Abbott Laboratories Pension Fund (1966) ("the Fund")
Statement of Investment Principles

Investment Objective

The Trustee aims to invest the assets of the Fund prudently to ensure that the benefits promised to members are provided. In setting the investment strategy, the Trustee first considered the lowest risk asset allocation that they could adopt in relation to the Fund's liabilities. The asset allocation strategy it has selected is designed to achieve a higher return than the lowest risk strategy while maintaining a prudent approach to meeting the Fund's liabilities. The overall objective has been agreed with the Employer and is as follows:

To set an investment strategy which targets an expected return in excess of the liabilities, as valued by gilt yields (net of fees).

In choosing this overall objective, the Trustee recognises the level of risk compared to the liabilities that accompanies the outperformance target.

STRATEGY

The current **target asset allocation strategy** chosen to meet the objective above is set out in the table below. The actual asset allocation will move towards the target asset allocation in a phased manner. Once the target weighting has been achieved, The Trustees will monitor the actual asset allocation versus the target weights and ranges set out in the table below.

The long-term asset allocation strategy chosen to meet the objective above is set out in the table below. The Trustee will monitor the actual asset allocation versus the target weighting set out in the table below.

Asset Allocation Strategy	Target Weighting %	Range %
Gilts	32.5%	27.5% - 37.5%
Multi-Asset Credit	17.5%	15.0% - 20.0%
Equities	50.0%	45.0% - 55.0%

Return seeking assets are predominantly equities but also includes multi asset credit. They could also include other types of alternative asset classes such as property, absolute return funds, infrastructure, private equity and insurance linked securities.

Risk reducing assets are predominantly UK Government bonds and could include other financial instruments such as interest rate and inflation swaps.

The Trustee as a long-term investor seeks to maintain the Fund's asset allocation in line with the agreed target asset allocation, but acknowledges the actual asset allocation can move considerably away from target due to market movements. The Trustee monitors the Fund's asset allocation on an ongoing basis and has agreed pre-determined asset allocation ranges. Where the Trustee observes the Fund's actual asset allocation is outside of these ranges, the Trustee may seek advice from its investment advisor to consider rebalancing action.

This Statement of Investment Principles is produced to meet the requirements of the Pensions Acts 1995 & 2004, the Occupational Pension Funds (Investment) Regulations 2005 and to reflect the Government's Voluntary Code of Conduct for Institutional Investment in the UK. The Trustee also complies with the requirements to maintain and take advice on the Statement and with the disclosure requirements.

The asset allocation strategy was determined with regard to the actuarial characteristics of the Fund, in particular the strength of the funding position and the liability profile. The Trustee's policy is to make the assumption that return seeking assets will outperform risk reducing assets over the long term and assumes that active fund management can be expected to add value. However, the Trustee recognises the potential volatility in return seeking asset returns, particularly relative to the Fund's liabilities, and the risk that the fund managers do not achieve the targets set. When choosing the Fund's asset allocation strategy the Trustee considered advice from its investment advisers and, in doing so, addressed the following:

- The need to consider a full range of asset classes including private equity, property and hedge funds.
- The risks and rewards of a range of alternative asset allocation strategies.
- The suitability of each asset class.
- The need for appropriate diversification.
- Current market conditions and medium-term market views.

In addition, the Trustee also consulted with the sponsoring employer when setting this strategy.

RISK

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

- The risk of a significant difference in the sensitivity of asset and liability values to changes in financial and demographic factors ("mismatching risk"). The Trustee and its advisers considered this mismatching risk when setting the investment strategy.
- The risk of a shortfall of liquid assets relative to the Fund's immediate liabilities ("cash flow risk"). The Trustee and its advisers will manage the Fund's cash flows taking into account the timing of future payments in order to minimise the probability that this occurs. The Trustee has documented its cashflow policy to support its management of this risk.
- The failure by the fund managers to achieve the rate of investment return assumed by the Trustee ("manager risk"). 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.
- The failure to spread investment risk ("risk of lack of diversification"). The Trustee and its advisers considered this risk when setting the Fund's investment strategy and have also mandated to each of the fund managers employed that a suitably diversified portfolio of assets should be maintained at all times.
- The possibility of failure of the Fund's sponsoring employer ("covenant risk"). 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.
- The risk of fraud, poor advice or acts of negligence ("operational risk"). The Trustee has sought to minimise such risk by ensuring that all advisers and

third party service providers are suitably qualified and experienced and that suitable liability and compensation clauses are included in all contracts for professional services received.

Due to the complex and interrelated nature of these risks, the Trustee considers the majority of these risks in a qualitative rather than quantitative manner as part of each formal investment strategy review (normally triennially). Some of these risks may also be modelled explicitly during the course of such reviews.

Having set an investment objective which relates directly to the Fund’s liabilities and implemented it using a range of fund managers, the Trustee's policy is to monitor, where possible, these risks periodically. The Trustee receives quarterly reports showing:

- Performance versus the Fund'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.

