deficiencies or areas for further improvement are identified.

Our key areas of focus

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To best channel stewardship efforts, the Trustee is first focusing on a single key theme. This theme was selected by assessing its relevance to the Scheme and its members, the financially material risks it poses, and the maturity and development of thinking within the industry that allows for ease of integration into the Trustee's approach. The key theme is:

- Climate Change

Adopting one theme is an appropriate starting point and the Trustee may explore adopting additional theme(s) in the future.

Significance of stewardship in appointment and monitoring of investment managers

It is the responsibility of the ICFC to lead engagements with investment managers. The Scheme will not appoint new investment managers that cannot demonstrate the standards to which existing investment managers are held. These expectations can be summarised as:

- Effective processes for and delivery of stewardship activity, alignment with leading standards, and evidence of positive engagement outcomes related to our key themes;
- Provision of tailored reporting on stewardship activities and outcomes;
- Participation as appropriate in public policy debates and the development of best practices.

The Trustee expects investment managers to provide specific evidence that they have acted in accordance with these expectations, which should provide enough insight to ascertain whether investment managers are practising effective stewardship that is best aligned with the Trustee's long-term interests. Where deficiencies are identified, the Trustee will escalate accordingly, with the ultimate response being the removal of mandates where the Trustee believes it is in the interests of members to do so. Incremental improvements by investment managers is the key success measure of the Trustee's own stewardship activities.

Engagement: expectations and process

The Trustee expects investment managers to engage with issuers to maintain or enhance the long-term value of investments and limit negative externalities on the planet and society. The Trustee recognises that there is no 'one-size-fits-all' stewardship approach and instead encourages investment managers to prioritise stewardship opportunities and apply the most suitable/influential engagement strategies based on their in-depth knowledge of a given asset class, sector, geography and/or specific company or other asset.

Investment managers are expected to have robust ESG, climate change, and stewardship policies and processes in place. These are used to define how underlying companies are monitored and engaged with, how progress is measured, and when escalation is required. The Trustee expects manager engagement with companies to be underpinned by engagement on public policy matter where relevant. We expect that these assessments and progress in stewardship activities are tracked over time, to maintain continuity of activity and to assess the effectiveness of stewardship delivery. The Trustee challenges investment managers when it feels their engagements are not sufficiently focused on decision-makers such as management or board.

In order to drive corporate change, and where initial engagement has made little progress, the Trustee expects investment managers to escalate engagement accordingly. The Trustee allows investment managers discretion over the appropriate tools to deploy; however, it expects these to be communicated

8. RESPONSIBLE INVESTMENT

with issuers' management teams. Should there still be little progress made after escalation, the Trustee expects investment managers to consider disinvestment as a final course of action.

Voting: expectations and process

The exercise of voting rights for the Scheme's equity holdings within pooled funds has been delegated to investment managers. The Trustee therefore does not direct how votes are exercised within these mandates and does not have its own proxy voting provider. Nonetheless, the Trustee fully recognises and appreciates the value of voting as a signal or ultimate sanction in influencing company behaviour. As active owners, it is the Trustee's responsibility to hold investment managers to account for their voting activities to ensure they are exercising voting rights in the Trustee's best interests. As such, the Trustee considers investment managers' voting policies and records, and requires investment managers to report significant votes as relevant.

Investment managers are expected to have their own voting policies, informed by leading global standards, and that fully integrate ESG considerations. The Scheme's investment managers are expected to be informed by the views of proxy voting service providers, but retain ultimate ownership of the decision and are expected to apply judgement as to whether they follow the recommendation of their advisor. The exercise of voting rights should form part of a wider engagement dialogue and if investment managers wish to vote contrary to management recommendations, the Trustee expects that this is communicated and investment managers' views expressed to the company.

Whereas voting responsibilities are outsourced to investment managers, the Trustee recognises that it has a fiduciary and regulatory responsibility to retain agency in the process. Investment manager oversight is the key mechanism for this, and the Trustee will therefore hold investment managers accountable not only for voting activity as a whole, but also how they have voted in significant votes. Under DWP Guidance, it is the Trustee's responsibility to define the significance of votes placed on its behalf, and to be transparent with stakeholders and beneficiaries regarding outcomes.

Significant votes have been defined as votes which meet one or more of the following criteria. Please note the more of these criteria a vote meets, then the more significant the vote will be deemed, with the most significant votes to be disclosed in the Implementation Statement (rather than all significant votes):

- Votes relating to the key stewardship theme;
- Votes relating to an issuer to which the Scheme has a large £ exposure;
- Votes which may be inconsistent between investment managers; and
- Votes identified due to potential controversy, driven by the size and public significance of a company, the nature of the resolution, and the weight of shareholder vote against management recommendation.

9. 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 Scheme.

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.

In May 2022, members of the Electrium Pension Scheme (now the Electrium Plan) were transferred to the Siemens Benefits Scheme. As a result, the Trustee inherited a buy-in insurance agreement with Just Retirement Group.