

Sustainability at Baxter

2011

Sustainability at Baxter

From the Chairman and CEO



Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer

Dear Stakeholders

At Baxter, sustainability means creating lasting social, environmental and economic value by addressing the needs of our wide-ranging stakeholder base. Our goal is to realize today's priorities and commitments in a way that ensures that our company and the many who depend on us can continue to thrive for generations to come.

We serve a broad array of constituencies in our mission to save and sustain lives: patients and healthcare professionals, who rely on today's products and tomorrow's innovations; governments, insurers and other institutions and business partners that count on our ongoing collaboration; our employees, who seek a safe, inclusive workplace and professional growth opportunities; shareholders, who expect and deserve a return on their investment; and communities around the world, where we positively impact health while contributing to economic growth. We succeed as a business by operating responsibly in service of these diverse stakeholders – which, in turn, ensures we can continue to advance our social, environmental and economic priorities well into the future.

With the guidance of Baxter's executive Sustainability Steering Committee and the commitment of employees worldwide, we made meaningful progress on our nine sustainability priorities in 2011. The global macroeconomic landscape continued to pose serious challenges, yet it also helped inspire new ways to strengthen existing practices and drive greater innovation. We implemented novel facility-based energy initiatives and continued to shift to less carbon-intensive modes of product transport. We completed five new green building projects, our most yet in a single year. We responded to natural disasters around the world with millions of dollars in product donations and cash. You can learn more about these efforts and many others throughout our comprehensive online sustainability report.

Our annual assessment of progress also serves as a reminder of how much more we can accomplish. While the path forward for the healthcare industry remains challenging, there is immense potential to foster innovation through Baxter's sustainability priorities as we advance the company's mission on behalf of our patients. We see great opportunities to increase access to healthcare worldwide, further reduce our carbon footprint, use natural resources more efficiently, help improve math and science education in the communities we serve, and much more. Employees at all levels of the company are taking action, motivated by a sense of responsibility and desire to make a difference.

Through our balanced approach and broad-based employee involvement, we are confident that Baxter is well-positioned to make a positive impact for many years to come.

Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer
June 2012

Baxter's Approach

How nations, companies and individuals respond to global sustainability challenges such as climate change, natural resource scarcity, corruption, unequal access to healthcare and educational opportunities will significantly impact life in the 21st century and beyond. Stakeholders will judge Baxter's performance increasingly by how the company helps to address these global challenges. Baxter's actions demonstrate its leadership, values and commitment.

At Baxter, sustainability means creating lasting social, environmental and economic value by addressing the needs of the company's wide-ranging stakeholder base. Baxter's sustainability initiatives support the company's mission to apply innovative science in the development of medical products and specialty therapies that save and sustain patients' lives.

Sustainability is inherently broad. Baxter's efforts cover a wide range of areas, as reflected by the structure and contents of this report:

- **Sustainability at Baxter** – Using financial and other resources wisely to benefit company stakeholders and address key sustainability issues;
- **Governance, Ethics and Compliance** – Operating in a sound and ethical manner and complying with the law wherever Baxter operates; promoting ethical sales and marketing practices globally;
- **Employees** – Providing a rewarding, inclusive and diverse workplace;
- **Environment, Health and Safety** – Continually improving the company's environmental performance, generating related financial benefits, and maintaining a safe and healthy workplace;
- **Product Responsibility** – Ensuring product quality and patient safety, and improving the sustainability performance of Baxter's products and packaging throughout the life cycle;
- **Supply Chain** – Working with suppliers to improve their social and environmental performance;
- **Access to Healthcare** – Expanding access to healthcare, including for people at the "base of the pyramid" and for those impacted by natural disasters;
- **Community Support** – Contributing to communities in need worldwide, with a focus on education and the environment; and supporting employee volunteerism and giving;
- **Public Policy** – Working with lawmakers, governments and policymakers worldwide to improve patient access to critical therapies and address other key issues.

Complementing these activities, Baxter also recognizes the importance of having clear priorities to focus its efforts and direct its initiatives. The company has nine sustainability priorities with corresponding goals for 2015, divided into three broad categories: Our People, Our Operations and Products, and Our World. See Priorities and Goals for detail.

Managing Sustainability

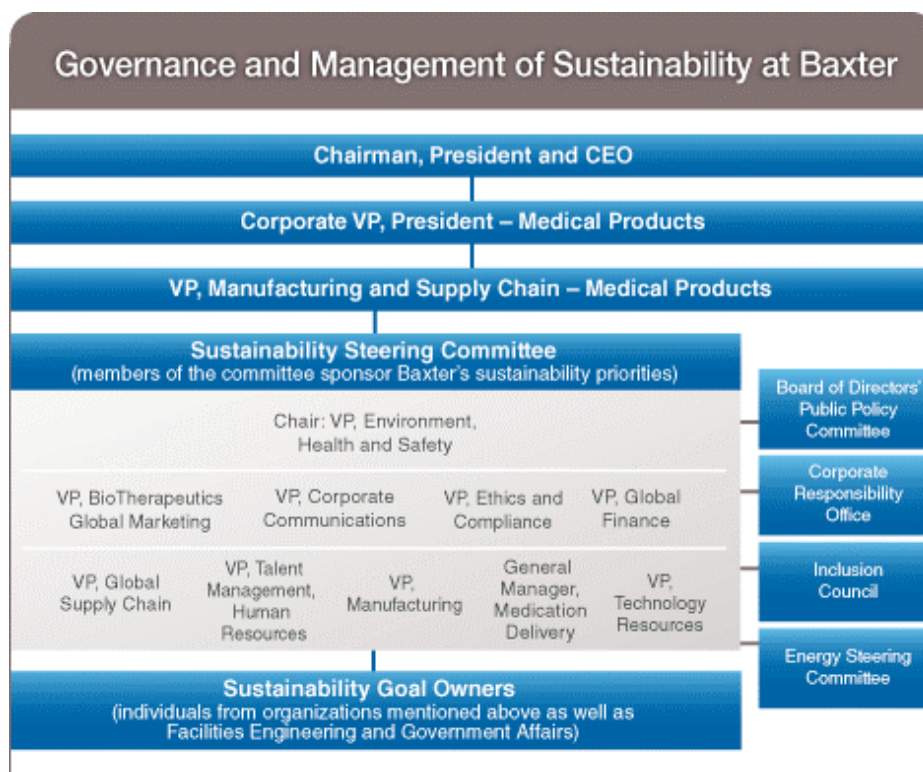
Baxter's executive-level Sustainability Steering Committee leads the company's efforts to accelerate and integrate sustainability into its current activities and long-term strategic planning process. The committee's role is to:

- Assess global challenges and opportunities associated with sustainability;
- Increase Baxter's knowledge of sustainability and benchmark other companies that demonstrate leadership and innovation in this area;
- Define, update and oversee Baxter's sustainability strategy;
- Track progress on the company's sustainability priorities and goals, drive organizational accountability and recognize accomplishments;

- Establish performance objectives, evaluate and address resource needs and help implement sustainability initiatives;
- Provide sustainability progress updates to senior management;
- Identify and determine how to best address emerging issues;
- Guide and inform Baxter's sustainability reporting;
- Solicit stakeholder feedback and review stakeholder inquiries as appropriate; and
- Recommend actions to continually enhance Baxter's sustainability program.

The committee's executive sponsor is Baxter's vice president, Manufacturing. The company's vice president of Environment, Health and Safety serves as committee chair. The committee includes senior representatives from the company's BioScience, Medical Products, Corporate Communications, Ethics and Compliance, Finance, Human Resources, Manufacturing, Research and Development, and Supply Chain organizations.

Committee members sponsor Baxter's sustainability priorities. Each sponsor is accountable for developing goals and achieving progress in his or her respective area, and leads a global, multi-functional team to implement related initiatives. The committee meets quarterly to review progress and to discuss how to address performance gaps. These meetings often feature outside sustainability experts to contribute independent input and perspectives. Additional groups interact and provide input to the committee as needed.



How Sustainability Strengthens Baxter's Business

Baxter's sustainability initiatives create business value, from attracting and retaining key talent, engaging employees, and reducing operating expense, to ensuring market access, developing new markets, meeting stakeholder expectations, and enhancing Baxter's reputation.

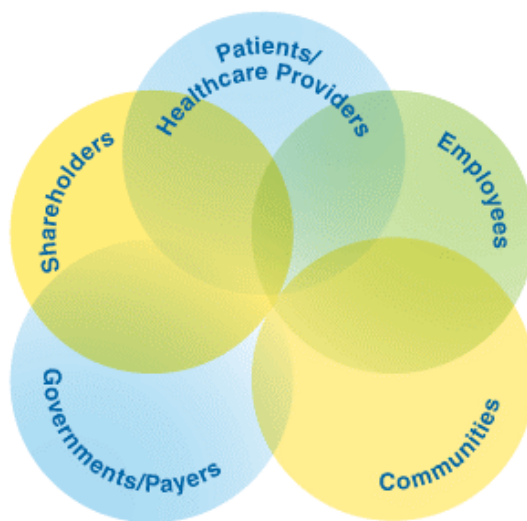
- Establishing The Baxter International Foundation in 1986;
- Taking steps to reduce use of packaging materials, decrease water consumption and waste generation, and conserve energy since 1988;
- Publishing the company's first formal ethics manual in 1989;
- Introducing Baxter's first work/life benefit program in 1991;
- Establishing the Corporate Responsibility Office to oversee the company's ethics and compliance practices in 1993;
- Developing Baxter's Global Business Practice Standards for Suppliers in 2001;
- Establishing Baxter's Product Sustainability Review process in 2002; and
- Establishing the company's Sustainability Steering Committee in 2007.

¹The term "base of the pyramid" refers to the approximately 4 billion people who each live on less than \$1,500 annually and have limited access to the healthcare market.

Stakeholder Engagement

Stakeholders play an important role in Baxter's continued success, and the company takes their varied perspectives into account.

Baxter engages with stakeholders worldwide to share information, discuss their views on the company's priorities, programs and performance, and determine opportunities to collaborate and to pursue common goals with respect to five primary groups: patients and healthcare professionals, who rely on today's products and tomorrow's innovations; Baxter employees, who seek a safe, inclusive workplace and professional growth opportunities; communities worldwide, where Baxter contributes to economic growth and addresses key public health needs; governments, insurers and other institutions and business partners that count on ongoing collaboration with the company; and shareholders, who expect and deserve a steady return on their investment. Baxter believes by operating responsibly and staying attentive to the needs of these distinct yet interconnected groups, it can maintain the commercial success that will allow the company to deliver on its sustainability priorities.



Baxter engages with stakeholders on key aspects of its business and products. For example, the company:

- Assembles advisory boards of patients, clinicians, health practitioners and researchers to gather feedback on the company's operations and products;
- Operates patient advisory councils, such as home dialysis patients who provide input aimed at helping Baxter improve products and services for people with end-stage renal disease;
- Works with a pharmacy customer advisory board in the United States to identify market trends and their implications for Baxter and its customers;
- Assembles clinical advisory boards of preeminent physicians from around the world to guide the company's clinical product development programs; and
- Convenes academic leaders and researchers to serve as advisors or consultants on specific sustainability and scientific issues, such as public policy and animal welfare.

Baxter also has relationships with numerous organizations that focus on various aspects of sustainability. See Affiliations and Memberships and Environment, Health and Safety for further details.

For example, Baxter is a member of Ceres, an organization that advocates for sustainability leadership, bringing together a network of companies, investors, and public advocacy groups to expand the adoption of sustainable business practices and solutions to build a healthy economy. Baxter has been a member of the Ceres network of companies since 1997, and has committed to work with Ceres on its sustainability performance and disclosure. The Ceres stakeholder team designated to work with Baxter is an independent group of individuals drawn primarily from the Ceres coalition and represents a range of constituencies that have expertise in environmental, social and governance issues. See Feedback on 2010 Report for detail.

Feedback on Sustainability Report

Baxter views its sustainability report as a means to engage with stakeholders and seek feedback on the company's sustainability initiatives. During the content development process, Ceres and its coalition members provided Baxter input on a detailed outline of its 2011 progress updates for each of the company's nine sustainability priorities. Baxter invited and welcomed the opportunity to hear and consider input on report content at a point in the process where the company could implement it. In addition, Baxter engaged several outside experts to provide input on the company's 2010 Sustainability Report. See examples of feedback provided, and how Baxter implemented this in the 2011 report.

Baxter Sustainability Report Survey

Baxter welcomes feedback on its sustainability report from all stakeholders. Readers can provide their input through the company's sustainability report survey. In 2011, Baxter considered input from about 50 survey respondents in creating this report.

Baxter Stakeholder Groups

This table outlines Baxter's main stakeholder groups and describes how the company engages with each. Examples are referenced in the table and throughout this report.

Baxter Stakeholder Groups		
Group: Patients		
Description	Channels of Engagement	Example
Patients worldwide with cancer, hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other conditions, as well as patient-advocacy groups.	<ul style="list-style-type: none"> Product donations and grants Strategic philanthropic giving Fundraising to donate to organizations and causes worldwide Patient websites (i.e., There For You) Raising awareness about patient choice and access to therapy through patient surveys and studies Promoting a greater understanding of the diseases that Baxter's products treat through educational initiatives 	<ul style="list-style-type: none"> Baxter supports certain programs through patient-advocacy groups, such as CEAPIR (European Kidney Patients' Federation), the European Hemophilia Consortium (EHC) and the World Federation of Hemophilia (WFH) Global Alliance for Progress (GAP) program, which works to improve the diagnosis and treatment of hemophilia in developing countries. Baxter awards the Foster McGaw Prize each year to a U.S. hospital that demonstrates commitment to innovative programs that significantly improve the health and

		<p>wellbeing of patients in its community.</p> <ul style="list-style-type: none"> In November 2011, Baxter hosted the first ever European Jeffrey Modell Centre Network Meeting, a forum for exchange and sharing of best practices about PID and newborn screening (NBS).
Group: Customers		
Description	Channels of Engagement	Example
Includes healthcare professionals, hospitals/clinics, kidney dialysis centers, medical research centers, nursing homes and rehabilitation centers.	<ul style="list-style-type: none"> Ongoing customer product training and continuing education programs Participation in professional organizations Customer service and clinical helplines Customer publications and presentations Customer satisfaction surveys Baxter attendance at conferences UK Green Nephrology Group Healthcare Plastics Recycling Council 	<ul style="list-style-type: none"> Includes healthcare professionals, hospitals/clinics, kidney dialysis centers, medical research centers, nursing homes and rehabilitation centers.
Group: Employees		
Description	Channels of Engagement	Example
Baxter's approximately 48,500 employees worldwide	<ul style="list-style-type: none"> Town hall meetings, webcasts, and "Lunch and Learn" events on topics including health/well-being, public policy and others Employee surveys Focus groups (Women Leaders@Baxter, Latinos@ Baxter) Baxter Intranet, employee newsletter and other communications Works councils, facility health and safety committees, and employee groups that implement community outreach activities at Baxter Code of Conduct Ethics and Compliance Helpline Regional Ethics and Compliance Committees Certificate of Integrity and Compliance Baxter Political Action Committee 	<ul style="list-style-type: none"> Baxter's annual World Environment Week engages and educates employees worldwide on Baxter's environmental stewardship. Baxter's Exercise Challenge Month held each May encourages employees to live healthier lifestyles and to sustain that activity throughout the year. Baxter encourages employees to participate in a greener commute and offers partial reimbursement for public transportation and van sharing costs. Baxter employees submit stories of successful volunteer and community outreach efforts for posting on the company's intranet. Global Inclusion initiative helps Baxter attract, engage and retain employees of diverse backgrounds. Baxter encourages employee growth through its performance management process.
Group: Communities		
Description	Channels of Engagement	Example

<p>Baxter conducts business in more than 100 countries and operates manufacturing facilities in 27.</p>	<ul style="list-style-type: none"> • Involvement in community organizations and schools • Employee volunteer efforts • Collaboration with international health and aid organizations • Employee participation on boards and leadership in local and national organizations 	<ul style="list-style-type: none"> • Baxter responded swiftly to floods in Thailand that affected employees and patients, ensuring delivery of peritoneal dialysis therapy and coordinating an emergency shipment of intravenous solutions. • Baxter employees volunteer as part of Baxter's Science@Work program, delivering professional development to Chicago Public Schools teachers and biotechnology education to students. • The Baxter International Foundation has helped fund a two-year project with AmeriCares India to provide critical on-site medical services and free medicine in Mumbai's Andheri slums. • Baxter's facilities in Asia Pacific organize activities each year for Make a Meaningful Difference Month to encourage employee volunteerism in local communities.
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Group: Industry Organizations

Description	Channels of Engagement	Example
<p>Includes AdvaMed, BIOTEC Canada, Biotechnology Industry Organization (BIO), Eucomed, EuropaBio, European Federation of Pharmaceutical Industries and Associations (EFPIA), European Organization for Packaging and the Environment (EUROPEN), European Vaccines Manufacturers, European Hemophilia Therapy Standardization Board (EHTSB), Institute for Supply Management, MEDEC, Plasma Protein Therapeutics Association and numerous physician organizations.</p>	<ul style="list-style-type: none"> • Board and committee meetings • Educational campaigns • Industry events • Collaborative lobbying on issues of mutual concern 	<ul style="list-style-type: none"> • Baxter sponsored the first-ever PN Safety Summit in September 2011, which addressed safety concerns and issues with nutrition product shortages. • Baxter is on the Corporate Council of the Center for Health and the Global Environment. The center's Biodiversity and Human Health Program informs policymakers and educates the public about the importance of preserving biodiversity through the lens of human health.

Group: Non-Governmental and Other Organizations

Description	Channels of Engagement	Example
<p>Examples include AmeriCares, Boston College Center for Corporate Citizenship, Campaign for Greener Healthcare UK, Center for Health and the Global Environment, Ceres, Compliance and Ethical Leadership Council, The Conference Board, Corporate Executive Board, Corporate Voices for Working Families, Council on Foundations, Direct Relief International, Ethics & Compliance Officer Association, Global Reporting Initiative, Grantmakers in Health, Partnership for Quality Medical Donations, Center for Climate and Energy Solutions, Society of Corporate Compliance and Ethics, and World</p>	<ul style="list-style-type: none"> • Feedback on Baxter's 2010 Sustainability Report, and pre-publication review of sections of Baxter's 2011 Sustainability Report • Participation on various committees • Attendance and presentations at sustainability-related conferences and events 	<ul style="list-style-type: none"> • Baxter facilitates an annual call with Ceres stakeholders to review sustainability report content. • Baxter contributes to various white papers and reports issued by non-governmental organizations. • Baxter participates in educational and networking NGO webinars to share best practices and expertise.

Health Organization.		
Group: Suppliers		
Description	Channels of Engagement	Example
Baxter works with a broad network of suppliers who provide product inputs as well as goods and services not used in products.	<ul style="list-style-type: none"> • Supplier Quality Standard and Ethics and Compliance Standards for Baxter Suppliers • Sustainability language included in Baxter requests for proposal (RFP) and standard supplier agreement • Supplier audits and site visits • Ethics and Compliance Helpline for employees and their families, suppliers, customers, and other stakeholders • Global Supplier Sustainability Program • Supplier diversity program • Benchmarking sustainability programs with top suppliers • Chicago United • National Minority Supplier Development Council (NMSDC) 	<ul style="list-style-type: none"> • Baxter collaborates with its suppliers to identify opportunities to improve both Baxter's and suppliers' environmental performance and minimize transportation-related emissions through its e-Impact program.
Group: Universities/Academia		
Description	Channels of Engagement	Example
The Center for Corporate Citizenship at Boston College. Cornell University Johnson School of Management. Cranfield University (UK). Illinois Institute of Technology. Northwestern University, and University of Wisconsin.	<ul style="list-style-type: none"> • Forums on sustainability and climate change • Information sharing about sustainability with administration, faculty and students • Select projects and student research • R&D collaboration with universities • Foster early stage projects 	<ul style="list-style-type: none"> • Baxter is partnering with Chicago City Colleges to support their College to Careers program with real-world experiences with Baxter experts. • Baxter supports the Illinois Institute of Technology Math and Science Education Department with biotechnology teacher training and materials. • Baxter partners with Northwestern University's Office of STEM Education and Programming to host symposia on biotechnology for Chicago Public Schools teachers district-wide. • Baxter contributes financially to the Chicago Botanic Garden Plant Science Center, which provides laboratories and teaching facilities for more than 200 Ph.D. scientists, land managers, students and interns, and is home to a unique doctoral program in plant biology and conservation in conjunction with Northwestern University. • Provides grants to fund early stage technology.

Group: Government, Regulatory, Health Authorities		
Description	Channels of Engagement	Example
Examples include City of Chicago, Committee for Medical Products for Human Use (CHMP: Europe), European Medicines Valuation Agency, European Commission, European Parliament, State of Illinois, U.S. Center for Medicare/Medicaid, U.S. Department of Agriculture, U.S. Department of Defense, U.S. Department of Health and Human Services, U.S. Department of Labor, U.S. Drug Enforcement Agency, U.S. Environmental Protection Agency and U.S. Food and Drug Administration, ministries of health, and environment, health and safety agencies worldwide.	<ul style="list-style-type: none"> • Representation on advisory committees • Meetings, conferences, partnerships and collaborations • Communication of studies that demonstrate health and economic benefits of Baxter's products • Communication of sustainability programs and initiatives • Lobbying activities • Visits to Baxter facilities by EU and government officials 	<ul style="list-style-type: none"> • Baxter supports legislation/regulation that aligns with the company's business and sustainability objectives. • Baxter held to educate health policy makers about the benefits of improving access to dialysis care. • Baxter UK's Evolving Health program works in partnership with the NHS (National Health Service) to bring quality care and efficiency to patients.
Group: Investors		
Description	Channels of Engagement	Example
Nearly 88% of Baxter's shares are held by institutional investors.	<ul style="list-style-type: none"> • Analyst/investor presentations and meetings • Socially responsible investment surveys • Quarterly earnings announcements and news releases • Webcasts/conference calls • Annual Meeting of Shareholders • Road shows, one-on-one meetings and investor visits to headquarters 	<ul style="list-style-type: none"> • Through this report, Baxter demonstrates the business value of sustainability-related initiatives.

Affiliations and Memberships

Baxter and its employees engage with many professional, industry and business organizations, covering a variety of geographic areas, diseases, markets and sustainability issues. By participating in these groups, Baxter can expand its influence, help raise industry standards, share and learn best practices, and advance discussions within and beyond the healthcare industry. Forming relationships with these associations helps Baxter engage with and meet the ongoing needs of its stakeholders.

While impractical to include all organizations that Baxter belongs to or supports, the list below provides a representative sample.

Advocacy Coalitions

- Boston College Center for Corporate Citizenship
- Boston College Center for Work & Family
- Catalyst
- Center for Companies That Care
- Corporate Voices for Working Families
- National Safety Council
- Partnership for Quality Medical Donations

Environmental and Sustainability Organizations

- Business for Social Responsibility
- Canadian Business for Social Responsibility
- Center for Health and the Global Environment
- Ceres
- Global Reporting Initiative
- National Environment Education Foundation
- SustainAbility Engaging Stakeholders Program

Industry Organizations

- AdvaMed
- BIOTECCanada
- Biotechnology Industry Organization
- EucoMed
- EuropeBio
- European Federation of Pharmaceutical Industries and Associations (EFPIA)
- European Organization for Packaging and the Environment (EUROPEN)
- European Vaccine Manufacturers
- Hemophilia Federation of America
- Pharmanet/i3
- Irish Business & Employees Confederation (IBEC) – Health & Safety Policy Committee
- Institute for Supply Management
- MEDEC
- Plasma Protein Therapeutics Association
- Rx-360 (International Pharmaceutical Supply Chain Consortium)

- US-ASEAN Business Council

Patient Organizations

- Alpha-1 Foundation
- American Association of Kidney Patients
- Dialysis Patient Citizens
- European Hemophilia Consortium
- European Kidney Patients' Federation (CEAPIR)
- European Patients' Forum
- Eurordis
- Immune Deficiency Foundation
- International Patient Organisation for Primary Immunodeficiencies (IPOPI)
- Hemophilia Federation of America
- International Society of Peritoneal Dialysis North American Chapter
- Jeffrey Modell Foundation
- Latin American Society for Immunodeficiencies
- National Hemophilia Foundation
- National Kidney Foundation
- The Oley Foundation
- World Federation of Hemophilia

Professional Organizations

- American Association of Critical-Care Nurses
- American Industrial Hygiene Association (AIHA)
- American Nephrology Nurses Association
- American Society of Anesthesiologists
- American Society of Health-System Pharmacists
- American Society of Nephrology
- American Society of Parenteral and Enteral Nutrition
- The Auditing Roundtable
- Board Source
- Clinical Immunology Society
- Corporate Executive Board Compliance and Ethics Leadership Council
- European Association for Haemophilia and Allied Disorders (EAHAD)
- European Society for Immunodeficiencies (ESID)
- International Nursing Group for Immunodeficiencies (INGID)
- International Patient Organisation for Primary Immunodeficiencies
- International Society of Nephrology
- Institute of Occupational Safety and Health (IOSH)
- Institute for Safe Medication Practices
- Institute for Supply Management
- NAEM (formerly National Association for Environmental Management)
- National Minority Supplier Development Council, Inc.

- Renal Physicians Association
- Society of Corporate Compliance and Ethics (SCCE)
- Society of Critical Care Medicine
- Women's Business Development Center (WBDC)

Regional and Local Organizations

- American Chamber of Commerce for Brazil (AMCHAM Brasil)
- American Chamber of Commerce for Panama (Panama)
- Asociación Colombiana de Hospitales y Clínicas (ACHC) (Colombia)
- Asociación Venezolana de Equipos Médicos (AVEDEM) (Venezuela)
- Associação Brasileira dos Importadores de Equipamentos, Produtos e Suprimentos Médicos-Hospitalares (Abimed) (Brazil)
- Associação Brasileira de Produtores de Soluções Parenterais (ABRASP) (Brazil)
- Australian and New Zealand Society of Nephrology (Australia & New Zealand)
- BioCrossroads (Indiana, U.S.)
- Cámara Argentina de Especialidades Medicinales (CAEMe) (Argentina)
- Cámara Industria Farmacéutica en Chile (ASILFA) (Chile)
- Cámara Nacional de la Industria Farmacéutica (CANIFARMA) (Mexico)
- Campaign for Greener Healthcare - Green Nephrology Group (U.K.)
- Canadian College of Health Service Executives (Canada)
- Canadian Patient Safety Institute (Canada)
- Chicago United (U.S.)
- The Commercial Club of Chicago (U.S.)
- Donors Forum (Illinois, U.S.)
- Illinois Biotechnology Industry Organization (U.S.)
- Industria Farmacéutica de Investigación e Innovación (IFI) (Ecuador)
- Green Building Council Italia (Italy)
- Japan Pharmaceutical Manufacturers Association (Japan)
- Korea Pharmaceutical Manufacturers Association (South Korea)
- National Center for Asia-Pacific Economic Cooperation (global)
- Puerto Rico Manufacturers Association (Puerto Rico)
- Sociedad Argentina de Farmacia y Bioquímica (SAFIBY) (Argentina)
- Sindicato da Indústria de Produtos Farmacéuticos no Estado de São Paulo (Sindusfarma) (Brazil)

Sustainability Reporting

Baxter is committed to sharing information about its sustainability programs, priorities, goals and performance. This report, the company's main vehicle for disclosing information about its social and environmental initiatives and progress, illustrates Baxter's commitment to good governance, balance and transparency. It also serves as an entry point for stakeholder engagement and is an important means for soliciting feedback on the company's activities in these areas.

As a part of the annual reporting process, Baxter measures and evaluates its performance, and communicates its progress and challenges. The company's annual exercise of collecting, analyzing and reviewing report content engages and educates employees, senior management and the Board of Directors on sustainability issues while driving performance improvements. This report also illustrates the interconnection between content areas, such as how product innovation can support access to healthcare in emerging markets and the relationship between water consumption, energy use and greenhouse gas emissions.

Baxter released its first public environmental report in 1992 and published its first sustainability report in 1999. The company has produced a sustainability report every year since, and is committed to annual reporting. The comprehensive 2011 Sustainability Report is available online. Baxter also produces a downloadable PDF of each section and an overview brochure, available in multiple languages.

Baxter discloses information about its sustainability programs and performance through several additional communication channels as well. These include socially responsible investor surveys, award applications, press releases, responses to customer requests for proposals, governmental reports such as the U.S. Employer Information Report (EEO-1) and the U.S. Toxics Release Inventory, participation in conferences, executive speeches, and targeted stakeholder communications.



Children in the Campo Limpo region of São Paulo, Brazil, receive dental care and education thanks to Projecto Arrastão, a recipient of a grant from The Baxter International Foundation.

Feedback

Stakeholder feedback is an important source of input to support continual improvement of Baxter's sustainability programs and reporting. Baxter encourages readers of its report to provide comments and suggestions through the company's Sustainability Survey.

About This Report

- This report is intended for global use. Please consult the appropriate country-specific Baxter website for more information regarding activities in that country. Some statements in the report about products or procedures may differ from the licensed indications in specific countries. Therefore, always consult the country-specific summary of product characteristics (SPC), package leaflets or instructions for use. For more information, please contact a local Baxter representative.
- The performance data in this report are from calendar year 2011 unless stated otherwise. Some case studies and program descriptions include information from 2012.
- This report covers Baxter's global operations, including subsidiaries, unless otherwise noted. Environmental, health and safety data include joint ventures where Baxter has a controlling interest.

- All currency in this report is in U.S. dollars unless stated otherwise.
- Significant restatements of data compared to prior years are noted in the section where they appear.
- For more information about this report, please contact the Center for One Baxter at 1-800-422-9837 or 1-224-948-1812, or by email at onebaxter@baxter.com.

External Reporting Standards

Global Reporting Initiative

Baxter recognizes the importance of external sustainability reporting standards to promote relevant, transparent, balanced and comparable disclosure of company performance. The company was one of the first to pilot the Global Reporting Initiative (GRI) Guidelines in 1999 and has served as a GRI Organizational Stakeholder (OS) since the program's inception in 2004.

The GRI Guidelines provide a valuable perspective to Baxter in its reporting process. GRI reporting principles (see below) offer a framework to test whether the company addresses key aspects of disclosure. Reviewing report content against the range of GRI performance indicators helps Baxter to identify possible reporting gaps and areas that may warrant further disclosure. This process is also useful to compare the company against reporting leaders and others in the industry.

This report aligns with the GRI G3 Sustainability Reporting Guidelines, application level B (self-declared). See Baxter's GRI Index for detail.

The following table describes how Baxter addresses GRI G3 reporting principles.

GRI G3 REPORTING PRINCIPLE	RELEVANCE TO BAXTER
Principles for Defining Report Content	
Materiality - The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts, or that would substantively influence the assessments and decisions of stakeholders.	Baxter continually refines its approach to identifying and reporting on its material sustainability issues. This report includes a summary of Baxter's sustainability priorities and goals, with links to detailed information about progress in each area.
Stakeholder Inclusiveness - The reporting organization should identify its stakeholders and explain in the report how it has responded to their reasonable expectations and interests.	Baxter describes its key stakeholder groups, and provides examples of how it interacts with each, on the Stakeholder Engagement page. Examples are also included throughout the report.
Sustainability Context - The report should present the organization's performance in the wider context of sustainability.	The Chairman and CEO letter presents Baxter's performance in this manner. Many sections begin with a brief introduction framing the issue and its relevance to sustainability and the company.
Completeness - Coverage of the material topics and indicators and definition of the report boundary should be sufficient to reflect significant economic, environmental, and social impacts and enable stakeholders to assess the reporting organization's performance in the reporting period.	Baxter continues to improve its reporting to more fully address the range of sustainability issues. In addition to extensive coverage of Baxter's sustainability priorities and goals, this report includes sections in a broad range of areas such as Environment, Health and Safety, Product Responsibility, Supply Chain, and Public Policy.
Principles for Ensuring Report Quality	
Balance - The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.	Baxter reports on a consistent set of core performance indicators (see Summary Data Table) and the company's sustainability priorities and <u>goals</u> to illustrate positive as well as negative performance trends.
Comparability - Issues and information should be selected,	When possible, this report provides five (and in some cases six)

compiled, and reported consistently. Reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and could support analysis relative to other organizations.	years of performance data, including relevant breakdowns and progress against targets on an absolute and normalized basis. Data are generally included under performance graphs for clarity, and key information is presented in a Summary Data Table for ease of use. Industry performance data are included for comparison when available, such as occupational illness and injury rates and share performance. Data beyond the timeframe of the report are available in past reports on the Downloads page .
Accuracy - The reported information should be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.	Baxter uses a combination of internal processes and external verification for selected sections (see Assurance) to ensure the reliability of information presented in this report. Significant restatements of data are noted.
Timeliness - Reporting occurs on a regular schedule and information is available in time for stakeholders to make informed decisions.	Baxter produces its Sustainability Report annually, as soon as is feasible after content and data are compiled, analyzed, reviewed and (in the case of Environment, Health and Safety, Supply Chain and Product Transport content and data) verified.
Clarity - Information should be made available in a manner that is understandable and accessible to stakeholders using the report.	Baxter strives to present the information in this report clearly and concisely. The company continues to enhance the report website to further increase accessibility, including the addition this year of an interactive dashboard illustrating Baxter's priorities and related performance goals.
Reliability - Information and processes used in the preparation of a report should be gathered, recorded, compiled, analyzed, and disclosed in a way that could be subject to examination and that establishes the quality and materiality of the information.	Bureau Veritas verified the Environment, Health and Safety, Supply Chain, and Product Transport sections of this report. In addition, many of the financial data included in this report are taken from the consolidated financial statements contained in the Baxter International Inc. 2011 Annual Report. These financial statements were audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

¹ According to GRI: indicators elicit comparable information on the economic, environmental and social performance of the organization.

Sustainability Priority Updates and Case Studies

In addition to sections describing the company's policies, programs and performance across the range of sustainability, the Baxter 2011 Sustainability Report also includes the following:

- A dashboard highlights progress against each of the company's nine sustainability priorities and related goals.
- Case studies provide examples of strong performance in areas such as Ethics and Compliance; Employees; Environment, Health and Safety; Product Responsibility; Supply Chain and Community Support.

Feedback on 2010 Report

Ongoing improvement is a fundamental aspect of Baxter's sustainability reporting process. To ensure the company continues to deliver stakeholders the most relevant information, Baxter solicited feedback on its 2010 Sustainability Report from numerous experts:

- SustainAbility, a strategy consultant/think tank;
- Ceres, a national coalition of investors and public interest groups addressing sustainability, and its select coalition members with expertise in areas of focus for Baxter; and
- Bureau Veritas, Baxter's verification body, for the EHS, Supply Chain, and Product Transport sections.

Baxter also received feedback from more than 50 readers through its Sustainability Survey. The company considered input from all of these sources in the preparation of this report.

Ceres and its coalition members also provided Baxter input during the content development process of this report for 2011 (similar to last year). Their review and comments focused on detailed outlines of progress made for each of the company's nine sustainability priorities. Baxter welcomed the opportunity to hear and consider input on report content while still in a position to act on it.

These organizations and stakeholders cited several areas of strength from the 2010 report, including the following (paraphrased):

- The report is comprehensive and clear, and covers a wide range of activities and goals.
- The business case for sustainability is strong where provided (and the Environmental Finance Statement is a leadership example).
- Baxter demonstrates a commitment to transparency and accountability by including feedback on its past report and changes made as a result.
- The company effectively describes how it uses reporting as a tool for internal and external engagement.
- The emphasis on Baxter's nine sustainability priorities and goals helps readers understand how the company perceives its core responsibility.
- The report effectively cross-links vast amount of information to improve accessibility.
- Abundant performance data show commitment to continuous improvement (especially in the Environment, Health and Safety section).
- Stakeholders applaud Baxter's progress on issues such as water, as well as its inclusion of areas such as the safety "near misses".
- Stakeholders appreciate Baxter's continued commitment to report greenhouse gas emissions for its entire value chain.
- Stakeholders are pleased to see the disclosure on options for employees to seek guidance and report concerns, including through Baxter's Ethics and Compliance Helpline, as well as the number of inquiries.
- The report effectively addresses GRI Core Indicators.

Feedback on the 2010 report as well as on an outline for the 2011 report also included numerous opportunities for improvement. The following table summarizes several of those comments and describes changes made to this report.

Assurance

Bureau Veritas North America, Inc. assured the Environment, Health and Safety (EHS), and Supply Chain and Product Transport sections of this report (see assurance opinion). Many of the financial data included in the Economic Impacts section are taken from the consolidated financial statements contained in the Baxter International Inc. 2011 Annual Report. These financial statements are audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

Bureau Veritas Verification Report

INDEPENDENT ASSURANCE STATEMENT



Introduction and objectives of work

Bureau Veritas North America, Inc. was engaged by Baxter to conduct an independent assurance of Environmental, Health and Safety (EHS) sections and Supply Chain/Product Transport sections of Baxter's online 2011 Sustainability Report and print brochure (the Reports). Baxter has commissioned assurance for EHS sections of the annual sustainability report for the past 13 years. This is the third year Baxter has commissioned assurance for the Supply Chain/Product Transport sections of the annual sustainability report.

This Assurance Statement applies to the related information included within the scope of work described below. That information and its presentation in the Reports are the sole responsibility of Baxter management. Bureau Veritas was not involved in the drafting of the Reports. Our sole responsibility was to provide independent assurance on the accuracy and reliability of information included, and on the underlying systems and processes used to collect, analyze and review the Reports.

Scope of work

Baxter requested Bureau Veritas to conduct medium-level assurance to verify the accuracy of the following:

- Data and information included in the Environmental, Health and Safety (EHS) sections for the Reports.
- Data and information included in the Supply Chain/Product Transport sections for the Reports.

Excluded from the scope of our work is any assurance of information relating to:

- Activities outside the defined assurance period, the calendar year of 2011;
- Positional statements (expressions of opinion, belief, aim or future intention) by Baxter and statements of future commitment;
- Any financial data previously audited by an external third party; and
- EHS case studies.

Methodology

Our work was conducted against Bureau Veritas' standard procedures and guidelines for external Assurance of Sustainability Reports, based on current practice in independent assurance. For this assignment, we have used the GRI Reporting Framework as the reference standard. Our verification of Scope 1 and Scope 2 greenhouse gas emissions data was conducted in accordance with the protocol described in the International Standard Organization (ISO) 14064-3 on Greenhouse Gases – Part 3: specification for guidance for the validation and verification of greenhouse gas assertions.

The work was planned and carried out to provide reasonable, rather than absolute assurance and we believe it provides a reasonable basis for our conclusions.

As part of Bureau Veritas' medium (reasonable) level of independent assurance, Bureau Veritas undertook the following activities:

1. Interviews with relevant personnel of Baxter (EHS managers and Supply Chain/Product Transport managers at the corporate office and a select number of individuals responsible for collecting and reporting EHS performance data at the operating site level); These interviews included management personnel and staff responsible for preparing text and data for EHS and Supply Chain/Product Transport sections of the Reports;
2. Review of documentary evidence produced by Baxter to support information presented in the Reports;
3. Evaluation of the EHS and Supply Chain/Product Transport information based on consideration of the Global Reporting Initiative (GRI) G3 Guidelines with emphasis on principles of accuracy, accessibility, balance, clarity, comparability, reliability and timeliness;
4. Audit of EHS performance data, including a sample of data collected during visits to representative sites including: Manufacturing sites located in Marion, North Carolina, U.S.; Round Lake, Illinois, U.S.; Cali, Colombia; Orth, Austria; and Istanbul, Turkey; Research and Development site in Round Lake, Illinois, U.S.; a Biolife site in Dekalb, Illinois, U.S.; and a Renal Therapy Services (RTD) site in Bogota, Columbia; and
5. Review of Baxter data and information systems used for collection, aggregation, analysis and review of EHS and Supply Chain/Product Transport information.

Our findings

On the basis of our methodology and the activities described above, it is our opinion that:

- For the EHS and Supply Chain/Product Transport sections of the Reports, Bureau Veritas has determined that these sections are accurate, reliable and free from material mistake or misstatement;
- The EHS and Supply Chain/Product Transport information is presented in a clear, understandable and accessible manner;
- The EHS and Supply Chain/Product Transport sections of the Reports provide a fair and balanced representation of activities;
- The information in the EHS and Supply Chain/Product Transport sections of the Reports allows readers to form a balanced opinion of Baxter's activities and performance during the calendar year of 2011; and
- Baxter has established appropriate systems for the collection, aggregation, analysis and review of relevant information and data related to the EHS and Supply Chain/Product Transport sections of the Reports.

Additional commentary

Bureau Veritas was pleased to observe that the EHS and Supply Chain/Product Transport organizations at Baxter have:

- Continued to improve their systems for collecting and reviewing relevant EHS data at the site level and aggregating the data at the corporate level;
- Expanded reporting of GHG emissions from their value chain (Scope 3) based on the WRI/WBCSD Guidelines;
- Provided balanced reporting on progress towards 2015 goals established in the 2010 report;
- Expanded global supplier engagement and employee participation through the Baxter PSM e-impact program that resulted in almost ten times the greenhouse gas reduction from projects implemented in 2011 compared with the previous year;
- Partnered with other companies to reduce costs and greenhouse gas emissions associated with product transport; and
- Continued to encourage employee engagement in the area of wellness.

Based on the work conducted, we recommend Baxter EHS and Supply Chain/Product Transport consider the following:

- Formalize data review procedures at the site and corporate levels to help ensure uniform implementation;
- Ensure that every site maintains documentation of sources of reported sustainability data to establish a formal audit trail;
- Request timely documentation from waste vendors for information that is used for sustainability reporting;
- Continue to engage various functional groups by emphasizing the business value contributions that EHS and Supply Chain/Product Transport make through their sustainability initiatives.

Statement of independence, impartiality and competence

Bureau Veritas is an independent professional services company that specializes in Quality, Health, Safety, Social and Environmental management with over 180 years history in providing independent assurance services, and turnover in 2010 in excess of \$4.4 billion (US).

No member of the assurance team has a business relationship with Baxter, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes and an excellent understanding of Bureau Veritas standard methodology for the Assurance of Sustainability Reports.

Bureau Veritas North America, Inc.
Denver, CO
June 2012



Global Reporting Initiative Index

This report aligns with the GRI G3 Guidelines. Baxter self-declares this report to application level B. Please also see how Baxter addresses G3 reporting principles.

Disclosure	Description	2011 Reporting
Strategy and Analysis		
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	Chairman and CEO Letter
1.2	Description of key impacts, risks, and opportunities.	Chairman and CEO Letter Priorities and Goals
Organizational Profile		
2.1	Name of the organization.	Company Profile
2.2	Primary brands, products, and/or services.	Company Profile
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Company Profile
2.4	Location of organization's headquarters.	Baxter's headquarters are located in Deerfield, Illinois, United States, approximately 20 miles north of Chicago.
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Company Profile EHS Management Systems
2.6	Nature of ownership and legal form.	Baxter Healthcare Corporation (BAX) is a publicly traded company listed on the New York Stock Exchange.
2.7	Markets served.	Company Profile
2.8	Scale of the reporting organization.	Company Profile Employees Environment, Health and Safety Supply Chain
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Company Profile
2.10	Awards received in the reporting period.	Awards and Honors
Report Parameters		
3.1	Reporting period for information provided.	Sustainability Reporting

3.2	Date of most recent previous report (if any).	Downloads
3.3	Reporting cycle.	Sustainability Reporting
3.4	Contact point for questions regarding the report or its contents.	Sustainability Reporting
3.5	Process for defining report content.	Baxter's Approach Priorities and Goals External Reporting Standards Feedback on 2010 Report
3.6	Boundary of the report.	Sustainability Reporting Environment, Health and Safety
3.7	State any specific limitations on the scope or boundary of the report.	Sustainability Reporting Environment, Health and Safety
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Sustainability Reporting
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Baxter Value Chain Energy Usage and Greenhouse Gas Emissions 2011 Environmental Financial Statement GHG Emissions across the Value Chain GHG Emissions from Operations Managing Supplier Performance Community Support Summary Data Table
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Environment, Health and Safety EHS Goals
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Baxter Energy Usage and Greenhouse Gas Emissions 2011 Environmental Financial Statement
3.12	Table identifying the location of the Standard Disclosures in the report.	Global Reporting Initiative Index
3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance
Governance, Commitments and Engagements		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	Corporate Governance
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance

4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Corporate Governance
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	How to Contact Baxter's Board of Directors
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Baxter's Compensation Committee and Committee Charter
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Ethics and Compliance – Code of Conduct
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Corporate Governance Guidelines
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Corporate Governance Ethics and Compliance – Code of Conduct Talent Management Global Inclusion and Diversity EHS – Policy and Vision GHG Emissions from Operations Bioethics Clinical Trials Managing Supplier Performance Product Donations
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate Governance
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance Guidelines
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Baxter's products are regulated by health authorities around the world and the company is required to provide extensive scientific data related to the safety and efficacy of those products in order to obtain licensure by regulatory authorities. See also Materials Use.

4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Affiliations and Memberships EHS Management Systems GHG Emissions from Operations Animal Welfare Clinical Trials Product Use Managing Supplier Performance Global Sustainable Supply Chain External Reporting Standards
4.13	Memberships in associations and/or national/international advocacy organizations.	Affiliations and Memberships
4.14	List of stakeholder groups engaged by the organization.	Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder Engagement
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Feedback on 2010 Report
Economic		
	Disclosure on Management Approach	Economic Impacts Direct Impacts Indirect Impacts
EC1	Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. (Core)	Direct Impacts
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change. (Core)	Baxter considers its exposure, during the next decade, to potential regulatory, physical and other risks related to climate change to be low. The company believes existing and anticipated government policies, legislation, regulations and energy standards aimed at improving energy efficiency and limiting and reducing greenhouse gas (GHG) emissions will pose minimal regulatory risk to the corporation, in part due to Baxter's proactive approach in this area. In the near-

		term, Baxter anticipates minimal physical risk to its business associated with global warming, resultant climate change, sea-level rise, change in weather patterns and precipitation. For more information, see Baxter's Carbon Disclosure Project submission. For more information, see Baxter's Carbon Disclosure Project submission.
EC3	Coverage of the organization's defined benefit plan obligations. (Core)	2011 Annual Report (page 75)
EC4	Significant financial assistance received from government. (Core)	Not available on companywide basis.
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. (Additional)	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. (Core)	Supplier Diversity
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. (Core)	Baxter does not track this information globally.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	Community Support
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts. (Additional)	Indirect Impacts
Environmental		
	Disclosure on Management Approach	EHS Program
EN1	Materials used by weight or volume. (Core)	Eco-Efficiency/ Raw Materials Use
EN2	Percentage of materials used that are recycled input materials. (Core)	Eco-Efficiency/ Raw Materials Use
EN3	Direct energy consumption by primary energy source. (Core)	Energy Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN4	Indirect energy consumption by primary source. (Core)	Energy Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN5	Energy saved due to conservation and efficiency improvements. (Additional)	Energy
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result	GHG Emissions from Operations Product Sustainability Review

	of these initiatives. (Additional)	
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	Energy Employees and the Environment Benefit from New Vienna, Austria, Green Building
EN8	Total water withdrawal by source. (Core)	Water and Wastewater
EN9	Water sources significantly affected by withdrawal of water. (Additional)	Water and Wastewater
EN10	Percentage and total volume of water recycled and reused. (Additional)	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)	Biodiversity
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)	Biodiversity
EN13	Habitats protected or restored. (Additional)	Biodiversity
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)	Biodiversity
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. (Additional)	
EN16	Total direct and indirect greenhouse gas emissions by weight. (Core)	GHG Emissions across the Value Chain GHG Emissions from Operations Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN17	Other relevant indirect greenhouse gas emissions by weight. (Core)	GHG Emissions across the Value Chain GHG Emissions from Operations Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	Facilities in India Switch to Greener Boiler Fuel Employees and the Environment Benefit from New Vienna, Austria. Green Building
EN19	Emissions of ozone-depleting substances by weight. (Core)	Air Emissions
EN20	NOx, SOx, and other significant air emissions by type and weight. (Core)	Air Emissions
EN21	Total water discharge by quality and destination. (Core)	Water and Wastewater

EN22	Total weight of waste by type and disposal method. (Core)	Waste
EN23	Total number and volume of significant spills. (Core)	Environmental Compliance
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. (Additional)	
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. (Additional)	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	Product Sustainability Review Materials Use Manufacturing Product Transport Packaging Product End-of-Life Materials Restrictions Global Sustainable Supply Chain
EN27	Percentage of products sold and their packaging materials that are reclaimed by category. (Core)	The European Union packaging directive requires Baxter to reclaim packaging and to submit related reports. Baxter typically pays third parties fees of about \$1 million per year to do this, as indicated on the company's Environmental Financial Statement. Baxter does not currently have systems to track quantities of packaging materials reclaimed. Baxter's products are primarily disposable medical products. Reclamation of these products is difficult since often they must be disposed of as biohazardous waste after their use. Baxter continues to explore means to reclaim and recycle products with its customers. See also Product End-of-Life.
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)	Environmental Compliance
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and	GHG Emissions across the Value Chain

	transporting members of the workforce. (Additional)	GHG Emissions from Operations Baxter Value Chain Energy Usage and Greenhouse Gas Emissions Product Transport
EN30	Total environmental protection expenditures and investments by type (Additional)	2011 Environmental Financial Statement
Labor Practices and Decent Work		
	Disclosure on Management Approach	Talent Management Sustainability Education Compensation and Benefits Measuring Company Culture Global Inclusion and Diversity Work/Life
LA1	Total workforce by employment type, employment contract, and region. (Core)	Employees
LA2	Total number and rate of employee turnover by age group, gender, and region. (Core)	Baxter does not track this information globally.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. (Additional)	Compensation and Benefits Work/Life
LA4	Percentage of employees covered by collective bargaining agreements. (Core)	Baxter does not track this information globally.
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. (Core)	The length of the notice period is dependent on the type of change being made. Baxter is committed to providing appropriate notice and follows all relevant consultation and notice requirements.
LA6	Percentage of total workforce represented in formal joint management- worker health and safety committees that help monitor and advise on occupational health and safety programs. (Additional)	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	Health and Safety Performance
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. (Core)	Product Donations The Baxter International Foundation
LA9	Health and safety topics covered in formal agreements with trade unions. (Additional)	
LA10	Average hours of training per year per employee by employee category. (Core)	Talent Management

LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. (Additional)	Talent Management Sustainability Education
LA12	Percentage of employees receiving regular performance and career development reviews. (Additional)	Talent Management
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	Global Inclusion and Diversity
LA14	Ratio of basic salary of men to women by employee category. (Core)	Baxter does not track this information globally.
Human Rights		
	Disclosure on Management Approach	Managing Supplier Performance
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. (Core)	Baxter does not track this information globally in a consistent manner. See also Managing Supplier Performance.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	Managing Supplier Performance
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. (Additional)	
HR4	Total number of incidents of discrimination and actions taken. (Core)	In addition to alleged cases of discrimination and harassment that may be handled locally, Baxter's Ethics and Compliance helpline and information management system logged seven allegations of discrimination and harassment in 2010. Baxter encourages employees to seek guidance and report concerns through a number of formal channels. Through these channels, Baxter identifies incidents, prevents incidents from occurring and addresses issues when they do arise. Items identified through these channels help Ethics and Compliance managers identify key risks, develop appropriate training, and design and apply compliance assessment

		methodologies.
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. (Core)	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. (Core)	See Baxter's Code of Conduct, page 9.
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. (Core)	See Baxter's Code of Conduct, page 9.
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. (Additional)	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken. (Additional)	
Society		
	Disclosure on Management Approach	Governance, Ethics and Compliance Community Support Access to Healthcare Critical Community Needs Employee Involvement
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. (Core)	Environment, Health and Safety
SO2	Percentage and total number of business units analyzed for risks related to corruption. (Core)	Baxter conducts an annual enterprise-wide risk assessment covering, among other things, legal risks such as corruption. Baxter also annually conducts intensive assessments of its business units that are designed to evaluate whether Baxter has appropriate anticorruption policies, processes, controls and training. The company conducted 11 such assessments outside the United States in 2010.
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	Governance, Ethics and Compliance – Code of Conduct Governance, Ethics and Compliance - Structure and Programs

SO4	Actions taken in response to incidents of corruption. (Core)	Allegations are investigated by the Ethics and Compliance department.
SO5	Public policy positions and participation in public policy development and lobbying. (Core)	GHG Emissions from Operations Public Policy 2011 Political Contributions Report 2010 Political Contributions Report 2009 Political Contributions Report 2008 Political Contributions Report
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	2011 Political Contributions Report 2010 Political Contributions Report 2009 Political Contributions Report 2008 Political Contributions Report
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. (Additional)	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	Safety Environmental Compliance Health and Safety Compliance Product Use
Product Responsibility		
	Disclosure on Management Approach	Product Responsibility Quality Safety Product Integrity R&D and Design Materials Use Manufacturing Product Transport Packaging Product Use Product End-of-Life Base of the Pyramid Product Donations
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. (Core)	Product Sustainability Review
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. (Additional)	Safety
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. (Core)	Clinical Trials Product Use

PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. (Additional)	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. (Additional)	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	Product Use
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes. (Additional)	Product Use
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. (Additional)	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core).	Safety Product Use

Economic Impacts

Baxter's direct and indirect economic impacts on its stakeholders are an important aspect of the company's sustainability performance. Direct impacts include financial transactions, such as revenue received from customers, wages and benefits provided to employees, dividends paid to investors and tax payments made to governments. Some but not all of these appear in a company's financial statements. Indirect impacts, which are more difficult to quantify, include increased productivity and money saved by customers due to their use of Baxter's products, and job creation outside of Baxter due to the company's spending.

Baxter's Financial Performance

Baxter's broader economic contributions depend on its ongoing financial performance. The company's global net sales totaled \$13.9 billion in 2011, an increase of 8% over 2010. Sales within the United States totaled \$5.7 billion, and international sales totaled \$8.2 billion, both increasing 8% over 2010. In 2011, net income attributable to Baxter totaled \$2.2 billion compared to \$1.4 billion the prior year. On an adjusted basis, excluding special charges in 2010 and 2011, net income attributable to Baxter totaled approximately \$2.5 billion in 2011, an increase of 4% as compared to the prior year. Over the five years ending December 31, 2011, Baxter's total shareholder return (including reinvested dividends) was 17%.

For a detailed description of the company's financial performance, see Baxter's 2011 Annual Report. For other investor information such as upcoming events, presentations and reports, see the Investors portion of the company's website.



Until receiving a kidney transplant, Jim McFarlin of Champaign, Illinois, United States, used Baxter automatic peritoneal dialysis products to cleanse his blood of toxins and waste normally removed by healthy kidneys.

Direct Impacts

Baxter's direct impacts include payments Baxter makes to and receives from various stakeholder groups during the course of business. For example:

- Customers buy Baxter's products;
- Baxter pays suppliers for raw materials and other goods and services;
- Employees receive wages and benefits;
- Investors provide Baxter capital in exchange for dividends and possible gains in share value (see graph); and
- Communities may receive tax payments, as well as cash and product donations (in some locations).

The following table summarizes these transactions.

Economic Value Generated and Distributed (Dollars in Millions)					
	2007	2008	2009	2010	2011
Economic Value Generated					
Net Sales	\$11,263	\$12,348	\$12,562	\$12,843	\$13,893
Net Income Attributable to Baxter	1,707	2,014	2,205	1,420	2,224
Economic Value Distributed					
Suppliers					
Payments to Suppliers (approximate)	\$4,100	\$4,400	\$4,400	\$5,500	\$5,700
Investors					
Share Repurchases	1,855	1,986	1,216	1,453	1,583
Cash Dividends on Common Stock	704	546	632	688	709
Governments					
Income Tax Expense (U.S.)	228	205	273	284	256
Income Tax Expense (international)	179	232	246	179	297
Communities					
Cash Donations*	23.5	32.9	34.0	31.4	33.4
Product Donations**	31.1	10.9	18.9	48.1	47.2

Baxter (Reinvested)					
Capital Expenditures	692	954	1,014	963	960
R&D Expenses	760	868	917	915	946

* Baxter and The Baxter International Foundation

** Variations in Baxter's annual product donations are due to fluctuations in community needs, the regulatory environment, manufacturing processes and marketing. The company identifies opportunities to donate and responds to community requests as appropriate.

Baxter's Share Performance

See Baxter's 2011 Annual Report to view a graph that compares the change in cumulative total shareholder return (including reinvested dividends) on Baxter's common stock with the Standard & Poor's 500 Composite Index and the Standard & Poor's 500 Health Care Index as of December 31 of each year.

For additional detail, see Baxter's interactive stock chart.

Local communities benefit from Baxter's presence through wages the company pays employees as well as other expenditures and investments. In April 2012, Baxter announced it will build a new state-of-the-art manufacturing facility in Covington, Georgia, United States, to support growth of its plasma-based treatments, including for immune disorders, trauma and other critical conditions. Baxter expects capital investments at the site to exceed \$1 billion over the next five years and to result in the creation of more than 1,500 full-time positions in Georgia and more than 2,000 jobs in total across multiple U.S. locations. [Learn more.](#)

In some Baxter manufacturing plants, Baxter employs physicians who provide free or inexpensive healthcare to employees' families and other community members. During the 2011-2012 season, Baxter facilities in the following locations offered free or subsidized seasonal flu vaccinations to employees and their family members: Argentina (Buenos Aires), Australia (Toongabbie), Austria (Vienna and Orth), Chile (Cortijo), South Korea, Mexico, Philippines (Canlubang), Puerto Rico (Aibonito, Catano and Guayama), Spain (Sabiñánigo), the United States (Largo, Florida) and Venezuela. A total of 560 vaccinations were provided through this initiative.

In addition, many Baxter facilities support local charities (see Critical Community Needs for detail).

