

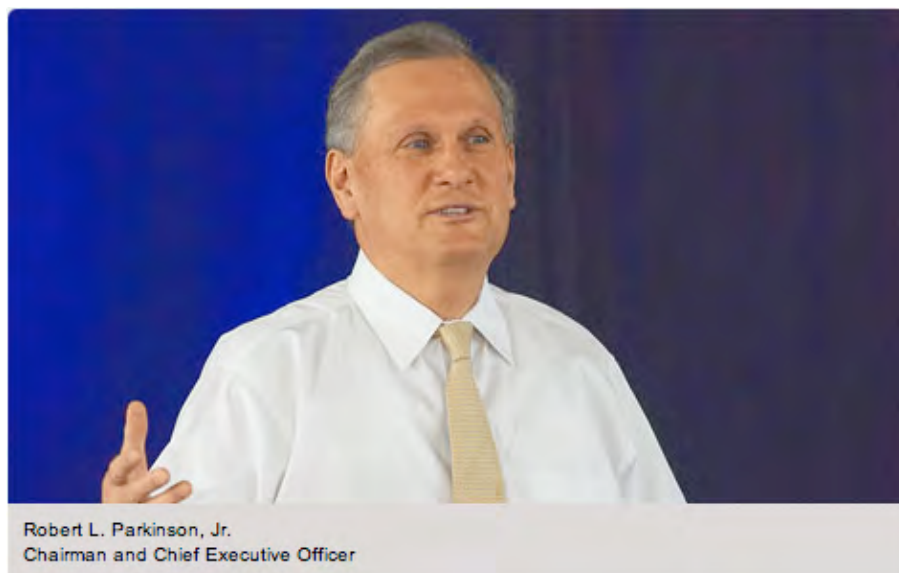
Sustainability at Baxter 2012



Sustainability at Baxter

Baxter

From the Chairman and CEO



Dear Stakeholders,

Baxter's aspirations as a healthcare company are tightly interwoven with our sustainability priorities. Just as our mission is to save and sustain lives, we are committed to helping our many global stakeholders thrive by creating lasting social, environmental and economic value in how we do business.

Baxter serves a broad array of constituencies: patients and healthcare professionals; governments and payors; investors; employees; and the communities where we do business. Our goal is to operate responsibly and effectively in service to all these groups as we advance the frontiers of patient health and increase the availability of our products globally. This supports our own sustainability as an enterprise and our ability to deliver on our priorities for years to come.

Sustainability encompasses virtually every aspect of how we do business, influencing our standards of ethics and compliance, our efforts to drive a sustainable supply chain, and our emphasis on maintaining an inclusive culture where our diverse employee population can pursue meaningful work and rewarding careers.

In the current economic and healthcare climate, where governments are challenged to accomplish more with strained resources, one of Baxter's most critical objectives is exploring new ways to expand access to quality care. Our efforts have led to a number of innovative public-private partnerships designed to help governments control costs while increasing patient access and improving health outcomes. In 2012 Baxter initiated many such partnerships, including a collaboration in Brazil that will meaningfully increase the availability of recombinant therapy for hemophilia patients while also creating local economic opportunity; and new alliances in China and Thailand that will bring dialysis therapy to more end-stage renal disease patients.

We also continue to integrate sustainability considerations across our operations and throughout the life cycle of our products. This includes reducing our carbon footprint at facilities worldwide through recent measures such as our use of biomass energy in India; the installation of energy cogeneration and trigeneration units in Ireland, Belgium, Spain and Australia; and the installation in Malta of Baxter's largest solar photovoltaic system to date. Thanks to fresh thinking like this, I am pleased to report that our 2015 goal of using 20% renewable power in our facilities has been achieved – in fact, exceeded – three years early, and we have no intention of slowing down.

Our sustainability goals must continually reflect our business strategies in light of new opportunities, challenges and stakeholder needs in a changing world. In 2007 our executive Sustainability Steering Committee outlined a range of priorities to accomplish by 2015. We are now in the process of establishing our priorities for 2020, making sure our ongoing focus is in line with our ability to achieve the greatest impact.

I want to thank the many Baxter employees worldwide whose leadership and ingenuity are fostering today's successes, and whose passion will spark continued progress. Thanks as well to the many stakeholders whose needs and priorities point the way to future innovation.

Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer
July 2013

Baxter's Approach

How nations, companies and individuals respond to sustainability challenges such as climate change, natural resource scarcity, corruption, unequal access to healthcare and inadequate educational opportunities will impact life in the 21st century and beyond. Baxter strives to demonstrate its leadership, values and commitment through its actions to address these pressing issues.

At Baxter, sustainability is a core element of the company's vision to build a truly great company by providing sustainable value for all stakeholders. 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. As sustainability is inherently broad, Baxter's efforts cover a wide range of areas, but all are designed to contribute to the value creation for all stakeholders. See Stakeholder Engagement.

Baxter's sustainability strategy is further defined by its nine priorities that focus its efforts for generating sustainable value to its stakeholders. Additionally, these nine sustainability priorities have 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

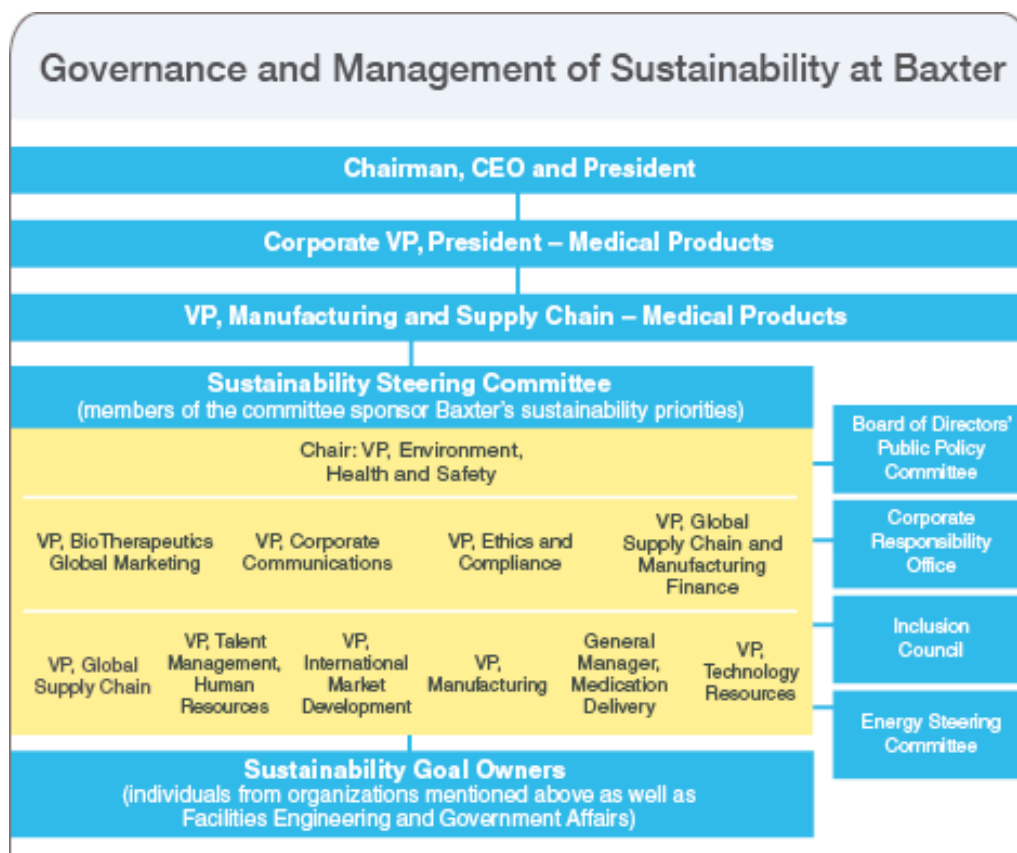
Baxter's executive-level Sustainability Steering Committee oversees the company's sustainability strategy and leads Baxter's efforts to integrate sustainability into its current activities and long-term strategic planning process. The committee's role is to:

- Assess global challenges, opportunities and emerging issues associated with sustainability and set and adjust the company's sustainability strategy as needed;
- Establish and implement the company's sustainability priorities and goals, track progress, drive organizational accountability and recognize individual and team accomplishments;
- Recommend actions to continually enhance Baxter's sustainability program and provide progress updates to senior management, including annual updates to the Public Policy Committee of Baxter's Board of Directors
- Guide and inform Baxter's sustainability reporting;
- Solicit stakeholder feedback and review stakeholder inquiries as appropriate

The committee's executive sponsor is Baxter's vice president, Manufacturing and Supply Chain – Medical Products, and the company's vice president of Environment, Health and Safety serves as committee chair. The committee includes senior representatives from Baxter's BioScience, Medical Products, International, 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 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 provide input to the committee as needed. In 2013, the committee is undertaking strategic planning to assess its current sustainability goals, review and define Baxter's material issues (based on relevance to Baxter and impact on the company) and will establish the company's next set of long-term (2020) sustainability goals.



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. See more detail in Business Value.

History in Sustainability

Baxter's commitment to sustainability spans decades. Milestones have included:

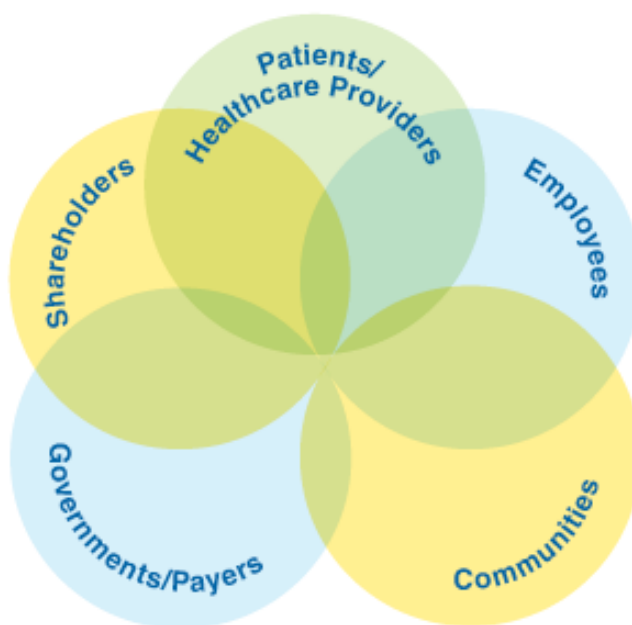
- Established its first formal environmental program, policy and energy conservation initiatives in 1977;
- Established The Baxter International Foundation in 1986;
- Worked to reduce use of packaging materials, decrease water consumption and waste generation since 1988;
- Published the company's first formal ethics manual in 1989;
- Introduced Baxter's work/life benefit program in 1991;
- Established the Corporate Responsibility Office to oversee the company's ethics and compliance practices in 1993;
- Developed Baxter's Global Business Practice Standards for Suppliers in 2001;
- Commenced Baxter's Product Sustainability Review process in 2002;
- Established the company's Sustainability Steering Committee in 2007;
- Defined 2015 sustainability goals in 2008; and
- Earned Carbon Reduction certification for the first medical product from the Carbon Trust in 2010.

Stakeholder Engagement

Stakeholders play an essential role in Baxter's continued success, and the company takes their varied perspectives into account. Baxter engages stakeholders worldwide to share information, discuss the company's sustainability priorities, programs and performance, and determine opportunities to collaborate and to pursue common goals. Operating responsibly and addressing the needs of these distinct yet interconnected groups helps Baxter maintain the commercial success that enables the company to deliver on its sustainability priorities.

The company's five primary stakeholder groups, and the value that Baxter provides each, include the following:

- **Patients and healthcare professionals** – Improving and maintaining access to Baxter's life-saving and sustaining products, therapies and services, and providing products with strong environmental performance;
- **Baxter employees** – Working to protect safety and improve health, creating an inclusive workplace and a diverse workforce, and providing employees with professional growth opportunities;
- **Communities** – Expanding collaborations and partnerships worldwide, contributing to economic growth, and helping address key public health needs;
- **Governments and payers** – Providing cost-effective healthcare solutions and collaborating with governments to provide long-term solutions to complex healthcare challenges; and
- **Shareholders** – Creating and maintaining shareholder value.



Baxter engages with stakeholders on key aspects of its business and products. The table below describes how the company engages with each.

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. As in past years, the Ceres stakeholder team provided input on draft sections of this report. See Feedback on 2011 Report for detail.

PATIENTS/HEALTHCARE PROVIDERS

Patients: Patients worldwide with cancer, hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other conditions, as well as patient-advocacy groups.

Channels of Engagement

Example

- Product donations and grants
- Patient websites (i.e., There For You)
- Patient surveys and studies
- Educational initiatives
- Baxter supports programs through patient-advocacy groups, such as CEAPIR (European Kidney Patients' Federation), the European Hemophilia Consortium and the World Federation of Hemophilia Global Alliance for Progress program.
- Since 2011, Baxter has hosted the European Jeffrey Modell Centre Network Meeting; a forum to share best practices about primary immunodeficiency and newborn screening.
- Baxter has provided grants to The Albert Schweitzer Fellowship, which supports underserved patient populations.

Customers: Includes healthcare professionals, hospitals/clinics, kidney dialysis centers, medical research centers, nursing homes and rehabilitation centers.

Channels of Engagement

Example

- Customer product training and continuing education programs
- Customer requests for proposal (RFPs)
- Participation in professional organizations
- Customer service and clinical helplines
- Customer publications and presentations
- Customer satisfaction surveys
- Baxter participation at conferences
- Baxter provides customers information about product and company sustainability performance when requested through RFPs or other channels.
- Baxter Canada supports the Canadian Institute of Nutrition Excellence workshops for clinicians.

Industry Organizations: Includes AdvaMed, BIOTECCanada, Biotechnology Industry Organization, EuropaBio, European Federation of Pharmaceutical Industries and Associations, Plasma Protein Therapeutics Association and numerous physician organizations.

Channels of Engagement

Example

- Board and committee meetings
- Educational campaigns
- Industry events
- Collaborative lobbying on issues of mutual concern
- Baxter sponsored the first-ever Parenteral Nutrition Safety Summit in 2011, which addressed safety concerns related to 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.

Employees: Approximately 50,800 worldwide

Channels of Engagement

Example

- Town hall meetings, webcasts, and "Lunch and Learn" events on topics including health/well-being, public policy and others
- Employee surveys
- Business Resource Groups (BRGs)
- Baxter Intranet, employee newsletter and other communications
- Works councils, facility health and safety committees, and employee groups that
- Baxter's annual World Environment Week engages and educates employees worldwide on environmental sustainability issues.
- Baxter's Exercise Challenge Month each May encourages employees to live healthier lifestyles.
- Baxter encourages employees to volunteer in community outreach efforts.
- Baxter's focus on global inclusion helps Baxter attract, engage and retain employees of diverse backgrounds.

implement community outreach activities

- Code of Conduct
- Ethics and Compliance Helpline
- Regional Ethics and Compliance Committees
- Certificate of Integrity and Compliance
- Baxter Political Action Committee

Communities: Baxter conducts business in more than 100 countries and operates manufacturing facilities in 27

Channels of Engagement

Example

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| <ul style="list-style-type: none"> • Involvement in community organizations • 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 employees volunteer in local organizations including as part of Baxter's Science@Work program, delivering professional development to Chicago Public Schools teachers and biotechnology education to students. • Baxter's facilities in Asia Pacific organize activities each year for Make a Meaningful Difference Month to encourage employee volunteerism in local communities. • Baxter supports Health Partners International of Canada's five-year Capacity Building and Access to Medicines project, sending donated IV solutions to Afghanistan. • Baxter awards the Foster McGaw Prize each year to a U.S. hospital that significantly improves the health and wellbeing of patients in its community through innovative programs. • Baxter is working with communities on two watershed projects to provide access to clean water in the Philippines and Mexico. |
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Universities/Academia: 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.

Channels of Engagement

Example

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| <ul style="list-style-type: none"> • Involvement with K-12 schools and universities • 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 | <ul style="list-style-type: none"> • 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 to more than 200 Ph.D. scientists, land managers, students and interns. • Baxter provides grants to fund early stage technology development. • Convenes academic leaders and researchers to serve as advisors or consultants on specific sustainability and scientific issues, such as public policy, animal welfare and Base of the Pyramid. • Baxter sponsors Howard University's 21st Century Advantage Program. |
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Non-Governmental and Other Organizations: Examples include AmeriCares, Ceres, Compliance and Ethical Leadership Council, Direct Relief International, Center for Climate and Energy Solutions, and World Health Organization.

Channels of Engagement

Example

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| <ul style="list-style-type: none"> • Pre-publication review of sections of Baxter's 2012 Sustainability Report • Participation on various committees • Attendance and presentations at | <ul style="list-style-type: none"> • Baxter participates in an annual call with Ceres stakeholders to review sustainability report content. • Baxter contributes to various white papers and reports issued by non-governmental organizations. |
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sustainability-related conferences and events

- Baxter participates in educational and networking webinars to share best practices and expertise.
- Baxter provides input into new sustainability reporting guidelines and standards such as the Sustainability Accounting Standards Board.

Governments/Payers: 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.

Channels of Engagement

Example

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| <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 government officials • Collaborate to achieve renewable energy goals and advance access to healthcare | <ul style="list-style-type: none"> • Baxter supports legislation/regulation that aligns with the company's business and sustainability objectives. • Baxter UK's Evolving Health program works with the National Health Service to bring quality care and efficiency to patients. • Baxter participates in outreach with members of Congress, third party groups and community events to advocate for underserved populations disproportionately impacted by the diseases that Baxter products and therapies treat. • Baxter collaborated with Stichting Sanquin Bloedvoorziening (Sanquin Blood Supply Foundation) in the Netherlands to support growth of its plasma-based treatments. • The company also entered into a number of partnerships, such as a novel public-private partnership in Brazil to expand patient access to vital hemophilia therapies. |
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Suppliers: Baxter works with a broad network of suppliers who provide product inputs as well as goods and services.

Channels of Engagement

Example

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| <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 • Global Supplier Sustainability Program • Supplier diversity program • Benchmarking sustainability programs with top suppliers • Participation in industry groups such as Chicago United and National Minority Supplier Development Council | <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. • In 2012, Baxter conducted its second Supplier Diversity Round Table event, inviting a few suppliers of varying sizes and industries to Baxter's headquarters to discuss how the company could advance its supplier diversity program. |
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Shareholders: Nearly 88% of Baxter's shares are held by institutional investors.

Channels of Engagement

Example

- Analyst/investor presentations and meetings
- Socially responsible investment surveys
- Quarterly earnings announcements and news releases, as well as periodic reports to the SEC
- Webcasts/conference calls
- Annual Meeting of Shareholders
- Road shows, one-on-one meetings and investor visits to headquarters
- The Business Value page summarizes the economic benefits of sustainability-related initiatives.

Affiliations and Memberships

Baxter and its employees engage with many professional, industry and business organizations worldwide, 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.

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
- Canadian Industry Program for Energy Conservation
- Center for Health and the Global Environment
- Ceres
- Global Reporting Initiative
- National Environmental Education Foundation
- SustainAbility Engaging Stakeholders Program

Industry Organizations

- AdvaMed
- BIOTECCanada
- Biotechnology Industry Organization
- EucoMed
- EuropaBio
- European Federation of Pharmaceutical Industries and Associations (EFPIA)
- European Organization for Packaging and the Environment (EUROPEN)

- Hemophilia Federation of America
- Pharmanet/i3
- IFPMA Influenza Vaccine Supply Task Force
- Irish Business & Employers 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
- National Patient Safety 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 Chile (AMCHAM Chile)
- 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 Malnutrition Task Force
- Canadian Patient Safety Institute (Canada)
- Chicago United (U.S.)
- The Commercial Club of Chicago (U.S.)
- Donors Forum (Illinois, U.S.)
- Industria Farmacéutica de Investigación e Innovación (IFI) (Ecuador)
- 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)
- Medical Technology Association of Australia
- 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 Farmacêuticos no Estado de São Paulo (Sindusfarma) (Brazil)
- US-ASEAN Business Council
- US-China Business Council

Sustainability Reporting

Baxter is committed to sharing information about its sustainability programs, priorities, goals and performance. This report, the company's main vehicle for communicating about its social and environmental initiatives and progress, illustrates Baxter's commitment to sound governance and balanced, transparent disclosure. 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 company's 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 2012 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, presentations at universities and industry forums, executive speeches, and targeted stakeholder communications.

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 2012 unless stated otherwise. Some case studies and program descriptions include information from 2013.
- 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.
Sustainability Context - 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 goals to illustrate positive as well as negative performance trends.
Comparability - Issues and information should be selected, 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.	When possible, this report provides five (and in some cases six) 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. 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 assurance by the external third party Bureau Veritas North America, Inc. of content in the Environment, Health and Safety, Supply Chain and selected Product Responsibility sections of this report (Product Sustainability Review, Materials Use, Packaging and Product End-of-Life) to ensure the reliability of information presented. 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 and reviewed. Timing also takes into account assurance by the external third party Bureau Veritas North America, Inc. of content in the Environment, Health and Safety, Supply Chain and selected Product Responsibility sections of this report (Product Sustainability Review, Materials Use, Packaging and Product End-of-Life).

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 last 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 North America, Inc. assured the Environment, Health and Safety, Supply Chain and selected Product Responsibility sections of this report (Product Sustainability Review, Materials Use, Packaging and Product End-of-Life). In addition, many of the financial data included in this report are taken from the consolidated financial statements contained in the Baxter International Inc. 2012 Annual Report. These financial statements were audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

* 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 issues, the Baxter 2012 Sustainability Report also includes the following:

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

Feedback on 2011 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 2011 Sustainability Report from numerous experts:

- SustainAbility, a strategy consultant/think tank;
- Ceres¹, 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 North America, Inc., Baxter's verification body, for the Environment, Health and Safety and Supply Chain sections, as well as the Product Transport page.

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 2012 (similar to last year). Their review and comments focused on draft text for the Priorities and Goals dashboard as well as the 2012 Sustainability at Baxter brochure. 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 2011 report and 2012 draft text, including the following (paraphrased):

<http://www.sustainability.baxter.com/sustainability/sustainability-reporting/external-reporting-standards.html>
<http://www.sustainability.baxter.com/sustainability/sustainability-reporting/feedback-2011-report.html>

- Baxter articulates and demonstrates a clear commitment to reporting and describes how it uses the reporting process as a management tool.
- The report clearly describes how the company applies GRI principles.¹
- Baxter clearly defines nine sustainability priorities and related goals that are reinforced throughout the report.
- The report does an excellent job of describing the company's stakeholder engagement process with a page that outlines the channels and frequencies of Baxter's communication with stakeholder groups.
- The report generally presents performance information in a balanced manner.
- When performance data appear out of the expected range, the company generally provides useful context and interpretation.
- Baxter provides a good discussion of the business benefits of sustainability.
- The company enhances credibility by including feedback on the previous report and describing how it was addressed.
- The report includes detailed information about policies, structures and processes for managing sustainability (especially in the Environment, Health and Safety and Governance, Ethics and Compliance sections).
- The report includes robust environmental, health and safety data. Baxter clearly acknowledges the issues it faces across the value chain and the company's impacts in those areas.
- The report includes outstanding transparency on political contributions.

Feedback on the 2011 report as well as on an outline of progress made toward each of the company's nine sustainability priorities for the 2012 report also included opportunities for improvement. The following table summarizes several of those comments and describes changes made to this report in response.

Feedback	Enhancement to Baxter 2012 Sustainability Report
General	
Improve the accessibility of the PDF version of the full report.	Implemented several design changes to streamline and enhance the usability of the full report PDF.
Employees	
Increase transparency about successes and challenges in inclusion and diversity and disclose steps Baxter is taking to build upon commitments and activities from prior years.	Expanded information about business group and regional initiatives to address diversity challenges and opportunities throughout the company.
Environment, Health and Safety	
The large volume of content undermines accessibility and the clarity of Baxter's priority areas.	Streamlined content and graphics across the Environment, Health and Safety section.
Update the underlying assumptions and methodology for Baxter's Environmental Financial Statement (EFS), as needed.	Reviewed and as needed updated the assumptions underlying the EFS.
Increase the verification level for Baxter's Scope 1 and Scope 2 greenhouse gas (GHG) emissions.	Increased the verification level for Baxter's Scope 1 and Scope 2 GHG emissions from limited assurance to reasonable assurance.
Obtain verification on Baxter's Scope 3 GHG emissions methodology.	Expanded verification of Baxter's GHG emissions to include the methodology and emission factors Baxter uses to calculate or estimate Scope 3 emissions.
Supply Chain	
Provide greater industry and company context and discuss sustainability implications.	Expanded section introduction to offer additional context.
Access to Healthcare	
Strengthen and expand reporting on access to healthcare, particularly how it relates to	Added a graphic illustrating Baxter's approach to business model innovation,

commercial strategies.

including addressing opportunities in the “base of the pyramid”. *

*“Base of the pyramid” refers to the approximately 4 billion people worldwide who each live on less than \$1,500 annually. This population generally has limited access to the healthcare market.

¹ Ceres is an advocate for sustainability leadership, bringing together a powerful network of companies, investors and public advocacy groups to expand the adoption of sustainable business practices and solutions to build a healthy economy. Baxter is a member of the Ceres network of companies, and has committed to work with Ceres on various aspects of its sustainability performance and disclosure. Being a Ceres company is not a certification or stamp of approval. 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. In its review of draft content for the Baxter 2011 Sustainability Report and the Baxter 2012 Sustainability Report, the Ceres stakeholder team provided a diverse group of Baxter executives and program leads its feedback on the company's sustainability priorities, performance and key impacts, and had a robust discussion about goals, initiatives, data and reporting. Baxter considered this feedback in the preparation of this report.

Assurance

Bureau Veritas North America, Inc. assured the Environment, Health and Safety, Supply Chain and selected Product Responsibility sections of this report (Product Sustainability Review, Materials Use, Packaging and Product End-of-Life) (see assurance opinion in English). Many of the financial data included in the Economic Impacts section are taken from the consolidated financial statements contained in the Baxter International Inc. 2012 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

Baxter engaged Bureau Veritas North America, Inc. (BVNA) to conduct an independent assurance of Environmental, Health and Safety (EHS) sections, Supply Chain sections, and selected Product Responsibility sections of Baxter's online 2012 Sustainability Report and print brochure (the Reports). Baxter has commissioned assurance for EHS sections of its annual sustainability report for the past 14 years. This is the fourth year Baxter has commissioned assurance for the Supply Chain section 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 is the sole responsibility of Baxter management. BVNA 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 BVNA to conduct medium-level assurance of the Reports to verify the accuracy of the following:

- Data and information included in the Environmental, Health and Safety (EHS) sections.
- Data and information included in the Supply Chain sections, including Product Transport.
- Data and information included in the following selected Product Responsibility sections: Materials Use, Packaging, Product End of Life, and Product Sustainability Review.

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

- Activities outside the defined assurance period, the calendar year of 2012;
- 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;
- EHS case studies; and
- Data and information included in sections of the Reports that are not listed in the scope of work.

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 used the requirements of the International Standard on Assurance Engagements 3000 (ISAE 3000) as the reference assurance standard and the GRI Reporting Framework as the reference reporting standard. BVNA also conducted verification of Baxter's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions data, 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, BVNA undertook the following activities:

1. Interviews with relevant Baxter personnel (managers and contributors at the corporate office and select 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, Supply Chain, and selected Product Responsibility sections of the Reports;
2. Review of documentary evidence produced by Baxter to support information presented in EHS, Supply Chain, and selected Product Responsibility sections of the Reports;
3. Evaluation of the information presented in the EHS, Supply Chain and selected Product Responsibility sections 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 manufacturing sites located in: Toongabbie, Australia; Guangzhou, China; Halle, Germany; Cuernavaca, Mexico; Thousand Oaks, California, USA; and Guayama, Puerto Rico, USA.
5. Review of Baxter data and information systems used for collection, aggregation, analysis and review of EHS, Supply Chain and selected Product Responsibility information.

Our findings

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

- For the EHS, Supply Chain and selected Product Responsibility sections of the Reports, BVNA has determined that these sections are accurate, reliable and free from material mistake or misstatement;
- The information presented in the EHS, Supply Chain and selected Product Responsibility sections is presented in a clear, understandable and accessible manner;
- The EHS, Supply Chain and selected Product Responsibility sections of the Reports provide a fair and balanced representation of activities;
- The information in the EHS, Supply Chain and selected Product Responsibility sections of the Reports allows readers to form a balanced opinion of Baxter's activities and performance during the calendar year of 2012; and
- Baxter has established appropriate systems for the collection, aggregation, analysis and review of relevant information and data related to the EHS, Supply Chain and selected Product Responsibility sections of the Reports.

Additional commentary

BVNA was pleased to observe that Baxter has:

- Continued to improve its systems for collecting and reviewing relevant EHS data at the site level and aggregating the data at the corporate level;
- Reported information for 13 Scope 3 GHG emissions categories based on the WRI/WBCSD Guidelines;
- Provided accurate and balanced reporting on progress toward 2015 goals;
- Continued to develop innovative strategies to reduce costs and greenhouse gas emissions associated with product transport; and
- Encouraged employee involvement in the occupational safety and health areas.

Based on the work conducted, we recommend Baxter consider the following:

- Formalize internal data review procedures at the site level to help ensure consistent implementation;
- Continue to expand the use of the automated data systems to collect specialized information for annual sustainability reporting;
- Work with waste vendors to obtain requested information in an electronic format with appropriate backup documentation to reduce the need for transcription; and
- Update its materiality assessment to continue refinement of the report content.

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 an annual 2012 revenue of 3.9 Billion Euros.

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 Report.

Bureau Veritas North America, Inc.
Denver, CO
June 2013



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	2012 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 and Certifications

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 2011 Report
3.6	Boundary of the report.	Sustainability Reporting Environment, Health and Safety GHG Emissions across the Value Chain
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 Energy Usage and Greenhouse Gas Emissions GHG Emissions across the Value Chain GHG Emissions from Operations 2012 Environmental Financial Statement 2012 Safety Performance Sustainable Procurement Community Support Summary Data Table (PDF)
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

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 GHG Emissions across the Value Chain
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.	Corporate Governance Codes and Standards
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 Codes and Standards Talent Management Global Inclusion and Diversity EHS Vision and Policy R&D and Design Clinical Trials Supplier Standards Product Donations
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance,	Corporate Governance

	including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	
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 R&D and Design and 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 Codes and Standards EHS Management Systems and Certifications Biodiversity GHG Emissions from Operations Animal Welfare Clinical Trials Product Use Supplier Standards 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 2011 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)	2012 Annual Report (page 82)
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)	Access to Healthcare 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 Product Responsibility
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 of these initiatives. (Additional)	GHG Emissions from Operations Product Sustainability Review
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	Energy Case Study: Employees Drive Innovative Environmental Initiatives
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 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 Energy Usage and Greenhouse Gas Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	GHG Emissions from Operations Case Study: Employees Drive Innovative Environmental Initiatives
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 Materials Restrictions Manufacturing Product Transport Case Study: Decreasing Environmental Impact of Product Transportation Packaging Product End-of-Life Sustainable Procurement
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 transporting members of the workforce. (Additional)	GHG Emissions across the Value Chain 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)	2012 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)	Talent Management
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)	2012 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)	Advancing Public Health 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	Global Human Rights Policy Supplier Standards
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 Supplier Standards.
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	Supplier Standards Sustainable Procurement
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 15 allegations of discrimination and harassment in 2012. 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 20 such assessments outside the United States in 2012.
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)	Public Policy 2012 Political Contributions Report 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)	2012 Political Contributions Report 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)	Environmental Compliance Health and Safety Compliance Safety Product Use
Product Responsibility		
	Disclosure on Management Approach	Product Responsibility Quality

		Safety Product Integrity R&D and Design Materials Use Manufacturing Packaging Product Use Product End-of-Life Product Transport Advancing Public Health 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)	Safety 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).	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 \$14.2 billion in 2012, an increase of 2% over 2011. Sales within the United States totaled \$6.1 billion, 6% more than in 2011, and international sales totaled \$8.1 billion, decreasing 1% year over year. In 2012, net income attributable to Baxter totaled \$2.3 billion compared to \$2.2 billion the prior year. On an adjusted basis, excluding special charges in 2011 and 2012, net income attributable to Baxter equaled \$2.5 billion in 2012, 2% more than the prior year. Over the five years ending December 31, 2012, Baxter's total shareholder return (including reinvested dividends) was 28%.

For a detailed description of the company's financial performance, see Baxter's 2012 Annual Report. For other investor information such as upcoming events, presentations and reports, see the Investors section of the company's website.

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; and
- Communities may receive tax payments, as well as cash and product donations (in some location).

The following table summarizes these transactions.

Economic Value Generated and Distributed (Dollars in Millions)					
	2008	2009	2010	2011	2012
Economic Value Generated					
Net Sales	\$12,348	\$12,562	\$12,843	\$13,893	\$14,190
Net Income Attributable to Baxter	2,014	2,205	1,420	2,224	2,326
Economic Value Distributed					
Suppliers					
Payments to Suppliers (approximate)	\$4,400	\$4,400	\$5,500	\$5,700	\$6,100
Investors					
Share Repurchases	1,986	1,216	1,453	1,583	1,480
Cash Dividends on Common Stock	546	632	688	709	804



End stage renal disease patient Silvio Prado, an ice cream shop owner who lives in Londrina, Paraná in Brazil, uses peritoneal dialysis to cleanse his blood of toxins and waste normally removed by healthy kidneys.

Governments					
Income Tax Expense (U.S.)	205	273	284	256	177
Income Tax Expense (international)	232	246	179	297	403
Communities					
Cash Donations*	32.9	33.9	31.3	33.0	28.7
Product Donations/ Patient Assistance Programs**	10.9	18.9	48.1	47.2	28.0
Baxter (Reinvested)					
Capital Expenditures	954	1,014	963	960	1,161
R&D Expenses	868	917	915	946	1,156

*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 Share Performance

See Baxter's 2012 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.

Impact on Communities

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 construction of 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. The company anticipates that this expansion will create 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 addition, work progresses on Baxter's expansion in Singapore, which will significantly increase manufacturing capacity for recombinant FVIII; and construction has begun to expand capacity in Halle/Westfalen, Germany, supporting the growth of Baxter's BioPharma Solutions business. Baxter has also invested in renovating its facilities in Los Angeles and Thousand Oaks, Calif., to improve output and ensure that Baxter's manufacturing facilities continue to deliver critical therapies to patients worldwide. Given the strength of Baxter's late-stage development pipeline, with numerous products expected to launch over the next few years, the Thousand Oaks facility will be adding square footage with on-site expansion and the purchase of an additional nearby building. The additional square footage will provide needed space for offices and manufacturing activities.

In some Baxter manufacturing plants, the company employs healthcare professionals who provide free or inexpensive healthcare to employees' families and other community members. During the 2012-2013 season, Baxter facilities in the following locations offered free or subsidized seasonal flu vaccinations to employees' family members: Australia (Toongabbie), South Korea, Mexico, Philippines (Canlubang), Puerto Rico (Guayama), Spain (Sabiñánigo), Colombia (Cali), Mexico (Cuernavaca), the United States (Daytona Beach, Florida) and Venezuela. The company provided a total of 470 vaccinations to family members through this initiative, in addition to the over 19,000 vaccinations provided to employees.

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

Indirect Impacts

Baxter's main indirect economic impacts are 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 produces high-quality products cost-effectively for local and regional markets, helping improve healthcare quality worldwide.

