3M Pension & Life Assurance Scheme

Statement of Investment Principles

March 21, 2024

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1. Introduction

This statement has been prepared for the 3M Pension & Life Assurance Scheme ("the Scheme") in accordance with section 35 of the Pensions Act 1995, as amended by the Pensions Act 2004, and the Occupational Pension Scheme (Investment) Regulations 2005.

The effective date of this Statement is March 21, 2024. The Trustees will review this Statement and the Scheme's investment strategy within three years after the effective date of this statement and as significant changes in the investment policy occur.

2. Consultations Made

The Trustee is responsible for the investment strategy. The Trustee has obtained advice on the investment strategy appropriate for the Scheme and on the preparation of this statement. The Trustee has reviewed this statement with 3M UK Holdings Limited as the Scheme's Principal Employer under the Scheme's governing documents. 3M UK Holdings Limited acts on behalf of 3M UK PLC, PLC being the statutory employer under pensions legislation. This document uses the term "Company" to mean 3M UK PLC and "Principal Employer" to mean 3M UK Holdings Limited.

The day to day management of the Scheme's assets has been delegated to investment managers regulated as required under the Financial Services and Markets Act 2000 (amended by the Financial Services Act 2012). A copy of this statement is available to members of the Scheme.

3. Investment Objectives

- To meet the current and estimated future liabilities of the Scheme;
- To reduce the funded status volatility of the Scheme, avoiding untoward fluctuation in the long term rate of member and Company contributions required to meet ongoing Funding of the Scheme;
- To minimise the risk of insolvency in the event that the Scheme should discontinue at a future date.

4. Risk Management

There are various risks to which any Pension Scheme is exposed. The Trustees have considered the following risks:

- The risk of deterioration in the Scheme's funding level.

- The risk that the investment managers, in the day-to-day management of the assets, will not achieve the rate of investment return expected by the Trustees over a full market cycle. Active management will provide more confidence in achieving long term objectives.

- Strategic asset allocation is the main decision that sets the level of risk for the Scheme. Risk is managed in relation to the obligations with consideration to liquidity and funding deterioration. Generally, as the Scheme becomes more well-funded, the investment strategy will become more conservative to lessen the possibility of a future decline in funded status.

The Trustees, in agreement with the Principal Employer, believe in the prudence of gradually reducing risk (in relation to pension liabilities) as the pension funding level improves. Similarly, the Trustees and the Principal Employer believe that it may be appropriate to increase risk as the pension funding level deteriorates. Using estimated asset and liability values, the funding level will be monitored at appropriate frequency (up to daily). Upon reaching funding level “trigger points”, the Scheme’s target asset allocation will change. In the case of funding level improvement, assets will shift from growth to fixed income. In the case of funding level deterioration, assets will shift from fixed income to growth.

In the event that the funding level reaches a trigger point, the investment advisor will develop a recommendation to be reviewed and decided upon by the Trustees.

The investment strategy in relation to the Scheme liabilities is formally reviewed following each formal actuarial valuation of the Scheme (or more frequently should the circumstances of the Scheme change in a material way). Therefore, as a minimum, the asset allocation in relation to the Scheme liabilities is reviewed once every three years.

Risks associated with changes in the employer covenant are assessed by the Trustee on a regular basis. The Trustee recognises the importance of the employer covenant in the ongoing security and solvency of the Scheme.

The Trustees monitor the risks arising through the selection or appointment of fund managers on a quarterly basis via investment monitoring reports prepared by the investment advisor.

5. Investment Strategy

The Trustee, in conjunction with the Principal Employer (acting on behalf of the Company), reviews investment strategy in a process which includes asset and liability modelling and therefore starts with an understanding of the nature and duration of the Scheme’s liabilities. Given the ongoing commitment of the Company to the Scheme, a degree of investment risk can be taken on, in the expectation of generating returns in excess of the return to the lowest risk strategy.

Asset allocation targets are as follows:

Growth 10%

Fixed Income 90%

The balance of the Scheme's assets between growth and fixed income will be monitored by the investment advisor at least quarterly.

Rebalancing between growth and fixed income will be carried out if growth assets exceed the target by 1.5% or fall below it by 4.5%, and if fixed income assets exceed their target by 4.5% or fall below it by 1.5%.

Growth investments may include, but are not limited to public equities, hedge funds, real estate and private investments.