Indirect Impacts

Baxter's main indirect economic impact is through its products and innovations (see Scientific Excellence for detailed information about the company's diverse capabilities in medical devices, pharmaceuticals and biotechnology, including specialty biologics). With more than 50 production facilities in 27 countries, proprietary technologies, and complementary manufacturing platforms across its businesses, the company can produce high-quality products cost-effectively for local and regional markets, helping improve healthcare quality worldwide.

By using Baxter products, many patients extend and improve the quality of their lives and in some cases may avert further health expenses. The company conducts economic research, reviews external studies and works to provide governments, healthcare organizations and patients the information needed to make the best possible decisions about treatment.

For example, Baxter is the world's leading manufacturer of peritoneal dialysis (PD) products to treat patients with end-stage renal disease, or irreversible kidney failure. PD is a self-administered in-home therapy. Health economic studies show that in countries where PD use is relatively low, a shift to a higher proportion of PD patients would reduce costs considerably, thereby freeing up resources to treat a larger number of patients.¹

For example, in China, the dialysis population increases by 10%-12% per year, with 89% of those using in-center HD compared to 11% using PD. A budget impact model demonstrates that increasing PD patients to 21% over four years would reduce the country's cumulative five year dialysis spending by 370 million RMB (\$US 54 million). These savings would allow an additional 3,876 patient-years of treatment. Increasing the percentage of PD patients to 40% would provide for an additional 11,931 patient-years of treatment.² See more information about PD and access to healthcare in Product Development.

In the United States, catheter-related bloodstream infections (CRBSIs) cost an average of \$34,000 per patient in increased hospital costs and extend patient length-of-stay by an average of 23 days.^{3,4} Baxter's V-LINK Luer activated device with Vitalshield protective coating, which was launched in the United States in 2008, is an intravenous connector that allows needle-free access to the patient's bloodstream. The Vitalshield technology is an antimicrobial coating that has been shown to kill at least 99.99% of six common pathogens known to cause CRBSIs. The V-LINK Luer activated device has since been introduced across most regions globally.

Baxter spending also has a "multiplier effect" on the broader economy, for example, through creating jobs in the supply chain and supporting services such as air travel or hospitality. Baxter does not measure these impacts, but believes they are significant given the company's size and scope. For example, Baxter paid its suppliers approximately \$5.7 billion in 2011, which those suppliers then used to pay their suppliers, provide their employees with wages and benefits, and pay taxes and other expenses.

¹ "Gaining Efficiencies: Resources and Demand for Dialysis around the Globe," Neil et al, Value in Health (International Society for Pharmacoeconomics and Outcomes Research), 2009, 73-79.

² "Economic Evaluations of Dialysis Treatment Modalities," Just et al, Health Policy 86 (2008), 163-180.

³ "The Attributable Mortality and Costs of Primary Nosocomial Bloodstream Infection in the Intensive Care Unit," DiGiovine B, et al, Am J Respir Crit Care Med, 1999; 160: 976-981.

⁴ "Hospital-acquired Infections in Pennsylvania," Pennsylvania Health Care Cost Containment Council, November 2006.

Business Value

Pursuing sustainability demonstrates Baxter's values, supports its social commitments and reduces the company's environmental impacts. Sustainability also enhances Baxter's business, as described in the following table.

Cost Savings and Avoidance
<ul style="list-style-type: none"> • Environmental Financial Statement • Energy savings from operations • Reduced waste • More efficient water use • Decreased worker's compensation through enhanced employee health and safety • Improved packaging designs with decreased materials use • Supply chain optimization
Market Access
<ul style="list-style-type: none"> • Product quality, safety and integrity • Compliance with regulations worldwide such as the European Union Waste Electrical and Electronic Equipment (WEEE) Directive, Restriction of Hazardous Substances (RoHS) Directive, Evaluation and Authorisation of Chemicals (REACH) Directive
Employee Engagement
<ul style="list-style-type: none"> • Talent acquisition and retention • Talent management and development • Sustainability education • Global inclusion and diversity • Work/life programs
New and Expanding Markets
<ul style="list-style-type: none"> • Peritoneal dialysis • Materials innovations • Requests for proposals (RFPs) including environmental and social criteria • Products and solutions targeting customers at the "Base of the Pyramid" • Partnering with health authorities to expand access to healthcare
Enhanced Brand and Reputation
<ul style="list-style-type: none"> • Inclusion in socially responsible investment indices • Improved reputation through awards and recognition • Leadership in addressing global climate change and other sustainability issues • Enhanced relationships with local communities and other stakeholders

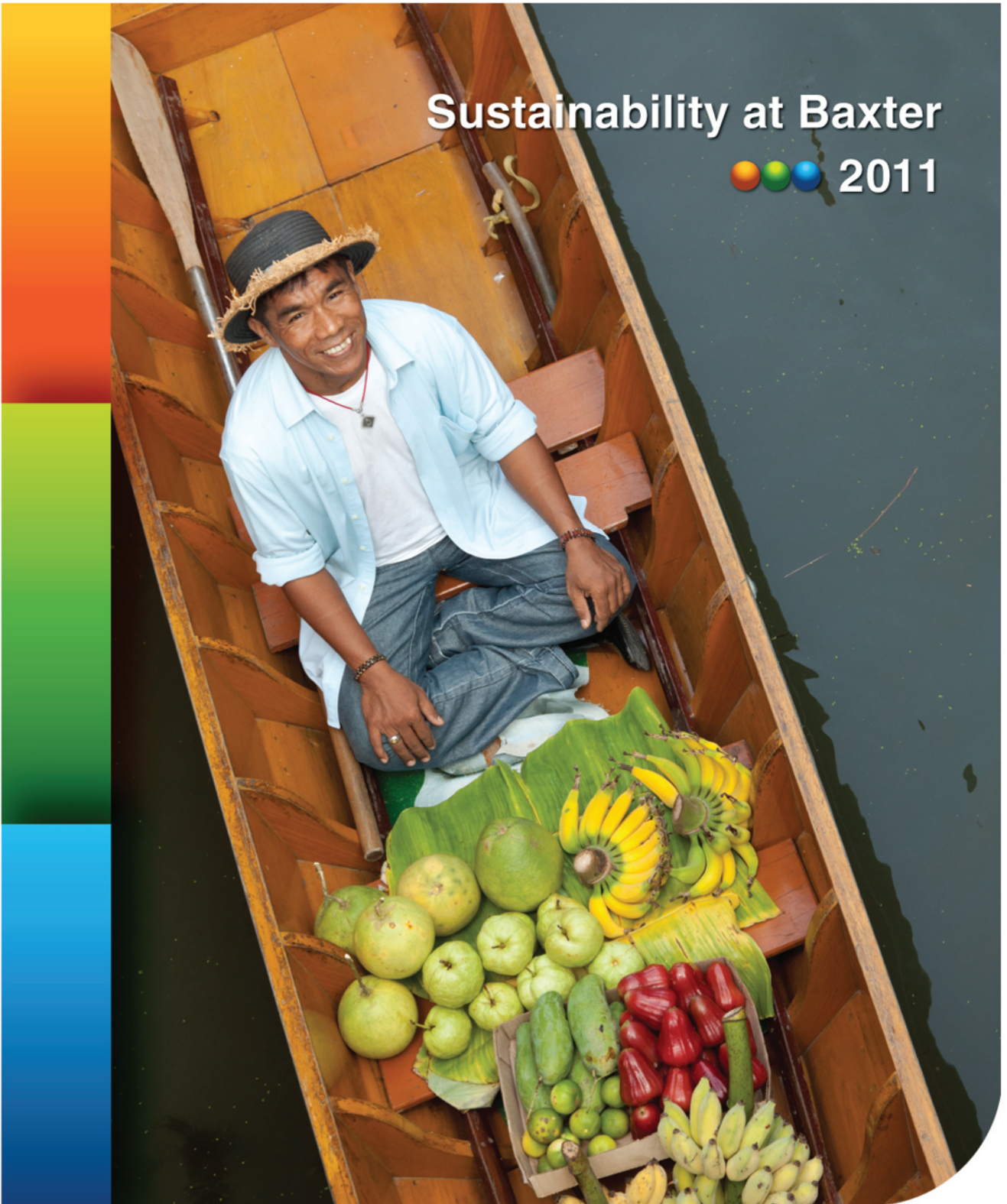
* The term "base of the pyramid" refers to the approximately 4 billion people worldwide who each live on less than \$1,500 annually and have limited access to the healthcare market.

Managing Risk

Baxter also manages various risk factors related to sustainability such as product quality, efficacy and safety; compliance with laws and regulations worldwide; governmental and other policies related to reimbursement for medical products; and intellectual property protection. See pages 6-12 of Baxter's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for more detail. Additional information about Baxter's approach in some of these areas is included in this report as well, such as in Quality, Safety, Environmental, Health and Safety – Compliance and Product Use.

Sustainability at Baxter

 2011



Priorities and 2015 Goals

Baxter



Our People



Our Operations & Products



Our World

Baxter's approximately 48,500 employees worldwide are essential to creating products that save and sustain lives. The company is continually improving its programs to provide a safe, healthy and inclusive workplace and to foster a culture that drives integrity and innovation.



Baxter Will Promote a Safe and Healthy Workplace

2015 GOAL

Implement best-in-class programs designed to protect the safety and improve the health of employees that result in performance in the top three of industry peers.

2011 PROGRESS

Compared to 2010, Baxter improved its recordable case rate by 5% and its cases with days lost rate by 6%. However, the company's days lost rate rose by 20%. In 2011, Baxter launched a three-pronged approach to enhancing its safety culture and performance. In 2010, the most recent year data was available, Baxter's cases with days lost rate ranked third of industry peers.¹ As part of the BeWell@Baxter strategy, the company offered free seasonal flu vaccinations to 98% of the global employee population during 2011.

[Learn more](#)

¹In a comparison of 13 healthcare companies reporting global safety data to Mercer (formerly ORC Worldwide) and two healthcare companies reporting data on public websites (15 total companies).



Performance Summary



Sources of Recordable Injury



Great Performers

Baxter Will Promote An Inclusive and Diverse Workplace

2015 GOAL

Create and sustain an inclusive culture where diverse ideas, backgrounds, experiences and perspectives are respected and valued.

2011 PROGRESS

All Baxter employees companywide completed training on how to contribute to an inclusive culture. Additionally, all employees were required to add an inclusion goal as part of their individual goals for the year. Also during the year, Baxter established two Business Resource Groups, "Building Women Leaders" and "Latinos@Baxter."

[Learn more](#)



Ethnic and Gender Diversity



2011 Culture Survey

Baxter Will Promote Ethical Conduct and Legal Compliance

2015 GOAL

Continue to champion internal and industrywide ethical sales and marketing practices by:

- *Implementing Baxter's enhanced U.S. Healthcare Compliance Program and International Anticorruption Program within the company*
- *Working with U.S. and international trade associations, non-governmental organizations and governments to harmonize and enforce standards on financial interactions with healthcare providers that allow for appropriate education, research and dialogue on products and services and discourage improper incentives.*

2011 PROGRESS

In 2011, Baxter's major efforts in the United States focused on implementing a program to comply with the Physician Payment Sunshine Act. Outside the United States, Baxter enhanced its risk-based anticorruption education program by piloting an intensive anticorruption risk education session in the Asia Pacific region, in addition to the awareness and comprehensive training offered annually to employees who regularly interact with government officials and healthcare professionals.

[Learn more](#)

2011 PROGRESS

Baxter continued work with Eucomed and Advamed on a European approach to third-party anticorruption efforts, sharing Baxter's perspectives and helping to create a standard industry approach. Additionally, Baxter's China Ethics and Compliance team made progress with the China Association of Enterprises with Foreign Investment R&D-based Pharmaceutical Association Committee on advancing an industry-wide ethical sales and marketing code.

[Learn more](#)



Ethics and Compliance Structure



Channels for Guidance



Our People



Our Operations & Products



Our World

Environmental stewardship has been central to Baxter for more than three decades. To continue to enhance the company's environmental performance, Baxter has programs across the product life cycle, from product development, materials selection and supplier management to manufacturing, transport and end-of-life.



Baxter Will Drive a Sustainable Supply Chain

2015 GOAL

Reduce Baxter's U.S. car fleet greenhouse gas emissions per kilometer by 20% from 2007 baseline

2015 GOAL

Incorporate sustainable principles into Baxter's purchasing program with select 100 suppliers.

2011 PROGRESS

In 2011, Baxter's U.S. sales car fleet achieved a 4.1% reduction in greenhouse gas (GHG) emissions per kilometer driven compared to 2007.

[Learn more](#)

2011 PROGRESS

Baxter now embeds sustainability components into the purchasing, sourcing and supplier management process in nine countries, and conducted its third annual global supplier sustainability survey. To further enhance employee education and engagement, the company increased emphasis on its e-Impact program and established performance goals related to sustainability for purchasing teams and individuals globally.

[Learn more](#)



Survey Results



Supplier Diversity

Baxter Will Drive Reductions in its Carbon Footprint

2015 GOAL

Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline.

2015 GOAL

Increase facility energy usage of renewable power to 20% (of total).

2011 PROGRESS

In 2011, Baxter's net GHG emissions from operations equaled 717,800 metric tons carbon dioxide equivalent (CO₂e), a 34% reduction compared to 2005 indexed to revenue, and an absolute decrease of 7%. This includes emissions from Baxter-operated facilities and vehicles, as well as the subtraction of purchased renewable energy certificates (RECs) and carbon offsets.

[Learn more](#)

2011 PROGRESS

In 2011, 19% of Baxter's energy use for operations was from renewable energy sources. Of this amount, 8% was from the use of biomass fuel and 11% was the renewable energy component of purchased electricity and RECs. A small amount of the total was from on-site geothermal systems and several on-site solar photovoltaic (PV) and solar hot water systems.

[Learn more](#)



GHG Emissions



Energy and GHG Emissions



Our People



Our Operations & Products



Our World

Baxter Will Drive Reductions in its Natural Resource Use

2015 GOAL

Reduce energy usage 30% indexed to revenue from 2005 baseline.

2015 GOAL

Reduce water usage 35% indexed to revenue from 2005 baseline. To help achieve this, by 2010 evaluate potentially vulnerable watersheds associated with Baxter facilities and establish aggressive water conservation goals for high-risk areas.

2015 GOAL

Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.

2015 GOAL

Reduce total waste generation 30% indexed to revenue from 2005 baseline.

2015 GOAL

Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.

2011 PROGRESS

In 2011, Baxter used 8,869 trillion joules of energy, a reduction of 24% compared to 2005, indexed to revenue, and an absolute increase of 7%. Baxter's absolute energy usage increased by 5% from 2010 to 2011.

[Learn more](#)



2011 PROGRESS

In 2011, the company used 13.8 million cubic meters of water, a reduction of 33% compared to 2005, indexed to revenue, and an absolute decrease of 6%. Baxter's absolute water consumption increased by 4% from 2010 to 2011.

[Learn more](#)



2011 PROGRESS

Baxter worked with two non-governmental organizations on proposals to protect watersheds and enhance sanitation in communities near manufacturing facilities located in water-stressed areas. The company expects to fund and implement both of these projects in 2012.

[Learn more](#)

2011 PROGRESS

In 2011, Baxter generated 70,700 metric tons of waste (including 65,000 metric tons non-hazardous and 5,700 metric tons regulated), a decrease of 11% compared to 2005, indexed to revenue, and an absolute increase of 26%. A product recall in the Europe, Middle East and Africa region resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the 2011 global total. Excluding this waste, Baxter would have experienced a decrease of 23% compared to 2005, indexed to revenue, and an absolute increase of 9%.

[Learn more](#)



2011 PROGRESS

Since the base year of 2007, Baxter has implemented projects that have reduced the amount of waste sent to customers by 4,300 metric tons, 86% of its goal.

[Learn more](#)

Baxter Will Drive Enhanced Product Stewardship

2015 GOAL

Further sustainable product design by identifying and minimizing life cycle impacts and proactively eliminating or minimizing known substances of concern in new products and packaging as feasible.

2015 GOAL

Identify new opportunities to replace, reduce and refine (3Rs) the use of animal testing.

2011 PROGRESS

Baxter's XENIUM+ synthetic dialyzers became the second Baxter product to receive Carbon Footprint certification from the Carbon Trust. Baxter has continued the global marketing rollout of FLEXBUMIN [Albumin (Human)] – the first and only albumin in a flexible, plastic container – which is the world's first medical product to receive Carbon Footprint certification from the Carbon Trust (in 2009, re-certified in early 2012).

[Learn more](#)



2011 PROGRESS

Baxter is committed to enhancing animal welfare through the 3Rs — replacement, reduction and refinement. In 2011, Baxter further reduced the number of animals used in quality testing of certain biotherapeutic drugs and vaccines. The company also increased the amount of information collected per animal that reduced the number of animals necessary to fulfill specific regulatory requirements.

[Learn more](#)



Our People



Our Operations & Products



Our World

As a global healthcare company focused on innovation, Baxter embraces the opportunity to help solve the world's greatest healthcare challenges. Focus areas include increasing access to healthcare for those in need as well as promoting math and science education to better prepare the next generation of innovators.



Baxter Will Strengthen Access to Healthcare through Product Development and Strategic Product Donations

2015 GOAL

Create a new business model to improve access to healthcare for the "base of the pyramid" (developing economies).

2015 GOAL

Work with donor partners to develop and implement a strategic product donation plan beginning in 2010 that includes: being the first on the scene following disasters and tragedies, contributing most needed products to stabilize supply, and contributing most needed products in least developed and developing economies.

2011 PROGRESS

Representatives from the organization Enterprise for a Sustainable World interviewed Baxter business leaders from around the world to understand where and how the company is currently selling products in regions with high base of the pyramid¹ (BoP) representation or has technology well suited for use in the BoP, and also began a review of Baxter's emerging technology portfolio.

[Learn more](#)

2011 PROGRESS

Baxter continued working with AmeriCares and Direct Relief International to pre-position products so they are available for emergencies as well as to meet ongoing needs in underserved communities. The company shipped products with long shelf lives to aid partners in the first and fourth quarters of 2011. These proactive strategic donations helped facilitate timely support to 75 countries.

[Learn more](#)



Contributions
Data



Contributions
Map

¹"Base of the pyramid" refers to the approximately 4 billion people worldwide who each live on less than \$1,500 annually and have limited access to the healthcare market.

Baxter Will Strengthen the Company's Commitment to Education, Especially Math and Science

2015 GOAL

Facilitate learning of math and science through biotechnology education for Chicago Public Schools teachers and students, and partner with other educational organizations to provide similar opportunities in other locations.

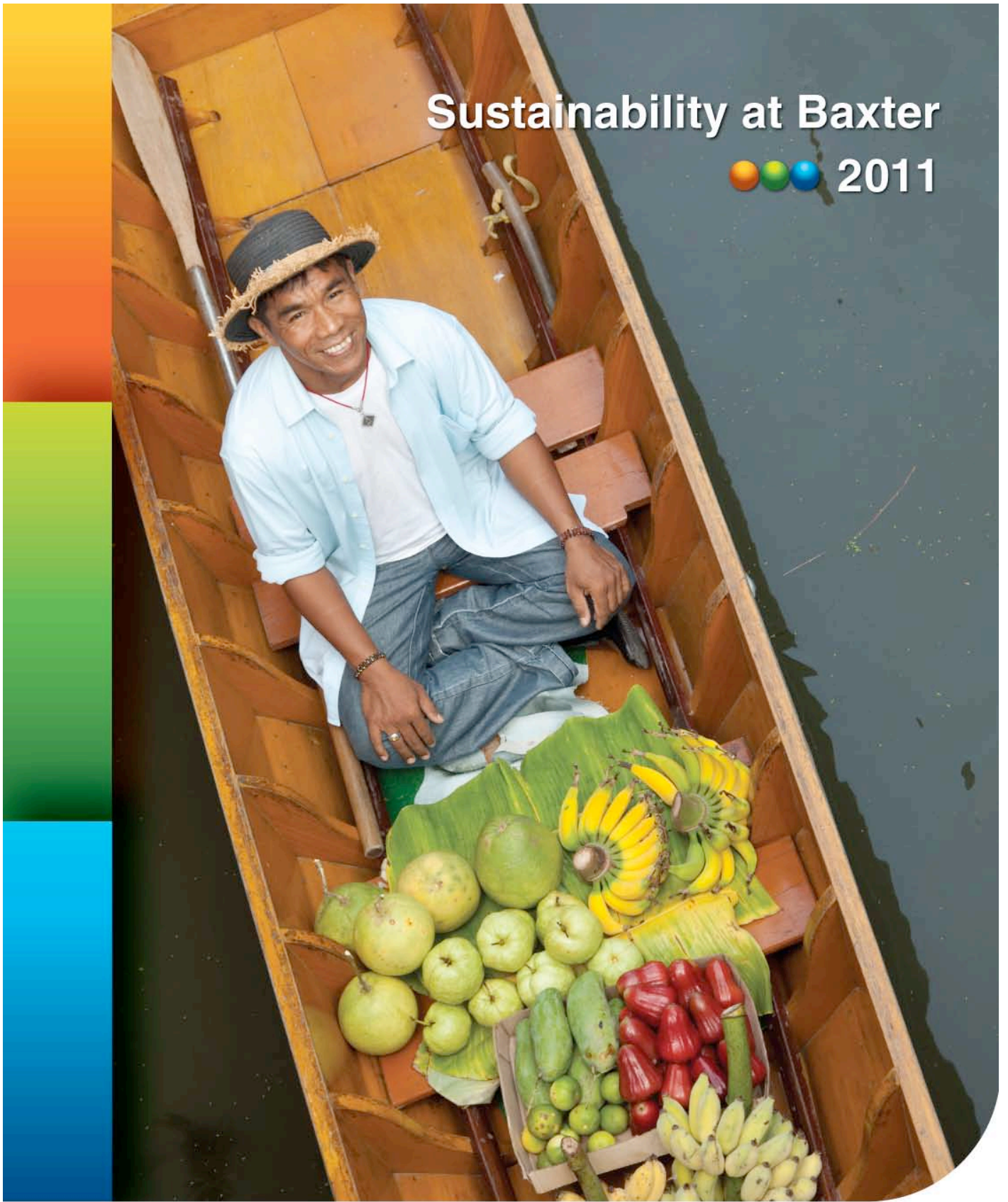
2011 PROGRESS

In the 2010-2011 school year, the Science@Work: Expanding Minds with Real-World Science program, a multi-year commitment to Chicago Public Schools, reached nearly 14,000 students and almost 150 teachers in 55 schools through the provision of in-depth biotechnology teacher training and module lesson plans (and a total of more than 45,000 students and 530 teachers in more than 150 schools since 2008). Baxter also contributed to several other educational initiatives during the year, in Chicago and in other locations.

[Learn more](#)

Sustainability at Baxter

2011



Governance, Ethics and Compliance

Baxter

Governance, Ethics and Compliance



Francesco Calcagni (left), regional account manager for Baxter's BioScience business in Italy, confers with Professor Gianluigi Melotti of Sant' Agostino-Estense Hospital about Baxter's biosurgery products. Maintaining high ethical standards in interacting with customers is among the topics covered in Baxter's Code of Conduct.

As a global healthcare company operating in more than 100 countries, Baxter is committed to effective corporate governance, adherence to the law, and a culture of ethics and compliance throughout the organization.

In 1995, Baxter became one of the first companies to adopt formal corporate governance guidelines. These guidelines address the operation of Baxter's board of directors and board committees, which in turn govern the management of the company and represent shareholder interests. At Baxter, re-examining the company's practices and setting new standards is an ongoing process. Today's corporate governance guidelines reflect this evolution.

Baxter's Ethics and Compliance team works closely with operating and legal teams based regionally in Baxter's businesses to ensure that the company's activities adhere to applicable laws and to company policies. The organization offers numerous channels to educate and counsel employees as well as confidential avenues to report alleged violations of law and policy, which it investigates promptly and reports to senior management as appropriate.

This section covers the following topics:

- Corporate Governance
- Codes and Standards
- Ethics and Compliance Structure and Programs
- Communication and Guidance

Corporate Governance

Baxter is operated under the direction of the company's board of directors. In 2011, 11 independent directors and Baxter's chief executive officer (CEO) comprised the company's 12-person board.

Baxter's CEO also serves as the chairman of the board. The board believes this provides a single vision for the company and results in an efficient and effective organizational structure.

The board also annually appoints an independent lead director, who presides at executive sessions of the board and serves as a liaison between the other independent directors and the chairman. The lead director also reviews meeting agendas, works with the chairman to facilitate timely and appropriate information flow to the board, and serves as the contact person for interested parties to communicate directly with the independent members of the board.

Baxter has long adhered to principles designed to ensure effective corporate governance. Since 1995, the board has had in place corporate governance guidelines that address the operation of the board and its committees, strategic and succession planning, and director qualifications, independence and compensation.

Baxter's board has six committees: Audit, Compensation, Corporate Governance, Finance, Public Policy, and Science and Technology. Each is made up of independent directors and has the authority to obtain advice or assistance from outside experts, as the committee deems appropriate. The roles of these committees are described in the following table. Click on each link to view more detail, including a list of current members.

Audit Committee	Focuses on the integrity of Baxter's financial statements, system of internal accounting controls, the internal and external audit process, and the process for monitoring compliance with laws and regulations.
Compensation Committee	Exercises the authority of the board relating to employee benefit and equity-based plans and the compensation of the company's officers.
Corporate Governance Committee	Assists and advises the board on director nominations, corporate governance, and general board organization and planning matters.
Finance Committee	Assists the board in fulfilling its responsibilities in connection with the company's financial affairs, including overseeing financial proposals, capital expenditures, acquisitions, divestitures, dividend proposals, share repurchases, management of pension assets, financial policies and other financial actions.
Public Policy Committee	Assists the board in fulfilling its oversight responsibilities with respect to legal, regulatory and other compliance matters, and advises the board with respect to Baxter's responsibilities as a global corporate citizen, including the range of topics discussed in this report. The committee annually reviews the company's sustainability initiatives, including with respect to the spectrum of topics discussed in this report, and reports on these activities to the full board.
Science and Technology Committee	Reviews and assists in the oversight of Baxter's long-term research and development ("R&D") strategies and objectives, R&D pipeline and significant technology platforms; evaluates emerging issues and trends in science and technology that may affect the company's overall business strategy.

The board meets in executive session at each regularly scheduled meeting, and convened eight times in 2011. Board committees held a total of 34 meetings in 2011. Average attendance was approximately 95% across all board and board committee meetings. View more information on the board's activities and responsibilities.

The board considers candidates for director recommended by shareholders, board members, management and an independent search firm retained by the board to help identify and evaluate potential director nominees. The board evaluates all candidates in the same manner regardless of the source of recommendation. Directors are selected on the basis of talent and experience. The selection process takes into account diversity of background, including gender, race, ethnic or geographic origin, age and experience (in fields such as business, government and education as well as healthcare, science and technology). A nominee's ability to meet the independence criteria established by the New York Stock Exchange is also a factor in the selection process.

Executive Compensation

Baxter's executive compensation program is designed to recognize company and individual performance, drive the long-term financial performance of the company (and in doing so, encourage innovation and appropriate levels of risk-taking), and reflect the value of each officer's position in the market and within the company. Baxter's executive officers are compensated in a manner that is consistent with these principles, aligns the interests of management and shareholders, and drives sustained and superior performance relative to the company's peers. The program is also designed to be competitive with companies with which Baxter competes for executive talent in order to attract, retain and motivate high-performing executives. See Baxter's 2012 Proxy Statement for more detail.

Demonstrating its commitment in this area, the board adopted an executive compensation recoupment policy in February 2009. This policy allows the board to take any actions it deems appropriate with respect to executive incentive compensation following any restatement of the company's financial results that requires an amendment to previously filed results, or if an officer violates a restrictive covenant in any agreement between the company and the officer.

Stock Ownership Guidelines for Executive Officers and Board Members

To further align the interests of directors and management with shareholders, Baxter requires its executive officers and directors to own Baxter stock. Baxter's CEO is required to achieve ownership of Baxter common stock valued at six times annual base salary. Each of the other executive officers is required to achieve ownership of Baxter common stock valued at four times annual base salary within five years of becoming an executive officer. Each director is to hold Baxter common stock equal to five times annual cash retainer after five years of board service.

Communicating with the Board of Directors

Shareholders and other interested parties may communicate directly with any of Baxter's directors by emailing boardofdirectors@baxter.com or writing a letter to Baxter Director c/o Corporate Secretary, Baxter International Inc., One Baxter Parkway, Deerfield, Illinois 60015. Baxter's Corporate Secretary will forward communications directly to the lead director, unless a different director is specified.

Codes and Standards

Code of Conduct

Baxter's Codes and Standards are designed for employees and also extend to the company's relationships with suppliers, healthcare practitioners, medical institutions and patient organizations.

Baxter's Code of Conduct defines the core principles that govern employee behavior at Baxter and how the company conducts its business. The Code applies to Baxter's board of directors, and all of its employees including the company's chief executive officer and other senior management. It builds on Baxter's long-standing commitment to leadership in ethical business practices, covering topics such as protection and use of company assets, accurate recordkeeping, competitive and confidential information, sales and marketing practices, anticorruption, insider trading, bioethics, conflicts of interest, gifts and trade compliance. The Code's user-friendly format includes questions and answers, decision guides and lists of additional resources available to employees to help maintain a culture of integrity throughout Baxter.

As Baxter expands its global presence, the company has increased the number of languages in which its Code of Conduct is available. In 2011, Baxter translated the Code into Slovenian, for a total of 22 languages.

All new Baxter employees receive Code of Conduct training within the first three months of employment. Baxter's corporate policies support the Code by defining Baxter's intentions, setting behavioral expectations and requiring certain actions with respect to particular topics. A comprehensive Intranet site provides employees with additional information on corporate policies.

Baxter's Code of Conduct reflects evolving regulations and stakeholder expectations governing industry practices, and also extends to the company's relationships with healthcare professionals, medical institutions and patient organizations globally. This includes Baxter's Global Anticorruption Policy, which covers how the company's employees, contractors, agents and third parties conduct themselves with government officials. In addition, the Code requires the prompt reporting of suggested misconduct and outlines the consequences of failure to comply with applicable laws or Baxter's policies and procedures. Baxter provides ongoing training and a Code of Conduct website to keep employees up to date on the company's ethics and compliance policies, topic-specific training and other tools and resources.

Standards for Baxter Suppliers

The company's Ethics and Compliance Standards for Baxter Suppliers is designed to ensure that all Baxter suppliers also comply with the company's Code of Conduct. These standards, translated into 20 languages, define policies and set common expectations about ethical behavior when doing business with Baxter. They also define the expected conduct when working for or on behalf of Baxter and are a formal part of standard Baxter supplier agreements. Baxter's Purchasing and Supplier Management group evaluates and approves all key suppliers before any materials, components, products or services may be purchased. Suppliers must agree to abide by these standards which are incorporated into supplier agreements, to conduct business with Baxter (see Managing Supplier Performance for more information). Additionally, the Baxter Supplier Quality Standard specifically addresses sustainability issues, including indentured and child labor, employment standards, waste and energy reduction, and ethics.

In addition to the standards described above, Baxter has adopted other professional codes of ethics, including:

- AdvaMed Code of Ethics on Interactions with Health Care Professionals;

- Ethics & Compliance Officer Association (ECOA) Standards of Conduct for Business Ethics and Compliance Professionals;
- European Federation of Pharmaceutical Industries and Associations (EFPIA) Code of Practice on Relationships with Patient Organizations;
- Institute for Supply Management (ISM) Principles and Standards of Ethical Supply Management Conduct;
- Professional Society of Engineers Code of Ethics for Engineers;
- Regulatory Affairs Professionals (RAPS) Code of Ethics for Regulatory Affairs Professionals; and
- Society for Corporate Compliance and Ethics (SCCE) Code of Ethics for Compliance and Ethics Professionals.

Ethics and Compliance Structure and Programs

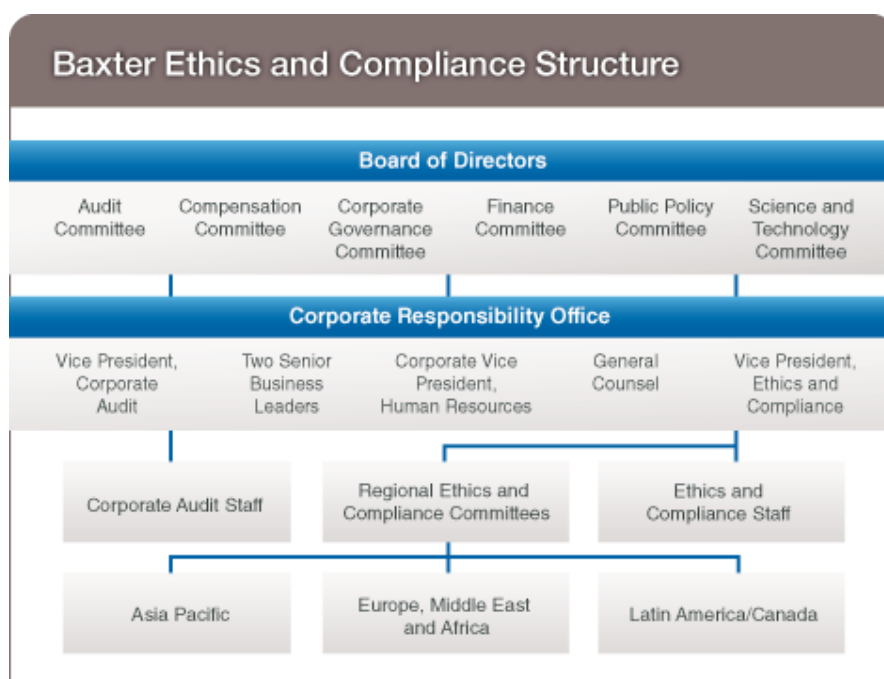
Baxter designed and updates its ethics and compliance structure and programs regularly to reflect the needs of a diversified and complex global healthcare company. Additionally, the company manages a range of programs and activities to help employees make good decisions about appropriate behaviors in the markets in which they operate.

Corporate Responsibility Office

The Corporate Responsibility Office (CRO), established by Baxter's board in 1993 and composed of six senior executives, is responsible for communicating the company's ethics and compliance standards, providing guidance and overseeing training to employees and directors, maintaining multiple channels for employees to report concerns, and monitoring compliance. The CRO, which meets at least every quarter, reports to the board's Public Policy Committee and reports on financial matters to the board's Audit Committee (see graphic). Baxter was one of the first companies to establish a direct reporting relationship between its CRO and its board, ensuring ethics and compliance oversight at the highest level.

The company has since established Regional Ethics and Compliance Committees to implement the CRO's charter globally and enhance corporate understanding of local cultures, values and behavioral norms. Membership in the Regional Ethics and Compliance Committees rotates to ensure broad employee exposure and participation. The company also has dedicated compliance and legal resources in each of its global regions: Asia Pacific, Europe, Middle East and Africa (EMEA), and Latin America and Canada. At the business level, the company also has established similar governance structures for its BioScience and Medical Products businesses, bringing together a cross-functional group of commercial and functional leaders to enhance the effectiveness of Baxter's compliance program.

Corporate Audit conducted six audits (three in EMEA, two in Latin America and Canada, and one in Asia Pacific) that reviewed the implementation status of Baxter's International Interactions with Healthcare Professionals, Medical Institutions and Non-Profit Organizations.



Certificate of Integrity and Compliance

Each year, Baxter requires executives, mid-level supervisors, sales representatives and other selected employees around the world to reaffirm their commitment to the company's ethics and compliance standards by completing and submitting a Certificate of Integrity and Compliance (COIC). The COIC also serves as a reporting document that measures the integration of ethical business practices throughout Baxter. In 2011, more than 14,500 employees who have manager or greater-level responsibilities completed the COIC, which is available in 12 languages.

Legal and Regulatory Compliance Training

Baxter requires employees worldwide to take Web-based training on legal and regulatory compliance. In 2011, more than 37,400 employees completed more than 103,900 e-Learning courses covering areas such as product complaints, pharmacovigilance, adverse-event reporting procedures, workplace violence prevention, data privacy, trade compliance, requirements for selling to the U.S. government, the Foreign Corrupt Practices Act (FCPA), antitrust, intellectual property, and Baxter's ethics and compliance standards. Baxter's Ethics and Compliance group and Legal department also conducted 442 classroom sessions around the world in 2011 to train a total of 13,844 employees on Baxter's ethics and compliance standards and supporting policies.

Also in 2011, Baxter continued to implement its risk-based anticorruption education program to provide awareness-level training to most employees, and more advanced training to employees who regularly interact with government officials and healthcare professionals. In 2011, Baxter conducted more than 300 international anticorruption training sessions, reaching over 9,500 employees in targeted positions, and more than 100 U.S. healthcare compliance training sessions to more than 4,000 employees.

Relationships with Healthcare Professionals and Government Officials

As government spending on healthcare as a percentage of gross domestic product or per capita income has increased in the United States and abroad, governments are seeking ways to reduce pressure on their budgets while maintaining current or improved levels of healthcare delivery. At the same time, healthcare companies face the perception that their marketing programs and R&D and production costs are significant factors in increasing healthcare costs. With this additional scrutiny, companies such as Baxter reinforce the importance of transparent relationships with healthcare professionals. This includes anticorruption programs that work to ensure that those relationships and related payments are for necessary and bona fide services. As a company dedicated to making a meaningful difference in patients' lives, Baxter's integrity in this area is paramount.

Physician Payment Disclosure/Sunshine Act

Beginning in 2013, companies operating in the United States that manufacture covered drugs, devices, biologics and medical supplies will be required to report to the Centers for Medicare and Medicaid Services (CMS) all payments (such as consulting fees, travel and lodging, meals, education grants and royalties) provided to U.S. healthcare professionals (HCPs) and healthcare organizations (HCOs) that total more than \$100. As an example, Baxter makes payments to physicians who serve as investigators in clinical trials and collaborate on other R&D initiatives to compensate them at fair market for needed work done on the company's behalf.

In response to the Sunshine Act, which was passed into law as part of U.S. healthcare reform 2010, Baxter implemented a program to address all applicable requirements and to help ensure compliance. While the U.S. government will disclose the reporting period later in 2012, as of January 1, Baxter started collecting all payments and other transfers of value given to U.S. HCPs and HCOs. Additionally, Baxter has updated all applicable Baxter policies to include mandatory requirements, and all U.S. company employees were required to complete training to understand the law, Baxter's updated systems and policies, and their individual role in ensuring compliance.

International Anticorruption Activities

During 2011, Baxter's Ethics and Compliance team, working closely with other groups and functions in the company, continued to develop additional, innovative tools and approaches to conduct periodic assessments and reviews of Baxter's global operations with regard to key corruption risks. In 2011, Baxter conducted such activities with regards to its operations in Brazil, Colombia and Mexico in Latin America; Australia, China, India, Japan and Taiwan in Asia Pacific; and Czech Republic, France, Greece, Italy, Portugal, Saudi Arabia, Switzerland and Turkey in EMEA. Results of the assessments have shown continued progress in awareness, understanding and implementation of Baxter's anti-corruption programs.

Also in 2011, Baxter continued global execution of its International Anticorruption Third Party Policy, with particular emphasis on business partners who interface with non-US healthcare professionals and government agencies in activities such as, but not limited to the approval, registration, promotion and sales of Baxter's products and therapies.

This multi-faceted program includes a robust process to conduct due diligence on such business partners, as well as to retain and train them with respect to anticorruption laws and Baxter's standards and expectations. The success of the Third Party program relies on extensive, ongoing collaboration between the Ethics and Compliance, Legal and Business teams, as well as externally with Baxter's business partners.

Because anticorruption efforts can be impeded or enhanced by others in the industry, Baxter also is committed to establishing and improving industry codes of conduct and enhancing ethical behavior across the healthcare industry.

In 2011, Baxter continued to work with Eucomed and AdvaMed on a European approach to third party anticorruption efforts, helping to create a standard industry approach. Additionally, Baxter's China ethics and compliance team made progress with the Chinese industry association, RDPAC on advancing an industry-wide ethical sales and marketing code. Industry members of RDPAC would be expected to follow that code of ethics and apply it in their daily interactions with healthcare professionals and government officials. Baxter also continues to evaluate how broader anticorruption initiatives such as the UN Global Compact, World Economic Forum Partnering Against Corruption Initiative or the Organisation for Economic Co-operation and Development Principles may complement the company's approach.

Human Rights

As a global healthcare company that conducts business in more than 100 countries, Baxter respects human rights, dignity and the diverse contributions of all individuals. These comprehensive principles are documented in the United Nations Universal Declaration of Human Rights and are reflected in Baxter's Leadership Expectations, Code of Conduct and, sustainability program, Culture and Shared Values, as well as numerous global policies that set the company's direction. Baxter is committed to fostering human rights across its business. In 2011, in addition to developing Baxter's stand-alone Human Rights Policy, the company worked to integrate these policy principles into its:

- California Transparency in Supply Chains Act of 2010
- Updated Ethics and Compliance Standards for Suppliers
- Agreements with suppliers
- Supplier sustainability survey
- Ethics training for Purchasing and Supplier Management professionals.

Trade Compliance

As part of Baxter's commitment to integrity and compliance in its business relationships, the company revamped and re-launched its global trade compliance policy, identified and trained trade compliance officers globally, and established tools and processes to screen for, and address trade compliance risks. The company also re-launched its Export Control and Economic Sanctions training course. Key employee groups are required to complete this course, which is intended to raise awareness about global export controls and economic sanctions, and their impact on Baxter, its employees and customers. The course also focuses on Baxter's policies and procedures, as well as the responsibility of employees to ensure compliance in this area.

Data Privacy and Security

In the course of business, consumers, patients, plasma donors, healthcare professionals, employees and others share personal information with Baxter. Privacy laws and our global privacy policy, adopted in 2010, require the company to protect this information. The company's policy defines Baxter's privacy standards and ensures that all of the company's global operations follow similar controls for protecting the personal information of Baxter stakeholders. In 2011, all employees in the United States completed an online training course on the policy. As part of a phased approach, employees in other countries will be required to complete the training in 2012.

Baxter's global privacy program includes a Global Privacy Council and a network of Local Privacy Owners (LPOs). The council manages and oversees the protection of personal information companywide while the LPOs are responsible for privacy compliance in their respective countries. Canada, the United States and all countries in Europe had LPOs in place by the end of 2011. The company began to introduce the privacy program in the Asia Pacific and Latin America regions in the latter part of the year as well.

Closely aligned with data privacy is information security. Baxter's Information Technology (IT) Risk Governance Board meets quarterly to ensure appropriate accountability and decision-making relative to IT risks. In 2011, Baxter established a cross-functional Information Governance Council to prioritize organizational response to security, privacy and legal information risks. The company has also established a robust Information Protection program, complete with global policies, organizational awareness and compliance systems, to enforce appropriate use and protection of Baxter information and technology. For example, Baxter deployed an Information Classification and Trade Secret Policy in 2011 that was translated into 14 languages and communicated to and acknowledged by all employees via a mandatory e-training course. In 2012, Baxter is implementing additional security technologies to identify and protect sensitive electronic files and data, while extending its capability to log, monitor and manage information sent via e-mail and other network transit. This investment will help strengthen the company's security capabilities and support its commitment to protect the best interests of customers, employees, management and other stakeholders.

Advertising and Promotion

The U.S. Food and Drug Administration (FDA) and other agencies worldwide regulate the advertising and promotion of pharmaceuticals, medical devices and biologics. Included in FDA's oversight are print and broadcast advertising, websites, press releases, sales brochures, scientific symposia and convention booths, among other promotional materials and activities. Baxter's Advertising and Promotion staff manage the company's compliance with promotional regulations companywide. See Product Use for more detail.

Communication and Compliance

Open communication is at the core of Baxter's commitment to integrity. The organization offers numerous channels to educate and counsel employees as well as confidential avenues to report alleged violations of law and policy, which it investigates promptly and reports to senior management as appropriate. Managers are responsible for maintaining an environment that enables employees to safely raise and discuss issues. Baxter encourages employees to seek guidance and report concerns through a number of formal channels (see graphic). Through these channels, Baxter prevents incidents from occurring and addresses issues when they do arise.



One such channel is the Baxter Ethics and Compliance Helpline, a telephone and Web resource available to employees and their families, suppliers, customers and other stakeholders. Callers can report an issue or seek guidance in their local language. Counselors are available in 150 languages, 24 hours a day, seven days a week.

Baxter Ethics and Compliance Helpline

Phone: 1-877-BAXTER3

Fax: 1-847-948-2867

Web

In 2011, 408 inquiries were logged into the Helpline system and addressed in a prompt, thorough and professional manner.

Not all these inquiries were reports of alleged misconduct or compliance in nature. In all cases, Baxter encourages employees to use the Helpline, COIC process and other channels to ask questions and seek advice. Items identified through these channels also help Ethics and Compliance personnel to identify key risks, develop appropriate training, and design and apply compliance assessment methodologies.

Case Study: Baxter's Regional Presidents Take an Active Role in Ethics and Compliance

Integrity is the foundation of Baxter's long-term success. Every day, Baxter's stakeholders around the world – customers, patients, regulators, investors and employees – count on the company's dedication to ethics and compliance. Baxter is committed to both complying with the law in the more than 100 countries where it operates, as well as driving a culture of ethics and compliance throughout the organization.

As a global healthcare company, this includes strong company and regional leadership that focuses on growing Baxter's business in a way that is consistent with the law and reflects the company's values. Baxter's regional presidents set the tone for ethics and compliance within each region, including setting expectations for how each country leadership team will drive accountability for ethics and compliance in their organizations. Here, they take a moment to talk about how they integrate ethics and compliance into their regional and country commercial teams.



(left to right) Peter Nicklin is the President of Baxter's Europe, Middle East and Africa region; Gerald Lema is the President of Baxter's Asia Pacific region; and Wolf Kupatt is the President of Baxter's Latin America and Canada region.

Wolf Kupatt **President, Latin America and Canada**

"Since joining the Latin America and Canada (LAC) region in 2010, I have made it my personal commitment to reinforce Baxter's culture of integrity and compliance across the region.

We take our ethics and compliance obligations very seriously. In addition to full-time regional compliance counsel, the creation of a regional compliance committee and ongoing educational programs for LAC staff, we are fortifying our compliance efforts at the country level by establishing local compliance committees in every country where we operate. While our LAC regional compliance committee provides high-level, strategic guidance, country committees will play a key role in 'institutionalizing' local compliance under the leadership of country general managers. Country committee members will serve as ambassadors of Baxter's standards and procedures through training, ongoing open communication with fellow employees and their business partners and other efforts.

I truly believe our efforts will provide a solid platform for compliance in LAC and thus help to ensure the sustainability of our country operations."

Gerald Lema **President, Asia Pacific**

"Ethics and compliance has always been an important component of our strategy in Asia Pacific – Executing Today; Building for the Future. We feel a deep sense of pride as we see the results of the efforts we first undertook several years ago. We have a solid compliance framework in place and strong commitment to integrity is clearly visible within the organization. Externally, Baxter is perceived as an industry leader in compliance in various markets.

We are conscious that "compliance" (as defined by U.S. and local laws and industry codes) does not always come naturally to all employees. Asia Pacific has a very diverse culture, legal frameworks and different levels of economic development so we need to provide clear and direct guidance on which activities or actions are compliant and which are not. It requires continuous effort to ensure our employees work according to Baxter's standards according. We consistently drive awareness and encourage open

discussions in cases which are ambiguous. We also conduct innovative training programs to equip employees with the necessary skills and understanding to conduct business the Baxter way. In addition, by integrating compliance into hiring and goal-setting processes, we further enhance fitness and underscore accountability.

As a leadership team in Asia Pacific, we have a strong belief and commitment to continue to grow and to do so only in the right way.”

Peter Nicklin

President, Europe, Middle East and Africa

“The Ethics and Compliance program in the Europe, Middle East and Africa (EMEA) region has become a strong part of our fabric. Indeed, compliance is one of EMEA’s top 10 strategic priorities for 2012. I have worked closely with the leadership teams in each country to not only set the right tone and direction, but to build compliance as a core area of focus and responsibility for leaders within the region.

To help drive local ownership, accountability and actions related to regional compliance, we’ve rolled out a Compliance Dashboard that helps each country in EMEA to identify their most significant compliance challenges and capture related action plans. Further elevating the role of compliance and tying it to performance, each country general manager presents on their section of the dashboard during all business reviews.

We’ve also taken an innovative approach to training. In 2012, we wanted to send a clear message that compliance is a shared responsibility so the compliance training sessions at our regional national sales meetings were led or co-led by either the general manager or senior members of the commercial team. Additionally, I sponsored a ‘Leading for Integrity’ training program for my senior management team, and all general managers and country managing directors to further underscore the critical role they play. They were then charged with identifying two concrete actions for 2012 that would help enhance a culture of compliance.”

Sustainability at Baxter

2011

Employees

Baxter

Employees



Simone von Fircks (left), research and development senior manager, and Irene Kinzl, research scientist, use state of the art imaging technology to select cells used in Baxter therapies at the company's Orth, Austria, facility.

Providing a rewarding place for Baxter's approximately 48,500 employees worldwide to work and develop is a critical component of the company's vision. To help employees realize their full potential, Baxter offers a variety of training and development opportunities as well as comprehensive compensation and benefits. Additionally, the company strives to create an inclusive and diverse work environment that provides employees with the flexibility to manage their work and personal lives.

Baxter's workplace culture is defined by the shared values, competencies and personal attributes that employees need to succeed. With a common understanding of how to approach their work, Baxter employees know what to expect from one another, and how to achieve great results. These Baxter Leadership Expectations apply to every employee, every day and everywhere at Baxter.

This section covers the following topics:

- Talent Management
- Sustainability Education
- Compensation and Benefits
- Measuring Company Culture
- Global Inclusion and Diversity
- Work/Life

View a chart of Baxter's Global Workforce.

Talent Management

To ensure the sustainability of its workforce and to drive a high-performing culture, Baxter focuses on the following areas:

- Leadership Expectations
- Individual and Corporate Goal Alignment
- Succession Planning
- Talent Assessment and Development

Leadership Expectations

The Baxter Leadership Expectations (see graphic), which provide the foundation for the company's culture, outline what the company expects of all employees. This framework includes the following:

- **Shared Values** - the beliefs and standards employees bring to their work;
- **Competencies** - the skills and knowledge necessary to achieve goals; and
- **Personal Attributes** - the characteristics and behaviors that enable employees to succeed at Baxter.

The company integrates these expectations into recruiting, hiring, orientation, performance management, training and development, and assessment.

In 2011, Baxter introduced a global, multi-year effort to drive continuous improvement and accountability to help build a more responsive and flexible organization that can better adapt to the changing macro-economic and global healthcare environment. The effort focuses on re-engineering critical global processes while creating a common culture of continuous improvement and accountability.

Individual and Corporate Goal Alignment

At Baxter, employees and teams align individual and organizational objectives to ensure that everyone is working to achieve company goals. Individuals and teams companywide establish work plans and set specific, measurable targets to help Baxter achieve its goals.

Baxter's global goals focus on six categories:



Succession Planning

To ensure a robust leadership pipeline that meets current and future business needs, the company continually assesses its talent through its succession planning process. The CEO conducts an annual talent review of the company's businesses, regions and functions with the Operations Committee (i.e. senior management) to ensure organizational effectiveness and workforce capability needs are being met. At least annually, the CEO reviews management development and succession planning with the company's Board of Directors. The Board of Directors oversees the succession planning process to ensure it is rigorous and effective and that the company's diversity goals are supported.

The Corporate Governance Committee of the Board oversees succession planning for the CEO.

Talent Development and Assessment

Baxter's talent development philosophy emphasizes having a combination of three elements in order to be an effective manager of others and leader: work experiences, feedback and coaching, and training. The illustration below emphasizes that Baxter places greater emphasis on providing challenging work experiences to its talent, relative to feedback and training, to develop the company's talent.



Baxter believes that development should be:

- A shared responsibility, owned by each employee, his or her manager and Baxter;
- A process and not an event;
- Focused on goals important to both the employee and Baxter;
- Focused on short-term actions as well as long-term career goals; and
- Achieved through work experiences, learning from feedback and relationships, and training.

To assist employees, Baxter provides a practical guide called "Your Career Development at Baxter." Managers are trained to use this guide - available in 15 languages - for career planning conversations with their employees.

Baxter provides a wide variety of training and development resources for employees to apply to their current role and develop in their career development through ISOtrain, the company's global training system. ISOtrain provides a course catalog of greater than 25,000 computer based and classroom offerings on topics such as Food and Drug Administration regulations, Good Manufacturing Practice guidelines and job specific skills. In 2011, employees globally completed nearly 3 million hours of training, an average of 54 hours per employee.

Baxter's learning management system and Performance and Career Intranet site provide comprehensive information about performance expectations and goals, development, training and jobs at Baxter. Online learning is available to all employees, with courses offered in up to 20 languages. More than 650 e-Learning programs, including courses offered through ISOtrain, cover topics such as Baxter processes, systems and products; quality; leadership and career development; PC skills; environment, health and safety; pharmacovigilance; project management; and communication. Employees completed more than 194,000 e-Learning courses in 2011. Additionally, in 2011, all employees completed a mandatory inclusion awareness course. Also see Ethics and Compliance for information on legal and regulatory compliance training.

In addition to offering talent development training, Baxter is continually enhancing its employee performance assessment process. Managers review employee performance annually against their established goals as well as the Baxter Leadership Expectations, and individual performance contributes to differentiated rewards (see Compensation and Benefits). Mid-year reviews also are encouraged. In addition to these formal reviews, the company encourages managers to provide employees with ongoing coaching and feedback. As part of the annual performance review process, both employee and manager identify strengths and development areas and then conduct ongoing discussions throughout the year. Voluntary employee turnover in 2011 was 10.3% globally.

Top Talent Development

In 2011, Baxter introduced its Leadership Powerhouse program for top talent who hold critical leadership roles at the company. Developed in partnership with Harvard University, the program enables participants to interact with thought leaders and experts from Harvard and Baxter, to analyze and discuss business cases and learn from colleagues. This unique program focuses on a variety of topics from strategic thinking and decision making to creating an innovative culture and driving accountability. It also leverages a web portal for reading assignments, case studies, webinars and online discussions. In 2011, 54 Baxter leaders participated.

Training for Managers

Baxter also provides managers and supervisors with the tools and techniques to be effective leaders. The company's Management Essentials training curriculum helps managers and supervisors develop and refine skills related to accountability, career and development planning, change management, coaching and feedback, communication, critical thinking and problem solving,

facilitation, interviewing, and managing conflict and performance. During 2011, 2,841 managers completed at least one Management Essentials course.

As managers progress from supervising individuals to leading teams, they face new challenges and demands. In 2011, Baxter held 11 sessions of Leading for Results, a program for experienced managers and directors introduced in 2009. It consists of live workshops, online courses and webinars to address aspects of the Baxter Leadership Expectations, including business acumen, motivating and developing others, critical thinking and problem solving, and communication. During 2011, 156 employees completed at least one Leading for Results course.

To help employees develop mentoring relationships, share experiences and transfer career-related knowledge, in 2009, Baxter introduced a global online employee mentoring program, which helps connect mentors and mentees based on their customized profiles. Participants also receive resources, tools and guidance to support the mentoring relationships. As of year-end 2011, over 1,300 employees have enrolled. In 2011, Baxter's BioScience and Medical Products businesses launched the Women & Ethnic Minority Mentoring program, a diversity-driven mentoring program to accelerate the upward movement of director level and above top talent women and minorities. The program matches mentees with senior leaders from their respective business.

Employee Perspective

“When it comes to my career development, even after 14 years, Baxter continues to provide me with fantastic opportunities to apply my skills, and to learn and develop new skills. What I find most rewarding is that I'm expected to be a leader at Baxter, regardless of the function or role I am in.”

Hannah, Information Technology Manager, Los Angeles, California

Sustainability Education

To achieve Baxter's sustainability goals, the company works to educate and engage employees in its sustainability initiatives. In Baxter's 2011 Culture of Survey, 77% of employees worldwide indicated that the company's sustainability programs were important to them. The Sustainability Steering Committee reviews survey results to assess progress and identify opportunities for improvement in programs related to the environment, health and safety, inclusion, ethics and compliance, and other areas.

Baxter engages and communicates with employees about its sustainability efforts through various channels, including:

- Quarterly all-employee webcasts during which CEO Bob Parkinson discusses sustainability;
- Regular internal communications about sustainability practices at the company worldwide;
- A sustainability Intranet site that provides a portal for employees to provide feedback and ask questions about sustainability, including company sustainability success stories and tips and other tools to help engage employees on the company's sustainability priorities
- A toolkit to help employees communicate about sustainability including posters, website banners, template cover letters, fact sheets and a PowerPoint presentation:
- The Baxter 2011 Sustainability Priorities Report that will be available in several languages;
- Quarterly press releases highlighting achievements posted throughout facilities;
- Recruitment information and new hire orientation sessions and packets include sustainability-related information;
- Sponsored events about environmental initiatives and healthy living through Baxter World Environment Week, and BeWell@Baxter;
- Volunteering to address local concerns such as healthcare and education; and
- Baxter's Environment, Health and Safety department partners with the Baxter Credit Union to offer rebates on purchases that support energy conservation such as hybrid cars and energy efficient appliances to educate employees about the benefits of environmentally-minded purchases.

See Employee Involvement for more information.

Employee Perspective

I'm fortunate to say that my role within Baxter does indeed contribute to a greater good. Every day, I help provide guidance to the company and its employees who seek to do business with high integrity and in compliance with the law. I feel privileged to work for a company that's considered to be a leader in sustainability.

Peter, Senior Counsel, Deerfield, Illinois, United States

Compensation and Benefits

A critical component of Baxter's vision is to be a rewarding place to work and develop. Central to this commitment, Baxter provides its employees with comprehensive compensation and benefits programs. The company's global total compensation philosophy is to provide market-competitive pay and benefits while rewarding employees for strong individual and business performance.