Baxter conducts economic research, reviews external studies and works to provide governments, healthcare organizations and patients the information needed to make the best possible treatment decisions. 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. A benefit of PD includes providing therapy at home. In China, the dialysis population increases 10%-12% per year, with 89% of those using in-center HD and just 11% using PD. Increasing appropriate patients treated with PD therapy to 21% of the total over four years would potentially reduce the country's cumulative five-year dialysis spending by 370 million RMB (\$US 54 million).¹

Baxter's 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. The company does not measure these impacts, but believes they are significant given Baxter's size and scope. For example, Baxter paid its suppliers approximately \$6.1 billion in 2012, which those suppliers then used to pay their suppliers, provide their employees with wages and benefits, and pay taxes and other expenses.

¹"Economic Evaluations of Dialysis Treatment Modalities," Just et al, Health Policy 86 (2008), 163-180.

Business Value

Pursuing sustainability reflects 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, including more efficient product transport
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, management, development and retention Sustainability education Global inclusion and diversity Work/life programs Culture/engagement survey

impacts.html <http://www.sustainability.baxter.com/sustainability/economic-impacts/indirect-impacts.html>

<http://www.sustainability.baxter.com/sustainability/economic-impacts/business-value.html>

New and Expanding Markets

- 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

- 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

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, 2012 for more detail. Information about Baxter's approach in some of these areas is included in this report as well, such as in Quality, Safety, Environmental Compliance and Product Use.

Sustainability at Baxter 2012



Priorities and 2015 Goals

Baxter

Baxter Sustainability Priorities and 2015 Goals



Our People



Our Operations & Products



Our World

Baxter's 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.

2012 PROGRESS

Compared to 2011, Baxter improved its recordable case rate by 5%, its cases with days lost rate by 2.5%, and its days lost rate by 21%. Baxter continued pursuing key strategies to enhance its safety culture and performance. In 2011, the most recent year data were available, Baxter's cases with days lost rate ranked third of industry peers.¹ In 2012, Baxter offered seasonal flu vaccinations to all employees in all but one facility with 25 or more employees.

[Learn more](#)

¹In a comparison of 16 healthcare companies: eight reported global safety data to Mercer (formerly ORC Worldwide), seven provided data as requested by Baxter and one reported data on its public website.



[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.

2012 PROGRESS

Baxter again required employees to set an inclusion goal as part of their individual goals for the year. During the year, Baxter also established three additional Business Resource Groups (BRGs): the African-American Leadership Council, Asian Leadership Network, and Baxter Equality Network (LGBT). The company's other BRGs that formed in 2011 include Building Women Leaders and Latinos@Baxter, as well as Female Talent Matters in the company's Europe, Middle East and Africa region. These groups, sponsored by members of Baxter's Operations Committee, provide a forum for employees to share knowledge and ideas while embracing the unique backgrounds and perspectives of all participants.

Baxter's The Power of Managing Inclusively program, a six-hour instructor-led, mandatory workshop for all managers, supervisors and above, was introduced globally after a pilot in the United States. In addition, Baxter's businesses, regions and functions continued to implement their local inclusion plans.

[Learn more](#)



[Ethnic and Gender Diversity](#)



Our People



Our Operations & Products



Our World

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; and*
- *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.*

2012 PROGRESS

Baxter continued to focus on its program to comply with all applicable requirements of the Physician Payment Sunshine Act in the United States. The company also enhanced compliance education and training for its sales force. Baxter has implemented a system to collect and report all payments and other transfers of value given to U.S. healthcare professionals and healthcare organizations. The company also is positioning itself to address similar transparency requirements outside the United States. Additionally, Baxter enhanced its risk-based anticorruption education program by launching intensive anticorruption risk education sessions for its legal staff as well as commercial leadership in select markets. This is in addition to the anticorruption awareness and comprehensive training offered to employees who regularly interact with government officials and healthcare professionals.

[Learn more](#)



2012 PROGRESS

Baxter continued to share the company's perspectives with Eucomed and Advamed on a European approach to third-party anticorruption efforts. Additionally, Baxter China's Ethics and Compliance team continues to work with the China Association of Enterprises with Foreign Investment R&D-based Pharmaceutical Association Committee (RDPAC) on an industry-wide ethical sales and marketing code.

[Learn more](#)



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

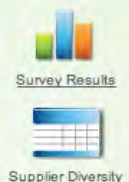
2015 GOAL

Incorporate sustainable principles into Baxter's purchasing program.¹

2012 PROGRESS

Baxter embedded sustainability components into the purchasing, sourcing and supplier management process in nine countries, and conducted its fourth annual global supplier sustainability survey. The company continued to engage employees and suppliers through its e-Impact program and established performance goals related to sustainability for purchasing teams and individuals globally.

[Learn more](#)



¹Baxter removed "with select 100 suppliers" from the language for this 2015 goal to more accurately reflect the program and the company's commitment to embed sustainability principles with all of its suppliers.



Our People



Our Operations & Products



Our World

2015 GOAL

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

2012 PROGRESS

Baxter's U.S. sales car fleet achieved a 6.8% reduction in greenhouse gas (GHG) emissions per kilometer driven compared to 2007.

[Learn more](#)

Baxter Will Drive Reductions in its Carbon Footprint

2015 GOAL

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

2012 PROGRESS

Baxter's net GHG emissions from operations equaled 688,000 metric tons carbon dioxide equivalent (CO₂e), a 39% reduction compared to 2005 indexed to revenue, and an absolute decrease of 12%. 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](#)



GHG Emissions



Energy and GHG Emissions

2015 GOAL

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

2012 PROGRESS

During the year, renewable energy sources provided 22% of Baxter's energy use for operations. Of this amount, biomass fuel represented 8% and the renewable energy component of purchased electricity and RECs together equaled 14%. On-site geothermal systems, on-site solar photovoltaic (PV) and solar hot water systems provided a small amount of the total.

[Learn more](#)

Baxter Will Drive Reductions in its Natural Resource Use

2015 GOAL

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

2012 PROGRESS

In 2012, Baxter used 9,181 trillion joules of energy, a reduction of 27% compared to 2005, indexed to revenue, and an absolute increase of 6%. Baxter's absolute energy usage rose 1% from 2011 to 2012.

[Learn more](#)



Energy Usage

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.

2012 PROGRESS

In 2012, the company used 14 million cubic meters of water, a reduction of 34% compared to 2005, indexed to revenue, and an absolute decrease of 5%. Baxter's absolute water consumption increased by 1% from 2011 to 2012.

[Learn more](#)



Water Usage



Our People



Our Operations & Products



Our World

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.

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.

2012 PROGRESS

In 2012, Baxter launched a project with Philippine Center for Water and Sanitation (PCWS) to improve the water, sanitation and hygiene conditions for the nearly 1,500 inhabitants of Sitio Silangan, a community within walking distance of the company's manufacturing facility in Canlubang, Philippines. PCWS builds the capabilities of communities, households, non-governmental organizations and other groups to address water, sanitation and hygiene challenges throughout the country. In early 2013, Baxter also entered into a partnership with Sarar Transformación SC to implement a community water project near Baxter's facility in Cuernavaca, Mexico.

[Learn more](#)



[Case Study](#)

2012 PROGRESS

In 2012, Baxter generated 63,430 metric tons of waste (including 58,000 metric tons non-hazardous and 5,430 metric tons regulated), a decrease of 23% compared to 2005, indexed to revenue, and an absolute increase of 11%.

[Learn more](#)



[Total Waste](#)

2012 PROGRESS

Since the base year of 2007, Baxter has implemented projects that have reduced the amount of packaging sent to customers by 5,150 metric tons, exceeding its goal. Although Baxter has achieved this goal, work will continue on packaging reduction projects.

[Learn more](#)

2012 PROGRESS

Baxter has continued the global marketing rollout of FLEXBUMIN [Albumin (Human)] – the first and only albumin in a flexible, plastic container – which received Carbon Footprint re-certification in early 2012 from the Carbon Trust. FLEXBUMIN was the world's first medical product to receive Carbon Footprint certification in 2009. In addition, in 2011 Baxter's XENIUM+ synthetic dialyzers became Baxter's second product to receive Carbon Footprint certification from the Carbon Trust.

Baxter launched a new Product Sustainability Program during the year, following extensive partnership with the R&D, marketing and supply chain groups. The team initiated projects to define life cycle environmental impacts for both individual products and entire therapies. During the year, the company also continued its efforts to gather data from suppliers on materials and chemicals used in its products and components.

[Learn more](#)



[Product Sustainability Review](#)

2012 PROGRESS

Baxter is committed to enhancing animal welfare through the 3Rs — replacement, reduction and refinement. In 2012, Baxter further reduced the number of animals used and increased the amount of information collected per animal. Baxter was a founding member of the International Consortium for Innovation and Quality in Pharmaceutical Development and led the establishment of the Reduction, Refinement, and Replacement Leadership Group to more broadly impact the industry's efforts.

[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.

2012 PROGRESS

Baxter reviewed its emerging technology portfolio to assess how its existing and previously-shelved technology and products could be used in regions with high "base of the pyramid"¹ (BoP) representation. During the year, the company gained further executive support for the strategy, developed the foundation for its own business model innovation process, invested in international market development and increased local resources and capability for two business model innovation projects in China and India. Baxter also joined the International Institute for Sustainable Enterprise as well as the International Partnership for Innovative Healthcare Delivery, a coalition affiliated with the World Economic Forum, to learn from others addressing the base of the pyramid and healthcare innovations.

[Learn more](#)

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.

2012 PROGRESS

Baxter continued its work with AmeriCares and Direct Relief International to pre-position products for emergencies and to meet ongoing needs in underserved communities. These proactive strategic donations helped facilitate timely support to 63 countries. Baxter's pre-positioned products were sent to more than 300 clinical partners in response to Hurricane Sandy that affected the Caribbean and the East Coast of the United States in 2012. The company also provided hurricane preparedness packs containing IV solutions, sodium chloride, dextrose and lactated ringers to coastal healthcare clinics in the southeastern United States. These were later distributed to those impacted by Hurricane Irene in North Carolina and Tropical Storm Isaac in Haiti in 2012.

[Learn more](#)



[Approach](#)



[Contributions Summary](#)



[Contributions Map](#)

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.

2012 PROGRESS

In the 2011-2012 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 190 teachers through in-depth biotechnology teacher training and module lesson plans. This increased the total to more than 60,000 students and 720 teachers since 2008, representing 45% of the 145 high schools throughout the district. Baxter also contributed to several other educational initiatives during the year, in Chicago and other locations.

[Learn more](#)

Sustainability at Baxter

2012



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

Employee Perspective

"Business ethics was one of the major reasons why I decided to join Baxter 10 years ago."

-Alexander, Business Unit Manager, Greece

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's board of directors has long adhered to principles designed to ensure effective corporate governance. Since 1995, the board has had in place corporate governance guidelines reflecting these principles. Baxter's current corporate governance guidelines cover topics including director qualification standards, responsibilities, access to management and independent advisors, director compensation, director education, succession planning, and the annual evaluations of the board and its committees.

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	Assists and advises the board in the oversight of Baxter's long-term research and development (R&D) strategies and objectives, R&D pipeline and significant technology platforms; and 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. During 2012, the board held 10 meetings. All directors attended 85% or more of the meetings of the board and board committees on which they served. Average attendance was approximately 98%. 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. The objective of the program is to compensate Baxter's executives 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.

In line with Baxter's pay-for-performance philosophy, executives are compensated based on a range of financial and individual performance goals. The goals set for Baxter's executive officers in 2012 reflected the diversity of the company's business and the wide range of responsibilities attributed to each of these officers. In 2012, Baxter's CEO had over 50 individual performance goals addressing a wide range of areas, including among them financial performance, innovation, quality, leadership and constituent relations (including with respect to sustainability matters).

See Baxter's 2013 Proxy Statement for more detail on executive compensation.

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

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.

For More Information

To read more about Baxter's approach to corporate governance, please see the corporate governance section of Baxter's website.

Codes and Standards

Code of Conduct

Baxter's Ethics and Compliance Code and Standards are designed for employees and 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. The Code is available in 22 languages.

New Baxter employees receive Code of Conduct training within the first three months of employment at the company. Baxter's corporate policies support the Code by defining the company'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 regarding industry practices. It 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.

The Code requires the prompt reporting of suspected misconduct and outlines the consequences of failure to comply with applicable laws or Baxter's policies and procedures. The company provides ongoing training and a Code of Conduct website to keep employees up to date on Baxter's ethics and compliance policies, topic-specific training and other tools and resources.

Human Rights

As a global healthcare company that conducts business in more than 100 countries, Baxter respects and is committed to fostering human rights, dignity and the diverse contributions of all. Baxter's Human Rights Policy was approved in 2012. The company's philosophy and policy are further supported by mechanisms already in place at the company, including Baxter's Leadership Expectations, Culture and Shared Values, Code of Conduct, sustainability program, and numerous other global policies that set the company's direction.

The company has also integrated Human Rights principles into its:

- California Transparency in Supply Chains Act of 2010 statement;
- Updated Ethics and Compliance Standards for Suppliers;
- Agreements with suppliers;
- Supplier sustainability survey; and
- Ethics training for purchasing and supplier management professionals

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 ethical standards. These standards, translated into 19 languages, define policies and set common expectations about ethical behavior when doing business with Baxter. They also define expected conduct when working for or on behalf of the company. Baxter's Supplier Quality and Purchasing and Supplier Management groups evaluates and approves all key suppliers before any materials, components, products or services may be purchased. To conduct business with Baxter, suppliers must consent to abide by these standards, which are incorporated into supplier agreements (see Supplier Standards for more information). Additionally, the Baxter Supplier Quality Standard and the Ethics and Compliance Standards for Baxter Suppliers specifically address 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.

Employee Perspective

"Compliance and integrity is core to what defines a person or a business. It is doing the right thing, every time. It creates a culture of trust with both internal and external customers."

-Mike, Area Vice President of Sales, U.

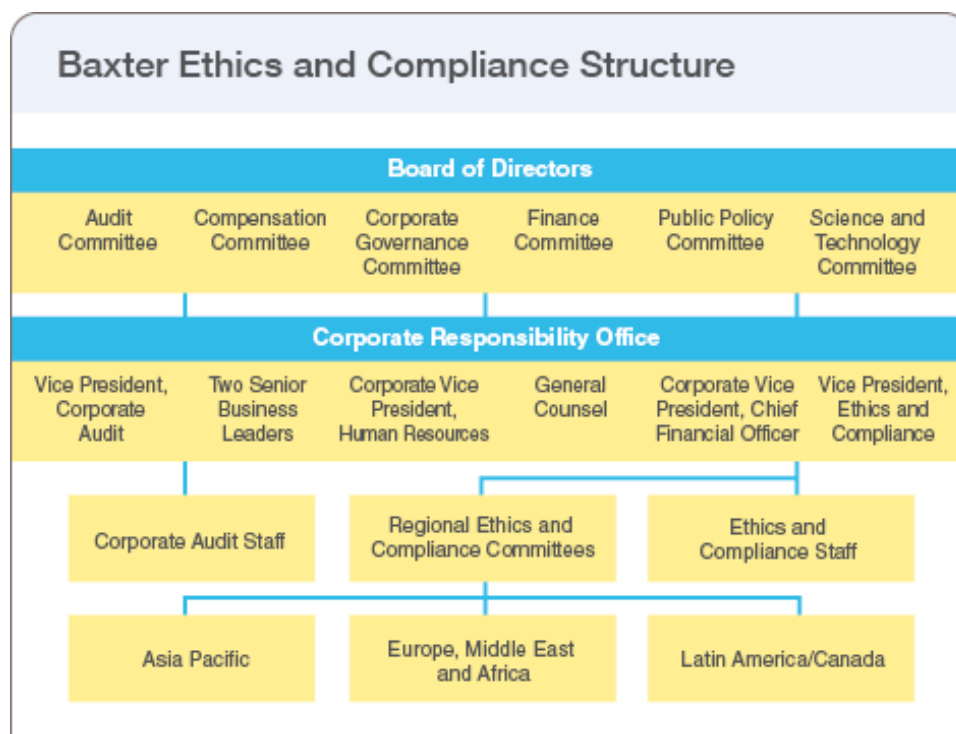
Ethics and Compliance Structure and Programs

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 of Directors 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 region outside the United States. 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.



Certificate of Integrity and Compliance

Each year, Baxter requires executives, managers, 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 2012, more than 16,600 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 2012, 38,271 employees completed more than 110,280 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, antitrust, intellectual property, and Baxter's ethics and compliance standards. Baxter's Ethics and Compliance group and Legal department also conducted hundreds of classroom sessions around the world in 2012 to train employees globally on Baxter's ethics and compliance standards and supporting policies.

In 2012, 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. During the year, Baxter conducted more than 400 anticorruption training sessions, reaching more than 10,000 employees in targeted positions.

Baxter also expanded its Compliance Fitness training program in 2012. The program, initially implemented in Asia Pacific, was enhanced and implemented in targeted sub-regions within Europe, Latin America and the U.S. Compliance Fitness is a one day minimum interactive program that uses real-world compliance case studies tailored to the specific markets where participants work as teams to identify compliance issues and present solutions. As such, the programs are designed to drive discussion, to enhance leaders' critical thinking skills to identify and address compliance issues in their markets, and to raise concerns when appropriate.

Relationships with Healthcare Professionals and Government Officials

Government spending on healthcare as a percentage of gross domestic product or per capita income has increased in the United States and abroad, and 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. In this context, companies such as Baxter understand the importance of being transparent about their relationships with healthcare professionals. This includes the continued implementation of 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 August of 2013, companies operating in the United States that manufacture covered drugs, devices, biologics and medical supplies (including Baxter) 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. In response to the Sunshine Act, which was passed into law as part of U.S. healthcare reform 2010, Baxter implemented a program designed to address all applicable requirements and to help ensure compliance. Baxter employees continue to complete training to understand the law, Baxter's updated systems and policies, and their individual role in ensuring compliance.

International Anticorruption Activities

During 2012, Baxter's Ethics and Compliance team, working closely with other groups and functions in the company, continued to adapt its procedures, systems and tools to advance its anticorruption program. One of the tools includes periodic assessments and reviews of Baxter's global operations with regard to key corruption risks. A total of 20 compliance audits were conducted in 2012 utilizing Corporate Audit and Ethics and Compliance resources. The audits took place in nine countries in EMEA, four countries in Latin America, six countries in Asia Pacific and two in North America. Assessment results have shown continued progress in awareness, understanding and implementation of Baxter's anti-corruption programs.

Also in 2012, Baxter continued global execution of its International Anticorruption Third Party Policy, with particular emphasis on business partners who interface with non-U.S. 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. In 2012, Baxter also deployed a system to

automate the due diligence process and enhanced training provided to third parties. The success of the third party program relies on extensive, ongoing collaboration between Baxter's Ethics and Compliance, Legal and business teams, as well as with the company'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. Baxter continued to share the company's perspectives with Eucomed and AdvaMed on a European approach to third party anticorruption efforts. Additionally, Baxter's China ethics and compliance team continues to work with the Chinese industry association, RDPAC on an industry-wide ethical sales and marketing code.

Trade Compliance

In 2012 the company launched a Trade Compliance Council to help drive Baxter's trade compliance policy globally. In addition, the company continues to identify and train a network of trade compliance officers globally, who are tasked with spotting and handling basic trade compliance issues in their countries and functions, and seeking advice from their designated trade compliance expert as warranted. Baxter also continues to enhance tools and processes to screen for and address trade compliance risks involving its products and business transactions. Additionally, the company improved its Export Control and Economic Sanctions trade compliance e-learning course with new and engaging story-based training on the topic. Key employee groups are required to complete this course, which is designed to raise awareness about global export controls and economic sanctions, regulations and related company policies. The course also focuses on Baxter's 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 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. All employees have completed an online training course on the policy.

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 have LPOs in place. The company will introduce the privacy program in selected countries in the Asia Pacific and Latin America regions in 2013.

Closely aligned with data privacy is information security. Baxter's Information Technology (IT) Risk Governance Board meets quarterly to ensure appropriate accountability, priority and decision-making relative to IT risks. A cross-functional Information Governance Council oversees organizational responses to security, privacy and legal information risks. The company also has a robust Information Protection program, complete with global policies, organizational awareness mechanisms and compliance systems, to enforce appropriate use and protection of Baxter information and technology.

In 2012, Baxter implemented additional security technologies to identify and protect sensitive electronic business information, while extending the company's capability to log, monitor and manage information stored internally and sent externally via e-mail and other network transit, such as secure file transfer. 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.

See Product Use for detail about advertising and promotion.

Employee Perspective

"Being compliant should be a key value to all of us: a way of living, not just a training or an exercise we perform once or twice a year."

-Marlene, Sales and Marketing Manager, Netherlands

Communication and Guidance

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 suspected 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). In this way, 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 Baxter constituencies. 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. The Helpline is an independent channel of communication to raise issues and open communications about Baxter's ethics and compliance issues. Persons calling the Helpline may choose to remain anonymous. There are no caller identification features attached to this line.



Baxter Ethics and Compliance Helpline

Phone: 1-877-BAXTER3

Fax: 1-847-948-2867

Web

In 2012, 487 inquiries from 50 countries were logged into the Helpline system and addressed in a prompt, thorough and professional manner.

Not all of these inquiries were reports of alleged misconduct or related to compliance. 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, enhance policies and procedures, and design and conduct compliance assessments.

Upon receipt of reasonable indications of suspected noncompliance, the Ethics and Compliance department, working with other functions and in coordination with business leaders, will triage and investigate the allegations to gather the facts and take appropriate remedial action where necessary. See Ethics and Compliance Communications and Reporting for more information.

Employee Perspective

"Building a reputation of integrity takes years, but it takes only a second to lose."

-Mohamed, Area Sales Director, Middle East

Case Study: It Starts with Me

"Compliance is not a task that belongs to any one function. It is everyone's responsibility" Alex Wu, Director, Renal, Baxter China.

Integrity is the foundation of Baxter's long-term success. Every day, Baxter's stakeholders around the world - including customers, patients, regulators, investors and employees - count on the company's dedication to ethics and compliance.

Baxter is committed to 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 part of this commitment, in 2012, Baxter's Asia Pacific operations launched a new ethics and compliance program designed to drive a high-integrity culture. The three-pronged approach consists of: training and improving integrity-related leadership skills; integrating compliance into HR processes, known as iComply; and launching a comprehensive communications program to reinforce a high-integrity culture.



"Compliance is not a task that belongs to any one function. It is everyone's responsibility" Alex Wu, Director, Renal, Baxter China.

"We are conscious that a disciplined approach toward the compliance process (as defined by U.S. and local laws and industry codes) does not always come naturally to all employees," said Gerald Lema, region head, Japan. "Asia Pacific has a diversity of cultures, a variety of legal frameworks and different levels of economic development so we need to provide clear and direct guidance on how to ensure a disciplined process and decision-making, and which activities or actions are compliant and which are not. This requires continuous effort to ensure our employees work according to Baxter's high standards."

The program includes the "It Starts with Me" campaign, which focuses on driving employee awareness and encouraging personal accountability for ethics and compliance. Employees also share real-world experiences, answering questions such as: If they encountered a grey area, how did they handle it? What was the most difficult part of resolving the situation?

"Compliance is not a task that belongs to any one function. It is everyone's responsibility," said Alex Wu, director, Renal, Baxter China. "Each of us has the responsibility to understand what the requirements are and choose to behave with integrity as we make decisions in our daily operations. We are our own role models. It starts with you and me."

The program also includes an online newsletter, discussion group and workshops, an intranet site, toolkits with information on real-world issues and solutions and contact information for Baxter colleagues who can provide assistance when questions or ambiguous cases arise. Additionally, managers have access to toolkits to better enable them to drive a high-performance, high-integrity culture across the region.

Junho Byun, senior sales representative, Baxter BioSurgery, Korea, shared his team's story. "We experienced a challenge in a sub-segment of our business," he said. "Instead of giving in to inappropriate demands, we chose to strategically diversify and focus our marketing and sales efforts on other sub-segments. It was not easy, but we overcame this challenge and at the end of the year, we achieved 100% of our sales plan while staying true to our principles."

Sustainability at Baxter

2012



Employees

Baxter

Employees



Karen Abram is a research associate at Baxter's facility in Bloomington, Indiana. The Bloomington facility is part of Baxter's BioPharma Solutions business, which has been a leader in pharmaceutical contract manufacturing for more than 25 years, offering services for pre-filled syringes, liquid and lyophilized vials and cartridge filling, and specialized capabilities for cytotoxics and biologics manufacturing.

Providing a great place for Baxter's approximately 51,000 employees worldwide to work and develop is central to the company's vision. To help employees realize their full potential, Baxter offers a wide range 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

As part of Baxter's commitment to being a great place to work and develop, the company believes in giving employees the opportunity to advance their knowledge, expand their talents and see their ideas come to life. Baxter focuses on the following areas to ensure the sustainability of its workforce and to drive a high-performing culture:

- Leadership Expectations

- Individual and Corporate Goal Alignment
- Succession Planning
- Talent 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 Leadership Expectations are fully integrated into recruiting, development, rewards and assessment practices.

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 Management

To ensure a robust leadership pipeline, the company assesses its talent through its organization inventory process. The CEO conducts an annual talent review of Baxter's business, regional and functional senior talent with the Operations Committee (i.e. senior management) to ensure that the company is meeting its global organizational effectiveness and workforce capability needs. The CEO also reviews development and succession planning with the company's Board of Directors. The Board of Directors oversees the succession management process to ensure rigor, effectiveness and support of the company's diversity goals.

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

Talent Development

Baxter's career development philosophy emphasizes that development is a combination of work experiences, feedback and relationships, and training.

The company 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 support this process, Baxter launched the MyCareer@Baxter portal. The portal provides employees with development and planning tools, as well as comprehensive information about performance expectations and goals, training opportunities and jobs at Baxter.

The company also provides a wide variety of training and development resources through ISOtrain, the company's global training system. ISOtrain provides a course catalog of more than 24,000 computer based and classroom offerings on topics such as Food and Drug Administration regulations, Good Manufacturing Practice guidelines and job specific skills. In 2012, employees globally completed more than 3 million hours of training, an average of 54 hours per employee.

Online learning is available to all employees, with courses offered in up to 20 languages. More than 950 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 199,000 e-Learning courses in 2012. Also see Ethics and Compliance for information on legal and regulatory compliance training.

Additionally, Baxter continually enhances its employee performance assessment process. Managers review employee performance annually, and individual performance contributes to differentiated rewards (see Compensation and Benefits). 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. The company also encourages mid-year reviews to track development and performance.

Baxter's ongoing talent efforts contribute to the engagement and retention of its workforce. Voluntary employee turnover in 2012 was 10.2% globally.

Top Talent Development

In 2012, Baxter hosted its Leadership Powerhouse program for top talent who hold critical leadership roles at the company. Developed in partnership with INSEAD, the program helps participants become effective top-level leaders by developing a global mindset and enhancing their critical and strategic thinking skills. The program, based on collaborative learning and network-building

exercises, focuses on a variety of topics from, marketing strategies for the health sector to leading across cultures and developing into transformational leaders. It also leverages INSEAD's Global Effective Leader Inventory to measure progress toward the program's goals and objectives. In 2012, 30 Baxter leaders participated.

Training for Managers

Baxter also provides managers and supervisors with tools and techniques to be effective leaders. The company's Management Essentials training helps participants 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 2012, more than 1,900 managers completed at least one Management Essentials course.

As managers progress from supervising individuals to leading teams, they face new challenges and demands. In 2012, Baxter held 27 sessions of Leading for Results for experienced managers and directors. 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 2012, nearly 240 employees completed at least one Leading for Results course.

Baxter's global online employee mentoring program helps connect mentors and participants based on customized profiles, so they can share experiences and career-related knowledge. As of 2012, more than 1,700 employees have enrolled. Additionally, the Women and Ethnic Minority Mentoring program accelerates the upward movement of top talent women and minorities who are director level and above. The program matches participants with senior leaders from their respective business.

Employee Perspective

When it comes to my career development, even after 18 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, United States

Sustainability Education

To help achieve Baxter's sustainability goals, the company works to educate and engage employees in its sustainability initiatives. In Baxter's 2011 Culture 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 success stories, tips and other tools to help engage employees on the company's sustainability priorities, and the ability for employees to provide feedback and ask questions about sustainability;
- The annually updated Sustainability at Baxter brochure, which is available in several languages and is often shared during new hire orientation sessions;
- Quarterly press releases highlighting achievements posted throughout facilities; and
- Events focused on environmental initiatives and healthy living such as Baxter World Environment Week and BeWell@Baxter, and volunteerism to address local concerns such as healthcare and education.

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

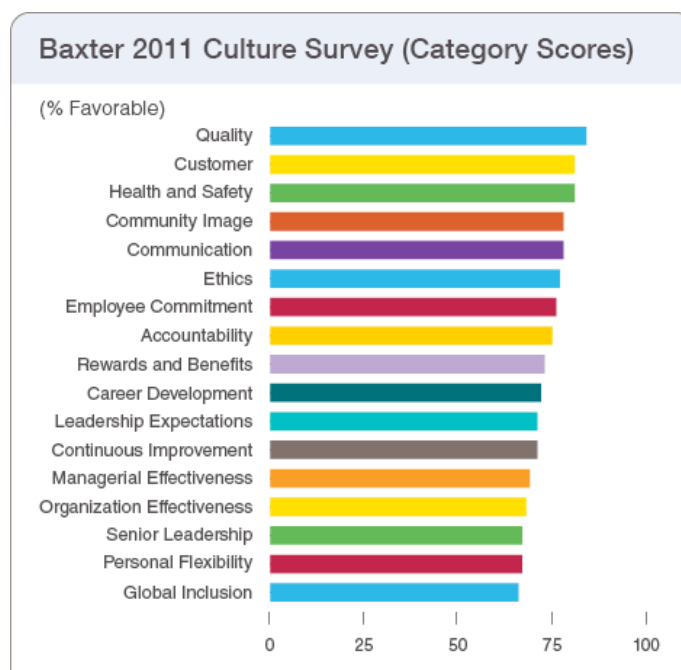
Compensation and Benefits

A critical component of Baxter's vision is to be a great 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. For information on executive compensation, click [here](#).

Baxter values the health of its employees and their families and recognizes that a healthy, productive workforce is vital to achieving company goals. 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). Additionally, BeWell@Baxter, the company's health and wellness program, 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.

Measuring Company Culture



Every two years, Baxter conducts a companywide survey to gather employee feedback on what is going well and areas where the company needs to make improvements. Approximately 89% of Baxter's employees worldwide completed the company's survey in

2011, which was administered in 17 languages. In line with prior survey results, the company's dedication to quality products and customer focus remain the highest-scoring areas. Baxter will conduct another survey in 2013.

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 transformation initiative to drive continuous improvement and accountability. These are core to Baxter's effort to build a culture where every employee continuously evaluates how they can be more efficient and effective in their work.

Clarity Around Strategy and Innovation: Employees provided feedback that they want improved clarity about the company's strategy and more information about how Baxter is driving innovation. The company is addressing this through a variety of internal communication channels.

Global Inclusion: While Baxter showed improvement in this area compared to 2009, global inclusion continues to be a focus area for the company. In 2012, as part of a phased global launch, Baxter rolled out The Power of Managing Inclusively, a six-hour instructor-led, mandatory workshop for all managers, supervisors and above. 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

Having a diverse employee population (for example, in terms of age, gender, sexual orientation, race, ethnicity or religion) is essential. However, diversity alone does not ensure an inclusive culture. An inclusive organization has policies, programs, processes and systems that foster respect and create a workplace culture in which everyone is valued.

Baxter believes that an inclusive culture and a diverse workforce can contribute to the company's success and sustainability 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 diverse workforce globally, Baxter's focus in this area helps the company understand and address the diverse needs of our employees, customers, business suppliers, patients and caregivers. Baxter's global inclusion and diversity strategy focuses on four key areas:

- **Workforce** - building a diverse organization globally;
- **Workplace** - creating an inclusive culture in that values diversity;
- **Communities** - building partnerships with community-based organizations that embrace and support diverse stakeholder groups; and
- **Marketplace** - 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 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 develop local inclusion plans. These incorporate Baxter-wide opportunities, in addition to addressing unique local inclusion priorities and requirements. This customized approach recognizes that different geographies have unique needs. The Council works closely with Baxter's Human Resources Leadership Team and Sustainability Steering Committee, which ensures alignment and support among the company's senior leadership.

Inclusion and Diversity Training

As part of a phased approach in 2012, Baxter launched 'The Power of Managing Inclusively', a six-hour instructor-led, mandatory workshop for all managers, supervisors and above. During the year, more than 2,300 employees completed the training, achieving the company's 2012 goal to have 25% of the target population complete the workshop.

Since 2011, all Baxter employees have completed a companywide training designed to educate employees on how they can contribute to an inclusive culture at Baxter. In 2012, Baxter again required employees to add an inclusion goal as part of their individual goals for the year. Similar to 2011, Baxter's senior executives were held accountable for fostering an inclusive work environment, and hiring and promoting qualified diverse candidates.

Business Resource Groups

Business Resource Groups (BRGs) provide a forum for employees to develop skills, experience valuable cultural connections and support key business initiatives. These groups support Baxter's business goals and aim to enhance personal growth and multicultural understanding, while strengthening relationships among employees and with customers, business partners and community partners. In 2012, Baxter launched three additional BRGs: the African-American Leadership Council, the Asian Leadership Network, and the Baxter Equality Network (supporting inclusion of LGBT professionals and allies). The company's other BRGs include Building Women Leaders and Latinos@Baxter, and the Female Talent Matters BRG in Baxter's Europe, Middle East and Africa (EMEA) region. Each BRG is sponsored by a members of Baxter's Operations Committee.

2012 Business and Regional Initiatives

Baxter's BioScience business: BioScience launched Women in Lifetime Leadership (WILL) for employees in the EMEA region. WILL seeks to create a dynamic forum to develop leadership skills and advance the careers of women by providing education and networking opportunities. WILL aims to develop women leaders who champion and support inclusion and diversity efforts across Baxter. Additionally, the business launched a recognition program for individuals and teams who promote a culture of inclusion and diversity.

Baxter's Medical Products business: Medical Products launched an inclusion and diversity task force that includes 19 representatives from the business's franchises, regions and supporting functions. The team has been active in creating new vehicles to engage and educate employees, partnering with business leaders to embed inclusion and diversity principles into business processes such as R&D and business development, and has played a prominent role in several key external events. Additionally, the task force has partnered with Baxter's BRGs to focus on the acquisition, development and retention of women and diverse talent within Medical Products. Both Baxter's BioScience and Medical Products businesses continue to expand the Women and Ethnic Minority Mentoring program.

Baxter's EMEA region: During the year, the region added a fifth category to its prestigious Presidents Award to specifically recognize individual or team efforts in the area of inclusion and diversity. In Austria, Baxter launched an intergenerational inclusion initiative called "Boomers and Millennials," matching Baxter employees who are recent college graduates with senior, long-term Baxter

employees to facilitate exchange of ideas on how the different generations can collaborate effectively and learn from each other.

Baxter's Asia Pacific region: The region continued its focus on Building Talent Edge (BTE), which aims to create a gender balance in critical leadership positions across 14 countries where Baxter operates. Gerald Lema, region head, Japan, spoke at the prestigious 2012 Catalyst Awards Conference sharing insight on how to maintain the success of the BTE initiative. In 2012, two countries within the region were recognized by their respective governments for their inclusion and diversity efforts. Baxter Korea received the "Best Family Friendly Management Company" award by the country's Ministry of Gender Equality and Family, recognizing Baxter's commitment to work/life balance. Every year, the Ministry recognizes the top 10 companies that promote effective approaches to creating a family-friendly work environment. The Australian government's Equal Opportunity for Women in the Workplace Agency (EOWA) recognized Baxter with the Employer of Choice for Women citation in 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.

