Eli Lilly Group Pension Plan (the "Plan")

Statement of Investment Principles

1. Introduction

Under the Pensions Act 1995 (Pensions Act) (as amended), the Occupational Pension Schemes (Investment) Regulations 2005 (the Investment Regulations), the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 and subsequent Regulations, the trustee of the Plan (the "**Trustee**") is required to prepare a statement of the principles governing investment decisions of the Plan. This document contains that statement.

The Trustee will review this document at least every three years, or sooner following a significant change to the Plan's investment strategy or Plan demographics. The Trustee will take investment advice and consult with Eli Lilly and Company Limited (the "**Sponsoring Employer**") over any changes to this document. This document is publicly available online.

2. Investment Objective

The Trustee aims to invest the assets of the Plan prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk strategy that it could adopt in relation to the Plan's liabilities. The investment strategy that the Trustee has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Plan's liabilities.

The Trustee recognises that targeting outperformance of the Plan's liabilities requires the adoption of an asset mix that will perform differently from the liabilities. This implies that the funding level will be subject to volatility.

The Trustee may review and adopt a higher or lower overall return objective from time to time, after consultation with the Sponsoring Employer. Factors that the Trustee will take into account in its consideration of the overall return objective include the Plan's funding level, the Trustee's tolerance to risk, the Trustee's assessment of the Sponsoring Employer's covenant to the Plan and the parent company guarantee dated 1 March 2018 that is in place with Eli Lilly and Company.

3. Strategy

The Trustee has adopted a "Pension Risk Management Framework" ("**PRMF**"). The PRMF quantifies the Plan's investment objectives, including the risk budget and funding objective. The PRMF is monitored by the Plan's investment adviser and is reported to the Trustee at least quarterly to monitor the Plan's progress.

In order to meet the investment objective as stated above the Trustee invests in a range of different asset classes, some predominantly return-seeking assets such as private market assets and some predominantly risk-reducing assets such as government bonds.

The overall allocation to different asset classes may vary over time, depending on several factors, including market conditions and decisions taken by the fund managers and the Trustee in the light of views about the relative outlook for different asset classes.

The Trustee reviews the overall return expectations and corresponding risk of deterioration in the funding level of the Plan on a regular basis. As the Plan's liability profile becomes increasingly mature and as the funding level improves the Trustee may seek to reduce risk whilst maintaining a degree of expected asset outperformance of the liabilities.

When setting and reviewing the investment strategy, the Trustee also considers other factors such as whether there is a suitable level of liquidity, in the context of the Plan's liability profile and overall objectives. When choosing the Plan's strategic asset allocation, the Trustee has also considered the need for appropriate diversification across both public and private markets.

4. Risk

The Trustee recognises that the key risk to the Plan is that it has insufficient assets to make provisions for 100% of its liabilities ("funding risk"). The Trustee has identified several risks which have the potential to cause deterioration in the Plan's funding level and therefore contribute to funding risk. Examples of these are:

- **Credit risk:** The risk that a counterparty defaults on their obligations to the Plan. This is addressed by investing in predominantly high quality credit investments and appointing specialist managers. The associated expected returns are reviewed to ensure they are sufficient to compensate for the level of risk.
- **Mismatching risk:** The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors. The Trustee and its advisers consider this mismatching risk when setting and monitoring the investment strategy.
- **Cash flow risk:** The risk of a shortfall of liquid assets relative to the Plan's immediate liabilities. The Trustee and its advisers will manage the Plan's cash flows considering the timing of future payments to minimise the probability that this occurs.
- **Collateral risk:** The risk the Plan is unable to meet the collateral requirements within the investment strategy, which could lead to an increase in the overall level of investment risk. The Trustee and the Plan advisers regularly monitor the collateral headroom and collateral stress tests of the portfolio.
- **Manager risk:** The failure by the fund managers to achieve the rate of investment return assumed by the Trustee. This risk is considered by the Trustee and its advisers both upon the initial appointment of the fund managers and on an ongoing basis thereafter.
- **Covenant risk:** The possibility of failure of the Plan's sponsoring Employer. The Trustee and its advisers considered this risk when setting investment strategy and consulted with the sponsoring employer as to the suitability of the proposed strategy.
- **ESG risks:** The risk that environmental, social and governance ("**ESG**") factors including climate change negatively impact the value of investments held if not understood and evaluated properly. The Trustee considers this risk by taking

advice from their investment adviser when setting the Plan's asset allocation, when selecting managers and when monitoring their performance.