Baxter's total compensation package includes base salary and may include incentive pay, such as cash bonuses and stock-based compensation. It also includes comprehensive benefits, which vary by region and country, to help employees meet their healthcare, income-protection, financial, retirement and time-off needs. Through the Employee Stock Purchase Plan (ESPP), Baxter employees can share in the company's growth. The ESPP allows employees to purchase Baxter common stock each month at a 15% discount through convenient payroll deductions with no brokerage fees, subject to certain limitations.

As part of Baxter's commitment to employee health and wellness both on the job and at home, Baxter offers many programs and resources to help employees meet their personal goals and family needs (see Work/Life). BeWell@Baxter, the company's health and wellness effort, is designed to help employees stay well through education and prevention, take action to make healthy lifestyle changes and deal with chronic or acute conditions.

Executive Pay

The Compensation Committee of Baxter's board of directors, which consists solely of independent, non-employee directors, determines executive officer compensation each year based on an assessment of competitive compensation market data, business conditions and company and individual performance. See Baxter's 2012 Proxy Statement for more details.

Measuring Company Culture

Every two years, Baxter conducts a companywide survey to gather employee feedback about what is going well and where the company needs to make improvements. Approximately 89% of Baxter's employees worldwide completed the company's most recent survey in 2011, matching the 2009 response rate. The survey was administered in 17 languages in electronic and paper formats. In line with prior survey results, the company's dedication to quality products and customer focus remain the highest-scoring areas.



Based on the 2011 survey results, Baxter identified the following areas for improvement:

Continuous improvement: Employee feedback reinforced the importance of the company's 2011 effort to drive continuous improvement and accountability. Continuous improvement and accountability are at the core of Baxter's effort to build a culture where every employee is continuously evaluating how they can be more efficient and effective in their work. As part of this, Baxter introduced a formalized, standard approach for employees across the company to solve business problems.

Clarity Around Strategy and Innovations: Employees provided feedback that they want more clarity about the company's strategy as well as more information about what Baxter is doing to drive innovation. The company is focusing on strategy and innovation in more depth in a variety of internal communication channels.

Global Inclusion: While Baxter has shown improvement in this area compared to 2009, global inclusion continues to be a focus area for the company. In addition to activities underway currently resulting from local business, region and function inclusion plans, Baxter

has introduced a mandatory five-hour instructor-led workshop for all managers and supervisors. A phased global launch of this training workshop is planned for 2012. Learn more.

Employee Perspective

Baxter is a great fit for me because each day brings new challenges and opportunities that help me grow personally and professionally. I believe that through our collective efforts, Baxter's legacy of helping save and sustain the lives of millions of people globally will continue to flourish. That's what I want my career to be about and that's why I've chosen Baxter.

Will, Senior Marketing Manager, Deerfield, Illinois, United States

Global Inclusion and Diversity

Although having a diverse employee population (for example, in terms of age, gender, sexual orientation, race, ethnicity or religion) is essential, diversity alone does not ensure an inclusive culture. An inclusive organization must also have policies, programs, processes and systems in place that engender respect and enable all employees to work together effectively.

Baxter believes that an inclusive culture and a diverse workforce can contribute to the success and sustainability of the company by driving innovation and creating trusted relationships with employees, customers, suppliers and community partners. This thinking forms the foundation of Baxter's global inclusion and diversity strategy, which is directly linked to one of the company's shared values – respect for individuals and the diverse contributions of all. In addition to helping the company attract, motivate and retain a globally diverse workforce, Baxter's focus in this area will help the company understand and address the diverse needs of our employees, customers and their patients. Baxter's global inclusion and diversity strategy focuses on four key areas:

- **Workforce** - building a globally diverse organization;
- **Workplace** - creating an inclusive culture in which diversity is valued;
- **Communities** - building partnerships with community-based organizations that embrace and support diverse stakeholder groups; and
- **Marketplace** - creating competitive advantage by promoting Baxter's commitment to inclusion through its brand, customers and supplier relationships.

Learn more about Baxter's programs and progress in the following areas:

- Global Inclusion Council
- Inclusion and Diversity Training
- Business Resource Groups
- 2011 Business and Regional Initiatives
- Fair and Equal Opportunity for All Employees
- Supplier Diversity
- Awards

Global Inclusion Council

Baxter's Global Inclusion Council, which was established in 2008 provides thought leadership, guidance and support to enhance the company's inclusive culture. In collaboration with the Global Inclusion Council, businesses, regions and functions globally have developed local inclusion plans. These plans incorporate Baxter-wide opportunities, in addition to addressing their unique inclusion priorities and requirements. This customized approach recognizes that there are unique needs in different geographies. Baxter believes this two-pronged approach will drive the sustainability of the company's inclusion and diversity focus.

The Council's executive sponsor is Baxter's Chief Science and Innovation Officer Dr. Norbert Riedel. "In an increasingly competitive global environment, our strong focus on inclusion and diversity is a critical element to our success and sustainability. Inclusion and diversity enhance our business performance," Dr. Riedel says. The Council works closely with the Human Resources Leadership Team and Baxter's Sustainability Steering Committee, which ensures alignment and support among the company's senior leadership.

Inclusion and Diversity Training

In 2011, all Baxter employees completed a companywide training designed to educate employees on how they can contribute to an inclusive culture at Baxter. As a follow-up, Baxter piloted 'The Power of Managing Inclusively', a five-hour instructor-led, mandatory workshop for all managers, supervisors and above. A phased global roll-out launched in early 2012.

Also in 2011, Baxter asked all employees to take personal accountability for enhancing the company's culture of inclusion and required employees to add an inclusion goal in their individual goals for the year. All of Baxter's senior executives included a goal focused on improving gender and/or ethnic minority representation and developing a more inclusive work environment in their annual performance plans, demonstrating a strong commitment to inclusion and diversity from the top down.

Business Resource Groups

Business Resource Groups (BRGs) provide a forum for employees to share knowledge and ideas while embracing the unique backgrounds and perspectives of all participants. These groups support Baxter's business goals and aim to enhance personal growth and multicultural understanding, while strengthening relationships among employees and with customers, partners and community partners. In 2011, Baxter established two BRGs, "Building Women Leaders" and "Latinos@Baxter." Baxter's Europe, Middle East and Africa (EMEA) region also established the "Female Talent Matters" BRG.

2011 Business and Regional Initiatives

- Baxter's BioScience business sponsored "Women in Lifetime Leadership (W.I.L.L.)", a program to support the advancement of women across the business globally. This development program helps women develop key skills for leadership roles, build high-impact networks and learn from networking experiences. Also, Baxter's BioScience and Medical Products businesses launched the Women & Ethnic Minority Mentoring program, a diversity-driven mentoring program to accelerate the upward movement of director level and above top talent women and minorities. The program matches mentees with senior leaders from their respective business.
- Baxter's EMEA region formally documented its inclusion and diversity charter, created a detailed three-year plan, and secured region and country leadership commitment. The charter, which was signed by the regional president and senior leaders across the region, is prominently displayed in the lobbies of each country location. A strong cross-regional and cross-functional inclusion network represents the various countries within EMEA. In 2011, the region also led roundtable meetings with employees from all EMEA countries to incorporate employee feedback into its flexible work arrangements framework that will be rolled out in 2012.
- Baxter's Asia Pacific region continued its focus on the Building Talent Edge initiative, which aims to create a gender balance in critical leadership positions across 14 countries where Baxter operates. The company received the 2012 J-Win Diversity Award, which honor companies that proactively drive diversity and inclusion, for the company's 2011 efforts in Japan. These included developing various programs for women, including with a focus on mentoring and working mothers. During the year, Baxter Japan also launched an alternate work arrangement program designed to promote work/life flexibility. In Australia, the Australian government's Equal Opportunity for Women in the Workplace Agency (EOWA) recognized Baxter with the Employer of Choice for Women citation in March 2012. The EOWA publicly acknowledges organizations for their efforts in making gender diversity a strategic imperative, promoting flexible working arrangements, ensuring men and women can access opportunities to develop their careers, and ensuring gender pay equity.

Fair and Equal Opportunity for All Employees

Baxter is committed to fair and equal opportunity for all employees, and recognizes that every individual's unique background and experiences contribute to a successful organization.

Discrimination in hiring, promotion and all other employment decisions on the basis of race, color, religion, gender, national origin, age, disability, sexual orientation, veteran status or any other basis protected by federal, state or local laws is prohibited. Baxter's global operations comply with applicable laws and company business standards around the world. Employees are encouraged to raise any issues or concerns they might have through one of the channels outlined in the company's "Prohibition of Workplace Harassment" policy.

The tables below illustrate Baxter's ethnic and gender diversity at various levels in the company.

Board and Executive Leadership Diversity					
	2007	2008	2009	2010	2011
Ethnic (% non-white of total)					
Board of Directors	7.7%	7.7%	7.7%	7.7%	8.3%
Executive Management*	5.8%	11.1%	11.1%	17.7%	11.8%
Gender (% female of total)					
Board of Directors	15.4%	15.4%	15.4%	15.4%	16.7%
Executive Management*	29.4%	27.8%	27.8%	17.6%	17.6%

*The data set of Executive Management has been expanded to align with Executive Management listed in Baxter's Annual Report on Form 10-K filing with the U.S. Securities and Exchange Commission. The figures have been restated for each year listed.

Gender Diversity at Baxter (% Female Globally)					
	2007	2008	2009	2010	2011*
Vice President and Above	17.7%	18.5%	19.2%	19.8%	21.5%
Supervisor/Director	47.7%	48.1%	48.5%	47.8%	48.0%
Non-Manager	56.4%	56.3%	55.8%	55.4%	54.1%
Overall	52.7%	52.8%	52.5%	51.9%	51.3%

*2009, 2010 and 2011 figures do not include Baxter Credit Union employees, which were approximately 0.1% of the total population.

Supplier Diversity

Baxter works to develop mutually beneficial relationships with small and diverse suppliers. The company plans to continue expanding the diversity of its supplier base to reflect the demographics of Baxter's customers. See Supplier Diversity for more information.

<http://sustainability.baxter.com/employees/global-inclusion-diversity.html>

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Awards

Several leading organizations have recognized Baxter for its 2011 inclusion and diversity efforts:

- Great Place to Work – Best Multinational Workplaces in Europe
- Great Place to Work in Austria – Great Places to Work Institute
- Great Place to Work in France – Great Places to Work Institute
- Great Place to Work in Ireland – Great Places to Work Institute
- Great Place to Work in Portugal – Great Places to Work Institute
- J-Win Diversity Award – Japan
- Top 50 Employers – Equal Opportunity Magazine

[Click here for a comprehensive list.](#)

Employee Perspective

"It is very rewarding to know that the work I do contributes to Baxter's mission. I work with a diverse group of people who share the common goal of improving healthcare for everyone. As a manager, I'm directly involved with evaluation and qualification of materials used in Baxter products. My team has tested virtually every Baxter product currently on the market to help ensure our products are safe. Our innovative approach to working with patients and doctors to understand how our products are used helps us to develop products that improve patients' quality of life."

*Deborah, Research Manager II, Research, Round Lake, Illinois,
United States*

Work/Life

Baxter believes that managers and employees share the responsibility to achieve a healthy blend of work, personal and family life.

Baxter's global operations collaborate with external organizations, as appropriate, to develop and facilitate work/life programs. While some of the programs and resources listed below are available globally, all are available in the United States:

- Adoption assistance and reimbursement;
- Back-up/emergency child and elder care;
- Dependent-care flexible spending accounts;
- Educational assistance;
- Employee assistance and counseling programs;
- Elder-care management services;
- Lactation rooms;
- Resource and community referrals to local service providers for family, financial and work issues;
- Childcare support options;
- Webinars on topics such as stress management and parenting (in English but offered worldwide); and
- Alternate work arrangements.

More than 25 percent of eligible employees (regular employees working at least 20 hours a week) used one or more of these programs in 2011. Baxter estimates conservatively that it realizes more than \$1.60 of benefit for every dollar invested in work/life programs through reduced absenteeism and enhanced productivity. This estimate is based on employee surveys and program utilization data to compare the value of estimated employee time saved to the total cost of the program.

Alternate Work Arrangements

Alternate work arrangements help to meet employees' needs for flexibility while continuing to achieve Baxter's business goals. The company's Alternate Work Arrangement Proposal Kit assists employees and managers in reviewing the steps required for proposing and reviewing requests for flexibility within the scope of an existing position.

Determining the most appropriate alternate work arrangement typically takes the following into consideration:

- The requirements of the job;
- The employee's personal needs;
- The needs and goals of the business overall; and
- The employee's satisfactory work performance.

Employee Perspective

"I joined Baxter while completing my master's degree in physics. I received a friendly welcome, on-the-job training and a work schedule that was very accommodating to my intense research schedule. What I've discovered is that there are a number of ways to be creative and contribute at Baxter. There's an atmosphere of inclusion, where everyone's ideas are valued and respected."

Michael, Senior Plasma Center Technician, BioLife Plasma Services, DeKalb, Illinois, United States

Case Study: Health Promotion and Disease Prevention in Minority Communities

Baxter has several programs in place to reach minority communities about disease prevention and education.

Baxter translates many of its tools and resources for patients in the U.S. into Spanish and other languages. The company's Hemophilia franchise also employs bilingual healthcare educators, a team dedicated to bridging language and cultural gaps through collaboration with Spanish speaking patients, caregivers, hemophilia treatment centers and advocacy chapters. Provision of educational programs and materials in a patient's preferred language that are also linguistically and culturally appropriate improves patients understanding and management of their health condition and minimizes health disparities, often common in minority populations. Also, in clinical trials Baxter strives to include a diverse patient group as appropriate to represent the makeup and diversity of the larger population.

Additionally, Baxter's U.S. Government Affairs and Public Policy (GAPP) group has a dedicated program for minority outreach designed for both elected officials as well as a network of community coalitions whose mission is health promotion and disease prevention in minority communities. In 2011, U.S. GAPP and Baxter's BioScience business collaborated with the National Association of Latino Elected Officials (NALEO) in the first public-private webinar to educate policy leaders on the company's Facts First program – a Hispanic bilingual education program for hemophilia patients and their families. Also through this partnership, NALEO's board member, Councilwoman Michele Martinez spoke at the Hemophilia Bilingual Education program sponsored by the Children's Hospital Los Angeles in October as part of a Hispanic Heritage month celebration. Approximately 200 hemophilia patients and their families attended the event.

The U.S. GAPP group, partnering with Baxter's Medical Products business, also worked with members of the Congressional Black Caucus in four congressional districts with high African American representation to present "Know Your Treatment Options" to patients with end stage renal disease (ESRD) at community health fairs. These education seminars, attended by more than 750 people, supported ESRD patients to choose the most appropriate therapy, including peritoneal dialysis (PD).

Sustainability at Baxter

2011

Environment, Health and Safety

Baxter

Environment, Health and Safety



Employees at Baxter's Manesar, India, facility plant trees as part of a volunteer event for Baxter World Environment Week, an annual initiative aimed at engaging and educating employees on environmental sustainability.



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Baxter's Environment, Health and Safety (EHS) organization manages and coordinates global programs and activities to reduce the company's environmental impacts, to create safe and healthy workplaces, and to advance product stewardship across Baxter.

This reporting year marks the first year of performance against the company's EHS 2015 goals, which are integrated into the company's overarching sustainability priorities.

EHS results from 2011 include the following:

- Baxter reduced energy usage by 24% and associated greenhouse gas emissions by 34% since 2005, both indexed to revenue. During that period, global energy management initiatives have achieved cumulative savings of approximately \$39 million on an annualized basis.
- The company reduced waste generation 11% compared to 2005, indexed to revenue. A product recall in the Europe, Middle East and Africa region resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the 2011 total. Excluding this waste, Baxter would have achieved a 23% decrease indexed to revenue compared to 2005.
- Baxter reduced water usage by 6% in absolute terms and 33% indexed to revenue since 2005.
- Compared to 2010, Baxter improved its recordable case rate by 5% and its cases with days lost rate by 6%. However, the company's days lost rate rose by 20%. The increase was primarily due to a small number of serious injuries with extensive lost time.

Internal Partnerships

The EHS organization works with a wide range of groups internally to enhance Baxter's EHS capabilities and performance, such as Corporate Communications, the Device Center of Excellence, executive and facility management, Human Resources, Purchasing and Supplier Management, and others. These partnerships are crucial to helping Baxter achieve progress against its EHS-related sustainability priorities and overcome the related challenges it faces, such as waste reduction.

See [Internal EHS Partnerships: Collaborating to Advance Sustainability](#).

Scope of Baxter EHS Reporting

The environmental data included in this report are based on 100 reporting locations, of which 53 are manufacturing, 18 are warehouse and nonmanufacturing, and 29 are administrative, clerical or other. Several of the reporting units comprise multiple locations that report as a single entity. For example, in 2011, 36 renal distribution facilities reported as a single entity, as did Baxter's 61 North American plasma collection centers.

The health and safety data included in this report are based on 260 reporting locations.¹

Regional breakdowns for EHS data are as follows: Asia Pacific; Latin America; Europe, Middle East and Africa; and North America.

The EHS information reported covers 100% of Baxter's operations.

EHS data are revised to reflect acquisitions, divestitures and plant closings as well as to incorporate any corrections necessary due to additional data verification activities (such as EHS audits).

¹The scope of Baxter's health and safety data is different than the scope of the company's environmental data because Baxter's occupational injury and illness accounting includes smaller facilities that are not material to the company's overall environmental performance or are reported as individual operations rather than as combined locations.

Internal EHS Partnerships: Collaborating to Advance Sustainability

Organization Partner	Activities
Corporate Communications	<ul style="list-style-type: none"> Plan, develop, distribute and solicit feedback on Baxter's annual sustainability report Coordinate sustainability-related communications with public, media and other external groups Engage external stakeholders through speaking engagements, presentations, articles and exhibitions Coordinate Baxter's response to external stakeholder sustainability-related surveys Support the planning and execution of Baxter World Environment Week
Cross-Functional Global Threat Management Team	<ul style="list-style-type: none"> Help protect employee health and safety and business continuity in the event of a crisis
Device Center of Excellence	<ul style="list-style-type: none"> Collaborate with Environment, Health and Safety (EHS) on Product Sustainability Review assessments for all new Baxter medical devices Implement a new global product stewardship database
Regional Operations	<ul style="list-style-type: none"> Coordinate and manage EHS programs at Baxter facilities within the region Incorporate green building design principles and energy conservation and renewable/alternative energy technologies at facilities within the region Address emerging product stewardship requirements
Executive Management	<ul style="list-style-type: none"> Participate in executive-level Sustainability Steering Committee Sponsor specific sustainability initiatives Provide leadership and resources to employees, functions and groups to implement sustainability initiatives
Facilities Engineering Services/ Corporate Energy Management Group	<ul style="list-style-type: none"> Help identify and support facilities in implementing cost-effective energy conservation, alternative power generation and renewable energy projects that reduce energy use, energy cost and greenhouse gas (GHG) emissions Promote water conservation Incorporate green building design principles and technologies into new, leased and renovated facilities
Facility Management	<ul style="list-style-type: none"> Strengthen safety culture and increase accountability for safety Apply lean manufacturing principles to reduce resource use (with a current focus on plastics reduction and water conservation as well as energy and waste)
Finance	<ul style="list-style-type: none"> Advise on financial and tax considerations related to advancing sustainability programs Support required capital funding for sustainability projects with management support

Human Resources	<ul style="list-style-type: none"> • Implement BeWell@Baxter, the company's health and wellness program • Include sustainability and EHS questions in Baxter Culture Survey to facilitate internal and external benchmarking • Promote employee knowledge of and engagement in sustainability
Information Technology	<ul style="list-style-type: none"> • Support implementation and use of a new EHS web-based information management system to enhance Baxter's global EHS data management and reporting capabilities • Explore energy conservation and GHG reduction opportunities for information technology equipment
Purchasing and Supplier Management	<ul style="list-style-type: none"> • Manage Baxter's Global Supplier Sustainability Program • Pursue more fuel-efficient sales fleet vehicles and less energy/GHG-intensive means of product transport to customers • Define and manage specific energy purchasing initiatives • Manage global logistics data to help Baxter understand and reduce the carbon footprint of its broader business activities and supply chain
Research and Development (R&D)	<ul style="list-style-type: none"> • Educate R&D staff on sustainability issues to identify product development opportunities • Explore new business models and products to serve potential customers at the base of the pyramid (BoP)*
Sales and Marketing	<ul style="list-style-type: none"> • Inform customers about Baxter's sustainability initiatives • Respond to customer inquiries related to sustainability • Identify opportunities to improve the environmental performance of certain products and develop green marketing strategies (such as for FLEXBUMIN)

*The term "base of the pyramid" refers to the approximately 4 billion people who each live on less than \$1,500 annually and have limited access to the healthcare market.

EHS Vision and Policy



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Environment, Health and Safety Vision

To achieve a sustainable enterprise that creates stakeholder value by advancing superior environmental stewardship, the highest level of employee health and well-being, and an injury-free workplace.

Environment, Health and Safety Policy

Our Commitment to People and the Environment

Baxter will be a global leader in environmental, health and safety (EHS) management.

This is consistent with Baxter's business interests, ethics and shared values. Specifically, we commit to the following:

Sustainable Development

We will strive to conserve resources and minimize or eliminate adverse EHS effects and risks that may be associated with our products, services and operations.

Employees

We will provide a safe and healthy workplace, striving to prevent injuries and illnesses, promoting healthy lifestyles and encouraging respect for the environment. We will ensure that our employees have the awareness, skills and knowledge to carry out this policy.

Compliance

We will meet all applicable EHS laws and Baxter EHS requirements, including our own EHS management standards.

Business Integration

We will integrate EHS considerations into our business activities.

Customers

We will work with our customers to help them address their EHS needs.

Suppliers and Contractors

We will work with our suppliers and contractors to enhance EHS performance.

Community and Government

We will participate in community and government EHS initiatives.

Baxter commits to continuous improvement in environment, health and safety performance. We will set goals, measure progress and communicate results.

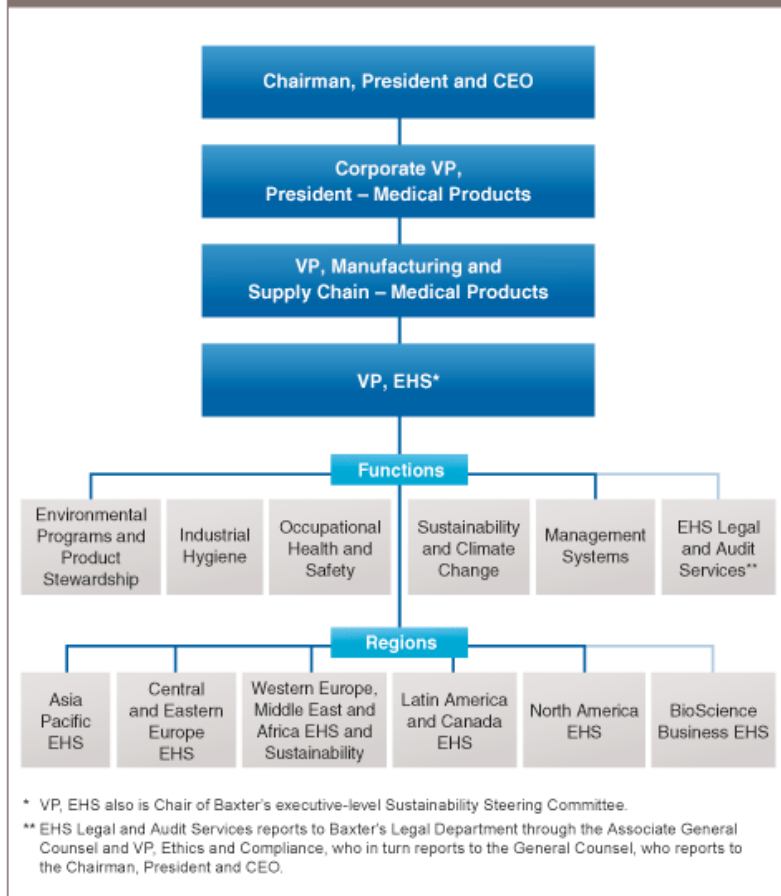
Program Governance



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Baxter's environmental, health and safety (EHS) governance structure is designed to help the EHS organization realize its vision, achieve its goals and help create long-term business value for Baxter. This includes contributing to the company's sustainability strategies, programs and performance.

EHS Organizational Structure



EHS Organization and Reporting Structure

Baxter's EHS organization, made up of more than 250 full-time equivalent employees around the world, manages the company's EHS compliance requirements and risks. The organization works with a diverse group of internal and external stakeholders to address emerging EHS issues and related business challenges. The EHS organization, including business group EHS support teams, has reported to global manufacturing since 2003. EHS Legal and Audit Services reports to the Ethics and Compliance function of Baxter's Legal department to preserve the objectivity of legal advice and the global EHS auditing function.

Baxter's vice president of EHS meets at least once a year with the Public Policy Committee of the company's board of directors to provide EHS performance updates, report on progress in related sustainability initiatives and discuss emerging EHS and broader sustainability trends.

EHS 2015 Goals



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Performance goals motivate continual improvement and demonstrate a company's commitment. Reporting progress against goals helps stakeholders assess performance.

EHS 2015 Goals	
2015 Goal Items in blue font are also company wide sustainability goals.	Performance through 2011
Environmental (base year 2005, unless otherwise noted)	
Reduce total waste generation 30% indexed to revenue.	Reduced 11% indexed to revenue.
Reduce energy usage 30% indexed to revenue.	Reduced 24% indexed to revenue.
Reduce greenhouse gas (GHG) emissions 45% indexed to revenue.	Reduced 34% indexed to revenue.
Increase facility energy usage of renewable power to 20% (of total).	Increased to 19%.
Reduce environmental compliance incidents ¹ by 75%.	Incidents increased by 80%.
Reduce water usage 35% indexed to revenue.	Reduced 33% indexed to revenue.
Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.	Identified potential projects in Mexico and Philippines for implementation in 2012.
Reduce the carbon footprint of Baxter's U.S. car fleet by 20% from 2007 baseline.	Reduced GHG emissions 4.1% per kilometer driven.
Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.	Eliminated 4,300 metric tons.

¹Defined as releases to the air, water or land in excess of permit limits, and other spills or releases reportable to the government.

Goals-Setting and Business Integration

Baxter's Environment, Health and Safety (EHS) organization conducts strategic planning to establish long-term EHS goals, assess resources required to achieve specific goals, and ensure critical business alignment. Baxter considers feedback from internal and external stakeholders in proposing and establishing its long-term goals. In manufacturing operations, EHS goals include annual safety, energy, waste and water reduction targets, which are included in many senior managers' and plant managers' annual performance objectives. Annual manager performance evaluations, including considerations related to compensation, are based partly upon business unit and facility performance in these EHS areas. In 2011, annual bonuses for manufacturing executives were tied to the company's performance in energy, waste, water and safety.

The following interactive table summarizes performance against Baxter's EHS 2015 goals. Baxter recognizes the importance of aspirational targets and in 2011 launched its EHS 2015 goals, some of which align with the company's overarching sustainability priorities.

See Priorities and Goals – Our Operations and Products for progress against EHS-related 2015 sustainability goals.

(EHS 2015 Goals continued on following page)

Product Stewardship close	
Identify and minimize life cycle impacts for new products.	On track (ongoing).
Eliminate or minimize known substances of concern in new products and packaging, as feasible.	On track (ongoing).
Pursue at least five strategic sustainability-related product marketing opportunities with Baxter business groups.	Implemented two project marketing opportunities (Flexbumin and XENIUM+) and targeting a third for completion in late 2012.
Occupational Health and Safety close	
Implement best-in-class programs designed to protect the safety and improve the health of employees that result in performance in the top three of industry peers.	In 2010, the most recent year that data was available, Baxter's cases with days lost rate performance ranked third of industry peers. ¹
Fully deploy the BeWell@Baxter health-promotion program according to defined criteria.	Deployed at least 8 out of 10 BeWell@Baxter program elements in 81% of targeted facilities.
Implement a flexible strategy to increase employee awareness and ownership of their individual health status.	38.4% of employees had completed a BeWell@Baxter personal wellness profile by the end of the year.
Reduce the need for employees to use hearing protection by 15% from 2010 levels by using new equipment, and applying engineering and administrative controls.	Reduced the need for employees to use hearing protection by 5.8% from 2010 levels.
Develop a formal process to ensure site-level industrial hygiene competency to perform industrial hygiene risk assessments and monitoring.	Developed two Baxter Industrial Hygiene Foundations Modules in 2011 and trained more than 90 employees on each.
Implement a uniform program for employee handling and use of hazardous chemicals and active pharmaceutical ingredients (APIs) beyond compliance with local laws.	Baxter Pharmaceutical Hazards Team updated Baxter operating procedures for APIs to support this goal.
<p><small>¹In a comparison of 13 healthcare companies reporting global safety data to Mercer (formerly ORC Worldwide) and two healthcare companies reporting data on public websites (15 total companies), Baxter's performance ranked third in cases with days lost rate in 2010, the most recent year industry benchmarking data were available. 2011 data are not available as of report launch in June 2012.)</small></p>	

EHS Management Systems



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Baxter's global Environment, Health and Safety (EHS) Policy and EHS requirements provide the foundation for the company's EHS program, establishing the minimum standards all facilities must meet and maintain. These requirements are designed to protect employees and company assets, minimize environmental impact, reduce company risk, and enhance Baxter's reputation and EHS leadership. Baxter assesses all of its facilities using the same performance measurement system.

Global Management Systems

Baxter's EHS program follows a management-systems approach guided by its global EHS requirements. The program has evolved from using internally developed standards, prior to the availability of globally accepted standards, to applying external standards to develop and achieve EHS program objectives. Baxter currently applies the International Organization for Standardization (ISO) 14001 Environmental Management System Standard to systematically manage its environmental programs, and the Occupational Health and Safety Assessment Series (OHSAS) 18001 to properly manage hazards that pose risk to employees. Successful ISO 14001 and OHSAS 18001 assessments verify that a facility's management system enables compliance with relevant regulations and company policy. Following a successful corporate EHS audit, an external auditing and certification body may recommend a facility for certification to these standards.

As part of subscribing to ISO 14001 and OHSAS 18001, Baxter uses management tools at the facility, business unit, regional and corporate levels to identify EHS aspects¹ and hazards, assess risks, set goals and prioritize risk-reduction initiatives. Facilities are required to review and update their EHS aspects, hazards and risk assessments as conditions change.

ISO 14001 Certification

Baxter generally requires third-party certification to ISO 14001 for the company's manufacturing and research and development sites, and distribution sites with a capacity of more than 10,000 filled pallets or a workforce of 100 or more people. Exceptions may be granted based on company criteria. Facilities that do not meet these criteria still may choose to apply ISO 14001 standards and seek certification to improve their environmental performance. Baxter subjects newly acquired facilities as relevant to a phase-in plan and evaluates those sites against the certification standards within two years of acquisition. As of year-end 2011, 66 Baxter locations (including all but one meeting the criteria outlined above) have met the requirements of ISO 14001 and are covered by Baxter's group certificate (see map).

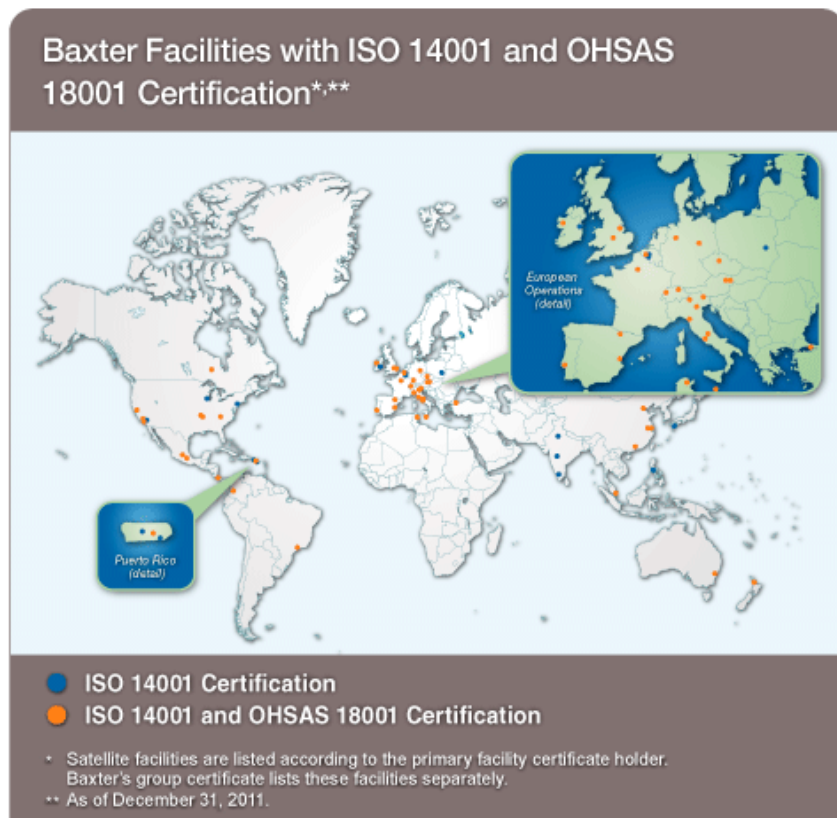
OHSAS 18001 Certification

Baxter recommends but does not require facility certification to OHSAS 18001. Manufacturing, research and development, and distribution sites that have achieved third-party ISO 14001 certification generally also pursue third-party OHSAS 18001 certification, as it helps improve a facility's health and safety programs. Baxter incorporates OHSAS 18001 principles such as risk assessment, personnel competency, and system performance measurement/monitoring into corporate EHS audits even at facilities that do not pursue certification. Moreover, all OHSAS 18001 requirements have been incorporated into Baxter's EHS requirements, and thus are included in routine oversight audits.

As of year-end 2011, 50 Baxter locations (see map) were certified to OHSAS 18001.

Global Certifications

In 1997, Baxter began to certify a group of facilities to ISO 14001, working with ERM Certification and Verification Services, the company's external auditing and certification body. Since then, Baxter's group certification has evolved into a global certification including 66 facilities worldwide.² In 2007, Baxter also established a group certificate for OHSAS 18001.³



With its global certifications, Baxter has improved consistency in facility evaluation. Specifically, the group certificate requires Baxter to focus on areas of weakness across all facilities managed under the certificate. Additionally, the company can reduce external audit frequency and costs.

Green Building Certifications

Employing green building principles saves energy and money, improves indoor air quality and brings additional benefits as well. According to the U.S. Green Building Council, LEED (Leadership in Energy and Environmental Design) building rating system-certified buildings cost 8-9 percent less to operate than non-certified buildings, consume 30-50 percent less energy, generate 30 percent less carbon dioxide equivalent emissions and reduce potable water use by 40 percent, while enhancing worker productivity by 7 percent.⁴

In 2010, Baxter approved a new EHS policy that requires new sites or those undergoing major modification to undergo a "green building" review. This checklist-driven process challenges Baxter's

construction teams and contractors to design and build low-impact facilities. The checklists include evaluating parameters such as HVAC, lighting, compressed air and variable speed drives.

Baxter does not require certification to international building rating standards such as the U.K.'s Building Research Establishment Environmental Assessment Method, known as BREEAM, LEED, or the Swiss certification for building energy consumption, Minergie.

The following new Baxter-owned or leased buildings have achieved certification. Many other Baxter sites have incorporated energy-efficient and environmental performance-enhancing characteristics, but have chosen not to pursue certification.

¹An environmental aspect is an element of an organization's activities, products or services that can interact with the environment, for example, air emissions, wastewater discharges, or energy use.

²This covers the facilities described in the ISO 14001 Certification section above.

³This covers the facilities described in the OHSAS 18001 Certification section above.

⁴According to www.usgbc.org

Baxter Facilities with Green Building Certification

Location	Building Type	Certification	Attributes
Vienna, Austria	Lab/office	LEED Gold, 2011	The building effectively harnesses daylight, includes a solar-powered LED Baxter sign, uses well water for toilets and urinals, and has a vegetative roof.
Mississauga, Quebec, Canada	Office	Canada LEED (applied)	More than 90% of employees at this location have direct lines of sight outdoors. 100% of all new wood-based materials are certified to Forest Stewardship Council (FSC) standards. Lighting controls enable 90% of occupants to adjust for individual task needs.
Lyon, France	Warehouse	BREEAM Good, 2011	Solar panels were installed to generate hot water. Rainwater is recovered for flushing toilets. A certified ecologist developed an ecology plan of the site and neighboring landscape. An outdoor noise level plan was completed.
Rome, Italy	Business office	Italia LEED Silver, 2011	The first office in Europe to receive existing building certification to the Italia LEED "Silver" standard. The building's innovative automation system controls the heating and cooling on each side of the structure as the solar load changes throughout the day.
Rosersberg, Sweden	Warehouse	EU GreenBuilding 2011	Additional roof and wall insulation combined with reused refrigeration heat reduced energy consumption by more than 25% compared to a standard warehouse.
Zurich, Switzerland	European headquarters	Minergie Plus, 2010	The building features water-based cooling and heating, rooftop solar panels, and uses nearly 80 percent less energy than a typical office building of comparable size.
Round Lake, Illinois, United States	Fitness center	LEED Gold (applied)	The fitness center has low-flow touchless faucets that use solar power to activate/run, thus reducing battery use. The site uses daylighting to conserve energy, and renewable energy credits offset 100% of consumption. All carpeting, flooring and finishes have low or zero use of volatile organic compounds.

Baxter Facilities with ISO 14001 and OHSAS 18001 Certification



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Baxter Facilities with ISO 14001 and OHSAS 18001 Certification ^{*,**}			
Region/Country/State or Province	City	ISO 14001	OHSAS 18001
Asia			
Australia	Toongabbie	X	X
China	Guangzhou	X	X
China	Shanghai	X	X
China	Suzhou	X	X
China	Tianjin	X	X
India	Alathur	X	
India	Manesar	X	
India	Waluj	X	
Japan	Miyazaki	X	
New Zealand	Auckland	X	X
Philippines	Canlubang	X	
Singapore	Woodlands	X	X
Europe			
Austria	Orth	X	X
Austria	Vienna	X	X
Belgium	Lessines	X	X
Belgium	Lessines BDCE	X	
Belgium	Braine l'Alleud	X	
Czech Republic	Bohumil	X	X
France	Maurepas	X	X
Germany	Bielefeld	X	X

Germany	Halle - Westfalen	X	X
Ireland	Castlebar/Swinford	X	X
Ireland	Dublin/Belfast	X	
Italy	Grosotto	X	X
Italy	Monseice	X	X
Italy	Pisa	X	X
Italy	Rieti	X	X
Italy	Rome	X	X
Italy	Sesto Fiorentino	X	X
Malta	Marsa	X	X
Poland	Lublin	X	
Portugal	Sintra	X	X
Spain	Sabiñánigo	X	X
Spain	Valencia/Las Palmas	X	X
Switzerland	Effretikon/Volketswil	X	X
Switzerland	Neuchâtel	X	X
Tunisia	Oued Ellil	X	X
Turkey	Istanbul	X	X
United Kingdom	Northampton	X	X
United Kingdom	Thetford	X	X
Latin America			
Brazil	São Paulo	X	X
Colombia	Cali	X	X
Costa Rica	Cartago	X	X
Mexico	Atlacomulco	X	X
Mexico	Cuernavaca	X	X
Puerto Rico	Aibonito	X	X
Puerto Rico	Guayama	X	
Puerto Rico	Jayuya	X	
North America			
Canada, Ontario	Alliston	X	X

United States, Arkansas	Mountain Home/Midway	X	X
United States, California	Hayward	X	X
United States, California	Irvine	X	
United States, California	Los Angeles/Van Nuys	X	X
United States, California	Thousand Oaks	X	X
United States, Illinois	Round Lake	X	
United States, Indiana	Bloomington	X	X
United States, Mississippi	Cleveland	X	X
United States, New Jersey	New Providence	X	
United States, North Carolina	Marion	X	X

*Satellite facilities are listed according to the primary facility certificate holder. Baxter's group certificate lists these facilities separately.

**As of December 31, 2011.

EHS Audits



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Baxter's environmental, health and safety (EHS) audit process verifies that the company's facilities have EHS programs that achieve regulatory compliance and meet Baxter's EHS requirements, objectives and goals. The company staffs its audit teams with professionals from the corporate EHS audit group and the EHS organization. ERM Certification and Verification Services conducts certification audits to the International Organization for Standardization (ISO) 14001 Environmental Management System Standard and/or the Occupational Health and Safety Assessment Series (OHSAS) 18001, as appropriate. When auditors identify gaps, the audit team works with facility management to ensure management fully understands the issues.

Throughout the year, the EHS organization reviews the most common audit findings to systematically address identified issues, strengthen corporate policy when needed and prioritize company initiatives. The EHS organization's functional teams then work to address areas with the most findings. In 2011 and 2010, the area of weakness most frequently identified by EHS audits involved improper handling of materials that may pose risk to employees and the environment.

Baxter requires closure of regulatory nonconformities within 60 days of an audit's conclusion, and all other nonconformities within 180 days. Baxter's EHS Audit Escalation Procedure helps inform senior management of any overdue nonconformities.

In addition to facility audits, the corporate EHS group also included several specific regulatory and EHS risk areas in the 2011 audit schedule, such as the following European Union Directives: Registration, Evaluation and Authorisation and Restriction of Chemicals (REACH), Restriction on Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE), Packaging, and Dangerous Goods. Baxter will continue to supplement its regular comprehensive audits with targeted regulatory risk audits as warranted.

EHS Audit Program Attributes

- Auditors are independent of facilities being audited.
- Baxter selects auditors based on technical expertise, EHS auditing experience and language skills.
- New Baxter facilities are generally audited within two years of acquisition, although regional and business unit personnel are required to conduct a thorough review of these operations within the first year. Short-notice audits (seven-day notification) are conducted, as appropriate.
- Facilities found to operate below Baxter's standards are subject to increased audit frequency; for example, a repeat audit in six months.
- Audit scope includes regulatory compliance, compliance with Baxter's global EHS requirements and the effectiveness of EHS management systems.
- The audit group prepares comprehensive audit checklists specific to the facility operations and applicable regulations.
- Regions/business units conduct EHS reviews of facilities in years between corporate EHS audits, and facilities assess their own programs annually.
- Baxter tracks all audit items until closed, with regions/business units confirming closure.

Baxter selects facilities to audit based on risk profile, management system certification needs and other factors, such as management turnover and negative EHS performance trends.

In 2011, Baxter conducted EHS audits of 25 out of 110 applicable facilities. Of these, nine were in Baxter's Europe, Middle East and Africa region; seven were in North America; eight were in Asia Pacific; and one was in Latin America.

Corporate EHS Audit Process

Pre-Audit

- Schedule audit
- Select audit team members, independent of the facility operations
- Tailor Baxter's comprehensive audit checklist to the facility's operations and relevant regulations, if necessary
- Provide the audit team all relevant EHS information and statistics

During the Audit

- Check facility compliance with regulatory and company requirements
- Evaluate facility EHS management systems
- Interview personnel to ensure systems are deployed to appropriate levels
- Discuss nonconformities with operating management team
- Conduct closing meeting

Post-Audit

- Distribute final report
- Operating unit evaluates findings and develops action plan and timetable for closure of findings
- Follow up on completion of corrective and preventive action items
- Share audit findings among facilities
- Conduct periodic trend analysis of audit results

Environmental Compliance



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Baxter assesses its performance in environmental compliance using several measures:

Notices of violation (NOV) - A written notice from a governmental agency that identifies environmental noncompliance.

Environmental compliance incidents - Releases that exceed permit limits (exceedances) and other spills or releases that must be reported to the government. Some of these exceedances may result in NOVs.

Environmental fines - Fines related to environmental compliance issues.

Baxter received seven environmental NOVs in 2011, two less than in 2010. Five were related to wastewater, compared to three in 2010. One of the two remaining NOVs was related to the failure of a facility to conduct monthly inspections on two boilers. The final NOV was related to several environmental deficiencies noted during an agency inspection that followed a release of a cleaning agent to the wastewater pretreatment facility. Separately, Baxter paid a \$9,455 fine related to exceedances of an air permit that occurred in 2010. It also paid a \$530 fine for a wastewater discharge in exceedance of a permit. The company paid no other environmental fines in 2011.

Environmental Notices of Violation and Fines

	2007	2008	2009	2010	2011
Wastewater NOVs	8	7	6	3	5
Other Environmental NOVs	2	3	3	6	2
Total Environmental NOVs	10	10	9	9	7
Total Environmental Fines*	\$4,591	\$0	\$800	\$1,000	\$9,985

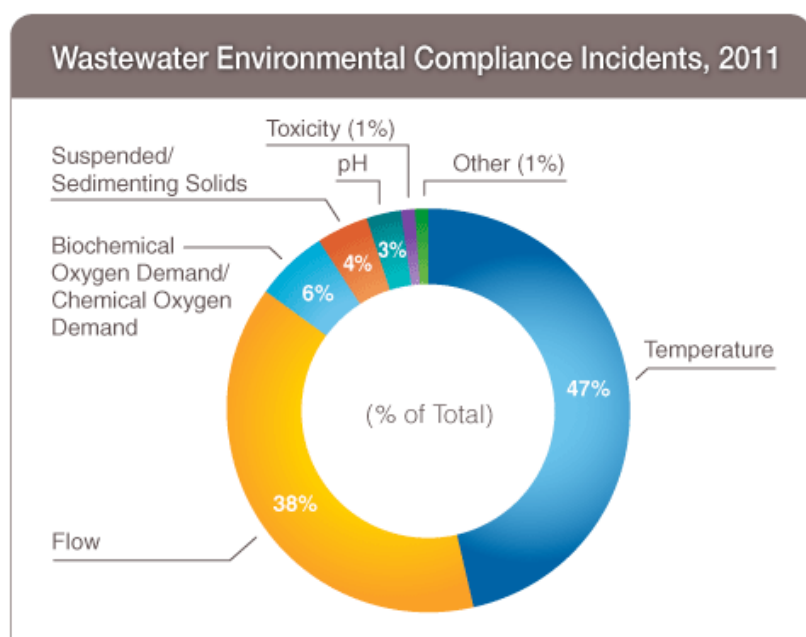
*Fines paid during calendar year noted.

Baxter has a goal to decrease environmental compliance incidents 75% by 2015, compared to 2005. While Baxter has not made progress against this goal, it has reaffirmed its commitment to focus on reducing compliance incidents through 2015. Additionally, as in 2010, nearly all of the incidents occurred at a few facilities, as noted in the table below. The company's Lessines, Belgium, facility reported 35 wastewater exceedances. These were primarily temperature exceedances, in which the temperature varied within three degrees Celsius above the permit limit. In addition, Baxter's Sabiñánigo, Spain, facility reported 25 wastewater exceedances, primarily involving increased flow of treated wastewater. Both facilities continue to work with internal and external resources to address these issues.

Environmental Compliance Incidents*					
	2007	2008	2009	2010	2011
Air	1	1	4	2	0
Land	1	1	1	1	1
Drinking Water	0	0	0	0	0
Wastewater	32	33	39	67	73
Total	34	35	44	70	74

*Subsequent to publishing Baxter's 2009 Sustainability Report, the company received information from its facilities related to permit exceedances that warranted correction of 2006 - 2009 data. Instead of a 29% reduction in environmental incidents from 2005 to 2009 the corrected data show a 7% increase during that period.

As illustrated in the table above, most of Baxter's environmental compliance incidents have been related to wastewater. The graph (below) provides a breakdown of wastewater incidents by type in 2011.



In 2011, approximately 85% of Baxter's wastewater-related compliance incidents involved discharges to surface waterways, such as rivers, streams or creeks. The remaining 15% occurred at facilities that discharge to regional or municipal wastewater treatment systems.

At Lessines and Sabiñánigo, the regulatory agencies involved generally viewed Baxter's responses to the exceedances as sufficient and have not pursued enforcement activities. In the case of Castlebar, Ireland, Baxter is in ongoing communication with the agency to address its concerns. Baxter continues to apply internal and external legal and engineering resources to evaluate compliance and technical solutions at high-risk facilities. See Water and Wastewater for more detail.

The following table summarizes environmental compliance incidents in 2011, by facility.

Environmental Compliance Incidents by Facility in 2011		
Region/Country/State or Province	City	Description
Asia Pacific		
Australia	Toongabbie	Three <i>wastewater</i> incidents related to flow
Europe		
Belgium	Lessines	Thirty-five <i>wastewater</i> incidents related to temperature and suspended/sedimenting solids
Spain	Sabiñánigo	Twenty-five <i>wastewater</i> incidents related to flow
Ireland	Castlebar	Four <i>wastewater</i> incidents related to biochemical oxygen demand/chemical oxygen demand, pH, and an unauthorized discharge of a cleaning solution into the sewer
North America		
Canada, Ontario	Alliston	One <i>wastewater</i> incident related to biochemical oxygen demand
United States, California	Los Angeles	One <i>wastewater</i> incident related to pH and one land incident related to a failure of the industrial wastewater treatment system resulting in a release of unprocessed wastewater to a municipal drain
United States, North Carolina	Marion	One <i>wastewater</i> incident related to toxicity
United States, California	Hayward	Three <i>wastewater</i> incidents related to suspended/sedimenting solids and biochemical oxygen demand/chemical oxygen demand

Managing Waste Liability

To manage waste disposal appropriately and minimize the risk of future liability, Baxter requires facilities to dispose of all hazardous or other regulated waste at disposal sites that Baxter has inspected or from which the company has otherwise received sufficient assurance of acceptable performance.

Baxter applies the same waste site auditing standards worldwide, and trains internal auditors to evaluate disposal site risk consistently regardless of local customs and culture. In addition, Baxter works with CHWMEG, Inc., a non-profit organization that enables companies to collectively purchase expert waste site audits.

Baxter is involved as a potentially responsible party (PRP) for environmental clean-up costs at seven hazardous waste sites. Under the U.S. Superfund statute and many state laws, generators of hazardous waste sent to a disposal or recycling site are liable for site cleanup if contaminants from that property later leak into the environment. The laws generally provide that a PRP may be held jointly and severally liable for the costs of investigating and remediating the site. The estimated potential exposure to Baxter for the seven sites mentioned above was approximately \$7.5 million at year-end 2011, compared to \$2.5 million at year-end 2010. The increase compared to 2010 is primarily due to one Superfund site where the U.S. Environmental Protection Agency is requiring additional remediation strategies to be employed. Separate from the Superfund cases noted above, Baxter paid approximately \$185,000 for remediation at the company's Irvine, California, United States, facility in 2011.

Health and Safety Compliance



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In 2011, Baxter received two health and safety-related notices of violation (NOV):

- One NOV issued to Baxter's Toongabbie, Australia, facility for material handling deficiencies.
- One NOV issued to Baxter's Round Lake, Illinois, United States, facility for inventory documentation discrepancies related to its radiation license.

Baxter continues to implement program improvements related to these matters.

As noted in Baxter's 2010 Sustainability Report, in January 2011, three workers were involved in an accident in which one died and the other two were injured at the company's Los Angeles, California, United States, facility. The incident involved entry into a tank used in the plasma fractionation production process. Although agency investigations are ongoing, in 2011 the California Occupational Safety and Health Administration proposed citing Baxter with serious and willful civil violations and penalties related to this matter. Baxter is appealing the citations and continues to cooperate with the agency. Baxter continues to reinforce its safety policies and procedures, particularly related to confined space. The company also is retraining workers involved in confined space entry, evaluating emergency response training and conducting additional risk assessments in other parts of the company. The plant and the company will continue to evaluate and enhance procedures and employee training to reduce the likelihood of future incidents.

	2007	2008	2009	2010	2011
Citations Settled	2	2	6	3	2
Fines Paid (in dollars)	0	\$45,000*	\$1,733	\$945	\$0

*The data reported includes a fine of \$30,000 that Baxter paid in connection with a U.S. Federal Aviation Administration/hazardous materials transportation matter at its Tampa, Florida, United States, facility.

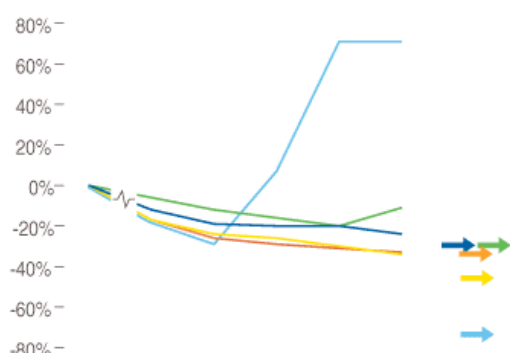
Environmental Performance At-a-Glance



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Progress on 2015 Environmental Goals

(% Change, Indexed to Revenue, Except Environmental Incidents*)



	2005	2007	2008	2009	2010	2011	2015 Goal
Energy Usage	0%	-12%	-19%	-20%	-20%	-24%	-30%
GHG Emissions	0%	-17%	-24%	-26%	-30%	-34%	-45%
Total Waste**	0%	-6%	-12%	-16%	-20%	-11%	-30%
Water Usage	0%	-17%	-26%	-29%	-31%	-33%	-35%
Environmental Incidents	0%	-17%	-29%	7%	71%	71%	-75%

* Negative numbers represent reductions.

** A product recall in Europe resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the 2011 global total. Excluding this waste, Baxter would have experienced a 9% increase in waste generation in absolute terms and a 23% decrease indexed to revenue compared to 2005.

In 2011, Baxter continued working toward its 2015 sustainability goals, and also performed for the first time against its new environmental, health and safety (EHS) goals for 2015. As the graph below indicates, Baxter is on-target to meet or exceed its 2015 energy usage, greenhouse gas (GHG) emissions and water usage goals. However, the company lost significant ground in 2011 toward its total waste-reduction goal due to a product recall in Europe. Baxter considers this performance to be unique to this reporting year and believes it will deliver stronger results in 2012 due to its waste reduction program and initiatives. Baxter failed to make progress toward its environmental incidents-reduction goal due to wastewater exceedances at two locations in Europe.

Energy Usage

Baxter continued to make solid progress toward its 2015 goal to reduce energy usage by 30% indexed to revenue, compared to 2005, achieving a 24% decrease through 2011. Energy usage indexed to revenue decreased by 5% in 2011 compared to 2010. Baxter maintains an aggressive energy-management program, grounded in "Lean" energy standards that manufacturing facilities companywide continue to implement.

Greenhouse Gas Emissions

Baxter decreased GHG emissions by 34% indexed to revenue through 2011, compared to 2005, on its way to achieving its goal of a 45% reduction by 2015. The company will drive continual performance improvement through ongoing programs and projects in energy conservation, installing cogeneration systems at select locations, sourcing renewable energy and purchasing emissions credits and offsets.

Total Waste

During 2011, Baxter's operations generated 70,700 metric tons of total waste, up from 56,100 metric tons in 2005. This represents a 26% increase in absolute terms and an 11% decrease indexed to revenue. The major contributing factor was a product recall in Europe that resulted in approximately 9,400 metric tons of waste in 2011, about 13% of the global total. Excluding the waste associated with this one-time event, the absolute increase from 2005 would have been 9%, with a 23% decrease indexed to revenue. Due to renewed

efforts to reduce plastics waste as well as other facility-based initiatives, Baxter still expects to meet its 2015 goal to reduce total waste by 30%, indexed to revenue, compared to 2005.

Water Usage

Baxter has nearly achieved its 2015 goal to reduce water usage by 35% indexed to revenue, compared to 2005, realizing a 33% decrease through 2011. The company attributes this to senior management focus on and accountability for reducing facility water usage, insights gained by conducting water balances and creating value stream maps, and heightened attention on water during energy assessments. Challenges moving forward include a diminished number of viable water-saving projects (as many have been implemented during the past several years) and the relatively low rate of financial return for those initiatives.

Environmental Incidents

Baxter continued to experience an increase in environmental compliance incidents in 2011, totaling 74. As a result, the company is further from achieving its 2015 goal to reduce environmental compliance incidents by 75%, compared to 2005. Most of the incidents in 2011 occurred at two facilities, Lessines, Belgium, and Sabiñanigo, Spain, that experienced ongoing compliance challenges related to slightly elevated wastewater discharge readings for temperature and flow, respectively. In addition to initiating comprehensive corrective actions to address the issues at these two sites, the company used these incidents to increase awareness and emphasis on environmental compliance during the year.

Environmental Financial Statement

The following table describes environmental income, savings and cost avoidance realized in 2011 from activities completed during the year, along with environmental program costs. For the first time since Baxter began producing the EFS, the company did not realize net positive environmental savings or cost avoidance in 2011. Costs related to waste management were the main contributing factor.

See the 2011 [Environmental Financial Statement](#) for more detail.