Baxter's Latin America and Canada (LAC) region: In 2012, the region sponsored its first annual Inclusion and Diversity Week. Throughout the week, teams across the region participated in a variety of activities including town hall meetings, volunteer opportunities and training sessions. At the São Paulo, Brazil manufacturing facility, both hearing and hearing-impaired employees participated in a training session that covered topics such as the use of sign language in the workplace. Efforts in Cuernavaca, Mexico, included a photo exhibition designed to drive awareness around the contributions and unique needs of Baxter employees with disabilities.

Fair and Equal Opportunity for All Employees

Baxter is committed to 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, gender identity or expression, veteran status or any other basis protected by federal, state or local laws is prohibited. Baxter's global operations comply with applicable laws around the world. Employees are encouraged to raise any issues or concerns through one of the channels outlined in Baxter'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					
	2008	2009	2010	2011	2012
Ethnic (% non-white of total)					
Board of Directors	7.7%	7.7%	7.7%	8.3%	23.1
Executive Management*	11.1	11.1%	17.7%	11.8%	12.5%
Gender (% female of total)					
Board of Directors	15.4%	15.4%	15.4%	16.7%	23.1%
Executive Management*	27.8%	27.8%	17.6%	17.6%	18.8%
*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.					
Gender Diversity at Baxter (% Female Globally)					
	2008	2009	2010	2011	2012
Vice President and Above	18.5%	19.2%	19.8%	21.5%	21.4%

Supervisor/Director	48.1%	48.5%	47.85%	48.0%	47.8%
Non-Manager	56.3%	55.8%	55.4%	54.1%	53.6%
Overall	52.8%	52.5%	51.9%	51.3%	50.8%

* 2009, 2010, 2011 and 2012 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.

Awards

Several leading organizations have recognized Baxter for its inclusion and diversity efforts in 2012:

- 250 Best Companies to Work for in Mexico - Great Places to Work Institute
- Best Companies to Work for in Spain - Actualidad Económica
- Best Family Friendly Management Company - Korea Ministry of Gender Equality and Family
- Employer of Choice for Women-Australian Government, Equal Opportunity for Women in the Workplace Agency-Australia
- Family Friendly Company Conciliation and Equality Certificate (Portugal) - MasFamilia Foundation
- Unique Award-J-Win Diversity Awards from Japan Women's Innovative Network-Japan

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 implement work/life programs. All of the programs and resources listed below are available in the United States and many are available globally:

- Adoption assistance and reimbursement;
- Alternate work arrangements;
- Back-up/emergency child and elder care;
- Child care support options;
- Dependent-care flexible spending accounts;
- Educational assistance;
- Eldercare management services;
- Employee assistance and counseling programs;

- Lactation rooms;
- Resource and community referrals to local service providers for family, financial and work issues; and
- Webinars on topics such as stress management and parenting (in English but offered worldwide).

More than 30 percent of eligible employees (regular employees working at least 20 hours a week) used one or more of these programs in 2012. Baxter estimates conservatively that it realizes more than \$5.30 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 supporting 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 into account the employee's job requirements, personal needs, and work performance, as well as business needs and goals.

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, Quality Associate II, BioLife Plasma Services, Deerfield, Illinois, United States

Case Study: "Bax" to School: Building Skills, Changing Lives

Partnering with colleges and universities, Baxter offers manufacturing employees training opportunities to build fundamental life skills as well as necessary job skills, and prepare for new challenges in the workplace.

Since 2008, Baxter's Los Angeles manufacturing facility has provided over 1,100 of their approximately 1,500 employees with customized training, at no cost to the employee. This has been made possible through a strong workforce development partnership established with Los Angeles Valley College (LAVC).

During scheduled shutdown periods, employees receive training in various topics such as computer applications, conflict resolution, decision making, ergonomics, lean manufacturing, presentation skills, problem solving, team building and workplace/effective communication. Employees who completed general education courses during extended shutdowns received course credit towards an Associate's degree. In addition to receiving training, Baxter employees also spend time volunteering with non-profit community organizations as part of the program.

LAVC also recruits new manufacturing technician talent for Baxter. More than 80 manufacturing technicians have been hired as temporary employees through a 5-week Manufacturing Technician Bridge Training Academy program established to develop and train unemployed individuals who wish to interview and work at Baxter.



Baxter's Mountain Home, Arkansas, plant has offered "BaxTech" - in partnership with Arkansas State University-Mountain Home - to grow manufacturing skills and help employees move into Production Technician roles.

Maggie Roudsari was unemployed two years ago when she started classes in the bridge program. Impressed with her commitment and performance, Baxter offered her a temporary manufacturing role after she completed four weeks of learning. She then quickly qualified for a full-time job, operating centrifuges to separate proteins from plasma to make life-saving and sustaining products for Baxter's BioScience business.

"I knew what to expect when I began to work for Baxter," she said. "I was set up to succeed. I could come in and shine, and grow with the company and keep learning."

Today, Maggie is continuing her class work, including taking a biology course about proteins, and plans to pursue a degree in BioScience Technology through LAVC during the next two years.

"I've never encountered a company that offered so much knowledge and support to help me grow individually and professionally," she said. "And Baxter is great at promoting from within, which means more opportunities."

Since 2007, Baxter's Mountain Home, Arkansas, plant has offered "BaxTech" - in partnership with Arkansas State University-Mountain Home - to grow manufacturing skills and help employees move into Production Technician roles. Instructors from the university and Baxter employees teach classes onsite at the plant.

Approximately 12 employees are chosen yearly to complete 174 hours of training, which includes a range of communication, math and technical courses. Five classes have graduated so far.

Mountain Home Plant Manager Glenn Burney is a believer in BaxTech. "BaxTech focuses on the new technologies coming into our plant. This allows employees to receive training and knowledge before they move into these more technical roles."

At Baxter's manufacturing facility in Cleveland, Mississippi, employees have been able to pursue on-site management and general education classes toward both a management certification and bachelor's degree through Delta State University. Ten employees have taken advantage of the on-site classes since 2011.

Baxter also has partnered with Mississippi Delta Community College on a technical assessment for maintenance personnel. The assessment results have been used to develop a customized curriculum to help employees build the necessary technical skills to support our growing technology needs.

Around the world, Baxter provides a wide variety of training and development resources for manufacturing and other employees to apply to their current role and develop their careers. Baxter also offers educational assistance and tuition reimbursement that varies based on location.

"Our focus in Manufacturing on training and development makes employees and the company stronger." Burney said, "It allows our employees the opportunity to learn the new skills needed for these processes and positions the employees and the plants for the future."



Sustainability at Baxter 2012



Environment, Health and Safety

Baxter

Environment, Health and Safety



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 report covers the second year of performance against the company's EHS 2015 goals, which are integrated into the company's overarching sustainability priorities.

EHS results from 2012 include the following:

- Baxter reduced energy usage by 27% and associated greenhouse gas emissions by 39% since 2005, both indexed to revenue. During that period, global energy management initiatives have achieved cumulative savings of approximately \$34 million on an annualized basis.
- The company reduced waste generation 23% compared to 2005, indexed to revenue. Baxter's ongoing efforts to reduce plastic waste generation through the use of Lean and Six Sigma tools helped reduce plastic waste by more than 700 metric tons in 2012 compared to 2011 at the 19 facilities participating in the company's plastic scrap reduction initiative.
- Baxter reduced water usage by 5% in absolute terms and 34% indexed to revenue since 2005. In 2012, the company initiated a community water project near its Canlubang, Philippines, facility and entered into a partnership to implement a project near its facility in Cuernavaca, Mexico. See Case Study: Community Water Project in Canlubang, Philippines.
- Compared to 2011, Baxter improved its recordable case rate by 5%, its cases with days lost rate by 3%, and its days lost rate by 21%.

Scope of Baxter EHS Reporting

- The environmental data included in this report are based on 115 reporting locations, of which 54 are manufacturing, 20 are warehouse, and 41 are administrative, clerical or other. Several of the reporting units comprise multiple locations that report as a single entity. For example, in 2012, 36 renal distribution facilities reported as a single entity, as did Baxter's 63 plasma collection centers in North America

- The health and safety data included in this report are based on 270 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.

EHS Vision and Policy

Baxter 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.

Baxter 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 and code of conduct. Specifically, we commit to the following:

Sustainability - We will strive to conserve resources and minimize or eliminate adverse EHS aspects and hazards 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.

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 environmental, health and safety performance. We will set goals, measure progress and communicate results.

Compliance with this policy is the responsibility of every employee.

EHS Governance

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

EHS Organization and Reporting Structure

Baxter's EHS organization, made up of more than 280 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

<http://www.sustainability.baxter.com/environment-health-safety/index.html>

<http://www.sustainability.baxter.com/environment-health-safety/ehs-program/policy-and-vision.html>

<http://www.sustainability.baxter.com/environment-health-safety/ehs-program/program-governance.html>

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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.

Each year, the EHS organization (see graphic) undertakes a strategic planning process that entails setting short-term targets and long-term goals and determining the tactical plans and resources needed to achieve those. EHS Functional Teams provide input to Baxter's EHS Leadership Team, composed of EHS directors and other leaders who establish and maintain the company's EHS strategy, policy, global EHS requirements and goals. This ensures alignment, engagement and commitment throughout the global EHS organization.

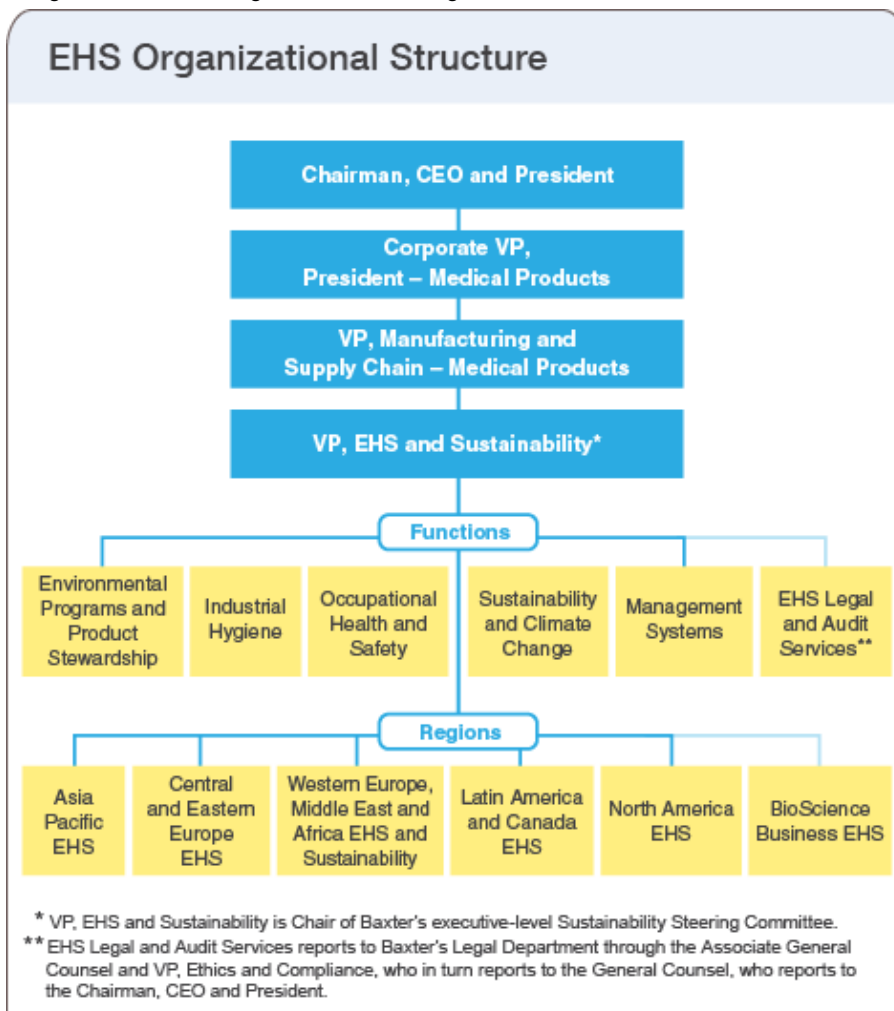
Baxter's vice president of EHS and sustainability meets at least once a year with the Public Policy Committee of the company's board of directors. In 2012, he presented EHS performance updates and reported progress on related sustainability initiatives. In a separate board meeting, Chairman and CEO Robert L. Parkinson, Jr., discussed the broader sustainability program.

EHS Performance Accountability

In addition to the departmental EHS goals that are defined by the EHS organization, select EHS performance goals are incorporated into the performance objectives of Manufacturing and Operations leadership. In 2012, these included performance objectives concerning reductions in safety incidents, energy and water use, and waste generation. In addition, the company disclosed in its most recent proxy statement that sustainability is one of the areas covered by the performance goals set for its CEO in 2012, and such goals factored into decisions related to his compensation.

EHS 2015 Goals

Baxter's Environment, Health and Safety (EHS) organization conducts strategic planning to establish long-term EHS goals, assess related resource needs and ensure critical business alignment. The company considers feedback from internal and external stakeholders in establishing its long-term goals. Operational EHS goals are established on an annual basis and include targets related to energy, waste and water reduction as well as safety. These are a part of many senior managers' and plant managers' annual performance objectives. Yearly manager performance evaluations, including considerations related to compensation, take into account business unit and facility progress in these areas. In 2012, annual bonuses for leaders in the manufacturing organization were tied to the company's performance along these dimensions.



The following table summarizes performance against Baxter's EHS 2015 goals. The company recognizes the importance of aspirational targets and in 2011 launched these goals, some of which align with Baxter's overarching sustainability priorities. See Priorities and Goals – Our Operations and Products for additional detail.

EHS 2015 Goals	
2015 Goal (Items in blue font are also company wide sustainability goals.)	Performance through 2012
Environmental (base year 2005, unless otherwise noted)	
Reduce total waste generation 30% indexed to revenue.	Reduced 23% indexed to revenue.
Reduce energy usage 30% indexed to revenue.	Reduced 27% indexed to revenue.
Reduce greenhouse gas (GHG) emissions 45% indexed to revenue.	Reduced 39% indexed to revenue.
Increase facility energy usage of renewable power to 20% (of total).	Increased to 22%.
Increase facility energy usage of renewable power to 20% (of total).	Increased to 22%.
Reduce water usage 35% indexed to revenue.	Reduced 34% indexed to revenue.
Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.	Launched community water project near Baxter's manufacturing facility in Canlubang, Philippines, and entered into a partnership to implement a community water project near the company's facility in Cuernavaca, Mexico (in early 2013).
Reduce the carbon footprint of Baxter's U.S. car fleet by 20% from 2007 baseline.	Reduced GHG emissions 6.8% per kilometer driven.
Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.	Eliminated 5,150 metric tons.
Reduce environmental compliance incidents ¹ by 75%.	Incidents increased by 107%.
¹ Defined as releases to the air, water or land in excess of permit limits, and other spills or releases reportable to the government.	

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+). Targeting at least six additional projects, including two product life cycle assessment partnerships with Baxter customers.

Occupational Health and Safety and Industrial Hygiene

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 2011, 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 78% of targeted facilities.
Implement a flexible strategy to increase employee awareness and ownership of their individual health status.	31% 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 nearly 11% 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 and two Noise Control Engineering Modules in 2012.
Implement a uniform program for employee handling and use of hazardous chemicals and active pharmaceutical ingredients (APIs) beyond compliance with local laws.	The Baxter Pharmaceutical Hazards Team updated the company's operating procedures for APIs in anticipation of a 2013 meeting with Baxter's occupational health and toxicology consultant.

¹In a comparison of 16 healthcare companies: eight reported global safety data to Mercer, seven reported data as requested by Baxter and one reported data on its public website.

EHS Management Systems and Certifications

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.

Baxter's EHS program follows a management-systems approach guided by its global EHS requirements. The company 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, Baxter's external auditing and certification body would recommend a facility for certification to these standards. As of year-end 2012, 68 Baxter locations have met the requirements of ISO 14001 and are covered by Baxter's ISO 14001 group certificate. As of year-end 2012, 57 Baxter locations were certified to OHSAS 18001. See map for detail and more information about these certifications below.

In 2010, Baxter approved an EHS policy that requires new sites or those undergoing major modification to conduct a "green building" review. The company encourages certification to international building rating standards such as the UK's Building Research

Establishment Environmental Assessment Method (BREEAM), the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED), or the Swiss certification for building energy consumption, Minergie. As of year-end 2012, five Baxter locations were certified to green building standards. See map for detail and more information about these certifications below.

View a list of Baxter facilities around the world that have achieved these certifications in the online report.

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. Facilities that do not meet these criteria still may choose to apply ISO 14001 standards and seek certification to improve their environmental performance.

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 Facilities with ISO 14001, OHSAS 18001 and Green Building Certification^{*,**,*}



Global EHS 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 ISO 14001 certification has evolved into a global certification including 68 facilities worldwide.¹ In 2007, Baxter also established a group certificate for OHSAS 18001.²

With its global certifications, Baxter has improved consistency in facility evaluation and reduced external audit frequency and costs.

Green Building Certifications

Examples of green buildings at Baxter include the following:

- **Canada** - Baxter's office building in Mississauga, Ontario, has applied for Canada LEED certification. More than 90% of employees in the facility enjoy direct lines of sight outdoors, and controls enable 90% of occupants to adjust lighting for individual needs. One hundred percent of new wood-based materials are certified to Forest Stewardship Council standards.
- **Italy** - In 2011, Baxter's business office in Rome was the company's first facility in Europe to receive existing building certification to the Italia LEED "Silver" standard. An automation system controls heating and cooling on each side of the structure as the solar load changes throughout the day.
- **Switzerland** - Baxter's European headquarters in Zurich achieved Minergie Plus certification in 2010. The building features water-based cooling and heating and rooftop solar panels, and uses nearly 80 percent less energy than a typical office building of comparable size.
- **United States** - The employee fitness center in Round Lake, Illinois, received LEED Silver certification in February 2013. It features low-flow touchless faucets that use solar power to activate and run, reducing battery use, as well as daylight harvesting. All electricity is generated by 100% renewable power (through purchase of renewable energy certificates) and all carpeting, flooring and finishes use small amounts or zero volatile organic compounds.

See Case Study: Employees and the Environment Benefit from New Vienna, Austria, Green Building in online report.

¹This covers the facilities described in the ISO 14001 Certification section above.

²This covers the facilities described in the OHSAS 18001 Certification section above.

EHS Audits

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 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 2012, the company conducted EHS audits at 24 out of 109 applicable facilities. Of these, 11 were in Baxter's Europe, Middle East and Africa region; six were in North America; six were in Asia Pacific; and one was in Latin America.

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 2012, these included inadequate risk assessments and gaps in emergency response plans and implementation.

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, Baxter also conducts targeted regulatory risk audits as warranted. In 2012, the corporate EHS group included regulatory and EHS risk areas such as wastewater (two locations) and confined space (two locations) in the audit schedule.

Environmental Compliance

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 nine environmental NOVs in 2012. Three were related to wastewater, compared to five in 2011. Five of the remaining six were related to waste management. The final NOV was related to documentation posted in a facility regarding the European Union Waste Electrical and Electronic Equipment Directive.

Baxter paid a \$50,000 fine related to one of its waste management NOVs, regarding gaps in the site's leak-detection program, designed to prevent leaks in certain waste tanks, pipes and related equipment. The company paid no other environmental fines in 2012.

Environmental Notices of Violation and Fines

	2008	2009	2010	2011	2012
Wastewater NOVs	7	6	3	5	3
Other Environmental NOVs	3	3	6	2	6*
Total Environmental NOVs	10	9	9	7	9
Total Environmental Fines**	\$0	\$800	\$1,000	\$9,985	\$50,000

* One of these NOVs also had aspects related to wastewater.

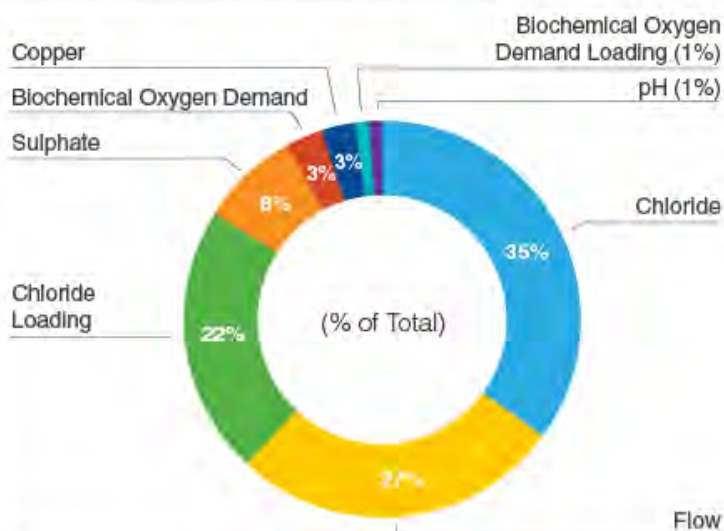
** Fines paid during calendar year noted. In January 2013, Baxter's Castlebar, Ireland, facility paid €19,376.20 (approximately \$25,408) as a result of a 2012 court case related to environmental violations. Amounts paid in 2013 are not included in the table above.

Baxter has a goal to decrease overall environmental compliance incidents 75% by 2015, compared to 2005. While Baxter has not made progress against this goal, it has minimized environmental compliance incidents at all but one of its facilities (see table at the bottom of this page for detail). The company continues its commitment to reduce compliance incidents through 2015.

Environmental Compliance Incidents

	2008	2009	2010	2011	2012
Air	1	4	2	0	0
Land	1	1	1	1	0
Drinking Water	0	0	0	0	0
Wastewater	33	39	67	73	85
Total	35	44	70	74	85

Wastewater Environmental Compliance Incidents, 2012*



* "Biochemical Oxygen Demand Loading" and "Chloride Loading" measure mass while "Chloride" and "Biochemical Oxygen Demand" measure concentration.

In 2012, all of Baxter's environmental compliance incidents related to wastewater. The graph the graph to the left provides a breakdown of wastewater incidents by type during the year.

In 2012, 99% of Baxter's wastewater-related compliance incidents occurred at facilities that discharge to regional or municipal wastewater treatment systems. The remaining 1% involved discharges to surface waterways, such as rivers, streams, or creeks.

In the case of Castlebar, Ireland, Baxter's ongoing communications with the Irish Environmental Protection Agency resulted in a court proceeding in December 2012 in which Baxter agreed to take certain steps to correct the alleged violations. The court also ordered Baxter to pay a fine as noted above. Baxter continues to apply internal and external legal and engineering resources to improve compliance at this facility. See Water and Wastewater for more detail.

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

Environmental Compliance Incidents by Facility, 2012		
Region/Country/State or Province	City	Description
Europe		
Ireland	Castlebar	Eighty-one wastewater incidents related to biochemical oxygen demand, biological oxygen demand loading, pH, flow, chloride, chloride loading and sulphate
Italy	Grosotto	One wastewater incident related to pH
North America		
Canada, Ontario	Alliston	One <i>wastewater</i> incident related to biochemical oxygen demand
Puerto Rico	Jayuya	One <i>wastewater</i> incident related to copper
United States, Mississippi	Cleveland	One <i>wastewater</i> incident related to copper

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. 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 \$6.6 million at year-end 2012. Separate from the Superfund cases noted above, Baxter paid approximately \$170,000 for remediation at the company's Irvine, California, United States, facility in 2012.

Health and Safety Compliance

In 2012, Baxter received two health and safety-related notices of violation (NOV):

- One NOV was issued to Baxter's Deerfield, Illinois, United States, administrative facility by the State Fire Marshall for failure to submit financial assurance documentation, an annual requirement for facilities with underground storage tanks (USTs) that demonstrates the financial ability to clean up potential contamination resulting from leaking USTs.
- One NOV was issued to Baxter's Quito, Ecuador, facility for deficiencies in its health and safety program, including its emergency evacuation program and various other aspects of employee safety programs.

The company implemented corrective actions to address these matters.

As noted in Baxter's 2011 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's efforts to reinforce its safety policies and procedures are ongoing, particularly related to confined space. The company also is retraining workers involved in confined space entry, evaluating emergency response plans and training, conducting additional risk assessments, and sharing best practices throughout the company.

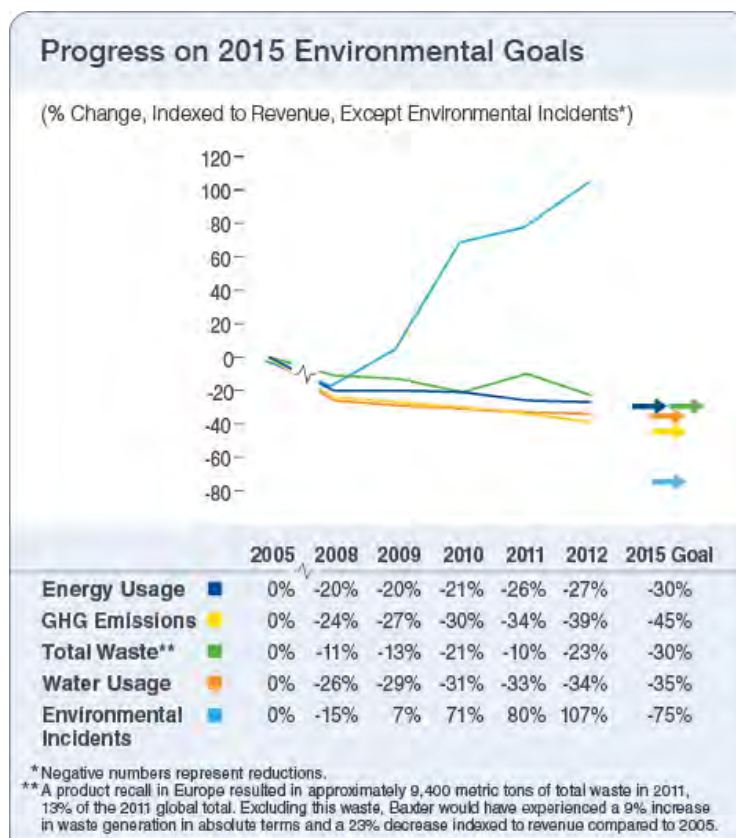
Health and Safety Notices of Violation and Fines					
	2008	2009	2010	2011	2012
Citations Settled	2	6	3	2	2
Fines Paid (in dollars)	\$45,000*	\$1,733	\$945	\$0	\$0

*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

In 2012, Baxter continued working toward its 2015 environmental, health and safety (EHS) goals. As the graph below illustrates, the company is on-target to meet or exceed its 2015 energy usage, greenhouse gas (GHG) emissions and water usage goals. While the company advanced toward its total waste reduction goal in 2012, additional improvement is needed to meet this target. During the year, Baxter failed to make progress toward its environmental incidents-reduction goal due to wastewater exceedances at one location in Europe. See Water and Wastewater for more detail.

See Energy, GHG Emissions from Operations, Waste, Water and Wastewater, and Environmental Compliance in full report online for more detail.



Environmental Financial Statement

The table below describes environmental income, savings and cost avoidance realized in 2012 from activities completed during the year, along with environmental program costs.

Environmental Income, Savings and Cost Avoidance, 2012 (Dollars in Millions)	
Energy Use	\$3.9
Total Waste Generation	9.0
Recycling Income	6.6
Water Use	0.4
Total Environmental Income, Savings and Cost Avoidance	\$19.9
Environmental Program Costs, 2012 (Dollars in Millions)	
Basic Program Costs	\$22.5
Remediation, Waste and Other Response Costs	12.8
Total Environmental Program Costs	\$35.3

See the 2012 Environmental Financial Statement online for more detail.

Air Emissions

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 its low emissions levels, Baxter focuses its environmental programs and goals on other issues.

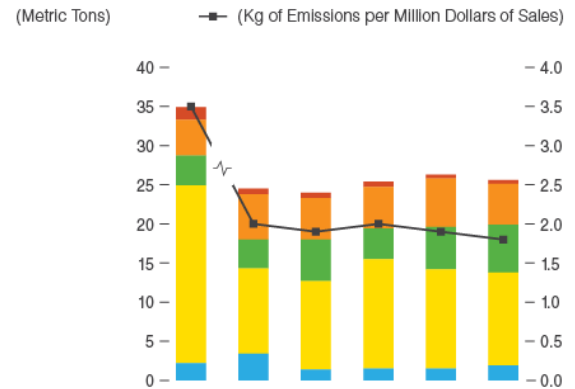
Baxter's toxic air emissions decreased to approximately 25.6 metric tons in 2012, a 3% reduction in absolute terms from 2011, and a 49% reduction indexed to revenue since 2005. Di-2-ethylhexyl phthalate (DEHP) and methanol are the two most significant air toxics from Baxter operations. DEHP emissions decreased from 12.7 to 11.9 metric tons primarily due to changes in PVC production volumes. Methanol emissions, associated with plasma processing, rose from 5.4 to 6.1 metric tons, mostly due to production increases. Baxter will continue to evaluate and install additional emissions control technologies where necessary and feasible to further reduce air emissions associated with certain manufacturing activities.

Baxter calculates nitrogen oxide (NO_x) and sulfur oxide (SO_x) emissions using reported facility fuel usage and emission factors from U.S. Environmental Protection Agency Publication "Compilation of Air Pollutant Emission Factors, AP-42, Fifth Edition, Volume I: Stationary Point and Area Sources." Baxter's combined NO_x and SO_x emissions related to onsite fuel usage decreased by 21% in absolute terms and 23% indexed to revenue from 2011 to 2012. Emissions of SO_x decreased by 37% in absolute terms, and NO_x emissions decreased by 5%. Baxter has reduced NO_x and SO_x emissions through energy conservation companywide and a transition from heavy fuel oils to lighter diesel fuels and natural gas at some locations. For example:

- **Lessines, Belgium** – During the last two years, the facility began operation of a co-generation system and switched from fuel oil to natural gas, essentially eliminating SO_x emissions.
- **India** – Two Baxter facilities switched from fuel oil to biomass fuels and another transitioned from fuel oil to natural gas, reducing SO_x emissions by nearly 57% in 2012 compared to 2011. See Case Study: Facilities in India Switch to Greener Boiler Fuel for more detail.
- **Cuernavaca, Mexico** – The facility switched from fuel oil to diesel in 2012, reducing calculated SO_x emissions by 47%.

More than 50% of Baxter's overall NO_x emissions occur within North America, primarily due to the use of biomass for steam production at one of Baxter's largest manufacturing sites.

Process-Related CFC and Toxic Air Emissions

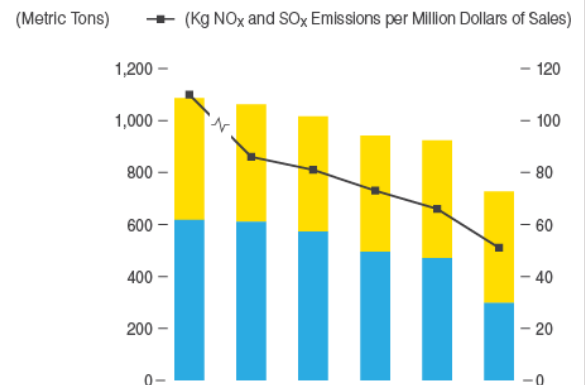


	2005	2008	2009	2010	2011	2012
EtO*	1.6	0.7	0.7	0.7	0.5	0.5
Methyl Ethyl Ketone	4.6	5.8	5.3	5.3	6.2	5.2
Methanol	3.8	3.7	5.3	3.9	5.4	6.1
DEHP*	22.7	10.9	11.3	14.0	12.7	11.9
Other	2.2	3.4	1.4	1.5	1.5	1.9
Total	34.8	24.5	24.0	25.5	26.4	25.6

Kg of Emissions per Million Dollars of Sales	3.5	2.0	1.9	2.0	1.9	1.8
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* EtO = ethylene oxide; DEHP = Di(2-ethylhexyl)phthalate.

NO_x and SO_x Emissions*



Kg NO_x and SO_x Emissions per Million Dollars of Sales	110	86	81	73	66	51
------------------------------------------------------------------------------------	------------	-----------	-----------	-----------	-----------	-----------

* This Global Reporting Initiative (GRI) indicator includes air emissions associated with on-site energy generation. Emission factors from the U.S. Environmental Protection Agency publication "Compilation of Air Pollutant Emission Factors, AP-42, Fifth Edition, Volume I: Stationary Point and Area Sources."

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 59 manufacturing and research and development facilities are located in 11 of the world's biodiversity "hot spots"¹ 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.

Activities in 2012

During Baxter World Environment Week, the company's annual environmental awareness event, facilities globally conduct biodiversity and environmental-preservation activities. During 2012, facilities in 27 countries globally held eight local cleanups, one event to support watershed protection, two events to help restore native ecological diversity, 37 educational campaigns (including two focused on biodiversity) and six tree-planting events. Examples included:

- **India** – Employees of the Manesar facility planted approximately 300 trees in and around the grounds.
- **Italy** – Employees organized educational tours for local students to a bird preserve near Pisa, and an excursion to a nature preserve for children of employees at the Rieti facility.
- **New Zealand** – For the fourth consecutive year, the Auckland facility planted native trees as part of the Motuihe [Island] Restoration Project to help return the habitat to its original ecosystem. The site also helped reintroduce a native bird species that had been eliminated by rodents.

Other activities throughout 2012 included:

- **Greece** – Employees in the Athens office planted and maintain a vegetable garden that occasionally provides food for the site.
- **Italy** – The office in Rome has helped protect and maintain the "Rio Bianco" Natural Area since 2010. During 2012, the office continues financing the maintenance of this park, which helps protect the environment and biodiversity of the area.
- Baxter facilities in the following countries planted a total of more than 1,450 trees during the year: Austria, Canada, Chile, China, Czech Republic, Germany, India, Italy, Mexico, Poland, Portugal, Puerto Rico, Switzerland, United States and Venezuela.

Northern Illinois Efforts

Environmentally Preferable Purchasing

Under its Environmentally Preferable Purchasing Policy, Baxter purchases 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 forest management. Baxter's Northern Illinois sites purchased 25 metric tons of FSC-certified paper in 2012.

Chicago Botanic Garden

Baxter has supported the Chicago Botanic Garden in Glencoe, Illinois, United States, for more than 25 years. The company contributed financially to the Chicago Botanic Garden Plant Science Center that opened in 2009. The 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.

Additionally, Baxter sponsors the Garden's annual celebration of World Environment Day in June, which focuses on community education. The company displays its sustainability efforts with an exhibit each year. Approximately 6,500 visitors attended this event in 2012.

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. Climate change alone may cause an estimated one-quarter of the earth's animal and plant species to become extinct or destined for extinction by 2050.²

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 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.

¹A 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.

²E.O. Wilson, "The Future of Life

Eco-Efficiency/ Raw Materials

Efficient raw materials use has environmental as well as 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. Due to more complete reporting from Latin America in 2012, the company showed significant increases in several categories of materials purchased, including plastics/resins, dextrose and sodium chloride.

Major Materials Purchased for Manufacturing (Metric Tons)		
Material*, **	2011	2012
Plastics/Resins	82,500	94,600
Corrugated Materials	64,300	70,000
Dextrose	21,600	27,700
Sodium Chloride (salt)	17,700	22,900
Amino Acids	1,400	1,400
Pharmaceuticals (drugs)	51	44

*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 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 applications include 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. 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.

Since 2010, Baxter has focused on reducing plastics scrap, its largest waste stream. See Waste for more details. Many company plastic processing sites regrind and reuse pre-consumer plastic scrap to save money and materials. While numerous 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.

See Materials Use for more information about how Baxter selects raw materials used in products.

