Fresenius Health Care Group Pension Scheme
Statement of Investment Principles - March 2025

1. Introduction

The Trustees of the Fresenius Health Care Group Pension Scheme (“the Scheme”) have drawn up this Statement of Investment Principles (“the Statement”) to comply with the requirements of the Pensions Act 1995 (“the Act”) and subsequent legislation. The Statement is intended to affirm the investment principles that govern the Trustees’ decisions about the Scheme’s investments.

In preparing this Statement the Trustees have consulted Fresenius Kabi Limited (“the Sponsor”) to ascertain whether there are any material issues that the Trustees should be aware of when setting the Scheme’s investment arrangements. The Trustees have also taken account of the Investment Governance Group Code of Best Practice for institutional investors, a voluntary code which has been endorsed by the UK government and the National Association of Pension Funds.

2. Process for Choosing Investments

Consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended), when considering the appropriate investments for the Scheme the Trustees obtain and consider written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice.

3. Investment Objectives

The Trustees’ primary objective is to invest the assets in the best interests of the Scheme’s members and beneficiaries and to ensure that the Scheme meet’s its obligations to the beneficiaries of the Scheme as they fall due. The Trustees have also agreed a number of additional objectives to help guide them in their management of the assets. These objectives are:

- To generate an investment return that is at least in line with the investment assumptions used for the purposes of calculating the Scheme’s funding requirements

- Through a combination of investment returns and funding from the Sponsor, to achieve, and then maintain, full funding under a de-risked funding basis of gilts plus 0%p.a.

4. Risk Management and Measurement

The Trustees’ policies on risk management are as follows:

- The primary risk upon which the Trustees focus is that arising from any mismatch between the Scheme’s assets and its liabilities. The Trustees recognise that whilst increasing mismatch risk by holding growth assets (such as equities) rather than low risk liability matching bonds increases expected returns on the Scheme’s assets, it also increases volatility in the Scheme’s funding position and funding requirements and thus the risk of a shortfall in returns relative to that required to cover the Scheme’s liabilities.

In determining an appropriate balance of risk and return when setting their investment strategy (or the target asset allocation) for the Scheme, alongside their investment objectives as set out in Section 3, the Trustees consider:

- The strength of the Sponsor's covenant and attitude to risk.
- The funding made available by the Sponsor.
- The investment return assumptions used for the purpose of calculating the Scheme's funding requirements.
- The term and nature of the Scheme's liabilities.

▪ The Trustees delegate to Mercer the responsibility for implementing the Trustees' investment strategy on a day-to-day basis. Mercer provides the Trustees with regular reports regarding the performance of the investment strategy and any changes to it.

▪ The Trustees recognises the risk that arises from the lack of suitable asset diversification. To this end Mercer implement the Trustees' investment strategy by investing in specialist pooled investment funds, as these funds provide greater asset diversification than if the Trustees were to invest the Scheme's assets directly. Responsibility for appointing third-party investment managers to manage the assets of the pooled funds is delegated to Mercer.

▪ There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. The Trustees recognise that the use of active investment managers involves such a risk. However, for specific asset classes the Trustees believe that this risk is outweighed by the potential gains from successful active management. To assist the Trustees in ensuring the continuing suitability of the Scheme's investment managers (both active and passive) the Trustees delegate responsibility for the appointment, removal and ongoing monitoring of the Scheme's third-party investment managers to Mercer. Mercer provides the Trustees with reports regarding the appointed investment managers to assist the Trustees in ensuring that the risks taken, and returns achieved, are consistent with those expected.

▪ To help diversify manager specific risk, Mercer invests the assets of each pooled vehicle across multiple managers where it is deemed appropriate to do so.

▪ Investment may be made in securities that are not traded on regulated markets. Recognising the risks (in particular liquidity and counterparty exposure) such investments will normally only be made with the purpose of reducing the Scheme's mismatch risk relative to its liabilities or to facilitate efficient portfolio management. In any event the Trustees will ensure that the assets of the Scheme are predominantly invested on regulated markets.

▪ As an element of the Scheme's gilt assets is leveraged. This leverage is undertaken primarily to reduce mis-match risk. The Scheme holds collateral to support this leveraged exposure and the Trustees delegate to Mercer the responsibility for ensuring collateral levels remain in line with regulatory guidelines. Mercer provides the Trustees with regular reports regarding the Scheme's leveraged positions and the collateral held to support the positions.