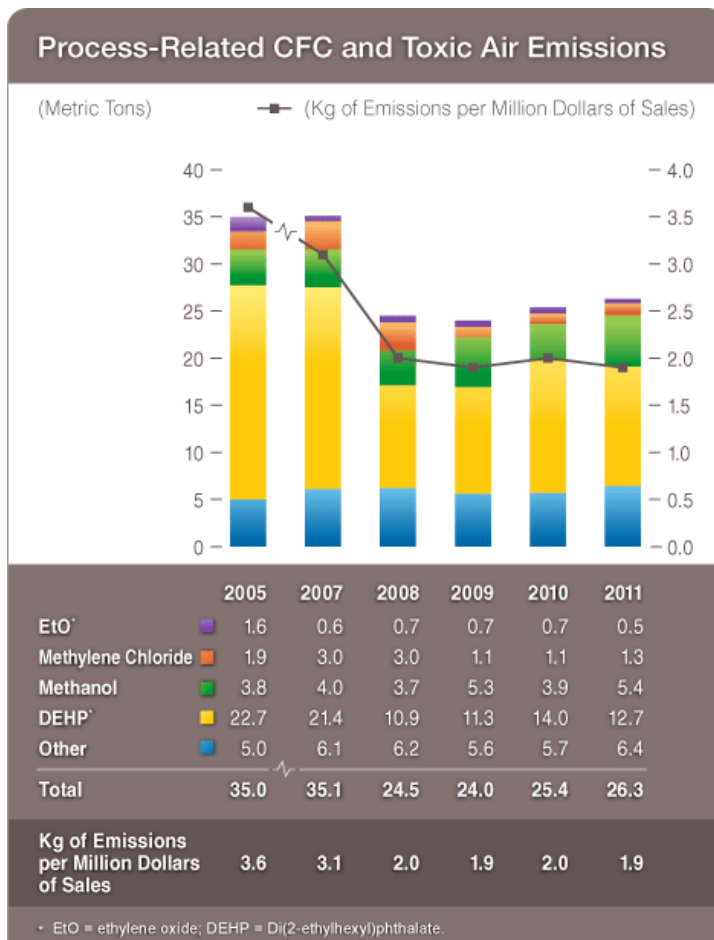
Environmental Income, Savings and Cost Avoidance, 2011 (Dollars in Millions)	
Energy Use	\$1.2
Total Waste Generation	(9.4)
Recycling Income	5.1
Water Use	(0.2)
Total Environmental Income, Savings and Cost Avoidance	\$(3.3)

Environmental Program Costs, 2010 (Dollars in Millions)	
Basic Program Costs	\$21.5
Remediation, Waste and Other Response Costs	10.0
Total Environmental Program Costs	\$31.5

Air Emissions



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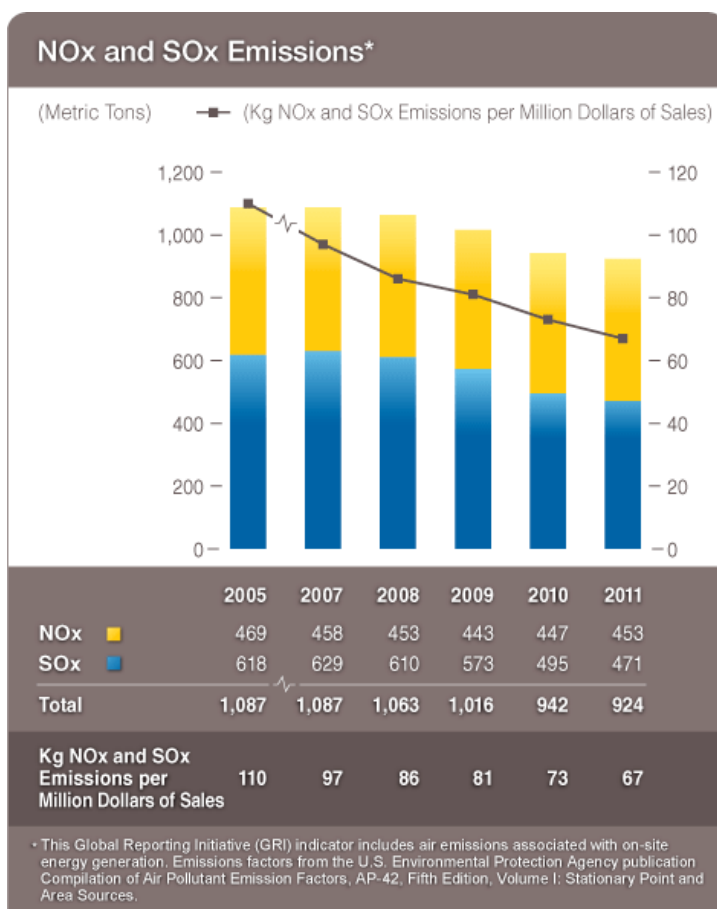


Due to an aggressive air toxics reduction program initiated in 1988, Baxter decreased toxic air emissions from its operations by more than 98% from 1988 through 2005. The company continues to monitor its air emissions and supports facility-led initiatives in this area. However, due to this progress, Baxter focuses its environmental programs and goals on other issues.

Baxter's toxic air emissions increased to approximately 26.3 metric tons in 2011, a 4 % rise in absolute terms from 2010, and essentially flat when indexed to revenue. Emissions of Di-2-ethylhexyl phthalate (DEHP) decreased from 14.0 to 12.7 metric tons, primarily due to reduced production of PVC sheeting at one major facility. Methanol emissions associated with plasma processing increased from 3.9 to 5.4 metric tons, mostly due to production increases at one location. Baxter will continue to evaluate and install additional emission control technologies where necessary and feasible to further reduce air emissions associated with certain manufacturing activities.

Baxter's calculated combined nitrogen oxide (NOx) and sulfur oxide (SOx) emissions related to onsite fuel usage decreased by 2% in absolute terms and 8% indexed to revenue from 2010 to 2011. Baxter has reduced NOx and SOx emissions through energy conservation companywide and a transition from heavy fuel oils to lighter diesel fuels and natural gas at some locations. For example, in 2011, the company's Lessines, Belgium, facility began operation of a co-generation system and switched from fuel oil to natural gas. Also, Baxter's Alathur, India, facility switched from fuel oil to biomass fuels (see case study).

About 50% of Baxter's NOx emissions occur within North America. This is due to relatively high use of natural gas at most of the company's North American facilities, along with the use of biomass for steam production at one of its largest manufacturing facilities. Nearly 88% of Baxter's SOx emissions are from facilities outside of North America, due to higher use of furnace fuel oils at these locations.



Biodiversity



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According to the United Nations Environment Programme (UNEP), the importance of biological diversity to human society is hard to overstate¹. An estimated 40 percent of the global economy relies on products that are grown or derived from nature or processes that mimic natural systems. The effective use of biodiversity at all levels – genes, species and ecosystems – is therefore a precondition for sustainable development. However, human activities the world over are causing the progressive loss of species of plants and animals at a rate far higher than the natural background rate of extinction.

Baxter and Biodiversity

While biodiversity is not a focus of Baxter's nine sustainability priorities, it is an element of Baxter's Bioethics Policy: "Baxter recognizes that protecting the environment and maintaining the biological diversity of our planet is of vital importance to human life." By endorsing the Ceres Principles, Baxter has committed to preservation of the biosphere. Principle 1 states "we will safeguard all habitats affected by our operations and will protect open spaces and wilderness, while preserving biodiversity."

Baxter owns or leases approximately 910 hectares of land, about one-quarter of which is impermeable surface. Although 24 of Baxter's 58 manufacturing and research and development facilities are located in 12 of the world's biodiversity "hot spots"² as designated by Conservation International, the company's operations typically are located in light industrial areas in metropolitan regions. While Baxter does not require its facilities to report on activities to protect biodiversity, sites are required to understand their impact on the environment, and incorporate conservation of biodiversity into their environmental management systems where appropriate.

During the company's annual signature environmental awareness week, Baxter World Environment Week, facilities globally often conduct biodiversity and environmental preservation activities. During 2011, facilities held 14 local cleanups, two restoration initiatives, one biodiversity education initiative, five environmental education campaigns and 11 tree plantings.

In 2011 the Center for Health and the Global Environment invited Baxter to join its Corporate Council, a group of six companies supporting the center. Founded in 1996 by physicians of Harvard Medical School, in Boston, Massachusetts, United States, the center studies and promotes a wider acceptance of the human health consequences of global environmental change. The center's Biodiversity and Human Health Program informs policymakers and educates the public about the importance of preserving biodiversity through the lens of human health.

Examples of Efforts Globally

Many Baxter facilities worldwide participate in habitat restoration activities.

Tree Planting

Planting trees provides benefits such as decreasing soil erosion, reducing surface water runoff, and increasing carbon sequestration. Baxter sites have taken part in tree-planting initiatives for many years. During 2011:

- The Baxter Alliston, Canada, facility planted 500 trees.
- Baxter Costa Rica planted 250 trees in an industrial park that is part of the Biological Corridor (COBRI-SURAC), as well as 70 trees in Cartago.
- As part of Baxter's 2011 World Environment Week, employees in Austria, Costa Rica, India, Mexico, Philippines, Spain, Thailand and the U.K. took part in ecological restoration activities, including tree planting.

Prairie Restoration

In the Midwestern United States, only 1 percent of the original tallgrass prairie remains. To help counteract this, in 2011 a group of employees from Baxter's Round Lake, Vernon Hills and Deerfield, Illinois, United States, facilities planted more than 1,700 prairie plants in a conservancy area on a former farm. Seeding of the rest of the farm will restore plant diversity and help return the land to its original state.

During the year, another group of Round Lake, Illinois, employees helped renovate an elementary school's nature center, a collection of garden beds filled with a mix of native Illinois plants. Baxter volunteers returned several times to help weed and till existing overgrown plant beds, and develop a new community garden plot.

Environmentally Preferable Purchasing

In 2011, under its Environmentally Preferable Purchasing Policy, Baxter purchased Forest Stewardship Council (FSC)-certified paper for use in printers and copiers at its Northern Illinois sites, including the company's Deerfield, Illinois, United States, headquarters, as well as other U.S. sites. FSC-certified paper supports conservation, biodiversity, and responsible management of forests that are used to produce paper. Baxter's Northern Illinois sites purchased 39 metric tons of FSC-certified paper in 2011.

Chicago Botanic Garden

Baxter has supported the Chicago Botanic Garden in Glencoe, Illinois, United States, for more than 25 years. The mission of the 156-hectare garden, visited by about 800,000 people each year, is to promote the understanding and conservation of plants and the natural world.

Baxter contributed financially to the new Chicago Botanic Garden Plant Science Center that opened in 2009. The 3,500-square-meter center provides laboratories and teaching facilities for more than 200 Ph.D. scientists, land managers, students and interns, and is home to a unique doctoral program in plant biology and conservation in conjunction with Northwestern University.

Baxter's ongoing financial support helps the Garden's scientists, researchers and students make vital discoveries about plant survival, habitat destruction, invasive species and restoration. Together with Botanic Gardens Conservation International and several other gardens, in 2011 the Chicago Botanic Garden formed the Ecological Restoration Alliance of Botanic Gardens with the goal of restoring 100 significant natural sites on six continents during the next 20 years.

Additionally, Baxter sponsors the Garden's annual World Environment Day in June, which showcases the United Nations-designated

World Environment Day through community education on environmental topics. Approximately 5,300 visitors attended the garden during this event in 2011.

Greenhouse Gas Emissions Reduction

Baxter's continued efforts to reduce energy usage and associated greenhouse gas emissions from its operations and broader activities also help protect biodiversity. According to E.O. Wilson, American biologist, researcher, naturalist and longtime professor at Harvard University, climate change alone may cause one-quarter of the earth's animal and plant species to become extinct or destined for extinction by 2050.³

¹UNEP, Secretariat of the Convention on Biodiversity:<http://www.unep.org/Themes/Biodiversity/About/index.asp>

²A Hot Spot is an ecosystem that is biologically rich and endangered. Baxter has manufacturing or research and development sites in the following Conservation International Hot Spots: Atlantic Forest of Brazil, California Floristic Province, Caribbean Islands, Chilean Winter Rainfall Forest, Indo-Burma, Japan, Mediterranean Basin, Mesoamerica, New Zealand, Philippines, Sundaland and Tropical Andes.

³E.O. Wilson, "The Future of Life."

Eco-Efficiency/ Raw Materials



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Efficient raw materials use has environmental and economic benefits. Baxter tracks the raw materials it uses in manufacturing, such as plastic resins, corrugated materials and chemicals. In 2011, the company enhanced its data-collection process for these items and gathered more comprehensive data from across its regions. As a result, data from past years are no longer comparable and the company only presents data from 2011 in the table below.

Major Materials Purchased for Manufacturing (Metric Tons)	
Material*,**	2011
Plastics/Resins	82,500
Corrugated Materials	53,300
Dextrose	21,600
Sodium Chloride (salt)	17,700
Amino Acids	1,400
Pharmaceuticals (drugs)	51

*Plastics/resins are used to make film for bags or accessory parts such as port tubes and over pouches and for solution sets in Baxter's Renal products. Corrugated materials are widely used in the manufacture of corrugated boxes and shipping containers used to package Baxter products. Dextrose is a simple sugar used to make solutions, which include Baxter's nutrition and intravenous (IV) products. Sodium chloride (salt) is mixed with other liquids for Baxter's parenteral solutions used for injection. Amino acids have many functions in metabolism, and act as the building blocks of proteins. At Baxter their application includes biotherapeutics, regenerative medicines and vaccines. Pharmaceuticals (drugs) are chemical substances intended for use in the medical diagnosis, cure, treatment or prevention of disease.

**Does not include raw materials usage from Baxter's BioScience business.

As the cost of many raw materials continues to rise, Baxter is implementing more aggressive materials-efficiency and waste-reduction efforts. For more information about how Baxter selects raw materials used in products, see Materials Use. Historically, the company has focused on scrap reduction and reuse through its Value Improvement Program. This initiative encourages manufacturing facilities to identify and implement cost-savings projects, often related to enhancing production efficiencies. The high cost of plastics increases Baxter's incentive to use it as efficiently as possible. In 2010, Baxter commenced a focused effort to reduce plastics scrap, its largest waste stream. See Waste for more details.

Many plastic processing sites regrind and reuse pre-consumer plastic scrap to save money and materials. While many Baxter container systems incorporate as much as 35% reground plastic from the manufacturing process, regulatory requirements prohibit Baxter from using post-consumer plastics in manufacturing. If plastic cannot be reused on-site, Baxter evaluates it for possible reuse at other locations. If that is not feasible, the company sends it off-site for recycling.

Packaging

As illustrated in the table above, corrugated materials used for product packaging represents one of Baxter's main uses of materials. The company continues to implement packaging reduction projects, with an emphasis on high-volume product lines. The type of materials used is another area of focus. The vast majority of the corrugated material Baxter uses contains 30-75% post-industrial and/or post-consumer recycled content.

Baxter continues to implement and track packaging reduction projects and communicates best practices across the organization. See Packaging for details about the company's initiatives and progress against its packaging reduction goal.

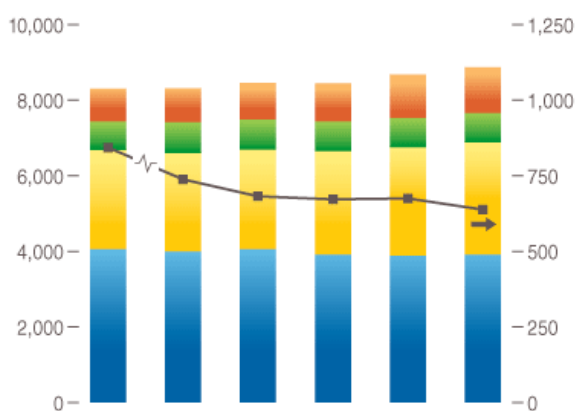
Energy



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Energy Usage from Baxter Operations*

(Trillions of Joules) — (Billions of Joules per Million Dollars of Sales)



	2005	2007	2008	2009	2010	2011
Asia Pacific	867	898	965	1,007	1,146	1,215
Latin America	767	823	805	794	784	782
EMEA	2,616	2,598	2,628	2,726	2,869	2,958
North America	4,054	3,995	4,054	3,913	3,876	3,914
Total	8,304	8,314	8,452	8,440	8,675	8,869

Billions of Joules per Million Dollars of Sales	843	738	682	672	675	638
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→ **2015 Goal** Reduce energy usage by 30% indexed to revenue (base year 2005)

* Includes stationary sources (Baxter Operations - Stationary Sources Total line item from Energy Usage and Greenhouse Gas Emissions table) and excludes energy consumption associated with Baxter-operated mobile sources, materials and product delivery, and employee commuting and travel.

Managing energy use effectively enhances business efficiency and conserves natural resources. Reducing fossil fuel combustion improves air quality, decreases fine particulates that contribute to adverse health effects, and reduces the generation of greenhouse gas (GHG) emissions, which contribute to global warming and resulting climate change. Limiting the use of non-renewable energy sources also helps preserve their availability for future generations.

Performance

While energy conservation benefits the environment, it also makes good business sense for Baxter, since energy is among the company's most significant manufacturing costs. Since 2005, while Baxter increased sales 41% through 2011, the company held absolute energy usage from operations to an approximate 7% increase. However, due to sharply increasing energy prices, Baxter's corresponding energy costs rose 47% during that period, to \$163 million in 2011. This underscores the importance of the company's ongoing energy conservation efforts, which, since 2005, have achieved cumulative savings of approximately \$39 million on an annualized basis.

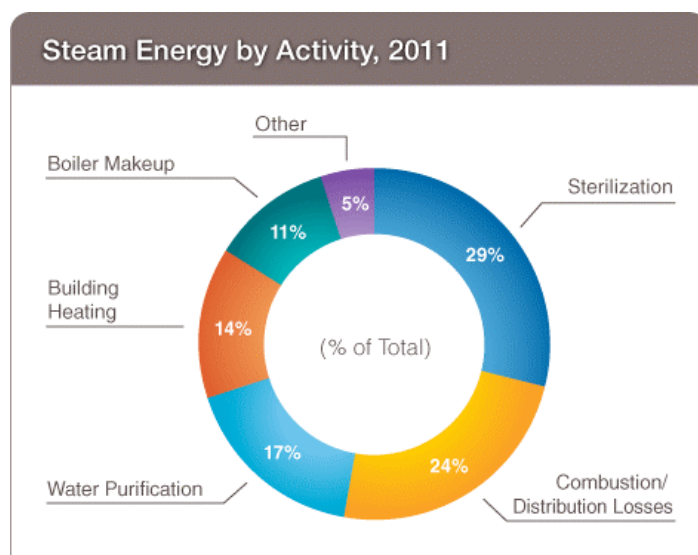
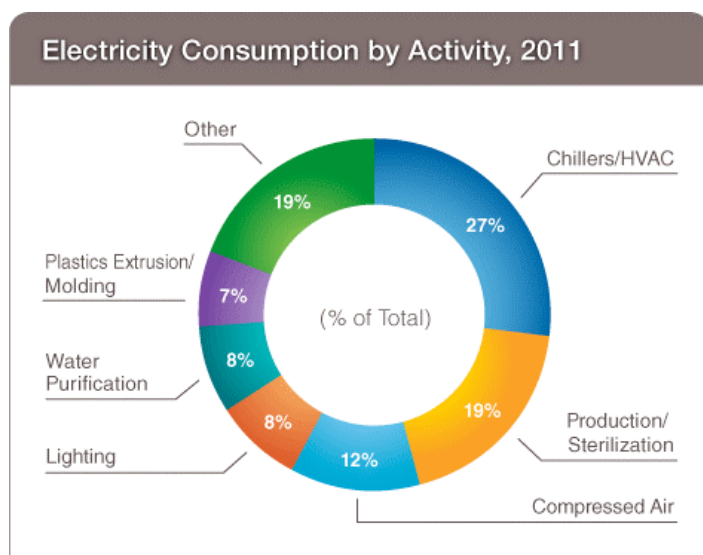
Baxter is committed to reducing energy usage from operations by 30% indexed to revenue, compared to 2005. This includes the energy used by Baxter-managed and Baxter-operated facilities and excludes company-operated vehicles. From 2005 to 2011, energy consumption for Baxter operations were

reduced by 24% indexed to revenue, on-track to meet the company's 2015 goal.

Compared to 2010, elevated manufacturing production in 2011 increased energy usage across all Baxter regions except Latin America. Additionally, the installation and commissioning of a natural gas-fired combined heat and power system (co-generation) at Baxter's Lessines, Belgium, facility in October 2011 contributed to higher energy consumption in the Europe, Middle East and Africa region. Cogeneration systems increase a facility's overall energy footprint since losses previously attributed to the generating utility are instead accounted for by the facility. However, the overall efficiency of energy utilization improves since the facility can capture and use the waste heat from electricity generation.

See the 2011 [Environmental Financial Statement](#) for more detail.

The following graphs illustrate the breakdown of electricity and steam consumption for Baxter manufacturing facilities. The company considers these data in targeting new energy-saving technologies, determining where to focus energy balances and setting requirements in the Lean energy program. See Energy Conservation Initiatives below for examples of projects to enhance efficiency in some of these areas.



Baxter's energy program incorporates three main components: energy balances; the Lean energy program; and performance tracking and reporting.

Energy Balances

Energy balances serve as the foundation of Baxter's energy program. They help identify new technologies for facilities to implement and help identify best practices to share among facilities.

An energy balance is an in-depth assessment of energy consumption at the site level. A team of qualified experts assesses most of Baxter's manufacturing sites every three to four years to determine how energy is consumed in each facility. The team spends approximately five days at each location evaluating the energy-consuming systems and reviewing the electricity and fuel invoices to identify opportunities to improve efficiency and reduce GHG emissions and cost.

To encourage the implementation of energy conservation projects identified by energy balances, which often involves purchasing new equipment or upgrading current equipment, Baxter has reduced its minimum required internal rate of return by approximately 5% compared to other capital projects.

In 2011, Baxter performed energy balances at the following 13 facilities: Guangzhou, Shanghai and Suzhou, China; Cartago, Costa Rica; Bohumil, Czech Republic; Rieti, Italy; Miyazaki, Japan; Marsa, Malta; Canlubang, Philippines; Jayuya, Puerto Rico; Istanbul, Turkey; Hayward, California, and Round Lake, Illinois, United States.

As a result of energy balances, Baxter facilities worldwide are evaluating or implementing approximately 350 energy conservation projects that have potential savings of \$9.3 million.

Lean Energy Program

In 2007, Baxter launched a Lean Energy Program for the company's principal manufacturing facilities. The program includes four sets of Lean energy standards – Pre-requisite, Bronze, Silver and Gold. Each category defines 25 to 30 requirements a facility's energy program must meet to qualify for that level, focused on the energy efficiency of facility processes and systems. In 2011, Baxter implemented tightened efficiency standards and added additional requirements focused on water to the Lean energy program. These changes shifted the baseline requirements. See the table below for progress since 2007.

Lean Energy Program Performance

[Percent of Program Criteria Implemented Across All Manufacturing Facilities, at Year-end]

	2007	2008	2009	2010	Start 2011*	Year End 2011*
Pre-requisite	93%	98%	100%	100%	84%	98%
Bronze		85%	94%	98%	80%	95%
Silver			76%	89%	76%	89%
Gold				54%	55%	60%

*Changes in 2011 performance compared to 2010 are in part due to additional requirements added in 2011.

Baxter has seen a clear correlation between a site's Lean energy program level and its energy reduction performance.

Performance Tracking and Reporting

Baxter's corporate energy management group produces and distributes a quarterly report to the company's senior management, plant managers and global energy managers. The report is a mechanism to evaluate performance and enables the program to act when performance is lagging. It focuses on energy balances and the Lean energy program, emphasizing progress toward Baxter's internal target of a 3 percent reduction in energy per unit of production.

Energy Conservation Initiatives

Since 2005, Baxter's global energy management initiatives have achieved cumulative savings of approximately \$39 million on an annualized basis. Energy efficiency gains achieved in 2011 are due to systematic implementation of energy conservation projects. Examples of projects implemented in 2011 include the following:

- Australia – Baxter's facility in Toongabbie, Australia, upgraded its compressed air system to improve reliability, uptime, system flexibility and reduce operating costs. The new system saves approximately 1,204,000 kWh in electricity and \$40,000 in energy costs.
- Malta – Baxter's facility in Marsa, Malta, installed a 165 kW geothermal system for use from May through October. The geothermal system offsets the effects of high humidity on cooling towers by providing additional cooling from the ground. On an annual basis, the system will save a projected 84,000 kWh in electricity, more than \$18,000 in energy costs, and 71 metric tons of carbon dioxide equivalent (CO₂e) emissions.
- Spain – Baxter's facility in Sabiñánigo, Spain, upgraded its chilled water system to improve cooling and enhance system efficiency.

The new system includes a variable flow feature that optimizes chiller performance while enabling the site to utilize free cooling on temperate days. The upgrade reduced electricity use by 743,000 kWh annually, saving nearly \$95,000 and decreasing GHG emissions by approximately 220 metric tons CO₂e.

Global Energy Management Activities

Baxter senior management sponsors the company's global energy management activities, which are part of an integrated energy-conservation, cost-reduction and GHG emissions reduction program. The following groups participate in this program as noted:

Group	Energy Management Activities
Facilities Engineering Services	<ul style="list-style-type: none"> • Chairs Baxter's Energy Steering Committee, composed of corporate, regional and facility representatives • Develops energy-conservation and energy cost-reduction strategies • Manages global energy-conservation programs, conducts energy balances and drives the Lean energy program • Tracks and reports facility energy usage, costs and progress against goals each quarter • Monitors global energy availability and price trends • Coordinates companywide technical resources, Web resources, regional training and Baxter's Global Energy Conference
Environment, Health and Safety	<ul style="list-style-type: none"> • Represented on Baxter's Energy Steering Committee • Ensures environmental factors are considered in energy management strategies, initiatives, GHG-reduction efforts and company policies • Manages Baxter's global climate change response strategies and GHG-reduction activities • Tracks and reports company GHG emissions • Monitors Baxter's participation in the EU Emissions Trading Scheme
Corporate Services and Administration	<ul style="list-style-type: none"> • Seeks cost-competitive energy sources, in partnership with Baxter's Purchasing and Supplier Management organization • Manages natural gas purchasing for Baxter locations in the United States • Purchases renewable energy for specific Baxter facilities and products • Manages "carbon-neutral" status of corporate headquarters
Purchasing and Supplier Management Organization	<ul style="list-style-type: none"> • Manages program to work with major Baxter suppliers to improve energy efficiency, reduce GHG emissions and enhance other supplier "green" initiatives • Provides assistance in energy purchasing • Manages energy efficiency of Baxter-operated vehicles, including car sales fleet and truck distribution fleet • Champions green building technologies and renewable energy projects for supply chain distribution locations
Facility Energy Managers	<ul style="list-style-type: none"> • Implement facility-level energy-conservation, cost-reduction and GHG-reduction strategies • Apply available Baxter technical resources and best practices, participate in regional training and attend company-sponsored Global Energy Conferences • Identify and implement energy-conservation projects • Evaluate viable renewable energy options • Set annual facility energy usage and cost-reduction goals • Manage facility energy performance

Baxter Energy Usage and Greenhouse Gas Emissions



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The following table (click on image to download PDF) describes Baxter's energy usage, energy costs and greenhouse gas (GHG) emissions 2008-2010.

Data are grouped by three main categories: Upstream Scope 3 Emissions, Baxter Operations (Emissions) and Downstream Scope 3 Emissions

For additional information please refer to the [GHG Emissions Across the Value Chain](#) and [GHG Emissions from Operations](#) pages.

Baxter Value Chain Energy Usage and Greenhouse Gas Emissions

For more information see the [Greenhouse Gas Emissions Across the Value Chain](#) page of the Baxter 2011 Sustainability Report.

		ENERGY USAGE			JOULES (trillions)			ENERGY COSTS (millions)			CARBON DIOXIDE EQUIVALENTS ^{1,2} (thousand metric tons)		
	UNITS	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
UPSTREAM SCOPE 3 EMISSIONS													
Purchased Goods and Services (Category 1) ³													
Baxter First Tier Supply Chain		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	241	246	266
Remaining Supply Chain		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	773	790	855
Subtotal		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,014	1,036	1,121
Capital Goods (Category 2) ⁴													
		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	101	96	96
Fuel and Energy-related Activities (Category 3)													
		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	td	td	td
Upstream Transportation and Distribution (Category 4) ⁵													
Baxter First Tier Supply Chain		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	27	27	29
Remaining Supply Chain		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	86	88	95
Subtotal		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	113	115	124
Waste Generated in Operations (Category 5) ⁶													
		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	6	7
Business Travel (Category 6) ⁴													
Commercial Airlines (Aviation Fuel)	Million Kilometers Flown	329.0	322.0	330.0	n/a	n/a	n/a	n/a	n/a	n/a	44	43	44
Rental Cars (Fuel Use)	Million Kilometers Driven	12.4	11.9	12.5	n/a	n/a	n/a	n/a	n/a	n/a	3	3	3
Hotel Stays (Hotel Energy Use)	Thousand Room Nights	160.0	153.0	163.0	n/a	n/a	n/a	n/a	n/a	n/a	4	4	4
Subtotal		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	51	50	51
Employee Commuting (Category 7) ⁴													
Gasoline Fuel	Million Liters	34.5	32.5	32.5	1,249	1,178	1,175	\$33.7	\$35.3	\$41.2	81	76	76
Diesel Fuel	Million Liters	2.8	2.8	2.8	111	106	108	\$2.9	\$3.4	\$4.0	8	8	8
Subtotal	Million Liters	37.3	35.3	35.3	1,360	1,284	1,283	\$36.6	\$38.7	\$45.2	89	84	84
Upstream Leased Assets (Category 8) ⁴													
		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	21	21	22
Upstream Scope 3 Emissions Total		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,396	1,408	1,505
BAXTER OPERATIONS													
Stationary Sources (Facilities)													
Electricity	Million kWh	974	956	982	3,505	3,441	3,535	\$98.4	\$99.9	\$107.3	449	442	457
Natural Gas	Million Cubic Meters	70	82	84	2,704	3,134	3,208	\$26.6	\$28.5	\$28.8	133	154	158
Fuel Oil	Million Liters	36	33	32	1,462	1,320	1,302	\$17.3	\$18.3	\$22.4	103	93	91
Propane & LPG	Million Kilograms	2.1	1.9	1.8	106	92	90	\$1.2	\$1.5	\$1.6	7	5	5
Purchased Steam	Million Kilograms	4	4	4	8	8	8	\$0.1	\$0.1	\$0.1	1	1	1
Biomass ⁹	Million Kilograms	88	91	98	655	680	726	\$3.7	\$3.7	\$3.3	n/a	n/a	n/a
Carbon Dioxide Offsets ¹⁰											(46)	(61)	(76)
Stationary Sources Total		n/a	n/a	n/a	8,440	8,675	8,869	\$147.3	\$152.0	\$163.5	647	634	636
Mobile Sources (Baxter Operated Vehicles) ¹¹													
Aviation Fuel	Million Liters	1.7	1.4	1.3	60	50	46	\$1.0	\$1.2	\$1.5	4	4	3
Gasoline	Million Liters	9.5	9.3	9.3	344	339	339	\$9.5	\$10.3	\$12.3	23	21	22
Diesel Fuel	Million Liters	8.7	9.3	9.4	334	357	361	\$9.9	\$11.4	\$13.2	24	25	26
Mobile Sources Total		19.9	20.0	20.0	738	746	746	\$19.4	\$22.9	\$27.0	51	50	51
Refrigerants ¹²													
Refrigerant Losses (Facilities)	Thousand Kilograms	9	11	11	n/a	n/a	n/a	n/a	n/a	n/a	29	26	31
Baxter Operations Total		n/a	n/a	n/a	9,178	9,421	9,615	\$166.7	\$174.9	\$190.5	727	710	718
DOWNSTREAM SCOPE 3 EMISSIONS													
Downstream Transportation and Distribution (Category 9) ¹³													
Processing of Sold Products (Category 10)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	td	td	td
Use of Sold Products (Category 11) ¹⁴		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,764	1,875	1,955
End-of-life Treatment of Sold Products (Category 12) ¹⁴		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	51	55	57
Downstream Leased Assets (Category 13)													
Franchises (Category 14) ¹⁵		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	7	7
Investments (Category 15) ¹⁵		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4	4	4
Downstream Scope 3 Emissions Total		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,299	2,425	2,546
TOTAL GHG EMISSIONS (Incl. CO ₂ e Offsets in Baxter Operations) ¹⁶		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,422	4,543	4,769

¹ Baxter used the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol (www.ghgprotocol.org) to calculate emissions data from fossil fuel use. The company used country electricity emission factors published by the International Energy Agency and the U.S. Environmental Protection Agency (EPA) E-Grid U.S. regional electricity emission factors to calculate greenhouse gas (GHG) emissions related to electricity consumption.

² An independent entity engaged by the Chicago Climate Exchange (CCX) verified Baxter's 2009 and 2010 direct GHG emissions from operations in Canada, Mexico, Puerto Rico and the United States. Bureau Veritas North America, Inc. verified Baxter's 2010 and 2011 Scope 1 and Scope 2 GHG emissions.

³ Baxter estimated the GHG emissions of its first-tier and sub-tier suppliers (purchased goods and services and upstream transportation and distribution) for 2009-2011 using modeling performed for Baxter's supply chain in 2009 and 2010 by an independent UK-based firm. These estimates are based on data from other companies in the healthcare sector and representative suppliers as well as publicly reported Baxter financial and environmental data available for the two years (2008 and 2009) prior to the modeling.

⁴ Estimated 2009-2011 emissions based in part upon 2009-2011 capital expenditures reported in Baxter's 2011 Annual Report.

⁵ Estimated emissions for wastewater, and waste recycling and disposal based in part upon guidance provided by the Massachusetts Department of Environmental Protection and the U.S. EPA Solid Waste Management and Greenhouse Gas Emissions.

⁶ Baxter estimated GHG emissions associated with employee use of commercial airlines, rental cars and hotel stays is based in part on data provided by company travel agencies and travel providers, which calculated those data using the Greenhouse Gas Protocol. Airline companies used by Baxter provided data regarding distances flown and GHG emissions for 2009, 2010. Information for 2011 was extrapolated from prior years. The GHG Protocol was used to calculate 2009 to 2011 emissions from rental cars based on reported fuel usage in 2009 and 2010 and extrapolated for 2011. Based upon the use of airlines, rental cars and sales growth information, GHG emissions associated with Baxter hotel stays was evaluated based upon available information and estimated for 2009 through 2011.

⁷ Baxter used the Greenhouse Gas Protocol to estimate GHG emissions related to employee commuting. The company based these estimates on an assessment of employee population by region, estimated average distances traveled to work, estimated mode of transportation, and assumptions regarding the blend of fuel used (gasoline and diesel).

⁸ Emissions associated with upstream leased assets estimated at 3% of Baxter's net emissions for Operations.

⁹ Baxter used the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition to determine GHG emissions associated with using biomass fuel, principally wood/ wood waste, as a boiler fuel at two Baxter locations. These emissions were calculated as 156,000, 162,000 and 172,000 metric tons CO₂e in 2009, 2010 and 2011, respectively.

¹⁰ Includes the purchase of electricity generated from 100 percent certified renewable electricity (Austria, Spain, Switzerland, United Kingdom, and United States), the purchase of carbon credits from the Chicago Climate Exchange (United States) and retired in 2009, 2010 and 2011, and carbon sequestration related to reforestation projects in Canada.

¹¹ Baxter used the Greenhouse Gas Protocol to estimate GHG emissions associated with reported fuel usage by company-managed sales and distribution fleet vehicles, and other vehicles. The company estimated fuel usage for international sales and distribution vehicles based on regional sales information.

¹² Refrigerant emissions represent total reported CFC, HCFC and HFC refrigerant losses by each Baxter location. Baxter calculated associated GHG emissions using average emissions factors for each refrigerant family.

¹³ In 2009, Baxter analyzed product shipments to customers on a global basis by truck, railroad, air (intra and inter-regional), ocean (intra- and inter-regional) and barge (principally in Europe). Based upon the estimated weight shipped, distance and mode, Baxter used the Greenhouse Gas Protocol to calculate associated GHG emissions. In 2010 and 2011 Baxter used a third party to evaluate product shipment emissions. Based upon these activities over the past three years, these emissions were estimated.

¹⁴ Baxter estimated the emissions associated with the use and final disposition of products based upon available global warming potential information available for certain types of products and emissions for certain other products were estimated.

¹⁵ 2009-2011 Emissions for this Scope 3 Category were estimated based upon certain financial information presented in Baxter's 2011 Annual Report and Baxter's magnitude and annual change of net emissions for operations.

¹⁶ Totals do not include GHG emissions from Baxter-owned wood-fired boiler. See footnote 9 above for detail.

GHG Emissions across the Value Chain



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Global warming and resulting climate change is one of the most pressing sustainability challenges facing the world today. Although many natural forces have contributed, it is clear that since the beginning of the industrial revolution around 1750, humans have caused the release of additional greenhouse gas (GHG) emissions into the atmosphere. The impacts of climate change are felt through extreme weather events such as flooding, droughts and intense storms. These events are increasing in intensity, and only represent the visible signs of climate change. Other consequences include loss of biodiversity and ecosystems, acidification of oceans, sea-level rise and shifts in agricultural patterns. While gradual, these trends are expected to have more profound effects in the future.

Multinational companies can help to address climate change by understanding their impacts and decreasing GHG emissions through innovative emissions reduction programs. These are core elements of Baxter's sustainability efforts.

Baxter's GHG Emissions Management Program

Baxter began reporting its Scope 1, Scope 2 and certain Scope 3 GHG emissions in 1997 and contributed to the development of the initial version of the GHG Protocol, a collaboration of World Resources Institute and the World Business Council for Sustainable Development. Companies generally have the greatest control over and ability to impact Scope 1 emissions (associated with their own fuel usage, use of refrigerants and other factors) and Scope 2 emissions (associated with purchased energy/electricity), such as through energy conservation and use of renewable energy. Baxter has a long history of focusing in these areas.

In 2010, Baxter consulted a draft of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (finalized in 2011) to better understand its overall GHG emissions. Since then, Baxter has worked to better quantify its Scope 3 emissions, which the company estimated to be 4.1 million metrics tons carbon dioxide equivalent (CO₂e) in 2011 (including Upstream and Downstream Scope 3 Emissions).

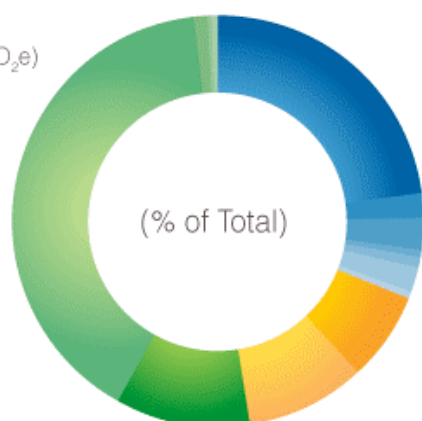
Baxter estimates its total global value chain GHG emissions (including Scope 1, Scope 2 and Scope 3) at 4.8 million metric tons CO₂e. The emissions reported below are presented in accordance with guidance provided by the GHG Protocol (Scope 1 and Scope 2) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Baxter reports its emissions in three principal categories: Upstream Scope 3 Emissions, Baxter Operations (Scope 1 and Scope 2 Emissions) and Downstream Scope 3 Emissions. Scope 1 and Scope 2 emissions have a high level of certainty and are verified by an external third party. Scope 3 categories such as Purchased Goods and Services (supply chain), Downstream Transportation and Distribution (logistics) and Use of Sold Products include certain assumptions and estimates. Baxter continues to refine its understanding of total company value chain GHG emissions and to implement emissions reduction strategies.

Click on each segment of this graphic to learn more about the company's activities and performance in that area.

Baxter's Global GHG Emissions Footprint, 2011*

Totals
(Metric Tons CO₂e)



	2010	2011	2011 (% of Total)
Upstream (Scope 3)			
Purchased Goods and Services	1,036,000	1,121,000	23.1%
Capital Goods	96,000	96,000	2.0%
Upstream Transportation and Distribution	115,000	124,000	2.6%
Waste Generated in Operations	6,000	7,000	0.1%
Employee Business Travel	50,000	51,000	1.1%
Employee Commuting	84,000	84,000	1.7%
Upstream Leased Assets	21,000	22,000	0.5%
Subtotal	1,408,000	1,505,000	31.1%
Baxter Operations (Scope 1 and 2)			
Facility/Vehicle Fuel Usage (Scope 1)	328,000	336,000	6.9%
Purchased Energy (Scope 2)	443,000	458,000	9.5%
Subtotal	771,000	794,000	16.4%
Downstream (Scope 3)			
Downstream Transportation and Distribution	484,000	523,000	10.8%
Use of Sold Products	1,875,000	1,955,000	40.3%
End-of-life Treatment of Sold Products	55,000	57,000	1.2%
Franchises	7,000	7,000	0.1%
Investments	4,000	4,000	0.1%
Subtotal	2,425,000	2,546,000	52.5%
Total	4,604,000	4,845,000	100.0%

* The emissions reported in this graph are presented in accordance with guidance provided by the GHG Protocol (Scope 1 and Scope 2) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. Baxter does not currently report Scope 3 emissions in the following categories: Fuel and Energy-related Activities (not included in Scope 1 or Scope 2 emissions), Processing of Sold Products, and Downstream Leased Assets.

View [more detail](#) about Baxter's energy usage and GHG emissions.

Upstream Scope 3 GHG emissions

The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard define eight upstream Scope 3 categories. Baxter has estimated GHG emissions for seven of these, summarized below, and continues to evaluate possible emissions associated with the remaining one.

Purchased Goods and Services

Baxter worked with a UK-based firm in 2009 and 2010 to model estimated GHG emissions associated with the company's global supply chain – from the acquisition and processing of raw materials to the delivery of products to Baxter. The firm based its estimate on data from other companies in the healthcare sector and representative suppliers as well as publicly reported Baxter financial and environmental data.

Based on this analysis, the estimated emissions in this category attributable to Baxter's business equaled 1,121,000 metric tons CO₂e in 2011, 23.1% of Baxter's total value chain GHG emissions. This included an estimated 266,000 metric tons CO₂e for Baxter's first-tier suppliers, and an estimated 855,000 metric tons CO₂e from sub-tier suppliers. Following the new Scope 3 guidance, Baxter reports supply chain transportation-related GHG emissions under Upstream Transportation and Distribution emissions (see below).

See Global Sustainable Supply Chain for more detail about Baxter's efforts to encourage suppliers to improve their environmental performance, including reducing GHG emissions.

Capital Goods

Greenhouse gas emissions associated with the procurement of capital goods, such as manufacturing equipment and new or renovated facilities, are estimated at 96,000 metric tons CO₂e in 2011, 2.0% of Baxter's total value chain GHG emissions.

Fuel and Energy-Related Activities

This category includes emissions related to the production of fuels and energy purchased and consumed by the reporting company in the reporting year that are not included in Scope 1 or Scope 2.¹ Baxter continues to evaluate possible emissions associated with this category

Upstream Transportation and Distribution

Baxter estimates upstream transportation and distribution GHG emissions relating to its supply chain at 124,000 metric tons CO₂e in 2011, 2.6% of Baxter's total value chain GHG emissions. This includes first tier suppliers' transportation and distribution emissions of 29,000 metric tons CO₂e, and an estimated 95,000 metric tons CO₂e for sub-tier suppliers.

Waste Generated in Operations

Baxter estimates GHG emissions associated with two elements of this category. For 2011, estimated GHG emissions related to off-site water and wastewater treatment equaled 4,000 metric tons CO₂e and off-site waste management equaled 3,000 metric tons CO₂e. The combined 7,000 metric tons CO₂e represented 0.1% of Baxter's total value chain GHG emissions.

Employee Business Travel

Greenhouse gas emissions related to employee business travel equaled 51,000 metric tons CO₂e in 2011, 1.1% of Baxter's total value chain GHG emissions. These include commercial air travel (44,000 metric tons CO₂e), use of rental cars and public transportation (3,000 metric tons CO₂e) and use of hotel rooms and conference meeting facilities (4,000 metric tons CO₂e). These estimates are based in part on data supplied by Baxter's travel providers.

Employee Commuting

Baxter estimates GHG emissions associated with employee commuting at 84,000 metric tons CO₂e in 2011, 1.7% of the company's total value chain GHG emissions. These emissions are based on employee counts by region, approximate average commute distance and commuting mode.

Upstream Leased Assets

Baxter estimates GHG emissions associated with upstream leased assets at 22,000 metric tons CO₂e in 2011, 0.5% of the company's total value chain GHG emissions. In addition to leased facilities space, this includes estimated GHG emissions from certain joint business ventures and recent business acquisitions that will be integrated into Baxter within set timeframes.

Baxter Operations – Scope 1 and Scope 2 GHG Emissions

Greenhouse gas emissions related to Baxter's operations are due to facility energy use, company-operated business vehicles, and certain refrigerant losses. Baxter's emissions from operations excluding offsets equaled 794,000 metric tons CO₂e in 2011, 16.4% of the company's total value chain GHG emissions. This included 336,000 metric tons CO₂e of Scope 1 emissions and 458,000 metric tons CO₂e of Scope 2 GHG emissions. See Baxter Operations GHG Emissions for extensive detail.

Downstream Scope 3 GHG Emissions

The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard define seven downstream Scope 3 categories. Baxter has estimated GHG emissions for five of these, summarized below, and continues to evaluate possible emissions associated with the remaining two.

Downstream Transportation and Distribution

Baxter's Supply Chain and Environmental, Health and Safety organizations worked together in 2009 and 2010 to estimate global GHG emissions associated with delivering finished products to customers. In 2011, Baxter's Logistics group worked with an outside vendor to refine these calculations. The vendor used emissions factors from the GHG Protocol to calculate GHG emissions for five modes of shipment (truck, rail, air, river barge and ocean), within and between regions. Baxter continues to work with the vendor on this effort.

Baxter estimates the emissions associated with downstream transportation and distribution at 523,000 metric tons CO₂e in 2011, 10.8% of Baxter's total value chain GHG emissions. This does not include the emissions of Baxter's operated vehicle fleet, including sales and distribution vehicles, which the company includes in its Scope 1 emissions under Operations. See Product Transport for more

information about initiatives in this area.

Processing of Sold Products

This category includes emissions from the processing of sold intermediate products² by third parties (e.g., manufacturers) subsequent to sale by the reporting company. Baxter continues to evaluate possible emissions associated with this category.

Use of Sold Products

Baxter estimates that GHG emissions associated with the use of its products equaled about 1,955,000 metric tons CO₂e in 2011, 40.3 % of Baxter's total value chain GHG emissions. Strategies are being explored to mitigate some of these product-related emissions

End-of-life Treatment of Sold Products

Baxter estimates that GHG emissions associated with end of life treatment of sold products were approximately 57,000 metric tons CO₂e in 2011, 1.2% of Baxter's total value chain GHG emissions.

Downstream Leased Assets

This category includes emissions not already included in Scope 1 or Scope 2 from the operation of assets that are owned by the reporting company (acting as lessor) and leased to other entities in the reporting year.³ Baxter continues to evaluate possible emissions associated with this category.

Franchises⁴

Baxter estimates that GHG emissions associated with franchises were approximately 7,000 metric tons CO₂e in 2011, 0.1% of Baxter's total value chain GHG emissions.

Investments

Baxter estimates that GHG emissions associated with investments were approximately 4,000 metric tons CO₂e in 2011, less than one 0.1% of Baxter's total value chain GHG emissions.

External Recognition for GHG Emissions Reporting and Performance

- In November 2011, Baxter ranked first in North America in the UK-based Environmental Investment Organization's Environmental Tracker North America 300 Listing. The ranking, which assessed the GHG emissions disclosure of the world's largest 1,270 companies, recognized Baxter for disclosing six categories of Scope 3 emissions.
- The April 2012 Maplecroft Climate Innovation Index (CII) US 100 (which covers the 100 largest U.S. companies by free-float market capitalization) ranked Baxter 13.

¹See Category 3 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

²Intermediate products are products that require further processing, transformation, or inclusion in another product prior to use. See Category 10 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

³See Category 13 the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

⁴This category includes estimated GHG emissions from the operation of franchises not included in Scope 1 or Scope 2 emissions. A franchise is a business operating under a license to sell or distribute another company's goods or services within a certain location. See Category 14 the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

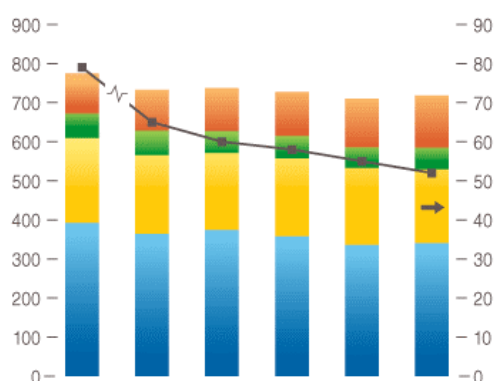
GHG Emissions from Operations



Bureau Veritas has provided assurance on the content on this page

Greenhouse Gas Emissions from Baxter Operations*

(Thousand Metric Tons CO₂e) — (Metric Tons CO₂e per Million Dollars of Sales)



	2005	2007	2008	2009	2010	2011
Asia Pacific	103	105	110	113	125	134
Latin America	63	63	56	57	53	55
EMEA	217	201	197	200	196	189
North America	392	364	374	357	336	340
Total (with purchased credits)	775	733	737	727	710	718
Metric Tons CO₂e per Million Dollars of Sales	79	65	60	58	55	52

→ **2015 Goal** Reduce GHG emissions by 45% indexed to revenue (base year 2005)

* Net GHG emissions from Baxter operations include emissions associated with facility energy usage (both from on-site fuel use and purchased electricity), company-managed sales and distribution fleet vehicles, other vehicles operated by Baxter and refrigerant losses. Net emissions from operations take into account the purchase of renewable energy, carbon credits and carbon offsets. Bureau Veritas North America, Inc. verified Baxter's 2011 Scope 1 and Scope 2 GHG emissions from global operations under Baxter's control.

Greenhouse gas (GHG) emissions related to Baxter's operations are due to facility energy use, Baxter-operated sales, distribution and other business vehicles, and refrigerant losses.

The company's approach to managing and reducing GHG emissions from operations includes 18 program and reduction strategies. Program strategies describe broader aspects of Baxter's approach such as developing an overall GHG reduction strategy, setting GHG emissions reduction goals, measuring and reporting progress, and others. These are complemented by specific approaches to reducing GHG emissions such as fuel switching and cogeneration, installation of onsite renewable energy systems, purchase of renewable power, participation in carbon trading systems, and development and leasing of green "high-performance" buildings.

Baxter is committed to reducing GHG emissions from operations 45% indexed to revenue by 2015 compared to 2005. From 2005 to 2011, Baxter decreased net GHG emissions from operations by 7% in absolute terms and 34% indexed to revenue. The company is on track to meet its goal.

Total net emissions from operations of 717,800 metric tons carbon dioxide equivalent (CO₂e) in 2011 include a subtraction of the following:

- 59,200 metric tons CO₂e due to purchased electricity generated from certified renewable energy in Austria, Spain, Switzerland, United Kingdom and the United States;

- 13,400 metric tons CO₂e of carbon credits purchased prior to 2011 on the Chicago Climate Exchange (CCX, now IntercontinentalExchange) and applied in 2011; and
- 3,600 metric tons CO₂e associated with carbon sequestration projects in Canada and Costa Rica.

The sum of 76,200 metric tons CO₂e for these items is equivalent to 9.6% of total emissions from operations excluding offsets (794,000 metric tons CO₂e) during 2011. This amount accounted for 6% of the company's progress so far (34% reduction indexed to revenue, compared to 2005) toward its 2015 GHG reduction goal.

The following table describes the sources of GHG emissions from Baxter operations during 2011.

GHG Emissions from Baxter Operations, 2011*			
	Metric Tons CO ₂ e	Percent of Total	Primary GHG Reduction Focus
Facility Purchased Electricity and Steam	458,000	57.7%	Energy Conservation
Facility Fossil Fuel Use	254,000	32.0%	Energy Conservation
Baxter Operated Sales, Distributed and Other Business Vehicles	51,000	6.4%	Improved vehicle efficiency
Refrigerant Related Emissions	31,000	3.9%	Switching to lower GHG potential refrigerants
Subtotal	794,000	100%	
Purchase of Renewable Energy (Electricity) and Carbon Credits, and Support of Carbon Sequestration Projects	76,200		
Net GHG Emissions	717,800		

*See the Biomass Fuel section below for detail about emissions from biomass-fired boilers at two Baxter locations. Since biomass is generated from a renewable energy resource, it is not included in Scope 1 GHG emissions or the table above.

[View more detail about Baxter's energy usage and GHG emissions.](#)

Energy Management

Energy usage accounts for approximately 96% of Baxter's GHG emissions from operations. Therefore, energy conservation is core to Baxter's GHG emissions-reduction efforts. The company's primary energy source is electricity, which represents more than 57% of GHG emissions from operations (see table above).

Energy-related GHG-reduction activities include the use of innovative technologies such as low energy light emitting diode (LED) lighting, fuel switching (such as from fuel oil to natural gas, a lower carbon fuel), biomass-fueled boilers and [cogeneration](#) systems. For more detail on these and other activities, see the sections below and the Energy page.

Biomass-Fueled Boilers

In 2011, biomass fuels were used as input energy at two Baxter locations (Marion, North Carolina, United States, and Alathur, India) (see [case study](#)). During the year, emissions from these biomass boiler operations equaled 172,000 metric tons CO₂e. Following the Greenhouse Gas Protocol¹, the company reports data for CO₂ emissions from biologically sequestered carbon (such as from burning biomass/biofuels) separately from its total emissions from operations (Scope 1 and 2). Per the protocol, Baxter does not include these emissions in measuring progress toward its 2015 GHG emissions reduction goal. See more detail in the table, [Baxter's Energy Usage and Greenhouse Gas Emissions](#).

Cogeneration Systems

In 2011, Baxter's Castlebar, Ireland, facility completed its first full year of operation with its new cogeneration equipment. At year-end 2011 Baxter's Lessines, Belgium, facility started up a new cogeneration system as well. Both locations converted from using fuel oil as primary input energy for their boilers to natural gas, thereby reducing net GHG emissions from these sites by approximately 30%. Baxter also has a cogeneration system at its Spain manufacturing site.

Renewable Energy

Baxter is committed to increasing facility energy usage of renewable power to 20% (of total energy use) by 2015. In 2011, 19% of Baxter's energy use for operations was from renewable energy sources. Of this amount, 8% was renewable energy associated with using biomass fuel for boilers at two Baxter locations – one in India and one in the United States. 11% was the renewable energy component of purchased electricity and renewable energy certificates (RECs). A small amount of Baxter's renewable energy use for operations in 2011 was from onsite geothermal systems and a number of smaller onsite solar photovoltaic (PV) and solar hot water systems.

During 2011, Baxter purchased 153,700 megawatt hours (MWh) of electricity generated from 100% certified renewable power. This included 102,200 MWh for company operations in Europe (Austria, Spain, Switzerland, and the United Kingdom) and 51,500 MWh of certified renewable energy certificates (RECs) for U.S. operations. Baxter was recognized as the 29th largest corporate purchaser of renewable energy in the United States at year-end 2011.²

The following table summarizes the energy sources used to generate electricity for Baxter globally for 2007 and 2010. During that period, renewable energy sources increased from 22.5% to 28.2%.

Energy Sources Used to Generate Electricity Used by Baxter*		
Non-renewable Energy Sources	2007	2010
Coal	31.8%	28.9%
Natural Gas	22.5%	22.3%
Nuclear	14.2%	13.3%
Oil	8.5%	6.8%
Waste	0.5%	0.5%
Subtotal	77.5%	71.8%
Renewable Energy Sources		
Biomass	1.5%	2.4%
Geothermal	0.5%	0.5%
Hydroelectric	16.2%	17.8%
Solar	0.0%	0.2%
Wind	4.3%	7.4%
Subtotal	22.5%	28.2%
Total	100%	100%

*This information is based upon the most recent country data available from the International Energy Agency (IEA) and the additional renewable energy purchased by Baxter in specific countries in 2007 and 2010. Unlike Baxter's 2015 renewable energy goal, this table does not take into account for onsite renewable energy systems.

Baxter also has implemented several on-site renewable energy projects recently. The capacity of the company's total on-site solar PV and solar hot water systems at year-end 2011 was estimated to be 1.2 MWh. The following are examples of Baxter renewable energy systems:

- **2011** – Baxter installed solar hot water or PV systems at its Orth, Austria; Vienna, Austria; São Paulo, Brazil and Cuernavaca, Mexico, facilities.
- **2010-2011** – Baxter installed geothermal systems at its locations in Orth, Austria, and Marsa, Malta. (Baxter had previously installed a geothermal system at its office in Munich, Germany about 15 years ago.)
- **2010** – Baxter installed solar PV systems at its Los Angeles, California, United States, and Aibonito, Puerto Rico, facilities.
- **2009** – Baxter began to lease its new European headquarters in Zurich, Switzerland, with a rooftop solar PV system.
- **2008** – Baxter installed solar PV systems at its Sintra, Portugal, and Valencia, Spain, offices and distribution facilities.
- **2002-2008** – Baxter piloted cleaner-burning biodiesel-fueled vehicles at facilities in Austria and Puerto Rico.
- **2000-2009** – Baxter installed rooftop solar systems at facilities in China, India, Malta, Puerto Rico and the United States (Illinois).

As world energy prices rise and carbon constraints intensify, Baxter will continue to adopt, where feasible, renewable energy and alternative lower-carbon fuels.

Green Buildings

High-performance green buildings provide many benefits that enhance employee productivity and reduce operating expense. Baxter has incorporated green building design principles and achieved or is working toward U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certification at several sites, including Baxter facilities in Vienna, Austria (achieved LEED Gold certification in 2011); Rome, Italy (achieved LEED Silver certification in 2011); and Mississauga, Canada (targeting LEED Gold certification in 2012). See Case Study: Employees and the Environment Benefit from New Vienna, Austria, Green Building and EHS Management Systems for a summary of Baxter Green Building Certifications.

Carbon Neutrality

Beginning in 2007, Baxter has used various means such as electricity generated from certified renewable energy, carbon credits and carbon offsets to achieve and maintain "carbon neutrality" at its headquarters in Deerfield, Illinois, United States, and its facility in Cartago, Costa Rica. In both cases, at a minimum, the company offsets facility-related emissions from purchased electricity as well as fuel combustion on site. Beginning in 2012, all purchased electricity used by Baxter operations in Illinois, United States, approximately 80,000 MWh per year, will be generated from 100% wind generated Green-e certified renewable energy.