Packaging

As illustrated in the table above, corrugated materials used for product packaging are one of Baxter's main uses of materials. See Packaging for details about the company's initiatives in this area and progress against its packaging reduction goal.

Energy

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 greenhouse gas (GHG) emissions. Limiting the use of non-renewable energy sources also helps preserve their availability for future generations.

Performance

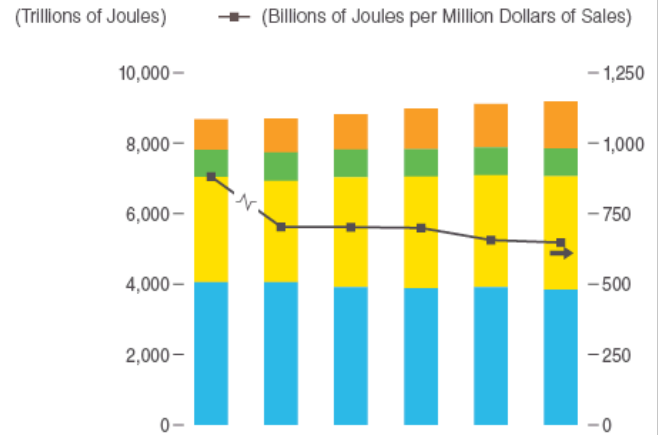
While energy conservation benefits the environment, it also makes good business sense for Baxter, since energy is among the company's most significant manufacturing costs. Since 2005, while Baxter increased sales 44% through 2012, the company held absolute energy usage from operations to an approximate 6% increase. However, due to sharply increasing energy prices, Baxter's corresponding facility-related energy costs rose 56% during this period, to \$173 million. This underscores the importance of the company's ongoing energy conservation efforts. Since 2005, these initiatives have achieved cumulative savings of approximately \$34 million on an annualized basis.

From 2005 to 2012, Baxter reduced energy consumption from operations by 27% indexed to revenue. This includes the energy used by Baxter-managed and Baxter-operated facilities and excludes company-operated vehicles. This is on-track to meet the company's 2015 goal to decrease energy usage from operations by 30% indexed to revenue, compared to 2005.

Changes in manufacturing processes and increased product development activities in 2012 raised energy usage across Baxter, compared to 2011. Additionally, the installation and start up of natural gas-fired combined heat and power (cogeneration) systems at two Baxter facilities since 2005 has contributed to higher energy consumption in the Europe, Middle East and Africa region. Cogeneration systems increase a facility's overall energy footprint since power generation and transmission losses of as much as 55% that had previously been attributed to the generating utility are instead accounted for by the facility. However, this technology improves the overall efficiency of energy utilization since the facility can capture and use the waste heat from electricity generation. To more accurately track performance, Baxter has adjusted historical electricity purchases at locations that operate cogeneration systems to include losses from generation and transmission normally associated with the utility. This helps the company more accurately assess energy efficiency performance over time at those sites.

View more detail about Baxter's energy usage and GHG emissions on the following page.

Energy Usage from Baxter Operations*



	2005	2008	2009	2010	2011	2012
Asia Pacific	867	965	1,007	1,147	1,236	1,329
Latin America	767	805	794	785	784	798
EMEA	2,986	2,876	3,110	3,169	3,178	3,216
North America	4,054	4,054	3,913	3,878	3,915	3,838
Total	8,674	8,700	8,824	8,979	9,113	9,181

Billions of Joules per Million Dollars of Sales

→ 2015 Goal Reduce energy usage by 30% indexed to revenue (base year 2005)

* Includes stationary sources (Stationary Sources Subtotal line item from Baxter Value Chain 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.

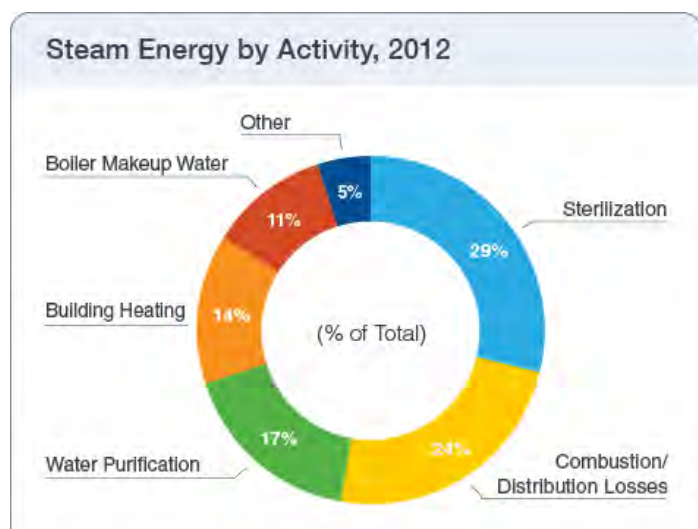
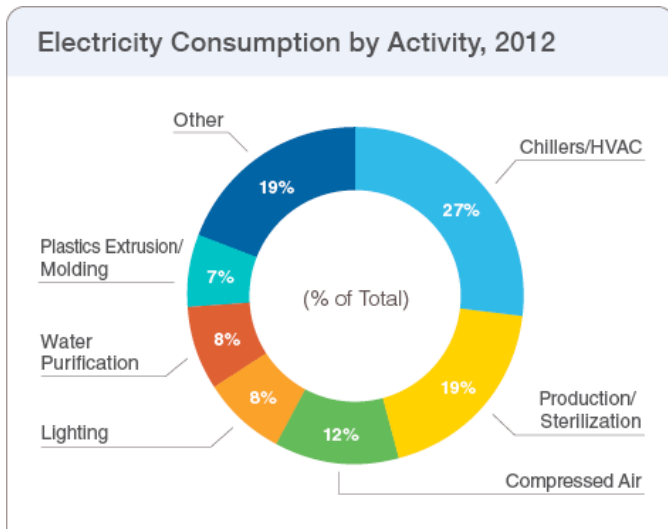
Baxter Value Chain Energy Usage and Greenhouse Gas Emissions

For more information see the Greenhouse Gas Emissions Across the Value Chain page of the Baxter 2012 Sustainability Report.

UPSTREAM SCOPE 3 EMISSIONS				ENERGY USAGE				JOULES (trillions)				ENERGY COSTS (millions)				CARBON DIOXIDE EQUIVALENTS ¹² (thousand metric tons)			
UNITS				2010	2011	2012		2010	2011	2012		2010	2011	2012		2010	2011	2012	
Purchased Goods and Services (Category 1)³				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		965	1,056	1,072	
Capital Goods (Category 2)⁴				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		120	120	145	
Fuel and Energy-related Activities (Category 3)⁵				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		73	73	74	
Upstream Transportation and Distribution (Category 4)⁶				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		505	549	561	
Waste Generated in Operations (Category 5)⁷				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		4	5	4	
Business Travel (Category 6)⁸				268.3	262.8	305.4		n/a	n/a	n/a		n/a	n/a	n/a		43	42	49	
Commercial Airlines (Aviation Fuel Use)				6.2	6.1	7.1		n/a	n/a	n/a		n/a	n/a	n/a		1	1	2	
Rental Cars (Fuel Use)				117.6	118.8	133.5		n/a	n/a	n/a		n/a	n/a	n/a		2	2	2	
Hotel Stays (Hotel Energy Use)				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		46	45	53	
Subtotal				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a					
Employee Commuting (Category 7)⁹				32.5	32.5	33.9		1,178	1,175	1,229		\$35.3	\$41.2	\$42.8		76	76	79	
Gasoline Fuel				2.8	2.8	2.9		106	108	113		\$3.4	\$4.0	\$4.1		8	8	8	
Diesel Fuel				35.3	35.3	36.8		1,284	1,283	1,342		\$38.7	\$45.2	\$46.9		84	84	87	
Subtotal				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		27	27	28	
Upstream Leased Assets (Category 8)¹⁰				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		1,824	1,959	2,024	
Upstream Scope 3 Emissions Total				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a					
BAXTER OPERATIONS																			
Stationary Sources (Facilities)																			
Electricity				1,039	1,049	1,002		3,740	3,776	3,607		\$99.8	\$108.4	\$111.6		433	449	444	
Natural Gas				82	84	96		3,138	3,208	3,683		\$28.5	\$28.8	\$36.3		159	162	186	
Fuel Oil				33	32	25		1,321	1,303	999		\$18.3	\$22.4	\$18.6		93	91	69	
Propane and LPG				1.9	1.8	1.7		92	90	85		\$1.5	\$1.6	\$1.7		6	6	5	
Purchased Steam				4	4	3		8	9	6		\$0.1	\$0.1	\$0.1		1	1	1	
Biomass ¹¹				91	97	105		680	727	801		\$3.7	\$3.3	\$4.4		n/a	n/a	n/a	
Carbon Dioxide Offsets ¹²				n/a	n/a	n/a		8,979	9,113	9,181		\$151.9	\$164.6	\$172.7		(63)	(75)	(102)	
Subtotal				n/a	n/a	n/a		8,979	9,113	9,181		\$151.9	\$164.6	\$172.7		629	634	603	
Mobile Sources (Baxter Operated Vehicles)¹³																			
Aviation Fuel				1.4	1.3	1.7		50	46	60		\$1.2	\$1.5	\$2.0		4	3	4	
Gasoline				9.3	9.3	9.0		339	338	326		\$10.3	\$12.3	\$12.0		21	21	21	
Diesel Fuel				9.3	9.6	10.1		357	368	389		\$11.4	\$14.6	\$15.4		25	26	28	
Subtotal				20.0	20.2	20.8		746	752	775		\$22.9	\$28.4	\$29.4		50	50	53	
Refrigerants¹⁴																			
Refrigerant Losses (Facilities)				13	13	15		n/a	n/a	n/a		n/a	n/a	n/a		35	39	32	
Baxter Operations Total				n/a	n/a	n/a		9,725	9,865	9,956		\$174.8	\$193.0	\$202.1		714	723	688	
DOWNSTREAM SCOPE 3 EMISSIONS																			
Downstream Transportation and Distribution (Category 9)¹⁵				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		19	21	21	
Processing of Sold Products (Category 10)				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		tdb	tdb	tdb	
Use of Sold Products (Category 11)¹⁶				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		1,797	1,872	1,782	
End-of-life Treatment of Sold Products (Category 12)¹⁶				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		39	41	39	
Downstream Leased Assets (Category 13)				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		tdb	tdb	tdb	
Franchises (Category 14)¹⁷				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		9	9	9	
Investments (Category 15)¹⁷				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		4	5	5	
Downstream Scope 3 Emissions Total				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		1,868	1,948	1,856	
TOTAL GHG EMISSIONS (incl. CO₂e Offsets in Baxter Operations)¹⁸				n/a	n/a	n/a		n/a	n/a	n/a		n/a	n/a	n/a		4,406	4,630	4,568	

- 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 Bureau Veritas North America, Inc. verified Baxter's 2010, 2011 and 2012 Scope 1 and Scope 2 GHG emissions. Bureau Veritas North America, Inc. also conducted a verification of Baxter's methodology for determining 2012 Scope 3 GHG emissions.
- ³ Baxter estimated the GHG emissions of its first-tier and sub-tier suppliers (purchased goods and services) for the years 2010, 2011 and 2012 using modeling performed for Baxter's supply chain in 2009 and 2010 by an independent UK-based firm and provided these values forward using global sales data. 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. From these total estimated quantities, GHG emissions for Categories 3, 4 and 6 were subtracted to arrive at the Category 1 amounts reported in 2010, 2011 and 2012.
- ⁴ Estimated 2010, 2011 and 2012 GHG emissions based upon 2010, 2011 and 2012 capital expenditures reported in Baxter's annual financial reports and an estimated emission factor per million dollars of capital expenditures based in part upon benchmarking with other companies.
- ⁵ Greenhouse gas emissions calculated for 2010, 2011 and 2012 based upon Baxter's actual energy usage by energy type for each year and GHG emission factors for each energy type per GaBI life cycle assessment software.
- ⁶ Greenhouse gas emissions determined by a) an estimate of GHG emissions associated with the delivery of products and services to Baxter based upon the modeling activities of an independent UK-based firm in 2009 and 2010 and prorated forward based upon global sales data, and b) calculations performed by an independent third party of GHG emissions associated with the transportation of products to Baxter customers for 2012 and prorated back based upon global sales data.
- ⁷ Estimated emissions for wastewater treatment by municipalities, and off-site waste recycling and disposal based in part upon guidance provided by the Massachusetts Department of Environmental Protection (United States) and the U.S. EPA Solid Waste Management and Greenhouse Gas Emissions guidelines.
- ⁸ Baxter calculated emissions associated with employee use of commercial airlines, rental cars and hotel stays based in part on data provided by company travel providers. Airline companies used by Baxter provided data regarding distances flown by Baxter employees in five geographic regions. Baxter used emission factors per UK Delta DECC GHG information to calculate associated GHG emissions. Information from travel providers regarding rental car distances traveled and number of hotel room stays along with emission factors based upon assumed vehicle fuel efficiency and average hotel room stay emissions per Conservation International were used to calculate reported GHG emissions.
- ⁹ 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).
- ¹⁰ Emissions associated with upstream leased assets estimated at 3% of Baxter's net emissions from Operations.
- ¹¹ 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 three Baxter locations. These emissions were calculated as 162,000 metric tons CO₂e in 2010, 172,000 metric tons CO₂e in 2011, and 187,000 metric tons CO₂e in 2012.
- ¹² Includes the purchase of electricity generated from 100 percent certified renewable electricity (Austria, Brazil, Spain, Switzerland, United Kingdom, and United States), the purchase of carbon credits from the Chicago Climate Exchange/InterContinental Exchange (United States) and relied in 2010, 2011 and 2012.
- ¹³ 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.
- ¹⁴ Refrigerant emissions represent total reported CFC, HCFC and HFC refrigerant losses by each Baxter location. Baxter calculated associated GHG emissions using average emission factors for each refrigerant family.
- ¹⁵ Baxter engaged an independent third party to calculate GHG emissions associated with the transportation of products to Baxter customers in 2012. These GHG emissions are reported in Category 4. Greenhouse gas emissions associated with Downstream Transportation and Distribution are estimated at 5% of the former emissions.
- ¹⁶ Baxter estimated the emissions associated with the use and final disposition of products based upon available production data and global warming potential information available for certain types of products. Emissions for certain other products were estimated.
- ¹⁷ Greenhouse gas emissions for this Scope 3 category for 2010-2012 were estimated based upon certain financial information presented in Baxter's annual financial reports and the company's net emissions from operations (taking into account absolute amounts as well as annual changes).
- ¹⁸ Totals do not include GHG emissions from Baxter-owned biomass-fired boilers. See footnote 11 above for 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 are the foundation of Baxter's energy program. They help identify new technologies for facilities to implement and help identify best practices to share across the company.

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

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

In 2012, Baxter performed energy balances at the following 10 facilities: Toongabbie, Australia; Vienna, Austria; São Paulo, Brazil; Cali, Colombia; Castlebar, Ireland; Cuernavaca, Mexico; Woodlands, Singapore; Liverpool, United Kingdom; Irvine, California, and Aibonito, Puerto Rico, United States.

As a result of energy balances, Baxter facilities worldwide are evaluating or implementing approximately 360 energy conservation projects that have potential annual savings of \$8.7 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. See the table below for

progress since 2007. In 2012, four additional Baxter sites qualified for Gold status in the Lean Energy Program, bringing the total to eight sites.

Lean Energy Program Performance

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

	2007	2008	2009	2010	2011	2012
Pre-requisite	93%	98%	100%	100%	98%	99%
Bronze		85%	94%	98%	95%	98%
Silver			76%	89%	89%	91%
Gold				54%	60%	71%

*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 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 helps the company identify when performance is lagging so it can respond accordingly. It focuses on energy balances and the Lean Energy Program, emphasizing progress toward Baxter's internal target of a 3 percent annual reduction in energy use per unit of production.

Energy Conservation Initiatives

Since 2005, Baxter's global energy management initiatives have resulted in a total cumulative energy savings of approximately \$34 million on an annualized basis. Energy efficiency gains achieved in 2012 are due to the company's comprehensive implementation of its Lean Energy Program. Examples of projects implemented during the year include the following:

- **Belgium** – Baxter's facility in Lessines implemented a series of projects to capture and reuse clean hot water previously discarded with the site's wastewater. On an annualized basis, these projects helped reduce water consumption by nearly 85,000 cubic meters, energy usage by approximately 12,000 gigajoules, and carbon dioxide equivalent (CO₂e) emissions by more than 600 metric tons, while saving approximately \$300,000 in energy and water.
- **India** – Baxter's facility in Manesar installed variable frequency drives on key pumps and compressors for the chilled water and compressed air systems. The site also improved the insulation of steam distribution piping and valves throughout the plant. These company projects will reduce energy use by nearly 3,000 gigajoules, reduce CO₂e emissions by approximately 680 metric tons, and save more than \$115,000 annually.
- **United States** – Baxter's facility in Hayward, California, completed several energy conservation projects including the recovery and reuse of steam condensate, insulation of steam distribution piping, installation of energy efficient lighting, and the optimization of process cooling systems used for production. These projects combined are expected to reduce facility energy usage by nearly 3,900 gigajoules, CO₂e emissions by 200 metric tons and associated energy costs by \$77,000 annually.

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

	<p>Energy Program</p> <ul style="list-style-type: none"> • 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 European Union 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

GHG Emissions across the Value Chain

Global warming and resulting climate change is one of the most pressing sustainability challenges facing the world today. Multinational companies can help address climate change by understanding their impacts across the value chain and decreasing greenhouse gas (GHG) emissions through reduction programs. These are core elements of Baxter's sustainability efforts.

The company 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 Greenhouse Gas Protocol, a collaboration of World Resources Institute and the World Business Council for Sustainable Development.

Baxter estimates its total GHG emissions footprint (Scope 1, Scope 2 and Scope 3) at 4.7 million metric tons carbon dioxide equivalent (CO₂e). The data 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.

Scope 1 and Scope 2 emissions have a high level of certainty and are verified to a reasonable assurance level by an external third party. Scope 3 categories such as Purchased Goods and Services (supply chain), Upstream Transportation and Distribution and Use of Sold Products are based on various assumptions and estimates. The external third party assurance body also verified Baxter's methodology for determining Scope 3 GHG emissions. Baxter continues to refine its understanding of the company's GHG emissions footprint and to implement emissions reduction strategies.

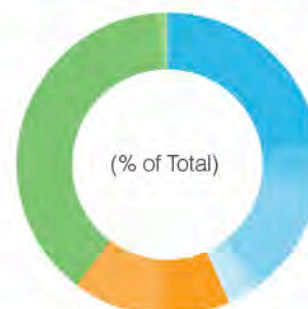
View more detail about Baxter's energy usage and GHG emissions in the table on page 17.

Upstream Scope 3 GHG Emissions

The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard defines eight upstream Scope 3 emissions categories. Baxter estimates GHG emissions for each one, summarized below.

- **Purchased Goods and Services** – Estimated emissions associated with Baxter's purchase of goods and services equaled 1,072,000 metric tons CO₂e in 2012, 23.0% of the company's GHG emissions footprint. See Global Sustainable Supply Chain for information 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 145,000 metric tons CO₂e in 2012, 3.1% of Baxter's total GHG emissions footprint.
- **Fuel and Energy-Related Activities** – This category includes GHG emissions related to the production of fuels and energy purchased and consumed by the reporting company.¹ Baxter estimates GHG emissions in this category at 74,000 metric tons CO₂e in 2012, 1.6% of the company's total GHG emissions footprint.
- **Upstream Transportation and Distribution** – Baxter estimates GHG emissions related to upstream transportation and distribution of products at 561,000 metric tons CO₂e in 2012, 12.0% of the company's total GHG emissions footprint. See Product Transport for more information about initiatives in this area.
- **Waste Generated in Operations** – Baxter estimates GHG emissions associated with two elements within this category. For 2012, estimated GHG emissions related to off-site wastewater treatment and waste management equaled 4,000 metric tons CO₂e, 0.1% of Baxter's total GHG emissions footprint.

Baxter's Global GHG Emissions Footprint, 2012*



	2011	2012	2012
	(Metric Tons CO ₂ e)		(% of Total)
Upstream (Scope 3)			
Purchased Goods and Services	1,056,000	1,072,000	23.0%
Capital Goods	120,000	145,000	3.1%
Fuel and Energy-Related Activities	73,000	74,000	1.6%
Upstream Transportation and Distribution	549,000	561,000	12.0%
Waste Generated in Operations	5,000	4,000	0.1%
Employee Business Travel	45,000	53,000	1.1%
Employee Commuting	84,000	97,000	1.9%
Upstream Leased Assets	27,000	28,000	0.6%
Subtotal	1,959,000	2,024,000	43.4%
Baxter Operations (Scope 1 and 2)			
Facility/Vehicle Fuel Usage (Scope 1)	348,000	345,000	7.4%
Purchased Energy (Scope 2)	450,000	445,000	9.5%
Subtotal	798,000	790,000	16.9%
Downstream (Scope 3)			
Downstream Transportation and Distribution	21,000	21,000	0.4%
Use of Sold Products	1,872,000	1,782,000	38.2%
End-of-life Treatment of Sold Products	41,000	39,000	0.8%
Franchises	9,000	9,000	0.2%
Investments	5,000	5,000	0.1%
Subtotal	1,948,000	1,856,000	39.7%
Total	4,705,000	4,670,000	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: Processing of Sold Products and Downstream Leased Assets.

- **Employee Business Travel** – Greenhouse gas emissions related to employee business travel equaled 53,000 metric tons CO₂e in 2012, 1.1% of Baxter's GHG emissions footprint. These include commercial air travel (49,000 metric tons CO₂e), rental cars and public transportation (2,000 metric tons CO₂e) and hotel rooms and conference meeting facilities (2,000 metric tons CO₂e). Baxter bases these estimates principally on data supplied by the company's travel service vendors.
- **Employee Commuting** – Baxter estimates GHG emissions associated with employee commuting at 87,000 metric tons CO₂e in 2012, 1.9% of the company's GHG emissions footprint. This estimate is based on employee counts by region, approximate average commute distances and commuting mode.
- **Upstream Leased Assets** – Baxter estimates GHG emissions associated with upstream leased assets at 28,000 metric tons CO₂e in 2012, 0.6% of the company's GHG emissions footprint. In addition to leased facilities space, this includes 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 refrigerant losses. Excluding offsets, these emissions equaled 790,000 metric tons CO₂e in 2012, 16.9% of the company's GHG emissions footprint. This included:

- Facility/Vehicle Fuel Usage and Refrigerant Losses (Scope 1) -- 345,000 metric tons CO₂e
- Purchased Energy (Scope 2) -- 445,000 metric tons CO₂e

See GHG Emissions from Operations, the following section, for extensive detail.

Downstream Scope 3 GHG Emissions

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

- **Downstream Transportation and Distribution** – Baxter estimates GHG emissions associated with downstream transportation and distribution at 21,000 metric tons CO₂e in 2012, 0.4% of the company's GHG emissions footprint.
- **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 GHG emissions associated with the use of its products at 1,782,000 metric tons CO₂e in 2012, 38.2% of the company's GHG emissions footprint. The company is exploring strategies to mitigate some of these product-related emissions.
- **End-of-life Treatment of Sold Products** – Baxter estimates GHG emissions associated with end-of-life treatment of sold products at 39,000 metric tons CO₂e in 2012, 0.8% of the company's GHG emissions footprint.
- **Downstream Leased Assets** – This category includes emissions not already counted in Scope 1 or Scope 2 from the operation of assets owned by the reporting company (acting as lessor) and leased to other entities in the reporting year³. Baxter continues to evaluate possible emissions associated with this category.
- **Franchises**⁴ – Baxter estimates GHG emissions associated with franchises at 9,000 metric tons CO₂e in 2012, 0.2% of the company's GHG emissions footprint.
- **Investments** – Baxter estimates GHG emissions associated with investments at 5,000 metric tons CO₂e in 2012, less than 0.1% of the company's GHG emissions footprint.

External Recognition

- In May 2013, UK-based Environmental Investment Organization recognized Baxter with a 2013 Scope 3 Disclosure Leader Award. Baxter was listed second as reporting 12 of 15 Scope 3 GHG emission categories.⁵
- 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.

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

² Intermediate 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.

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

⁴ This 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 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

⁵ This performance relates to Baxter's 2011 GHG emissions reported in 2012

GHG Emissions from Operations

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

Baxter's approach to managing and reducing GHG emissions from operations includes 18 program and reduction strategies. Program strategies describe broader aspects of the company's approach such as developing and refining an overall GHG emissions 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, onsite renewable energy systems, renewable power purchasing, and high-performance green buildings.

The company is committed to reducing GHG emissions from operations 45% indexed to revenue by 2015 compared to 2005. From 2005 to 2012, Baxter decreased net GHG emissions from operations by 12% in absolute terms and 39% indexed to revenue. Although the company is expanding its operations with business acquisitions and new facilities, Baxter projects it will meet its GHG emissions goal.

Total net emissions from operations of 688,000 metric tons carbon dioxide equivalent (CO₂e) in 2012 includes a subtraction of 101,700 metric tons CO₂e, composed of the following: 86,700 metric tons CO₂e of certified renewable energy and 15,000 metric tons CO₂e of

Chicago Climate Exchange (CCX) carbon credits purchased from the IntercontinentalExchange.

This total is equivalent to 13% of total emissions from operations and represents approximately one-fourth of the company's progress (39% reduction indexed to revenue) toward its 2015 GHG reduction goal. The following table describes the sources of GHG emissions from Baxter operations during 2012.

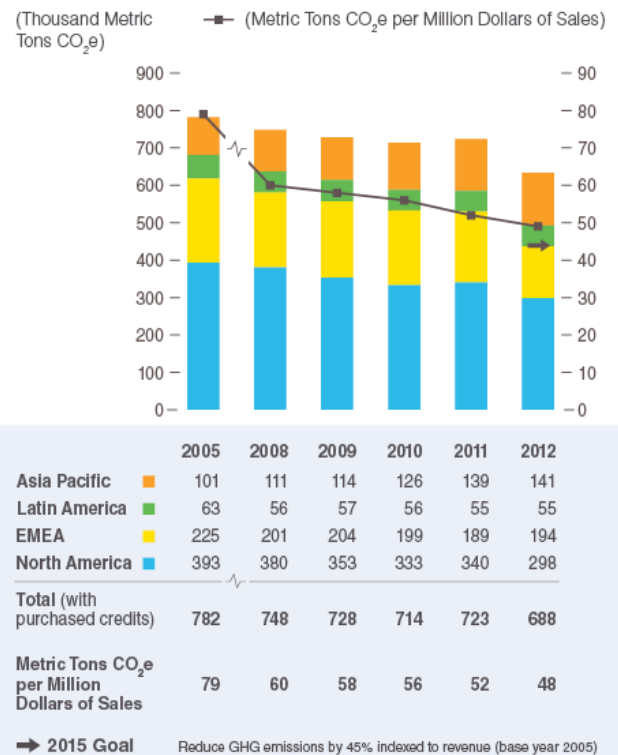
GHG Emissions from Baxter Operations, 2012*			
	Metric Tons CO ₂ e	Percent of Total	Primary GHG Emissions Reduction Focus
Purchased Electricity and Steam	445,000	56.3%	Energy Conservation
Purchased Fossil Fuel	260,000	32.9%	Energy Conservation and switching to lower GHG or renewable fuels
Baxter Operated Sales, Distributed and Other Business Vehicles	53,000	6.7%	Improved vehicle efficiency
Refrigerant Related Emissions	32,000	4.1%	Switching to lower GHG potential refrigerants

<http://www.sustainability.baxter.com/environment-health-safety/environmental-performance/ghg-emissions-across-value-chain.html>

<http://www.sustainability.baxter.com/environment-health-safety/environmental-performance/ghg-emissions-from-operations.html>

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Greenhouse Gas Emissions from Baxter Operations*



* 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 2012 Scope 1 and Scope 2 GHG emissions from global operations under Baxter's control.

Subtotal	790,000	100%	
Purchase of Renewable Energy (Electricity) and Carbon Credits, and Support of Carbon Sequestration Projects	102,000		
Net GHG Emissions	688,000		

* See the paragraph about biomass fuels below for detail about emissions from biomass-fired boilers at three 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 in the table on page 17.

Energy usage accounts for 96% of Baxter's GHG emissions from operations, so the company focuses its efforts in this area. Baxter's approach includes adopting innovative technologies such as low energy light emitting diode (LED) lighting, switching to lower carbon fuels (such as from fuel oil to natural gas), using boilers powered by sustainably sourced biomass fuels, and implementing cogeneration systems. For more detail, see below, the Energy page, and Case Study: Employees Drive Innovative Environmental Initiatives.

In 2012, Baxter used biomass fuels to generate energy in boilers at three Baxter locations: Marion, North Carolina, United States (wood byproducts from furniture manufacturing); Alathur, India, (coconut shells, rice husks and sugarcane remnants) and Waluj, India (residual biomass from sugarcane and cotton). During the year, emissions from these boilers equaled 187,000 metric tons CO₂e. Following the Greenhouse Gas Protocol¹, the company reports CO₂ emissions from biologically sequestered carbon separately from its total emissions from operations (Scope 1 and 2) and does not include these emissions in progress toward its 2015 GHG emissions reduction goal. See Baxter's Energy Usage and Greenhouse Gas Emissions section for more detail.

In 2012, Baxter's Lessines, Belgium, facility completed the first full year of operation of its new cogeneration system. The company also uses cogeneration at its Castlebar, Ireland and Sabiñánigo, Spain manufacturing sites.

Renewable Energy and Carbon Neutrality

In 2007, Baxter committed to increasing facility usage of renewable energy to 20% of total energy use by 2015. By year end 2012, 22% of Baxter's energy use for operations was from renewable sources. Of this amount, 8% was biomass fuel for boilers at three company locations and 14% was the combined total from the renewable energy component of purchased electricity (11%) and renewable energy certificates (RECs) (3%). A small amount was from onsite geothermal systems and onsite solar photovoltaic (PV) and solar hot water systems.

During 2012, Baxter purchased 207,100 megawatt hours (MWh) of electricity generated from 100% certified renewable power. This included 111,000 MWh in Europe (Austria, Spain, Switzerland, and the United Kingdom), 13,100 MWh in South America (Brazil) and 83,000 MWh of certified Green-e renewable energy certificates (RECs) in the United States. Baxter was recognized as the 19th largest corporate purchaser of renewable energy in the United States in 2012.²

Beginning in 2007, Baxter has maintained carbon neutrality at its headquarters in Deerfield, Illinois, United States, and its facility in Cartago, Costa Rica, through electricity generated from certified renewable energy, carbon credits, and carbon offsets. In both cases, the company offsets facility-related emissions from purchased electricity as well as fuel combusted on site. Beginning in 2012, all electricity purchased by Baxter in Illinois, United States, was 100% wind-generated, Green-e certified renewable energy. This equaled 83,000 MWh last year.

The following table summarizes energy sources used by utilities to generate electricity for Baxter globally in 2007 and 2012. During that period, renewable energy sources increased from 22.5% to 35.5%.

Energy Sources Used to Generate Electricity Used by Baxter*		
Non-renewable Energy Sources	2007	2012
Coal	31.8%	27.0%
Natural Gas	22.5%	19.5%
Nuclear	14.2%	10.8%
Oil	8.5%	6.8%

Waste	0.5%	0.4%
Subtotal	77.5%	64.5%
Renewable Energy Sources		
Biomass	1.5%	3.2%
Geothermal	0.5%	0.5%
Hydroelectric	16.2%	19.4%
Solar	0.0%	0.3%
Wind	4.3%	12.1%
Subtotal	22.5%	35.5%
Total	100%	100%

* Based upon the most recent country data available from the International Energy Agency (IEA) and the additional renewable energy purchased by Baxter. Unlike Baxter's 2015 renewable energy goal, this table does not take into account onsite renewable energy systems.

Baxter also has recently implemented several on-site renewable energy projects. The capacity of the company's total on-site solar PV and solar hot water systems at year-end 2012 was approximately 1.0 MW. Examples include the following:

- **2012** – Baxter installed solar hot water and PV systems at its Rieti, Italy, facility. In 2012 Baxter began to install an 840 kWp³ solar PV system (the company's largest) at its Marsa, Malta, facility, completed during the second quarter of 2013.
- **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 previously had installed a geothermal system at its office in Munich, Germany).
- **2010** – Baxter installed solar PV systems at its Los Angeles, California, United States, and Aibonito, Puerto Rico, facilities.

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

Additional Approaches to Reduce GHG Emissions

High-performance green buildings provide many benefits that enhance employee productivity and reduce operating expense. Baxter has incorporated green building design principles and has achieved or is working toward U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) certification at several sites (see EHS Management Systems and Certifications).

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.

¹The Greenhouse Gas Protocol, Corporate Accounting and Reporting Standards (Corporate Standard). 2 U.S. Environmental

²Protection Agency Green Power Partnership Fortune 500 Partners List, January 9, 2013.

³Kilowatt-peak (kWp) refers to the maximum electricity generation capacity of the system.

Waste

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 2000's, potential financial gains and process efficiency have also motivated the company's efforts in this area.

Baxter tracks and analyzes waste data from each major facility to assess progress toward waste-reduction goals and identify opportunities to improve the efficiency of processes that generate waste. The company's environmental, health and safety (EHS) information management system captures waste performance data monthly, allowing quick reaction time when issues arise. Facilities also are implementing robust means of measuring waste at the point of generation, to rapidly identify significant sources. These and other waste reduction activities reduce expenses related to raw materials, waste handling and disposal. Waste minimization also reduces environmental impacts associated with raw materials extraction and refining.

Baxter sites generate different types of waste, so the company's total waste goals combine non-hazardous and regulated waste to encourage each site to focus on the type of waste most relevant to its operations. Baxter has committed to reduce waste generation by 30% indexed to revenue by 2015, compared to 2005. The company identifies leading opportunities to decrease waste based on the highest volume waste streams, facilities that produce the most waste, sites with particularly strong potential to improve, and other factors.

Total Waste Performance

During 2012, Baxter's operations generated 63,430 metric tons of total waste, up 11% from 2005 in absolute terms and a 23% decrease indexed to revenue.

In absolute terms, total waste decreased by 13% during 2012 compared to 2011. Baxter attributes this decrease to the following:

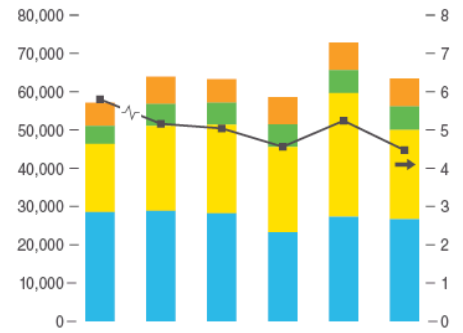
- **Europe, Middle East and Africa** – A product recall in the region resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the global total. Excluding this waste, Baxter's waste generation was essentially the same in 2011 as in 2012.
- **United States** – Although plasma collection has increased at BioLife Centers, the company implemented two projects that helped reduce waste. The recycled sharps container program across BioLife kept 15 metric tons of plastic and 0.5 metric tons of cardboard out of landfills. This initiative saved more than \$40,000 by avoiding purchase of new plastic sharps containers. The centers also are working with a supplier to return used "mini-trays" (packing material for collection set tubing).

Non-hazardous Waste Performance

During 2012, Baxter's operations generated 58,000 metric tons of non-hazardous waste, 9% more than in 2005 in absolute terms and a 24% decrease indexed to revenue.

