

Baxter Healthcare Pension Plan

Statement of Investment Principles – July 2023

Background

The Trustee of the Baxter Healthcare Pension Plan (the 'Plan') has drawn up this Statement of Investment Principles ('SIP') to comply with Section 35 of the Pensions Act 1995 (as amended by the Pensions Act 2004 and regulations made under it). The SIP is intended to affirm the investment principles that govern decisions about the Plan's investments and the Trustee believes that the investment policies and their implementation are in keeping with best practice, including the principles underlying the (Myners) Code of Best Practice for pension fund investment published in 2001 (as amended).

The Plan operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries.

Governance

The Plan is governed by its trust deed and rules, which set out in detail the benefits and specify the Trustee's investment powers.

The Trustee makes the key strategic decisions relating to the Plan's investments and, to support the objectives of the Plan's investment strategy, it has appointed Legal and General Assurance (Pensions Management) Limited ('PMC') as a fiduciary manager, giving PMC discretion over the implementation and day-to-day management of the Plan's investments. PMC delegates its investment management powers to Legal & General Investment Management Limited ('LGIM'). LGIM is part of the same group of companies as PMC. The Trustee has also appointed LGIM to provide investment advisory services under an investment advisory agreement on or around the same date. The Trustee may terminate its agreements with PMC and LGIM in line with their terms.

When making investment decisions, and when appropriate, the Trustee takes proper advice from LGIM, in its role as investment advisor. LGIM is qualified by its ability in and practical experience of financial matters, and has the appropriate knowledge and experience to provide such advice. The Trustee reviews LGIM's performance and the Plan's risk profile on a regular basis. When deciding on the long term investment strategy and in preparing this SIP, the Trustee has consulted with the Scheme Actuary (Willis Towers Watson ('WTW')) and Baxter Healthcare Limited, the Plan's sponsor. The ultimate power and responsibility for deciding investment policy lies solely with the Trustee.

Investment Objectives

The Trustee aims to pay members benefits in a sustainable and secure manner. The Trustee is required to invest the Plan's assets in the best interest of the members. The Trustee's objective is to meet pension payments as they fall due, with a low level of risk.

Investment Strategy and Management of the Assets

In March 2023, the Trustee purchased a Bulk Purchase Annuity or 'buy-in' policy issued by Phoenix Life Limited (the 'Insurer'). This policy covers all known members of the Plan. Under the policy, the Insurer is responsible for meeting all future cash obligations to pay benefits insured under the policy. Following a period of data verification, the intention will be to finalise the insured benefits to reflect as

closely as possible insured members' full Plan entitlements. The Trustee intends to hold the Bulk Purchase Annuity until the end of its term subject to the provisions of the Bulk Purchase Annuity.

The Bulk Purchase Annuity can be considered to be a closely matching asset of equal value to the Plan's known liabilities in relation to the insured members (excluding Additional Voluntary Contribution ('AVC') funds). The value of the Bulk Purchase Annuity is therefore expected to move in line with the value of those liabilities over time. The Insurer's fees for providing the Bulk Purchase Annuity and administering benefits in the future were embedded within the initial premium paid.

Before purchasing the Bulk Purchase Annuity with the Insurer, the Trustee received advice from WTW in its capacity as settlement advisor. WTW's advice covered the appropriateness of the policy as an investment of the Plan, as well as the advice required by the Financial Conduct Authority in relation to the regulated activity of purchasing a bulk annuity policy. The Trustee also received advice from Cardano on the financial strength and suitability of the Insurer as a counterparty, and from LGIM in its capacity as investment advisor in relation to the suitability of using a qualifying insurance policy in order to meet the investment objective. The Trustee also consulted the sponsor.

The Trustee temporarily holds surplus assets in excess of the Bulk Purchase Annuity, in a mix of pooled funds, through its unit linked insurance policy issued by PMC. The holdings under the Trustee's PMC policy will all be transitioned to a cash fund (Sterling Liquidity Fund) and disinvested by the Trustee as part of winding up the Plan.

The Trustee may hold a small amount of cash in the Trustee bank account for the purposes of prudent liquidity management and to pay any Plan expenses that may arise. In the normal course of events, the Trustee does not expect to be able to obtain cash from the Bulk Purchase Annuity other than in respect of the member benefits insured with the Insurer.

The safe custody of the underlying assets to which the Plan is exposed is delegated to professional custodians via the Insurer and PMC issued insurance policies which the Trustee holds.

Risks

The Trustee recognises a number of risks involved in investment of the assets of the Plan and also understands that this does not constitute an exhaustive list of the risks the Plan faces.

The primary investment risk faced by the Plan arises as a result of a potential mismatch between the Plan's assets and its liabilities. This is therefore the Trustee's principal focus in setting investment strategy, which the Trustee believes is well managed through the Bulk Purchase Annuity policy.

The Plan is exposed to counterparty risk associated with the Insurer in respect of the Bulk Purchase Annuity policy. Before purchasing the policy, the Trustee took advice from WTW and Cardano as described above, and satisfied itself that this risk was sufficiently well managed. The Insurer operates as an insurance company in the UK, and is therefore regulated by the Prudential Regulation Authority.

Realisation of Investments

In purchasing the Bulk Purchase Annuity, the Trustee has sought to ensure that the Plan will be able to meet its cashflow requirements. On this basis, the Plan is not expected to be required to realise investments other than in the circumstances described above in 'Investment Strategy and Management of the Assets'.

Responsible Investment and Corporate Governance

The Trustee believes its main duty is to protect the financial interests of the Plan's members and, to this end, the Trustee has elected to invest virtually all Plan assets in a Bulk Purchase Annuity policy with the Insurer. The Trustee cannot, however, directly influence the social, environmental and governance (including voting policy) of the assets that the Insurer holds to back the policy.

Fees and costs

The Trustee pays an annual management charge to the Fiduciary Manager in respect of its PMC issued insurance policy.

The Insurer's fees for providing the Bulk Purchase Annuity and administering benefits in the future were embedded within the initial premium paid.

Given the limited range of investments held by the Plan, the Trustee does not expect the Plan's assets to generate portfolio turnover costs.

AVC funds

For the Plan's AVC funds, the investment risk is borne by the member. The Trustee's primary investment objective for AVC funds is therefore to provide a range of investment options which broadly satisfy the risk profiles of all members.

The Trustee provides a range of investment options for members making AVCs. The Trustee delegates ESG considerations, exercising rights and stewardship obligations attached to the Plan's investments to the AVC providers.

The current AVC funds available are provided by Standard Life and are shown below.

Fund	Type of asset	Total fund charge
Passive Plus III (Lump Sum) Strategic Lifestyle Profile	Lifestyle	0.60% to 0.63%
BlackRock Managed (50:50) Global Equity Pension Fund	Equities	0.615%
Managed Pension Fund	Mixed asset	0.62%
Annuity Targeting Pension Fund	Long bonds	0.61%
Deposit and Treasury Pension Fund	Cash like assets	0.61%

The Plan also has a number of legacy AVC funds which are closed to new AVC investors. These include the Standard Life With-Profits Fund, Standard Life With-Profit 2006 Fund, Standard Life US Equity Tracker Fund, Utmost Life & Pensions Secure Cash Investment Fund and Prudential Deposit Fund.

Review of this SIP

The Trustee will review this SIP at least once every three years and without delay after any significant change in investment policy. Any change to this SIP will only be made after having obtained and considered the written advice of someone who the Trustee reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Mark Godden

Authorised for and on behalf of the Trustee of the Plan