Emissions Trading – Applying Market-based Solutions

Baxter has used a market-based approach (carbon cap-and-trade) to gain experience in the voluntary U.S. emissions trading market, to offset some of its GHG emissions, and to meet obligations for one facility that is subject to the European Union Emissions Trading Scheme. In 2003, Baxter was a founding member of the Chicago Climate Exchange (CCX, now IntercontinentalExchange), which was

the world's first and North America's only carbon cap-and-trade system for all six greenhouse gases. Baxter participated in the CCX Phase 1 and Phase II programs (2003-2010).

Through its involvement in the CCX, Baxter was the first company to purchase soil-based carbon credits offered by Illinois farmers and landowners through the Illinois Conservation and Climate Initiative in 2007. Baxter was also the first company, in 2006, to transfer emissions credits between the European Union Emissions Trading Scheme and the CCX, demonstrating the potential of international carbon exchanges to form a unified global carbon market.

Public Policy – Advocating Solutions to Address Climate Change

Baxter issued a formal position on energy and climate change in October 2001. The company's position has underpinned its public policy activity on this issue over the last decade. Baxter's advocacy on this issue has declined during recent years as the company's governmental affairs group has focused primarily on healthcare reform. See Public Policy for detail.

Affiliations

Baxter is involved in national and international organizations focused on climate change, such as Ceres, the Global Reporting Initiative, and the Center for Health and the Global Environment. The company has received various recognitions in this area.

¹The Greenhouse Gas Protocol, Corporate Accounting and Reporting Standards (Corporate Standard)

²U.S. Environmental Protection Agency Green Power Partnership Fortune 500 Partners List, January 5, 2012.

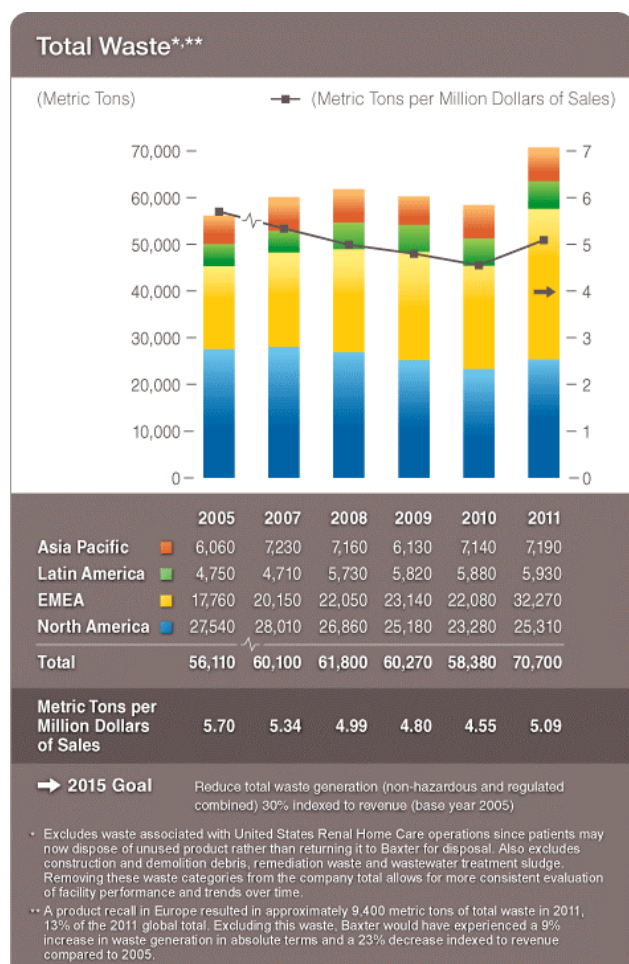
Waste



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Baxter has prioritized minimizing waste since establishing its first waste reduction goals in 1996. Early waste reduction efforts focused on decreasing potential risk and liability. Since the early 2000s, the company's efforts in this area have also been motivated by potential financial gains and process efficiency.

Baxter performs detailed tracking and analysis of waste data from each major facility. This enables the company to assess progress toward waste-reduction goals and identify opportunities to improve the efficiency of processes that generate waste. Baxter's new environmental, health and safety (EHS) information management system deployed in 2010 enables the company to track waste performance monthly, which shortens reaction time when issues arise. Facilities also are implementing more robust means of measuring waste at the point of generation, which helps to immediately identify significant sources. These and other waste reduction activities help to reduce expenses related to raw materials, waste handling and disposal. Waste minimization also reduces environmental impacts due to waste disposal and recycling.



Because Baxter sites generate different types of waste, the company's total waste goals, which combine non-hazardous and regulated waste, encourage each site to focus on the type of waste most relevant to its own operations. Baxter has committed to reduce waste generation by 20% indexed to revenue by 2015, compared to 2005. Baxter identifies its leading opportunities to decrease waste based on factors including the highest volume waste streams across the company, facilities that produce the most waste, and sites with particularly strong potential to improve.

Total Waste Performance

During 2011, Baxter's operations generated 70,700 metric tons of total waste, up 26% from 2005 in absolute terms and an 11% decrease indexed to revenue.

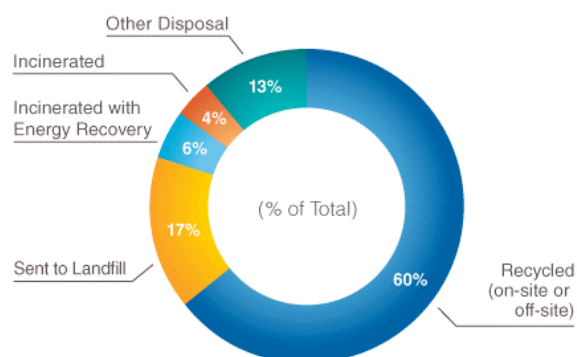
In absolute terms, total waste increased by 21% during 2011 compared to 2010. Baxter faced the following challenges during the year in this area:

- A product recall in the Europe, Middle East and Africa region resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the 2011 global total. Excluding this waste, Baxter would have experienced a 9% increase in waste generation in absolute terms and a 23% decrease indexed to revenue compared to 2005.
- Continuing collection and disposal or recycling of Baxter's COLLEAGUE pump from customers as well as upgrading of certain Renal products generated approximately 600 metric tons of waste in

2011, about 1% of the total waste generated during the year.

- Baxter continued to consolidate and relocate certain office operations during 2011. These activities, which continued into 2012, increased office-related waste streams in 2011.

Waste Management at Baxter, 2011



Counteracting some of the challenges listed above, Baxter increased its use of methodologies and management tools such as Lean and Six Sigma to help reduce total waste generation at several facilities. For example, Baxter's Sesto, Italy, facility generates several types of regulated wastes that can be costly to dispose. Using the Six Sigma DMAIC (define, measure, analyze, improve and control) waste-reduction methodology, the site identified a clear correlation between certain activities at the site and certain waste streams, and implemented actions to reduce waste generation at the source. In 2011, the site reduced total waste generated by 18 metric tons compared to 2010, a 4% reduction in absolute terms, despite increasing production by 9%.

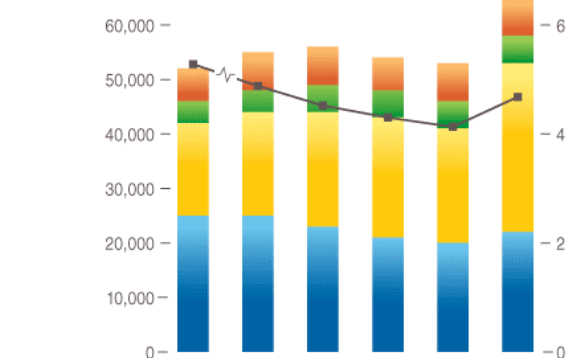
Non-hazardous Waste Performance

During 2011, Baxter's operations generated 65,000 metric tons of non-hazardous waste, 25% more than in 2005 in absolute terms and an 11% decrease indexed to revenue.

Plastic scrap continues to be Baxter's largest waste stream, generating roughly one-third of the company's non-hazardous waste. Baxter's Corporate Environmental Engineering group started an initiative in 2010 to identify opportunities to reduce plastic waste generation at the source through a systematic approach that emphasizes continual improvement and draws on Lean and Six Sigma tools. The company is already beginning to see the success of these efforts.

Non-hazardous Waste*

(Metric Tons) — (Metric Tons per Million Dollars of Sales)



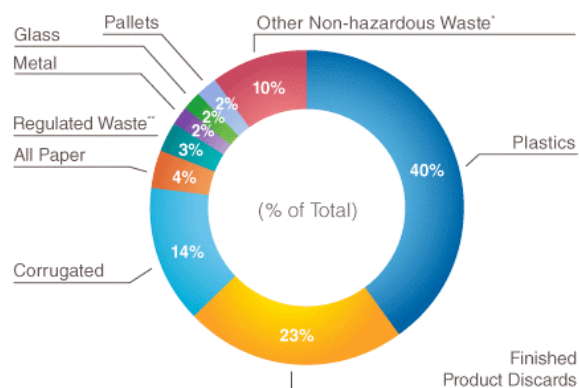
	2005	2007	2008	2009	2010	2011
Asia Pacific	6,000	7,000	7,000	6,000	7,000	7,000
Latin America	4,000	4,000	5,000	5,000	5,000	5,000
EMEA	17,000	19,000	21,000	22,000	21,000	31,000
North America	25,000	25,000	23,000	21,000	20,000	22,000
Total	52,000	55,000	56,000	54,000	53,000	65,000
Metric Tons per Million Dollars of Sales	5.28	4.88	4.52	4.30	4.13	4.68

2015 Goal See Total Waste Goal

* Excludes production by-products reused on-site, construction and demolition debris, and wastewater treatment sludge. Includes discarded/returned products (such as intravenous solution, dextrose solution, etc.), which are non-hazardous in nature but may be classified as regulated in some countries. Excludes waste associated with United States Renal Home Care operations since patients may now dispose of unused product rather than returning it to Baxter for disposal.

- Australia** - Baxter's Toongabbie facility, using a DMAIC approach to plastic scrap reduction, organized five teams to work on opportunities related to manufacturing: bag sealing, extrusion, packing, filling and bottles. The teams reduced plastic scrap per unit of production by 1% during 2011 and expect more significant savings in 2012.
- Costa Rica** - Baxter's Cartago facility strengthened existing plastic scrap measurement systems in its manufacturing and finished product packing areas. Through these efforts, the facility achieved significant reductions in plastic scrap generation. Compared to 2010 the facility reduced plastic scrap waste by 2% in 2011, equivalent to 13 metric tons, despite a 5% increase in production.
- Switzerland** - Baxter's San Vittore facility adopted an innovative new technology to extrude plastic film that will be capable of reducing extrusion plastic scrap inherent to the machine design from 40% to less than 4%. The site projects that it will reduce plastic scrap by more than 50% for plastic film used in select products in 2012 as it continues to refine the process and as production increases.

Off-Site Recycling of Select Waste Streams, 2011



* Includes all other recycled non-hazardous waste streams such as ink cartridges, protein paste waste, styrofoam, lamps/bulbs/tubes and drums.
 ** Regulated waste streams sent for recycling include batteries, chemicals and solvents, and oil filters.

Other facilities have reduced waste by focusing on manufacturing efficiency. During 2011, Baxter's Lessines, Belgium, Cuernavaca, Mexico, and Singapore, facilities implemented efforts that reduced plastic waste by a combined 140 metric tons compared to the prior year.

In 2011, Baxter also implemented projects focused on reducing packaging waste. The company's São Paulo, Brazil; Cali, Colombia; Castlebar, Ireland, and Cuernavaca, Mexico, facilities reduced cardboard waste by a total of 166 metric tons. In addition, facilities including Lessines, Belgium; Grosotto, Italy; Guangzhou, China; Cali, Colombia; and São Paulo, Brazil, implemented projects to reduce other packaging materials such as bags, overpouches, inserts and bottles, saving 91 metric tons. See Packaging for details.

¹"Other" includes all other recycled non-hazardous waste streams such as ink cartridges, protein paste waste, Styrofoam and metal drums.

²Regulated waste streams sent for recycling including batteries and chemicals and solvents

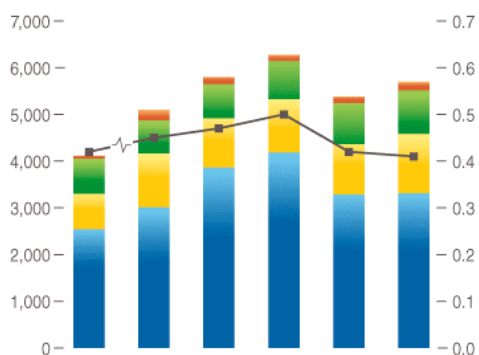
Baxter has consistently increased its recycling rate since 2007. Of the 65,000 metric tons of non-hazardous waste generated in 2011, Baxter recycled approximately 45,000 metric tons, or 69%. Baxter also recycled 1,600 metric tons of regulated waste in 2011, for an overall recycling rate of 66%. The increased rate is partly due to changes in how Baxter facilities report waste recycling and disposal.

The company's new EHS information management system enables facilities to indicate if a waste stream is incinerated or incinerated with energy recovery, of which the latter is considered recycling.

Recycling activities at Baxter generated approximately \$5.1 million in revenue in 2011. Although some recycled waste streams do not generate revenue, even in those cases, recycling typically costs less than disposal. Recycling revenue in 2011 decreased by 14% compared to 2010 due to lower prices paid for recycled materials.

Regulated Waste*

(Metric Tons) (Metric Tons per Million Dollars of Sales)



	2005	2007	2008	2009	2010	2011
Asia Pacific	60	230	160	130	140	190
Latin America	750	710	730	820	880	930
EMEA	760	1,150	1,050	1,140	1,080	1,270
North America	2,540	3,010	3,860	4,180	3,280	3,310
Total	4,110	5,100	5,800	6,270	5,380	5,700

Metric Tons per Million Dollars of Sales	0.42	0.45	0.47	0.50	0.42	0.41
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2015 Goal See Total Waste goal

* Excludes waste recycled on-site, remediation waste, construction and demolition debris, and wastewater treatment sludge. Includes certain waste streams (such as waste oils, batteries, fluorescent lamps, light ballasts and asbestos) not classified as regulated in some locations.

Regulated Waste Performance

Baxter reports the category of "regulated waste" rather than "hazardous waste." This includes a broader array of materials that would otherwise be classified as non-hazardous in certain countries, which helps harmonize Baxter's waste reporting across countries with varying waste regulations. In addition to wastes typically considered hazardous in most countries (such as toxics and corrosives), the company also includes oils, biohazardous or infectious materials, batteries, fluorescent lamps, asbestos and other materials that may not be defined as hazardous waste by national legislation at the point of origin. Regulated waste represented about 8% of the waste Baxter generated in 2011.

Baxter's global operations generated 5,700 metric tons of regulated

waste in 2011, 39% more than in 2005 in absolute terms and a 2% decrease indexed to revenue. The company increased regulated waste by 6% on an absolute basis compared to 2010, principally due to continued collection and disposal or recycling of Baxter's Colleague pump from customers and increased activity at several of the company's Bioscience plasma related operations.

Over the years, Baxter has reduced regulated waste such as solvents to the point that many of the company's large facilities no longer generate significant quantities. A substantial remaining regulated waste stream is biohazardous or medical waste, including plasma waste. Operations that manufacture products derived from plasma, including plasma processing plants, generate wastes that present fewer opportunities for source reduction or reuse. Over the past year, Baxter's EHS team in Los Angeles, California, United States, has worked with a waste management service to develop a comprehensive waste management program for the site. Through combined efforts they have identified innovative technologies to recycle and reuse certain challenging waste streams, including plasma waste. See Case Study: Baxter's L.A. Facility Turns Production Waste into Electricity.

Additional Waste Streams

To more closely reflect production efficiency, Baxter excludes certain non-routine, non production-related waste streams from its total waste performance data and progress against its 2015 waste goal. The company reports these waste streams separately as shown in the following table, which allows for more consistent evaluation of facility performance and trends over time.

Construction and demolition debris waste increased in 2011 compared to 2010 primarily due to several large expansion projects. The data also reflect improvements in the tracking and reporting of these waste streams.

Non-production Waste Streams Not Included in Total Waste Performance (metric tons)									
			2009			2010			2011
	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total
Construction and Demolition Debris	900	0	900	6,100	0	6,100	14,000	0	14,000
Remediation Waste	0	0	0	0	10	10	0	3,810	3,810
Wastewater Treatment Sludge	1,300	20	1,320	1,400	10	1,410	1,900	100	2,000
Total	2,200	20	2,200	7,500	20	7,520	15,900	3,910	19,810

Water and Wastewater



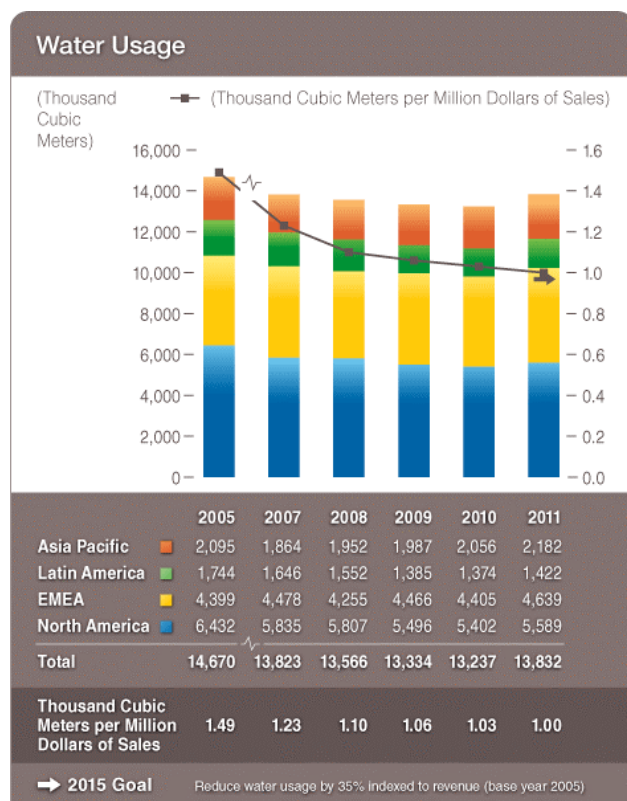
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Water scarcity and access to water continue to grow in visibility and importance worldwide. Although global concerns, addressing these issues requires action at a local or regional level, since conservation efforts in one part of the world do not help address water scarcity and access in other locations. Due to the local nature of water issues, companies must first understand water risks associated with local operations before they can take appropriate and meaningful action.

Water is integral to many of Baxter's products and manufacturing processes, and considers its responsibility to conserve water as a key focus. Baxter works to better understand the impacts of its water use across the value chain, and implements conservation and efficiency projects at its manufacturing facilities to improve its performance.

Baxter is committed to reducing water consumption by 35% indexed to revenue by 2015, compared to 2005. The company also has committed to implement two projects by 2015 to help protect vulnerable watersheds and provide communities with enhanced access to clean water.

Water and other environmental issues are interconnected. For example, global warming and resulting climate change are expected to decrease fresh water availability significantly, especially in water-scarce areas.¹ As temperatures rise, higher sea levels may increase salt water intrusion and degradation in water aquifers near the ocean.



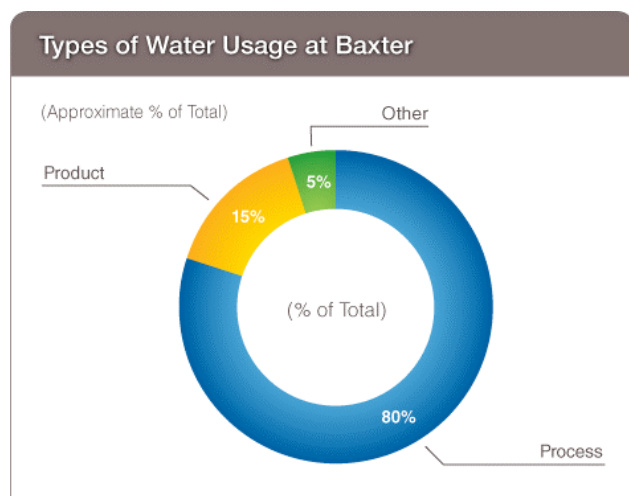
Water consumption, energy usage and greenhouse gas emissions are interrelated within Baxter's manufacturing operations as well. The production of highly purified water requires energy to operate water purification equipment such as reverse osmosis and water distillation units. As water quality decreases, Baxter will need to use additional energy and water for these purposes.

Water Usage

Baxter closely manages how it obtains, uses, treats, re-circulates and discharges water. In 2011, the company acquired about half of its water from on-site wells and about half from municipal water distribution systems. In 2012, Baxter initiated a survey of its manufacturing facilities to improve its understanding of the sources of water used, including the water provided by municipal systems.

In 2011, Baxter's global operations used approximately 13.8 million cubic meters² of water, roughly equivalent to filling more than 15 Olympic-sized swimming pools every day. The company used 6% less water in 2011 than in 2005 in absolute terms and 33% less indexed to revenue. Although Baxter is on target to meet its 2015 water-reduction goal, last year the company's total water usage increased for the first time since

2005. Baxter used 4% more water in 2011 than in 2010, largely due to increased manufacturing activity at numerous Baxter facilities globally.



Baxter uses water in three main ways:

- Process-related uses include cooling towers, chillers, steam boilers, sterilizers and water purification;
- Use of purified water in the company's solution products; and
- Other uses such as in bathrooms, cafeterias and landscaping.

Water Conservation

Facilities with water-intensive operations develop site-specific water efficiency initiatives and metrics. Environment, Health and Safety (EHS) and Facilities Engineering Services personnel review performance to identify best practices for application at other locations.

Baxter identifies water usage reduction opportunities and possible water conservation projects in several ways. Due to the strong link between energy usage and water processing, optimizing water systems remains a key focus of the company's facility energy assessments. Additionally, Baxter integrates Lean manufacturing principles and tools, such as value stream mapping, with water management, to help facilities identify areas for additional conservation.

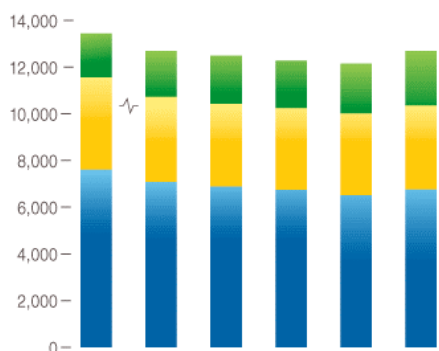
Water value stream mapping is an interactive, Lean manufacturing tool that helps facilities better understand the quantity and quality of water used in their processes and identifies opportunities for reduction or reuse. In 2005, Baxter participated in a series of workshops with the U.S. Environmental Protection Agency (EPA) and several other companies to explore how Lean manufacturing tools could be applied to environmental challenges. Following these workshops, the U.S. EPA published a series of toolkits that illustrates how organizations can use tools such as value stream maps to improve environmental performance.

During 2011, Baxter implemented water recovery and reuse projects at several facilities:

- **Mexico** - Baxter's facility in Atlacomulco, a water-stressed region, reduced absolute water usage by 26% compared to 2010 by capturing water from the leak test process and reject water from reverse osmosis and reusing it in facility equipment that does not require high-quality water. This will save 4,600 m³ of water on an annual basis.
- **Spain** - Building on an initiative started in 2010, Baxter's Sabiñanigo facility expanded the removal of a two-stage washing bath from additional manufacturing lines for Vialto, Baxter's non-PVC flexible intravenous (IV) bag. The facility also implemented a project to recover and reuse hot water from autoclaves used to sterilize finished products. These efforts contributed to a 25,000 m³ reduction in water usage compared to 2010.
- **United States**
 - Baxter's Los Angeles facility reduced wastewater from cooling towers, reverse osmosis equipment, and water distillation equipment to decrease water use by nearly 50,000 m³ compared to 2010.
 - Baxter's Mountain Home facility implemented water conservation projects such as reusing water from plastic pelletizer operations, optimizing water treatment equipment such as water softeners, and recycling cooling water by eliminating single-pass use in several parts of the facility. These projects have decreased water usage by nearly 6,100 m³ annually – a 1% absolute reduction and a 10% reduction normalized to facility production.

Water Usage, by Availability^{*,**}

(Thousand Cubic Meters)



	2005	2007	2008	2009	2010	2011
Scarce Water Resources	1,888	1,977	2,077	2,050	2,150	2,340
Stressed Water Resources	3,949	3,647	3,537	3,495	3,503	3,601
Sufficient Water Resources	7,606	7,070	6,878	6,738	6,502	6,748

* Water usage from Baxter's 39 sites with the greatest use, representing approximately 92% of the company's total annual water consumption.

** Availability of renewable water supplies evaluated using the World Business Council for Sustainable Development Global Water Tool. Water-scarce areas have less than 1,000 cubic meters of renewable water supply per person per year. Water-stressed areas have more than 1,000 cubic meters but less than 1,700 cubic meters. Water-sufficient areas have more than 1,700 cubic meters.

Water-Stressed Locations

Water issues vary significantly by location. Baxter used the World Business Council for Sustainable Development (WBCSD) Global Water Tool to evaluate the availability of renewable water resources at Baxter's largest water-consuming locations, which represent approximately 92% of the company's total water use. Nine of those sites are located in water-scarce areas, eight in water-stressed areas and 22 in water-sufficient areas (see second note on graph below).

Water usage in water-scarce and water-stressed areas increased 5% in absolute terms in 2011 compared to 2010, primarily due to production growth at those locations. Although Baxter has not established more aggressive water goals for these locations, water use normalized to production decreased by 4% at these locations combined – outpacing the internal corporate target of a 3% annual reduction.

While the WBCSD water tool has helped Baxter screen operations located in potentially water-scarce or water-stressed areas, the company has initiated a study to better understand the full water risk at each location. Building on the WBCSD approach, this study broadly defines water risk in three categories: cost and regulatory risks, access and growth-constraint risks, and reputation and right-to-operate risks.

With the help of Water Advocates, Baxter has begun to explore partnership opportunities with local non-governmental organizations (NGOs) to implement projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water and sanitation.

Baxter has entered an agreement with a local NGO to implement a community water project near the company's facility in Canlubang, Philippines. This project aims to improve the water, sanitation and hygiene conditions of the nearly 1,500 individuals in Sitio Silangan. The project objectives are to:

- Introduce sustainable potable water sources to Sitio Silangan;
- Raise awareness about low-cost water supply and sanitation solutions for households and the community;
- Introduce and provide training on low-cost water supply, sanitation and hygiene (WASH) technologies for human health, community empowerment and environmental protection; and
- Build the capacity of the community to manage its water supply and sanitation systems sustainably.

Baxter also is exploring similar projects near its Cuernavaca, Mexico, facility.

Wastewater

Wastewater discharged from Baxter's production operations represents one of the company's most significant environmental compliance risks. In 2011, 73 of Baxter's 74 self-reported environmental incidents were exceedances of permitted wastewater

discharge limits. During the year, 81% of the reported wastewater discharge exceedances were from two Baxter locations: Lessines, Belgium, reported 35 wastewater exceedances related to temperature, and Sabiñánigo, Spain, reported 25 wastewater exceedances, primarily involving increased flow of treated wastewater. Both facilities have worked with local environmental authorities to make certain that responses are satisfactory. In addition, Baxter's environmental engineering group engaged an external wastewater expert during 2011 to ensure implementation of proper preventive actions at both locations.

A single event may result in numerous environmental compliance incidents. For instance, a discharge of hot water during the course of seven days that elevates the wastewater discharge temperature above the daily regulatory limit would count as seven environmental compliance incidents. The Lessines and Sabiñánigo facilities both experienced events that spanned multiple days and resulted in multiple exceedances.

Baxter's Lessines facility has received temporary authorization from local regulatory officials for higher temperature wastewater discharge limits. This provides the facility time to investigate the sources of elevated wastewater temperature and implement projects to recover heat and water and reduce overall wastewater temperature. Addressing the source of the issue is preferable to installing additional pollution-control equipment at the wastewater treatment plant outfall.

The company's Sabinanigo facility received a new wastewater discharge permit in 2011 that is sufficient for its operations and allows increased wastewater discharge volumes. The facility continues to pursue water-conservation projects.

In 2011, Baxter's Castlebar, Ireland, facility received a complaint from the operator of the municipal wastewater treatment plant following the discharge of cleaning solution to the Baxter-dedicated wastewater pre-treatment system operated by another private entity. In response, Baxter has diverted large volumes of cleaning solution from the wastewater treatment plant and initiated engineering studies with the wastewater treatment plant operator to potentially modify the wastewater pretreatment system. Baxter continues to collaborate with government authorities and the pretreatment plant operator to identify solutions. The complaint generated interest by environmental regulatory officials and resulted in one notice of violation in 2011.

To address actual wastewater compliance issues and to anticipate potential ones, since 2006 Baxter's environmental engineering group has performed wastewater risk evaluations and developed recommendations for facilities with elevated wastewater compliance risk.

The group selects facilities for evaluation based on:

- Noncompliance history;
- Potential for noncompliance to result in environmental impact;
- Facility wastewater treatment capacity and reliability;
- Anticipated changes in production or the introduction of new products; and
- Sufficiency of resources that support wastewater operations.

Baxter-Operated Wastewater Treatment Systems

Twelve of Baxter's manufacturing operations treat wastewater on-site and either discharge to a waterway or operate as zero-discharge facilities. These facilities typically do not have access to regional or municipal wastewater-treatment systems. For example, Baxter's facilities in Alathur and Waluj, India, reuse all treated wastewater on-site for landscaping and irrigation or, after further treatment by reverse osmosis, for cooling-towers. In 2011, these 12 facilities treated 4.4 million cubic meters of wastewater, nearly 32% of Baxter's

total water consumption.

Baxter uses the following indicators to evaluate wastewater quality at the ten company facilities that discharge directly into waterways:

- 5-day biochemical oxygen demand (BOD₅);
- Chemical oxygen demand (COD); and
- Total suspended solids (TSS).

These are the most commonly used metrics of wastewater quality across Baxter operations and indicate the operational performance of wastewater treatment systems. The company monitors and reports additional metrics following local requirements, but these are not collected at all sites and so are not included in this report.

The combined treated effluent from the ten facilities that discharge to a waterway contained substances that represent 24 metric tons of BOD₅, 98 metric tons of COD and 49 metric tons of TSS. This equals average concentrations of 5 mg/liter BOD₅, 22 mg/liter COD and 11 mg/liter TSS. These levels generally are regarded as indicators of adequately treated wastewater and are well below typical regulatory discharge limits.

Wastewater Pollutants*									
		2005	2006	2007	2008	2009	2010	2011	Typical Acceptable Discharge Level (mg/L)
BOD ₅ **	Metric Tons	26	26	28	28	31	41	24	
	Mg/L	6	6	6	7	8	10	5	20
COD**	Metric Tons	111	119	134	132	102	106	98	
	Mg/L	26	27	30	31	27	27	22	60
TSS**	Metric Tons	45	49	53	48	31	34	49	
	Mg/L	11	11	12	11	8	9	11	20
Total Direct Discharge	Cubic Metrics	4,340,000	4,565,000	4,538,000	4,295,000	3,777,000	3,948,000	4,404,000	

*Estimated total water pollutant levels for treated wastewater discharged directly into waterways. Data do not include two facilities that operate zero-discharge systems in accordance with local regulatory requirements.

**When actual performance data were not available, estimates were developed based on performance at similar facilities or on other measured performance indicators.

Wastewater and Active Pharmaceutical Ingredients

Baxter takes seriously the concern about active pharmaceutical ingredients (APIs) entering the public water supply. The company primarily produces solutions whose principal ingredients include water, salts and simple sugars. However, Baxter purchases and uses some solution therapies and products for injection that include APIs.

Baxter properly manages the APIs that it uses to help ensure they are not released into the environment during manufacturing. The company has developed proprietary processes to remove, destroy or deactivate some compounds though not required to do so by law. All other compounds that cannot be managed this way or through traditional wastewater systems are destroyed by incineration or another environmentally responsible manner.

Complementing these global processes, each Baxter facility determines the most effective and environmentally responsible method of protecting the public water supply and public health in accordance with company policies and local regulations. For example, Baxter's major research and development facility in Round Lake, Illinois, United States, has an ongoing program launched in 1989 to evaluate its solution products, including those containing APIs, for their removal in wastewater treatment systems. The company shares this information with Baxter facilities around the world.

The Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report
One cubic meter equals 1,000 liters or 264 gallons.

2011 Environmental Financial Statement



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Baxter's Environment, Health and Safety (EHS) function pioneered its Environmental Financial Statement (EFS) in 1994 (covering 1993 data). The EFS demonstrates the value of the company's proactive global environmental management program to EHS team members, senior leadership and other stakeholders. The company has typically demonstrated a return of approximately three dollars per year for every dollar invested in a proactive global environmental program/ initiatives.

For the first time since Baxter began producing the EFS, the company did not realize a net positive environmental income, savings and cost avoidance in 2011. Costs related to unexpected waste management activities were the main contributing factor for this situation. The EFS analysis helps Baxter determine where to focus additional resources for greatest impact, and in the past year, Baxter has increased its focus on waste generation and related performance. The company expects to benefit from those efforts in future years. Environmental income, savings and cost avoidance equaled a net loss of \$3.3 million for initiatives completed in 2011. This amount decreased from a net gain of \$11.8 million in 2010.

Factors that significantly influenced 2011 performance include the following:

1. Non-hazardous waste cost increases:

- A product recall initiated in 2010 related to a Renal solution products manufactured in Europe, as well as related and ongoing remediation and revalidation efforts, resulted in approximately 9,400 metric tons of waste in 2011, 13% of the global total waste amount. This additional waste significantly impacted the savings and cost avoidance associated with non-hazardous waste disposal, non-hazardous materials and increased overall waste disposal costs. The recall was completed in 2011.

2. Regulated waste cost increases:

- Increased regulated waste generation associated with the continued collection and recycling or disposal of Baxter's COLLEAGUE intravenous solution pumps from customers.
- Increased production activity and corresponding amounts of waste at several of the company's BioScience plasma-related operations negatively impacted the savings and cost avoidance associated with regulated waste disposal and non-hazardous materials.

3. Higher water costs

- Increased average utility rates for water of nearly 6% compared to 2010 combined with higher levels of water consumption during the year negatively impacted net water cost savings and avoidance compared to prior years.

Total estimated environmental income, savings and cost avoidance realized in 2011 from environmental initiatives implemented during the prior six years, including 2011, totaled \$36.3 million.

[Download a PDF copy of Baxter's 2011 Environmental Financial Statement.](#)

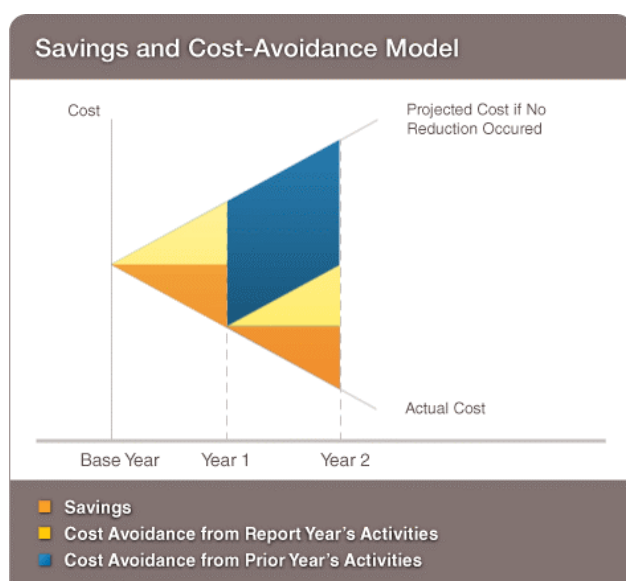
Background

When initiating the EFS, Baxter developed specific methodologies to estimate savings and cost avoidance. The company uses this approach consistently each year, to enhance the reliability and comparability of the results.

In compiling the EFS, Baxter uses the following terms and conventions:

Monetary Amounts

Stated in U.S. dollars.



Income

Money received in each of the reported years.

Savings

Reduction in actual costs between the report year and the prior year. An increase in actual costs equals negative savings.

Cost Avoidance

Costs that the company would have incurred had the reduction activity not taken place. Conservation initiatives produce cost avoidance in the year commenced, and in future years in which the resource (such as

energy, water or materials) remains eliminated from processes. To be conservative, Baxter stops accumulating cost avoidance from conservation activities after seven years (including the year implemented). This reflects the typical duration of many conservation projects, after which additional improvements or changes may be made.

Calculating Savings and Cost Avoidance

In calculating savings and cost avoidance for resource reduction activities, Baxter assumes that production and distribution grow at the same rate as the company's cost of goods sold, and that resource use and waste generation increase at that same rate in the absence of reduction initiatives. Baxter determines this rate by calculating the average annual increase in the company's published cost of goods sold over the past six years. It then adjusts this number for new acquisitions and changes in inventory, and subtracts inflation, which is calculated as an average of three major, relevant U.S. producer-price indexes. The company then rounds the resulting growth rate down to the nearest whole number to conservatively report performance.

In calculations related to materials use, Baxter uses the current average cost of materials and the compounded growth in business activity.

Undetermined (and Unreported) Environmental-related Costs and Savings

The following undetermined costs are not included in the EFS:

- Environmentally driven materials research and other research and development. These costs are typically offset by increased sales and other non-environmental benefits not reported in the EFS;
- Capital costs of modifying processes and implementing certain resource conservation projects, other than adding pollution controls. These are typically offset by increased production rates, efficiencies and other non-environmental benefits not reported in the EFS;
- Cost of substitutes for ozone-depleting substances and other hazardous materials (estimated to be relatively minor); and
- Time spent by non-environmental employees on environmental activities. Environmental training and responsibilities are part of every Baxter employee's job.

Baxter's global environmental program also produces undetermined savings and other benefits that are not easily measured and are not included in the EFS. Examples include the following:

- Decreased liability exposure related to the operation of regulated waste management sites by maintaining a program (launched in the 1980s) requiring a detailed audit of any such site before use by Baxter and periodic re-audits after the initial assessment;
- Reduced risk due to other risk-management programs, including performance of environmental due diligence on all business acquisitions and divestitures, use of a common set of EHS policies throughout Baxter operations, auditing those operations regularly against these policies and using a tracking system to resolve any audit findings;
- Decreased regulatory burden by reducing waste generation at Baxter below certain thresholds (decreases training, recordkeeping, reporting, and administrative costs);
- Avoided costs for environmental problems that did not occur due to Baxter's proactive efforts;
- Enhanced ability for employees to focus on higher value tasks due to the reduction of waste, possible spills and other potential environmental problems;
- Increased good will and brand value, improved company reputation and employee morale, and possible additional sales; and
- Attraction and retention of key personnel in part due to Baxter's strong environmental program.

Baxter 2011 Environmental Financial Statement

Estimated Environmental Costs, Income, Savings and Cost Avoidance Worldwide¹

	2011	2010	2009	2008	2007
ENVIRONMENTAL COSTS (dollars in millions)					
Basic Program					
Corporate Environmental – General and Shared Business Unit Costs ²	\$2.1	\$1.9	\$2.0	\$1.9	\$1.9
Auditor and Attorney Fees	0.3	0.4	0.4	0.3	0.4
Energy Professionals and Energy Reduction Programs	1.2	1.2	1.2	1.2	1.1
Corporate Environmental – Information Technology	0.3	0.4	0.4	0.4	0.3
Business Unit/Regional/Facility Environmental Professionals and Programs	11.3	11.6	11.5	11.2	7.3
Pollution Controls – Operation and Maintenance	3.9	3.7	3.6	3.4	3.4
Pollution Controls – Depreciation	2.4	2.5	3.1	2.4	0.9
Basic Program Total	\$21.5	\$21.7	\$22.2	\$20.8	\$15.3
Remediation, Waste and Other Response (proactive environmental action will minimize these costs)					
Attorney Fees for Cleanup Claims and Notices of Violation	\$0.2	\$0.1	\$0.1	\$0.1	\$0.1
Settlements of Government Claims	0.0	0.0	0.0	0.0	0.0
Waste Disposal	8.0	7.2	7.9	8.1	8.2
Carbon Offsets ³	0.2	0.3	0.2	0.2	0.1
Environmental Fees for Packaging ⁴	0.9	0.9	1.0	0.9	0.9
Environmental Fees for Electronic Goods and Batteries	0.1	0.1	0.1	0.1	0.1
Remediation/Cleanup – On-site	0.2	0.4	0.1	0.2	0.5
Remediation/Cleanup – Off-site	0.4	0.8	0.4	0.1	0.0
Remediation, Waste and Other Response Total	\$10.0	\$9.8	\$9.8	\$9.7	\$9.9
Total Environmental Costs	\$31.5	\$31.5	\$32.0	\$30.5	\$25.2
ENVIRONMENTAL INCOME, SAVINGS AND COST AVOIDANCE (dollars in millions; see Detail on Income, Savings and Cost Avoidance from 2011 Activities below)					
From Initiatives in Stated Year					
Regulated Waste Disposal	\$0.3	\$1.3	\$(0.5)	\$(0.1)	\$0.7
Regulated Materials ⁵	(0.6)	3.6	(1.0)	(1.6)	(3.1)
Non-hazardous Waste Disposal	(0.6)	0.3	0.3	0.7	0.0
Non-hazardous Materials ⁶	(8.5)	1.5	2.7	1.7	1.6
Recycling (income)	5.1	5.9	3.6	5.6	4.5
Energy Conservation	1.2	(1.2)	4.6	5.1	3.3
Water Conservation	(0.2)	0.4	0.6	0.8	0.6
From Initiatives in Stated Year Total⁶	\$(3.3)	\$11.8	\$10.3	\$12.2	\$6.2
As a Percentage of Basic Program Costs	-15%	54%	46%	59%	41%
Cost Avoidance from Initiatives Started in the Six Years Prior to and Realized in Stated Year^{6,7}	\$39.3	\$80.3	\$95.7	\$110.0	\$83.0
Total Environmental Income, Savings and Cost Avoidance in Stated Year	\$36.0	\$92.1	\$106.0	\$122.2	\$89.2
DETAIL ON INCOME, SAVINGS AND COST AVOIDANCE FROM 2011 ACTIVITIES (dollars in millions)					
	Income and Savings	Cost Avoidance	Total Financial Benefit		
Regulated Waste Disposal Cost Reduction	\$(0.2)	\$0.5	\$0.3		
Regulated Waste Materials Cost Reduction	(1.5)	0.9	(0.6)		
Non-hazardous Waste Disposal Cost Reduction	(0.6)	0.0	(0.6)		
Non-hazardous Waste Materials Cost Reduction	(10.6)	2.1	(8.5)		
Recycling Income	5.1	0.0	5.1		
Energy Consumption Cost Reduction	(11.5)	12.7	1.2		
Water Consumption Cost Reduction	(1.7)	1.5	(0.2)		
Total	\$(21.0)	\$17.7	(3.3)		

COST AVOIDANCE DETAIL FROM EFFORTS INITIATED IN THE SIX YEARS PRIOR TO REPORT YEAR (dollars in millions)

	2011	2010	2009	2008	2007
Regulated Waste Disposal	\$0.8	\$0.9	\$0.1	\$0.2	\$0.2
Regulated Waste Materials	(2.0)	1.0	0.1	(1.2)	0.4
Non-hazardous Waste Disposal	1.5	3.3	3.3	5.1	3.4
Non-hazardous Waste Materials	4.6	18.1	24.5	24.0	17.8
Energy Consumption	29.9	49.4	60.6	75.2	56.5
Water Consumption	4.5	7.6	7.1	6.7	4.7
Total	\$39.3	\$80.3	\$95.7	\$110.0	\$83.0

¹Financial numbers rounded to nearest US\$100,000 to reflect appropriate degree of data accuracy.

²Corporate environmental costs comprise total environmental costs related to operating corporate environmental programs that report into Baxter manufacturing and legal groups. While corporate Environment, Health and Safety (EHS) and certain business unit EHS groups were integrated in 2003, total business unit program costs remain in the Business Unit/Regional/Facility Environmental Professionals and Programs line, as those environmental costs more directly support facility programs.

³Cost of carbon offsets includes expenses associated with purchasing renewable energy certificates, carbon credits purchased through the Chicago Climate Exchange (CCX, now IntercontinentalExchange) and the annual membership fee for that organization.

⁴Following completion of the 1996-2005 packaging-reduction goal, Baxter discontinued tracking program costs and financial savings associated with packaging-reduction initiatives at the corporate level. Baxter may reinstitute this line item in future financial statements.

⁵Reflects change (positive for decrease and negative for increase) for purchases of raw materials due to changes in material use efficiency and associated generation of waste.

⁶In calculating savings and cost avoidance for waste-, energy- and water-reduction activities, it is assumed that production and distribution activities grew proportionately with Baxter's publicly stated cost of goods sold, adjusted for changes in inventory and inflation. Baxter uses a three-year rolling average of the annual percentage change in growth in the cost of goods sold to determine the financial values for each stated year. For 2011, the three-year rolling average was 3%, for 2010, 2%; for 2009, 3%; for 2008, 5%; and for 2007, 3%. This rolling average helps avoid distortions due to certain acquisitions/divestitures and the delayed environmental effects from changes in production.

⁷To be conservative, the accumulation of reported cost avoidance from conservation activities in prior years is terminated after seven years, the approximate duration of many facility conservation and process-improvement projects, after which additional process improvements and changes are possible.

Health and Safety



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Complementing its mission to save and sustain the lives of patients worldwide, Baxter works to ensure the health, safety and well-being of its employees. At Baxter, all employees are accountable for safety.

The company encourages employee health and wellness in and out of the workplace, such as by providing free influenza immunizations, subsidizing access to exercise facilities near or on the premises of some Baxter locations, and promoting balanced nutrition. Baxter also is working toward a smoke-free environment at all of its campuses.

Baxter conducts business worldwide, with more than half of its employees working outside the United States. The company's operations consist of the following work environments:

- Manufacturing;
- Administrative and sales offices;
- Plasma-donor centers;
- Research and development;
- Renal-therapy centers;
- Pharmacy compounding centers;
- Warehousing and distribution; and
- Mobile sales force.

Recent trends in Baxter's operations include increasing automation, facility expansions (especially in Asia Pacific), and a growing remote workforce. These present distinct workplace hazards and opportunities for improvements related to safety.

See a summary of performance in this area during 2011, a description of how Baxter manages safety and health and wellness, and details about several programs and initiatives in each area.

2011 Safety Performance



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In 2011, Baxter experienced a 5% decrease in recordable case rate, a 6% decrease in cases with days lost rate and a 20% increase in days lost rate. The increase was primarily due to a small number of serious injuries with extensive lost time. The following table summarizes Baxter's health and safety performance from 2005-2011, and includes the company's 2011 and 2012 internal targets in this area, which help keep the company on a course of continual improvement toward achieving its 2015 goal to Promote a Safe and Healthy Workplace. Click on underlined items to view performance graphs with regional and other breakdowns and global rates.

Indicator	2007	2008	2009	2010	2011	2011 Target	2012 Target
Recordable Case Rate ^{1,2}	1.41	1.29	1.07	1.00	0.95	0.97	0.92
Cases with Days Lost Rate ^{1,2}	0.25	0.19	0.15	0.17	0.16	0.16	0.15
Days Lost Rate ^{1,2}	5.45	4.23	4.16	4.56	5.47	4.42	5.14 ³
Restricted Days Rate ^{1,2}	15.72	19.46	12.68	14.59	13.86	n/a	n/a
Days Away (Lost), Restricted or Transferred Rate (DART) ^{1,2}	21.17	23.69	16.84	19.15	19.33	n/a	n/a
Employee/ Contractor Serious Incidents (total number) ⁴	12/1	8/2	12/2	5/0	12/1	n/a	n/a
Employee/ Contractor Fatalities (total number)	0/0	0/1	0/0 ⁶	0/0	1/0	n/a	n/a
Worldwide Workers' Compensation Cost Estimate (in millions) ⁵	\$14.9	\$14.4	\$15.9	\$17.8	\$18.0	n/a	n/a

All rates based on 100 full-time employees working one year, which equals 200,000 work hours. For tracking purposes, Baxter's position is to follow U.S. Occupational Safety and Health Administration recordkeeping requirements worldwide. Thus, in cases where an injury occurs and conflicting medical opinions arise as to the number of days away and/or restricted days that should be recorded, Baxter records on the basis of the most authoritative physician's opinion.

Recordable cases – Work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with days lost.

Cases with days lost – Work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident.

Days lost – The number of days lost (including weekends and holidays) recommended by the most authoritative physician's opinion due to work-related injuries or illnesses. Baxter does not count the date of injury and date of return to full duty as lost days.

Restricted days – The number of days recommended by the most authoritative physician's opinion that an employee or supervised contractor is unable to work full duty (including weekends and holidays) due to a work-related injury or illness. Baxter does not count the date of injury and date of return to full duty as restricted days.

DART – The combined number of days lost, restricted days and days transferred to another job function (including weekends and holidays) due to work-related injury or illness severe enough to prevent working full-duty. Baxter does not count the date of injury and date of return to full duty in the DART calculation.

2012 target for days lost rate was set higher than 2011 target due to Baxter not achieving the 2011 target.

Serious workplace incidents are work-related incidents that result in an employee or contractor being hospitalized overnight, sustaining an amputation or dying. This designation also includes any employee chemical or radiation exposure requiring government notification.

Workers' compensation costs include medical expenses due to work-related injury or illness and a portion of the employee's salary while disabled. Exact costs worldwide are difficult to obtain due to international privacy laws and public health payment practices for work-related injuries outside of the United States. Therefore, Baxter extrapolates global figures based on data from the United States.

In November 2009, a contractor died while performing on-site dredging of a pond at Baxter's Deerfield, Illinois, United States, headquarters. The Lake County medical examiner determined that the individual died of natural causes, and that the death was not work-related. It therefore is not included in this data.

In 2011, Baxter continued to improve its safety performance with respect to recordable cases and cases with days lost rate. The increase in the days lost rate primarily was due to a relatively small number of serious injuries requiring extensive recovery time.

Focused efforts to address the physical demands of Baxter's Renal Service Specialists resulted in a significant decrease in the number of lost workdays for this group, indicating a decrease in the injury severity for these employees.

Highlights by region include the following:

- **Asia Pacific** – Performance improved for the recordable case rate by 6% and for the restricted days rate by 38%. The worsening in the lost workday case rate (up 50%) resulted from one additional lost workday case. Baxter attributes the worsening in performance in the lost workday case rate (up 53%) to gaps in the case management system in the region, which the company is addressing.
- **Europe, Middle East and Africa** – Performance improved for all safety indicators (recordable cases improved by 13%, lost time cases by 40%, lost workdays by 2% and restricted days by 14%). Baxter attributes this to a focus on incident accountability, and thorough investigations with mandatory use of A3 reports.¹

Baxter is an official partner of the EU Agency for Safety and Health at Work's Healthy Workplaces Campaign 2012-13, "Working Together for Risk Prevention," which encourages managers, workers and other stakeholders to join forces to improve safety and health.

- **Latin America and Canada** – Although the region experienced improved performance related to recordable cases (improved by 4%), the region experienced a worsening in the lost workday case rate (up 6%) and days lost rate (up 56%). This was influenced by the expansion of non-manufacturing locations (primarily new clinics) where immediate implementation of safety management systems proved challenging. In this region, Baxter is focusing on risk assessment and the prevention of slips, trips and falls, the source of several lost workday cases.
- **North America** – Performance improved for recordable cases by 3%, but worsened for lost workday case rate (up 4%), days lost rate (up 21%) and restricted days rate (up 5%). Major contributing factors were the incident in Los Angeles, California, that resulted in significant lost time for affected employees as well as ergonomic injuries in large manufacturing settings.
- **All regions** – The recordable case rate improved by 5% globally, with gains in all regions.

As in recent years, ergonomic injuries continue to be the primary source of recordable cases, days lost and restricted days (see graph below). See Safety Program Management and Initiatives for details on the ergonomic strategies Baxter employs to address this ongoing

challenge.

Although the days lost rate increased in 2011, Baxter's overall safety performance since 2005 improved significantly.

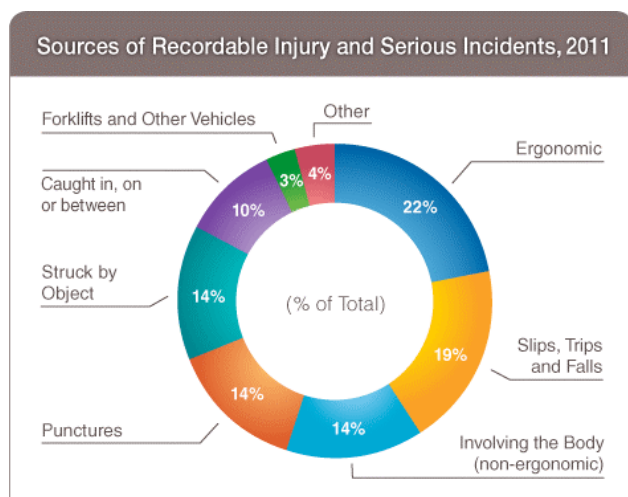
- 38% reduction in recordable case rate
- 47% decrease in cases with days lost rate
- 23% reduction in days lost rate

In a comparison of 13 healthcare companies reporting global safety data to Mercer (formerly ORC Worldwide) and two healthcare companies reporting data on public websites (15 total companies), Baxter's performance ranked third in cases with days lost rate in 2010, the most recent year industry benchmarking data were available. Although this placement achieves one of Baxter's 2015 goals, maintaining and improving this ranking will require ongoing dedication to continuous improvement in the company's safety systems and strategies.

View a [comparison](#) of Baxter's performance to average occupational injury and illness rates for several related U.S.-based industries.

Analysis of Injuries and Illnesses

Baxter's safety function regularly evaluates the main sources of work-related injuries at the company to identify trends and address opportunities for improvement. The following chart shows the sources of recordable injuries and serious incidents at Baxter in 2011.



The two major sources for the past seven years (when the company began analyzing these data) have been ergonomic issues and slips, trips and falls. To address this, Baxter has initiated focused programs in each of these areas.

Serious Incidents

Serious workplace incidents are work-related incidents that result in an employee or contractor being hospitalized overnight, sustaining an amputation or dying. This designation also includes any employee chemical or radiation exposure requiring government notification.

When a serious incident occurs, facility management conducts an evaluation and follows formal processes and reporting mechanisms to share knowledge throughout the company to prevent reoccurrence.

Baxter's EHS policy also requires regional and business EHS groups to prepare and distribute a report about the incident. In addition, safety personnel discuss each incident with the vice president of EHS and the corporate safety director to evaluate root causes and preventive measures.

Despite the company's focus on safety and strong overall safety performance, Baxter experienced an increase in serious incidents in

2011 compared to 2010. Unfortunately, in one of those serious incidents, a Baxter employee died and two other workers were seriously injured. The investigations into this matter continue. Since this incident, Baxter has made several program, training and procedural changes, and introduced new tools and other steps to further reduce risk. This includes revamped policy guidance, a comprehensive guidance document and regional training which are being deployed in 2012.

Great Performers

See a list of Baxter's Great Health and Safety Performers in 2011. These facilities completed at least 10 years of work and/or reached 1 million hours or more (the equivalent of 500 people working for a year) without an occupational injury or illness resulting in days lost.

A3 reports, a Lean manufacturing tool, are one-page summaries of pertinent accident information that can be easily shared and communicated.

Safety Program Management and Initiatives



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Baxter's safety and industrial hygiene functions establish the company's strategies in those areas and sponsor global teams of corporate, regional, site and business-unit safety professionals to help refine and implement these approaches. These teams set priorities and establish, maintain and continually improve global programs and initiatives.

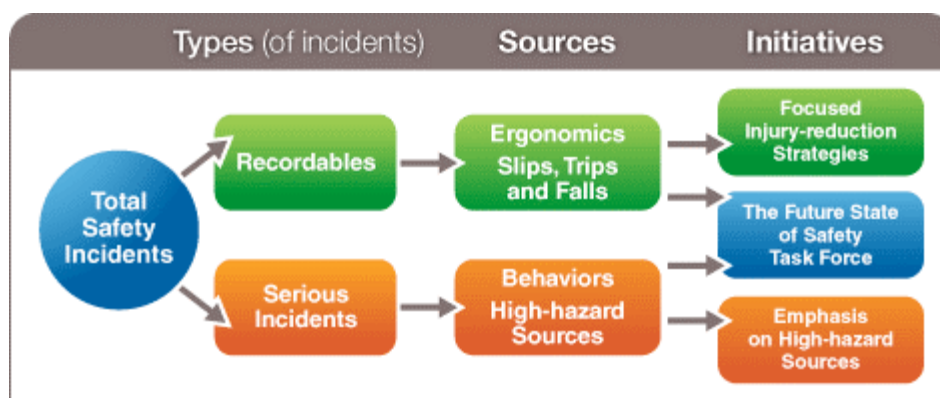
Each year the functional teams undertake a strategic planning process, and define short-term targets and long-term goals and the tactical plans and resources needed to achieve those. They also provide input to Baxter's Environment, Health and Safety (EHS) Leadership Team, made up of EHS directors and other leaders who establish the company's EHS strategy, policy (global EHS requirements) and EHS goals. This ensures alignment, engagement and commitment throughout the global EHS organization.

Baxter applies the Occupational Health and Safety Assessment Series (OHSAS) 18001 to assess and manage hazards that pose risk to employees. An external auditing and certification body may recommend a facility for certification to OHSAS 18001 following a successful corporate EHS audit. As of year-end 2011, 50 Baxter locations were certified to OHSAS 18001. See EHS Management Systems for more detail.