Total Waste*,**

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



	2005	2008	2009	2010	2011	2012
Asia Pacific	6,060	7,160	6,130	7,140	7,200	7,310
Latin America	4,750	5,730	5,820	5,920	6,000	6,120
EMEA	17,760	22,160	23,140	22,260	32,310	23,360
North America	28,540	28,860	28,180	23,280	27,310	26,640
Total	57,110	63,910	63,270	58,600	72,820	63,430

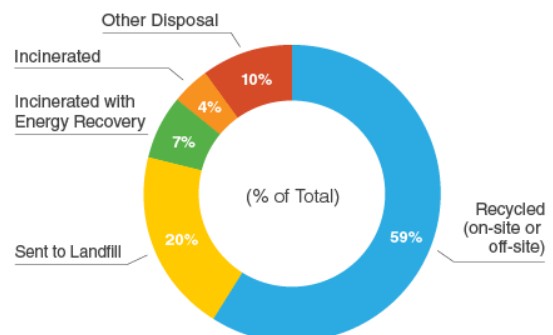
Metric Tons per Million Dollars of Sales

→ **2015 Goal** Reduce total waste generation (non-hazardous and regulated combined) 30% indexed to revenue (base year 2005)

*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. Also excludes construction and demolition debris, remediation waste and wastewater treatment sludge. Removing these waste categories from the company total allows for more consistent evaluation of facility performance and trends over time.

**A product recall in Europe resulted in approximately 9,400 metric tons of total waste in 2011, 13% of the 2011 global total.

Waste Management at Baxter, 2012



Plastic scrap represents one of Baxter's largest waste streams, representing 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 continues to benefit from these efforts. Nineteen facilities participating in the plastic scrap reduction initiative reduced plastic waste by more than 700 metric tons during 2012.

Examples include:

- **Australia** - The Toongabbie facility designed a mechanism to recover plastic scrap in one of its production processes that is expected to save the company more than \$60,000 and 36 metric tons of plastic per year.
- **Costa Rica** - The Cartago site continues to reduce plastic use due to enhanced process controls in the manufacturing process. The site reduced plastic scrap waste by 17% per unit of production in 2012 compared to the prior year, equivalent to 134 metric tons.
- **India** - The Manesar facility implemented projects that reduced plastic scrap by 44% per unit of production in 2012, or approximately 210 metric tons, compared to 2011. Projects in 2012 included modifying the 3L drain renal bag to a 2.5L bag, decreasing the weight of each bag by 0.4 grams. The site also reduced the thickness of the 2L solution bag and 3L drain bag by 0.01mm. The facility continues to focus on scrap reduction as well, and improved the rate from 2.5% to 1.5% of total plastic use in 2012 after addressing main sources of rejects and improving the changeover process in extrusion lines.
- **Singapore** - The Singapore site improved efficiency in manufacturing, including projects aimed at reducing changeover, start-up and set-up time in extrusion operations, steps that are the main sources of plastic scrap in extrusion operations. These enhancements reduced plastic scrap by 12% per unit of production compared to 2011, equal to 138 metric tons.

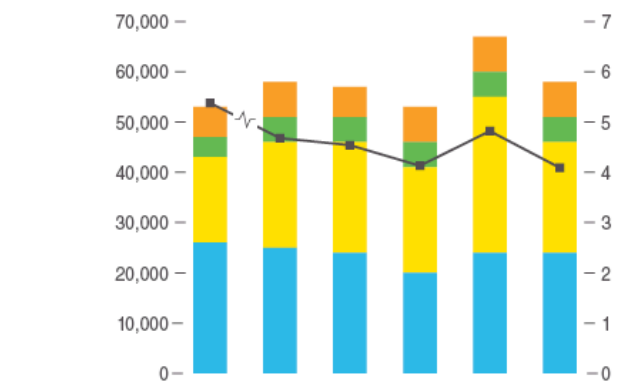
Other facilities also have reduced waste by focusing on manufacturing efficiency. During 2012, Baxter's Lessines, Belgium; San Vittore, Switzerland; Aibonito, Puerto Rico; Suzhou, China; and Alliston, Canada, facilities implemented projects that reduced plastic waste by 764 metric tons total compared to the prior year.

A procedure at Moncelice, Italy, promotes materials reuse and proper segregation of all waste from the workshop. One project used discarded poles to build a table with a chute that moves empty trolleys for a product. This project not only reduced waste, but also provided additional benefits, including improved ergonomic handling.

In 2012, Baxter also focused on reducing packaging waste. Sites in Cali, Colombia; Kista, Sweden; Marsa, Malta; and Mountain Home, Arkansas, United States, implemented initiatives to decrease use of packaging materials such as cardboard, paper, plastic, and Styrofoam, saving 50 metric tons. See Packaging section for details.

Non-hazardous Waste*

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



	2005	2008	2009	2010	2011	2012
Asia Pacific	6,000	7,000	6,000	7,000	7,000	7,000
Latin America	4,000	5,000	5,000	5,000	5,000	5,000
EMEA	17,000	21,000	22,000	21,000	31,000	22,000
North America	26,000	25,000	24,000	20,000	24,000	24,000
Total	53,000	58,000	57,000	53,000	67,000	58,000

Off-Site Recycling of Select Waste Streams, 2012



* 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.

Baxter has steadily increased its recycling rate since 2007. Of the 58,000 metric tons of non-hazardous waste generated in 2012, Baxter recycled approximately 40,000 metric tons, or 69%. Baxter also recycled 1,600 metric tons of regulated waste in 2012, for an overall recycling rate of 66%.¹

Recycling activities at Baxter generated nearly \$6.6 million in revenue in 2012. Although some recycled waste streams do not generate revenue, even in those cases recycling typically costs less than disposal. Recycling revenue in 2012 increased by more than 30% compared to 2011 due to higher prices paid for recycled materials such as plastics, metals and corrugated and fewer expenses associated with recycling of finished product.

Regulated Waste Performance²

Regulated waste represented about 9% of the total waste Baxter generated in 2012.

Baxter generated 5,430 metric tons of regulated waste in 2012, 32% more than in 2005 in absolute terms and a 8% decrease indexed to revenue. The company decreased regulated waste by 7% on an absolute basis compared to 2011, principally due to a project at the Los Angeles facility that turned 600 tons of plasma production by-products into electricity, through the use of an anaerobic digester. See Case Study: Baxter's Los Angeles, California, United States, Facility Turns Production Waste into Electricity.

Since 2010, Baxter's Guayama, Puerto Rico, facility has pursued improvements to a manufacturing distillation process to reduce the amount of waste associated with this process. The improvement allows wastewater generated from the process to be treated in the facility's wastewater pretreatment system rather than hauling it off-site for disposal. Additionally, the concentrated organic stream generated during the distillation process is now reused, reducing approximately 45 cubic meters of liquid waste annually. Following an analysis of regulated waste streams in 2012, the site also was able to reclassify some waste as nonhazardous and to treat other waste streams in the facility's wastewater pretreatment plant. For example, the use of more compatible metal alloys in process tanks and equipment has reduced metal levels in process wastewater, allowing the site to pretreat wastewater internally. Overall, these efforts helped reduce regulated waste by 25% in 2012 compared to the prior year, equivalent to 99 metric tons.

The Baxter site in Grosotto, Italy, installed an acetic acid storage tank and automatic distribution system, eliminating the use of small single-use containers of acetic acid and decreasing regulated waste by about 15 metric tons per year compared to 2011.

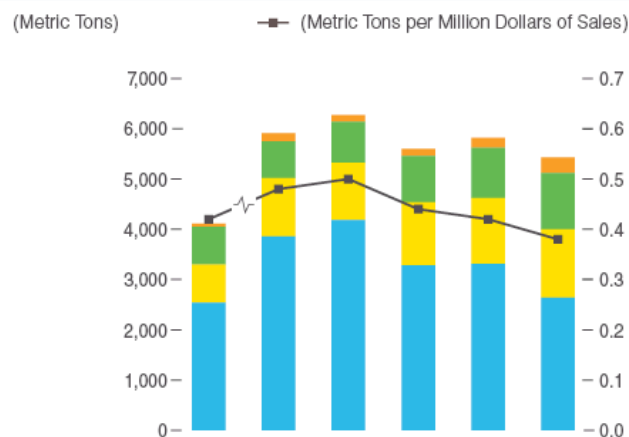
Additional Waste Streams

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 in the following table, which allows for more consistent evaluation of facility performance and trends.

¹ Incineration with energy recovery is considered recycling.

² Baxter reports "regulated waste" rather than "hazardous waste." This term includes a broader array of materials that would otherwise be classified as non-hazardous in some countries, which helps Baxter harmonize its waste reporting across locations with varying waste regulations. In addition to wastes typically

Regulated Waste*



	2005	2008	2009	2010	2011	2012
Asia Pacific	60	160	130	140	200	310
Latin America	750	730	820	920	1,000	1,120
EMEA	760	1,160	1,140	1,260	1,310	1,360
North America	2,540	3,860	4,180	3,280	3,310	2,640
Total	4,110	5,910	6,270	5,600	5,820	5,430

Metric Tons per Million Dollars of Sales	0.42	0.48	0.50	0.44	0.42	0.38
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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.

considered hazardous (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.

Construction and demolition debris waste decreased in 2012 compared to 2011 primarily due to the completion of several large expansion projects in 2011. 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)									
			2010			2011			2012
	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total
Construction and Demolition Debris	6,100	0	6,100	14,000	0	14,000	1,200	0	1,200
Remediation Waste	0	10	0	0	3,810	3,810	0	140	140
Wastewater Treatment Sludge	1,400	10	1,410	1,900	100	2,000	2,300	100	2,400
Total	7,500	20	7,520	15,900	3,910	19,810	3,500	240	3,740

Water and Wastewater

Water issues continue to grow in visibility and importance worldwide, and many consider access to clean water to be a basic human right. Although global concerns, addressing these issues requires action at a local or regional level. Due to the location-specific nature of water issues, companies first must understand water risks associated with individual operations before they can take appropriate and meaningful action.

Water is integral to many of Baxter's products and manufacturing processes, and the company considers water conservation and reuse to be key focus areas. 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 consumption, energy usage and greenhouse gas emissions are interrelated issues, including within Baxter's manufacturing operations. 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 2012, the company acquired slightly less than half of its water from on-site wells and the remainder from municipal water distribution systems.

During the year, Baxter used approximately 14.0 million cubic meters¹ of water, roughly equivalent to filling 15 Olympic-sized swimming pools every day. The company used 5% less water in 2012 than in 2005 in absolute terms and 34% less indexed to revenue, on target to meet its 2015 water-reduction goal. Baxter used approximately 60,000 cubic meters more water in 2012 than in 2011, largely due to changes in manufacturing practices and product development activities at numerous Baxter facilities globally.

Baxter uses water in three main ways:

- Process-related operations include cooling towers, chillers, steam boilers, sterilizers and water purification (80% of total);
- Use of purified water in the company's solution products (15% of total); and
- Other uses such as in bathrooms, cafeterias and landscaping (5% of total).

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 considers several factors to identify water usage reduction opportunities and possible water conservation projects at sites, including total water used, water usage efficiency, water cost and water availability. 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 mapping² with water management to help facilities identify areas for additional conservation.

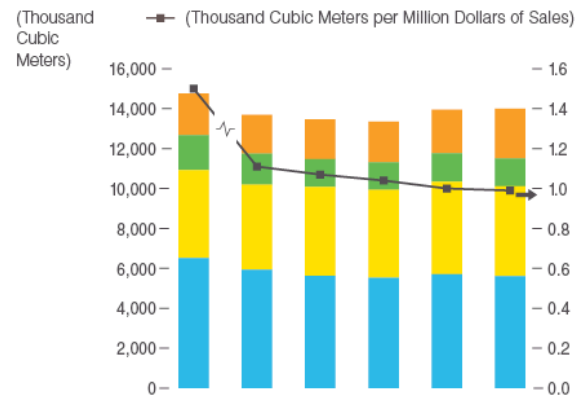
During 2012, Baxter implemented water recovery and reuse projects at several facilities:

- **England** - Baxter's facility in Liverpool installed a closed-circuit cooling water loop, helping to reduce water usage by 104,000 cubic meters compared to 2011.
- **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 Viaflo, Baxter's non-PVC flexible intravenous (IV) bag. Continued implementation of this project in 2012 contributed to a 59,000 cubic meter reduction in water usage during the year.
- **United States** - Baxter's Hayward, California, facility completed improvements on its steam management system, enhanced insulation of steam valves and piping throughout the facility, and reduced reverse osmosis water system operational time. These projects contributed to the facility's 10,000 cubic meter reduction in water consumption, compared to 2011.

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 51 largest water-consuming locations, which represent approximately 96% of the company's total water use. Twelve of those sites are located in water-scarce areas, 10 in water-stressed areas and 29 in water-sufficient areas.

Water Usage

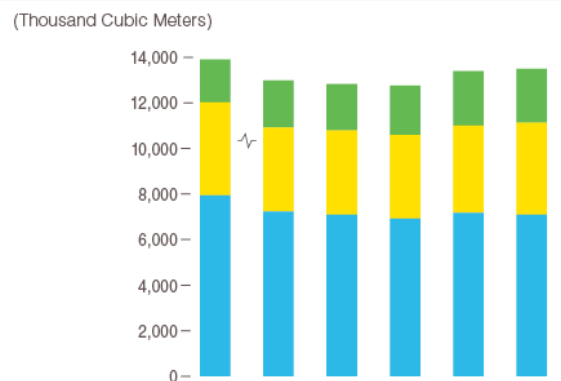


	2005	2008	2009	2010	2011	2012
Asia Pacific	2,095	1,952	1,987	2,056	2,181	2,502
Latin America	1,744	1,552	1,385	1,371	1,421	1,394
EMEA	4,399	4,255	4,466	4,405	4,639	4,504
North America	6,523	5,933	5,620	5,526	5,702	5,602
Total	14,761	13,692	13,458	13,358	13,943	14,002

Thousand Cubic Meters per Million Dollars of Sales	1.50	1.11	1.07	1.04	1.00	0.99
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→ 2015 Goal Reduce water usage by 35% indexed to revenue (base year 2005)

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



	2005	2008	2009	2010	2011	2012
Scarce Water Resources	1,881	2,067	2,052	2,170	2,395	2,364
Stressed Water Resources	4,088	3,675	3,691	3,677	3,820	4,043
Sufficient Water Resources	7,937	7,236	7,091	6,915	7,175	7,091

* Water usage from Baxter's 51 sites with the greatest use, representing approximately 96% 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 at least 1,000 cubic meters but less than 1,700 cubic meters. Water-sufficient areas have at least 1,700 cubic meters.

Water usage in water-scarce and water-stressed areas increased 3% in absolute terms and 5% normalized to production in 2012 compared to 2011, primarily due to more water-intensive manufacturing practices and sanitation protocols.

Baxter has established partnerships 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.

In 2012, Baxter launched a project with Philippine Center for Water and Sanitation (PCWS) to improve the water, sanitation and hygiene (WASH) conditions for the nearly 1,500 inhabitants of Sitio Silangan, a community within walking distance of the company's manufacturing facility in Canlubang, Philippines, which is located in a water-scarce region. PCWS builds the capabilities of communities, households, non-governmental organizations and other groups to address water, sanitation and hygiene challenges throughout the country. See Case Study: Addressing Community Water Needs in the Philippines.

In early 2013, Baxter also entered into a partnership with Sarar Transformación SC to implement a community water project near Baxter's facility in Cuernavaca, Mexico. The project's goals are to improve water and sanitary conditions at local schools in the surrounding water-stressed area of Tepoztlán, Mexico; to educate the community on sustainable water use; and to implement processes to ensure maintenance of the installed improvements. Nearly 1,000 residents of the Tepoztlán area are expected to benefit from this project.

Wastewater

Wastewater discharged from Baxter's production operations represents one of the company's most significant environmental compliance risks. In 2012, all of Baxter's 85 self-reported environmental incidents were exceedances of permitted wastewater discharge limits, and 95% of those were from one location. The company's Castlebar, Ireland facility reported 81 wastewater exceedances related to biological oxygen demand (BOD), pH, flow volume, chloride and sulphate.

To address these items, Baxter continues to apply internal and external legal and engineering resources to improve compliance at this facility. The site has worked extensively with local regulatory agencies, external wastewater experts, and the private third-party operator of the municipal wastewater treatment plant to develop technical options to expand the treatment capacity of the Baxter-dedicated wastewater pre-treatment system. Additionally, Baxter continues to manage its operations, including its required rigorous cleaning solutions and other ways to reduce the loading on the wastewater treatment system. This and many other enhanced internal operational practices have engaged the entire facility staff and management in identifying ways to further reduce the risk of wastewater exceedances.

On a global level, to address existing wastewater compliance issues and to anticipate potential future ones, Baxter's environmental engineering group continues to perform comprehensive wastewater risk evaluations and develop recommendations for facilities with elevated wastewater compliance risk. These evaluations review processes for managing change at the facility, wastewater compliance performance, wastewater permit conditions, projected changes in production over the next five years, wastewater monitoring practices, reserve wastewater treatment capacity analyses, and other operational practices that help ensure proper management of wastewater discharges and compliance.

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 2012, these 12 facilities treated more than 4.3 million cubic meters of wastewater, nearly 31% of Baxter's total water consumption.

The combined treated effluent from the 10 facilities that discharge to a waterway contained substances that represent 36 metric tons of BOD₅, 120 metric tons of chemical oxygen demand (COD) and 34 metric tons of total suspended solids (TSS). This equals average concentrations of 8 mg/liter BOD₅, 28 mg/liter COD and 8 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	2012	Typical Acceptable Discharge Level (mg/L)
BOD ₅ **	Metric Tons	26	26	28	28	31	41	24	36	
	Mg/L	6	6	6	7	8	10	5	8	20
COD**	Metric Tons	111	119	134	132	102	106	98	120	
	Mg/L	26	27	30	31	27	27	22	28	60
TSS**	Metric Tons	45	49	53	48	31	34	49	34	
	Mg/L	11	11	12	11	8	9	11	8	20
Total Direct Discharge	Cubic Meters	4,340,000	4,565,000	4,538,000	4,295,000	3,777,000	3,948,000	4,404,000	4,348,000	

*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.

The company properly manages the APIs that it uses to help ensure they are not released into the environment during manufacturing. Baxter 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 other environmentally responsible means.

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.

¹ One cubic meter equals 1,000 liters or 264 gallons.

² 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 identify opportunities for reduction or reuse.

2012 Environmental Financial Statement

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.

Environmental income, savings and cost avoidance totaled \$19.9 million for initiatives completed in 2012, or 88% of the cost of Baxter's basic global environmental program. This amount increased from a net loss of \$4.4 million in 2011.

Factors that influenced 2012 performance include the following:

- **Non-hazardous waste savings and cost avoidance:** Waste related to disposal of finished product decreased by nearly 8,000 metric tons in 2012 compared to 2011, resulting in significant savings and cost avoidance associated with non-hazardous waste disposal and non-hazardous materials.
- **Regulated waste savings and cost avoidance:** In 2012, regulated waste decreased by 7% on an absolute basis compared to 2011, principally due to a program at the Los Angeles, California, United States, facility that converted 1,000 metric tons of regulated plasma and ethanol production by-products into electricity, using an anaerobic digester. While this contributed to savings and cost avoidance associated with regulated waste disposal, Baxter could not claim savings and cost avoidance associated with regulated materials since their reuse did not reduce raw materials purchasing.
- **Waste Recycling:** Demand and revenue for production by-products sent off-site for recycling increased, attributable to the strengthening global economy.

Total estimated environmental income, savings and cost avoidance realized in 2012 from environmental initiatives implemented since 2005 totaled \$56.3 million.

Baxter's 2012 Environmental Financial Statement (see following page).

Baxter 2012 Environmental Financial Statement

Estimated Environmental Costs, Income, Savings and Cost Avoidance Worldwide¹

ENVIRONMENTAL COSTS (dollars in millions)	2012	2011	2010	2009	2008
Basic Program					
Corporate Environmental – General and Shared Business Unit Costs ^a	\$2.2	\$2.0	\$1.9	\$2.0	\$1.9
Auditor and Attorney Fees	0.4	0.3	0.4	0.4	0.3
Energy Professionals and Energy Reduction Programs	1.2	1.2	1.2	1.2	1.2
Corporate Environmental – Information Technology	0.3	0.3	0.4	0.4	0.4
Business Unit/Regional/Facility Environmental Professionals and Programs	12.1	11.8	11.9	11.5	11.2
Pollution Controls – Operation and Maintenance	4.0	3.9	3.7	3.6	3.4
Pollution Controls – Depreciation	2.3	2.4	2.5	3.1	2.4
Basic Program Total	\$22.5	\$21.9	\$22.0	\$22.2	\$20.8
Remediation, Waste and Other Response (proactive environmental action will minimize these costs)					
Attorney Fees for Cleanup Claims and Notices of Violation	\$0.3	\$0.2	\$0.1	\$0.1	\$0.1
Settlement of Government Claims	0.0	0.0	0.0	0.0	0.0
Waste Disposal	8.6	8.3	7.3	7.5	8.4
Carbon Taxes, Credits and Offsets ^b	1.2	1.1	1.2	0.2	0.2
Environmental Fees for Packaging ^c	0.9	0.9	0.9	1.0	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	0.2	0.4	0.1	0.2
Remediation/Cleanup – Off-site	1.5	0.4	0.8	0.4	0.1
Remediation, Waste and Other Response Total	\$12.8	\$11.2	\$10.8	\$9.4	\$10.0
Total Environmental Costs	\$35.3	\$33.1	\$32.8	\$31.6	\$30.8
ENVIRONMENTAL INCOME, SAVINGS AND COST AVOIDANCE (dollars in millions; see Detail on Income, Savings and Cost Avoidance from 2012 Activities below)					
From Initiatives in Stated Year					
Regulated Waste Disposal	\$0.5	\$0.4	\$1.1	(\$0.4)	(\$0.2)
Regulated Materials ^d	(1.8)	(0.1)	2.8	(0.6)	(2.0)
Non-hazardous Waste Disposal	1.1	(0.9)	0.7	0.2	0.5
Non-hazardous Materials ^d	9.2	(11.0)	3.6	2.5	1.3
Recycling (net income)	6.6	5.0	5.9	3.5	5.5
Energy Conservation	3.9	2.4	0.3	4.5	5.2
Water Conservation	0.4	(0.2)	0.4	0.6	0.8
From Initiatives in Stated Year Total^e	\$19.9	(\$4.4)	\$14.8	\$10.3	\$11.1
As a Percentage of Basic Program Costs	88%	-20%	67%	46%	53%
Cost Avoidance from Initiatives Started in the Six Years Prior to and Realized in Stated Year^{f,7}	\$36.4	\$40.2	\$81.2	\$92.6	\$98.1
Total Environmental Income, Savings and Cost Avoidance in Stated Year	\$56.3	\$35.8	\$96.0	\$102.9	\$109.2
DETAIL ON INCOME, SAVINGS AND COST AVOIDANCE FROM 2012 ACTIVITIES (dollars in millions)					
	Income and Savings	Cost Avoidance	Total Financial Benefit		
Regulated Waste Disposal Cost Reduction	\$0.1	\$0.4	\$0.5		
Regulated Waste Materials Cost Reduction	(2.9)	1.1	(1.8)		
Non-hazardous Waste Disposal Cost Reduction	(0.4)	1.5	1.1		
Non-hazardous Waste Materials Cost Reduction	6.1	3.1	9.2		
Recycling Income	6.6	0.0	6.6		
Energy Consumption Cost Reduction	(8.1)	12.0	3.9		
Water Consumption Cost Reduction	(0.8)	1.2	0.4		
Total	\$0.6	\$19.3	\$19.9		
COST AVOIDANCE DETAIL FROM EFFORTS INITIATED IN THE SIX YEARS PRIOR TO REPORT YEAR (dollars in millions)					
	2012	2011	2010	2009	2008
Regulated Waste Disposal	\$0.8	\$0.4	\$0.7	\$0.1	\$0.2
Regulated Waste Materials	(5.3)	(2.4)	0.3	0.1	(1.6)
Non-hazardous Waste Disposal	2.3	1.5	3.4	2.5	3.9
Non-hazardous Waste Materials	5.6	3.6	19.4	23.8	23.6
Energy Consumption	27.8	32.7	50.1	59.2	65.5
Water Consumption	5.2	4.4	7.3	6.9	6.5
Total	\$36.4	\$40.2	\$81.2	\$92.6	\$98.1

¹Financial numbers rounded to nearest US\$100,000 to reflect appropriate degree of data accuracy. ^aCorporate 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. ^bCost of carbon taxes, credits and offsets includes expenses associated with purchasing renewable energy certificates and Chicago Climate Exchange (CCX) carbon credits purchased through the IntercontinentalExchange. ^cFollowing 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. ^dReflects 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. ^eIn 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 2012, the three-year rolling average was 3%; for 2011, 3%; for 2010, 2%; for 2009, 3%; and for 2008, 5%. This rolling average helps avoid distortions due to certain acquisitions/divestitures and the delayed environmental effects from changes in production. ^fTo 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.

Background

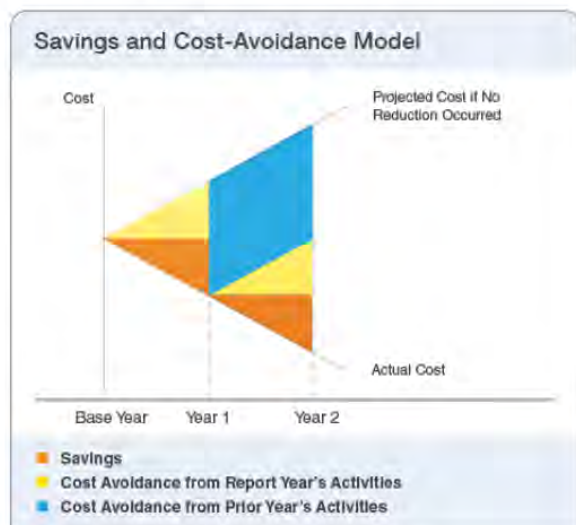
Baxter developed and consistently uses specific methodologies to estimate income, savings and cost avoidance each year, to enhance the reliability and comparability of the results. The company uses the following terms and conventions:

- **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 often are 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, the costs of which 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 external 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, which 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.

Health and Safety

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 on or near the premises of some Baxter locations, and promoting balanced nutrition. The company also is working toward a smoke-free environment at all of its locations.

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; and
- Warehousing and distribution.

Recent trends in Baxter's operations include increasing facility process automation, facility expansions, and a growing remote workforce. These present distinct workplace hazards and improvement opportunities related to safety.

See a summary of performance in this area during 2012, a description of how Baxter manages safety and health and wellness, and details about several programs and initiatives in each area.

2012 Safety Performance

In 2012, Baxter achieved a 5% decrease in recordable case rate, a 3% decrease in cases with days lost rate and a 21% decrease in days lost rate. The following table summarizes Baxter's health and safety performance from 2008-2012, and includes the company's 2012 and 2013 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	2008	2009	2010	2011	2012	2012 Target	2013 Target
Recordable Case Rate ^{1,2}	1.29	1.07	1.00	0.95	0.90	0.92	0.87
Cases with Days Lost Rate ^{1,2}	0.19	0.15	0.17	0.158	0.154	0.153	0.148
Days Lost Rate ^{1,2}	4.23	4.16	4.56	5.47	4.35	5.14 ³	4.20
Restricted Days Rate ^{1,2}	19.46	12.68	14.59	13.86	14.38	n/a	n/a
Days Away (Lost), Restricted or Transferred Rate (DART) ^{1,2}	23.69	16.84	19.15	19.33	18.73	n/a	n/a

Employee/ Contractor Serious Incidents (total number) ⁴	8/2	12/2	5/0	12/1	5/0	n/a	n/a
Employee/ Contractor Fatalities (total number)	0/1	0/0 ⁶	0/0	1/0	0/0	n/a	n/a

¹ 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.

² **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.

³ 2012 target for days lost rate was set higher than 2011 target due to Baxter not achieving the 2011 target.

⁴ 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.

⁵ 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 2012, Baxter continued to improve its safety performance with respect to all indicators measured. Regional performance summaries include the following:

- **Asia Pacific** – Recordable case rate performance worsened by 55% primarily due to 16 hearing-loss recordable cases discovered at one site after a detailed record review. The 15% improvement in cases with days lost rate resulted from increased work hours. Baxter attributes the 60% improvement in days lost rate to additional emphasis on the region's case management system, identified as a gap in 2011.
- **Europe, Middle East and Africa** – Performance again improved for recordable case rate with a further 12% reduction from 2011. This stems from the company's focus on incident accountability as well as thorough investigations with continued mandatory use of Lean A3 investigative reports for all recordable cases across the region.¹
- **Latin America and Canada** – The region experienced its best performance improvement ever in several safety indicators. Recordable case rate improved by 5%, lost time case rate by 60% and lost workdays rate by 71%. Baxter attributes this to a region-wide focus on prevention, application of enhanced root cause analysis and deployment of behavior-based safety programs. See Case Study: Facility Finds Success in Behavior-Based Safety.
- **North America** – Recordable case rate performance improved by 6%. However, cases with days lost rate worsened by 23% and days lost rate worsened by 11%. Possible causes included rapid expansion of some areas of the business, such as an increase in renal home care patients. This created challenging working conditions until staffing could be adjusted accordingly.

As in recent years, ergonomic injuries were a leading source of recordable cases, days lost and restricted days (see graph below). See Safety Program Management and Initiatives for details about the ergonomic strategies Baxter implements to address this ongoing challenge.

Recordable injury, days lost cases and days lost rates all improved in 2012. Baxter's overall safety performance since 2005 has improved significantly:

- 41% reduction in recordable case rate
- 49% decrease in cases with days lost rate
- 39% reduction in days lost rate

In a comparison of 16 healthcare companies², Baxter's performance ranked third in cases with days lost rate in 2011, the most recent year industry benchmarking data were available. Although this placement puts Baxter on course to achieve one of the company's 2015 goals, maintaining and increasing this ranking will require continuous enhancements to 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.

Occupational Injuries and Illnesses¹ – United States and Puerto Rico

INDUSTRY ²	NAICS CODE	RECORDABLE RATE							CASES WITH DAYS LOST RATE						
		2005	2006	2008	2009	2010	2011	2012	2005	2006	2008	2009	2010	2011	2012
Baxter	—	2.53	2.06	1.77	1.63	1.59	1.50		0.32	0.26	0.22	0.24	0.24	0.30	
All U.S. Industry	n/a	4.6	3.9	3.6	3.5	3.5	n/a ³		1.4	1.1	1.1	1.1	1.1	n/a ³	
Surgical and Medical Instruments and Apparatus	339112	2.6	2.2	2.0	3.0	2.3	n/a ³		0.6	0.4	0.4	0.8	0.6	n/a ³	
Pharmaceutical Preparations	325412	2.7	2.3	2.0	3.4	2.0	n/a ³		0.7	0.7	0.5	0.7	0.5	n/a ³	
Electromedical and Electrotherapeutic Apparatus	334510	2.5	1.8	1.5	1.5	1.9	n/a ³		0.5	0.4	0.3	0.4	0.5	n/a ³	
Biological Products Manufacturing (except diagnostic substance)	325414	3.1	2.2	1.8	3.4	1.6	n/a ³		0.8	0.6	0.4	0.4	0.4	n/a ³	
Unlaminated Plastic Film and Sheet (except packaging)	326113	7.5	4.4	4.1	5.1	4.0	n/a ³		2.6	1.4	1.3	1.3	1.5	n/a ³	
Plasmapheresis Centers and Blood Donor Centers	621999	7.4	4.7	5.2	2.8	2.7	n/a ³		1.7	1.1	1.3	0.7	0.7	n/a ³	
Kidney Dialysis Centers	621492	5.4	5.0	4.3	4.1	4.0	n/a ³		1.1	1.3	0.8	0.8	0.9	n/a ³	

¹ All rates based on 100 full-time employees working one year, which equals a total of 200,000 work hours.

² Source: U.S. Bureau of Labor Statistics. Baxter uses the above NAICS (North American Industry Classification System) codes to reflect its diverse operations.

³ Information not available at time of publication.

Analysis of Injuries and Illnesses

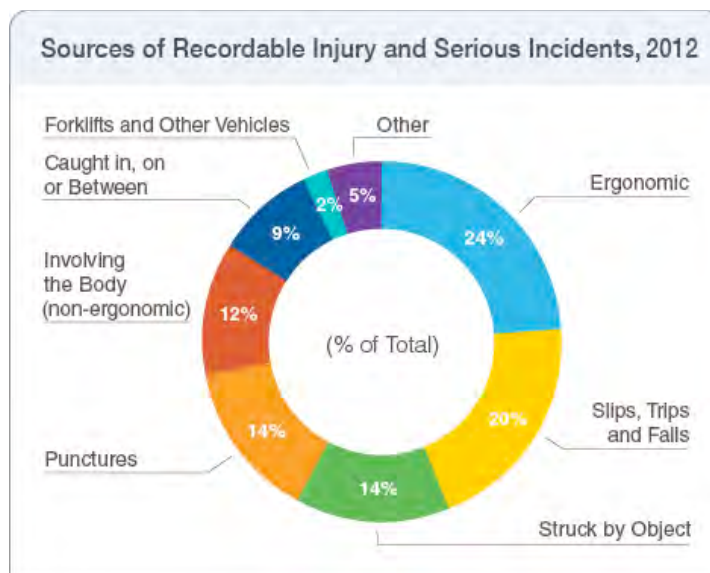
Baxter's safety function regularly evaluates the main sources of work-related injuries at the company to identify trends and address opportunities for improvement. The following chart shows the sources of recordable injuries and serious incidents at Baxter in 2012. The two major sources of injuries and illnesses for the past seven years (when the company began analyzing these data) have been ergonomic issues and slips, trips and falls. Baxter has initiated focused programs in each of these areas.

Serious Incidents

Serious workplace incidents are those 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.

Baxter achieved a decrease in serious incidents in 2012 compared to 2011 and had no fatalities. In 2012, Baxter



continued to enhance its confined space entry program with full deployment of support tools and enhanced training.

¹A3 reports, a Lean manufacturing tool, are one-page summaries of pertinent accident information that can be easily shared and communicated.

²Eight of the 16 companies reported global safety data to Mercer (formerly ORC Worldwide), seven provided data as requested by Baxter and one reported data on its public website.

Great Health and Safety Performers in 2012

The following Baxter facilities have 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 (as of December 31, 2012).

