Summary Funding Statement – 1 January 2023

We are required to provide information each year about the funding of the Eli Lilly Group Pension Plan (the Plan) to anyone entitled to benefits from the Plan. The most recent Summary Funding Statement was contained in the Trustee Report issued in 2022 and was based on the actuarial report prepared for the Plan as at 1 January 2022.

How your benefits are secured

Security for your benefits is provided principally by the assets held by the Plan and the UK Company's continuing support and future contributions. The obligations of the UK Company to make payments to the Plan are also formally guaranteed by the US parent, Eli Lilly and Company.

The Plan's assets build up from the contributions that the UK Company has paid into a common fund, which has then been invested. Aside from any AVCs, paid by members, and SpECs, paid by the UK Company on behalf of the members, separate funds are not held for each individual member.

How the Financial Position of the Plan is monitored

The Trustee Board is required to conduct an actuarial valuation of the Plan at least once every three years.

At each actuarial valuation, the Trustee Board monitors how the Plan's assets (investments) compare with the value of the Plan's liabilities (promised benefits already built up) to assess the Plan's 'funding level'. The UK Company and the Trustee Board also consider the appropriate level of future contributions to be made to the Plan. Actuarial valuations can be done in many ways and as part of its review the Trustee Board considers the impact changing assumptions will have on the value of the liabilities calculated.

The financial position of the Plan is set out in the actuarial valuation report. The report also includes information about the many factors that may change the Plan's financial position in the future.

Financial Position at 1 January 2023

The sixth formal actuarial valuation of the Plan under the scheme-specific funding requirement was carried out as at 1 January 2020, and an actuarial valuation report was prepared.

The funding legislation also requires that the Trustee Board receives interim annual actuarial reports until the next formal actuarial valuation report is due. The purpose of these actuarial reports is to show how developments since the last formal actuarial valuation have affected the value of the Plan's liabilities, the Plan's funding level, and the progress made against any agreed Recovery Plan. Actuarial reports based on an informal valuation of the Plan were prepared as at 1 January 2021, and again as at 1 January 2022.

A seventh formal actuarial valuation of the Plan as at 1 January 2023 has now been completed and an actuarial valuation report has been prepared.

The table below shows the funding level of the Plan as at 1 January 2023 (along with the funding level of the Plan as at 1 January 2022, 1 January 2021 and 1 January 2020) and all values exclude AVCs and SpECs:

	1 January 2023 (£m)	**1 January 2022 (£m)**	**1 January 2021 (£m)**	**1 January 2020 (£m)**
Value of assets	1,222.9	1,996.2	1,897.3	1,696.9
Value of liabilities (cost of providing benefits already built up)	1,073.4	1,640.0	1,677.0	1,513.9
Surplus / (deficit)	149.5	356.2	220.3	183.0
Funding level (assets/liabilities)	114%	122%	113%	112%

Note that the value of assets at both 1 January 2023 and 1 January 2020 reflect figures shown in the Plan's audited accounts, while the asset values at both 1 January 2022, and 1 January 2021 reflect unaudited figures.

Change in the Financial Position

As noted in the Trustee Report issued in 2023, one of the key roles of the Trustee Board is to ensure that the Plan has sufficient assets to pay the benefits in retirement that members of the Plan are entitled to. 2022 saw significant economic and political challenges, both globally and in the UK. In particular, interest rates and the cost of borrowing rose, affecting the value of many financial assets and the value of scheme liabilities. The Lilly Plan was not immune to these changes.

The table above shows that during 2022 our assets and liabilities fell by more than a third. Nevertheless, as the assets and liabilities both fell, the Plan remained well funded and had ample liquidity to meet all pension payments at all times. The investment strategy and monitoring the Trustee Board had in place was well positioned to withstand the market volatility that was experienced in 2022.

Therefore, while the funding level has fallen to 114% since 1 January 2022, the Plan still has a healthy surplus of around £149.5m. As noted above, the decrease in the Plan's funding level from 1 January 2022 was due to a number of different factors, including the significant changes in market conditions together with a strengthening of the Plan's funding target / assumptions following discussions as part of the 1 January 2023 actuarial valuation.

In light of the current surplus in the Plan, the UK Company does not expect to make any contributions to meet the cost of providing future benefits until the results of the next formal actuarial valuation are known. In addition, following the completion of the 1 January 2023 actuarial valuation, and with effect from 2024, the Trustee Board and UK Company have agreed that all administrative expenses and levies (including the annual levy payable to the Pension Protection Fund) will be met from the Plan's assets.

The Trustee Board is comfortable with the above in the context of the funding position of the Plan and the formal guarantee now provided by the US parent. In the meantime, the Trustee Board will continue to monitor the funding position of the Plan, and if we were to have any concerns about the funding level of the Plan, then we would reopen discussions with the Company about the rate of contributions payable by the UK Company to the Plan.

What would happen if the Plan was to be wound-up?

When a scheme is wound-up (or discontinued), benefits are ordinarily secured with an insurance company. The cost of providing benefits is determined by the insurance company at that time using its own methodology and assumptions. Insurance companies tend to place a higher value on scheme liabilities than the value used by trustees for funding purposes.

If the Plan had been wound-up as at 1 January 2023, the Scheme Actuary estimated that an extra £4m would have had to be paid to the Plan in order to cover the cost of providing the benefits built up for Plan members fully via an insurance policy. As noted above, it is not unusual for this figure to be significantly greater than is needed to cover a scheme's ongoing funding position. This information is for illustration only and does not imply that Lilly is thinking of winding-up the Plan.

If the UK Company became insolvent, the Pension Protection Fund (the 'PPF') might be able to take over the Plan and pay compensation to members. Further details on the operation of the PPF are available on the PPF's website at: www.pensionprotectionfund.org.uk. Alternatively, you can write to the Pension Protection Fund at Renaissance, 12 Dingwall Road, Croydon, CR0 2NA.

Payment to Eli Lilly and Company Limited

We are obliged to inform you if any payment has been made from the Plan to the UK Company in the period since the issue of the previous funding statement. The Trustee Board can confirm that no such payment has been made.

Similarly, we are obliged to inform you if the Pensions Regulator has made modifications to the Plan or given specific directions on the funding of the Plan. Again, the Trustee Board can confirm that no such modifications or directions have been made.

Where can I get more information?

A list of more detailed documents which provide further information is shown below:

- The full report on the **Actuarial Valuation** following the Scheme Actuary's check of the Plan's financial situation as at 1 January 2023 - this report gives detailed information on the Plan's funding position and on the many factors that will influence the development of the Plan in the future, and includes the **Statement of Funding Principles**;
- The **Schedule of Contributions** - this shows the minimum level of contributions that the UK Company must pay into the Plan, and includes the Scheme Actuary's certification;
- The **Statement of Investment Principles** - this explains how the Trustee Board invests the money paid into the Plan; and
- The latest **Annual Report and Accounts** of the Plan **-** this shows the Plan's income and expenditure in the year up to 31 December 2022.

These documents are all available for members to view on the myReward website.

If you would like to see copies of these documents, you have any questions, or would like any more information, please contact Buck, the Plan Administrator, on 0330 123 9591 or at elililly@buck.com.

If for any reason, concerning the funding of the Plan or otherwise, you are thinking of leaving the Plan or transferring out your benefits, you should seek independent financial advice before taking any action.