Several safety indicators measure safety performance in the company. Recordable case rate and cases with days lost rate are integrated into senior managers' annual performance management objectives and progress on these metrics impacts their compensation. Baxter also tracks serious incidents and evaluates each one that takes place, to fully understand the root causes and prevent recurrence. The EHS organization reports employee safety performance to Baxter's senior leadership every other month and to Baxter's manufacturing and supply chain management monthly. The EHS organization also communicates this performance to Baxter's Board of Directors.

Enhancing Safety Culture and Performance

In 2011, Baxter launched a three-pronged approach to enhancing its safety culture and performance, based on a careful review of historical performance trends (see graphic).



Focused injury-reduction strategies. Ergonomic exposure continues to cause a significant number of injuries and illnesses at Baxter, leading to 22% of the total during 2011. For this reason, the company has a long-term commitment to reduce ergonomic risk and to support facilities in related efforts. One of the most effective means of addressing this issue is to build optimal ergonomic design into workstations and work tasks. Following an assessment of its resources by an ergonomic consulting firm, Baxter created an ergonomic guide for engineers and deployed it in multiple languages. This will enable facility teams to incorporate positive ergonomic principles into work process designs and improvements.

For example, Baxter's Renal Home Patient Delivery drivers have a physically demanding job that must be performed in a variety of home settings, which may lead to higher incidence of employee injury. The company's safety team formed a task force to address this group's safety and ergonomic needs, and conducted benchmarking with other companies that deliver large quantities of liquids or beverages. Through this project, Baxter identified a program called Safety in Motion™, conducted a pilot, and then implemented the program throughout the group. This training educates employees on simple yet effective techniques to improve posture and balance, and reduce risk of injury. This led to a 70% decrease in lost workdays in 2011 for Renal Home Patient Delivery compared to 2010. Although Baxter gained sizable benefits from this program during its first year, many ergonomic injuries can develop over a period of time, so related gains may take longer to be realized.

Emphasis on high-hazard sources. Recognizing that serious injuries tend to arise from a specific subset of "high hazards," Baxter's BioScience business unit is piloting a high-hazard management program. This recent evolution of Baxter's hazard identification and risk assessment process focuses on proactively identifying these hazards and systematically reducing risk of injury through engineering solutions, enhanced operational controls and training.

The Future State of Safety task force. Launched in late 2011, this group works to identify the steps Baxter must take to advance to the next level of safety performance. The multidisciplinary team includes representatives from all levels of manufacturing operations, EHS and various support functions. The team will benchmark with other leading global corporations, and with high-performing Baxter sites to identify strategic options. The task force also is studying current thought leaders in the safety field to identify the essential elements for achieving world-class safety performance.

Case Management

Global occupational health case management seeks to obtain care for injured employees from qualified providers to improve health outcomes and shorten disability time. Effective case management depends on early intervention, appropriate treatment and engagement with the injured employee. Focusing on prevention and case management benefits employees -- and helps Baxter manage the medical treatment costs of work-related injuries and improve the company's days lost and restricted days performance. Proactive case management also allows employees to return to the workplace sooner, enhancing productivity and morale.

Baxter's occupational health team uses specific criteria to define what constitutes a case management program. This area continues to be a focus for Baxter sites to ensure that prompt, effective care is provided if needed. In addition to managing active cases, Baxter has conducted quarterly webinars on case management to enhance the expertise of its case management professionals. These meetings feature medical topics of global interest as well as issues aimed at strengthening U.S. workers' compensation claims handling.

Baxter instituted its formal case management program in 2005. As a result of Baxter's multidisciplinary approach to case management, Baxter's actual costs compared to budget since 2005 reflect \$9.8 million savings.

The occupational health team works closely with Baxter Risk Management, onsite safety professionals, Human Resources, and insurance providers to oversee case management. As a result of Baxter's multidisciplinary approach to work-injury management, the

company's average incurred cost per claim, determined 18 months after the incident, was 43% lower in 2010 than Baxter's insurance provider's client benchmark.¹

View detail regarding Baxter's Risk-Based Approach to Occupational Health Case Management.

Safety Programs and Initiatives

On an ongoing basis, Baxter analyzes injury and illness data to identify main sources of injury and risk as well as opportunities for improvement and areas of employee need. This has led to performance improvements through various strategies.

Confined Space

In 2011, Baxter has continued to strengthen its training, policy and guidance documents related to permit-required confined spaces.

Driver Safety

The use of mobile devices while driving represents a significant distraction risk. To address this, Baxter implemented a "hands-free" mobile device policy in 2011 for employees operating vehicles while working. Baxter policy includes all electronic mobile devices, not just mobile phones. It requires that mobile devices, if used while driving, are used "hands-free," and it prohibits texting and using computer programs while driving.

Baxter has approximately 900 employees who drive regularly on business and are considered non-regulated fleet drivers. For this group, Baxter considers safety and ergonomics in vehicle selection. In addition, in 2011, Baxter developed and deployed a U.S. non-regulated fleet safety policy and guidelines that cover aspects such as safe vehicle use, expected maintenance, and safety oversight mechanisms including driving record monitoring.

Fall Prevention

Slips, trips and falls remain one of the industry's most prevalent causes of injuries and are a leading cause of injury at Baxter. The company maintains a dedicated website to house related resources for use by individual facilities. An analytical mapping tool allows facilities to plot the location of all slips, trips and falls to determine high-risk areas or activities and analyze common causes. Self-assessment tools and inspection checklists also are available.

Near-Miss Reporting Programs

Employee engagement is key to creating and maintaining a safe work environment. One effective way to involve employees in safety is to encourage them to identify, report and eliminate sources of injury before they cause an incident. This includes reporting near misses, which are unplanned events, conditions or actions that did not result in injury, illness or damage – but could have. Over the past few years, Baxter has implemented near-miss programs throughout the company using a 10-point set of guidance criteria. Facilities are free to develop their own programs as long as they meet the 10 elements. Sites use various methods to educate employees including videos, training courses and display boards. Facilities with very few or no recordable incidents tend to track and trend the number of near misses, including those that are fully investigated as if they had caused an injury or incident.

Safety Bulletins

To address common safety concerns identified through internal audits and stakeholder feedback, Baxter developed a new communications vehicle in 2011. Safety Bulletins serve as a concise platform to convey critical safety information that can be deployed throughout Baxter in a timely manner. Safety Bulletins released in 2011 covered topics such as material handling, root cause analysis, safe driving and safe lifting techniques.

Broadspire/Crawford “Workers’ Compensation & Liability Strategic Outcomes Report” dated September, 2011.

Health and Wellness Program Management and Initiatives



Bureau Veritas has provided assurance on the content on this page

Baxter's occupational health function sets the company's strategies related to health and wellness and sponsors a global team of corporate, regional, site and business-unit health professionals to help refine and implement these approaches. The team defines priorities and establishes, maintains and continually improves global programs and initiatives.

Following a yearly strategic planning process, the functional team defines short-term targets and long-term goals and the tactical plans and resources needed to achieve those. Additionally, it provides input to Baxter's Environment, Health and Safety (EHS) Leadership Team, composed of EHS directors and other leaders who establish the company's EHS strategy, policy (global EHS requirements) and EHS goals. This ensures alignment, engagement and commitment throughout the global EHS organization.

BeWell@Baxter

Baxter recognizes that healthy employees are more likely to be engaged and productive, and are less vulnerable to safety incidents and injuries. Through BeWell@Baxter, the company's global employee health and wellness effort, Baxter strives to create a culture that promotes work-related and personal health, raises awareness about these issues and supports individual accountability and engagement.

The cornerstone of BeWell@Baxter is the Personal Wellness Profile, an online health risk assessment that helps employees understand how their lifestyle choices, family history and other factors impact their health. The assessment provides Baxter with data to target facility-level programs based on specific risks and also delivers global aggregate data to identify overall employee health risk and needs. Thirty-eight percent of the company's employees worldwide completed a Personal Wellness Profile as of the end of 2011, exceeding the goal of 35%.

Through the program, 43% of Baxter employees were identified as being at-risk of developing diabetes. In response, the company launched a year-long campaign to raise employee awareness of the disease and encourage them to take steps to reduce their risk. As part of the program, Baxter introduced an employee website to provide information about risk reduction, dealing with diabetes and helping family members with the disease. Through the BeWell Local Champion team, more than 7,000 employees participated in more than 80 diabetes-focused programs worldwide.

In 2011, the company continued to run two major health-promotion campaigns based on risk factors identified through health risk assessment. Baxter held the BeWell@Baxter Exercise Challenge in May and encouraged employees to commit to regular exercise. Almost 9,000 employees from 104 facilities globally (a 30% increase in facilities from 2010) participated. In November, the company ran a global nutrition campaign to educate employees about healthy eating strategies that could be used year-round. Forty-four percent of employees from more than 100 facilities worldwide participated in "Healthy Eating Month" events, many of which involved family members.

Other Programs and Initiatives

Baxter's occupational health team also works to continually improve the company's performance with the following programs and initiatives:

- Flu vaccine – In 2011, Baxter achieved its goal to offer seasonal flu vaccination to 100% of employees who work in facilities with 25 or more employees.
- Health promotion programs – In 2011, 73% of targeted facilities achieved eight out of 10 health-promotion program criteria, exceeding the goal of 65%. The company made progress on its smoke-free workplaces initiative as well, increasing the percentage of smoke-free facilities to 88%, from 75% in 2008. All Baxter facilities in Asia Pacific, North America and Latin America are now smoke-free.

Case Study: Employees and the Environment Benefit from New Vienna, Austria, Green Building



Baxter's research and development and office facility in Vienna, Austria received U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) Gold certification in 2011. The company has incorporated green building design principles at several sites worldwide.

High-performance green buildings provide many benefits that enhance employee productivity, improve environmental performance and reduce operating expense. To capitalize on these many benefits, Baxter has a policy that any new buildings or major renovations of existing structures should include an assessment of sustainability aspects including water and energy efficiency, possible use of renewable energy, and availability of public transportation. The company is incorporating green building design principles at several sites worldwide, and has achieved or is working toward U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) or other similar certifications at numerous locations.

One example is Baxter's combined laboratory and office facility in Vienna, Austria. The company began construction of this site at the end of 2008 and completed it in early 2012. In March 2011, the Baxter-owned facility received LEED Gold certification.

The four-story, 2,050 square meter structure, which houses about 170 employees, has several innovative features that enhance its environmental performance while also providing an outstanding working environment:

- A green roof reduces the temperature inside the building on hot, sunny days by up to 15 degrees Celsius and helps to offset the 'heat island' effect in the city by absorbing and not redirecting energy from the sun.
- Windows that can open provide natural cooling and increase employee comfort.
- The building's design, orientation and reflective surfaces illuminate up to 99% of employee areas, using natural daylight, saving 9,000 kWh of electricity per year.
- A geothermal cooling system uses the relatively constant temperature of the ground water, as opposed to traditional heating, ventilation and air conditioning (HVAC) chiller systems.
- An ammonia-based chiller, instead of an HFC-based unit, meets additional cooling needs. Ammonia has zero ozone-depleting or global warming potential.
- The building's HVAC energy recovery system and variable speed drives save 700,000 kWh of electricity per year.
- Electricity generated by solar photovoltaic panels power the building's LED Baxter sign.
- Water-saving features include low-flow toilets, which use well water instead of potable water, and low-flow faucets.

Due to these and other features, the building consumes about 45% less energy and 86% less water than a typical office building of the same size. This decreases the annual operating costs of the building by 33% and saves the company about \$58,000 each year. In Addition, all of the electricity used by Baxter in this building and throughout the company's facilities in Austria is generated from 100% certified renewable energy.

Baxter has also achieved green building certifications at facilities in Rome, Italy (LEED Italia Silver in 2011); Lyon, France (BREEAM Good in 2011), Zurich, Switzerland (Minergie Plus in 2010), and others. See EHS Management Systems for a summary of Baxter green building certifications. The company plans to further expand use of green buildings in the coming years.

Case Study: Facilities in India Switch to Greener Boiler Fuel

Baxter's site in Alathur, India, produces intravenous (IV) solution products. For several years this location used Grade 6 heavy fuel oil for both of its boilers to generate steam to support the manufacturing process. In 2011, the facility switched one of its two boilers to a "green boiler", which uses a local biomass fuel – a renewable energy source – instead of fuel oil. The biomass fuel consists of coconut and rice husks as well as sugar cane remnants. During the first five months of use, the converted boiler produced about 16,400 gigajoules of energy, approximately 26% of the total energy used by the site during this period.

This initiative has several benefits for Baxter and the community:

- It contributes to the company's progress toward its goal to increase facility energy usage of renewable power worldwide to 20% (of the total) by 2015.
- It contributes to Baxter's goal to reduce greenhouse gas emissions 45% indexed to revenue from a 2005 baseline. In 2011, the boiler decreased the site's GHG emissions from operations by about 1,130 metric tons carbon dioxide equivalent (CO₂e).¹
- In 2011, the initiative saved the site about \$200,000 in energy costs, and had a capital recovery period of eight months.
- During the first five months of operation, Baxter's purchase and transportation of biomass fuel contributed about \$80,000 to the local economy.



Baxter's Alathur and Waluj, India, facilities use coconut and rice husks as well as sugar cane remnants as energy sources that help to decrease fossil-fuel related greenhouse gas emissions, reduce energy costs and contribute to the local economy.

"Energy costs contribute significantly to the total cost of the IV fluid bottles we produce at the Alathur site," K.R. Shibu, engineering manager at the facility, said. "This has been further impacted by steep price hikes in Grade 6 fuel oil in recent years. Switching to renewable biomass fuels has saved money while also stabilizing energy costs and reducing our environmental impact."

Also in India, in 2011 Baxter's Waluj facility, which produces IV and Renal solutions products, contracted with a third party to own and operate a green boiler on Baxter's property. The boiler, which began operating in February 2012, uses a locally available renewable energy source, composed of residual biomass material from the sugar cane and cotton industries. This system, which previously used fuel oil, will realize similar benefits to the green boiler at Baxter's Alathur location. It is expected to provide 100% of the site's steam energy needs while reducing yearly GHG emissions by 4,300 metric tons CO₂e and saving Baxter about \$380,000 annually while contributing to the local economy.

Including other locations outside of India, Baxter now produces 8% of the energy it consumes worldwide for operations using biomass fuels. Given the success of these initiatives, the company is exploring other opportunities to use renewable energy fuel sources.

¹ Following the Greenhouse Gas Protocol, the company reports data for CO₂ emissions from biologically sequestered carbon (such as from burning biomass/biofuels) separately from its total emissions from operations (Scope 1 and 2) and does not include these emissions in progress against its 2015 GHG emissions reduction goal. See Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Rev. Edition, Reporting of GHG Emissions, page 63.

Case Study: Baxter's Los Angeles, California, United States, Facility Turns Production Waste into Electricity

Over the years, Baxter has reduced regulated waste to the point that many of the company's larger facilities no longer generate significant quantities. One of the more significant remaining regulated waste streams, classified as a medical waste, is waste plasma. Plasma-based operations, including plasma processing facilities, generate blood-derived protein wastes that present fewer opportunities for source reduction or reuse.

During 2011, Baxter's Environmental, Health and Safety team at the company's site in Los Angeles, California, United States, collaborated with an external waste management company to develop a comprehensive waste management program to address this waste stream. Reflecting the complexity of this issue, this alliance brought together internal as well as external experts in the manufacturing, environmental and regulatory fields. The objectives of the initiative are to minimize impact to the environment, sustain resources, and ensure regulatory compliance and employee safety. This effort supports the facility's broader aspiration to become a "zero waste site."

The plasma paste, which had previously been classified as biohazardous medical waste, autoclaved and then disposed of in a landfill, is now sent to the East Bay Municipal Utility District in Oakland, California. The site uses a multiple-stage process to remove biosolids from the water and then "digest," or break down the remaining materials using microbes in an anaerobic digester. This process generates methane gas, which is used as an energy source to meet 90% of the wastewater treatment plant's energy needs (including the energy derived from non-Baxter waste sources). Surplus electricity is directed back to the local electrical utility grid.

In addition to the plasma paste itself, related Baxter waste streams including waste albumin and 24% alcohol solution not sent to the site's alcohol recovery still are processed in the digester and therefore no longer are considered waste but rather material for reuse. After centrifuges remove water from the remaining digested biosolids, the residual materials are recycled as fertilizer for use on non-food crop agricultural fields.

Other materials such as plastic bottles and bags that hold the plasma paste, as well as other plastics that have contact with these materials, are drained, shredded or reground, and then recycled into reusable plastics, as opposed to previously being sent to a landfill.

In 2012, about 1,000 metric tons of material from the Los Angeles site that would have previously been disposed as medical waste will instead be reused or recycled. This will produce useful materials and generate nearly an estimated 80,000 kWh of energy.

These efforts build on a plasma recycling initiative introduced at Baxter's Vienna, Austria, site in 2003. After consultation with a local university, the site established a partnership with a nearby dairy to share funding to purchase, install and operate a digester that processes plasma paste along with animal manure. This creates methane gas used to power an electrical generation unit. In 2011, the site sent more than 700 metric tons of protein waste to the digester plant.

Sustainability at Baxter

2011

Product Responsibility

Baxter

Product Responsibility



Nurse Heather Evans of Southlake Regional Health Centre in Newmarket, Ontario, Canada, administers parenteral nutrition.

Baxter develops, manufactures and markets products for people with hemophilia, immune disorders, infectious diseases, kidney disease, trauma, and other chronic and acute medical conditions. The company's products are infused, injected or inhaled more than two billion times annually, to treat life-threatening acute or chronic conditions.

While delivering products that save or sustain lives, Baxter also works to address environmental and social issues across the product life cycle. These efforts range from focusing on sustainable design and bioethics during research and development, to efficient use of energy and materials during manufacturing and transport, to appropriate product advertising and promotion, and finally, responsible repair, refurbishment and recycling at product end-of-life.

In combination with its history of innovation, Baxter has programs to ensure high standards in quality, safety and product integrity.

The following graphic illustrates the breadth and depth of Baxter's approach.

Sustainability Issues Across the Product Life Cycle

R&D and Design close	
Issue	Approach
Sustainable Design	Product Sustainability Review > Life cycle assessment > Device Center of Excellence
Bioethics	Bioethics Policy and position statements
Clinical Trials	Clinical Trials Policy > External standards > Independent Ethics Committee/Institutional Review Board
Animal Welfare	Baxter Global Animal Welfare Committee > External standards > Replace, reduce and refine (3Rs) the use of animal testing
Materials Use close	
Issue	Approach
Materials Selection/ Reduction/Innovation Restricted Materials	Product Sustainability Review > Supplier screening > Evaluation of chemicals of concern > Product stewardship software application > Compliance with RoHS and REACH Directives > Non-PVC and non-DEHP materials
Manufacturing close	
Issue	Approach
Resource Efficiency Environmental Impacts Employee Health and Safety	EHS program and goals > ISO 14001 and OHSAS 18001 management systems > Audits > Rigorous compliance > Proactive reduction of natural resource use > Hazard identification and risk assessment > "Future State of Safety" task force
Product Transport close	
Issue	Approach
Environmental Impacts of Transport	Intermodal transport and modal shift > Increased capacity utilization > Technology innovation > U.S. Renal truck fleet > Pallet programs > Environmentally responsible transportation partnerships
Packaging close	
Issue	Approach
Minimizing Packaging Materials Selection	Materials reduction > Materials substitution > Packaging reuse

Quality and Safety

Product Use close	
Issue	Approach
Advertising and Promotion	Compliance with promotional regulations companywide > U.S. and international policies for interactions with healthcare practitioners, medical institutions and patient organizations
Safe Handling and Use	Material Safety Data Sheets > Clinical education
Access to Healthcare	Product development > "Base of the Pyramid" initiatives > Strategic product donations
Product End-of-Life close	
Issue	Approach
Responsible Reuse, Recycling and Disposal	Product take-back, repair and recycling programs > Minimization of customer waste > Industry collaborations

Quality

Every day, Baxter products make the difference between life and death for millions of patients worldwide. The company's reputation and ongoing success depend on the quality of Baxter's products and services. Therefore, uncompromising dedication to quality is a guiding principle of the company's culture and is among its shared values.

Baxter's global quality management system (called "1QSys" for "one quality system") provides a single, global Baxter-wide standard for quality. 1QSys offers a consistent approach to managing quality across the product life cycle, including design, development, manufacturing, sterilization, labeling, packaging, distribution and promotion. 1QSys helps to address the complexities of managing across interconnected businesses, regions and manufacturing operations, enhancing the company's ability to meet quality standards and adapt to changes in a complex regulatory environment.

Baxter regularly evaluates and reviews its quality management system to identify and correct issues that may affect product and service quality, and pursues continuous improvement through a range of data-driven methodologies. One focus is simplifying processes, which increases efficiency and prevents potential quality issues from occurring.

Baxter also assesses its suppliers of raw materials, components and finished goods to track and enhance their performance in this area. After products are launched, the company executes post-market surveillance to monitor the safety, efficacy and quality of products while in use. See Safety for more for more information.

When Baxter identifies a potential quality or safety issue with one of its products or determines that products manufactured or marketed by the company do not meet company specifications, published standards or regulatory requirements, it investigates and takes appropriate preventative and corrective actions. This may include providing notice to the customer of revised labeling, correction of the problem at the customer location, withdrawal of the product from the market and/or other actions. See Safety for detail.

Baxter takes any self-identified quality or safety issues or finding by regulatory authorities very seriously, and establishes comprehensive plans to address the specific findings. As these plans are executed, Baxter also evaluates the identified corrective actions to determine if it might leverage the improvements on a broader basis.

Safety

Patient safety is at the core of everything Baxter does. The company was founded in 1931 on its ability to produce safe intravenous (IV) solutions for hospitals at a time when most hospitals were not equipped to prepare their own.

Today, Baxter focuses on safety across the product life cycle, from product development and enhancements, to post-market research and via pharmacovigilance and post-market surveillance. The company also collaborates with hospitals to assess their processes to address patient safety, and partners with customers and third-parties to develop patient and clinician educational materials and raise safety standards worldwide. This section includes examples of these efforts as well as other ways the company enhances patient safety worldwide:

- Supporting Reduction of Pathogens
- Focusing on Decreasing Medication Errors
- Addressing Parenteral Nutrition Safety
- Complying with Government Regulations
- Addressing Product Safety Issues

Supporting Reduction of Pathogens

In 1971, Baxter introduced the first flexible, plastic IV bag. As the first “closed system” IV container, the bag does not require venting during administration. This keeps the solution from contacting outside air, helping to minimize contamination.

Despite evidence that use of closed systems can reduce pathogens, many hospitals, particularly in developing countries, continue to use open systems. The compatibility of the Baxter IV System with both infusion pump therapy and gravity applications can help nurses maintain a closed IV system that meets safety standards for IV replacement¹. Baxter’s IV Standard Set Closed System can reduce the number of set-ups and teardowns which can decrease the risk of touch contamination².

Baxter works with governments and healthcare providers to help conduct studies, set standards and implement conversion to closed IV systems in numerous markets to improve public health. For example, Baxter worked with the government of Brazil, which now requires all of the country’s nearly 8,000 hospitals to use closed IV systems, to convert to closed systems throughout the country. In Colombia, where the government now recommends closed systems, approximately 75% of hospitals have converted. In 2010, Baxter worked with four Ministry of Health-affiliated hospitals in Mexico to implement closed systems.

In 2008, Baxter launched the V-LINK with VitalShield protective coating device, the first needle-less IV connector with an antimicrobial coating. In vitro testing has shown that the device killed at least 99.99% of six common pathogens known to cause catheter-related bloodstream infections, including MRSA. The reduction in colonization or microbial growth on the device has not been shown to correlate with a reduction in infections. The antimicrobial agent is not intended to be used as a treatment for existing infections. VitalShield protective coating is contraindicated in patients with hypersensitivity to silver or silver components.

Focusing on Decreasing Medication Errors

The Institute of Medicine in the United States estimates that medication errors injure 1.5 million people each year, and that 7,000 die annually as a result.³ Other research shows even more severe mortality statistics in other countries.

Baxter helps address potential medication errors in several ways. The company's premixed IV drugs are ready to use so hospital pharmacists do not have to prepare these critical drugs themselves. Baxter was the first company to work with other pharmaceutical firms to premix their drugs in IV solution, and is the only manufacturer of frozen premixed drugs for compounds that are not stable at room temperature.

For IV drugs that must be administered in a very specific dose or have other special requirements, Baxter operates pharmacy compounding centers in some countries. Hospital pharmacies transmit prescriptions electronically to the Baxter compounding center, where pharmacists and technicians prepare patient-specific doses under sterile conditions and deliver them to the hospital ready for administration. In August 2011, for example, Baxter partnered with Cho Ray Hospital in Ho Chi Minh City, Vietnam, to establish a center for compounding IV therapy, the first of such a facility to be located in a Vietnam hospital. The new Vietnam IV Admixture (VIVA) Center is dedicated to compounding IV chemotherapy for about 80 patients a day.

Baxter also continues to improve product packaging and labeling to help reduce the potential for medication errors. The company was the first to develop a readable bar code for clear, flexible IV bags, which present challenges for conventional bar-code technology.

In April 2012 Baxter completed its purchase of SIGMA International General Medical Apparatus, LLC (SIGMA). SIGMA develops and manufactures smart infusion pump technology including the Spectrum large volume pump (LVP), which provides advanced safety and clinician-friendly features. The Spectrum smart infusion system features Dose Error Reduction Software with hospital-defined Drug Libraries including dosing limits and clinical advisories. When a clinician programs an infusion, the software verifies that the dose meets facility-determined parameters. If the programmed infusion is outside of the pre-determined dosing limits, the pump will alert the clinician before the infusion begins. In conjunction with the SIGMA transaction, Baxter acquired SIGMA's product development pipeline, which includes a platform of multiple infusion technologies with advanced safety feature capabilities. Within the pipeline is a syringe infusion pump that has been submitted to the U.S. Food and Drug Administration (FDA) for review and clearance. The 510(k) is pending and the pump is currently for available for sale in the U.S. Syringe pumps are small infusion pumps used to deliver more precise amounts of IV medications and fluids to patients.

Baxter's Medical Products business also helps hospitals through its Connections Portfolio, which focuses on three key principles - simplification, streamlining and standardization. These programs, administered by Baxter clinical experts, are based on objective observational, interviewing, and data collection methodology that identify opportunities for improvement in practice and product utilization. In addition, the clinical offerings help to increase staff productivity and patient safety and includes specific recommendations and action plans to improve alignment with nationally recognized regulations, standards and guidelines. In 2011, Baxter launched the Tubing Misconnections Self-Assessment for Healthcare Facilities, designed to help institutions identify products and practices that pose a risk of inadvertent tubing misconnections. The objectives are to:

- Identify and prioritize devices and practices vulnerable to tubing misconnections,
- Establish processes and device selection protocols to safeguard against misconnections.

Addressing Parenteral Nutrition Safety

Parenteral nutrition (PN), commonly referred to as IV nutrition, is one way that people receive nutrition when they cannot eat. Instead, nutrition is supplied through an IV tube inserted directly into the veins. The amount, type, and method of nutrition are tailored to each patient to meet their nutritional needs. Preparing and delivering this type of nutrition involves complex sterile preparations which must be performed in a carefully controlled environment with quality control measures in place from prescription to formulation and delivery. When these quality control measures are not in place, product sterility, stability and compatibility can be impacted, potentially putting patients at risk.

In September 2011, leaders from several major safety associations came together to organize a PN Safety Summit. Baxter, a leading maker of PN therapies, sponsored the summit, hosted by the American Society for Parenteral and Enteral Nutrition (ASPEN). At the event, experts in clinical nutrition discussed safety issues surrounding PN and developed recommendations for improvement, including increased standardization of prescription processes, order review and verification and formulation processing, as well as additional education for PN prescribers.

One of the safety issues covered was the ongoing shortage of vitamins, electrolytes and other IV nutrition ingredients that has critically impacted hospitals nationwide. A 2011 study by the American Hospital Association found that 89% of U.S. hospitals have experienced nutrition product shortages. Further, drug shortages within a six-month period led to 58% of patients requiring IV nutrition receiving a nutritional formulation that may not have addressed all of their nutritional needs and 32% experiencing an adverse outcome⁴. Organizations such as ASPEN and Baxter are working to address these shortages to ensure patients continue to receive the life-sustaining therapies they need.

Complying with Government Regulations

Baxter's operations and products are subject to extensive regulation by numerous governmental agencies worldwide. In the United States, the federal agencies that regulate the company's facilities, operations, employees, products (their manufacture, sale, import and export) and services include: the Food and Drug Administration (FDA), the Drug Enforcement Agency (DEA), the Environmental Protection Agency (EPA), the Occupational Health and Safety Administration (OSHA), the Department of Agriculture (USDA), the Department of Labor, the Department of Defense (DOD), Customs and Border Protection (CBP), the Department of Commerce, the Department of Treasury and others. Because Baxter supplies products and services to healthcare providers that are reimbursed by federally funded programs such as Medicare, the company's activities are also subject to regulation by the Center for Medicare/Medicaid Services and enforcement by the Department of Health and Human Services. State agencies also regulate the facilities, operations, employees, products and services of the company within their respective states.

Outside the United States, Baxter products and operations are subject to extensive regulation by governmental agencies, including the European Medicines Agency in the European Union. International governmental agencies also regulate public health, product registration, manufacturing, environmental conditions, labor, imports, exports and other aspects of the company's global operations.

The FDA, as well as other governmental agencies worldwide, administers requirements covering the testing, safety, effectiveness, manufacturing, labeling, promotion and advertising, distribution and post-market surveillance of Baxter's products. The company must obtain approval or clearance from the FDA before it can market and sell its products in the United States. Other countries have similar pre- and post-market registration requirements. Even after the company obtains regulatory approval to market a product, the product and the company's manufacturing processes are subject to continued review by regulatory authorities.

Addressing Product Safety Issues

When Baxter identifies a potential quality or safety issue with one of its products or determines that products manufactured or marketed by the company do not meet company specifications, published standards or regulatory requirements, it investigates and takes appropriate corrective action, such as notification of revised labeling, correction of the problem at the customer location, withdrawal of the product from the market and/or other actions.

For example, Baxter's COLLEAGUE Volumetric Infusion Pump is an electronic device that controls the flow of IV drugs to patients. In 2005, Baxter notified customers of several issues that had the potential to disrupt the delivery of therapy and placed a hold on shipments of new pumps until these problems could be corrected. The FDA classified this as a Class 1 recall, the most serious type of recall, with potential for death and injury. In June 2006, Baxter announced a consent decree with the FDA under which the company pursued remediation of the pumps.

Additional Class 1 recalls related to remediation and repair and maintenance activities of COLLEAGUE infusion pumps were addressed by the company in 2007 and 2009. Pursuant to the consent decree, in July 2010, the FDA ordered removal of all COLLEAGUE infusion pumps in the United States by July 14, 2012. Baxter has been executing the removal these pumps, offering eligible customers a refund or an option to replace them.

In December 2010, Baxter informed the Medicines and Healthcare products Regulatory Agency (MHRA) and other EU Authorities that endotoxins had been detected in some batches of its peritoneal dialysis (PD) solutions manufactured at its Castlebar, Ireland facility. In PD patients, endotoxins can potentially cause an inflammatory reaction known as sterile peritonitis. While only a very small proportion of bags were likely to contain endotoxins, these could not be identified. In response to this finding, Baxter shut down production of the solutions at this plant to investigate the problem, and the European Medicines Agency (EMA) recommended that all potentially affected PD solutions be withdrawn as soon as replacement product became available to meet patients' need. The company worked closely with EMA and its Committee for Medicinal Products for Human Use (CHMP) to ensure the production of endotoxin-free PD solutions. In October 2011 following its inspection of the Castlebar site, the Irish Medicine board confirmed the reinstatement of the facility's good manufacturing practice status, authorizing it to resume the release of PD solution products.

Additional details on regulatory matters currently being addressed by the company are available under the heading "Certain Regulatory Matters" in Baxter's most recent filing with the U.S. Securities and Exchange Commission on Form 10-Q. Details on product liability, patent, commercial and other legal matters currently being addressed by Baxter are available in the note to the company's consolidated financial statement entitled "Legal Proceedings" in Baxter's most recent SEC filing on Form 10-Q.

The devices referenced within are Rx only. For safe and proper use of all devices please refer to the complete Instructions for Use.

¹ O'Grady NP, Alexander M, Dellinger EP, et al. Guidelines for the Prevention of Intravascular Catheter-Related Infections. *Infection Control Hosp Epidemiol.* 2002 Dec;23 (12):759-69. O'Grady NP, Alexander M, Dellinger EP, et al. Guidelines for the Prevention of Intravascular Catheter-Related Infections. *Infection Control Hosp Epidemiol.* 2002 Dec;23 (12):759-69.

² Raad I, Hanna HA, Awad A, et. Al. Optimal Frequency of Changing Intravenous Administration Sets: Is it safe to prolong use beyond 72 hours? *Infection Control Hosp Epidemiol.* 2001 Mar;22 (3):136-39.

³ Preventing Medication Errors," Institute of Medicine, July 2006.

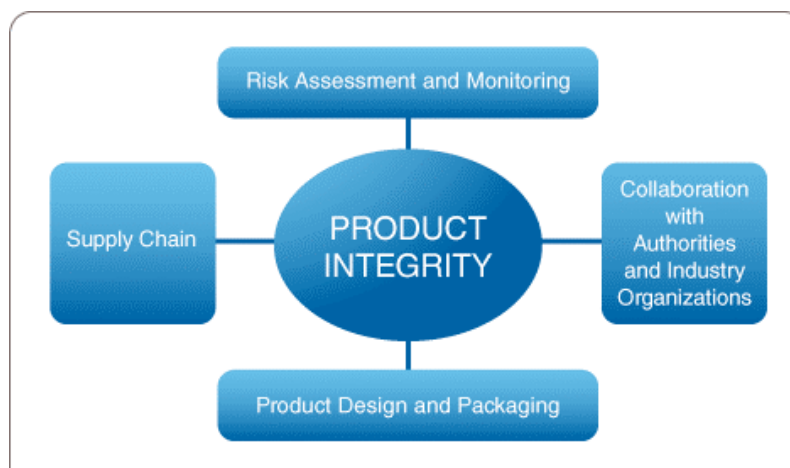
⁴ ISMP Medication Safety Alert. April 7, 2011 Vol. 16, Issue 7.

Product Integrity

Counterfeit and/or adulterated medical products pose growing risks to patient safety worldwide. Maintaining product integrity is a complex and multifaceted challenge, encompassing an array of supply chain, product design and packaging, and risk management strategies.

Baxter launched a formal, global product integrity program in 2008 to safeguard the company's products from the threat of counterfeiting or adulteration. The company's diverse product portfolio is manufactured in 27 countries and sold in more than 100 countries globally, and ranges in complexity from basic intravenous solutions to highly-specialized biologic derived therapies. Baxter's product integrity measures take into account the differing levels of complexity and risk associated with individual products and markets.

The company has conducted a series of risk assessments, examining economic incentives, supply chain and product complexity, and other factors that may contribute to this issue. Based on that analysis, Baxter prioritized certain product lines and geographies for piloting and implementing various product authentication and security measures.



Risk Assessment and Ongoing Monitoring

Economic realities, manufacturing processes and supply chain dynamics vary considerably by product and market. Accordingly, the risk profile associated with a particular product can present distinct challenges. Baxter has conducted an extensive review of its product portfolio and geographic presence to assess the level of risk associated with individual products by market. The highest priority products and markets were earmarked for initial implementation of various product integrity measures, including multiple layers of product packaging features and serialization using GS1 standards, the most widely used supply chain standards system in the world. The GS1 information standards organization is dedicated to the design and implementation of global standards and solutions to improve the efficiency and visibility of supply and demand chains globally and across sectors.

Because changing economics, shifting political climates, new technologies and other world events can impact risk levels, the risk assessment process must be dynamic and informed by ongoing monitoring and information sharing among law enforcement and regulatory officials and industry players. In addition to these broader trends, Baxter monitors for patterns or anomalies within its own

pharmacovigilance, adverse event reporting and customer order systems to spot and investigate potential events or product issues that may have resulted from or suggest adulteration or wrong-doing.

Supply Chain Measures

Maintaining a secure supply chain, all the way from Baxter to the end user of the product, is essential to ensuring product integrity. Direct selling and sole source agreements are one way the company can retain control and/or visibility of the product for much of its route. Baxter regularly monitors customer purchasing data and trends and has terminated or changed customer relationships after detecting actions that jeopardize supply chain integrity (e.g. resale of product, unexplained spikes or changes in ordering behavior that would suggest diversion). Baxter's sales contracts include restrictions that support supply chain transparency and control, including restrictions in some markets regarding the destruction of product packaging.

Additionally, the company was an early adopter of GS1 standards including the Global Trade Item Number (GTIN). A GTIN is a unique identification number tagged to a product that provides the link between the item and the information pertaining to it. GS1 standards are used to uniquely distinguish all products, trade items, logistic units, locations, assets, and relationships in the supply chain—from manufacturer to consumers. Baxter believes that global adoption of GS1 standards will facilitate greater use technologies that can help ensure that products are moved correctly and efficiently throughout the supply chain. Ultimately, adoption of these standards can help enable healthcare professionals to verify they are administering the right product to the right patient at the right time.

Collaboration with Officials and Industry Partners

Baxter collaborates with regulatory and public health officials and industry experts on an ongoing basis to share intelligence, insights and experience regarding the integrity of products and supply chain. Groups such as GS1, Pharmaceutical Security Institute, Parenteral Drug Association and Rx360 have facilitated exchange of industry expertise and collaboration with regulatory authorities to develop and raise standards, drive voluntary adoption of new processes and technologies, and implement new measures to advance product integrity and protect patients and clinicians.

Product Packaging and Design

Over the last several years, Baxter has implemented several enhancements to product and container design and labeling to enable and expand product authentication and the ability to identify tampering. These measures may include multiple levels of closure and packaging, elaborate closure systems and the use of unique materials. Due to the openness of global trade and the increasing sophistication of counterfeiters, companies must vary their approaches and continue to evolve specific technologies or materials used.

Preventing and overcoming the many threats to product integrity that exist today and will arise in the future requires a comprehensive approach that incorporates many elements. Industry-wide, global adoption of GS1 standards are important building blocks in securing the supply chain. Baxter looks forward to expanding its implementation of the GS1 standards, furthering its product integrity efforts and driving greater security and efficiency in the delivery of our products to healthcare providers and patients around the world.

Product Sustainability Review

The design stage offers a unique opportunity to shape a product's environmental, health and safety (EHS) performance across the life cycle. During this phase, decisions are made regarding materials selection, characteristics including energy use that influence carbon footprint, features that affect recyclability, and other factors.

For this reason, Baxter includes Product Sustainability Review (PSR) during the early stages of the product development process. PSR is a two-step assessment of a product's projected EHS impacts. An initial screen at the product concept phase reveals high-level sustainability risks and opportunities in areas such as regulations and customer and other stakeholder requirements (see graphic).

The second step is a comprehensive review that identifies improvement opportunities across the life cycle. This process includes life cycle assessment-related computer modeling of a proposed product, and may involve comparison to existing products. Designers use this assessment to inform material choices and evaluate product end-of-life options and other factors. Baxter uses these results to confirm product feasibility, help establish product requirements and minimize potential product impacts to human health and the environment.



PSR has historically focused on medical devices, ranging from intravenous solution containers to dialysis machines, reflecting the greater potential environmental impact of these compared to other Baxter products. Since 2005, Baxter has used PSR to evaluate all new medical devices reaching the concept stage of development (more than 15 products so far), and currently has several devices under review.

In 2011, the company continued to expand use of PSR to therapeutics products in its BioScience business. Beginning in 2012, the product development process for these products will include a requirement to conduct a PSR. When fully implemented, nearly all new products Baxter introduces will complete the PSR process.

PSR also provides a process to integrate compliance considerations for existing and upcoming product regulations. In 2008, Baxter enhanced the PSR screen for toxic chemicals, and updates this screen periodically to reflect changes in regulation and other factors. This enhancement helps the company meet growing customer demands to limit these substances and also helps Baxter prepare for potential chemical restrictions under the European Union REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) regulation. Through the PSR process, requirements regarding materials selection are documented in the product design history file. See Case Study: Materials Restrictions for more information about Baxter's approach related to product materials.

PSR has yielded positive results. Several reviews have influenced materials selection, and Baxter requires that all new machines under development meet the European Union Restriction of Hazardous Substances (RoHS) Directive restrictions regarding heavy metals. Even though these products are currently exempt, medical devices will fall under the scope of the revised RoHS Directive in 2014. Recent reviews also stipulate that new product designs should limit the use of "Substances of Very High Concern" as listed under REACH regulation.

Life Cycle Assessment

Supplementing PSR, Baxter also uses formal life cycle assessment (LCA) to evaluate the environmental performance of its products and determine ways to reduce environmental footprint. This may include decreasing the presence of chemicals of concern and reducing life cycle water or energy consumption, carbon footprint and waste generation.

During 2011, Baxter used LCA to take environmental impacts into account in the development of its next-generation home hemodialysis system.

In 2010, Baxter undertook a streamlined LCA that compared two generations of dialyzer products to evaluate how material changes affect environmental performance. The company's new family of XENIUM+ dialyzers is 13-22 percent lighter than earlier versions, which offers the potential for reduced fuel consumption in shipping and biohazard waste removal. XENIUM+ dialyzers also use approximately one-third less cardboard in their packaging, reducing natural resource use and waste removal requirements. Also, all materials used in XENIUM+ are free of bisphenol-A. In 2011, the product received certification from the Carbon Trust Footprinting Certification Company, the second medical product to receive this certification (FLEXBUMIN, see below, was the first).

In 2009, Baxter completed several externally verified LCAs demonstrating the significant environmental benefits of FLEXBUMIN [Albumin (Human)] - the first and only human albumin solution in a flexible, plastic container - compared to a similar product in a glass bottle. In addition to enhancing convenience for customers and users, the FLEXBUMIN container system has a 55-77% smaller carbon footprint, depending on product size and geography. (See Case Study: FLEXBUMIN Life Cycle Assessment for more detail).

Engaging with Customers

Customers in Europe and the United States increasingly require information related to product environmental performance in requests for proposal and consider that information in vendor selection. Baxter reflects these requirements in the PSR process, such as the need to avoid certain chemicals of concern. The company responds to targeted customer requests and engages with customers as

appropriate to share information about products. Baxter also provides access to a searchable database of Materials Safety Data Sheets for all relevant products, in more than 25 languages.

Similarly, governments increasingly set environmental criteria for "greener" public procurement. For example, nearly all tenders in the United Kingdom include EHS-related questions. Throughout all of Europe, EHS-related questions can represent up to 20% of the total weighting of tenders.

Representatives from Baxter's EHS and Supply Chain teams met with diverse audiences across the company during 2011 to provide background about the evolving customer landscape, as well as related regulatory trends, and how to best respond to these emerging information needs and legislation. Building on this, in 2012 meetings are planned on these issues with each Baxter franchise globally as well as the company's Research and Development organization.

Baxter believes that leadership in this area will represent an increasing source of competitive advantage, and proactively communicates information about product environmental performance. Recent examples include:

- Baxter has continued the global marketing roll-out of FLEXBUMIN [Albumin (Human)], which is the world's first medical product to receive Carbon Reduction certification from the Carbon Trust (in 2009, re-certified in early 2012).
- In 2011, Baxter also received Carbon Trust certification for Baxter's new family of XENIUM+ synthetic dialyzers.

This year, Baxter plans to highlight the enhanced environmental performance of an additional new product at launch.

¹ Such as the European Union's Restriction of Hazardous Substances (RoHS) Directive, REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) Regulation, Energy-using Products (EuP) Directive, and Waste Electrical and Electronic Equipment (WEEE) Directive.

² Dialyzers are filters used during hemodialysis to eliminate waste products from the blood of people with end-stage kidney disease.

³ Human albumin, which is an essential protein found in human plasma, is used to treat critically ill patients by replacing lost fluid and maintaining adequate blood pressure and volume.

Bioethics

At Baxter, bioethics covers a range of issues, including Animal Welfare, Clinical Trials, genetically modified organisms and the cloning and use of human embryos. The company's Bioethics Policy includes Baxter's Bioethics Guiding Principles that address topics such as product safety and efficacy, stakeholder concerns, risk-benefit analysis, legal and regulatory compliance, vendor conformance to Baxter's standards, clinical trials, animal welfare and biodiversity. Baxter's senior leadership considers these principles, in addition to the advice of scientific and ethical advisors, to determine whether to proceed in areas requiring consideration of bioethical issues. To be justified, the potential benefits to individual subjects and society must be equal to or exceed possible risks.

For more information, see Baxter's Bioethics Position Statements.

Animal Welfare

Baxter supports the conscientious use of animals in research only when no other acceptable scientific alternative exists to demonstrate the safety and effectiveness of the company's life saving and sustaining products and therapies. Baxter believes that it has an ethical responsibility to ensure the well being and humane care of animals it uses in product development and testing. In the substantial majority of cases where Baxter uses animal testing, it is required by health authorities to do so.

Consistent with Baxter's Bioethics Position Statement, the company is committed to using and developing alternative protocols, methodologies and models which reduce or replace the use of animals. Baxter also works to refine current test systems to improve animal welfare while ensuring sound data. For decades, the company has supported pre-clinical testing involving humane animal use that complies with all relevant local, national and transnational laws and regulations (as verified by regular inspections by the respective authorities/agencies) as well as additional voluntary guidelines.

Veterinary professionals with specialty training operate Baxter's research animal facilities, which are overseen by Animal Care and Use Committees as well as local authorities. These Animal Care and Use Committees review research and testing protocols to ensure that they are appropriately designed, that the information derived is essential and full consideration is given to animal welfare. Baxter's animal research facilities are fully accredited by the Association for the Assessment and Accreditation of Laboratory Animal Care International (AAALAC), which evaluates organizations that use animals in research, teaching or testing. In the United States, the company's facilities are registered and inspected regularly by the U.S. Department of Agriculture (USDA) and are in compliance with Public Health Service Policy as governed by the Office of Laboratory Animal Welfare of the U.S. Department of Health and Human Services. Outside the United States, Baxter's animal facilities and programs are regularly inspected by relevant government agencies and comply with all applicable laws and regulations.

All animals used within Baxter's research facilities are from sources that Baxter's veterinary professionals select carefully and monitor regularly. Contract research organizations that Baxter uses to assess the safety of its medical products must follow similar animal care and welfare standards, and are reviewed as part of Baxter's overall quality and regulatory compliance program.

Baxter's Global Animal Welfare Committee

Baxter's Global Animal Welfare Committee (GAWC) is composed of internal veterinary professionals and animal scientists whose goals are to enhance current programs and to identify and develop new opportunities to optimize animal welfare. The committee is sponsored by the company's Chief Science and Innovation Officer Norbert G. Riedel, PhD, and oversees standards of animal welfare across Baxter's global operations and contract research organizations including academic institutions.

The GAWC focuses on:

- Further developing and implementing programs that will advance the 3Rs (replace, reduce and refine), and other animal use initiatives;
- Encouraging the identification, investigation and validation of alternative test methods when opportunities exist and regulations permit;
- Setting universal standards of animal care and welfare across all Baxter animal research sites and external collaborators;
- Reviewing Baxter's animal use, animal welfare programs, and related policies and standards regularly; and
- Updating internal animal welfare education and training programs.

The committee provides ongoing assessment and support of Baxter's animal testing programs to harmonize processes and tools globally. The committee's recommendations are guided by the Association for Assessment and Accreditation of Laboratory Animal Care International's system of program accreditation.

Committee members participate in leading professional organizations where they receive continuing education and share best practices. Examples include:

United States

- Academy of Surgical Research
- American Association for Laboratory Animal Science
- American College of Laboratory Animal Medicine
- American Society of Laboratory Animal Practitioners
- Council on Research for American Veterinary Medical Association

Europe

- The European Partnership for Alternative Approaches to Animal Testing
- Society for Laboratory Animal Science;
- Federation of European Laboratory Animal Science Associations

International

- The Association for Assessment and Accreditation of Laboratory Animal Care International
- The International Association of Bioethics

Replace, Reduce and Refine

Baxter is committed to enhancing animal welfare through the 3Rs - replacement, reduction and refinement. The company applies a range of innovations in this area, including several implemented in 2011 as noted in the lists below.

Replacement

Baxter implements new technologies and processes to substitute animal with non-animal tests.

- For both new product development and established products, Baxter is replacing animal safety testing with cell-based alternative in vitro methods where regulations will allow. In vitro test systems are being validated and registered, which will substantially reduce the use of animals for in-process and final product quality release tests.
- Building upon its expertise in developing cell-based methods of vaccine production, Baxter is using its proprietary cell line system with next-generation production methods which do not require large quantities of fertilized chicken eggs.
- When permitted, Baxter uses cell-based tests to determine the antibody content for specific antibody-based products. For example, for its liquid immune globulin intravenous (IGIV) products that help people with compromised immune systems fight disease, Baxter has replaced animal-based potency testing with a cell-based test, recently approved in the United States.
- Baxter uses thromboelastography (a non-animal, in-vitro test to assess blood clotting) to assess how quickly clots form on new products designed to stop bleeding. This screening test helps to minimize the number of animals needed for efficacy studies.

Reduction

When Baxter is required to conduct animal testing, researchers use enhanced data collection and analysis methods to reduce overall animal use.

- In 2011, Baxter further reduced the number of animals used in quality testing of certain biotherapeutic drugs and vaccines.
- In 2011, Baxter increased the amount of information collected per animal that reduced the number of animals necessary to fulfill specific regulatory requirements.
- When feasible, Baxter uses automated blood sampling techniques and enhanced analytics to ensure high-quality samples every time which reduces animal procedures per study and related animal stress.
- Baxter uses non-invasive, state-of-the-art technologies such as CT scans, fluorescent imaging, advanced ultrasound and fluoroscopy to decrease the need for invasive testing.
- As new testing methods become available, methods must be validated and approved in cooperation with government regulators prior to medical use of the product. Baxter adopts new, approved methods, applies new testing models and thereby reduces animal testing wherever possible. For example, Baxter is investigating strategies to reduce intermediate test steps using the rabbit pyrogen (fever-producing) test, and when possible combines lot runs to minimize the use of control test animals used in a number of product safety and potency tests.
- Baxter uses a combination of animal based toxicology, pharmacology, pharmacokinetics and local irritation tests to minimize animal use, where possible.

Animal Welfare Regulations and Guidelines

Baxter complies with relevant animal welfare regulations and guidelines:

United States

- U.S. Animal Welfare Act Standards; and
- Health Research Extension Act (based on The Guide for the Care and Use of Laboratory Animals).

Europe

- European Treaty Series No. 123 (ETS123) European Convention for the Protection of Vertebrate Animals Used for Experimental and Other Scientific Purposes; and
- European Directive 86/609/EEC on the protection of animals used for experimental and other scientific purposes, which will be replaced by Directive 2010/63/EU as of January 1, 2013.

International

- World Health Organization Council for International Organizations of Medical Sciences International Guiding Principles for Biomedical Research Involving Animals;
- Association for the Assessment and Accreditation of Laboratory Animal Care International;
- National Research Council: Guide for the Care and Use of Laboratory Animals (revised 2011 version); and
- American National Standards Institute/Association for the Advancement of Medical Instrumentation/International Organization for Standardization 10993-2 Biological Evaluation of Medical Devices - Part 2: Animal welfare requirements.

¹ In-vitro tests are performed on individual cells in a lab environment versus in a living organism

Clinical Trials

Clinical trials play an essential role in the development of new medical products and are a legally required part of the research process for many Baxter products. Baxter protects the safety, well-being and privacy of clinical trial participants, as well as the completeness and integrity of data obtained from these studies. The company is committed to sharing results from its clinical trials with the scientific and medical community and the broader public via publications in peer-reviewed journals, presentations at scientific and medical conferences, as well as postings on U.S. Food and Drug Administration or European Medicines Agency-authorized public repositories. Baxter's Clinical Trials Policy defines the requirements for clinical trials, studies and investigations involving human subjects that use investigational and/or marketed medicinal products and/or medical devices. The policy applies to all Baxter-sponsored studies worldwide.

Baxter adheres to standards including, but not limited to, those found in the following:

- The International Conference on Harmonization Guidelines for Industry Governing Good Clinical Practice, Good Laboratory Practices, and Good Manufacturing Practices;
- International Ethical Guidelines for Biomedical Research Involving Human Subjects;
- European Union Directive 2001/20/EC and Directive 2005/28/EC on the Approximation of the Laws, Regulations and Administrative Provision of the Member States relating to the implementation of good clinical practices in the conduct of clinical trials on medicinal products for humans;
- European Union Medical Device Directives and U.S. Code of Federal Regulations Part 812 on medical devices;
- Principles that have their origin in the Declaration of Helsinki;
- Applicable privacy and data protection standards and regulations such as the U.S. Health Insurance Portability and Accountability Act regulations and other country-specific requirements; and
- The laws and regulations of the applicable country.

Clinical trials require the prior written approval by an Independent Ethics Committee/Institutional Review Board. Before any study-related activities or assessments occur, study subjects must provide informed written consent.

For any clinical trial that prospectively assigns human subjects to intervention and comparison groups to study the cause-and-effect relationship between a medical intervention and a health outcome, Baxter will register the trial at www.clinicaltrials.gov within three weeks after the first subject has been recruited.

Materials Use

Customers, governments and other stakeholders are increasingly focused on the materials and chemical substances used in products and packaging. With regard to medical products, stakeholders are especially focused on health and safety and environmental impacts, especially at product end-of-life. In some countries, legislation restricts the use of specific substances in products (see Case Study: Materials Restrictions). Customers are also interested in which materials are recyclable, such as in product packaging.

Baxter carefully considers the potential impacts of the materials it uses in its products and packaging, and takes a disciplined approach to identifying materials for possible restriction. The company focuses on the amount as well as the types of materials used, working to eliminate hazardous substances wherever possible. For its electronic products, Baxter also works to maximize product service life, reuse and recycling as appropriate. This decreases the demand for virgin materials to produce new products.

In 2011, Baxter purchased more than 150,000 metric tons of major commodities for use in its products and packaging, in addition to pre-manufactured components (see Major Materials Used in Manufacturing). The company continues working to improve the efficiency of its materials use. Baxter implemented projects that reduced total packaging by 1,100 metric tons and corrugated cardboard consumption by 732 metric tons in 2010-2011, on an annualized basis (see Packaging for details). Because plastic scrap from manufacturing is Baxter's largest waste stream, generating roughly one-third of the company's non-hazardous waste, reducing plastic waste and increasing recycling is another key focus (see Waste for details).

Product Design

Baxter's research and development and manufacturing operations work with environmental, health and safety (EHS) specialists to ensure that new products meet robust environmental design principles, comply with environmental regulations and satisfy customer requirements. As part of the company's product development process, Baxter applies a Product Sustainability Review (PSR) to all new medical devices, assessing EHS impacts across the product life cycle, including those related to materials selection and use. This includes an enhanced screen for toxic chemicals, which Baxter works to eliminate when feasible. For example, new devices under development are designed to meet the European Union's Restriction on Hazardous Substances (RoHS) Directive guidelines worldwide and to avoid chemicals from the REACH (Registration, Evaluation and Authorisation and Restriction of Chemicals) Directive list of "Substances of Very High Concern" as is appropriate.

Supplementing PSR, Baxter also uses formal life cycle assessment to evaluate the environmental performance of its products and determine ways to reduce environmental footprint. This may include decreasing the presence of chemicals of concern and reducing life cycle water or energy consumption, carbon footprint and waste generation. See Product Sustainability Review for more detail.

Reporting Material Use

Customers and governmental regulations increasingly require companies to disclose information about materials and chemical substances used in products and manufacturing. However, effectively tracking and complying with these regulations is complex given the number and evolution of these standards, and since a product may contain components from numerous suppliers worldwide.

To better meet this challenge, Baxter is implementing a global project to determine and record in one resource the material chemical content of all substances and parts purchased for use in Baxter's products. The project also seeks to better understand what, if any,

key chemicals of concern are present and to meet global regulations, such as the RoHS and REACH Directives. To date, the company has gathered information from more than 1,000 suppliers for about half of its product components (out of a total of tens of thousands of parts overall). Ensuring compliance will require heightened levels of supplier engagement, working with new suppliers, and potentially modifying product designs.

Baxter is implementing a product stewardship software application to manage this environmental and other information related to new and existing products. This system will interface with other company product information systems as well as supplier information systems.

Materials Innovations

To meet the preferences of some customers and address drug compatibility issues in specific clinical applications, Baxter has invested significant resources to develop a variety of materials that meet the unique technical, design, regulatory, clinical and commercial requirements of individual product lines and markets. The company now offers a portfolio of more than 300 intravenous medications, parenteral nutrition solutions, injectable drugs, biopharmaceuticals, IV sets and access devices and other products that use or are contained in non-DEHP [di-(2-ethylhexyl)phthalate] or non-PVC materials. See Baxter's position statement on PVC in medical products.

Broader Impacts

Baxter recognizes the interrelationship between materials choices and other environmental issues. The company estimates that in 2011 the greenhouse gas emissions in Baxter's supply chain attributable to Baxter's business equaled 1,121,000 metric tons carbon dioxide equivalent (CO₂e), 23.1% of Baxter's total GHG emissions footprint. This included an estimated 266,000 metric tons CO₂e for Baxter's first-tier suppliers, and 855,000 metric tons CO₂e for emissions from sub-tier suppliers, including raw materials extraction and processing as well as other activities (see Greenhouse Gas Emissions and Climate Change for more detail). These numbers do not include GHG emissions related to product transport.

¹ These savings represent the total savings attributable to identified projects across the company, counted only for the first year the packaging innovation is implemented

Manufacturing

Baxter manufactures its products at more than 50 facilities in 27 countries worldwide. The company has extensive environmental, health and safety (EHS) programs to minimize environmental impacts and ensure employee safety during the manufacture of Baxter's products.