Facility	Type	Estimated Years Without a Lost-Day Case	Estimated Hours Worked Since Last Lost-Day Case
Vienna, Austria	Plasma Centers	40	2,844,431
Waukegan, Illinois, United States (Aviation)	Office	21	593,629
Washington, DC, United States	Office	18	219,298
Las Palmas, Spain	Distribution	18	132,777
Guangzhou, China	Manufacturing	17	14,610,841
Moscow, Russia	Office	17	2,567,764
Vienna, Austria	Offices	17	2,500,589
Belfast, Northern Ireland	Distribution	17	467,184
North Cove, North Carolina, United States (Replenishment Center)	Distribution	16	3,487,135
Singapore (Gateway West)	Office	16	2,665,658
Beijing, China (Sales)	Office	15	2,242,892
Manila (Makati City), Philippines	Office	15	1,800,561
Grand Rapids, Michigan, United States	Plasma Center	15	1,144,070
Mankato, Minnesota, United States	Plasma Center	15	1,097,962
Fayetteville, Arkansas, United States	Plasma Center	15	882,788
Suzhou, China	Manufacturing	14	10,751,649
Seoul, Korea	Office	14	2,769,872
Taipei, Taiwan	Office	14	1,976,769

Tokyo, Japan (TDC/TSC)	Distribution	14	901,544
Tokyo, Japan (CDC)	Commercial Operations	14	717,087
Hayward, California, United States	Manufacturing	13	4,577,147
Rome, Italy	Office	13	4,102,298
Sintra, Portugal	Distribution	13	1,503,137
Joplin, Missouri, United States	Plasma Center	13	1,030,418
Shanghai, China	Manufacturing	12	10,648,715
Renal Nationwide Sales Force (United States)	Commercial Operations	12	3,003,672
Volketswil, Switzerland	Office	12	1,512,227
Guangzhou, China	Sales	12	876,342
Hong Kong	Commercial Operations	12	668,748
Birmingham, Alabama, United States	Distribution	12	92,451
Englewood, Colorado, United States	Distribution	12	67,449
Tianjin, China	Manufacturing	11	3,571,142
Shanghai, China (China Headquarters)	Office	11	3,519,720
Zurich, Switzerland	Office	11	2,484,365
Kista, Sweden	Office	11	2,057,861
Dubuque, Iowa, United States	Plasma Center	11	881,296
Lima, Ohio, United States	Plasma Center	11	822,727
Bellingham, Washington, United States	Plasma Center	11	710,857
Iowa City, Iowa, United States	Plasma Center	11	650,820
Appleton, Wisconsin, United States (BioLife)	Plasma Center	11	619,811
Cheyenne, Wyoming, United States	Plasma Center	11	574,809
Casper, Wyoming, United States	Plasma Center	11	446,361

Fond du Lac, Wisconsin, United States	Plasma Center	11	362,574
El Paso, Texas, United States	Distribution	11	69,439
Guayama, Puerto Rico	Manufacturing	10	6,143,821
Alathur, India	Manufacturing	10	6,071,431
Miyazaki, Japan	Manufacturing	10	5,795,962
Laguna, Philippines	Manufacturing	10	4,187,496
Chennai, India	Manufacturing	10	1,645,150
Athens, Greece	Office	10	1,265,112
Höchststadt, Germany	Distribution	10	1,255,985
Mumbai, India	Office	10	879,686
Springfield, Missouri, United States	Plasma Center	10	680,525
Janesville, Wisconsin, United States	Plasma Center	10	663,151
Allerød, Denmark	Commercial Operations	10	643,809
Thames Valley, Oxford, United Kingdom (Compounding)	Commercial Operations	10	464,240
Obetz, Ohio, United States	Distribution	10	104,979
Warrendale, Pennsylvania, United States	Renal Distribution	10	73,417
DePew, New York, United States	Renal Distribution	10	69,174
Houston, Texas, United States	Renal Distribution	10	60,351
San Antonio, Texas, United States	Renal Distribution	10	47,155
Munich, Germany	Office	9	5,648,449
Bohumil, Czech Republic	Manufacturing	8	4,339,271
Madrid, Spain	Office	8	1,425,539
Sesto, Italy	Manufacturing	8	1,202,446
Utrecht, Netherlands	Commercial Operations	7	1,339,015

Warsaw, Poland	Office	7	1,099,601
Mississauga, Canada	Office	6	6,403,728
Rieti, Italy	Manufacturing	6	2,136,089
Baulkham Hills, Australia	Commercial Operations	6	1,233,979
Waluj, India	Manufacturing	5	6,960,067
Atlacomulco, Mexico	Manufacturing	5	4,299,499
Baxter Qiaoguang, China	Manufacturing	5	3,217,976
Grosotto, Italy	Manufacturing	5	2,791,035
Lessines B3, Belgium	Commercial Operations	5	1,397,749
Buenos Aires, Argentina	Distribution	5	1,273,375
Aibonito, Puerto Rico	Manufacturing	4	9,272,507
Istanbul, Turkey	Manufacturing	4	6,425,629
Cherry Hill, New Jersey, United States	Manufacturing	4	4,583,683
Oued Ellil, Tunisia	Manufacturing	4	3,854,941
Round Lake, Illinois, United States (William Graham Buildings 2 and 3)	Research	4	3,329,981
Round Lake, Illinois, United States (Medication Delivery Headquarters)	Offices	4	3,197,828
Heredia, Costa Rica (Baxter America Services)	Office	4	1,430,411
Round Lake, Illinois	Research	3	4,247,928
McGaw Park, Illinois, United States	Research	3	2,814,047
Alliston, Canada	Manufacturing	3	2,206,613
New Providence, New Jersey, United States	Research	3	1,668,980
Ecuador (Renal Therapy Services Sites)	Commercial Operations	3	1,207,197
Orth/Donau, Austria	Research	2	4,444,931

Neuchâtel, Switzerland	Manufacturing	2	2,667,095
Compton, United Kingdom	Commercial Operations	2	1,935,732
Sabiñánigo, Spain	Manufacturing	2	1,234,004
Maurepas, France	Commercial Operations	2	1,130,513
Vienna, Austria (Combined Sites)	Manufacturing	1	5,896,205
Cali, Colombia	Manufacturing	1	4,081,006
Cartago, Costa Rica	Manufacturing	1	4,032,737
Colombia (Renal Therapy Services Sites)	Commercial Operations	1	3,100,102
Jayuya, Puerto Rico	Manufacturing	1	2,371,556
Castlebar and Swinford, Ireland	Manufacturing	1	2,296,729
São Paulo, Brazil	Manufacturing	1	1,641,961
Medina, New York, United States	Manufacturing	1	1,189,167
Deerfield, Illinois, United States (Corporate Staff)	Office	0	1,699,931
Cuernavaca, Mexico	Manufacturing	0	1,621,787
Bloomington, Indiana, United States (Medication Delivery)	Manufacturing	0	1,599,069
Manesar, India	Manufacturing	0	1,342,514
Deerfield, Illinois, United States (Medical Products)	Offices	0	1,139,343

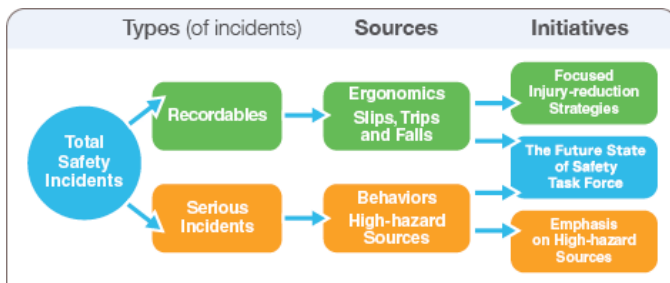
Safety Program Management and Initiatives

Baxter's safety, occupational health 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 related approaches. These teams set priorities and establish, maintain and continually improve global programs and initiatives.

Several indicators measure safety performance at Baxter. 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. The company also tracks serious incidents and evaluates each serious event that takes place, to fully understand 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 the company's Board of Directors.

Enhancing Safety Culture and Performance

In 2012, Baxter strengthened its three-pronged approach to enhancing its safety culture and performance (see graphic) based on a review of historical performance trends.



Focused injury-reduction strategies. Ergonomics hazards are a leading source of injury at Baxter. The company piloted several ergonomic risk assessment tools in 2012 to identify appropriate methods to consistently measure ergonomic risk. To improve performance in this area, Baxter developed a mechanism to capture and share best practices at its facilities globally. In addition, in the North America region, Baxter deployed Safety in Motion® “train-the-trainer” programming, which teaches simple and effective techniques to make everyday work activities, such as lifting, carrying, pushing

and pulling objects, as well as driving, easier and safer.

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 implementing a high-hazard management program. This program, planned to run through 2015, focuses on proactively identifying potential high hazards and systematically reducing the risk of injury through engineering solutions, enhanced operational controls and training. In 2012, the company performed 322 “high-risk” assessments, and implemented changes to reduce risk to acceptable levels in 84 cases. In the North America and Europe, Middle East and Africa regions, teams piloted the use of portable technology to engage frontline employees in the hazard identification process.

The Future State of Safety task force. Launched in late 2011, this multidisciplinary team conducted internal and external benchmarking, performed a literature review and met with safety thought leaders in 2012 to identify essential elements and strategies that drive a strong, integrated safety culture. This team will continue to work to identify the steps Baxter must take to advance to the next level of safety performance.

Other Safety Programs and Initiatives

Case Management

Baxter has established strong capabilities at the facility level to effectively manage work-related injuries through early intervention and prompt treatment. The company continues to maintain a network of local program owners through ongoing education. In 2012, Baxter verified that 86% of all locations with 25 or more employees have an active case management program in place using established criteria.

As a result of Baxter’s multidisciplinary approach to work-injury management, the company’s average incurred cost per claim in the United States, determined 18 months after the incident, was 49% lower in 2011 than the average client data of Baxter’s third party administrator

Confined Space

During 2012, Baxter continued to strengthen its confined space program management through deployment of enhanced guidance documents, global training and focused site visits. In addition, the company developed and published a dedicated confined space intranet site to enhance access to tools and resources.

Fall Prevention

Slips, trips and falls are a major source of injury for Baxter. The company's focused strategy to reduce risks from falls includes providing a dedicated intranet site with tools and resources. Facilities are encouraged to map the location of slips, trips and falls and to implement corrective and preventive actions based on identified root causes. During 2012, Baxter enhanced its tools to reach employees in multiple languages and provide entertaining methods to engage them in hazard identification and avoidance.

Near Miss Reporting

Near miss reporting continues to be an effective strategy to engage employees in the process of identifying and mitigating hazards in the workplace. Baxter uses 10 criteria to define an effective near miss program, including the expectation that sites will investigate serious near miss incidents and implement appropriate corrective and preventive actions. Using these criteria, Baxter met its goal to verify effective programs in 75% of all locations with 100 or more employees.

Safety Bulletins

Baxter developed safety bulletins in 2011 to communicate key safety topics to employees. The company has used these to quickly and effectively reinforce vital safety messages at the facility level. During 2012, Baxter distributed new safety bulletins for confined space entry, drill press safety and lockout/tagout (hazardous energy control).

¹Broadspire/Crawford "Workers' Compensation & Liability Strategic Outcomes Report," October 2012

Health and Wellness Program Management and Initiatives

Baxter's occupational health function sets the company's strategies related to health and wellness and uses a global team of diverse health professionals to help refine and implement these approaches. This team defines specific priorities and establishes, maintains and continually improves global strategies in this area.

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. In conjunction with the year-long theme of 'Know Your Numbers,' 31% of the company's employees worldwide completed a Personal Wellness Profile as of the end of 2012.¹ Also during the year, more than 10,000 employees logged greater than 150,000 hours of exercise as part of the BeWell@Baxter Exercise Challenge, and 62% of employees from 114 facilities worldwide took part in "Healthy Eating Month."

See Case Study: The Baxter Know Your Numbers Program Saved My Life. 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 2012, in all but one facility with 25 or more employees, Baxter offered seasonal flu vaccinations to all employees. A total of 19,465 employees were protected with seasonal flu vaccinations, or 38% of the company's total employee population.
- **Health promotion programs** – In 2012, 78% of targeted facilities (those with 100 or more employees) achieved at least eight out of 10 health-promotion program criteria, exceeding the goal of 65%

- **Smoke-free workplaces** – The company increased the percentage of smoke-free facilities to 89%, from 75% in 2008. All Baxter facilities in Asia Pacific, North America and Latin America are now smoke-free.

¹Beginning in 2011, profiles untouched for three years were removed from the active database, bringing the participation rate down to 24%.

Case Study: Facility Finds Success in Behavior-Based Safety

Baxter's facility in Cali, Colombia, which has about 1,000 employees, produces intravenous solutions and medical sets. Consistent with the site's activities, the most common types of accidents and injuries historically relate to machine use, ergonomics, and slips, trips and falls.

At the beginning of 2008, the site began using a behavior-based safety (BBS) training observation program. BBS is an analytical approach to safety that focuses on what actions people take in a work setting, analyzes why they behave that way, and then applies a research-supported strategy to identify inappropriate and unsafe behaviors, recognize safe ones, and ultimately prevent injuries.

An operator uses new equipment to move rolls of plastic sheeting, mitigating ergonomic risk associated with manipulating these materials manually.

Employees and supervisors both play an essential role, using cards to report unsafe conditions and behaviors that can adversely affect worker safety, as well as behaviors that enhance safety. This information is tracked centrally and analyzed on a periodic basis. Each observation is coded using relevant topics such as "tools and equipment" and "use of personal protective equipment." Using this data, the facility can determine how to reinforce positive behaviors and modify or eliminate conditions and behaviors that contribute to workplace risk.

A high level of engagement is essential to the success of this type of program. During 2012, more than 2,200 observations were made. Of those, the vast majority (72%) related to unsafe conditions (as opposed to employee behaviors). In terms of topics, nearly two-thirds (65%) of total observations focused on tools and equipment.

Observation by Type, 2012

Unsafe Conditions	72%
Unsafe Behaviors	15%
Safe Behaviors	13%

Observations by Topic, 2012*

Tools and Equipment	65%
Use of Personal Protective Equipment	12%
Procedures, Cleanliness and Order	10%
Person's Response	7%
Position of the Person	5%

*Segments do not total 100% due to rounding.



Based on information collected through this program, the facility has implemented several changes in recent years:

<http://www.sustainability.baxter.com/quick-links/case-studies/2012-report/safety-strides.html>

<http://www.sustainability.baxter.com/quick-links/case-studies/2012-report/know-your-numbers.html>

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- Enhanced machine guarding
- Expanded use of personal protective equipment
- Enhanced risk analysis/assessment
- Developed an online collaboration site to manage the program

The Cali site has improved its safety performance according to several key indicators since launching the BBS program. Compared to 2007, the year before the initiative began, the facility has dramatically reduced incidents, recordable cases, and days lost (see table). As of mid-2013 employees at the facility have worked more than 5 million hours without a days lost case.

	2007	2008	2009	2010	2011	2012
Incidents*	201	155	137	69	49	46
Recordable Cases**	9	3	4	3	3	1
Days Lost***	95	16	12	20	13	0

* Work-related injuries or illnesses requiring first-aid.

** Work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with 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.

"The implementation of the BBS program has enhanced the safety culture at our facility by furthering staff engagement to recognize unsafe conditions and encourage safe behaviors, resulting in improved safety and fewer accidents. Employees are now more committed to building and maintaining a safe workplace."

Vanessa Benitez Gonzalez, plastic plant operator,
Cali Plant, Baxter

Periodic training is a key aspect of the BBS program, and during 2013 all employees will receive safety training. The training includes general information about the program as well as presentations and video recreations of specific types of accidents, to illustrate unsafe attitudes, conditions and behaviors, and how to correct them. The Cali facility is dedicated to continually building on its strong performance and experiencing another year without a days lost case.

Case Study: The Baxter 'Know Your Numbers' Program Saved My Life

Casey Goins works as an assembler in Baxter's Mountain Home, Arkansas, plant, which produces peritoneal dialysis products for the North American market. In 2010, at age 19, he was bitten by a tick and diagnosed with Rocky Mountain spotted fever, a potentially fatal disease.

He was treated for that condition, but continued to suffer severe health problems. "I was extremely tired all of the time, my hair was thinning, my skin was very pale, and I was unable to do the things I wanted to do," he says.

For two years, Casey visited numerous doctors to determine what was



<http://www.sustainability.baxter.com/quick-links/case-studies/2012-report/safety-strides.html>

<http://www.sustainability.baxter.com/quick-links/case-studies/2012-report/know-your-numbers.html>

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wrong. During that period, he also developed liver failure and endured a painful biopsy. However, he received no answers from his doctors.

Around that time, Casey saw a BeWell@Baxter 'Know Your Numbers' poster on the wall of the plant. He decided to have some more blood work done through the program. "It was free, and the nurse in Employee Health Service worked me right in," he says.

The next day, Mountain Home's Occupational Health Nurse Amy Thalmueller, RN COHN/CM, informed Casey that his thyroid levels were 25 times normal, and his liver, kidney, cholesterol and platelet levels were also significantly abnormal.

"Although I was being treated by numerous specialists, I did not have a family doctor. The Baxter nurses helped me get an appointment with a local primary care physician. He immediately recognized that my thyroid condition was causing all my severe health problems, including major organ failure," Casey says. Additional exams by the team of medical specialists confirmed the diagnosis.

Casey is now being treated for hypothyroidism, taking just one medication a day. "Within days of starting my thyroid medicine, I noticed a huge difference in my health. I am now able to go to the gym with my friends, play sports, and I can run an eight-minute mile. My hair is growing in thicker, I have much more energy, and I am no longer pale." Casey's primary care physician believes that a simple thyroid test two years ago would have led doctors to properly treat his illness, reducing his suffering and avoiding unnecessary medical testing.

Casey encourages everyone at Baxter to participate in similar programs at local facilities. "I strongly believe the BeWell@Baxter 'Know Your Numbers' Program saved my life," Casey says.

For Amy Thalmueller, working with Casey was personally rewarding. "I'm proud to be able to offer such great wellness programs to our employees. Situations like this make my job very fulfilling."

Sharon Kemerer, corporate director, Occupational Health and Safety in the Baxter Environment, Health and Safety group and co-leader of BeWell@Baxter, says everyone involved in the initiative is thrilled about Casey's recovery. "Experiences like this support our decision to implement BeWell@Baxter, and show why we encourage people to know their numbers."

Baxter facilities are encouraged to hold 'Know Your Numbers' events for employees to determine their blood pressure, cholesterol, glucose and body mass index, and in some cases additional tests are performed as well. These four indicators provide a snapshot of health and a road map for making improvements. "By knowing these numbers, employees can gauge their risk for serious health problems such as cardiovascular disease, diabetes, stroke and even dementia," says Kemerer. "When employees make changes in their lifestyle, these numbers can mark progress."

Case Study: Employees Drive Innovative Environmental Initiatives

Baxter's sustainability priorities and goals provide a framework and climate that have sparked many employee-initiated, innovative ideas, some of which are described in this case study.

These initiatives, which demonstrate employees' widespread commitment to sustainability, are helping Baxter make progress toward its energy efficiency, renewable energy and greenhouse gas (GHG) emissions reduction goals.

"Employees at facilities globally understand Baxter's corporate goals and are approaching their supervisors with ideas and a business case for how they can benefit the local facility, the company and the environment," said Art Gibson, vice president, EHS and Sustainability.

"Employee engagement in identifying innovative ways to achieve sustainability goals is growing, leading to more exciting projects in 2013 and beyond."

To foster these types of projects, Baxter empowers employees to take initiative, recognizes their efforts, and communicates results broadly. This enables more sites to learn about these initiatives and consider whether similar efforts could benefit their facility.

Some recent examples include:



Photovoltaic (PV) - In late 2012, Baxter's Malta facility began work on an 840 kWp1 on-site PV system. Completed during the second quarter of 2013, this is the company's largest solar energy system, and will provide approximately 23% of the site's electricity and reduce its GHG emissions by 1,100 metric tons carbon dioxide equivalent CO2e annually. When the government of Malta approached the plant in 2012 with financial incentives to install the solar system, several employees at the facility - including Brian Tabone, plant manager; Mario Scerri, facilities manager; and Melvin Vassallo, senior accountant - evaluated the details and committed to the project. The Malta plant also excels at energy efficiency. For example, it has achieved Gold status in Baxter's Lean Energy Program and is a leader within Baxter in LED lighting. In 2012, Baxter's Toongabbie, Australia, facility completed installation of a PV system that meets the electricity needs of the office complex with the exception of the HVAC system.

Greener Fuel - By the end of 2012, all three Baxter facilities in India had switched from powering their boilers with fuel oil to using lower GHG emission (and less costly) sources of energy. The Waluj, India, site installed a new biomass boiler in early 2012. The Alathur facility converted its second boiler to biomass in late 2012, after converting its first boiler the prior year. Also in 2012, the Manesar facility switched from using fuel oil to regassified liquefied natural gas, a lower carbon fuel. Together, these changes have reduced GHG emissions by about

8,000 metric tons CO2e and save Baxter \$600,000 annually. See Case Study: Facilities in India Switch to Greener Boiler Fuel for more detail.

Facilities in Guangzhou and Shanghai, China, switched from using fuel oil to natural gas in late 2012. To spearhead the effort at the Shanghai plant, facility supervisor Guo Rundong formed a natural gas conversion project team, which worked with a local company to negotiate gas supply to the facility and engaged vendors to convert the boiler to burn natural gas. Together at both locations, these initiatives will reduce GHG emissions by an estimated 5,000 metric tons CO2e annually and save \$700,000 each year. The enhancements also decrease other emissions substantially, for example reducing sulfur oxide emissions by 90% and nitrogen oxide emissions by 89% at the Shanghai plant. (See Air Emissions for more information about Baxter's strong performance in this area during the past two years.)

Geothermal - Baxter's BioScience facility in Orth, Austria, installed a geothermal system in 2012 in its new green building. This technology, which uses the constant temperature of ground water in a heat pump system for cooling and heating the building, reduces energy costs for this building by about \$22,000 per year. Due to this and several other initiatives, the Orth facility has achieved Gold status in Baxter's Lean Energy Program. In mid-2012, the company's Malta facility also began operation of a geothermal system that provides cooler groundwater to the plant's cooling towers to increase thermal efficiency of the plant's chilled water system during the warm summer months. Together, these will decrease Baxter's GHG emissions by 500 metric tons CO2e annually.

Light-Emitting Diode (LED) Lighting - Employees at several Baxter facilities have implemented projects to convert traditional lighting to more advanced LED technology, which reduces energy use and associated GHG emissions by as much as 60-80%, depending on the lighting technology and application, compared to typical lighting. For example, by the end of 2012:

- The Malta facility had changed 95% of its lighting to LED technology.
- The Guayama, Puerto Rico, facility had converted more than 80% of its 250-watt High-Intensity Discharge lamps to LED fixtures (completed in early-2013).

The Thetford, UK, facility had changed 85% of its lighting to LED technology, saving an estimated \$100,000 annually.



"In addition to saving money, this project benefits the local community. We want to help ensure a healthy environment by reducing the discharge of pollutants."
Guo Rundong, facility supervisor, Shanghai Plant, Baxter



"Baxter's Lean Energy Program motivates us to implement as many green aspects as possible in our facility, which help improve the company's environmental performance. The geothermal heat pump system, the most sustainable option for heating and cooling our building, is one example of many."
Sabine Braun, project manager, Orth Facility, Baxter



"Anything is possible - it just takes effort. If you think that an idea or innovation would benefit Baxter, just share it."
Kenneth Mockford, UK energy efficiency and engineering manager, Thetford Facility, Baxter

Together, these updates will reduce GHG emissions at the sites by about 800 metric tons CO₂e each year.

Ensuring that LED fixtures meet industrial requirements can be complex. Beginning in 2006, Kenneth Mockford, UK energy efficiency and engineering manager at Baxter's Thetford site, experimented with several possible LED solutions to find cost-effective options that provide stable voltage. Convinced of the potential of this technology, he performed custom conversions of the fittings and conducted tests to demonstrate the effectiveness of the technology. Due to these efforts, 85% of the site is now lit by LEDs, achieving energy savings of 60%. The benefits have spread beyond Baxter as well. Engineers from a local professional body are tapping into Kenneth's expertise, and local manufacturers and suppliers have sent new designs for evaluation.

These employee-led initiatives have helped strengthen Baxter's environmental performance during 2012 and have contributed to progress toward the company's sustainability goals. Baxter looks forward to implementing more such projects in the coming years.

¹ Kilowatt-peak (kWp) refers to the maximum electricity generation capacity of the system.

Case Study: Addressing Community Water Needs in the Philippines

Baxter's manufacturing facility in Canlubang, Philippines, built in 1991, produces containers of solutions for peritoneal dialysis and hemodialysis for the region. Water is a key input for these products and also a precious resource in the area, defined as a "water-scarce region" by the World Business Council for Sustainable Development. Therefore, preserving water resources and increasing access to water are not just priorities for Baxter, but for this site as well.

In 2012, Baxter launched a project with Philippine Center for Water and Sanitation (PCWS) to improve the water, sanitation and hygiene (WASH) conditions for the nearly 1,500 inhabitants of Sitio Silangan, a community within walking distance of the company's facility. PCWS builds the capabilities of communities, households, non-governmental organizations (NGOs) and other groups to address WASH challenges throughout the country. Volunteers from the Baxter plant, which employs about 200 employees, actively support this initiative.

The project's main objectives include:

- Introducing long-term potable water sources to Sitio Silangan;
- Raising awareness about low-cost water supply, sanitation and hygiene technologies for households and the community that enhance human health, community empowerment and environmental protection;
- Implementing and providing hands-on training on several such technologies; and
- Building the community's capability to sustainably manage its water supply and sanitation systems.

During the final two months of 2012, PCWS and six volunteers from Baxter met with community members to assess the water and sanitation needs of Sitio Silangan, define the roles of project participants, and prepare community members for the project.

PCWS then led a two-day water and sanitation resources inventory and assessment, attended by about 50 community members. Each of six groups drew a water and sanitation map of their locality, indicating the locations of water sources, households, toilets, drainage systems, roads, animal housing areas, public areas, landmarks, creeks and other relevant features. The groups then walked through the community to fine-tune their maps and gather additional input from other residents.

Several key findings from this assessment have informed the rest of the project:

- **Access to water** - Most households have relatively easy access to hand pump wells. However, most of those wells, both communal and household-owned, produce non-potable water that is iron-laden, turbid, foul smelling and poor tasting.
- **Potable water** - In the entire community, only seven hand pumps yield potable water. As a result, most households either buy drinking water or collect potable water from near the gate of the Baxter facility.
- **Waste and wastewater** - Drainage usually leads to the creek, which is the depository of various wastes, including wastewater and toilet wastes from houses located along its banks. The septic tanks in Sitio Silangan have unlined bottoms, so the soil absorbs related waste and wastewater.

To address these needs, the focus of the project then shifted to low-cost water supply and sanitation technologies. PCWS experts

described numerous options, and project participants identified four as the most appropriate for the community.

WASH Technologies Selected for the Project

During the first few months of 2013, PCWS supplied the needed materials that Baxter helped finance, and trained community members to build, operate, maintain and repair pilot demonstration units of two iron removal filters, 40 biosand filters, three biogas digester septic tanks and two rainwater harvesting tanks. The team situated these units close to community members who have the least financial resources, are most impacted by water scarcity and lack of access to potable water, and lack safe and adequate sanitation facilities.

Community members, Baxter employees and PCWS commemorated the launch of these pilot units at the "First Drop of Water" celebration during the annual fiesta of Sitio Silangan in March 2013. Using these technologies, community residents are increasingly meeting their daily needs for potable and non-potable water.



Project Sustainability

To maintain initiatives started by the Baxter-PCWS partnership, the Sitio Silangan community formed a water and sanitation association (WSA). Officers have gained expertise in the WASH technologies selected by the community, and a Baxter employee who is also a resident of Sitio Silangan serves as the WSA Secretary.

Ongoing education is essential to ensure broad engagement throughout the community. One aspect covered by the WSA action plan is raising awareness about the benefits of WASH technologies. WSA members meet weekly to share information with community members, targeting the neediest who have the greatest potential to benefit.

The close involvement of community members throughout the initiative has been a key focus, and many now have the skills to help develop and disseminate WASH technologies more broadly. Residents whose households received these technologies participate in educational initiatives.

In May 2013, community members along with five Baxter employees from the Canlubang plant attended training focused on operating and maintaining WASH technologies. Additional sessions are planned for the coming year, including a unit focused on monitoring and evaluation. The plan is for each household with WASH technologies to monitor efficiency and performance, and in coordination with PCWS, for the WSA to conduct regular water quality testing on biosand filters.

Another training session will provide guidance on how participants can document and share their experiences during seminars and conferences.

Due partly to these efforts, a growing number of people in Sitio Silangan have expressed a desire for WASH technologies. The project



team expects that more rainwater harvesting tanks will be built in Sitio Silangan in time for the rainy season.

The WSA action plan also targets collaboration with learning institutions, NGOs and other communities, to deepen local knowledge while sharing experience and skills.

In May 2013, PCWS brought five people from the French NGO Eau et Vie Philippines (Water and Life Philippines), which runs community projects in Cavite and Cebu, to Sitio Silangan. The WSA shared with the visiting delegation details on ways the project and community members selected and implemented WASH technologies, and then provided a tour to show the benefits firsthand.

Eau et Vie Philippines also invited the Sitio Silangan WSA to its project site in Cavite, where it is planning a sanitation project in partnership with PCWS. This connection should help the Sitio Silangan WSA to learn more about low-cost wastewater treatment for households and the community.

In August 2013, WSA members plan to attend the Sustainable Shared Growth Conference at the University of the Philippines, and present a paper about their experience in Sitio Silangan.

Other Initiatives

In early 2013, Baxter also entered into a partnership with Sarar Transformación SC to implement a community water project near Baxter's facility in Cuernavaca, Mexico. The project's goals are to improve water and sanitary conditions at local schools in the surrounding water-stressed area of Tepoztlán, Mexico; to educate the community on sustainable water use; and to implement processes to ensure maintenance of the installed improvements. Nearly 1,000 residents of the Tepoztlán area are expected to benefit from this project.

Sustainability at Baxter 2012 ●●●●



Product Responsibility

Baxter

Product Responsibility



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 range from sustainable design and bioethics during research and development, to energy and materials efficiency during manufacturing and transport, to responsible advertising and promotion, and finally, product repair, refurbishment and recycling for electronic products as appropriate at end-of-life. Baxter also has programs to ensure high standards in quality, safety and product integrity.

To further these efforts, Baxter launched a new Product Sustainability Program in 2012, building on extensive partnership with the R&D, marketing and supply chain groups. The program team initiated new projects to define life cycle environmental impacts for both individual products and entire therapies.

The following graphic illustrates the breadth and depth of the company'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 > Compliance with RoHS 2 and REACH Directives and other legislation > 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 > Increased capacity utilization > Technology innovation > Pallet programs > Environmentally responsible transportation partnerships	
Packaging		close
Issue	Approach	
Minimizing Packaging Materials Selection	Materials reduction > Materials substitution > Innovative design	
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 > Advancing public health > "Base of the Pyramid" initiatives > Strategic product donations > The Baxter International Foundation > Public policy efforts	
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 and Safety

Product Sustainability Trends

The importance of product sustainability to Baxter's ongoing success continues to grow, due to several factors:

- Increasing customer requirements, expectations and concerns (see Case Study: Engaging with Stakeholders on Product Environmental Performance);
- New and expanding regulatory requirements globally (see Case Study: Materials Restrictions); and

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- Ongoing pressure from non-governmental organizations to improve product environmental and social performance.

To better understand these trends, in 2012 Baxter commissioned a third party to conduct an in-depth analysis. This included benchmarking of peer companies, customers and key market leaders, as well as interviews with internal representatives from research and development, supply chain, marketing, and other areas. The study also reviewed product sustainability tools to possibly integrate into the company's product stewardship program.

Key findings included the following:

- The two leading customer product sustainability issues are decreasing materials of concern (such as PVC, DEHP and mercury) and reducing waste (packaging and disposables);
- Customer focus on product sustainability varies significantly by region (with customers in Europe and California demonstrating the strongest interest);
- Companies have opportunities across the life cycle to influence and improve product sustainability performance, from identifying customer requirements and educating R&D professionals to engaging suppliers and communicating product benefits to customers; and
- Companies across the healthcare industry are responding to similar pressures, with varying levels of focus and investment.

Baxter is using these findings to inform enhancements of its Product Sustainability Program during the coming year.

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. 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 preventive 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 potential to leverage the improvements on a broader basis.

Safety

Promoting 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. For example, Baxter's Pharmacovigilance department identifies and confirms pre- and post-market drug safety signals and then communicates these potential issues. Through product labeling or risk management activities, the department identifies and executes approaches to promote a positive benefit-risk balance of Baxter's therapeutic drug products.

The company also collaborates with hospitals to assess their patient safety processes, 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
- Improving Product Design
- Focusing on Decreasing Medication Errors
- Addressing IVIG Safety
- Educating Nurses on Safe Practices
- 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 did 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 help reduce pathogens, many hospitals in developing countries continue to use open systems. The compatibility of the Baxter IV System with both infusion pump therapy and gravity applications helps meet safety standards for IV replacement.¹ Baxter’s IV Standard Sets help reduce the number of set-ups and teardowns which may decrease the risk of touch contamination.²

Baxter works with governments and healthcare providers to help conduct studies, set standards and implement conversion to standard set technology in numerous markets to help improve efficiency and waste.

For example, in 2012, Baxter honored the first recipient of the Baxter Colombia Patient Safety Prize, Hospital Pablo Tobon Uribe in Medellin. Launched in 2011, the award recognizes leading hospitals for outstanding efforts in preventing hospital-acquired infections. Representatives from Joint Commission International and Baxter held a training session for more than 60 multidisciplinary teams from across the region on improving medication practices for patient safety.

Improving Product Design

Baxter Healthcare Corporation recently expanded its IV (intravenous) connector portfolio to include the ONE-LINK needle-free IV connector, launching in Canada in 2011 and in the United States in 2012. The ONE-LINK connector features neutral displacement and is intended for single patient use with a vascular access device for the administration of drugs and solutions without needles and can be used to aspirate blood. It builds upon the INTERLINK system, promoting a needle-free platform that Baxter pioneered more than 20 years ago to help protect healthcare workers from needle sticks.

One of the most common types of noninfectious complications with central venous catheters (CVCs)—a catheter placed into a large vein in the neck or chest—is that blood can back up into the catheter and form a clot that could occlude the catheter, which may lead to complications. As many as one in three CVCs will become occluded.³ The ONE-LINK connector is designed to help prevent reflux of blood back into the tip of the catheter upon connection or disconnection. This may help reduce the risk of thrombotic occlusions compared to other devices with higher reflux volumes.⁴

Focusing on Decreasing Medication Errors

Baxter helps address potential medication errors in several ways, including by providing innovative tools for in-house compounding, updating labeling for premix solutions, producing smart infusion pump technology and supporting programs that reduce medication errors.

Baxter also continues to improve product packaging and labeling to help reduce the potential for medication errors due to incorrect drug selection. For example, the company voluntarily redesigned the labels of six existing intravenous (IV) premix drug labels based on data from practicing healthcare providers and human factors research. By decreasing the clutter and treating information more simply and consistently, Baxter sought to improve readability and product differentiation. The new labels take advantage of increased white space and reduced clutter. In addition, key information—including the medication’s name, total strength per total volume, strength per mL, and container total volume—were placed in a hierarchical format.

“Harmful medication errors not only jeopardize a patient’s safety, but also lead to longer hospital stays and higher healthcare costs. I commend Baxter for working to prevent errors and potential patient harm by continually monitoring actual and potential medication

<http://www.sustainability.baxter.com/product-responsibility/safety.html>

errors related to its products and identifying ways to improve the medication-use system,” said Michael R. Cohen, RPh, MS, ScD, FASHP, president of the Institute for Safe Medication Practices, a non-profit healthcare organization that specializes in understanding the causes of medication errors and providing error-reduction strategies to the healthcare community, policy makers, and the public. Baxter’s new labels are an important step in reducing confusing and non-distinct drug labeling; two factors that significantly contribute to medical errors, Cohen said.

Compounding remains an important part of the pharmacy process. Some compounds are unstable and thus require mixing in the pharmacy based on the exact specifications and needs of each patient, while others can be premixed outside of the pharmacy. Baxter produces premixed IV drugs so hospital pharmacists do not have to prepare these critical medications 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. Based on the company’s experience in sterile manufacturing of critical medications, Baxter uses specialized processes to ensure the sterility of its manufactured products.

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. 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.