IMPLEMENTATION

Aon Investments Limited 'Aon' has been selected as investment adviser to the Trustee. They operate under an agreement to provide a service which ensures the Trustee is fully briefed to take decisions itself and to monitor those it delegates. Aon are paid on a fixed fee retainer basis for the regular work they undertake for the Fund although separate fixed fees may be negotiated by the Trustee for certain projects. This structure has been chosen to ensure that cost-effective, independent advice is received.

Details of the appointed managers can be found in a separate document produced by the Trustee entitled "Summary of Investment Arrangements".

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to the relevant fund manager through a written contract.

GOVERNANCE

The Trustee is responsible for the investment of the Fund's assets. The Trustee takes some decisions itself and delegates others. When deciding which decisions to take itself and which to delegate, the Trustee has taken into account whether it has the appropriate training and expert advice in order to take an informed decision. The Trustee has established the following decision making structure:

Trustee	• Monitor actual returns versus Fund investment objective. • Set structures and processes for carrying out its role. • Select and monitor planned asset allocation strategy (incorporating medium term asset allocation views) • Select direct investments (see below). • Make decisions on: – Selection of investment advisers and fund managers. – Structure for implementing investment strategy. • Monitor investment advisers and fund managers. • Monitor direct investments. • Make ongoing decisions relevant to the operational principles of the Fund's investment strategy.
Investment Adviser	• Advise on all aspects of the investment of the Fund assets, including implementation. • Advise on this statement. • Provide required training.
Fund Managers	• Operate within the terms of this statement and their written contracts. • Select individual investments with regard to their suitability and diversification. • Advise the Trustee on suitability of the indices in the benchmark.

The Pensions Act 1995 distinguishes between investments where the management is delegated to a fund manager with a written contract and those where a product is purchased directly, eg 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. 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 manager(s).

RESPONSIBLE INVESTMENT

In setting the Fund's investment strategy, the Trustee's primary concern is to act in the best financial interests of the Fund and its beneficiaries, seeking the best return that is consistent with a prudent and appropriate level of risk. These include:

- The risk that environmental, social and governance 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 its investment adviser when setting the Fund's asset allocation, when selecting managers and when monitoring their performance.

Stewardship – Voting and Engagement

The Trustee recognises the importance of its role as a steward of capital and the need to promote the highest standards of governance and corporate responsibility in the underlying companies in which the Fund's investments reside. The Trustee recognises that ultimately this creates long-term value for the Fund and its beneficiaries.

The Trustee delegates all stewardship activities, including voting and engagement, to its appointed investment managers. The Trustee accepts responsibility for how the investment managers steward assets on its behalf, including the casting of votes in line with each manager’s individual voting policy.

The Trustee expects the Fund’s investment managers to use their influence as major institutional investors to exercise the Fund's rights and duties as a shareholder, including voting, along with — where relevant and appropriate — engagement with underlying investee companies on Environment, Social and Governance (‘ESG’) considerations and other relevant matters (such as companies’ performance, strategy, risks, capital structure, and management of conflicts of interest).

The Trustee reviews its managers’ voting and engagement policies and activities on an annual basis. The Trustee reviews these factors to check they are aligned with expectations and can reasonably be considered to be in the Trustee’s, and therefore the member’s, best interest.
Should the Trustee look to appoint a new manager, it will request this information as part of the selection process in advance of their appointment. All responses will be reviewed and monitored with input from the Trustee's investment adviser. The

Trustee will engage with their investment managers where necessary for more information.

The Trustee regularly reviews the continuing suitability of the appointed managers and takes advice from its 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. The Trustee will engage with its investment managers as necessary for more information to ensure that robust active ownership behaviours, reflective of their active ownership policies, are being actioned. This will take the form of annual reporting which will be made available to Fund members upon request. Furthermore, the Trustee will ask the Fund's investment managers to provide details about the ways in which they are undertaking these activities in comparison to their policies and relevant codes of practice. This will be reviewed annually with input from the Trustee's investment adviser.

If the Trustee’s monitoring reveals that an investment manager’s voting or engagement policies, or its stewardship actions, are not aligned with the Trustee’s expectations, the Trustee will engage with the manager, via different medium such as emails and meetings, to seek a more sustainable position, but it may look to replace the manager.

The transparency offered for engagements should include objectives and relevance to the Fund, the methods of engagement and the processes for escalating unsuccessful engagements. The transparency for voting should include voting actions and rationale with relevance to the Fund, in particular, where: votes were cast against management; votes against management generally were significant, votes were abstained; voting differed from the voting policy of the asset manager.

Where voting is concerned the Trustee expects its asset managers to recall stock lending as necessary, in order to carry out voting actions.

The Trustee expect the Fund’s investment managers to consider collaboration with others, as permitted by relevant legal and regulatory codes, where collaboration is likely to be the most effective mechanism for encouraging issues to be addressed.
If an incumbent manager is found to be falling short of the standards the Trustee has set out in its policies, the Trustee will engage with the manager and seek a more sustainable position, though it will replace the manager if such a position cannot be reached.