Baxter generally requires third-party certification to the International Organization for Standardization (ISO) 14001 Environmental Management System Standard for the company's manufacturing and research and development sites, and distribution sites with a capacity of more than 10,000 filled pallets or a workforce of 100 or more people. Manufacturing, research and development, and distribution sites that have achieved third-party ISO 14001 certification generally also pursue third-party Occupational Health and Safety Assessment Series (OHSAS) 18001 certification, as it helps improve a facility's health and safety programs. As of year-end 2011, 66 Baxter locations (including all but one meeting the criteria outlined above) have met the requirements of ISO 14001 and are covered by Baxter's group certificate, and 50 Baxter locations were certified to OHSAS 18001. See EHS Management Systems and Certifications for detail.

In 2011, Baxter continued to improve its environmental and health and safety performance in manufacturing. See Environment, Health and Safety for more detail.

Baxter also influences its suppliers' manufacturing and other operational practices through its Ethics and Compliance Standards for Baxter Suppliers and the company's e-impact program. See Supply Chain for more detail about Baxter's activities in this area.

Product Transport



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Baxter transports large amounts of raw materials and more than 100 million cases of finished products each year throughout the company's global supply chain. In some instances, Baxter directly operates its product distribution system. For example, Baxter manages its own private, and third party fleets, to transport its frozen therapies and to home deliver Renal products, and it distributes some of its products in selected regions, such as Europe. In other cases, Baxter partners with third-party vendors and carriers.

Baxter uses several approaches to decrease the environmental impact, including associated greenhouse gas (GHG) emissions, of product transport:

- Intermodal Transport
- Capacity Utilization and Technology Innovation
- U.S. Renal Truck Fleet
- Pallet Programs
- Environmentally Responsible Partnerships
- Measuring Performance

Intermodal Transport

Different modes of transport - such as air, ocean, river barges, trucks and rail - have varying levels of environmental impact. This is largely because they use different amounts of fuel per ton of product shipped. Given Baxter's current product mix and global reach, intermodal transport, which combines multiple modes for a single shipment, offers the greatest opportunity for the company to save costs and reduce GHG emissions related to product transportation.

Baxter has increased its use of intermodal transport in Europe and the United States since 2002 to shift toward more energy-efficient modes. Shipping containers are moved from manufacturing plants by truck and then transferred to more efficient and cost-effective rail or barge transport for longer distances, and then shifted back to truck for final delivery. This increases fuel efficiency per ton of product transported, decreases costs and reduces emissions.

Annual GHG Emissions Reductions from Total Shipments Using Intermodal Transport in the United States*			
	2009	2010	2011
Intermodal Loads	6,750	7,620	7,800
Calculated Fuel Savings (liters)**	6,671,900	7,325,610	7,354,830
Metric Tons of carbon dioxide equivalent (CO ₂ e) Emissions Reduced	18,010	19,780	19,860

*In 2011, Baxter revised its methodology to track intermodal shipments in the United States. As a result, the company updated the data in this table for 2009-2010.

** Calculated fuel savings is the difference between the total calculated fuel use of intermodal shipments versus truck shipments on the same routes.

As part of the above effort, Baxter has increased the use of intermodal transport at to replenish its U.S distribution network from 24% in 2009 to 27% in 2011.

Baxter also conducts route-by-route analysis in Europe to assess and implement possible shifts to intermodal transport. Changing from truck to other modes of transport in the region reduced GHG emissions by approximately 10,000 metric tons CO₂e in 2011 based on changes implemented in 2010 and compared to what emissions would have been otherwise. These initiatives now cover 75% of replenishments in Europe, with 11,000 short sea loads reducing CO₂e emissions by 80% and 4,000 rail loads decreasing CO₂e emissions by 60% during the year.

Capacity Utilization and Technology Innovation

Baxter also improves transport efficiencies by increasing capacity utilization. For example, use of double-deck trucks to replenish distribution centers across Europe has enabled Baxter to transport loads in two trucks that have historically required three. In 2011, this reduced CO₂e emissions by 101 metric tons. Baxter also works to ensure that trucks are at maximum load capacity, including through collaboration with business partners, reducing the number of trucks required.

In Northampton, United Kingdom, Baxter worked with third-party logistics providers to utilize a highly aerodynamic teardrop-shaped truck design, which features a full-length curved roof with rounded corners that improve air flow and reduce drag force. The design decreases CO₂e emissions by approximately 18% while increasing cubic storage volume by 10%. Currently, approximately 50% of Baxter's dedicated fleet in the United Kingdom use this model.

U.S. Renal Truck Fleet

As the largest part of Baxter's internally managed product transport system, the company's U.S. Renal truck fleet provides home delivery of peritoneal dialysis (PD) supplies to thousands of PD patients each day. During the last few years, improvements with environmental benefits have included the following:

- Requiring new trucks to use nose cones that improve aerodynamics and increase fuel efficiency;
- Installing onboard computers to monitor and reduce truck idle times, and incorporating a second-generation system with revised fleet delivery software to enhance efficiency;
- Capping fleet speeds at 62 miles per hour to optimize fuel usage; and
- Replacing approximately 20% of the existing fleet with newer, more efficient vehicles annually (for example, in 2011 Baxter replaced five existing vehicles with more fuel efficient trucks utilizing Selective Catalytic Reduction (SCR) technology, which neutralizes nitrogen oxides (NO_x) in the exhaust stream and improves fuel efficiency by up to 5%).

These initiatives reduced total U.S. Renal fleet emissions by approximately 1.1% and increased fuel economy by 1.1% in 2011 compared to 2010. Baxter also increased the monthly number of deliveries per driver from 141 in 2009 to 149 in 2011.

Baxter also added several new safety features to five of its trucks in 2011 that will help reduce work-related injuries among its drivers. These include cameras to assist drivers while reversing, front fender mirrors for better blind-spot visibility, ergonomically placed grab handles on door to help reduce back muscle strain, and lift-gate switches on both sides of the truck that allow drivers to operate safely away from traffic on either side of the vehicle. Additionally, all field management teams and drivers completed a safety training course in 2011. Read more about Baxter's efforts in this area in the Health and Safety Performance and Safety Program Management and Initiatives sections of the report.

Pallet Programs

Wooden pallets are used to consolidate cases of products for transport and to move products within Baxter facilities. Baxter works to use pallets more efficiently to save materials and cost. In Europe, for example, pallet programs within and across Baxter facilities, mainly in the United Kingdom and Spain, improved pallet utilization and enabled the company to reuse more than 80,000 pallets in 2011, saving nearly \$600,000. In Europe, Baxter also plans to recover pallets from the customer facing distribution cycle in Poland and France.

In the United Kingdom, Baxter's Northampton distribution center uses "loadhogs" - reusable plastic caps that fit over pallets - as an alternative to shrink-wrap when shipping boxes of dialysis solutions to home patients. Baxter plans to test their use in additional facilities in Europe in 2012.

In the United States, Baxter will explore in 2012 the feasibility of using a light weight plastic pallet when shipping by air for certain international shipments. The new pallet weighs approximately 30 pounds less than the wooden pallets currently used and is reusable and recyclable.

Environmentally Responsible Partnerships

Baxter is one of a select number of companies that participate in the U.S. Environmental Protection Agency (EPA) SmartWay® program as both a Carrier Partner and a Shipper Partner. SmartWay is a partnership between the EPA and industry to reduce air pollution and GHG emissions through cleaner, more fuel efficient product transport.

Baxter became a SmartWay Carrier Partner in 2009 with its own U.S. Renal truck fleet, and achieved the highest possible score of 1.25, recognizing the company's "outstanding" commitment to utilizing commercially available fuel-saving options and actively evaluating emerging technologies that help reduce the environmental impact of its fleet.

Besides the company's own Renal fleet, Baxter works with shipping carriers to deliver other products. In January 2011, Baxter was also accepted into the SmartWay Partnership as a Shipper. Since 2009, Baxter requires all of its carriers in the United States to be SmartWay members.

In 2011, Baxter partnered with FedEx to use its Healthcare Shared Network to transport products with specific temperature requirements in select locations in the United States. This service provides Baxter a time-definite, temperature controlled, less-than-truckload delivery service designed for the pharmaceutical and diagnostics industries, eliminating the need for special packing materials previously used to keep shipments at required temperatures. In 2011, Baxter used this service to ship more than 2,100 orders, saving Baxter approximately 35,000 coolers and 124,000 gel packs. These orders would have otherwise been shipped via air.

Through this initiative, Baxter eliminated the need for 144 metric tons of packaging material in 2011. Baxter is exploring opportunities to include additional delivery locations in the United States.

In Europe, Baxter also encourages product transportation programs that reduce GHG emissions, and considers such initiatives when awarding contracts to carriers.

In 2011, Baxter and healthcare company UCB agreed to combine their shipments to optimize product transport efficiencies in Europe. The companies believe this will help both organizations increase the speed and frequency of medicine delivery to patients, while reducing carbon footprint by 30% and cost by 10% on average per shipment, depending on the destination and the potential for transport synchronization. The initial pilot program began with destinations in Eastern Europe.

In June 2011, Baxter and its partners UCB, Tri-Vizor and H.Essers received the Innovation Award at the fourth European Supply Chain Awards ceremony organized by the World Trade Group and Supply Chain Logistics. The award recognized Baxter and the other organizations for their innovative approach to freight transportation through this program.

Measuring Performance

In 2010, Baxter redesigned its process for collecting global transportation information to measure fuel usage and calculate GHG emissions related to product transport. The company regularly reports to Baxter's Sustainability Steering Committee on regional activities to describe the company's efforts in this area and encourage global participation.

Baxter plans to utilize a UPS supply chain solutions model to develop a global emissions measurement system to track GHG emissions from Baxter's product transport worldwide. Through this model, Baxter will capture product shipments made by truck, rail, air and ocean globally.

Packaging

Baxter works to decrease the environmental impact of packaging by reducing the amount used and substituting for environmentally-preferable materials. The company implemented projects in 2011 that reduced total packaging on an annualized basis by 402 metric tons. Total annualized savings since 2007 equals 4,300 metric tons.¹

China

Baxter's facility in Guangzhou, China, decreased the packaging associated with one of its parenteral nutrition products, without impacting product protection and usability. Reducing the thickness of the aluminum cap and stopper and eliminating the plastic hanger produced annualized savings of 44 metric tons of a combination of aluminum and plastic material.

Europe

In 2008, Baxter and its corrugate supplier in Castlebar, Ireland, initiated a project to optimize corrugate use. Weekly calls to review the previous week's performance incorporated with daily measurement of scrap at the carton manufacturing, and weekly inventory counts of corrugate helped save approximately \$79,000 annually between 2009 and 2011. The total corrugate reduction from 2008 to 2011 was 99 metric tons. After introducing a new board grade in 2011, Baxter saved an additional \$300,000.

In Lessines, Belgium, Baxter implemented a process to reduce the sheeting thickness of the extrusion process for many product codes, while maintaining overall specifications and ensuring quality standards. Depending on the product code, the company reduced sheeting thickness between 1% and 2.8%, saving \$318,000 and 5.3 metric tons of plastic annually.

Latin America

Projects implemented in Latin America in 2011 to reduce packaging include:

- In São Paulo, Brazil, Baxter decreased the thickness of an overpouch for 500mL bags by 0.001 inch saving approximately 25 metric tons of plastic and \$100,000 on an annual basis. In addition, a second project to reduce the box size will also save a metric ton of corrugate and an additional \$116,000 on an annual basis.
- Baxter's facility in Cali, Colombia, initiated a project in 2011 to reduce the packaging size of peritoneal dialysis (PD) solution cartons. A new design decreases the amount of corrugated material per carton by 40 grams while improving box strength. The project will save approximately 34 metric tons of corrugated material on an annual basis. The site also redesigned a product's direction insert, reducing paper use by 85%, equaling 2.5 metric tons of annualized savings.
- In 2011, Baxter's facility in Cuernavaca, Mexico, redesigned the cardboard boxes for Baxter's Mini-bag, 50mL, and 100mL intravenous (IV) bags configuration. The changes will save 32 metric tons of packaging annually.

United States

In 2011, Baxter partnered with FedEx to use their Healthcare Shared Network to transport products with specific temperature requirements. This service provides temperature controlled delivery for the pharmaceutical and diagnostics industries, eliminating the need for packing materials such as coolers and gel packs to maintain required temperatures. Through this initiative, Baxter has reduced packaging by an estimated 144 metric tons on an annualized basis.

¹ This equals the total savings attributable to identified projects across the company, counted only for the first year after the packaging innovation was implemented.

Product Use

Advertising and Promotion

The U.S. Food and Drug Administration (FDA) and other governmental agencies worldwide regulate the advertising and promotion of pharmaceuticals, medical devices and biologics. Included in FDA's oversight are print and broadcast advertising, websites, press releases, sales brochures, scientific symposia and convention booths, and other promotional materials and activities.

Baxter's Advertising and Promotion staff manage the company's compliance with promotional regulations companywide, reviewing marketing materials for accuracy and balance in terms of product risks and benefits. The company's approach takes into account regulations and standards which vary by region:

- In the United States, Baxter's advertising and promotion standards for all business groups incorporate best practices from inside and outside the company and comply with the U.S. Code of Federal Regulations.
- In Europe, Baxter ensures that marketing materials for distribution in the region comply with the European Federation of Pharmaceutical Industries and Associations (EFPIA) Code on the Promotion of Prescription-Only Medicines to, and Interactions with, Healthcare Professionals. The company's procedures ensure review of marketing materials at the pan-European level, as well as at the country level for compliance with local codes of practice and national product licenses. Baxter also adheres to the EUCOMED UNAMEC Code that covers medical devices.
- In Asia Pacific, Baxter uses an electronic approval system that enables the company to comply with advertising and promotion codes, regulations and internal standards in 15 countries.
- In Latin America, Baxter applies advertising and promotion standard review procedures to ensure compliance with local and regional marketing promotion codes and regulations.

Compliance

If a company fails to comply with advertising and promotion regulations in the United States, the FDA or the Department of Justice may initiate civil or criminal enforcement actions. Enforcement actions can range from an untitled letter (the least serious) or a warning letter (an elevated action) up to a criminal indictment. In 2011, no enforcement actions were initiated against Baxter by the FDA.

	2007	2008	2009	2010	2011
Untitled Letters	0	1	0	0	0
Warning Letters	0	0	1	1	0

Comparable information is not commonly available outside the United States.

See Priorities and Goals for information about Baxter's progress against its goal to continue to champion internal and industrywide ethical sales and marketing practices.

Access to Healthcare

Worldwide, many people lack access to Baxter's products due to insufficient resources, inadequate healthcare infrastructure, disruption caused by natural disasters and other crises, and other factors. Baxter works to increase access to healthcare globally through product development, initiatives targeted specifically at the "base of the pyramid"¹, product donations and philanthropic giving. See Access to Healthcare for more detail.

¹ The term "base of the pyramid" refers to the approximately 4 billion people who each live on less than \$1,500 per year, mostly in developing countries.

Product End-of-Life

The responsible treatment of healthcare products after customer use is an important issue worldwide. Because the appropriate approach varies by type of product, Baxter has a range of initiatives. For example, some of the electronic medical devices Baxter sells, such as renal automated peritoneal dialysis cyclers, are well suited to repair and refurbishment after the original customer has finished using them (see below). Many of the company's other products, such as intravenous (IV) bags, cannot be reused due to regulatory, quality and safety reasons but may be responsibly recycled to recapture materials for other uses.

Electronic Products

In some countries, Baxter leases most of its electronic medical products to customers, which helps ensure they will be returned to Baxter after a set period of time. As appropriate, the company uses repair and refurbishment, which extends a product's useful life and decreases the environmental impacts associated with product disposal and the manufacture of new products.

At times, reuse is not feasible and regulations worldwide reflect the recent focus on electronic product recycling. For example, the European Union Waste Electrical and Electronic Equipment (WEEE) Directive requires companies to arrange for the take-back of electronic products at end-of-life to enable the recovery and recycling of product components and materials. This regulation impacts a range of Baxter products in Europe, including dialysis machines, IV pumps and other electronic devices. Baxter is in full compliance in all EU member states where the regulations have been adopted. In 2011, approximately 100 metric tons of electronic products were recovered on Baxter's behalf through these programs in Europe.

Baxter's WEEE website provides customers detailed information on WEEE and how to dispose of Baxter products in accordance with the Directive, in each of the European Union Member States.

When customers return products to Baxter that contain batteries, or when Baxter repairs those products on-site, Baxter sends the batteries to a recycler when feasible, or otherwise provides for responsible disposal.

Disposable Medical Waste

Baxter has worked with customers, other companies in the industry, and recycling and disposal vendors to facilitate the recycling and responsible treatment of disposable medical products. The company was a charter member of the Healthcare Plastics Recycling Council (HPRC), an alliance of global healthcare companies focused on the recycling of plastic products in hospitals. Baxter is now one of 11 companies involved with HPRC in the development of the Design Guidelines for Optimal Hospital Plastics Recycling, primarily intended for product designers and users of disposable medical devices.

Baxter continues to look for other opportunities to partner with waste management and recycling firms to test the economic and logistical feasibility of more efficient management of wastes generated from Baxter IV products. Possibilities include creating products from recycled materials that can be reused in the medical supply chain, such as plastic pallets made from mixed IV bags or packaging.

Baxter won the Repak Best Practice in Industry Award in 2011 for its innovative program in Ireland offering services to pick up and responsibly process waste for home renal and oncology patients. Contractors collect, process and dispose of the products as

required by law¹, while protecting patient confidentiality and privacy. The program also collects recyclable materials such as cardboard from patients' homes where local authorities don't offer this service, decreasing the amount of these materials that go to disposal. In 2011, Baxter provided waste-collection services to more than 590 home patients in Ireland through this program, collecting a total of 86 metrics tons of waste.

Global Audit Program

Baxter has a global audit program covering all regulated or medical waste recycling or disposal sites that Baxter uses for waste generated internally. As part of this program, before using a medical waste recycling or disposal vendor, trained Baxter auditors assess the vendor for compliance with Baxter's requirements. Repeat audits are then conducted at least once every four years. These audits examine all aspects of operations, including site history, regulatory compliance, financial conditions, insurance, and other factors. Baxter has audited and approved more than 200 regulated or medical waste recycling or disposal sites through this program.

¹ Oncology products are classed as "hazardous" waste in Ireland which requires specialized incineration. Non-hazardous medical waste, such as over renal product pouches, bags, cassettes and shields, is classed as "clinical" waste and is sterilized and shredded before the material is accepted for landfill.

Case Study: Materials Restrictions

The European Union (EU) Restriction on Hazardous Substances (RoHS) Directive seeks to phase out the use of lead, mercury, cadmium, hexavalent chromium and brominated flame retardants used in electronic products such as computers, televisions and mobile phones. This is principally aimed at minimizing negative environmental impacts from these substances throughout the product life cycle, in particular at product end-of-life.

The RoHS2 Directive was recently released. Medical devices are no longer exempt and will fall within the scope of the directive beginning in July 2014. After that time, medical devices that contain, subject to certain thresholds, the substances listed above will no longer be allowed on the EU market. Furthermore, countries such as China, South Korea, Taiwan and some U.S. states such as California have already implemented legislation similar to RoHS2. Baxter is implementing a global strategy to respond to these regulations worldwide, and requires that all new machines under development meet RoHS Directive restrictions regarding heavy metals.

Baxter is also working to ensure it meets the European Union's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Directive. Under the legislation, chemical suppliers, manufacturers or importers of more than one metric ton of a chemical substance in a given year must register the substance with the European Chemical Agency. The regulation expands significantly the number of substances that will require authorization for use, identifies "Substances of Very High Concern" that may face future restrictions, and requires companies to proactively inform customers about the presence of those substances in products.

Baxter's cross-functional REACH team oversees the company's ongoing response to this regulation and explores further opportunities to eliminate hazardous substances. To keep informed of these sorts of trends, Baxter's global Environmental, Health and Safety (EHS) organization assesses existing, new and emerging environmental regulations in Europe to identify and prioritize critical business issues, benchmarks Baxter's performance against others in the industry, and helps the company develop positions and strategies aimed at improving its environmental performance. A global EHS team also monitors similar regulations worldwide.

¹ As defined by the RoHS2 Directive, maximum concentrations allowed are 0.1% by weight of homogeneous material for all substances except for cadmium which is restricted to 0.01% by weight.

² As defined by REACH legislation, "presence" equals at least 0.1% of the total product mass.

Sustainability at Baxter

2011

Supply Chain

Baxter

Supply Chain



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At Baxter, "supply chain" refers to the organization and activities that plan and coordinate product inputs from tens of thousands of suppliers worldwide to Baxter manufacturing operations; develop schedules to meet forecasted demand; and distribute finished products to customers in more than 100 countries. The company relies on this supply chain to securely deliver the right products to the right places at the right time.

Baxter's competitive advantage and strengthened position in the market are reinforced by the implementation of a comprehensive Global Supplier Sustainability Program, which ensures goals are met, efficiencies managed and results measured. Specific Global Supplier Sustainability initiatives within this strategy include: a Sustainable Supply Chain Program, a Material Compliance Program, a C-TPAT Program and a Water Security Program. Baxter also drives a sustainable supply chain through a variety of activities including:

- **Managing Supplier Performance** - Establishing Baxter's expectations for and ensuring supplier commitment to sustainability;
- **Global Sustainable Supply Chain** - Promoting practices that enhance supplier environmental performance;
- **Product Transport and Packaging** - Optimizing logistics and improving packaging to minimize related environmental impacts (included in the Product Responsibility section);
- **Supplier Diversity** - Maintaining a supplier base that reflects the diversity of Baxter's markets and the communities in which the company operates; and

- **Customers** - Managing a safe, secure and reliable supply chain to ensure patient safety and meet customer needs, and decreasing environmental impacts and cost through e-commerce.

Read more about transparency in Baxter's supply chain through the company's disclosure statement in response to the California Transparency in Supply Chains Act.

Managing Supplier Performance



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Approximately 35,000 suppliers in more than 100 countries provide the goods, services and raw materials required by Baxter's operations worldwide. In 2011, Baxter's total supplier spending was approximately \$5.7 billion. About 26% of this was on "direct" supplies - raw materials and components used in Baxter products. Baxter buys most of its direct supplies from companies located near its operations. All other supplies are considered "indirect" - goods and services that support other aspects of the company's operations.

Supplier Standards

Baxter's Global Supplier Sustainability Program builds on several sustainability-related standards that govern Baxter's supplier relationships. Baxter's Supplier Quality Standard and Ethics and Compliance Standards for Baxter Suppliers provide a framework for consistent supplier evaluation and selection, and define policies and expectations for ethical behavior when doing business with Baxter. Baxter evaluates and approves suppliers before purchasing any materials, components, products or services.

The Supplier Quality Standard specifically addresses sustainability issues, including child labor, employment standards, waste and energy reduction, and ethics. Baxter's Ethics and Compliance Standards for Baxter Suppliers, available in 19 languages, also cover child labor, as well as confidential information, intellectual property, gifts and entertainment, anti-corruption, conflicts of interest, trade compliance, fair employment opportunities, and environment, health and safety (EHS).

Baxter expects all suppliers to comply with both sets of standards as well as all laws governing purchasing, and may terminate agreements with suppliers that do not. Baxter also asks key suppliers to provide emergency response plans describing how they will continue to provide vital supplies in the event of a catastrophe or other business interruption.

Ethics training is mandatory for employees in Baxter's Purchasing and Supplier Management (PSM) organization. All PSM employees that interface with suppliers are required to take an online ethics and compliance course as well as a live session conducted by Baxter's Ethics and Compliance organization.

Baxter fosters and maintains a culture of compliance with applicable laws, rules and regulations, and the highest standards of ethics and business conduct with respect to forced labor and human trafficking and slavery. The company's commitment is extended to its relationships with suppliers. Specifically, Baxter does not support, encourage or endorse any form of forced labor or human trafficking and slavery in our operations or in our supplier networks. The company takes a number of steps to ensure suppliers are operating in an ethical manner and not engaged with these practices.

Annual Supplier Sustainability Survey

Baxter conducted its third annual survey of 100 select suppliers in 2011 to evaluate their performance against the company's sustainability criteria (see table). Baxter uses survey responses to learn more about suppliers' sustainability programs and identify

opportunities for best practice sharing and collaboration designed to improve the performance of both Baxter and its suppliers. Suppliers' responses do not affect whether Baxter will continue to work with them.

Baxter identifies 100 suppliers each year to survey based on spend, the supplier's importance to business continuity, and their carbon footprint. In 2011, these suppliers represented approximately 18% of Baxter's global supplier spend. This group includes suppliers from each of Baxter's regions and all of its major commodity groups and purchasing categories. In 2011, 84% of the invited suppliers completed the survey.

While Baxter aims to keep the participant list consistent for comparability year over year, certain suppliers are added or removed from the survey set due to changes in business needs, contractual needs or other reasons. Percentage changes from year to year in some categories may be due partly to this variation.

Forty-three percent of the 84 respondents in the 2011 survey were rated "sustainable" based on Baxter's criteria, compared to 44% of 77 respondents in 2010.

Baxter Annual Supplier Sustainability Survey Summary Results			
Category	% Sustainable*		
	2009	2010	2011
Environmental / Sustainability Program <i>Example Criteria: Measures and reports environmental information</i>	34%	30%	36%
Protection of Human Rights <i>Example Criteria: Has goal and programs to prevent and reduce work-related injuries</i>	(added in 2010)	88%	96%
Reductions in Carbon Footprint <i>Example Criteria: Has a goal and program to reduce GHG emissions</i>	46%	61%	60%
Reductions in Natural Resource Use <i>Example Criteria: Has a goal and activities to reduce waste generation</i>	61%	55%	63%
Enhanced Product Stewardship <i>Example Criteria: Uses a product stewardship/life cycle approach</i>	24%	35%	46%
Percentage of Responding Suppliers Considered "Sustainable" Overall	34%	44%	43%

*Suppliers are considered sustainable in a category when responding positively ("yes" or "in progress") to 90% of the questions in that category. In 2011, Baxter changed the terminology of the overall rating from "green" to "sustainable" to more accurately reflect the criteria.

Recognizing Supplier Sustainability Efforts Globally

Since 2009, Baxter has documented and recognized supplier and employee environmental initiatives through its e-Impact program. Baxter employees submit descriptions of current or planned projects to collaborate with suppliers and reduce Baxter's and the supplier's environmental impacts. To recognize successful projects, Baxter leaders in Purchasing and Supplier Management and Environment, Health and Safety award both the supplier and Baxter employees with electronic certificates.

Baxter increased focus on its e-Impact program in 2011 to help drive global supplier engagement with the company's sustainability initiatives. As a result, employees submitted more than 100 examples of projects to reduce environmental impact in 10 countries. Of these, 41 initiatives were successfully completed in 2011, with the combined benefits summarized below. Combined, these 41 projects resulted in approximately 15,000 metric tons of CO₂e emissions reduction, which is equivalent to the amount of electricity used by 2,300 U.S. homes during a year or removing 2,400 cars from the road for that same period of time.¹

Combined Results of Successful e-Impact Projects		
	2010	2011
e-Impact Project Ideas Submitted	5	107
e-Impact Projects Successfully Completed	5	41
Cost Savings	\$231,000	\$3,100,000
CO ₂ e Emissions Reduction	162 metric tons	15,000 metric tons

For additional information and examples of projects recognized through Baxter's e-Impact program, see Case Study: Baxter Grows e-Impact Program Globally. Past case studies are also available with examples from 2010 and 2009.

¹ Figures calculated using the Greenhouse Gas Equivalencies Calculator from the United States Environmental Protection Agency:
<http://www.epa.gov/cleanenergy/energy-resources/calculator.html>.

Global Sustainable Supply Chain



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Baxter educates and empowers its global Purchasing Supplier Management (PSM) personnel and the company's broader employee population to influence purchasing decisions and implement supplier initiatives that enhance sustainability performance. These efforts support and strengthen Baxter's commitment to reduce its environmental impact while maintaining continuity of supply and managing costs.

Global Supplier Sustainability Program

Through Baxter's Global Supplier Sustainability Program, the company integrates sustainable practices into its procurement policies and procedures. The program focuses on:

- **Sustainable supply chain** - Procuring products and services that make a positive contribution to society and the environment by embracing ethical, environmental and social principles (see below);
- **Material compliance** - Working with suppliers to meet the growing number of regulations worldwide related to product materials (see below);
- **Water Security Program** - Providing a framework for better understanding the possible impact water scarcity may have on Baxter's supply chain (see below); and
- **C-TPAT (Customs-Trade Partnership Against Terrorism) Program** - Collaborating with governments and other businesses to strengthen international supply chains and U.S. border security (see below).

Baxter monitors global PSM progress in implementing the company's sustainable supply chain programs as well as supplier progress in applying Baxter's sustainable criteria. The company also tracks suppliers' progress in their own sustainability programs, and incorporates results into supplier business reviews.

Purchasing teams and individuals globally chose a performance goal for 2011 tied to the company's sustainability initiatives, based on the unique needs of his or her country. For example, each manager in Baxter's corporate headquarters focused on submitting stories for the e-Impact program to encourage collaboration with suppliers.

Sustainable Procurement

One of Baxter's 2015 sustainability goals is to incorporate sustainable principles into its purchasing program. Baxter and its suppliers both benefit from these efforts.

Since 2009, Baxter has integrated 20 sustainability criteria into its purchasing procedures to provide its procurement organization a framework to evaluate suppliers' sustainability initiatives. These criteria fall into five categories that align with Baxter's own sustainability efforts, including a category added in 2010 to evaluate suppliers' protection of human rights. Baxter conducts an annual

survey of 100 select suppliers to evaluate their performance against these criteria. In 2011, Baxter incorporated additional questions into this survey related to human rights.

RFPs and Supplier Agreements

Baxter considers cost, quality, environmental criteria and other factors when selecting and evaluating its suppliers to reduce the company's environmental impact while maintaining continuity of supply and managing costs. To support these efforts, Baxter incorporates language related to sustainability in Request for Proposal (RFP) and supplier contract templates to reiterate Baxter's commitment to sustainability and assess each supplier's ability to support Baxter's sustainability goals and conduct their business activities consistent with Baxter's established standards for its suppliers. This language is now included in these documents in Australia, Brazil, Canada, Chile, China, Colombia, Mexico, New Zealand and the United States.

Baxter's updated RFPs ask suppliers to provide:

- Their sustainability policy and mission statement;
- A description of company sustainability initiatives and outcomes;
- A list of sustainability-related awards received;
- Disclosure of environmental violations and fines for the past three years;
- Details on purchasing from diverse suppliers, particularly related to products and services in the RFP (as applicable); and
- Information about other initiatives that would support Baxter's sustainability goals.

Baxter's standard supplier agreement requires U.S.-based suppliers to certify compliance with federal and state equal opportunity laws. Suppliers also commit to make good-faith efforts to consider small, minority-owned, women-owned, veteran-owned and other diverse suppliers when engaging their own suppliers.

The agreement also encourages suppliers to support Baxter's sustainability initiatives by identifying for Baxter's use products and/or services with reduced environmental impact. Baxter asks its suppliers to provide regular updates on their sustainability activities.

Product Material Regulatory Compliance

Effectively tracking the materials and chemical substances used in products and manufacturing is complex since a product may contain many components from numerous suppliers worldwide. To better meet this challenge, Baxter contracted with a specialized service provider to manage environmental and other information related to new and existing products. This includes information about product materials content, which will help Baxter evaluate compliance with the European Union Restriction of Hazardous Substances (RoHS) and Registration, Evaluation and Authorisation of Chemicals (REACH) Directives as well as similar existing and emerging regulations in other parts of the world.

Baxter began contacting suppliers in September 2010 as part of the company's Material Compliance Project. This initiative ensures that materials used in Baxter's products comply with a wide range of environmental regulations in Europe, individual U.S. states, and other countries worldwide (e.g., Australia, Canada, China, Japan and South Korea) while maintaining high-quality standards and satisfying customer requirements.

Baxter stores data collected from suppliers in a database that interfaces with other company and supplier information systems, to allow Baxter to better understand, manage and optimize product environmental performance and meet customer needs while facilitating regulatory compliance. In 2012, Baxter plans to work with a service provider to survey the company's suppliers for additional substances of very high concern.

See Materials Use and Materials Restrictions for more information about Baxter's programs in related areas.

Water Security Program

Water scarcity is a growing problem that affects governments, businesses, and individuals in many parts of the world. Baxter's water security program, launched in 2010, provides a framework to help the company better understand the possible impact water scarcity may have on Baxter's supply chain and its impact in local communities. The program helps Baxter identify potential risks and opportunities and act responsibly on this issue while enabling the company to maintain continuity of supply and manage related costs.

In 2011, Baxter surveyed suppliers in water-stressed areas to determine their level of knowledge regarding water scarcity. The survey also asked suppliers if they have programs to address this issue and identified potential areas for Baxter to collaborate with suppliers to mitigate possible water-related risks.

Read about Baxter's additional efforts related to Water and Wastewater.

U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) Program

In 2011, Baxter was recognized as a Tier III Partner in the U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) program. C-TPAT is a joint U.S. government-business initiative that builds cooperative relationships to enhance U.S. border security, with a focus on strengthening security throughout the supply chain. As a C-TPAT participant since August 2009, Baxter has committed to maintaining Tier III security criteria as well as ongoing enhancements to the security of its global supply chain.

Tier III is the highest level an importer can achieve in the C-TPAT program. Currently, only approximately 3% of the more than 10,000 program participants have achieved this status. Baxter's internal C-TPAT steering committee remains committed to monitoring and enhancing its supply chain practices and implementing process improvements as needed.

Supplier Diversity



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Baxter works to develop mutually beneficial relationships with small and diverse suppliers, and strives to continue to expand the diversity of its supplier base. This is a key aspect of the company's broader commitment to inclusion and diversity. Baxter also uses its [annual supplier sustainability survey](#) and contracting process to assess the supplier diversity programs of its own suppliers.

Baxter has been a corporate sponsor of the National Minority Supplier Development Council (NMSDC) for more than 20 years, and in 2006 joined the NMSDC Health Care Industry Group. Baxter is also a corporate partner of the Women's Economic Development Organization. The company participates regularly in vendor fairs to promote supplier diversity, and maintains an online database that enables small and diverse businesses in the United States to share their capabilities with Baxter procurement representatives.

In 2011, Baxter conducted its first Supplier Diversity Round Table event. The company invited a few suppliers of varying sizes and industries to Baxter's corporate headquarters to discuss how Baxter might advance its supplier diversity program. As a result of this event, Baxter identified opportunities to strengthen its communication between Baxter and suppliers to promote idea sharing. The company held a second Supplier Diversity Round Table during the first part of 2012, and Baxter is considering which opportunities identified during the meeting it can implement moving forward.

Since 2008, Baxter has included supplier diversity information in its supplier agreement summary sheets approved by senior management. These checklists include questions such as: How many diverse suppliers were included in the selection process? What classification were those suppliers? Was the selected supplier diverse? If not, why?

2011 Supplier Diversity Performance

In 2011, Baxter spent approximately \$388 million with small businesses in the United States and Puerto Rico, which was approximately 15% of Baxter's total supplier spending of \$2.6 billion in those markets during the year. The company spent approximately \$87.5 million with women-owned businesses and nearly \$36 million with minority-owned firms in the United States and Puerto Rico. Veteran-owned, service-disabled veteran-owned, small disadvantaged and HUBZone-certified businesses represented approximately \$8 million, \$1.5 million, \$5.8 million and \$1.6 million of Baxter's spending, respectively.

Baxter Supplier Diversity Spending (Dollars in Millions)*					
	2007	2008	2009	2010	2011
Small Businesses	\$399	\$457	\$484	\$491	\$388
Women-Owned Businesses	95	88	80	97	87.5
Minority-Owned Businesses	23	24	20	34	36

*United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted). Accounts payable data are sent to a third party, which categorizes spending. Other categories in total include veteran-owned, service-disabled veteran-owned, small disadvantaged and HUBZone-certified businesses. HUBZone is a United States Small Business Administration (SBA) program for small companies that operate and employ people in Historically Underutilized Business Zones (HUBZones).

Customers



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Baxter's supply chain extends from producers of raw materials to end users of the company's products. Maintaining a safe, secure and reliable supply chain is essential for ensuring patient safety. Baxter's supply chain must function without interruption even when natural disasters and other unexpected crises occur. Baxter also works to ensure that it transports its products to customers in a reliable and environmentally responsible way. See Product Integrity for information about GS1 standards.

Increasing Efficiency Through eCommerce

Baxter offers electronic product fulfillment options that help customers automate business transactions. The online eServices Center, provided to customers free of charge, enables easy order placement, inquiries, usage reports, and shipment tracking. Customers can find Baxter's products in the company's online catalog, available in 14 countries. Baxter supports standard electronic data interchange (EDI) as well as transactions processed through the Global Healthcare Exchange (GHX). The exchange, owned by Baxter and other healthcare manufacturers, group purchasing organizations and distributors, enables healthcare providers to transact with multiple vendors through one electronic connection.

Electronic ordering, invoicing, payment, advanced-ship notices, distributor transactions and inquiries help Baxter to streamline customer transactions and reduce paper use and costs. More than 83%, excluding home patient orders, of order lines are handled electronically in the United States.

Case Study: Baxter's e-Impact Program Grows Globally



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Baxter increased focus on its e-Impact program in 2011 to help drive engagement globally on the company's sustainability initiatives with its suppliers and vendors. As a result, during the year employees submitted more than 100 examples of projects to reduce environmental impact in 10 countries. This is up from 5 examples submitted from the United States alone in 2010.

Since 2009, Baxter's e-Impact program has recognized environmental initiatives launched in collaboration with the company's suppliers. Baxter employees are invited to submit examples of current and planned projects that will reduce environmental impact, and can view each other's submissions for ideas they may consider locally. If a project is successfully completed, Baxter leaders in Purchasing and Supplier Management and Environment, Health and Safety recognize both the supplier and the Baxter employee with a certificate. Baxter recognized 24 suppliers and vendors through its e-Impact program in 2011.

For example, in Shanghai, China, Baxter collaborated with one of its plastics suppliers to implement an environmental controls project to reduce energy and water usage at the company's compounding plant. The project saved approximately 6,200 kWh of energy and 74 cubic meters of water on projects related to Baxter in 2011.

In Mexico City, Mexico, Baxter contracted with one of its corrugate suppliers to sell back cardboard scrap. Baxter estimates this recycling effort will reduce greenhouse gas (GHG) emissions by 1,400 metric tons carbon dioxide equivalent (CO₂e) annually.

Baxter employees in Canada worked with three local pallet suppliers to build a pallet recovery program. All materials that cannot be reused are processed into woodchips that are used as boiler fuel or to create particle board. In 2011, more than 2,300 pallets were recovered, diverting 42 metric tons of waste from landfill.

Forty-one projects submitted in 2011 through the e-Impact program were successfully completed during the year. Combined, these reduced GHG emissions by approximately 15,000 metric tons CO₂e, equivalent to the amount of electricity used by 2,300 U.S. homes during a year or removing 2,400 cars from the road for that same period of time.¹

¹ Figures calculated using the Greenhouse Gas Equivalencies Calculator from the United States Environmental Protection Agency:
<http://www.epa.gov/cleanenergy/energy-resources/calculator.html>.

Case Study: Baxter's Sales Car Fleet in the United States Becomes More Fuel Efficient



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As part of Baxter's priority to drive a sustainable supply chain, the company is working to reduce the environmental impact of its car fleet. In the United States, through 2011 Baxter has made changes that reduced greenhouse gas (GHG) emissions per kilometer driven by 4.1%, compared to 2007. This is mainly due to shifting additional vehicles from less-efficient six cylinder engine to four cylinder engines in 2011.

In 2011, GHG emissions from Baxter's U.S. car fleet equaled 9,900 metric tons carbon dioxide equivalent (CO₂e), 5.9% more than in 2007. This is mainly due to the annual fluctuation in number of vehicles and miles, with 5.2% more vehicles driving 10.5% more miles today than in 2007.

Four cylinder cars make up nearly 80% of Baxter's U.S. car fleet. The company expects to transition the remainder of the fleet to four cylinder automobiles by the end of 2012, excluding service facility vehicles, which will remain six cylinder due to size and transport requirements. When possible, Baxter tries to use flex fuel.

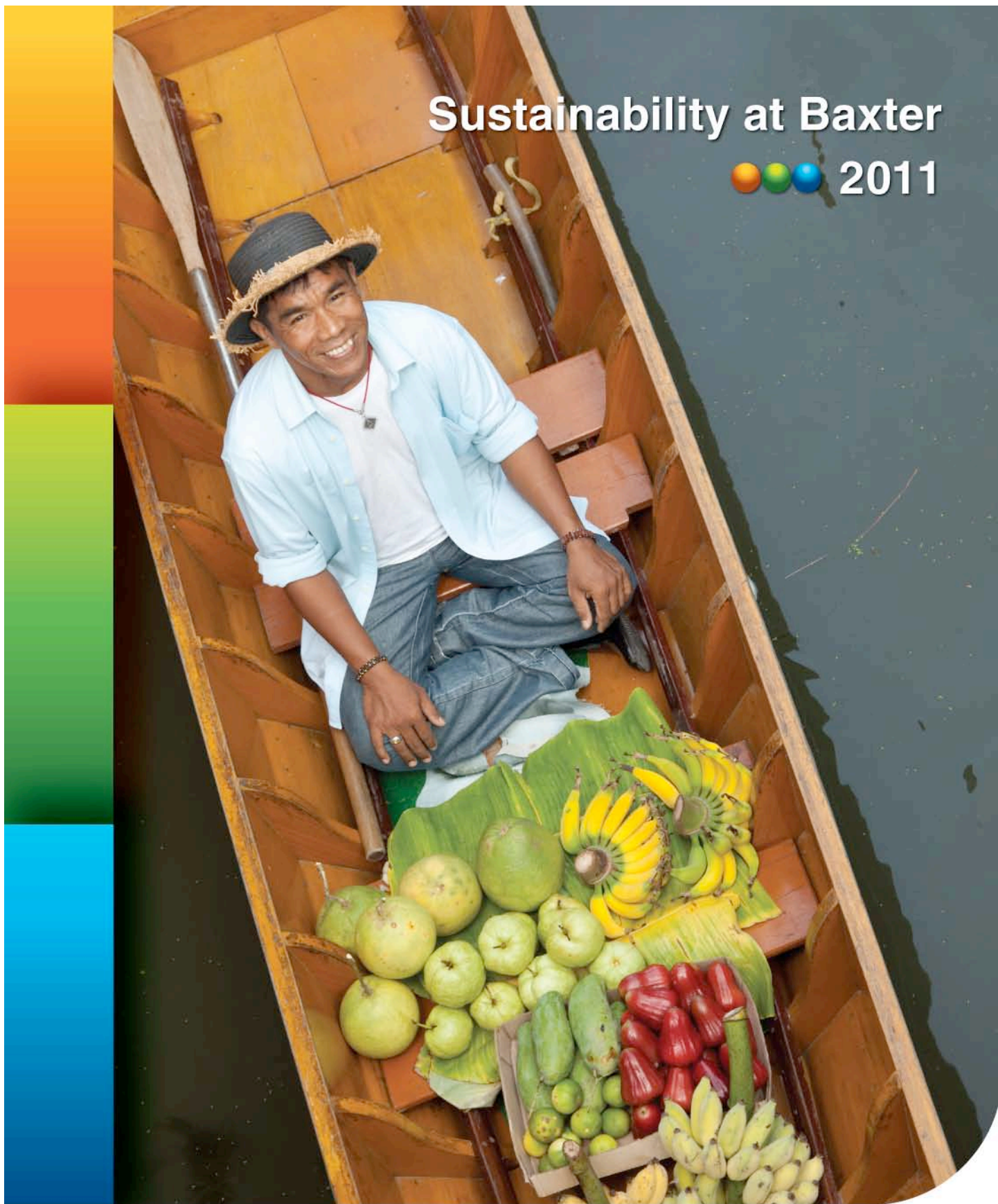
Baxter's effort to improve fuel efficiency is also impacted by driving behavior, so in 2011 Baxter partnered with its fleet vendor to enroll Baxter's U.S. drivers in the EcoWheels Challenge. This program promotes environmentally responsible driving habits, such as reducing idling time and accelerating gradually. Approximately one-third of Baxter's U.S. drivers pledged to follow the voluntary program, and the company saw fuel efficiency increase for its drivers overall by approximately 2.8% during the challenge.



Baxter also looks to reduce the carbon footprint of its car fleets outside of the United States. For example, Baxter sales representatives Shinji Chiba and Nobuaki Seo in Tokyo, Japan, stand beside hybrid vehicles, which Baxter's sales force began using in late 2009.

Sustainability at Baxter

2011



Access to Healthcare

Baxter

Access to Healthcare



Baxter's philanthropic arm, The Baxter International Foundation, focuses on increasing access to healthcare worldwide. Grant recipient Projecto Arrastão provides dental care and education to children in the Campo Limpo region of São Paulo, Brazil.

Improving access to healthcare is a global challenge. The issue is especially challenging in developing countries, where poor infrastructure, political instability, poverty, lack of education, restrictive regulatory environments, and inadequate availability and affordability of medical products can all limit access. Addressing this challenge requires cooperation among governments, non-governmental organizations, corporations, medical professionals and others.

Baxter works to improve access to healthcare globally through:

- Advancing public health
- Base of the pyramid initiatives
- Product donations
- The Baxter International Foundation awards and grants
- Public policy efforts

Advancing Public Health

Baxter's diverse portfolio is focused on treatments that help save and sustain lives. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to research and create products that advance patient care worldwide. Through individual business units and corporate research and development (R&D), Baxter strives to provide new products as well as training and education to meet the needs of current and future patients. Additionally, the company's base of the pyramid initiative strives to better serve the needs of patients at the lowest end of the economic spectrum. Examples of Baxter's latest efforts include:

Improving Care for Hemophilia Patients

As a leading manufacturer of products that help save and sustain the lives of people with hemophilia, Baxter is committed to improving patient treatment and care. The company is also working to provide medical professionals with educational opportunities to increase their effectiveness in addressing the disease. In 2011, to help orthopedic surgeons in Latin America improve their knowledge of common medical procedures needed by hemophilia patients, Baxter sponsored several training sessions led by a team of expert physicians at the Centro Médico Imbanaco's Hemophilia Treatment Center in Cali, Colombia. Twenty-eight participants learned basic hemophilia treatment principles, as well as laboratory techniques, nursing care and emergency responses for dealing with these patients.

Educating Anesthesiologists

Education for anesthesiologists from developing countries is one of the largest unmet needs in the field of anesthesiology, according to the World Federation of Societies of Anaesthesiologists (WFSA). Since 2008, working with the WFSA, Baxter has sponsored high potential anesthesiologist trainees from developing countries to attend the World Congress of Anesthesiologists as well as major regional anesthesiology congresses in an effort to enhance education and medical care for individuals and countries that do not have sufficient funding for such activities. One major benefit for scholars attending such congresses is to develop an international network of anesthesiologists that will further support them.

The company is also contributing to other educational initiatives: In 2011, thanks to a grant from Baxter, the Colombian Society of Anesthesiologists launched a Teach the Teacher program to help young anesthesiologists from Colombia and other countries in Latin America improve their teaching skills. Participants gain experience in teaching others how to manage complex situations in a simulated operating room environment.

The company also supported the development of a two-disc set of teaching materials related to obstetric anesthesiology. The CDs contain articles, lectures and refresher courses around the safe and appropriate anesthetic management of obstetric patients, and have been made available to anesthesia providers in developing countries. Since 2010, more than 3,000 CDs have been distributed.

Addressing Drug Shortages

During the last five years, many countries, including Canada, the United Kingdom, the United States and others have increasingly experienced shortages of pharmaceutical products. This complex issue stems from intertwined factors including shifts in clinical practices, wholesaler and pharmacy inventory strategies, raw material shortages, changes in hospital and pharmacy contractual relationships with suppliers and wholesalers, adherence to distribution protocols mandated by the U.S. Food and Drug Administration

(FDA) and other regulatory agencies, individual company decisions to discontinue specific medicines and spikes in demand due to natural disasters.

Baxter is committed to finding solutions to the drug shortage issue that are balanced and involve stakeholders across the supply chain and distribution spectrum. The company has a longstanding commitment to increasing access to its treatments, and its extensive portfolio offers multiple options for clinicians and patients to address their supply needs through similar products or drugs that are available in slightly different delivery forms that may be suitable alternatives for the product that is in short supply.

In numerous cases during the last few years, Baxter has worked to help patients continue to receive the treatments they need. For example, the company has accelerated production to meet increased demand arising from competitor shortages of several IV products.

Baxter has also collaborated with professional associations and government agencies to develop clinical guidance for health providers that have had to shift their standard practices as a result of product shortages. For example, Baxter recently sponsored the first ever summit to address IV nutrition safety, in collaboration with the FDA and the American Society for Parenteral and Enteral Nutrition (ASPEN), the Institute for Safe Medication Practices and the American Society of Health-System Pharmacists, among others. Recommendations from the safety summit were published in ASPEN's *Journal of Parenteral and Enteral Nutrition*

Base of the Pyramid

A key aspect of Baxter's approach to expand access to healthcare is developing product and business model innovations targeted at those at the "base of the pyramid" (BoP), the approximately 4 billion people worldwide who each live on less than \$1,500 annually and have limited access to the healthcare market.

In 2011, Baxter continued its collaboration with Dr. Stu Hart from Cornell University, and the Enterprise for a Sustainable World (ESW). Baxter's Base of the Pyramid (BOP) team, composed of company representatives from environmental health and safety, ethics and compliance, research and development, manufacturing, and commercial leads from the Medical Products and BioScience businesses, hired representatives from ESW to interview 30 Baxter business leaders from around the world to understand where and how the company is currently selling products in regions with high BoP representation or has technology well suited for use in the BoP. To identify future opportunities and approaches in this area, the team also began a review of the company's emerging technology portfolio.

Product Donations

Baxter donates products to help improve access to healthcare worldwide. In 2011, the company donated more than \$47 million in products to assist people in 75 countries (see map). Baxter donates products that recipient organizations have requested specifically, including intravenous (IV) solutions, pharmaceuticals and hemophilia products. Baxter's Global Community Relations team manages the donations process, guided by Baxter's Global Product Donation Policy, which covers areas such as licensing, expiration and dating, accounting and tax laws, and export requirements.

The Global Community Relations team works with supply chain managers and others at Baxter to identify opportunities to donate products, matching available inventory to patient need. In some cases, the company donates excess products that might be classified as hazardous waste if destroyed, which has the added benefit of helping Baxter reduce waste and associated expenses.

To help improve the efficiency and effectiveness of the product donation process and facilitate timely, targeted support to communities in need, Baxter focuses its efforts on proactive strategic product donations. This approach also supports a reduction in waste, since the donor organizations know in advance what to expect from Baxter and so are less likely to receive unneeded supplies.

During 2011, Baxter continued to work with its humanitarian aid partners – AmeriCares and Direct Relief International (DRI) – to pre-position product to be available for emergencies as well as to meet ongoing needs in underserved communities. AmeriCares, an international disaster-relief and humanitarian-aid organization, airlifts critical medicines, medical supplies and other aid to areas suffering humanitarian crises resulting from natural disasters or political strife. Direct Relief International, a non-profit, non-sectarian humanitarian-assistance organization, provides medical assistance to victims of poverty, disaster and civil unrest. Baxter collaborates with these two organizations – which have complementary missions, yet different focus areas and local partnerships – to develop a yearly product donation plan. This helps ensure that Baxter contributes most needed products to stabilize supply in least developed and developing economies, and that the company's products are first on the scene following disasters and tragedies.

Baxter products with long shelf lives were shipped to aid partners in the first and fourth quarters of 2011 to provide organizations a steady supply of medicines for ongoing support as well as critical therapies to offer in times of crisis. For example:

Horn of Africa – The region experienced its worst drought in more than half a century in 2011, with widespread famine and cholera cases. AmeriCares sent Baxter IV solutions to Somalia from pre-positioned stock as well as additional shipments in the first quarter of 2012.

Pakistan – DRI shipped medical products to assist in the aftermath of the October 2011 floods.

Vermont, United States – A free clinic here received Baxter IV solutions through DRI in the aftermath of Hurricane Irene as it responded to the influx of new patients with respiratory illnesses and nutritional needs.

El Salvador, Guatemala, Honduras and Nicaragua – DRI shipped Baxter products here in early 2011 for hurricane preparedness that were used for emergency response during the October mudslides and flooding in these countries.

Baxter continues to fine tune its product donations list to provide products that will be first on the scene following disasters and tragedies while also helping organizations meet their ongoing needs.

Addressing a Cholera Outbreak in Haiti

Strategic shipments from Baxter positioned AmeriCares to pull from inventory and provide IV solutions to treat dehydration resulting from a severe cholera outbreak in Haiti in October 2010 following the January 2010 earthquake. This potentially deadly diarrheal disease is a risk after any disaster – particularly earthquakes – due to poor sanitation and a lack of clean water. During the outbreak, which continued well into 2011, AmeriCares donations of medicines and supplies reached hundreds of patients treated at the Centre de Sante La Grace du Bon Samaritain, a clinic serving the population of Cazale, Haiti and the surrounding rural mountain villages. The clinic is run by AmeriCares partner, Real Hope for Haiti. “The early donations from AmeriCares were literally what allowed us to treat the first cholera patients who came to our door – even before we knew it was cholera,” said clinic director Lori Moise, RN.

Responding to Crises in Japan and Thailand

In 2011, Baxter’s long-standing relationships with AmeriCares and DRI helped facilitate timely, targeted support in response to the earthquake and tsunami that struck the east coast of Japan in March 2011. Baxter donated more than 4,000 units of intravenous (IV) antibiotics and other IV solutions through AmeriCares. Baxter employees in Japan also worked to ensure that patients in the affected areas had access to essential medical products. They reached out to 1,200 peritoneal dialysis (PD) patients in the region to make sure they could still conduct their treatment. With many roads closed shortly after the disaster, Baxter worked closely with its supply chain partners to provide life-saving dialysis products to patients in need.

Baxter took part in similar relief efforts when Thailand was hit by extreme rainfall and flooding in October and November of 2011. The company coordinated an emergency shipment of IV solutions to the country and worked closely with the distributors, PD centers, hospitals and the Thai government to ensure that the country’s PD patients had access to the supplies needed for their dialysis therapy regardless of their location. Baxter also provided first aid kits and other necessities to local residents and offered assistance to Baxter employees impacted by the disaster.

Baxter continues to work with these donor partners to assess ongoing relief needs in these countries.

World Federation of Hemophilia Global Alliance for Progress

Baxter also facilitates access to healthcare through support of non-profit organizations such as the World Federation of Hemophilia, an international non-profit organization dedicated to improving the lives of people with hemophilia and related bleeding disorders. Baxter is the founding sponsor of the organization’s 10-year Global Alliance for Progress (GAP) program, which works to improve the diagnosis and treatment of hemophilia in developing countries. Since its launch in 2003, GAP has diagnosed more than 27,000 patients with bleeding disorders – including 23,000 with hemophilia – in 18 countries, and educated and trained more than 13,000 healthcare professionals and regulators.

Through the World Federation of Hemophilia and AmeriCares, Baxter has donated approximately \$20 million worth of factor replacement therapy to those living with hemophilia in underserved countries.

Patient Assistance Programs

Baxter maintains a number of U.S. patient assistance programs to help ensure continuous access to product in the event of an insurance lapse, for those who qualify.

Additionally, in order to support the community and access to healthcare, Baxter is a long-time supporter of Patient Services, Inc. (PSI), a non-profit organization that provides financial assistance to patients with rare disorders to help them afford their health insurance coverage. Over the last 13 years, Baxter has contributed more than \$7.5 million to PSI's programs that support patients with bleeding disorders, alpha-1 antitrypsin deficiency (AAT) and primary immune disease. Through these efforts, PSI assisted more than 700 patients with these disorders in 2011.

In 2010, Baxter launched the myPN Support program, a patient assistance program in the United States aimed at supporting patients who qualify with continued access to certain parenteral nutrition (PN) drug therapy, and in 2011, expanded the program to include both U.S. citizens and non-citizens who are legal residents. For more information, please see the section on Baxter's patient and caregiver services and programs.

Other Initiatives

When healthcare professionals travel overseas to provide charitable medical care to under-served populations, they often work in hospitals and clinics lacking modern surgical suite materials. Baxter's BioSurgery hemostatic and tissue sealant products as well as anesthesia products are some of the most requested Baxter products in these situations. During 2011, AmeriCares sent 36 shipments with Baxter products to 24 countries in support of medical missions.

The Global Community Relations team also works closely with the Partnership for Quality Medical Donations (PQMD) to benchmark Baxter's practices and disaster response services. The organization's mission is to collaborate with member companies and humanitarian aid organizations that share a commitment to advancing effective drug and medical supply donation practices. In 2011, the Global Community Relations team developed an internal training program to educate managers on Baxter's Global Product Donation Policy. The program launched in January 2012 as a required training for all Baxter directors and above globally.



Patients receive assistance from an AmeriCares India mobile medical clinic, a project funded in part by The Baxter International Foundation. Photo credit: AmeriCares

Case Study: The Baxter International Foundation

Patients receive assistance from an AmeriCares India mobile medical clinic, a project funded in part by The Baxter International Foundation. Photo credit: AmeriCares

The Baxter International Foundation's primary focus is increasing access to healthcare worldwide. In 2011, the Foundation donated more than \$4 million (actual payments, excluding future commitments) in 23 countries. This included \$1.1 million in grants to organizations outside of the United States and more than \$700,000 to 774 organizations through the Foundation's Dollars for Doers and Matching Gifts programs that support employees' philanthropic contributions. The majority of the grants were based on recommendations from Baxter employees, targeted to improve the quality and accessibility of healthcare for the disadvantaged and underserved in local communities. The Foundation also supports three prize programs that recognize organizations and individuals who demonstrate excellence in community service and healthcare research, and it has a long-standing commitment to the education of employees'

children through Foundation scholarships.

