

## **SECTION 172 (1) STATEMENT**

Directors of Baxter Healthcare Limited (“BHL”) are required to act in the way they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, customers and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

To assist them in discharging their duty under s172 Companies Act 2006, Directors undertake a number of stakeholder engagement activities to provide them with the information they need to understand the views and interests of stakeholders. This information helps Directors to have regard to stakeholder interests, and the likely long-term consequences, including to the reputation of BHL, when making decisions. BHL's key stakeholders were considered in 2019, they are listed below with examples of the stakeholder engagement activities that took place in 2019.

### **Employees**

Baxter's four culture levers—speed, simplicity, courage and collaboration—form the basis for our cultural transformation. We've embedded the levers into established processes ranging from job interviews to new employee orientations to monthly employee-manager check-ins. During 2019, we emphasised a focus on simplicity, introducing SmartMeeting guidelines for our employees and hosting manager-led sessions about how to simplify workflows and processes. Using monthly surveys, we evaluate the impact of our four culture levers across the Company to ensure we are making progress.

Every year, we conduct a Best Place to Work survey. We share survey results broadly across Baxter to drive continuous improvement. Based on 2018 survey results, manager effectiveness has been a key focus area. During 2019, we developed a people manager effectiveness scorecard that summarises anonymous feedback from employees about their direct managers.

At Baxter, we embrace a continuous feedback model for performance management. This includes monthly check-ins between employees and their managers that focus on constructive feedback and career development.

The Company continues its practice of keeping employees informed of matters affecting them as employees and of the financial and economic factors affecting the performance for the Company. This is achieved through:

- meetings with the Employee Euroforum which meets annually,

- Employee Consultative Committee which meets quarterly,
- Company newsletters issued on a regular basis,
- Employee briefings where employees are encouraged to ask questions.

In 2019, BHL considered the future of its Defined Benefit pension plan. The Company consulted with plan members and took matters raised by them into account when reaching the final decision announced in January 2020.

### **Suppliers**

Performance of BHL's Procure-to-Pay process is assessed based on several KPI's and reviewed at monthly governance meetings which are attended by at least one Company Director. In 2019, the Company continued with its efforts to improve our payment-on-time metric. In addition, Directors are informed of payment performance of BHL through a semi-annual payment performance report which is reviewed by at least one Director and published.

Reporting on the Slavery Act Statement and UK Labour Standards Assurance System (LSAS) also provided the BHL Board with insights into how supplier relationships are managed.

### **Customers**

In 2019 BHL took concrete actions to prepare for Brexit. At the forefront of the Company's decision-making in that regard was ensuring continuity of supply to our patients in line with our mission to Save and Sustain Lives.

### **Community**

Each year, our employees donate money and volunteer hours to help make a meaningful difference in Baxter communities in the UK. There were several initiatives organised in the UK in 2019 including our centrally led volunteering activity for Horatio's Garden and fundraising primarily for our then charity of the year, Canine Partners.

### **Environment**

Our Compounding Unit in Croydon replaced polystyrene inserts with natural sheep wool to insulate and protect chemotherapy products delivered to customers in London and the broader southeastern portion of the country. This innovative material substitution is expected to save 62,400 pieces of polystyrene on an annual basis at this site.

### **Ethics & Compliance**

Maintaining a reputation for high standards of business conduct is a critical success factor for BHL. BHL has a compliance committee to further integrate ethics and compliance in strategic plans and day-to-day activities across the Company. There are bi-monthly meetings to facilitate discussion among local leadership about key issues, challenges and risks in their area. In 2019, the Company's Compliance Committee supported an initiative to help drive a culture of 'Speaking Up' in the Company.