AstraZeneca Pension Fund

Responsible Investment, Sustainability and Corporate Governance Policy

June 2023

Overview

The Trustee regularly reviews its position on responsible investment, sustainability and corporate governance matters while continuing to have regard to the task of achieving its return objective and managing investment risk for the Defined Benefit ("DB") Section, and ensuring an appropriate fund choice and default arrangements are available to members of the Defined Contribution ("DC") Section.

The Trustee has a long-term time horizon in relation to the Fund's investment strategy and therefore acknowledges the importance of being a responsible investor and investing assets in a sustainable way. The Trustee considers responsible investment to be the integration of environmental, social and governance ("ESG") considerations into investment decisions, choice of advisers and stewardship in respect of the Fund's investment portfolio where financial risk and / or return is, or could be, materially affected.

The Trustee believes that by being a responsible investor it is:

a) optimising long-term risk-adjusted returns in the best interests of the members and beneficiaries of the Fund
b) "doing the right thing" by engaging with stakeholders to facilitate positive change
c) broadly consistent with the Sponsor's Sustainability Policy
d) *complying with regulation and best practice*

The Trustee uses these principles as well as a long term carbon reduction target in its investment decision making process.

The Fund assets both in the DB and DC Sections are typically held in pooled arrangements[1] managed by investment managers who can exert influence on the companies in which they invest on the Fund's behalf. However, the pooled, commingled nature of the vehicles (where Fund assets are invested alongside those of other investors) means that a prescriptive and specific Trustee policy cannot be practically implemented.

As such, the Trustee's policy is to appoint investment managers who integrate ESG considerations (including but not limited to climate change) within their investment process. Where relevant, the Trustee also encourages its investment managers and Investment Advisers to sign up to the UN Principles for Responsible Investment and other such bodies. For investment managers in listed markets, the Trustee also expects provision of Task Force for Climate-Related Financial Disclosures (TCFD) reporting and encourages sign up to the Stewardship Code.

The Trustee relies on its Investment Advisers to help it select and then monitor the Fund's investment managers to ensure compliance with this policy.

As the Trustee believes that it is not possible to cohesively implement a potentially wide range of individual views within its governance framework, it does not canvass the views of members and

[1]Some of the DB section's equity and credit exposure may also be held synthetically via the use of derivatives for efficient portfolio management purposes. In this case, there is no direct investment in any underlying companies, rather passive exposure to market indices.

beneficiaries on ESG issues when making investment decisions. However, the Trustee believes that by being a responsible and sustainable investor, it is optimising long-term risk-adjusted returns in the best interests of the members and beneficiaries of the Fund. The Trustee incorporates ESG issues as financially material across investments. The Trustee also provides ESG-focussed investment options to members of the Defined Contribution Section.

The Trustee expects that this policy and the monitoring thereof will evolve over time, as data quality and reporting improves and best practice evolves.

Selection and Monitoring of Investment Managers

The Trustee believes that the full range of ESG risks and opportunities should be considered when deciding whether to invest, disinvest or maintain an investment. This is because ESG factors could have a material financial impact on the outcome of investments.

Typical ESG factors which may be considered as part of any investment decision are set out below.

Environmental

- climate strategy including resilience to the physical and transitional risks posed by climate change
- resource depletion
- water stewardship
- waste
- pollution (air and water)
- impact on nature e.g. deforestation and biodiversity

Social

- human rights
- modern slavery
- child labour
- working conditions (worker safety and wellbeing)
- inclusion & diversity

Governance

- investee company board oversight and leadership accountability
- ethical business culture, values and purpose
- bribery and corruption
- executive pay
- investee company board diversity and structure
- political lobbying and donations
- tax strategy
- supply chain management and traceability

The Trustee manages ESG risks primarily through its specialist Investment & Monitoring Committee ("IMC") for DB investment related matters and DC Committee ("DCC") for DC related matters. These Committees rely on, and therefore monitor and engage with the Investment Advisers and investment managers to discharge the policy which has been set.

Investment Managers are assessed by the Investment Advisers on their ability to manage ESG Risks through an initial assessment and ongoing monitoring.

- Initial assessment: the investment due diligence of new investment managers includes a review of the integration of ESG policies into each manager's investment processes and objectives, stewardship and reporting

- Ongoing monitoring: investment managers are monitored at least annually, and reviews include ESG considerations, information regarding changes to their ESG policies and an evaluation of the impact that ESG considerations have had on their investment decisions and results

Investment manager assessments and reports are presented at least every quarter as part of the Investment Advisors' ongoing reporting. The IMC and DCC will also, from time to time, perform a "second check" on the Investment Adviser's ESG ratings from a specialist investment manager database, which provides an independent assessment of such matters and use this information to challenge the Investment Advisers when necessary.