Grants awarded in 2011 fulfilled local needs to increase access to dental care, mental health, and other healthcare services for children, the uninsured, veterans, and the elderly. Recipient organizations included the following:

- **Austria** - Nuenerhaus, in Vienna, to expand medical care for the area's homeless through the hiring of a general practitioner and medical assistant and the provision of medical supplies.
- **Costa Rica** - Asociacion Aldeas SOS de Ninos de Costa Rica, in Santa Ana and Tres Rios, to fund two full-time psychology professionals to provide mental health services for orphaned children.
- **India** - Plan International India, in New Delhi, to empower the community and enhance the capability of more than 1,500 mothers to effectively manage and respond to children's health needs through home-based care and also to address the primary healthcare needs of approximately 5,000 children through the establishment of a primary health center and outreach health services.
- **United States** - Delta State University, in Cleveland, Mississippi, to fund a community counseling center focused on play therapy for children.

See a complete list of recent Baxter International Foundation grants with additional detail.

The Baxter International Foundation sponsors prizes that recognize excellence in community service and healthcare research. These are among the most prestigious in the healthcare field.

Foster G. McGaw Award: Each year, The Baxter International Foundation, in conjunction with the American Hospital Association (AHA) and Health Research & Educational Trust, presents the \$100,000 Foster G. McGaw Award to a U.S. healthcare organization that provides innovative programs that improve community health and well-being. In 2011, Mt. Ascutney Hospital and Health Center in Windsor, Vermont received this honor for its broad-based efforts to improve the lives of its most vulnerable community members. Mt. Ascutney Hospital and Health Center is a non-profit community hospital with a renowned inpatient rehabilitation unit, therapeutic pool and physical therapy department as well as acute care, transitional care, hospice and skilled nursing care services. The hospital was recognized for several major initiatives focused on building a community health infrastructure, preventing substance abuse, providing

access to care through a free clinic, connecting residents to social services and providing senior housing. (See Case Study).

William B. Graham Prize: Working with the Association of University Programs in Health Administration, The Baxter International Foundation awards the William B. Graham Prize for Health Services Research to recognize major contributions to public health through innovative research. Edward H. Wagner, MD, MPH, a professor of health services at the University of Washington School of Public Health, received the \$50,000 award in 2011 for his work in chronic illness management, cancer care and the aging and geriatric populations. Wagner founded the Group Health Research Institute (GHRI) in 1983, a non-proprietary, public-domain research institution within the Group Health healthcare system. As director until 1998, Wagner's commitment to scientific inquiry led the GHRI's mission to improve healthcare through leading-edge research, innovation and dissemination. In 1992, he established GHRI's MacColl Institute for Healthcare Innovation, which he still directs. His team developed the Chronic Care Model, an evidence-based framework that seeks to improve the delivery of safe, effective and collaborative care to patients.

Episteme Award: In conjunction with the Honor Society of Nursing – Sigma Theta Tau International – the Baxter International Foundation awards the Episteme Award to a nurse who has contributed significantly to nursing knowledge development, application or discovery that results in a recognizable and impactful public benefit. Kathleen R. Stevens, EdD, MS, RN, ANEF, FAAN, a professor of nursing at the University of Texas Health Science Center at San Antonio (UTHSCSA), received the \$15,000 award in 2011 for her multi-faceted approach to evidence-based quality improvement. As founding director of the Academic Center for Evidence-Based Practice, a UTHSCSA School of Nursing Center of Excellence, Stevens has advanced interdisciplinary evidence-based quality improvement and patient safety through workforce education and engagement with the goal of turning research into action and improving healthcare and patient outcomes in the community. She also developed the Improvement Science Research Network, a virtual research network that enables its members to conduct collaborative research, exchange information and network. This online network accelerates the testing and translation of clinical and health services research into practice.



Dr. Aparna Parikh, a volunteer pediatrician with the AmeriCares India mobile medical clinic program, examines patients. Photo credit: AmeriCares

Case Study: Making a Difference in India

AmeriCares India launched a two-year pilot project in 2011 to provide critical on-site medical services and free medicines in Mumbai's Andheri slums. The mobile medical clinic project seeks to reach families who struggle every day with inadequate housing, unsanitary conditions, and a lack of safe drinking water and proper nutrition. It is funded partly through a two-year \$85,000 grant from The Baxter International Foundation.

Six days a week, two fully-equipped mobile medical vans, each staffed with a doctor and pharmacy assistant, travel through the slums to assess and treat the immediate health care needs of more than 100 patients a day. Every week, about 1,200 patients receive treatment through the program. The team also provides proper referrals when necessary.

"With India's slum population rising each year, AmeriCares mobile medical clinics are more crucial than ever," says Dr. Purvish Parikh, vice president and managing director of AmeriCares India Foundation. "Squalid living conditions in the Andheri slums have led to widespread infection, disease, dehydration and malnutrition in children under five. Since our program began, we have become a trusted primary health care provider and have conducted more than 25,000 patient visits—and we expect the project to grow and adapt in upcoming months and years." In 2012, the organization plans to expand the program to three vans to better serve this vulnerable and disenfranchised population.

The mobile medical clinic also works to identify and care for patients with chronic diseases such as diabetes and hypertension, and to provide them with a continuous supply of free medicines. AmeriCares maintains electronic health records for all patients to monitor the program and to facilitate patient follow-up.

Baxter employees have also volunteered to support this project. In October 2011, approximately 25 Baxter Mumbai employees joined the staff of AmeriCares in the Andheri slums to distribute medicines and collect data from more than 150 households about dietary and sanitation habits, and medication and vaccine needs. AmeriCares will use this information to better understand the needs in that region and improve healthcare delivery to this population in the future.



Baxter Mumbai volunteers work with AmeriCares India staff to collect demographic and health information from residents of the Andheri slums to improve healthcare delivery to the area. Photo credit: AmeriCares



Yin Le, a 20-year-old from Quzhou, China, received a new kidney in November 2011 – a surgery, in part, made possible with the help of peritoneal dialysis. Now, she is determined to live life like never before.

Case Study: Improving Access to End-stage Renal Disease Care in Asia Pacific

Baxter is the world's leading innovator and supplier of peritoneal dialysis (PD) products for end-stage renal disease (ESRD), or kidney failure. PD is a self-administered therapy that can be managed by patients at home and can offer numerous benefits. Residual (or remaining) kidney function may be better preserved in patients treated with PD as compared with those treated with in-center hemodialysis (HD)^{1, 2, 3, 4, 5}, and patients treated with PD before transplantation may have better survival rates than those treated with in-center HD.⁶

PD home therapy can also be particularly impactful in emerging economies where many people with kidney disease go untreated due to expense and lack of access to dialysis treatment centers. Baxter works with governments to institute adequate reimbursement for PD and strives to make the therapy cost-effective and accessible through local manufacturing, home delivery and product innovation, along with training and education.

In 2008, for example, the government of Thailand implemented a “PD First” policy, encouraging the use of PD over in-center HD to expand access to treatment and for patients, while also controlling costs. As a result, the number of PD patients in Thailand has increased sharply, from about 1,000 in January 2008 to more than 10,000 at the end of 2011. Baxter projects the number of PD patients in Thailand to reach 35,000 in the next five years. Several countries throughout the Asia Pacific region, including India, Malaysia, Taiwan and Vietnam, are evaluating and implementing similar policies to help drive increased access to PD and manage the growing need for renal disease treatment with limited healthcare resources. In Hong Kong, which has had a PD First policy for nearly 20 years, PD penetration is about 80% of all dialysis patients.

Training and Education

Baxter also explores public-private partnerships to provide dialysis training and education that will advance professionals' in-depth knowledge of available dialysis treatments, enabling them to adequately inform patients regarding ESRD treatment options. In 2008, the company established Baxter Scientia Asia Pacific, an education and research training program delivered through partnerships with Peking University Third Hospital and Sun Yatzen Hospital in Guangzhou, China. Baxter Scientia strives to enhance treatment outcomes by offering a range of high quality education and research programs on PD to nephrologists and nurses throughout the region. Since inception, approximately 1,200 healthcare professionals in Asia Pacific have participated in the program.

In 2006, Baxter also introduced a community Chronic Kidney Disease (CKD) education and intervention initiative in collaboration with the Beijing Community Health Service Association. By the end of 2011, the program had trained about 1,000 community doctors in CKD identification and treatment. Those physicians have since identified more than 4,000 CKD patients from over 20,000 at-risk individuals.

¹Lysaght MJ, Vonesh EF, Gotch F, et al. The influence of dialysis treatment modality on the decline of remaining renal function. *ASAIO Trans.* 1991;37:598-604.

²Misra M, Vonesh E, Van Stone JC, Moore HL, Prowant B, Nolph KD. Effect of cause and time of dropout on the residual GFR: a comparative analysis of the decline of GFR on dialysis. *Kidney Int.* 2001;59:754-763.

³Lang SM, Bergner A, Topfer M, Schiff H. Preservation of residual renal function in dialysis patients: effects of dialysis-technique-related factors. *Perit Dial Int.* 2001;21:52-57.

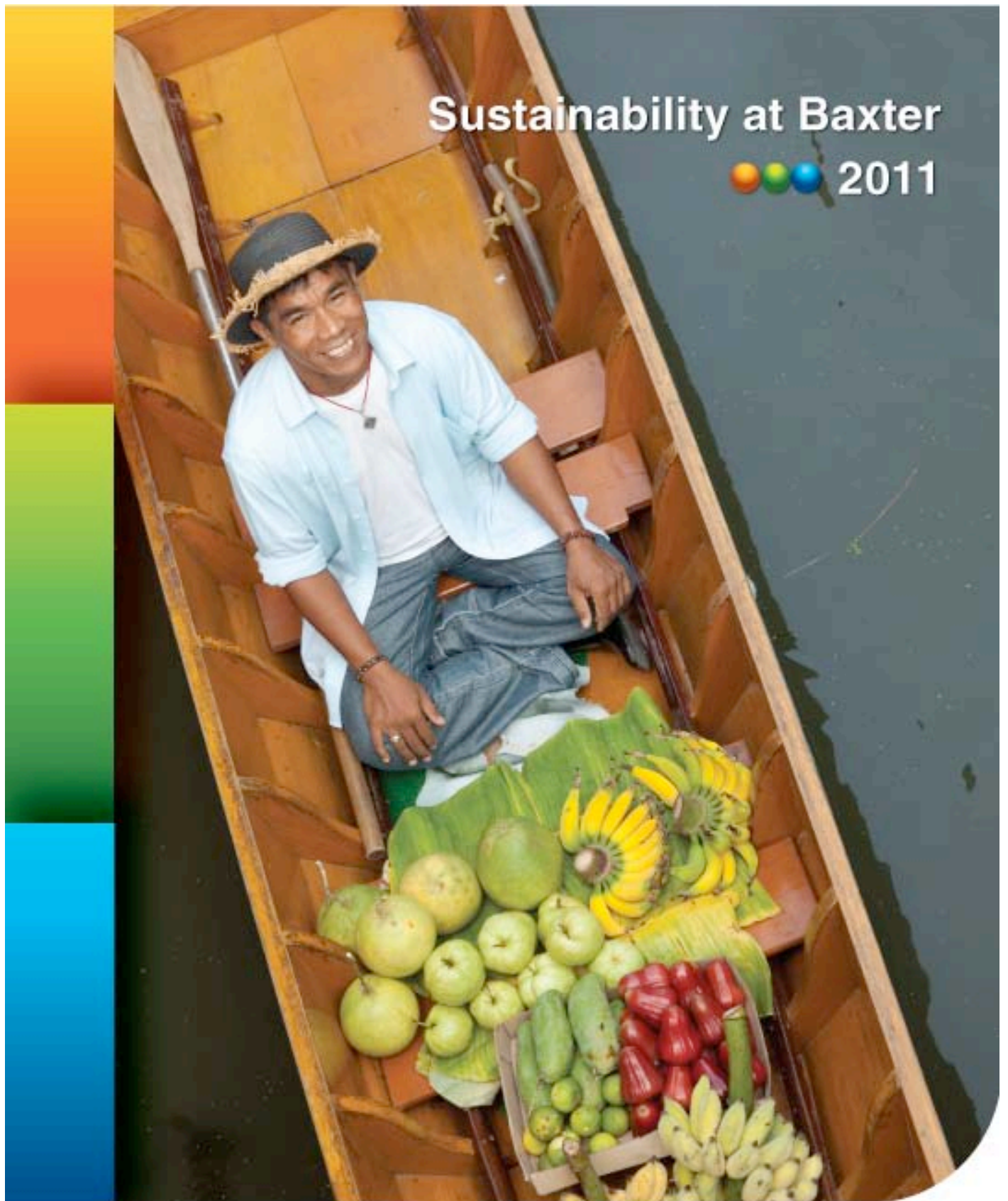
⁴Jansen MA, Hart AA, Korevaar JC, Dekker FW, Boeschoten EW, Krediet RT. Predictors of the rate of decline of residual renal function in incident dialysis patients. *Kidney Int.* 2002;62:1046-1053.

⁵Moist LM et al (2000) Predictors of loss of residual renal function among new dialysis patients, *J Am Soc Nephrol.* 11:556-564

⁶Molnar MZ, Mehrotra R, Duong U, et al. Dialysis modality and outcomes in kidney transplant recipients. *Clin J Am Soc Nephrol.* 2012 Feb;7(2):332-41. Epub 2011 Dec 8.

Sustainability at Baxter

2011



Community Support

Baxter

Community Support



Baxter and its employees support communities worldwide through financial contributions, product donations, base of the pyramid initiatives and employee volunteerism. Increasing access to healthcare, promoting community service and increasing employee engagement in these efforts are core principles of the company's vision and culture.

- **Critical Community Needs** - Baxter makes financial and in-kind donations to address needs such as improving education, protecting the environment and helping to improve patient safety.
- **Employee Involvement** - Baxter encourages employees to volunteer their time and expertise in their communities and matches employees' monetary contributions to eligible U.S. charitable organizations through The Baxter International Foundation Matching Gifts Program.

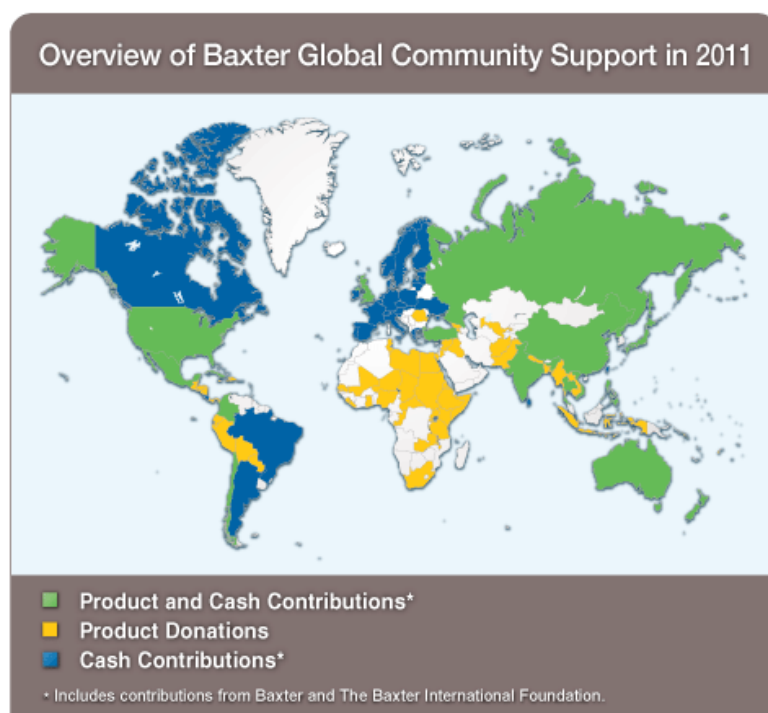
Baxter's community support efforts benefit people in need worldwide, and strengthen the company's business. These initiatives improve community relations, demonstrate Baxter's leadership and engage employees. During 2011, Baxter and The Baxter International Foundation gave more than \$80 million, including product donations, cash contributions and foundation grants.

The company has contributed more than \$311 million over the last five years.

Baxter and The Baxter International Foundation Charitable Giving* (Dollars in Millions)					
	2007	2008	2009	2010	2011
Product Donations**					
Products/Patient Assistance Programs	\$31.09	\$10.86	\$18.94	\$48.09	\$47.17
Business and Facility Cash Donations					
Within U.S.	\$9.26	\$12.17	\$15.29	\$14.66	\$12.88
Outside U.S.	11.16	16.75	15.11	12.56	16.05
Subtotal	\$20.42	\$28.92	\$30.40	\$27.22	\$28.93
The Baxter International Foundation Contributions					
Grants in the U.S.	\$1.10	\$1.43	\$1.10	\$1.32	\$1.65
Grants outside the U.S.	0.84	1.39	1.21	1.55	1.14
Matching Gifts & Dollars for Doers	0.70	0.75	0.76	0.74	0.71
Prize Programs	0.21	0.19	0.21	0.26	0.23
Scholarship Program	0.26	0.26	0.28	0.27	0.28
Subtotal	\$3.09	\$4.01	\$3.56	\$4.14	\$4.01
Total Charitable Giving	\$54.60	\$43.79	\$52.90	\$79.45	\$80.11

*Some subtotals vary slightly from sum of items in category, due to rounding.

**Variations in Baxter's annual product donations are due to fluctuations in community needs, the regulatory environment, manufacturing processes and marketing. The company identifies opportunities to donate and responds to community requests as appropriate.



Critical Community Needs

Baxter helps communities worldwide address a broad range of needs, in addition to improving access to healthcare. These include improving education, building awareness of chronic diseases, supporting youth services, and protecting the environment. Baxter's business units, functions and manufacturing facilities contributed \$28.9 million worldwide in 2011, with more than 55% donated outside the United States.

Education

According to the 2011 Nation's Report Card, only 40% of U.S. fourth-graders and 35% of eighth-graders perform at or above proficiency for their grade level in math. Just 34% of fourth-graders, 30% of eighth-graders and 21% of 12th-graders perform on par for their grade level in science.¹ Advancing elementary and high school math and science education today sets the foundation for biotech discoveries for years to come. As a science- and technology-based healthcare company, Baxter has a responsibility to help provide current students as well as future generations with opportunities to thrive in these areas. The company's commitment to education focuses on enhancing local math and science education programs to prepare students for science careers.



Baxter engineers demonstrated the power of science and engineering to local boy scouts by working with them to design and build a functioning robot.

In 2008, Baxter launched Science@Work: Expanding Minds with Real-World Science, a multi-year commitment to Chicago Public Schools (CPS) to support teacher training and student development in healthcare and biotechnology. In the 2010-2011 school year, the program reached nearly 14,000 students and 148 teachers in 55 schools through in-depth biotechnology teacher training and module lesson plans. The program's reach decreased from the previous school year, due to administrative changes at CPS that impacted the commitment CPS teachers could make to teacher training during the 2010-2011 school year. The program has reached a total of more than 45,000 students and 530 teachers in more than 150 schools since 2008.

Baxter also supported eight events for teachers and students, including several opportunities for students to experience science first-hand through interactions with Baxter professionals. In December 2011, for example, Baxter hosted 120 Muchin College Preparatory students at the company's corporate headquarters to show how to combine interests with skills to create strong careers. Twenty professionals from Communications, Engineering, Finance, Human Resources, Marketing, Product Management, Research and Development and other areas shared their experiences and led interactive career exploration exercises.

Also in 2011, Baxter celebrated the grand opening of the Instituto Health Sciences Career Academy's 100,000 square-foot educational center in Chicago. The charter school, which currently serves more than 200 freshmen and sophomores and will serve 600 students when fully enrolled, prepares students for success in healthcare careers. The school is helping to address the shortage of Latinos in healthcare careers and support Chicago's efforts to provide high-quality education options. Baxter provided start-up funding and hands-on support to open the Academy, and Baxter scientists and other employee volunteers teach, sponsor lab tours and provide career advice to students throughout the year.

In January 2012, Baxter announced its participation in Summer Jobs+, an initiative sponsored by the White House Council for Community Solutions and the U.S. Department of Labor that encourages businesses, non-profit organizations, and government to work together to provide pathways to employment for low-income youth in the summer of 2012. Through Science@Work, Baxter will provide 300-500 students the opportunity to participate in activities such as career planning and interview skill development/training with Baxter professionals and a five-week summer internship program pairing high school students with Baxter professionals.

Other education initiatives in 2011 included:

Junior Achievement: Baxter supports Junior Achievement (JA), a global organization that teaches students the fundamentals of the free market and entrepreneurship, in Canada, China, Ireland, multiple countries in Latin America, and the United States. In 2011, 370 Baxter employees worldwide volunteered a total of 1,950 hours in support of JA, reaching approximately 9,075 students in Brazil, Canada, China, Colombia, Ireland, Mexico and the United States.

FIRST Robotics: A founding member of US *FIRST*® Robotics (For Inspiration and Recognition of Science and Technology) in 1992, Baxter continued its long-standing commitment in 2011. This organization engages students in mentor-based programs that build science, engineering and technology skills, inspire innovation, and foster self-confidence and communication and leadership abilities. The organization's engineering competition inspires thousands of students across the country to design and build robots that engage in a sports-like environment. In 2011, Baxter continued its support of the Mountain Home, Arkansas High School team – the Bomb Squad. The team has worked with volunteers from Baxter's local facility since 1996. Baxter also supported the launch of Arkansas *FIRST* Robotics Incorporated, to bring all levels of *FIRST* competition to students throughout the state.

Boy Scouts of America: In 2011, engineers from Baxter's facility in Round Lake, Illinois, United States created a working robot with local boy scouts to illustrate the integration of science, technology, engineering and math. The engineers worked with the scouts to design, build, program, and demonstrate the functionality of a robot, in addition to learning about career opportunities in engineering and robotics.

Additional community support highlights from 2011 include:

World Hemophilia Day: In April 2011, Baxter marked the 22nd anniversary of World Hemophilia Day. This day is dedicated to promoting awareness of hemophilia and treatment availability for people living with hemophilia throughout the world. Baxter offices around the world participated through various local and regional grassroots events, scholarships, online educational efforts and roundtable discussions. The company also joined forces with the World Federation of Hemophilia (WFH) to launch *Advocacy in Action*, to help countries advocate for improved and sustained care for people with bleeding disorders. *Advocacy in Action*, a 5-year initiative exclusively supported by a grant from Baxter, works to strengthen WFH's national member organizations' capability to effectively lobby their governments on behalf of regional and national bleeding disorder communities. The initiative consists of interactive workshops, support tools, an individualized coaching program and a dedicated WFH staff member to assist with the implementation of advocacy and public policy action plans.

World PI Week: World PI Week, established in April 2011 with support from Baxter, aims to raise the recognition and diagnosis of primary immunodeficiencies (PI). During the event, organizers around the globe encourage improved PI awareness and diagnosis among medical professionals and the general public. Activities in 2011 included government awareness initiatives, PI treatment center openings, and others. All reinforced the important message that detecting the disease early can save lives.

Primary immunodeficiencies (PI) are hereditary genetic defects in the immune system that cause increased susceptibility to a wide range of infections, which are often chronic, debilitating, and can be fatal. An estimated 10 million people suffer from PI worldwide, but experts estimate that 70-90% of PI cases remain undiagnosed. Unlike other immune system-related conditions, available treatments can help effectively manage disease symptoms.

World Kidney Day: In March 2011, Baxter organized several World Kidney Day activities worldwide, to raise awareness of chronic kidney disease detection, prevention and treatment. Baxter Brazil, for example, in partnership with the Brazilian Society of Nephrology, provided communications support for a World Kidney Day health fair targeted at high-risk patients, and coordinated a public awareness campaign focused on the benefits of early diagnosis. Two of Brazil's leading nephrologists served as the campaign's spokespersons, and the campaign reached more than 25 million Brazilians through newspaper articles and television and radio coverage.

Baxter Mexico employees coordinated several World Kidney Day activities, including a physician/patient advocacy organization panel that discussed ways to increase access to chronic kidney disease treatment and a public awareness campaign on chronic kidney disease prevention and early detection. In Singapore, Baxter launched an online resource, www.mykidneyplan.com, which helps Singaporeans with chronic kidney disease to take control of their condition early. Baxter worked with healthcare providers, patients and caregivers to tailor content and resources to Singaporean lifestyle needs and the country's healthcare system.

Baxter Singapore also supported the Kidney Dialysis Foundation Public Forum 2011 on preventing kidney failure related to diabetes, and worked with Tan Tock Seng Hospital on a "Protect Your Heart, Save Your Kidneys" forum attended by nearly 200 people.

¹Based on the 2009 Nation's Report Card assessment – the latest year that science proficiency was evaluated.

Employee Involvement

Employee Volunteerism

In 2011, more than 6,200 Baxter employees volunteered more than 131,000 hours in their communities, helping to address local concerns such as healthcare, the environment and education. Employee involvement takes many forms, including volunteering at a local school or blood drive, serving at a hospital or food pantry, participating in community park clean-up days, or joining a local non-profit organization board or committee. Employees at each Baxter site select volunteer activities to undertake and organizations to support, as they can best determine the most relevant and highest impact projects.

In 2011, Baxter sponsored its third annual "Baxter World Environment Week" to promote sustainable living in employees' communities and encourage employees to support the company's commitment to creating a more sustainable world. "Understanding Our Impact" was

the theme of the 2011 event, which again this year was held the first week of June to correspond with the United Nation's World Environment Day. More than 50 Baxter facilities worldwide sponsored events that promoted earth-friendly activities and sustainable living, while encouraging employees to learn more about ways to support Baxter's commitment to sustainability. Highlights included:

Vienna and Orth, Austria - Employees labeled food in Baxter's cafeterias with its carbon dioxide footprint to educate employees about greenhouse gas emissions related to food production and transport.

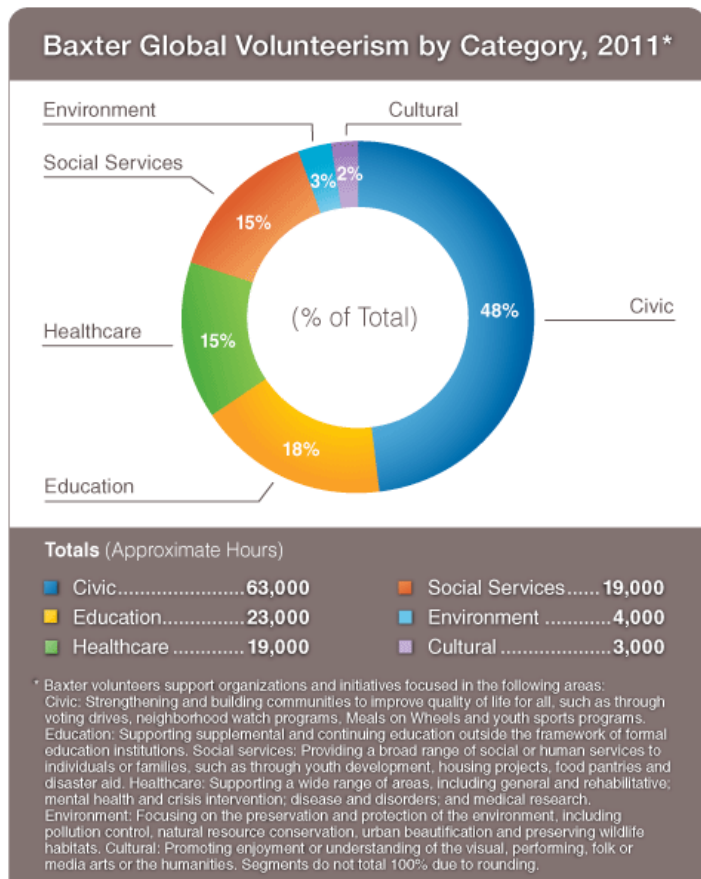
Manesar, Waluj and Alathur, India - More than 300 employees and their families planted about 260 trees at Baxter's locations in the three cities and another 300 were distributed for them to plant in their local communities. Additionally, at Waluj, more than 35 employees had their vehicles checked to ensure compliance with anti-pollution standards.

Tunis, Tunisia - Employees attended seminars on how to conserve water and on the importance of renewable energy.

Employees also participated in volunteer activities related to biodiversity activities and Baxter's Science@Work: Expanding Minds with Real-World Science initiative.



Employees volunteer and raise funds for worthy causes during Making a Meaningful Difference Month in the Asia Pacific region. In Taiwan, Baxter employees volunteered at the Taiwan Fund for Children and Families, the largest child and family welfare organization in the country.



Making a Meaningful Difference Month

Each October, Baxter employees in the Asia Pacific region volunteer time and contribute funds to "Making a Meaningful Difference" month activities to improve the lives of people in local communities and care for the environment. Highlights from 2011 included:

Beijing, China – Employees spent two hours collecting garbage and debris on the world-renowned Great Wall.

Auckland, New Zealand – Employees painted the walls and helped plant gardens at the new youth facility of the Youthline Manukau Centre.

Employees can track their efforts using Baxter's internal volunteerism website. Since 2008, the company has recognized employees who volunteer for 40 or more hours of community work during the year. Employees who donate 75 or more hours a year are eligible for a random drawing in which selected employees choose an approved charitable group to which Baxter will donate \$1,000 in the employee's name. Thirty employees were selected in 2011, out of 454 who reached that level globally. More than 700 Baxter employees volunteered at least 40 hours during the year.

In the United States, The Baxter International Foundation Dollars for Doers program provides grants to qualified organizations in which Baxter employees have actively volunteered at least six months of the year. Past recipients include hospitals and hospices, humane societies, emergency shelters, historical societies, volunteer fire departments, substance-abuse prevention services and youth service organizations. In 2011, the program provided 60 grants to 48 organizations for a total of \$24,000.

Employee Giving

Baxter employees also contribute financial resources to worthy causes. The Baxter International Foundation Matching Gift Program matches employee donations of \$25 or more, up to \$5,000, to non-profit, tax-exempt U.S. hospitals and healthcare agencies, schools and cultural organizations. In 2011, The Baxter International Foundation matched gifts to eligible organizations submitted by nearly 2,000 U.S.-based employees from 41 states. Gifts totaled \$680,000, which doubled the dollar impact to 714 charitable organizations.

Case Study: Honoring Community Service for More Than 25 Years

In 1986, the American Hospital Association (AHA)/Health Research and Educational Trust (HRET) and the Baxter Allegiance Foundation (now the Baxter International Foundation) created the Foster G. McGaw Prize to recognize U.S. hospitals that have improved the health and well-being of the people they serve through community-wide innovative collaborations. More than 25 years later, the Prize's founding organizations say that despite sweeping changes in the way healthcare is delivered, hospitals and their communities continue to forge strong partnerships to promote a healthier America.

"It's inspiring to me how enduring this Prize has been," says Donna Melkonian, AHA's vice president of member relations. "It remains as relevant today as the day it was initiated." One of the most esteemed community service honors in healthcare, the winners of this annual \$100,000 Prize vary in size, location, and in the populations they serve, yet they all demonstrate a passion and commitment to making their communities healthier and more vital, Melkonian says. "All the winners are proof that the integration of the healthcare organization with its community is the cornerstone of a healthier America."



Heartland Health in St. Joseph, Missouri, United States, a past Foster G. McGaw Prize winner, strives to empower the children and adults in the 30-county region it serves to continuously improve their health and quality of life.

Ten years ago, for example, many of the prize's finalists were focused on addressing prenatal care after several studies suggested that inadequate treatment in this area was a strong predictor of low infant birth weight, prematurity and infant mortality. Today, many health delivery organizations are focusing their efforts on reducing growing obesity rates.

It's perhaps not surprising that many former winners continue their commitment to community service long after receiving the award, Melkonian says. For example, in 1992, when Mt. Sinai Hospital Medical Center in Chicago, Illinois, received the Prize, the organization focused on addressing the community's lack of adequate housing, numerous lead poisoning incidents and a growing epidemic of drug-addicted pregnant women. In 2011, Mt. Sinai Hospital – now part of Sinai Health System – works to alleviate the impact of childhood asthma in inner-city communities by teaming up with housing, legal and other community organizations to provide asthma management education and free resources to families of children with the disease.

While the focus of community healthcare programs has shifted through the years, their mission remains the same: to identify the most pressing issues in a community and then work with others to address them. "The more models that we can hold up for people of approaches that work, the more we're going to inspire others to promote the health of their communities," Melkonian says. She says that in the decades to come, the bond between the community and its healthcare providers will only become stronger – making it all the more important that the Foster G. McGaw Prize continues its support of healthcare organizations that deliver excellent community service.

She also adds that the support the Prize has received from the Baxter International Foundation has been an essential part of its long-standing legacy and the respect it has garnered among hospitals and health delivery organizations.

"The fact that the Prize has existed for over 25 years is a testament to the strong relationship of the Prize's founders," Melkonian says. "It's been critical to the Prize's success that our organizations have worked so well together to promote these ideals out in the healthcare field."

Case Study: Chicago Area Schweitzer Fellows Program



Chicago Schweitzer Fellow Tara Berkson teaches a patient how to administer insulin at CommunityHealth, a free clinic for uninsured Chicago, Illinois, United States residents. Photo credit: Catherine Palladino

Since 1996, the Chicago area Schweitzer Fellows Program, like its national counterpart, has worked to improve the health and well-being of poor and underserved individuals living in and around the city of Chicago by developing public health professionals with a lifelong commitment to service. The Baxter International Foundation, which has a similar focus, has provided the Schweitzer program with nearly \$850,000 in grant funding since that first year. Schweitzer Fellows – all graduate-level health professional students – participate in a 13-month program that includes their provision of a minimum of 200 hours of direct service through a community-based organization. Fellows also participate in several public symposia on health, as well as community service days, in which the entire group of Fellows works together to build morale, strengthen ties and build awareness of the Schweitzer Fellowship Program in the larger community. Fellows receive a stipend of \$2,000.

The program is committed to carrying out Dr. Albert Schweitzer's mission of "reverence for life," says Ray Wang, director of the Chicago-area Schweitzer Fellows program, which is facilitated by the Health and Medicine Policy Research Group. "Since the program's founding, more than 430 Schweitzer Fellows have designed and implemented innovative projects that have helped tens of thousands of underserved Chicago families and individuals improve their health and well-being," Wang says. "The Fellows have contributed more than 86,000 hours of service and have enabled over 170 clinics, schools, social service agencies and churches to boost their capacity to serve Chicago's most vulnerable communities."

Project design emphasizes activities that are enduring, to ensure the project will continue to benefit the community after an individual's Fellowship has ended. In 2011, for example, Schweitzer Fellow Tara Berkson, a graduate student in the College of Pharmacy at the University of Illinois at Chicago, began a project to promote healthy lifestyle choices for patients with diabetes at CommunityHealth, a free clinic for uninsured Chicago residents.

Berkson instructs patients on insulin administration and proper nutrition. She also helps them develop wellness prescriptions. "Essentially, I sit down with patients and find out about their nutrition habits and food preferences, and we set goals for them to work on, such as eating more vegetables," Berkson says. "Then we break the goal down even further into weekly objectives. I have them start by trying to integrate vegetables into every dinner, for example."

Berkson also organizes weekly visits with patients to a local farmer's market. The visit begins with a lesson on organic and sustainable fruits and vegetables and a discussion about what is in season, why that matters, and what dishes that can be prepared from them. Attendees also receive gift certificates to purchase items at the market.

The long-term vision for the Schweitzer program is to cultivate lifelong leaders in service. "A majority of Schweitzer alumni remain engaged with helping poorly resourced communities beyond their fellowship year," Wang says. To support this, six years ago the Health and Medicine Policy Research Group launched its Fellows for Life Program, which provides ongoing networking, volunteer and skill-building events for past fellows. The Baxter International Foundation is a founding sponsor.

In a recent survey of Chicago Area Schweitzer alumni, 98% indicated that their Fellowship experience continued to be an important influence in their personal and professional lives and 90% said that their current careers reflect that goal. Dr. Robert McKersie, who was chosen to be one of the first Schweitzer Fellows when the program began in 1996, is one example of how Fellows for Life continue to develop as leaders and remain engaged with vulnerable populations.

McKersie spent his fellowship year directing a musical theater production with inmates at the Cook County Juvenile Detention Center in Chicago, helping these young people develop self-confidence and communications skills. Sixteen years later, he's still working with the underserved, providing much-needed volunteer medical services to thousands of patients in several small Nepalese villages near the Tibetan border. He also serves as a mentor for current Chicago Fellows.

"The Schweitzer Fellowship showed me that a collective effort is always a powerful tool for change," McKersie says. "I'm still in contact with several of my year's Fellows, and I fondly remember the group forums that we all participated in. I'm also keenly aware that I would never have been able to participate in a project like this without the immense support of many people all working together for the common good."

Sustainability at Baxter

2011

Public Policy

Baxter

Public Policy



Congresswoman Lucille Roybal-Allard, Chair of the Congressional Hispanic Caucus (CHC) Task Force on Health and a legislator Baxter works with on educational outreach and advocacy to Latinos, is pictured with Jed Perry, Baxter Director of Federal Legislative Affairs, at an event commemorating CHC's 35th Anniversary.

Many legislative issues affect Baxter's business—reimbursement, tax, trade and a variety of regulatory concerns. Baxter's Government Affairs and Public Policy (GAPP) team works with lawmakers, governments and policymakers around the globe to support patient access to the company's life-saving therapies, increase understanding of the benefits of those therapies, address barriers to care and explore possible solutions. This work involves dealing directly with governments to improve the regulatory environment and reimbursement structure for Baxter's therapies, and collaborating with clinicians, non-governmental organizations and patient groups to increase access to care for millions of patients worldwide.

The Public Policy Committee of Baxter's Board of Directors oversees Baxter's government affairs activities. The committee reviews Baxter's political contributions, positions on pending legislation and political advocacy activities. For additional information on Baxter's government affairs activities, please refer to Baxter's 2011 Political Contributions Report. This report includes details about contributions made by Baxter and Baxter's Political Action Committee, BAXPAC, in 2011 as well as information about Baxter's membership in certain trade and industry groups.

Healthcare Reform

Advancing Advocating for Patient Access within Insurance Exchanges

In response to inefficiencies, rising costs and disparities in the level of care within the healthcare system, large-scale healthcare reform efforts are underway in the United States to expand access to care and reduce expense. Baxter remains committed to advocating for changes that are in the best interests of its patients.

Health insurance exchanges—electronic platforms implemented by states which individuals and small employers can use to identify and compare private health plans or enroll in public health coverage—are mandated by the United States' 2010 Patient Protection and Affordable Care Act. The company supports its patients with rare diseases in advocating health insurance exchanges to: recognize rare diseases; include adequate number of in-network providers and allow patients with extremely rare diseases access to out-of-network providers without incurring excessive costs; access to all medically necessary therapies; access to all sites of care determined by healthcare provider and patient; ensure cost sharing does not discriminate or unfairly target any patient or rare disease group; access to third party cost sharing (premium, co-pay and co-insurance) assistance and due process and transparency to management utilization and medical necessity determinations, appeals and grievances.

Adhering to the Physician Payments Sunshine Act

Beginning January 1, 2013, companies operating in the United States that manufacture covered drugs, devices, biologics and medical supplies will be required to report to the Centers for Medicare and Medicaid Services (CMS) all payments (such as consulting fees, travel and lodging, meals, education grants and royalties) given to U.S. physicians and teaching institutions that total more than \$100. The first report will cover payments made in 2012. Baxter is working toward implementing the new federal requirements that ensure its disclosures are complete and accurate.

Supporting Rare Disease Research through the Patient-Centered Outcomes Research Institute (PCORI)

Baxter's pharmaceutical products have rarely been the subject of comparative studies, as these tend to focus on prevalent diseases rather than the rare diseases related to Baxter's therapies. However, Baxter has and will continue to support efforts by patient groups to ensure that any rare disease research that is conducted by governments be reviewed and guided by a special advisory committee on rare diseases, composed of scientific and health services experts, clinicians, patients, and others with expertise in rare diseases. A requirement for such an advisory body, supported by Baxter, was included in the Patient Protection and Affordable Care Act to guide the work of the newly established Patient-Centered Outcomes Research Institute (PCORI). Baxter will work with patient groups and other stakeholders to insure its implementation by PCORI as that new agency begins its work.

Providing Internet Resources to Patients and Customers

To further assist patients and customers in implementing healthcare reform at the state level, Baxter created an Internet tool that is included in the company's patient and customer-focused websites below. These sites provide specific information for patients living with hemophilia and end-stage renal disease, as well as hospital customers:

- Hemophilia
- End Stage Renal Disease
- **Acute and Ambulatory Centers**

Safety and Quality

Advocating for Safety within Australia's Medicines Compounding Environment

Compounding, a process by which doses of medicine are mixed and prepared before administering to patients, has changed significantly over the years as technology has become more sophisticated. Baxter, which operates pharmacy compounding centers worldwide through Baxter Pharmacy Services, has been a key industry advocate of modifying safety regulations to keep pace with these changes. These efforts have been notable recently in Australia, where Baxter has six compounding centers licensed by Australia's Therapeutic Goods Administration (TGA) that provide patient-specific sterile injectable compounded solutions for hospitals throughout the country.

Recognizing the high risk nature of many of the drugs involved in compounding, the TGA proposed a regulatory amendment to the Commonwealth's Therapeutic Goods Act 1989 to replace these regulations with more appropriate requirements for today's compounding practices. The changes under discussion will ensure that a far greater proportion of sterile injectable doses are prepared under appropriate aseptic Good Manufacturing Practice conditions. For several years, Baxter has advocated for these changes, working in collaboration with the TGA, politicians and other stakeholders.

The TGA is expected to publish its final proposal for regulatory amendment this year.

Continuing to Advance Standards in Device Identification

Baxter strongly supports efforts to implement standards for the healthcare industry regarding personal identification measures for medical devices. The company has advocated for legislation to promote these measures, including the Unique Device Identification Law passed in 2007 in the U.S., and endorses the GS1, an association which designs and manages a global system of supply chain standards.

Baxter believes that industry-wide adoption of these standards will improve patient safety and will drive increased efficiency and integrity within healthcare. To this end, the company is working with industry partners to implement GS1 standards for healthcare. These include standard location numbers that simplify how customers order and are invoiced for products and standard product numbers that make it easier to consistently identify Baxter products. Industry adoption of GS1 healthcare standards will help ensure that Baxter products are moved correctly and efficiently throughout the supply chain. Ultimately, adoption of these standards will enable healthcare professionals to ensure they are administering the right product to the right patient at the right time. See Product Integrity.

Access to Healthcare

Medicare IVIG Access Act

Roughly 10,000 Medicare beneficiaries in the United States have been diagnosed with one of the approximately 150 different diseases classified as primary immunodeficiency diseases (PID). PID prevents patients from fighting infections, making the body highly susceptible to a range of conditions. Intravenous immune globulin (IVIG) therapy is vital in treating patients with PID. For many people with this condition, home treatment is appropriate because of the increased risk of infection associated with receiving care in other health care settings.

In 2003, Congress changed the law to allow Medicare beneficiaries with PIDD to receive IVIG treatments at home. However, the law failed to include reimbursement for the necessary nursing services and supplies.

In May 2011, Representatives Kevin Brady (Republican, Texas) and Doris Matsui (Democrat, California) and Senators John Kerry (Democrat, Massachusetts) and Lamar Alexander (Republican, Tennessee) introduced companion legislation to fix this problem— H.R. 1845/S. 960, the “Medicare IVIG Access Act.” Baxter supports this bill, and is lobbying for its enactment, which would provide Medicare reimbursement for the nursing services and supplies associated with home infusion of IVIG therapy for PIDD patients.

Cuts to Medicare Physician Reimbursement

For many years, Medicare beneficiaries with PIDD received IVIG treatments in their physicians’ offices. Medicare Part B reimbursed physicians for office administration of drugs at the Average Wholesale Price (AWP) minus five percent. While AWP was higher than what physicians actually pay for the drugs, the reimbursement rate was justified by assuming the difference was used to offset drug management costs.

In 2003, the Medicare Modernization Act (MMA) was signed into law, changing the basis for Part B drug reimbursement from AWP to Average Sales Price (ASP) plus 6 percent. For many physicians, this change resulted in significant reductions in reimbursement, prompting many to discontinue IVIG administration to Medicare beneficiaries in their office. As a result, patients were forced to travel greater distances to receive their treatment in hospital outpatient departments, where they are more susceptible to infections.

In 2011, Congress debated legislation to lower the federal budget deficit. During this process, some in Congress considered lowering physician reimbursement for Part B drugs from ASP +6% to ASP +4% or lower, as well as changes to the ASP calculation altogether. These changes would have had the potential to exacerbate the existing problem.

In response, Baxter GAPP lobbied to maintain the current method of reimbursing Medicare providers for the administration of drugs in their office, stressing that the alternative would subject patients with chronic, immune-compromising conditions to receive care in suboptimal sites and risk exposure to life-threatening infections. Ultimately, Congress chose not to make alterations to the Medicare physician reimbursement.

Educating Health Policy Makers in China and Taiwan about Access to Dialysis Care

As a leading provider of products for peritoneal dialysis (PD), the predominant home-dialysis therapy for patients with end-stage renal disease (ESRD), or irreversible kidney failure, Baxter works with governments worldwide to increase access to PD. This can provide cost and quality-of-life benefits compared to in-center dialysis.

In 2011, Baxter’s GAPP department in China, supported by Asia Pacific GAPP, organized seminars for key health policy makers in China and Taiwan on the new U.S. dialysis payment program. The session in China, co-organized by the China National Health Economics Institute, included representatives from the Ministry of Health (MOH), national and provincial pricing agencies and other relevant policy makers. Taiwan’s event drew in members of the Bureau of National Health Insurance (BNHI).

The seminars highlighted recent U.S. legislative and regulatory changes to ensure that Medicare payment for PD is equal to that of in-center hemodialysis (HD). The majority of ESRD patients are suitable for both dialysis treatments, and research shows that PD has equal, or in some patient groups, better clinical outcomes than HD and may be more cost-effective in Asia Pacific

countries. Despite these benefits, PD remains underutilized in the Asia Pacific region.

The seminars helped to further raise awareness to enhance patient access to PD. Also as a result, Taiwan's BNHI recently announced a new five-year plan to enhance chronic kidney disease and ESRD patient care by increasing the percentage of PD patients (of the total dialysis patient population) through various initiatives. These include educational efforts targeting patients and healthcare providers, investigations into cases of PD patient issues, and review and adjustment of the PD reimbursement system.

2011 Political Contributions Report

Every country has different laws and regulations around engaging in the political process. Baxter respects local political customs and obeys all laws. The company's Code of Conduct, which sets forth the core principles that govern Baxter's business practices, contains a section on Public Affairs and Political Activities, including rules governing participation in the political process, who to contact with questions and other information.

The Public Policy Committee of Baxter's Board of Directors oversees Baxter's government affairs program and Political Action Committee, BAXPAC, reviewing annually political contributions, positions on pending legislative, and other political advocacy initiatives.

This Political Contributions Report provides information about corporate contributions made in the United States by Baxter as well as contributions made by BAXPAC. It also includes information about Baxter's lobbying expenses and membership in trade and industry groups.

- Corporate Contributions
- Baxter Political Action Committee
- Lobbying Expenses
- Certain Memberships

Corporate Contributions

In the United States, Baxter contributed \$34,000 to state candidates in 2011 after approval from the BAXPAC Board. U.S. law does not allow companies to make contributions to federal candidates. As discussed below, contributions to federal candidates may be made by BAXPAC.

Regarding the U.S. Supreme Court decision in the *Citizens United* case in 2010, which broadened the ability of corporations to make independent political expenditures in the context of federal elections (although not the ability to make direct contributions to federal candidates), Baxter has not made independent political expenditures or contemplated this form of activity in the past, and does not anticipate that the decision will impact how the company contributes or engages in the political process. Baxter strives to make contributions to candidates who champion and protect the legislative interests of the company, its employees and patients, without regard for the private political preferences of Baxter's officers and executives. In 2011, Baxter did not participate in any ballot measures and it is not generally Baxter's practice to do so.

Baxter's Corporate Contributions to U.S. State Candidates, 2011			
Member	District	Party	Amount
California			
Blumenfield, Bob	H40	D	\$1,000
Fletcher, Nathan	H40	R	\$1,000
Lara, Ricardo	H50	D	\$1,000

Leno, Mark	S3	D	\$1,000
Liu, Carol	H21	D	\$1,000
Monning, Bill	H27	R	\$1,000
Perea, Henry	S31	D	\$1,000
Perez, Speaker John	H46	D	\$1,000
Price, Curren	S26	D	\$1,000
Steinberg, President Darrell	S6	D	\$2,000
Strickland, Tony	S19	R	\$1,000
Wagner, Don	H70	R	\$1,000
Florida			
Garcia, Rene	S110	R	\$500
Grimsley, Denise	S17	R	\$500
Hudson, Matt	R101	R	\$500
Negron, Joe	S28	R	\$500
Georgia			
Channell, Mickey	H116	R	\$1,000
Cooper, Sharon	H41	R	\$250
Jerguson, Sean	H22	R	\$250
Ralston, David	H7	R	\$250
Williams, Tommie	S19	R	\$250
Illinois			
Cole, Sandy	H62	R	\$250
Cross, Tom	HD84	R	\$1,250
Cullterton, John J.	SD6	D	\$1,750
Duffy, Dan	S26	R	\$250
Feigenholtz, Sara	H12	D	\$1,000
Harmon, Dan	SD39	D	\$500
Hunter, Mattie	SD33	D	\$500
Kotowski, Dan	SD33	D	\$500
Link, Terry	S30	D	\$1,000

Madigan, Michael J.	H22	D	\$1,750
Mayfield, Rita	HD60	D	\$250
Osmond, JoAnn	H61	R	\$500
Pritchard, Robert	H70	R	\$500
Radogno, Christine	S41	D	\$1,250
Sullivan, Ed	H51	R	\$250
Trotter, Donne E.	S17	D	\$500
Mississippi			
Bryan, Hob	S7	D	\$500
Bryant, Phil	Gov	R	\$1,000
Burton, Terry	S31	R	\$500
Coleman, Linda	H29	D	\$500
Clarke, Eugene "Buck"	S22	R	\$500
Reeves, Tate	Lt. Gov	R	\$1,000
Simmons, Willie	S16	D	\$500
Watson, Percy	H103	D	\$500
Total	\$34,000		

Baxter's Corporate Contributions to 501(C)(4) and 527 Organizations, 2011

Membership in 501(c)(4) and 527 organizations is another avenue through which Baxter engages to advance the company's interests and those of its patients.

Baxter contributed the following to these 501(c)(4) organizations during 2011.

The Ripon Society	\$25,000
Third Way	\$32,000
Total*	\$57,000

Through its GAPP team, Baxter contributed \$50,000 to the following 527 organizations during 2011.

Democratic Governors Association	\$25,000
Republican Governors Association	\$25,000
Total*	\$50,000

*Only includes organizations for which GAPP pays the annual dues.

Baxter Political Action Committee

U.S. law does not allow companies to make contributions to federal candidates. Eligible U.S. employees can make voluntary individual contributions to Baxter's Political Action Committee, BAXPAC, to support U.S. federal and state candidates. BAXPAC is overseen by the BAXPAC Chairman, Vice Chair, and Treasurer/Secretary, as well as its Contribution Advisory Board. All BAXPAC officers and members of the Contribution Advisory Board are Baxter employees from various business groups, regions and franchises. BAXPAC operates in accordance with all relevant federal and state laws. More information is available on the Federal Election Commission website. BAXPAC strives to contribute to candidates who champion and protect the legislative interests of Baxter, its employees and its patients. Contributions by BAXPAC are made without regard for the private political preferences of Baxter's officers and executives. BAXPAC made \$146,000 in contributions in 2011.

BAXPAC Contributions to U.S. Federal and State Candidates, 2011						
Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
California						
Becerra, Xavier	X			CA 31	D	\$1,000
Matsui, Doris	X			CA 5	D	\$5,000
Roybal-Allard, Lucille	X			CA 34	D	\$1,000
Schiff, Adam	X			CA 29	D	\$5,000
Florida						
Rubio, Marco		X		FL	R	\$1,000
Wasserman Schultz, Debbie	X			FL 20	D	\$1,000
Illinois						
Dold, Robert	X			IL 10	R	\$1,500
Hultgren, Randall	X			IL 14	R	\$1,000
Roskam, Peter	X			IL 6	R	\$2,000
Shimkus, John	X			IL 19	R	\$2,000
Walsh, Joe	X			IL 8	R	\$2,500
Indiana						
Coats, Daniel		X		IN	R	\$1,000
Lugar, Richard		X		IN	R	\$1,000
Maryland						
Hoyer, Steny	X			MD 5	D	\$6,000
Michigan						

Camp, Dave	X			MI 4	R	\$2,000
Dingell, John	X			MI 15	D	\$2,000
Mississippi						
Thompson, Bennie	X			MS 2	D	\$2,500
North Carolina						
Apodava, Thomas			X	NC 48	R	\$500
Berger, Philip			X	NC 28	R	\$1,000
Bingham, Stanley			X	NC 33	R	\$500
Butterfield, George	X			NC 1	D	\$3,000
Hackney, Joe			X	NC 54	D	\$500
Hartsell, Fletcher			X	NC 36	R	\$500
Hise, Ralph			X	NC 47	R	\$500
Howard, Julia			X	NC 79	R	\$750
Gillespie, Robert			X	NC 85	R	\$500
Nesbitt, Martin			X	NC 49	D	\$500
Purcell, William			X	NC 25	D	\$500
Shuler, Heath	X			NC 11	D	\$1,000
Tillis, Thomas			X	NC 98	R	\$1,000
Vaughan, Donald			X	NC 27	D	\$500
Walter Dalton Campaign Committee			X	NC	D	\$500
New Jersey						
Pallone, Frank			X	NJ 6	D	\$2,000
Pascrell, William			X	NJ 8	D	\$1,000
New York						
Lee, Christopher			X	NY 26	R	\$5,000
Towns, Edolphus			X	NY 10	D	\$1,000
Ohio						
Amstutz, Ron			X	OH 3	R	\$1,000
Batchelder, William			X	OH 69	R	\$1,000

Burke, David			X	OH 26	R	\$500
Carey, John			X	OH 87	R	\$1,000
Jones, Shannon			X	OH 7	R	\$1,000
Niehaus, Tom			X	OH 14	R	\$1,000
Wachtmann, Lynn			X	OH 75	R	\$1,000
Widener, Chris			X	OH 10	R	\$1,000
Pennsylvania						
Brubaker, Michael			X	PA 36	R	\$500
Conklin, H. Scott			X	PA 77	D	\$500
Corman, Jacob			X	PA 34	R	\$1,000
Pileggi, Dominic			X	PA 9	R	\$500
Tennessee						
Blackburn, Marsha	X			TN 7	R	\$2,000
Texas						
Brady, Kevin	X			TX 8	R	\$1,000
Burgess, Michael	X			TX 26	R	\$1,000
Gonzalez, Charles	X			TX 20	D	\$2,000
King, Tracy				TX 80	D	\$500
Kolkhorst, Lois			X	TX 13	R	\$1,000
Nelson, Jane			X	TX 12	R	\$2,000
Patrick, Dan			X	TX 7	R	\$2,000
Uresti, Carlos			X	TX 19	D	\$1,000
Zerwas, John			X	TX 28	R	\$1,000
Virginia						
Cantor, Eric	X			VA 7	R	\$5,000
Wisconsin						
Kind, Ron	X			WI 3	D	\$5,000
Ryan, Paul	X			WI 1	R	\$1,000
Total	\$92,500					

Other BAXPAC Contributions. 2011	
Payee	Amount
Building Relationships in Diverse Geographic Environments PAC	\$5,000
Democratic Congressional Campaign Committee	\$5,000
Every Republican is Crucial	\$5,000
John S. Fund	\$1,000
National Republican Congressional Committee	\$5,000
National Republican Senatorial Committee	\$15,000
New Democrat Coalition PAC	\$5,000
Orrinpac	\$1,000
Tenn PAC Inc	\$1,500
The Freedom Project- Friends of John Boehner Committee	\$10,000
Total	\$53,500

Lobbying Expenses

In 2011, Baxter spent approximately \$2,407,000 on federal lobbying-related activities in the United States, to promote policies that support the company's objectives. This amount includes the salaries and overhead expenses of Baxter employees dedicated to this area, the value of time and related expenses of internal partners (such as corporate counsel), payments to external consultants and lobbyists, and trade association dues used for lobbying. Baxter adheres to all federal, state and local laws to ensure compliance in this area. Outside the United States, Baxter also complies with all applicable laws and regulations.

Certain Memberships

Baxter maintains memberships in numerous industry and trade groups including organizations that engage in lobbying activity. The table below includes the amount that Baxter has been notified has been spent on political activity during 2011 by any organization to which to the best of its knowledge Baxter paid more than \$50,000 in dues or otherwise during the year. Baxter believes that membership in these organizations is generally consistent with the company's interests as well as those of its shareholders, customers and patients. Even when Baxter does not share all of the views of one of these organizations, it believes that membership is worthwhile because such organizations encourage dialogue on important policy issues and help to move the industry to a consensus on such issues.

Political Expenditures by Certain U.S.-based Trade Associations, 2011*	
AdvaMed	\$22,500
Biotechnology Industry Organization (BIO)	\$131,400

California Healthcare Institute	\$17,000
Healthcare Institute of New Jersey	\$305
Kidney Care Partners	\$13,800
Plasma Protein Therapeutics Association (PPTA)	\$12,420

*Only includes groups of which GAPP is aware. These dues are paid by Baxter's businesses and not by GAPP.

View Baxter's 2010 Political Contributions Report, 2009 Political Contributions Report and 2008 Political Contributions Report.