In order to accurately monitor these risks, the Trustee identifies, records, reviews and evaluates risk on a regular basis. Monitoring includes regular meetings with advisers and review of quarterly reports. Further, the Trustee receives quarterly reports showing:

- Actual funding level versus the Plan specific funding objective.
- Performance versus the Plan's investment objective.
- Performance of individual fund managers versus their respective targets.
- Any significant issues with the fund managers that may impact their ability to meet the performance targets set by the Trustee.

5. Implementation

The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Plan's objectives. The Trustee receives regular reports and verbal updates on various items from its investment adviser including the investment strategy, performance and long-term position of the portfolio.

All assets are managed by fund managers with written contracts in place. The Trustee shares this document with the Plan's fund managers and requests that they review and confirm whether their approach is in alignment with it (as far as possible). The Trustee delegates all day-to-day decisions about the investments held by the fund managers, including the realisation of investments, to the fund managers.

There is typically no set duration for contracts with fund managers, although the continued appointment of all fund managers will be reviewed periodically. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

6. Environmental, Social and Governance ("ESG")

When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in the Occupational Pension Plans (Investment) Regulations 2005 (regulation 2(3)). This includes taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.

The Trustee recognises that ESG factors (including but not limited to climate risk) might be financially material over the Plan's medium to long term time horizon (3-25 years) but will have varying levels of importance for different types of assets invested by the Plan. The Trustee expects that seeking manager's alignment to this document (as far as possible); monitoring their engagement with companies in which they invest, including ESG monitoring in the evaluation of a manager's capabilities; and following up with fund managers directly if concerns are identified is, in most cases, sufficient to guide fund managers to make decisions that align with the Trustee's policies. The Trustees are supported in this work by the Plan's investment adviser.

Non-financial matters including ethical views of beneficiaries and members are not ordinarily taken into account in the selection, retention and realisation of investments.

The Trustee requires its investment adviser and investment managers to communicate new and emerging risks arising from ESG considerations. This will inform the Trustee's policy which will be reviewed periodically and kept up to date with industry practice.

7. Cost transparency

The Trustee recognises the importance of monitoring the level of costs incurred in the management of its assets and the impact these can have on the value of the assets. Fees payable to external fund managers and costs related to the investment, management, custody and realisation of pooled fund assets will be kept under regular review.

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 high level of transaction costs is acceptable as long as 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 investment managers' fund holdings change over a year. The Plan's investment consultant monitors this on behalf of the Trustee as part of the manager monitoring they provide to the Trustee and flags to the Trustee where there are concerns. The Trustee recognises the Plan's illiquid assets are expected to have low portfolio turnover, and due to their illiquid nature, the Trustee has less control over the portfolio turnover for those assets. The cashflow profile of the illiquid assets is regularly monitored by the Plan's investment advisers, in the context of the overall strategy.

The Trustee is open to managers implementing performance related fees if these are suitable for the Plan and are aligned with the objectives of the Plan.

8. Stewardship policy

The Trustee recognises that good stewardship practices, including engagement and voting activities, are important as they help preserve and enhance asset owner value over the long term. The Trustee recognises the importance of its role as a steward of capital and the need to ensure the highest standards of governance and promotion of corporate responsibility in the underlying companies and assets in which the Plan invests, as ultimately this creates long term financial value for the Plan and its beneficiaries.

To best channel its stewardship efforts, the Trustee has chosen to focus on key themes based on their likely financial materiality to the Plan and its members. Initially, climate change has been selected as the key focus area.

The Trustee expects investment managers to engage with issuers on relevant matters to maintain or enhance long-term value of the Plan's investments and limit negative externalities on the planet and society. This includes performance, strategy, risks, capital structure, conflicts of interest, and environmental, social or governance considerations.

The Trustee takes regular advice from its investment consultant as to the suitability of the Plan's appointed fund managers. This advice includes consideration of how the fund manager seeks to influence governance and good practices in the companies in which they invest and where applicable whether and how they exercise voting rights. If a manager is found to be falling short of the standards the Trustee has set out in its policy, the Trustee undertakes to engage with the manager to encourage alignment with the Trustee's standards.

It is the expectation of the Trustee that the Plan's fund managers will actively monitor ESG risks within the Plan's investments, providing transparency on engagement and voting actions with respect to mitigating these risks as appropriate.