Baxter also offers pharmacy technology that enhances the efficiency and safety of oral and IV dose preparation and delivery. For example, the DoseEdge Pharmacy Workflow Manager, an integrated system for managing IV and oral dose preparation activities, has delivered nearly 16.5 million error-free doses as of the end of 2012. Of these, 4% were identified as potential medication errors and caught prior to administration. DoseEdge prevents approximately 6,300 potential medication errors per week. Following Baxter’s 2011 acquisition of Baxa Corporation, other products now in its portfolio include the ExactaMix Compounder, a device that automates multi-ingredient solution compounding; ExactaMed Syringes, dispensers that provide greater accuracy for dosing oral liquid medications; and the NeoThrive Enteral Feeding System, enteral syringes and accessories.

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 capabilities.

Baxter’s Medical Products business also helps hospitals through its Connections Portfolio of programs, which focus on three key principles— simplification, streamlining and standardization. These programs, administered by Baxter clinical experts, are based on objective observational, interview, and data collection methodologies that identify opportunities for improvement in practice and product utilization. In addition, these offerings help to increase staff productivity and patient safety by providing specific recommendations and action plans to improve alignment with nationally recognized regulations, standards and guidelines.

Addressing IVIG Safety

Thromboembolic events (TEE) can occur during the administration of intravenous immune globulin (IVIG) products. It has been reported that pro-coagulant activity, during which blood clots, can be introduced into IVIG products during the manufacturing process.⁵

Baxter uses quality procedures to measure thromboembolic impurities throughout its manufacturing processes, including systematic and extensive characterization studies and global and specific tests to demonstrate the effective removal of pro-coagulant activity. Data indicate that process analysis, combined with quality measures throughout the manufacturing process, is the best way to minimize levels of pro-coagulant activity in the final product.

To further understand the role of pro-coagulant activity in IVIG, Baxter—along with other manufacturers of IVIG products and representatives from regulatory agencies (FDA, Paul-Ehrlich-Institut, National Institute for Biological Standards and Control, and the organization now known as the National Agency for the Safety of Medicines and Health Products), academia and organizations involved in the use of IVIG— participated in a 2011 workshop held by the Plasma Protein Therapeutics Association and Food and Drug Administration (FDA) during which regulators from national and international agencies and members of industry convened to discuss risk mitigation strategies in this area.

Based on this meeting, the FDA published a paper in 2012 in the journal *Transfusion* on the development of TEE in patients, based largely on data presented at the workshop. It suggested that multiple risk factors can contribute to the development of TEE, including the product manufacturing process, patient age, a history of thromboembolic events and the presence of a hypercoagulable state.

Educating Nurses on Safe Practices

Baxter offers education programs that provide training and guidance to nurses in the safe and proper use of its products, including:

- An educator network of nurses that was available for the first year after FDA approval of the subcutaneous administration of GAMMAGARD LIQUID to train other nurses on the administration of both intravenous and subcutaneous infusion, as well as to provide extensive materials to help nurses train patients to self-administer the therapy. Nurses are available by phone to answer GAMMAGARD LIQUID administration questions from both nurses and patients.
- The Baxter-sponsored Canadian Institute of Nutrition Excellence (CINE), composed of stakeholders dedicated to improving clinical support practice, patient outcomes and patient safety in nutrition therapy.
- A program of continuing education courses about peritoneal dialysis (PD) launched by Baxter's renal team in Chile for adult and pediatric nurses across the country, aimed at keeping nursing professionals informed of the latest studies and best practices in PD. Courses in 2012 focused on topics such as the role of the nurse in patient selection and education as well as the prevention of peritonitis.

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 FDA, the Drug Enforcement Agency, the Environmental Protection Agency, the Occupational Health and Safety Administration, the Department of Agriculture, the Department of Labor, the Department of Defense, Customs and Border Protection, 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 and other governmental agencies worldwide administer 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 revising labeling, correcting the problem at the customer location, withdrawing the product from the market and/or other actions.

In another example, Baxter undertook initiatives in 2012 to alert patients and clinicians about the risk of Extraneal—a specialty peritoneal dialysis solution containing icodextrin, which is metabolized into maltose—to falsely elevate blood glucose readings when non-specific glucose monitoring systems are used. Since December 2008, when the FDA requested that Baxter submit a Risk Evaluation and Mitigation Strategy (REMS) as a precautionary, patient safety endeavor, Baxter has enacted efforts to inform patients and clinicians who treat patients who use Extraneal about the potential for this serious issue. These efforts have included proactively engaging trade media and associations as well as creating a website with detailed safety information (www.glucosesafety.com). Through these efforts, the company aims to educate patients so they can inform health care providers as they receive medical treatment outside of a dialysis clinic, and physicians, so that they use the correct glucose monitoring system. Additional details on regulatory matters currently being addressed by the company are available under the heading "Certain Regulatory Matters" in Baxter's most recent periodic report filed with the U.S. Securities and Exchange Commission (SEC) on Form 10-K or 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 periodic report filed with the SEC on Form 10-K or 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. Full prescribing information for Extraneal can be found [here](#).

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.

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 Hadaway LC. Reopen the pipeline for IV therapy. *Nursing*. 2005;35(8):54-61 ⁴

⁴ Data on file. Baxter Healthcare Incorporated. ⁵

⁵ Immune globulins and thrombotic adverse events as recorded in a large administrative database in 2008 through 2010. Gregory W GW Daniel, Mikhail M Menis, Gayathri G Sridhar, Dorothy D Scott, Anna E AE Wallace, Mikhail V MV Ovanesov, Basil B Golding, Steven A SA Anderson, Jay J Epstein, David D Martin, Robert R Ball, and Hector S HS Izurieta *Transfusion* 52(10):2113-21 (2012) PMID 22448967 ^{*} Infection and occlusion rates were monitored four months before (June - Sept. 2011) and four months after (Nov. - Feb. 2012) ONE-LINK connector implementation.

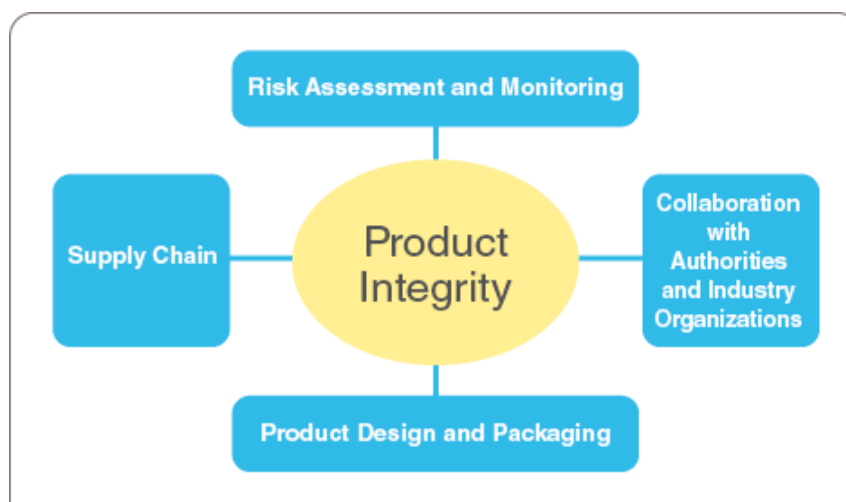
^{*} Infections were recorded per one thousand catheter days. Catheter occlusions were measured by extracting data from pharmacy issuing tPA. Catheter occlusions tracked four months prior to the ONE-LINK connector implementation showed an average rate of 5.47 occlusions requiring tPA/1,000 catheter days. Catheter occlusions tracked four months post ONE-LINK connector implementation showed an average rate of 4.04 occlusions requiring tPA/1,000 catheter days.

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

<http://www.sustainability.baxter.com/product-responsibility/safety.html>

<http://www.sustainability.baxter.com/product-responsibility/product-integrity.html>

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, product complaint 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, which may include restrictions or requirements related to the destruction of product packaging in some markets.

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, 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.

R&D and Design

The research and development and design stages offer unique opportunities to shape a product's sustainability performance across the life cycle. To address environmental, health and safety issues such as materials selection, energy use, and features that affect recyclability, Baxter includes Product Sustainability Review during the early stages of the product development process.

Baxter also has policies and programs to address a range of bioethics issues, from Animal Welfare and Clinical Trials to 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. The company's senior leadership considers these principles, in addition to the advice of scientific and ethical advisors, to determine whether to proceed in research

<http://www.sustainability.baxter.com/product-responsibility/product-integrity.html>

<http://www.sustainability.baxter.com/product-responsibility/research-development-design/index.html>

requiring consideration of bioethical issues. To be justified, the potential benefits to individual subjects and society must equal or exceed possible risks. For more information, see Baxter's Bioethics Position Statements.



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Product Sustainability Review

Baxter recognizes the essential role that product design has in determining the environmental, health and safety (EHS) performance of products, from materials extraction through end-of-life. Reflecting this, the company includes Product Sustainability Review (PSR) during the early stages of the product development process. This allows Baxter to fully consider and address EHS factors such as materials selection, energy use and features that affect recyclability.

As part of the process, 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). Later in the process, a comprehensive review identifies improvement opportunities across the life cycle. This 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 is 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. PSR has yielded positive results, and several reviews have influenced materials selection.

PSR also provides a process to address compliance considerations for existing and upcoming product-stewardship regulations, and Baxter periodically updates the PSR toxic chemicals screen to reflect changes in legislation and other factors. This helps the company meet growing customer demands to limit these substances and prepare for potential chemical restrictions under the REACH Directive. Through the PSR process, materials requirements are documented in the product design history file. See Materials Use and Case Study: Materials Restrictions for more information about Baxter's approach related to product materials.

Life Cycle Assessment

Supplementing PSR, Baxter also uses 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, greenhouse gas emissions and waste generation.

Examples during recent years include the following:

- During 2011, Baxter used LCA to inform the development of its next-generation home hemodialysis system.
- In 2010, Baxter undertook a streamlined LCA that compared two generations of dialyzer products¹ to evaluate how material changes affect environmental performance. The company's family of XENIUM+ dialyzers is 13-22% lighter than earlier versions, which offers the potential for reduced fuel consumption in shipping and biohazard waste removal. XENIUM+ dialyzers also use approximately one-fourth less cardboard in their packaging. 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 was the first). See Case Study: FLEXBUMIN Life Cycle Assessment.

Baxter is pursuing LCAs of several additional products during 2013.

¹Dialyzers are filters used during hemodialysis to eliminate waste products from the blood of people with end-stage kidney disease

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 for 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). 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 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. To help ensure Baxter maintains the highest standards practice, 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
- International Consortium for Innovation and Quality in Pharmaceutical Development

In 2012, Baxter was a forming member of the International Consortium for Innovation and Quality (IQ) in Pharmaceutical Development and was involved in the establishment of the Reduction, Refinement, and Replacement Leadership Group (3Rs LG). The Leadership Group is an association of senior veterinarians and 3Rs specialists from IQ member companies that meet on a regular basis to review and discuss common scientific and regulatory issues and topics surrounding the use of animals.

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 those 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 2012, Baxter increased the amount of information collected per study by combining study activities, for example, so that fewer animals were used overall.
- Baxter participates in the Extractables and Leachables Safety Information Exchange and utilizes other databases of test methods to share toxicity data to minimize the use of animals.
- 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 implementing 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.

Refinement

Baxter researchers work closely with other scientists and industry organizations to share best practices and demonstrate continual improvement. The company also supports organizations that aim to reduce the need for animal testing and promote animal welfare.

- Baxter supports the American Association for Laboratory Animal Science and the American College of Laboratory Animal Medicine to investigate alternatives and refinements to laboratory animal use.
- The company invests in enhanced animal housing to improve comfort and reduce stress.
- Baxter continues to adopt or advance in-vitro techniques to test the efficacy of its products that help stop bleeding in patients in life-threatening situations.
- When possible, the company uses positive reinforcement to condition animals used in studies to enable administration of test materials and collection of blood samples without the use of physical restraint or anesthetics, minimizing stress and improving data quality.
- Baxter evaluates and ensures consistently high standards for all animal housing methods and cage-level enrichments.
- Baxter is exploring using antibody levels in the blood of vaccinated animals as a surrogate marker to evaluate viral-based vaccine potency, instead of measuring the ability to resist infection with a live virus, thereby avoiding the illness stage of the test.
- Baxter adopted technology with greater detection and quantification of biological parameters to reduce the frequency and volume of samples taken from animals.

Baxter Applies Voluntary Animal Welfare Guidelines

Baxter complies with relevant animal welfare regulations and guidelines:

United States

- U.S. Animal Welfare Act Standards; and
- 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.

¹In-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 legally required for the majority of Baxter products. The company protects the safety, well-being and privacy of clinical trial participants, as well as the completeness and integrity of data obtained from these studies. Baxter is committed to sharing results from its clinical trials with the scientific and medical communities and the broader public via publications in peer-reviewed journals, presentations at scientific and medical conferences, and postings on U.S. Food and Drug Administration or European Medicines Agency-authorized public repositories. The company'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;

<http://www.sustainability.baxter.com/product-responsibility/research-development-design/animal-welfare.html>

<http://www.sustainability.baxter.com/product-responsibility/research-development-design/clinical-trials.html>

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- European Union Directive 2001/20/EC 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 at Baxter require the prior written approval by an Independent Ethics Committee/Institutional Review Board. Study subjects must provide informed written consent before any study-related activities or assessments occur.

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 registers the trial at www.clinicaltrials.gov.



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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. Customers are also interested in which materials are recyclable, such as in 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 2012, Baxter purchased more than 215,000 metric tons of major commodities for use in its products and packaging, in addition to pre-manufactured components (see Major Materials Purchased for Manufacturing). The company continues working to improve the efficiency of its materials use. Baxter implemented projects that reduced total packaging by 850 metric tons in 2012, on an annualized basis¹ (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. For example, new electrical and electronic devices under development are designed to meet the European Union's Restriction on Hazardous Substances (RoHS) Directive guidelines wherever they are sold worldwide. All devices are screened for the presence of chemicals from the REACH (Registration, Evaluation and Authorisation and Restriction of Chemicals) Regulation list of "Substances of Very High Concern" (SVHCs) and are considered for elimination.

Supplementing PSR, Baxter also uses formal life cycle assessment to evaluate the environmental performance of its products and determine ways to reduce their environmental footprints. 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 reporting this data 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 Directive and REACH Regulation (see Case Study: Materials Restrictions). To date, the company has gathered information from suppliers for about 44 percent of its product components (out of a total of tens of thousands of parts overall). Through this process, Baxter has identified the presence of SVHCs in some components and improved its understanding of which suppliers and components may pose a higher risk in this regard.

The next phase of the project, beginning in 2013, will target an expanded list of components and the substances included in the initial phase, as well as additional SVHC's from the REACH Directive list, as it expands. In addition to materials restricted by regulations, the company is also gathering information about substances such as bisphenol-A (BPA) and latex, which are of interest to some customers.

As Baxter receives information from a larger percentage of its suppliers covering a higher proportion of components used in its products, the company anticipates that the quality of the data collected will continue to improve. Nonetheless, ensuring compliance will require ongoing expansion of supplier engagement, working with new suppliers, and potentially modifying product designs.

Additionally, the Dodd-Frank Act requires companies to file annual reports with the U.S. Securities and Exchange Commission beginning May 31, 2014, indicating if their products contain tantalum, tin, tungsten or gold originating from the Democratic Republic of Congo or adjoining countries (known as "conflict minerals"). Baxter has established an internal team that is working with its suppliers to ensure compliance with these regulations.

Materials Innovations

To meet the preferences of some customers and address drug compatibility issues in specific clinical applications, Baxter has invested and continues to allocate significant resources to develop a variety of materials that meet the unique and evolving technical, design, regulatory, clinical and commercial requirements of individual product lines and markets. The company's research team, headed by world-leading experts in plastics technology, considers the distinct characteristics of the solutions to be held in the containers, the performance characteristics required, the scientific data supporting safe use, regulatory requirements, environmental impact, and other aspects.

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.

Baxter will continue its science-based approach toward the development and adoption of materials used in its products.

Broader Impacts

Baxter recognizes the interrelationship between materials choices and other environmental issues. The company estimates that in 2012 the greenhouse gas (GHG) emissions in Baxter's supply chain attributable to Baxter's business equaled 1,072,000 metric tons carbon dioxide equivalent (CO₂e), 23.0% of Baxter's total GHG emissions footprint. This included 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 (see Greenhouse Gas Emissions and Climate Change for more detail).

¹These 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.

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 at least 10,000 filled pallets or a workforce of 100 or more people. Sites that have achieved third-party ISO 14001 certification generally also pursue third-party Occupational Health and Safety Assessment Series (OHSAS) 18001 certification, which helps improve a facility's health and safety programs. As of year-end 2012, 68 Baxter locations have met the requirements of ISO 14001 and are covered by Baxter's group certificate, and 57 company locations were certified to OHSAS 18001. See EHS Management Systems and Certifications for detail.

In 2012, Baxter continued to improve its EHS performance across its facilities globally, including in manufacturing. See Environment, Health and Safety for more detail.

Baxter also influences its suppliers' manufacturing and other operational practices through the company's Global Supplier Sustainability Program as well as its Supplier Quality Standard and Ethics and Compliance Standards for Baxter Suppliers. See Supply Chain for more detail about Baxter's activities in this area.



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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 2012 that reduced total packaging on an annualized basis by 850 metric tons. Total annualized savings since 2007 equals 5,150 metric tons, exceeding Baxter's goal to eliminate 5,000 metric tons of packaging material from products sent to customers by 2015.¹

Europe, Middle East, and Africa

In Tunis, Tunisia, Baxter installed machinery with new pouch size molds that allowed the company to reduce the size of the outer plastic pouch by 20-40%, depending on the product's size, and then replace an inner plastic pouch with a paper band. The smaller size of the outer pouch allows Baxter to fit the same quantity of products into a smaller box. Using the new machinery, the company can also print product labels directly onto the packaging instead of printing a label separately and adhering it to the product.

In Ireland, Baxter designed a renal pack unit that reduces the waste generated by dialysis treatment centers and hospitals across the country. All materials and consumables are packed together at the Baxter facility in patient specific, bar-coded treatment packs. This reduces corrugated box use as well as customer storage needs. In 2012, Baxter received the EnviroCom Award for Best Example of Waste Prevention for the project.

In Kista, Sweden, Baxter implemented a project to reduce the packaging material used to distribute products with specific temperature requirements. Changing to a cooling truck for transport eliminated the need for approximately 3 metric tons of Styrofoam packaging and saved more than \$50,000 in 2012. In Marsa, Malta, Baxter implemented a project to reduce primary packaging material, top web of paper and bottom web of plastic, with savings of \$20,000 and 5.6 metric tons of material in 2012.

Latin America

Baxter's facility in Cali, Colombia, completed a project in 2012 to reduce the carton weight of its intravenous (IV) sets. The new design decreased corrugated material use for six carton codes, saving approximately 32 metric tons of packaging on an annualized basis.

United States

Baxter's facility in Mountain Home, Arkansas implemented several packaging reduction projects in 2012, including decreasing the high-density polyethylene (HDPE) sheeting used to make a product's overpouch by reducing the thickness of the sheeting. This saved 11 metric tons of material and nearly \$44,000 on an annualized basis.

¹This 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, 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 presentation of product risks and benefits. The company's approach takes into account regulations and standards which vary by region:

<http://www.sustainability.baxter.com/product-responsibility/manufacturing.html>

<http://www.sustainability.baxter.com/product-responsibility/packaging.html>

<http://www.sustainability.baxter.com/product-responsibility/product-use.html>

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- United States - Baxter's advertising and promotion standards for all business groups incorporate best industry practices and are reviewed rigorously for compliance with the U.S. Code of Federal Regulations.
- Canada - Baxter's advertising and promotion standards incorporate industry best practices as per Pharmaceutical Advertising Advisory Board (PAAB) guidelines and are reviewed for compliance to Health Canada regulations.
- Latin America - Baxter applies advertising and promotion standard review procedures to ensure compliance with local and regional marketing promotion codes and regulations.
- Europe - Baxter ensures that marketing materials for distribution in the region comply with applicable laws and regulations as well as with the European Federation of Pharmaceutical Industries and Associations (EFPIA) Code of Practice 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.
- 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.

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 2012 and 2011, no enforcement actions were initiated against Baxter by the FDA.

	2008	2009	2010	2011	2012
Untitled Letters	1	0	0	0	0
Warning Letters	0	1	1	0	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.

See Access to Healthcare for information about Baxter's approach to increasing access to healthcare globally.



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Product End-of-Life

The responsible treatment of healthcare products after customer use is an increasingly 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. However, they may be responsibly recycled to recover energy and 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 repairs and refurbishes those products, which extends their useful life and decreases the environmental impacts of product disposal and new product manufacture.

At times, reuse is not feasible, and regulations in many countries worldwide promote responsible recycling. For example, the European Union (EU) 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 certain Baxter products in the EU such as dialysis machines, IV pumps and other electronic devices. In 2012, approximately 100 metric tons of electronic products and batteries were recovered in the region on Baxter's behalf.

During the year, regulators enacted a revision of the WEEE Directive that sets recovery and recycling targets for non-implantable, electronic medical devices sold in the EU. Those target rates, which can vary by country and apply to product categories as opposed to

individual producers, will increase over time. The updated Directive also establishes requirements related to transnational shipments of used electronic products for manufacturers selling those products in the region.

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, industry peers, and recycling and disposal vendors to facilitate the recycling and responsible treatment of disposable medical products. The company is a member of the Healthcare Plastics Recycling Council (HPRC), an alliance of global healthcare companies focused on the recycling of plastic products in hospitals. Baxter was one of 11 companies involved with HPRC to develop the Design Guidelines for Optimal Hospital Plastics Recycling, primarily intended for product designers and users of disposable medical devices.

Through an HPRC initiative, Baxter collaborated on a study with Kaiser Permanente Los Angeles Medical Center to conduct a value stream mapping of all waste generated at the hospital, including pre-patient disposable medical waste. The team used Lean principles to understand the critical processes that contribute to waste generation and to establish a materials and waste baseline. Based on this information, the group identified priority focus areas and plans for program design, implementation, measurement and reporting.

Baxter continues to seek 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.

For example, Baxter partnered with the Vinyl Council of Australia (VCA) to launch the VCA's PVC Recovery in Hospitals program in Toongabbie in early 2013. This initiative collects used PVC medical products for recycling into new products, such as garden hoses. The organization initially introduced the program to hospitals in Sydney, and plans to roll it out countrywide.

Global Audit Program

Baxter's global audit program covers all regulated or medical waste recycling or disposal sites that the company 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 230 regulated or medical waste recycling or disposal sites through this program.



Case Study: Engaging with Stakeholders on Product Environmental Performance

Product environmental performance is an issue of growing importance in the healthcare sector. Baxter works to understand customer needs in this area, and to reflect those in product design and communications when feasible. Due to the complexity of these issues, in some cases Baxter collaborates with other organizations to develop ways to improve performance across the industry.

Customer Environmental Requirements and Preferences

Customers and group purchasing organizations in most countries in Europe as well as the United States (especially California) increasingly require information related to product environmental performance in requests for proposal and consider that information in vendor selection. The two leading customer product sustainability issues are eliminating or decreasing materials of concern such as PVC, DEHP and mercury and reducing waste (packaging and disposables).

Similarly, governments increasingly set environmental criteria for "greener" public procurement. For example, nearly all tenders in the United Kingdom include Environment, Health and Safety (EHS)-related questions. Throughout Europe, EHS-related questions represent on average 5% of the total weighting of tenders that Baxter receives.

Baxter reflects these requirements and preferences in product design through its Product Sustainability Review process. The company responds to targeted customer requests and engages with customers as appropriate to share information about products. Baxter also highlights product environmental performance for two products using the Carbon Trust certification:

- Baxter has continued the global marketing roll-out of FLEXBUMIN [Albumin (Human)], which is the world's first medical product to receive Carbon Trust certification (in 2009, re-certified in early 2012).
- In 2011, Baxter also received Carbon Trust certification for the company's new family of XENIUM+ synthetic dialyzers.

In 2013, Baxter plans to highlight the enhanced environmental performance of an additional new product at launch.

To address specific questions that customers might have about materials, Baxter also provides access to a searchable database of Safety Data Sheets for all relevant products, in more than 25 languages.

Industry Collaboration

Reflecting the sizable environmental impacts of the healthcare sector, Baxter promotes improved performance across the industry. In 2009, the UK National Health Service (NHS) Sustainable Development Unit (SDU) conducted a carbon footprinting exercise and determined that the procurement of goods and services from the healthcare supply chain accounted for 65% of the total greenhouse gas (GHG) emissions of NHS England, with almost half attributable to pharmaceutical products and medical devices.

To encourage sound disclosure in this area, Baxter recently collaborated with the UK NHS SDU, Environmental Resources Management (ERM), and other industry representatives to create the first ever Pharmaceutical and Medical Device Sector Guidance for Product Life Cycle Accounting. Built upon the GHG Protocol Product Life Cycle Accounting and Reporting Standard methodology, the document provides sector-specific guidance to enable consistent and comparable reporting. The guidance publication was launched in late-2012.

"If healthcare providers are to meet demanding climate change targets, it's important that they gain a better understanding of the greenhouse gas emissions associated with all parts of a health system, and identify the carbon intensive "hotspots," said Sonia Roschnik from the NHS SDU. "I am confident that developing such guidance will help us to achieve this."

Additionally, in 2013 Baxter joined Practice Greenhealth, a nonprofit membership organization founded on the principles of positive environmental stewardship and best practices by organizations in the healthcare community.



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.

Although exempt from the original Directive, medical devices will fall within the scope of the RoHS2 Directive beginning in July 2014. After that time, new medical devices that contain, subject to certain thresholds, the substances¹ listed above cannot be placed on the EU market. To comply with the directive, manufacturers must provide documentation demonstrating conformity of relevant products to the requirements. Furthermore, countries such as China, South Korea, Taiwan and some U.S. states such as California have already enacted legislation similar to RoHS2. Baxter is implementing a global strategy to respond to these regulations worldwide, and requires that all new electrical and electronic equipment under development meet RoHS and RoHS2 Directive restrictions.

Baxter is also working to ensure it meets the European Union's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation. 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 presence² of those substances in products. Baxter has registered all required substances and preparations following the regulation.

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 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

See Materials Use for more information.

¹As 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.

²As defined by REACH Regulation, "presence" equals at least 0.1% of the total product mass.

Sustainability at Baxter 2012



Supply Chain

Baxter



Supply Chain



Baxter continually explores options to reduce fuel use and greenhouse gas emissions from product transport, such as with these double-decker trucks with enhanced aerodynamic features used in Baxter's European facilities.

A company's supply chain extends from producers of raw materials to end users of the company's products. Given the size, scope and complexity of a company's supply chain, especially for a large multinational organization like Baxter, supply chain focused sustainability initiatives can have dramatic positive contributions to a company's overall sustainability efforts. Companies are attempting to better understand and influence the origins of their products by tracking raw materials and part components throughout the supply chain while also ensuring the highest level of anti-corruption standards are followed and that human rights are guaranteed at each step in the supply chain. For healthcare companies, maintaining a safe, secure and reliable supply chain is essential to ensure patient safety. Also, a significant amount of a company's overall environmental footprint is represented by its supply chain, so collaborating with suppliers to improve their performance can collectively support the company's overall performance.

Approximately 35,000 suppliers in more than 100 countries provide the goods, services and raw materials required by Baxter's operations worldwide. In 2012, Baxter's total supplier spending was approximately \$6.2 billion. About 26% of this total spend was on "direct" supplies - raw materials and components used in Baxter products. In general, Baxter buys most of its direct supplies from companies located near its manufacturing operations. All other supplies are considered "indirect" - goods and services that support other aspects of the company's operations.

Baxter is committed to building and driving a sustainable supply chain, one of the company's nine sustainability priorities. Through its Global Supplier Sustainability Program, Baxter integrates sustainable practices into its procurement policies and procedures, focusing on sustainable procurement, materials compliance, water security and the C-TPAT (Customs-Trade Partnership Against Terrorism) program.

Baxter conducts an annual survey of suppliers' sustainability programs and recognizes positive supplier collaborations through Baxter's e-Impact program. The company's supplier standards govern Baxter's supplier relationships, and Baxter maintains a diverse supplier base that reflects the markets and communities in which the company operates. Baxter optimizes logistics in transporting product and improves packaging to minimize related environmental impacts; and reduces the environmental impact of the company's car sales fleet. Baxter also offers electronic product fulfillment options, such as ordering and invoicing, to streamline customer



transactions and reduce paper use and costs. More than 82% of order lines, excluding home patient orders, were handled electronically in the United States.

Supplier Standards

Baxter's Global Supplier Sustainability Program builds on several sustainability-related standards that govern Baxter's relationships with suppliers. The company'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. The company evaluates and approves suppliers before purchasing any materials, components, products or services.

The Supplier Quality Standard 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 and included with supplier agreements, also covers 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).

Building on these standards, Baxter does not support, encourage or endorse any form of forced labor or human trafficking and slavery in Baxter's operations or supplier base. The company takes a number of steps to ensure suppliers are operating in an ethical manner and not engaged with these practices.

Baxter expects all suppliers to comply with these standards and expectations as well as all laws governing purchasing, and may terminate agreements with suppliers that do not. To support these efforts, ethics training is mandatory for employees in Baxter's Purchasing and Supplier Management (PSM) organization. All PSM employees that interact with suppliers must take an online ethics and compliance course as well as a live training session conducted by Baxter's Ethics and Compliance organization. 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

See Product Integrity for information about GS1 standards. Also, read Baxter's statement in response to the California Transparency in Supply Chains Act of 2010.

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 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. As of April 2013, only approximately 3% of the more than 10,500 program participants had 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.

Sustainable Procurement

Through its Global Supplier Sustainability Program, Baxter integrates sustainable practices into its procurement policies and practices, focusing on sustainable procurement, materials compliance, water security and C-TPAT (Customs-Trade Partnership Against Terrorism) Program.

Since 2009, Baxter has integrated 20 criteria into its purchasing procedures to provide its procurement organization a framework to evaluate suppliers' sustainability initiatives. These criteria fall into five categories which align with the company's sustainability efforts. Baxter also conducts an annual survey of 100 select suppliers to evaluate their performance against these criteria.

Baxter purchasing teams and individuals globally chose a performance goal for 2012 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 set a target related to submitting stories for the e-Impact program to encourage collaboration with suppliers.

RFPs and Supplier Agreements

Baxter considers price, 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 requests 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 the company's supplier standards. Sustainability related 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 in those countries 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 making 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.

Annual Supplier Sustainability Survey

Baxter conducted its fourth annual survey of 100 select suppliers in 2012 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 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 suppliers to survey each year based on spend, the supplier's importance to business continuity, and their carbon footprint. In 2012, these suppliers represented approximately 17% 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 2012, 83% of invited suppliers completed the survey.

While Baxter keeps the participant list similar for comparability year over year, the company adds or removes some suppliers from the survey due to changes in business needs, contractual requirements or other reasons. Changes in results from year to year may be due partly to this variation.

Based on Baxter's criteria, 51% of the 83 respondents in the 2012 survey were rated "sustainable", compared to 43% of 84 respondents in 2011.

Baxter Annual Supplier Sustainability Survey Summary Results				
	% Sustainable*			
	2009	2010	2011	2012
Environmental / Sustainability Program <i>Example Criteria: Measures and reports environmental information</i>	34%	30%	36%	40%
Reductions in Carbon Footprint <i>Example criteria: Has a goal and program to reduce GHG emissions</i>	46%	61%	60%	66%
Reduction in Natural Resources Use <i>Example criteria: Has a goal and activities to reduce waste generation</i>	61%	55%	63%	66%
Enhanced Product Stewardship <i>Example criteria: Uses a product stewardship / life cycle approach</i>	24%	35%	46%	48%



Protection of Human Rights <i>Example criteria: Has ethical and legal employment practices for employees and suppliers</i>	(added in 2010)	88%	96%	90%
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*Suppliers are considered sustainable in a category when responding positively ("yes" or "in progress") to 90% of the questions in that category.

Recognizing Supplier Sustainability Efforts Globally

Since 2009, Baxter has documented and recognized suppliers and Baxter employees for 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 award both the supplier and Baxter employees with an electronic certificate of appreciation.

Baxter employees submitted more than 120 examples of supplier projects to reduce environmental impact in 2012. Of these, 43 initiatives in 12 countries were successfully completed in 2012, with the combined benefits to Baxter and its suppliers summarized below. Collectively, these 43 completed projects reduced greenhouse gas emissions by an estimated 18,000 metric tons of CO₂e, which is equivalent to the amount of electricity used by 2,800 U.S. homes during a year or removing 4,100 cars from the road for that same period of time.¹

Combined Results of e-Impact Projects			
	2010	2011	2012
Project Ideas Submitted	5	107	120
Projects Completed	5	41	43
Combined Cost Savings*	\$231,000	\$3,100,000	\$4,100,000
Combined CO ₂ e Emissions Reduction (metric tons)*	162	15,000	18,000

*Metrics only include successfully completed projects completed in the year indicated

For example, Baxter partnered with its outside manufacturer of intravenous (IV) poles. The IV poles were normally shipped unassembled to Baxter's warehouse and then shipped to customers who manually assembled and disposed of the associated packaging. Baxter worked with its manufacturer to ship fully assembled poles, which made it easier for customers to use immediately after delivery. Each fully assembled stand uses approximately five pounds less of corrugate packaging compared to the unassembled product in larger boxes. In addition, the manufacturer could fit almost double the number of assembled stands into a truck for delivery compared to unassembled ones. Baxter worked with the manufacturer to deliver the fully assembled IV poles directly to customers instead of first shipping to Baxter's distribution center. As a result of these packaging and delivery changes, the initiative saved approximately 18,200 pounds of shipping weight and approximately 180 metric tons CO₂e since March 2012.

For additional information and examples of past projects recognized through Baxter's e-Impact program, see past case studies.

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>.

Product Transport

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, the company manages its own private, as well as third party fleets, to transport its frozen therapies and to home deliver Renal products.

Baxter also distributes some of its other products in selected regions, such as Europe. In other cases, the company partners with third-party vendors and carriers.

Baxter uses several approaches to decrease the environmental impact of product transport, particularly greenhouse gas (GHG) emissions, and measures its performance:

- Intermodal Transport

<http://www.sustainability.baxter.com/supply-chain/sustainable-procurement.html>

<http://www.sustainability.baxter.com/supply-chain/product-transport.html>

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- Capacity Utilization and Technology Innovation
- 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, continuing to shift to intermodal transport, which combines multiple modes for a single shipment, offers the greatest opportunity for the company to decrease costs and reduce GHG emissions related to product transportation.

Baxter continues to use intermodal transport in Europe and the United States when possible 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 decreases overall costs and emissions.

Annual GHG Emissions Reductions from Total Shipments Using Intermodal Transport in the United States				
	2009	2010	2011	2012
Intermodal Loads	6,750	7,620	7,800	7,600
Calculated Fuel Savings (liters)*	6,671,900	7,325,610	7,354,830	8,605,700
Metric Tons of carbon dioxide equivalent (CO ₂ e) Emissions Reduced	18,010	19,780	19,860	23,240

*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 used intermodal transport for approximately 24% of its transport to replenish its U.S distribution network in 2012.

Baxter also conducts route-by-route analysis in Europe to assess and implement possible shifts to intermodal transport. These initiatives covered approximately 53% of replenishments in Europe in 2012, with 7,100 short sea loads and nearly 2,000 rail loads. Baxter also identifies opportunities to ship product to customers from local manufacturing facilities when possible. For example, Baxter's customers in Poland had previously received product from Baxter's manufacturing facilities in Western Europe distributed through the company's distribution facility in Belgium. In 2012, Baxter was able to make adjustments to manufacture and distribute certain product from its manufacturing facility in Poland to local customers, saving approximately 1,400 metric tons CO₂e as a result.