- Responsibility for the safe custody of the Scheme's assets is delegated to Mercer who appoints State Street as custodian of the assets invested in their pooled vehicles. The Trustees also delegate to Mercer the responsibility of keeping the suitability of State Street under ongoing review.

5. Investment Strategy

The Trustees, after taking account of advice from Mercer, have put in place a low-risk, bond-based investment strategy that is designed to protect the Scheme's funding position from interest and inflation rate risk inherent in the Scheme's liabilities.

The strategy invests predominantly of liability matching gilts, some of which are leveraged, with the balance invested in a diversified portfolio of investment grade credit that is designed to increase the expected return on the Scheme's assets in a risk-controlled way. The Trustees delegate to Mercer responsibility for managing the investment strategy on a day-to-day basis. The target liability hedge is 100% of the liabilities as valued under a gilts+0%p.a. basis.

Should there be a material change in the Scheme's circumstances the Trustees will advise Mercer who will review whether and to what extent the investment strategy in place at that time should be altered. Regardless of any developments the Trustees will, with Mercer, review the suitability of the prevailing strategy on an annual basis and amend if appropriate.

6. Expected Investment Return

The Trustees expect the return on the Scheme's assets to be in line with the return on the portfolio of gilts that matches the Scheme's liabilities.

7. Day-to-Day Management of the Assets

The Trustees delegate day-to-day management of the assets to Mercer, who in turn delegate responsibility for the investment of the assets to a range of specialist third-party investment managers. Investment with Mercer is via specialist pooled fund vehicles. Mercer is responsible for the selection, appointment, removal and monitoring of the underlying investment managers. The underlying investment managers have full discretion to buy and sell investments on behalf of the Scheme subject to agreed constraints set by Mercer.

The Trustees have taken steps to satisfy itself that Mercer have the appropriate knowledge and experience to choose and combine the underlying investment managers and ensure that they are fit to manage the Scheme's investments. Mercer is regulated by the Financial Conduct Authority.

The Trustees regularly review the continuing suitability of the Scheme's investments, including Mercer's ability to select, appoint, remove and monitor the appointed managers for the Scheme.

8. Realisation of Investments

Mercer and the underlying investment managers have discretion in the timing of realisation of investments and in considerations relating to the liquidity of those investments within parameters stipulated in the relevant appointment documentation.

9. Additional Assets

Scheme members' Additional Voluntary Contributions (AVCS) are currently invested in funds offered by Equitable Life Assurance Company. The Trustees regularly monitor the performance of the AVC options available to members although cannot provide members with advice regarding their AVC investments. Members are expected to take independent financial advice regarding their AVC investments.

10. Environmental, Social and Governance (ESG) – Trustees' Beliefs and Policies

The Trustees believe that good stewardship and the incorporation of environmental, social, and corporate governance (ESG) factors into their investment decision-making processes can have a material impact on the financial and non-financial performance of the Scheme's assets over the medium and longer term. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that require the Trustees' explicit consideration.

Where appropriate for the asset class, the Trustees expect the third-party investment managers appointed by Mercer, via Mercer Global Investments Europe (MGIE), to manage the Scheme's assets to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website.

To monitor whether the Scheme's assets are being managed in line with the Trustees' beliefs and policies, the Trustees review reporting from Mercer on a regular basis, in particular Mercer's assessment of the degree to which ESG factors are embedded into a third-party asset manager's investment philosophy and process.

The Trustees have considered, and will continue to consider, including specific sustainability themed investment opportunities within their investment strategy.

MGIE sets the third-party asset managers that it appoints investment restrictions in relation to particular products or activities. The Trustees review MGIE's exclusion policy on a regular basis.

Investment Restrictions - The Trustees have not set any investment restrictions on Mercer, MGIE or the third-party asset managers in relation to particular products or activities but may consider this in the future where it is practicable to do so.

Member views - Scheme member views are currently not considered in the selection, retention and realisation of investments

How the Trustees incentivise their asset managers to align their investment strategy and decisions with the Trustees' policies.

The Trustees have engaged Mercer as the Scheme's overall asset manager and Mercer's remuneration for the discretionary services provided under the appointment is based on the value of the Scheme's assets under Mercer's management.

Mercer manages the Scheme's assets by way of investment in pooled funds (the Mercer Funds), which are multi-client collective investment schemes. The Trustees accept that they do not have the ability to determine the policies or arrangements of the asset manager of the Mercer Funds, Mercer Global Investments Europe (MGIE), puts in place for each Fund.