DB Section

ESG relevant to investment strategy	**Ratings for each of . . .**	**Total rating**	**Monitoring and engagement**
High The investment strategy will be significantly affected by ESG Risks (e.g. equities and credit held in pooled funds)	• People & policies • Integration – how are ESG factors taken into account regarding buy/sell decisions? • Engagement - stewardship activities and effectiveness • Reporting capabilities on ESG risk analysis and monitoring of those risks, their impact on portfolios and evolution	Strong Good Standard Poor Investment Managers also receive a momentum rating, to indicate the trajectory of the manager's ESG policies	Quarterly review Progress report Engagement with managers to improve stewardship policies Annual evaluation of manager's voting activity Annual letter sent to Investment Managers setting out our sustainability expectations. For listed equity managers we note the requirement for reporting on voting and most significant votes disclosures "Second Check" from time to time, on Investment Advisers ratings from independent database
Low The investment strategy will not be significantly affected by ESG Risks (e.g. LDI or alpha driven strategies (with little	• People & policies If applicable . . . • Integration– how are ESG factors taken into account regarding buy/sell decisions?	Strong Good Standard Poor	Quarterly review Progress report for low rated managers Engagement with managers to improve stewardship policies

individual company exposure)).	• Engagement - stewardship activities and effectiveness • Reporting capabilities on ESG risk analysis and monitoring of those risks, their impact on portfolios and evolution	Investment Managers also receive a momentum rating, to indicate the trajectory of the manager's ESG policies	Annual evaluation of manager's voting activity "Second Check" from time to time on Investment Advisers ratings from independent database

DC Section

ESG relevant to investment strategy	Ratings for each of . . .	Total rating	Monitoring and engagement
All of the funds made available to members may be significantly affected by ESG Risks	• Fund – integration of ESG factors in investment process of the fund • Manager – integration of ESG factors, engagement activities and stewardship at an overall manager level	1 (poor) 2 (average) 3 (better than average) 4 (best in class)	Quarterly review Engagement with managers to improve stewardship policies Annual evaluation of manager's voting activity "Second Check" from time to time on Investment Advisers ratings from independent database

Climate Change

The Trustee supports the goals of the Paris Climate Agreement to limit global warming to +1.5C above pre-industrial levels and therefore commits to transitioning the Fund's investment strategy to be consistent with net zero greenhouse gas emissions by 2045. In addition, as an interim target, the Trustee is also committed to a global carbon emissions reduction target of 50% from its asset portfolio by 2030, with a base year of 2020. As Scope 3 data is still incomplete, we will apply our target to the Scope 1 and 2 emissions of our portfolio holdings, while including Scope 3 emissions in our investment processes.

The Trustee intends to define climate change metrics, interim targets and climate change scenarios for risk assessment. The Trustee will incorporate this analysis into an annual report that aligns with the Task Force for Climate-Related Financial Disclosures (TCFD) requirements. The Trustee has separately produced a "Climate Change Governance Framework" document, which outlines how it intends to consider the effects of climate change and ensure that all related investment risks and opportunities are considered.

The Trustee expects that it will make substantial progress towards meeting its climate change targets as the underlying companies held by the Fund transition their businesses towards a net zero world in accordance with local regulations. The active engagement by the investment managers in this process will be important and the Trustee expects its investment managers to have adequate climate change policies (including a commitment to reach net zero greenhouse gas emission ideally by 2045 and by 2050 at the latest) and be a signatory to the PRI and/or climate change industry bodies. The Trustee will through the IMC and DCC monitor the activity of the investment managers in this area as well as the overall pace of progress regarding decarbonisation of the portfolio.

The Trustee may also consider introducing specific climate change metrics into some investment mandates, where possible (given the restrictions of investing in pooled funds) to further its commitment to climate change, provided the expected return is appropriate to meet objectives of the Fund.

Stewardship and Responsible Ownership

The Trustee believes that successful stewardship enhances risk-adjusted returns. In most circumstances, the Trustee has a strong preference for engagement, believing it can better facilitate positive change by remaining a stakeholder, rather than through disinvestment, when influence wanes. Engagement means the purposeful dialogue with companies (via investment managers) on ESG matters as well as on issues that are the immediate subject of votes at general meetings. We encourage collaboration, stakeholder engagement and where appropriate, public policy engagement.

The Trustee expects its rights as an investor to be exercised by its investment managers who are best positioned to drive engagement initiatives. This means that investment managers should directly interact with the companies in their portfolios, exercise voting rights and act alongside other investors where appropriate to effect change.

The Trustee supports the principles set out in the Stewardship Code as published by the Financial Reporting Council and expects UK-regulated investment managers to comply with these principles where possible and overseas managers to subscribe to local codes.

The Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with an investee company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

Stewardship policies and voting records are reviewed (and discussed with the investment managers) at least annually by the Investment Advisers, who will collate the qualitative and quantitative information required to allow the Trustee through the IMC and DCC to review the above aspects in sufficient detail each year. The Trustee will challenge any arrangements or stewardship practices that do not align with their responsible investment approach.