Supported by its investment consultant the Trustee reviews the stewardship activities of its fund managers on an annual basis, covering both engagement with companies in which they invest and voting actions. The Trustee will engage directly with the fund manager if concerns are raised. Concerns may include but are not limited to: lack of transparency, failure to exercise voting rights, failure to act on conflicts of interest, failure to consider risks related to ESG matters.

Where voting is concerned, the Trustee expects its fund managers to recall stock lending as necessary, in order to carry out voting actions. Engagement with relevant persons includes the exercise of rights (including voting rights) attaching to the Plan's relevant investments which are exercised by the asset managers of the Plan, where applicable. The Plan Trustee monitors and discloses the voting records of its managers on an annual basis.

9. Additional voluntary contributions ("AVCs") and special employer contributions ("SpECs")

Some members obtain further benefits by paying AVCs and/or SpECs to the Plan. The liabilities in respect of these AVCs and/or SpECs are equal to the value of the investments bought by the contributions.

A range of investment funds is available for members to choose from. These funds cover a range of asset classes, including equities, bonds and cash. In selecting the funds the Trustee has considered members' appetite for risk, the length of time until they are expected to retire and the expected forms in which benefits from AVCs and/or SpECs will be taken.

From time to time the Trustee reviews the choice of investments available to members to ensure that they remain appropriate to the members' needs.

10. Governance

The Trustee is responsible for the investment of the Plan's assets. The Trustee takes some decisions itself and delegates others recognising the importance of being able to make some decisions in a timely matter. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training, knowledge and expert advice in order to take an informed decision.

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. These include vehicles available for members' AVCs and SpECs. When deciding whether or not to make any new direct investments the Trustee will obtain written advice and consider whether future decisions about those investments should be delegated to the fund managers.

The Trustee's investment adviser has the knowledge and experience required under the Pensions Act 1995.

The Trustee expects the fund managers to manage the assets delegated to them under the terms of their respective contracts and to give effect to the principles in this statement so far as is reasonably practicable. When appointing a new manager, with the assistance of the Plan's investment adviser, the Trustee ensures managers have suitable fee structures in the context of market rates and alignment with the principles captured within the Plan's SIP.

Fund managers are remunerated on an ad-valorem basis, a performance related basis or a mixture of the two. The level of remuneration paid to fund managers is reviewed regularly by the Trustee against market rates to ensure the fund managers' interests are aligned with those of the Plan. In addition, fund managers may pay commissions to third parties on trades they undertake in the management of the assets and also incur other ad hoc costs.

In the case of pooled fund investments, the Trustee has an agreement with each fund manager, and the manager has a separate agreement with the underlying custodian. In the case of segregated investments, the Trustee will have separate agreements with the fund manager and a custodian. The custodian is responsible for the safekeeping of the underlying assets and performs the administrative duties attached, such as the collection of interest and dividends and dealing with corporate actions.

11. Further information

Details of the appointed managers and the range of funds for members making AVC and SpECs contributions can be found in a separate document produced by the Trustee entitled 'Summary of Investment Arrangements', this is available to members from the member portal or by request from the Plan's administrator by emailing elililly@buck.com.

Agreed and approved by the Trustee of the Eli Lilly Group Pension Plan

Signed : Ian Dane

Date : 3rd June 2024

Appendix A – Version control record

The following table records changes to this document:

Version	Document name	Nature of change
2010 V1	Eli Lilly SIP	Initial creation
2011 V1	Lilly SIP 0711	Revisions to long-term strategy
2011 V2	Lilly SIP 30.09.11	Move to single Global equity allocation
2012 V1	Lilly SIP 31.12.12	Wording for Russell equity overlay implementation
2015 V1	Lilly SIP 31.3.15	Wording to simplify description of asset allocation weightings and ranges. Reference made to aim of de-risking as funding level and maturity increases
2018 V1	Lilly SIP 26.3.18	Addition of Parent Company Guarantee. Removal of 2015 max and mins. Change of FD.
2019 V1	Lilly SIP 20.3.19	Updated wording on ESG considerations to satisfy DWP regulations
2020 V1	Lilly SIP 14.7.20	Updated wording to satisfy regulatory requirements for disclosures on arrangements with fund managers, cost transparency and stewardship
2022 V1	Lilly SIP 24.11.22	Removing references to equities given full disinvestment. Other minor wording changes.
2024 V1	Lilly SIP 03.06.2024	Alignment with new Monitoring Framework, refresh of Risk, ESG and Stewardship Objectives