However, the Trustees have made Mercer aware that they expect MGIE to manage assets in a manner, as far as is practicably possible, that is consistent with the Trustees' policies.

Should the Trustees consider that Mercer, MGIE or the third-party asset managers, have failed to align their own policies with those of the Trustees, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Trustees incentivise their asset managers to, 1) make portfolio selection decisions based on assessments of medium to long term financial and non-financial performance of an issuer of debt/equity and, 2) engage with issuers to improve performance in the medium to long term.

The responsibility for making portfolio selection decisions based on assessments of the medium to long-term financial and non-financial performance of issuers of bond investments are made by the third-party asset managers that are appointed by MGIE to manage the Mercer Funds. The Trustees are aware that Mercer or MGIE do not make such investment decisions.

In appointing the third-party asset managers, the Trustees expect that MGIE will select managers where it believes the managers will engage directly with issuers to improve their financial and non-financial performances over the medium to long term. To monitor the third-party asset managers' compliance with this expectation, the Trustees consider regular reports from Mercer.

The Trustees use this monitoring to identify actions taken by the third-party asset managers that appear out of line with the Trustees' policies. In doing so the Trustees seek to understand the reasons for a manager's actions and what, if appropriate, steps have been taken by MGIE and/or the manager to address the issue. Such steps could include a decision by MGIE to terminate a manager's appointment.

Should the Trustees consider that MGIE has failed to take appropriate steps to appoint third party asset managers that are consistent with the Trustees' policies, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Trustees approach to evaluating their asset managers' performances, and how they remunerate their asset managers, is aligned with the Trustees' policies.

All assets manager fees are predominantly based on a percentage of the value of assets under management. The Trustees monitor, and evaluate, the fees they pay for all asset management services on an ongoing basis. In doing so, the Trustees consider the degree to which asset manager performance and actions has been consistent with the Trustees' policies. The Trustees believes that their policies will improve the performance of the Scheme's assets over time and thus the current fee arrangements, all other things remaining equal, align the interest of the third-party asset managers with the Trustees.

In evaluating performance, the Trustees will consider both financial and non-financial issues based on reports produced by Mercer. From the reports, the Trustees expect to see evidence, because of actions taken by Mercer, MGIE and the third-party asset managers, of an improving trend in the stewardship and sustainability of the issuers of the assets held by the

Scheme. Such evidence could be a Mercer Fund's reducing carbon footprint relative to its peers and/or a specified benchmark.

Should the Trustees' monitoring conclude that it sees no evidence of an improving trend in the stewardship and sustainability of the assets held in the Mercer Funds over time, the Trustees will notify Mercer and consider disinvesting some or all of the assets held in the Mercer Funds and/or seek to renegotiate commercial terms with Mercer.

How the Trustees monitor portfolio turnover costs and how they define and monitor portfolio turnover/turnover range targets.

The Trustees do not have an explicit target portfolio turnover range for the overall Scheme's assets or individual Mercer Funds. However, overall performance is considered by the Trustees net of all transaction costs and MGIE consider portfolio turnover of the third-party asset managers as part of its monitoring to ensure that such activity remains consistent with the managers' investment approaches.

For some Mercer Funds, the Trustees note that MGIE, where it believes it appropriate for the mandate, actively encourages the third-party asset managers to adopt a "buy and maintain" investment approach by making long-term investments in the debt of issuers, thus reducing portfolio turnover and turnover costs.

The duration of the Trustees' arrangements with its asset managers.

There are no duration limits to the Trustees' arrangements with Mercer and MGIE and MGIE does not put in place duration limits for the third-party asset managers it appoints to manage the assets of the Mercer Funds. The Trustees will continue to retain Mercer as long as it believes it is in the best interests of the Scheme and expects MGIE to adopt the same approach when managing the Mercer Funds.

11. Fee Structure

Mercer levies a fee based on a percentage of the value of the assets under management which covers the design and annual review of investment strategy, investment management of the assets and monitoring of the Scheme's funding position.

The level of underlying investment manager fees may change if there is any change to the investment managers appointed to manage the assets or the allocation of the Scheme's assets across the various asset classes.

12. Review of this Statement

The Trustees will review this Statement at least once every year and without delay after any significant change in investment objectives or policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believe 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.

For & on behalf of the Trustees of the Fresenius Health Care Group Pension Scheme

March 2025