The Liability Driven Investment (LDI) mandate is designed to hedge against the effects of changes in interest rates and inflation expectations. The mandate will use a combination of fixed income investments and derivatives in order to achieve an agreed upon hedging target. The LDI mandate requires cash and Gilts for collateral/margin against derivative positions.

The investment advisor regularly monitors the hedging levels, reports to the Investment Committee at least quarterly, and is responsible for recommending any changes to the Investment Committee.

6. Strategy Implementation

An Investment Committee of 3M Pension Trustees Ltd operates to provide oversight for investment decisions. The investment managers operate within the client agreements agreed between the Trustees and each manager. The Investment Committee is responsible for monitoring investment performance, monitoring the allocation of assets between the managers, setting the asset allocation targets, establishing investment manager benchmarks, and determining the allocation of cash flows to or from the Scheme.

7. Investment Managers

The assets of the Scheme are invested in the best interests of the members and beneficiaries.

The Trustee exercises their powers of investment in a manner calculated to ensure the security, quality, liquidity and profitability of the portfolio as a whole. In order to avoid an undue concentration of risk, diversification is utilized within and across major asset classes.

Investment management responsibility is delegated to the investment managers who were appointed by the Trustee. With regards to the review and selection of their investment managers, the Trustee takes advice from the investment advisor.

Fees are monitored by the Trustees for reasonableness. Investment managers are all remunerated on an 'ad valorem' fee basis.

8. Custody

The custodian is independent of the employer.

9. Monitoring Performance

Advisors have made clear that for active managers there will be some volatility of performance year-on-year. Trustees recognise the need to monitor performance on an ongoing basis, but also to tolerate some volatility in the pursuit of effective outperformance.

Any passive managers can be expected to track indices very closely; it is understood that the performance of the active managers is likely to diverge from their respective benchmarks over the short-term.

Investment strategy, investment manager structure and the performance of the investment managers are all kept under regular review by the Trustees, the latter on a quarterly basis and the former over the medium term (3-5 years).

Performance reporting is provided on a quarterly basis; performance is regularly reported to the Trustees at their meetings.

10. Policy on Socially Responsible Investment and Corporate Governance

Environmental, Social and Governance Considerations

The Trustees acknowledge that an understanding of financially material considerations including environmental, social and corporate governance (ESG) factors (such as climate change) and risks related to these factors can contribute to the identification of investment opportunities and financially material risks.

The Trustees expect the Scheme's investment managers to take into account, where appropriate, corporate governance, social, and environmental considerations (including long-term risks posed by sustainability concerns including climate change risks) in the selection, retention and realisation of investments. Any decision should not apply personal ethical or moral judgments to these issues but should consider the sustainability of business models that are influenced by them.

The Trustees are taking the following steps to monitor and assess ESG related risks and opportunities:

- The Trustees and the investment advisor will use ESG ratings information provided by a third party source, where relevant and available, to monitor the level of the Scheme's investment managers' integration of ESG on a regular basis.

- The Trustees and the investment advisor will review how the relevant investment managers integrate ESG into their investment decision making process as part of ongoing monitoring. Should the Scheme look to appoint a new manager, the Trustee and the investment advisor will request this information as part of the selection process.

Members' Views and Non-Financial Factors

In setting and implementing the Scheme's investment strategy the Trustees do not explicitly consider the views of Scheme 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").

Corporate Governance

The Trustees have advised the Scheme's investment managers that they should normally be expected to vote in accordance with the guidelines set down by the UK Corporate Governance Code, commonly known as the Combined Code. The investment managers have full discretion to vote in favour of actions outside these guidelines but would be expected to report to the Trustees with an explanation of their actions.

11. Compliance

The Trustees recognise the need for diversification and suitability of investments and believe that the chosen asset allocation will secure adequate diversification of investments.

Besides their reliance on the professionalism of the investment managers with regard to the suitability of individual assets, the Trustees have determined that no investment may be made in the shares of 3M Company or its affiliates, with the exception of pooled fund investments.

The Trustees will continue to obtain and will properly consider the advice and guidance of their appointed professional advisors.

Compliance with and the suitability of this Statement of Investment Principles will be explicitly reviewed on an annual basis by the Trustees.

12. Additional Voluntary Contributions (AVCs)

For their AVC payments, the Trustees offer members a choice of investment plans. The performance of these managers is reported annually to the Trustees and reviewed in depth every three years.