From time to time, the Trustee will consider the methods by which, and the circumstances under which, it would monitor and engage with an issuer of debt or equity, an asset manager or another holder of debt or equity, and other stakeholders. The Trustee may engage on matters concerning an issuer of debt or equity, including their performance, strategy, risks, social and environmental impact and corporate governance, the capital structure, and management of actual or potential conflicts of interest.

Members' Views and Non-Financial Factors

In setting and implementing the Fund's investment strategy the Trustee does not explicitly take into account the views of Fund members and beneficiaries in relation to ethical considerations, social and environmental impact, or present and future quality of life matters (defined as "non-financial factors").

COST MONITORING

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 Fund's assets. The Trustee recognises that in addition to annual management charges, there are a number of other costs incurred by their asset managers including turnover costs (i.e. the costs incurred when the assets managers buy and sell underlying investments).

On an annual basis the Trustee asks all of its asset managers to provide full cost transparency data in line with the appropriate Cost Transparency Initiative ("CTI") template for each asset class. This allows the Trustee to understand exactly what it is paying their asset managers. The Trustee works with its investment adviser and asset managers to understand these costs in more detail where required.

The Trustee will only appoint asset managers who offer full cost transparency via the CTI templates to manage assets of the Fund. This will be reviewed before the appointment of any new managers and includes the existing managers held by the Fund.

Targeted portfolio turnover is defined as the expected frequency with which each underlying investment managers' fund holdings change over a year. The Fund's investment adviser 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 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.

The Trustee evaluates the performance of their asset managers relative to their respective objectives on a regular basis via their investment monitoring reports and updates from the asset managers. The Trustee also reviews the remuneration of the Fund's asset managers on at least a triennial basis to ensure that these costs are reasonable in the context of the kind and balance of investments held.

ARRANGEMENTS WITH ASSET MANAGERS

The Trustee regularly (typically on a quarterly basis) monitors the Fund’s investments to consider the extent to which the investment strategy and decisions of the asset managers are aligned with its policies. This includes monitoring the extent to which asset managers:

- make decisions based on assessments about medium- to long-term financial performance of an issuer of debt or equity; and
- engage with issuers of debt or equity in order to improve their performance in the medium- to long-term.

The Trustee is supported in this monitoring activity by its investment consultant.

The Trustee receives regular reports and verbal updates (typically on a quarterly basis) from its investment consultant on various items including the investment strategy, performance, and longer-term positioning of the portfolio. The Trustee focuses on longer-term performance when considering the ongoing suitability of the investment strategy in relation to the Fund’s objectives, and typically assesses the asset managers' performance over 3- to 5-year periods.

The Trustee also receives annual stewardship reports on the monitoring and engagement activities carried out by its asset managers, which supports the Trustee in determining the extent to which the Fund’s engagement policy has been followed throughout the year.

Before appointing a new asset manager, the Trustee reviews the governing documentation associated with the investment and will consider the extent to which it aligns with the Trustee’s policies. Where possible, the Trustee will seek to amend that documentation so that there is more alignment. Where it is not possible to make changes to the governing documentation – for example if the Fund invests in a collective investment vehicle – then the Trustee will express its expectations to the asset managers by other means (such as 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 financial and non-financial performance.

There is typically no set duration for arrangements with asset managers, although the continued appointment for all asset managers is reviewed regularly, and will come under more scrutiny where there are any specific concerns. For certain closed ended vehicles, the duration may be defined by the nature of the underlying investments.

The Trustee reviews the carbon emissions of the Fund’s investments on an annual basis through its Task Force on Climate-Related Financial Disclosures (‘TCFD’) reporting process and expects the reporting of carbon emissions of the overall portfolio to improve. Where appropriate, the Trustee will engage with managers where the reporting of carbon emissions does not meet its expectations.

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 will replace the asset manager where this is deemed necessary.

The written advice will consider the issues set out in the Occupational Pension Funds (Investment) Regulations 2005 and the principles contained in this statement. The regulations require all investments to be considered by the Trustee (or, to the extent delegated, by the fund managers) against the following criteria:

- The best interests of the members and beneficiaries
- Security
- Quality
- Liquidity
- Profitability
- Nature and duration of liabilities
- Tradability on regulated markets
- Diversification
- Use of derivatives

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.

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 Fund.
In addition, fund managers pay commissions to third parties on many trades they undertake in the management of the assets and also incur other ad hoc costs. The Trustee receives statements from the fund managers setting out these costs and reviews them with advice from its investment adviser. This is to ensure that the costs incurred are commensurate with the goods and services received.

The Trustee will review this SIP at least every three years and immediately following any significant change in investment policy. The Trustee will take investment advice and consult with the Sponsoring Employer over any changes to the SIP.

Date: 18 September 2024

Signed: Kevan Gogay