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. 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.

Pallet Programs

Wooden pallets are used to consolidate cases of products for transport and to move products within Baxter facilities. The company works to use pallets more efficiently to save materials and cost. In Europe, for example, pallet programs within and across Baxter facilities, mainly in Spain and the United Kingdom, improved pallet utilization and enabled the company to reuse more than 58,000 pallets in 2012, saving nearly \$580,000. In Europe, Baxter also plans to recover pallets used between Baxter's national distribution centers and the end customers in France and Poland.



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.

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 evaluating emerging technologies that help reduce its fleet's environmental impact.

Besides the company's own Renal fleet, Baxter works with shipping carriers to deliver other products. In 2011, Baxter also became a SmartWay Partnership Shipper. Since 2009, the company requires all of its carriers in the United States to be SmartWay members.

Please see Case Study: Decreasing Environmental Impact of Product Transportation for additional examples of how Baxter has partnered with others in Canada, throughout Europe, and in the United States.

Measuring Performance

Baxter has been developing a global emissions measurement system to track GHG emissions from the company's product transport worldwide, based on a United Parcel Service, Inc. (UPS) supply chain solutions model. This enables Baxter to capture data from product shipments made by truck, rail, air and ocean globally. The model takes into account data from each of Baxter's regions.

In 2012, UPS partnered with The Carbon Neutral Company to calculate Baxter's non-UPS transportation carbon emissions to allow for more complete and accurate combined analysis of transportation emissions worldwide. Baxter continues to work with UPS and The Carbon Neutral Company to refine the model.

Baxter's total GHG emissions globally for product transport were determined to be 427,500 CO₂e metric tons in 2012. Baxter plans to use the measurement system to analyze year-over-year performance and identify opportunities to improve.

2012 Global Product Transport GHG Emissions by Mode

Transport Mode	CO ₂ e Emissions (metric tons)
Air	90,300
Ocean	33,000
Rail	11,900
Truck	292,300

2012 Global Product Transport GHG Emissions by Region*

Region	CO ₂ e Emissions (metric tons)
Asia-Pacific	50,400
Europe, Middle East and Africa	143,400
Latin America	46,400
North America	187,300

*Asia-Pacific region includes countries in Asia and Oceania; Latin America region includes countries in Latin America and Caribbean, and includes Mexico; North America region includes United States and Canada.



Supplier Diversity

Baxter works to develop mutually beneficial relationships with small and diverse suppliers, and strives to continue to increase the diversity of its supplier base. This is a key aspect of the company's broader commitments to a sustainable supply chain and 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 sponsored 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.

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?

2012 Supplier Diversity Performance

In 2012, Baxter spent approximately \$366 million with small businesses in the United States and Puerto Rico, approximately 14% of Baxter's total supplier spending of \$2.7 billion in those markets. During the year, the company spent nearly \$90 million with women-owned businesses and approximately \$34 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 \$7.8 million, \$0.9 million, \$3.9 million and \$2.2 million of Baxter's spending, respectively.

Baxter Supplier Diversity Spending (Dollars in Millions)*					
	2008	2009	2010	2011	2012
Small Businesses	\$457	\$484	\$491	\$388	\$366
Women-Owned Businesses	88	80	97	87.5	90
Minority-Owned Businesses	24	20	34	36	34

*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)



Case Study: Decreasing Environmental Impact of Product Transportation

Baxter transports large amounts of raw materials and more than 100 million cases of finished products throughout the company's global supply chain each year. As part of its commitment to decrease the environmental impact of product transportation, Baxter has developed innovative strategic partnerships with companies in various industries to create transportation synergies, save money and decrease greenhouse gas (GHG) emissions.

For example, Baxter has been co-loading transports between Belgium and Ireland since August 2012 with Donaldson Company, Inc., a global manufacturer of filtration systems, through the synchronization of shipments. By using fewer containers and higher capacity utilization, the initiative reduces GHG emissions by approximately 14% per shipment while also reducing transportation costs for both companies.

Since 2011, Baxter has been co-loading with another global healthcare company, UCB, on multiple destinations to Central and Eastern Europe. This helps both organizations increase the speed and frequency of medicine delivery to patients, while reducing GHG emissions related to product transport by 30% and cost by 10% on average per shipment, depending on the destination and the potential for transport synchronization.

In Canada, Baxter arranged a shipment optimization process with Mohawk Shared Services Inc. (MSSI), a healthcare procurement shared services organization. This has reduced transport and transfer costs, and decreased fuel use and GHG emissions by shipping products directly from Baxter's manufacturing facility to the MSSI warehouse. Previously, Baxter shipped products to an intermediary warehouse for processing before transport to the MSSI warehouse and customers.

Baxter partners with FedEx Corporation (FedEx) in the United States 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 packaging materials previously used to maintain shipments at required temperatures. In 2012, Baxter used this service to ship more than 2,400 orders, saving approximately 37,000 coolers, 128,000 gel packs and approximately 150 metric tons of packaging. These orders would have otherwise been shipped via air.

Please also see Product Transport for additional initiatives.

Sustainability at Baxter 2012



Access to Healthcare

Baxter

Access to Healthcare



Impoverished children in New Delhi, India, receive essential healthcare services from a Save the Children-supported mobile health clinic due in part to a grant from The Baxter International Foundation.

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 hemophilia products, Baxter is committed to improving patient treatment and care. The company also

works to provide medical professionals with educational opportunities to help pursue a bleed-free world. In November 2012, Baxter held the sixth Hemophilia University program, in Merida, Mexico, which included lectures and educational sessions for Latin American hematologists and healthcare professionals about the latest diagnostic and treatment modalities. The event featured a hemophilia expert panel for national and local Mexican media to draw attention to standards of care in the country, as well as a session for local hemophilia patients and their families to discuss prophylaxis therapy and access to treatment. Baxter also improves access to care for hemophilia patients in the United States through its Bilingual Healthcare Educators program. This initiative offers peer-to-peer groups for Spanish-speaking hemophilia patients and their families, as well as educational events and resources on topics such as hemophilia basics, accessing care in the emergency room and keeping joints healthy. See Case Study: Families Touched by Hemophilia Receive Much-Needed Support in Spanish.

In 2012, Baxter also entered into partnerships with Stichting Sanquin Bloedvoorziening (Sanquin Blood Supply Foundation) and Hemobrás (Empresa Brasileira de Hemoderivados e Biotecnologia) in order to support production of and access to plasma-derived therapies that treat conditions including hemophilia. See Public Policy for more information.

New Approaches to Dialysis Patient Education

In February 2013, Baxter announced it would provide St. Joseph's Healthcare Hamilton, a hospital in South Central Ontario, Canada, with a gift of \$250,000 over five years to provide chronic kidney disease patients with digital educational materials about treatment options. The program will include three phases:

- Patient First, which focuses on pre-dialysis information and education on peritoneal dialysis and self management for home dialysis patients;
- Pathways to Empowerment, during which dialysis nurses provide patients with health coaching and teach health management techniques; and
- Plan-Do-Act, during which Baxter and St. Joseph's monitor and evaluate whether the tools are meeting the needs of the patients

Educating Anesthesiologists

Improving education for anesthesiologists from developing countries is one of the greatest unmet needs in the field, according to the World Federation of Societies of Anaesthesiologists (WFSA). Since 2008, through a unique partnership with the WFSA through the WFSA-Baxter Scholarship, Baxter has sponsored high potential anesthesiologist trainees from developing countries to attend the World Congress of Anaesthesiologists as well as major regional anesthesiology congresses. These events also enable participants to develop an international network.

Baxter also supported the development of a two-disc set of obstetric anesthesiology teaching materials. The CDs, available to anesthesia providers in developing countries, contain articles, lectures and refresher courses about safe and appropriate anesthetic management of obstetric patients. Since 2010, more than 3,000 CDs have been distributed.

Addressing Drug Shortages

During the last six 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 interrelated 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, distribution protocols mandated by other regulatory agencies, company decisions to discontinue specific medicines and spikes in demand due to natural disasters.

Baxter is committed to finding solutions to this issue that are balanced and involve stakeholders across the value chain. The company's extensive portfolio offers clinicians and patients options to address their supply needs through similar products or drugs available in slightly different delivery forms that may be suitable alternatives for products in short supply.

In numerous cases recently, Baxter has helped 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 shifted 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 event were published in ASPEN's Journal of Parenteral and Enteral Nutrition.

Base of the Pyramid

In 2012, Baxter reviewed its emerging technology portfolio to assess how its existing and previously-shelved technology and products could be used in regions with high "base of the pyramid"¹ (BoP) representation. During the year, the company gained further executive support for the strategy; decided to build and embed a business model innovation capability in the organization to accelerate international growth, in particular with respect to the base of the pyramid; invested in international market development; and increased local resources and capability for two business model innovation projects in China.

Baxter also joined the International Institute for Sustainable Enterprise and the International Partnership for Innovative Healthcare Delivery, a coalition affiliated with the World Economic Forum, to learn from others addressing the base of the pyramid and specific healthcare innovations.

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

Baxter's Approach to Business Model Innovation

- 1 **Market Discovery**
Employ market research methodology to determine customer needs
- 2 **Blueprinting**
Develop a solution to address these needs, taking into account the full customer experience
- 3 **Prototyping and Piloting**
Identify and test critical assumptions
- 4 **Scaling**
If successful, expand the idea to reach a wider market

Product Donations

Baxter donates products to help improve access to healthcare worldwide. In 2012, the company contributed more than \$28 million in products and patient assistance programs to assist people in need in 63 countries (see map). To maximize impact, Baxter donates products that recipient organizations have requested specifically, such as intravenous (IV) solutions, hemostatic sealants, pharmaceuticals and hemophilia products. Baxter's Global Community Relations team manages the 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 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 regulated waste if destroyed. This 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 increases aid organizations' ability to plan and respond to emergencies, since the donor organizations know in advance what to expect from Baxter.

During 2012, Baxter continued to work with its humanitarian aid partners – AmeriCares and Direct Relief International (DRI) – to pre-



Baxter's long-standing relationships with its humanitarian aid partners continue to help facilitate timely, targeted support to areas of Haiti still impacted by the 2010 earthquake and subsequent cholera outbreak. Photo credit: AmeriCares

<http://www.sustainability.baxter.com/access-to-healthcare/advancing-public-health.html>

<http://www.sustainability.baxter.com/access-to-healthcare/base-of-the-pyramid.html>

<http://www.sustainability.baxter.com/access-to-healthcare/product-donations.html>

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position products for emergencies as well as 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 organizations 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 contributed products with long shelf lives to aid partners in 2012 to provide organizations with a steady supply of medicines for ongoing support as well as critical therapies to offer in times of crisis. For example:

- Malawi—Baxter shipped antibiotics to AmeriCares to distribute throughout the country, following an urgent request from the Malawian president, due to hospital shortages. This one-time request has prompted Baxter to add this product to its future donation shipments.
- Asunción, Paraguay—Local doctors use Baxter's products from AmeriCares' shipments to treat the wounds of local residents, which recently included a four-year-old girl who was severely burned.
- Shirati, Tanzania—At Sota Health Center, a DRI program uses products from Baxter and other companies to provide free treatment to children with Burkitt's Lymphoma. This disease has a high mortality rate in Africa, but patients with a full course of treatment experience a high survival rate.
- Somaliland—DRI shipped Baxter products to a local maternity hospital, enabling doctors to perform procedures for women suffering from obstetric fistula. Although the country's maternal mortality rate is very high, this hospital had zero such incidents out of nearly 1,300 deliveries and more than 170 Cesarean sections it performed in 2012.

Pre-positioned to Assist in Aftermath of Natural Disasters

In 2012, pre-positioned Baxter products were on hand in countries that were impacted by, or still recovering from, natural disasters.

When Volcan del Fuego in Guatemala erupted in September 2012, more than 33,000 people in the area needed to evacuate, and many required shelter and medical assistance. Given the proximity of local non-profit and DRI partner, God's Child Project, the government asked the organization to serve as an evacuation center. God's Child Project had supplies on hand—including Baxter products—from DRI's Hurricane Preparedness Program, which effectively met the medical needs of community members impacted by the disaster.

In October 2012, when Superstorm Sandy struck New York, Baxter products were made available to the community through both AmeriCares and DRI. AmeriCares distributed Baxter irrigation products to a volunteer clinic to help doctors treat wounds. DRI had medical supplies both in Hurricane Preparedness Program packs that had been shipped ahead of time, as well as subsequent shipments from the organization's warehouse. Additionally, Baxter service specialists worked in difficult conditions to make regular renal therapy deliveries to patients in areas hard hit by the storm.

Today, areas of Haiti are still impacted by the earthquake that struck in January 2010 and the subsequent cholera outbreak. Baxter continues to partner with AmeriCares and DRI to provide product donations to meet the ongoing health needs of local residents who continue to rebuild their lives in the aftermath of the disaster. DRI has delivered nearly \$5 million of Baxter products to Haiti since the incident.

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, 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 hemophilia diagnosis and treatment 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.

To help ensure that underserved countries have factor replacement treatment, Baxter has donated more than 16 million units of product over the past three years through its humanitarian aid partners, the World Federation of Hemophilia and AmeriCares.¹

Patient Assistance Programs

Baxter maintains U.S. patient assistance programs to help ensure continuous access to products, for those who qualify, in the event of an insurance lapse.

Additionally, 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 health insurance. Over the last 14 years, Baxter has contributed nearly \$9 million to PSI programs that support patients with bleeding disorders, alpha-1 antitrypsin deficiency (AAT) and primary immune disease. Through these efforts, PSI assisted more than 550 patients with these disorders in 2012.

Baxter continues to run the myPN Support program, a patient assistance program for U.S. citizens and legal residents in the United States that supports qualifying patients with continued access to certain parenteral nutrition (PN) drug therapies. For more information, please see the section on Baxter's patient and caregiver services and programs.

Medical Missions

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 2012, AmeriCares sent more than 220 shipments with Baxter products to 37 countries in support of medical missions.

¹Global Alliance for Progress (GAP) 2012 Summary Report and Results. World Federation of Hemophilia. December 2012.

The Baxter International Foundation

Thanks in part to a grant from The Baxter International Foundation, children in need of physical, speech or occupational therapy can benefit from hippotherapy, using a horse's movement for rehabilitation, at Ride On Therapeutic Horsemanship in Thousand Oaks, California.

The Baxter International Foundation's primary focus is increasing access to healthcare worldwide. In 2012, the Foundation donated more than \$3 million (excluding future commitments) in 13 countries. This included over \$725,000 to more than 730 organizations through the Foundation's Dollars for Doers and Matching Gifts programs that support employees' philanthropic contributions. The majority of the grants resulted from recommendations from Baxter facilities and targeted programs that improve the quality and accessibility of healthcare for the disadvantaged and underserved in local communities.

Grants awarded in 2012 helped meet local needs to increase access to dental care, mental health care, and other healthcare services for children, the uninsured, and the elderly.

Recipients included the following:

- **China** - Project Hope, in Shanghai, will pilot a care model to improve the efficiency and effectiveness of home-based health care for the elderly.
- **Ireland** - Childvision, in Dublin, received funds to support the salaries of two full time equine therapists and a project manager for the first year of the organization's new equine program.
- **Mexico** - Aceptame Como Soy, in Morales, used funds for the salaries of two part-time psychologists, a full-time nutritionist and the services of an outsourced audiologist.
- **United States** - Eisner Pediatric and Family Clinic, in Los Angeles, will use contributions to add another pharmacist to support the expansion of its pharmacy.

See a complete list of recent Baxter International Foundation grants with additional detail.

The Baxter International Foundation also sponsors three prize programs, among the most



Thanks in part to a grant from The Baxter International Foundation, children in need of physical, speech or occupational therapy can benefit from hippotherapy, using a horse's movement for rehabilitation, at Ride On Therapeutic Horsemanship in Thousand Oaks, California.

<http://www.sustainability.baxter.com/access-to-healthcare/product-donations.html>

<http://www.sustainability.baxter.com/access-to-healthcare/baxter-international-foundation.html>

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prestigious in the healthcare field, that recognize organizations and individuals who demonstrate excellence in community service and healthcare research.

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 delivers innovative programs that improve community health and well-being. In 2012, St. Joseph's/Candler Health System in Savannah, Ga., received this honor for its broad-based efforts to improve the lives of its most vulnerable community members. This faith-based, locally owned, not-for-profit health system features local and regional primary care, specialized inpatient and outpatient services, home healthcare services and a wide variety of community outreach and education efforts throughout the region. The award recognizes the hospital for several major initiatives including an African-American health information and resource center, free clinic offering medical translation services, a community center providing education programs and a volunteer income tax assistance program for the working poor. (See feature story).

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. Mark V. Pauly, Ph.D., one of the nation's leading health economists, received the \$50,000 award in 2012 for his work in the fields of medical economics and health insurance, including research about healthcare reform, conceptual foundations for cost-benefit analysis of drugs, and incentives in managed care. His classic study on the economics of moral hazard was the first to identify how health insurance coverage might affect patients' use of medical services.

Episteme Award: In conjunction with the Honor Society of Nursing – Sigma Theta Tau International – the Baxter International Foundation bestows the Episteme Award every other year to a nurse who has contributed significantly to nursing knowledge development, application or discovery that produces sizable public benefit. The next award will be granted in 2013.

Scholarships for Children of Employees: The Foundation also has a long-standing commitment to the education of employees' children through scholarships. Each year, scholarship awards are presented on a merit basis. A neutral, third party agency evaluates the applications on the basis of the students' academic, extracurricular and employment accomplishments. Recipients receive a \$1,000 cash award during the academic year for which they are selected. Scholarships may be renewed for up to three additional years. In 2012, the Foundation awarded 88 new scholarships. Of those scholarships, 65 students were from the United States and Puerto Rico, representing 29 states. The remaining 23 were international students from 17 different countries around the world. Additionally, in 2012, the program awarded 195 renewal scholarships. Of these, 144 students were in 18 states and Puerto Rico and 51 students were from 20 different countries.

Case Study: Improving Access to Renal Therapy in China

One million people in China are estimated to have end stage renal disease (ESRD), or irreversible kidney failure. In 2012, China's Ministry of Health ranked ESRD as one of the eight most critical diseases in the country. Despite this, only a minority of affected individuals receive regular treatment.

For patients with ESRD in rural China, the situation is especially challenging. Access to care and therapy is often limited due to low awareness of the disease and insufficient hospital infrastructure and personnel.

A recent partnership between Baxter China and the Chinese National Institute of Hospital Administration aims to help address these and related issues. The partnership, formally established in November 2012 when Baxter China signed a memorandum of understanding with the National Institute of Hospital Administration under the Ministry of Health, will develop and deploy a sustainable care and delivery model for peritoneal dialysis (PD) patients with ESRD in rural parts of the country. PD is a home-based therapy in which patients infuse a solution through a surgically implanted catheter in their abdomen into their peritoneum, or abdominal cavity, where it draws waste products across the peritoneal membrane (which serves as a natural filter) and into the solution.

The program, "Flying Angel," piloted in six provinces beginning in early 2012. It focuses on establishing a distribution model for PD supplies, improving standards of care, developing public education programs, training healthcare professionals and improving affordability for patients. A recent health economic study by the Ministry of Human Resources and Social Security (MoHRSS)

concluded that PD is a cost-effective treatment compared with in-center hemodialysis and savings would enable more patients to receive therapy.

"Baxter believes that partnerships are critical to creating and ensuring a sustainable healthcare future for China. As a leader in the discovery and development of innovative specialized treatments for chronic and acute diseases, Baxter has been committed to meeting China's healthcare needs for more than 20 years," said Sanjay Prabhakaran, general manager, Baxter China/Hong Kong. "Our partnerships focus on expanding and sustaining access to quality care from hospital to home."

Case Study: Feature Story

Families touched by hemophilia receive much-needed support in Spanish

Carmen and Daniel Navarro were growing increasingly concerned. Their one-year-old son Brian was showing signs of injury that seemed to appear out of thin air—alarming bruises under his arms and inside his mouth.

As native Spanish speakers, interactions with English-speaking medical staff were often challenging for the Los Angeles-based Navarros. But that didn't keep them from rushing Brian to an urgent care clinic after a particularly bad bruise. However, instead of getting the answers they desperately sought, they were assigned a social worker and endured a humiliating child abuse investigation. So when they needed to take Brian to the hospital for severe bleeding from his mouth a few months later, the family was fearful.

However, this time there was no suspicion. The doctor told them, "Your son has a medical condition with no cure." Brian was diagnosed with hemophilia A, a rare genetic blood clotting disorder that primarily affects males. People living with hemophilia do not have enough of, or are missing, one of the blood clotting proteins, known as factors, naturally found in blood. The body depends on these clotting factors to stop bleeding after an injury and to promote healing.

Carmen and Daniel were shocked. Their two oldest sons did not have hemophilia and no other relatives, that they are aware of, have the condition. "It was very hard to know and accept that this was a medical condition he'd have to live with," remembered Carmen. "I live for my family. I didn't want to see my son in pain."

The Navarros struggled to understand the brief hemophilia A explanation the doctor provided in English, and the hospital offered no resources in Spanish. Provided with only a short-term treatment and a follow-up appointment two weeks later, the family was still concerned. So they quickly got Brian in the car and made the three-hour trip south to Tijuana, Mexico, to see a doctor there with whom they could speak in Spanish.

A need for resources in Spanish

While it was comforting to speak to a doctor in their preferred language, the Navarros knew that traveling to Mexico for regular medical care was not feasible, and quickly took steps to learn more about hemophilia and local treatment options for their son. When Brian was an older child, Carmen and Daniel learned about Baxter International Inc.'s Bilingual Healthcare Educators initiative.

Started in 2006, Baxter's Bilingual Healthcare Educators located in cities across the U.S. provide Spanish-speaking patients and their families with culturally appropriate educational programs about hemophilia, options for care and information on how to navigate an often complex healthcare system, all in their preferred language. Hispanics now make up more than 16 percent of the U.S. population, a figure that is expected to continue to grow significantly in the next decade. As a leader in the hemophilia community with a history of innovating to better serve patients, Baxter established this team to support the nearly 1,900 Hispanics in the U.S. who live with hemophilia A, as many of these patients and their families—such as the Navarros—can experience gaps in care due to language and cultural barriers, lack of access to preventive care or basic knowledge on accessing the healthcare system.

There had been a misconception that Hispanic hemophilia patients simply weren't interested in taking part in educational opportunities. However, says RosaLee Satterthwaite, director of marketing at Baxter, who leads the initiative, "When we were assessing the need for a program like this, there was such a resounding positive response from the community. These programs just needed to be in Spanish."

The initiative has grown to encompass educational programs, peer-to-peer support groups, outreach at Hispanic community events and political advocacy work. Its "Facts First" educational program contains a repertoire of presentations on 19 different topics—including ones about basic information about hemophilia, how to best access care in the emergency room and learning how to keep joints healthy.

The team continues to expand, with additional team members expected to be added in key Spanish-speaking markets in 2013. "We're excited about the company's ongoing commitment to this initiative," says Satterthwaite. "And we welcome the opportunity to assess and work with other ethnic/cultural groups in need."

Essential support from the hemophilia community

The hemophilia peer-to-peer groups have been widely embraced, and 8 such groups have been established in California, Florida, Illinois, North Carolina, Texas, Washington and the New England area.

"There have been some families out there who had no idea there were so many Spanish-speaking people with hemophilia in their own backyard," said Esperanza Ramos, LVN, Baxter's senior manager of health education, who has worked closely with the Navarro family over the past four years and checks in periodically to see how Brian is doing. Ramos adds, "Being able to reach out to families in a culturally sensitive way makes a big difference in their overall understanding and healthcare experience."

Carmen agrees. "For me, it was important to have support in Spanish. The support group is part of the education. It made me feel really good—like I was getting treatment too." She noted that while Brian is bilingual, and she now is proficient in English, the bilingual educational sessions were also helpful for other Spanish-speaking family members involved in Brian's care who need to understand the disease and his treatment. "Everyone needs to know what to do in case of an emergency," she stressed.

Brian, now a busy 19-year-old who enjoys playing pick-up basketball games in the park, works part-time and plans to start college classes in the spring at West Los Angeles College.

"It was like going to church every Sunday," Brian said, of his familiarity with the Baxter educational events. "It's helped me to cope, to realize that I'm not the only one dealing with this."

In addition to providing emotional support for him and his family, Brian noted that the educational events also offered valuable information about treatment options and lifestyle changes that could reduce bleeding episodes, as well as direction regarding insurance and healthcare providers.

"They tell you how to stay in good health and keep a good balance in your life," he said. "Anything my mom learned from the events, she used with me."

Sharing experiences to help others

His mother hopes that she and her family can help others who are going through the same confusion and pain that they went through when Brian was first diagnosed.

Managing his health and inspiring others

Navarro discusses his health with Baxter Bilingual Healthcare Educator, Esperanza Ramos, a licensed vocational nurse, who answers his questions and provides him with educational resources.



Brian Navarro, a 19-year-old Los Angeles resident with hemophilia, shoots baskets at the local park in his free time.



"It's really hard when your child is first diagnosed and you don't know what it is or who to ask for help, especially when you are a Spanish speaker," said Carmen, who is still actively involved in attending Baxter educational programs and other events. "We have to show parents that they are not alone, and tell them to ask questions and get involved."

She added, "I always give Brian the freedom to be himself, and never make him feel like he can't do something. Your child may seem a little more fragile, but with proper treatment and support from your doctor, they can do it."

Brian has been helping to share this empowering message with parents of other children during these support gatherings.

"At one of the events I met a parent who had a doctor tell her that her son wouldn't be normal," he shared. "When I started telling her about my experience with hemophilia and everything I can do, she started tearing up. This only inspires me to continue to tell my story and share with others how hemophilia doesn't define me."

Sustainability at Baxter 2012



Community Support

Baxter

Community Support



During Making a Meaningful Difference Month, employees in China raised funds to buy sports equipment and educational materials for a rural school and then visited to provide the students with a day of fun.

Baxter and its employees support communities worldwide through financial contributions, product donations, healthcare access initiatives and employee volunteerism. Increasing access to healthcare, promoting community service and supporting employee engagement through these efforts are core principles of the company's vision and culture.

This section includes the following pages:

- **Education and Critical Community Needs** - Baxter makes financial and in-kind donations to address needs such as improving education, protecting the environment and fostering patient safety.
- **Employee Involvement** - The company encourages employees to volunteer 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, while strengthening the company's business. These initiatives improve community relations, demonstrate Baxter's commitment and increase employee engagement. During 2012, Baxter and The Baxter International Foundation gave more than \$56 million, including product donations, cash contributions and foundation grants

The company has contributed more than \$318 million over the last five years.

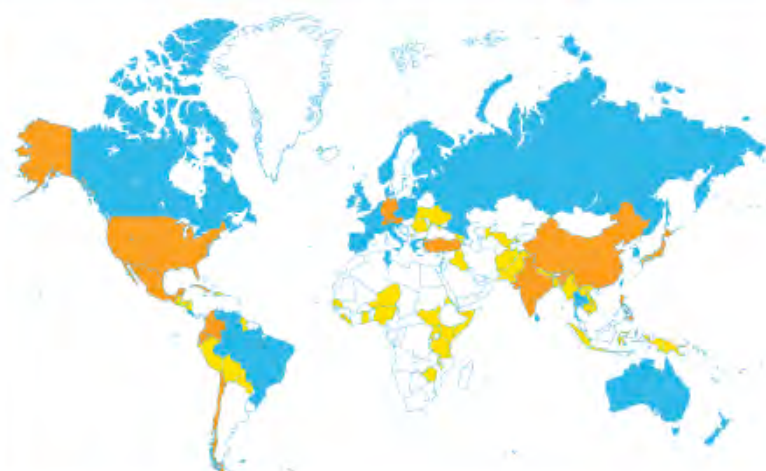
Baxter and The Baxter International Foundation Charitable Giving* (Dollars in Millions)					
	2008	2009	2010	2011	2012
Product Donations**					
Products/Patient Assistance Programs	\$10.86	\$18.94	\$48.09	\$47.17	\$28.02
Business and Facility Cash Donations					
Within U.S.	\$12.17	\$15.29	\$14.66	\$12.88	\$12.31
Outside U.S.	16.75	15.11	12.56	16.05	13.10
Subtotal	\$28.92	\$30.40	\$27.22	\$28.93	\$25.52
The Baxter International Foundation Contributions					
Within U.S. (including Puerto Rico)					
Grants	\$1.43	\$1.10	\$1.32	\$1.65	\$1.47

Matching Gifts & Dollars for Doers	0.75	0.76	0.74	0.71	0.65
Scholarships	0.17	0.19	0.20	0.21	0.21
Prize Programs	0.19	0.21	0.26	0.23	0.23
Subtotal	\$2.54	\$2.24	\$2.47	\$2.83	\$2.56
Outside the U.S.					
Grants	\$1.39	\$1.21	\$1.56	\$1.14	\$0.50
Scholarships	0.04	0.06	0.07	0.07	0.07
Subtotal	1.43	1.27	1.63	1.21	0.57
Total Foundation Contributions	\$4.01	\$3.51	\$4.10	\$4.04	\$3.13
Total Charitable Giving	\$43.79	\$52.85	\$79.41	\$80.14	\$56.67

*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 severity and volume of disaster relief response, the regulatory environment, manufacturing processes, change in product mix and marketing. The company identifies opportunities to donate and responds to community requests as appropriate. See Product Donations.

Overview of Baxter Global Community Support in 2012



- Product and Cash Contributions*
- Product Donations
- Cash Contributions*

*Includes contributions from Baxter and The Baxter International Foundation.

Education and 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 \$25 million worldwide in 2012, nearly 50% outside the United States. Baxter Chairman and CEO Robert L. Parkinson was recently named one of the 100 CEO Leaders in STEM by STEMconnector®.

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 grade level in math. In the 2009 Nation's Report Card, the latest year that the science proficiency was assessed for those grade levels, just 34% of fourth-graders, 32% 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 medical 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 focuses on enhancing local math and science education programs to prepare students for careers in science.

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 2011-2012 school year, the program reached nearly 14,000 students and almost 190 teachers through in-depth biotechnology teacher training and lesson plans. This increased the total to more than 60,000 students and 720 teachers since 2008, in 45 percent of the 145 high schools throughout the district.

Baxter also supported 10 events for teachers and students, including several enabling students to experience science first-hand through interactions with Baxter professionals. This included a Baxter partnership with Northwestern University's Office of STEM Education Partnerships and the Biotechnology Center of Excellence at Lindblom Math and Science Academy in 2012 to provide teachers professional development workshops to help bring biotechnology into the classroom. Teachers participated in hands-on labs at Northwestern and Lindblom and visited Baxter's labs at its Round Lake, Illinois facility to gain real-life context.

In 2012, Baxter developed a paid internship program for high school students from Chicago's Lindblom Math and Science Academy in response to the call from the White House Council for Community Solutions and the U.S. Department of Labor for businesses, non-profit organizations, and government to participate in the Summer Jobs+ program. Students interned at Baxter's headquarters in specific job functions, working on diverse projects, participating in weekly orientation sessions with senior executives, and learning about office culture and common workplace practices.

Other education initiatives in 2012 included:

FIRST® – Baxter is a founding member of FIRST (For Inspiration and Recognition of Science and Technology), and the company supports local students in regional and national competitions. 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. In 2012, the Baxter Bomb Squad team in Mountain Home, Arkansas, won the FIRST Robotics Competition Championship for the first time in the team's 17 years of participation, with a robot the students designed, programmed and built to compete in a basketball-inspired game.

Junior Achievement – During the 2011-12 school year, nearly 370 Baxter volunteers in nine countries, including many of the company's senior leaders, spent nearly 4,000 hours teaching financial literacy to more than 7,800 students.

Street Law, Inc. – Sixteen Baxter lawyers, paralegals and other professionals created and delivered in-classroom lessons to Lindblom Math and Science Academy students on various legal topics in conjunction with Street Law, Inc., a nonprofit organization dedicated to teaching groups underrepresented in the legal field about law, democracy and human rights.

Additional community support highlights from 2012 include:

World Hemophilia Day: In April 2012, Baxter marked the 22nd anniversary of World Hemophilia Day, dedicated to promoting awareness of hemophilia and treatment availability for people living with the disease worldwide. Baxter offices around the world participated in local and regional grassroots events, online educational efforts and roundtable discussions, and by providing scholarships. The company also joined forces with the World Federation of Hemophilia (WFH) to launch Advocacy in Action, a program designed to help countries advocate for improved and sustained care for people with bleeding disorders. A 6-year initiative exclusively supported by a grant from Baxter, Advocacy in Action strengthens the capabilities of the WFH's national member organizations to lobby their governments effectively on behalf of regional and national bleeding disorder communities. The program consists of interactive workshops, support tools, an individualized coaching program and a dedicated WFH staff member to help implement advocacy and public policy action plans.

Last year during World Hemophilia Day, the advocacy team in Colombia launched Hemoconexion, a program that promotes the wellbeing of patients by providing educational materials, recreational activities and information about employment opportunities through alliances with local companies and providers. So far, the program has worked with dozens of hemophilia patients and their family members all around Colombia.

World PI Week: World PI Week, established in April 2011 with support from Baxter, raises the recognition and diagnosis of primary immunodeficiencies (PI).² During the event, organizers worldwide encourage improved PI awareness and diagnosis among medical professionals and the general public. Activities in 2012 included government awareness initiatives, PI treatment center openings, and



Baxter partnered with Northwestern University's Office of STEM Education Partnerships (OSEP) and the Biotechnology Center of Excellence (BCoE) at Lindblom Math and Science Academy to share scientific and teaching expertise, example lessons and resources with local teachers.

others, reinforcing the message that detecting the disease early can have an important impact on patients' lives.

World Kidney Day: In March 2012, Baxter organized several World Kidney Day activities worldwide, to raise awareness of chronic kidney disease detection, prevention and treatment.

For example, Baxter sponsored World Kidney Day celebrations in hospitals and kidney research centers across India, reaching about 2,000 renal patients and their family members, 150 nephrologists and nurses, and health officials and paramedic staff. These events highlighted the treatment options available for kidney failure through literature and videos, and offered free kidney health screenings.

Baxter Mexico collaborated with ALE Association—a Mexico City-based organization dedicated to organ donation and transplant awareness—and other non-governmental groups to organize a high profile photo exhibition and poster contest aimed at increasing awareness of kidney disease prevention, kidney donation and the need for stronger public health policies that address chronic renal disease in Mexico. The photo exhibition, held on Mexico City's busiest street, featured the faces and personal stories of 12 Baxter PD patients who receive therapy through Mexico's social security program. Each patient described the benefits they've experienced with PD. Baxter Thailand organized a "Quality Lifestyle for PD Patients" campaign where TV and radio journalists interviewed PD patients, nephrologists, and a renal nurse about kidney disease and therapy options. The objective was to educate the public about the disease and the potential benefits of PD.

¹ 4th and 12th grade results based on the 2009 Nation's Report Card assessment – the latest year that science proficiency was evaluated for those grade levels. 8th grade results are based on 2011 Nation's Report Card assessment.

² Primary immunodeficiencies (PI) are a class of approximately 175 hereditary genetic defects of the immune system that cause increased susceptibility to a wide range of infections, which are often chronic and can be serious. An estimated 10 million people suffer from PI worldwide.

Employee Involvement

Employee Volunteerism

In 2012, more than 6,500 Baxter employees volunteered more than 127,000 hours in their communities, addressing local concerns such as healthcare, the environment and education.

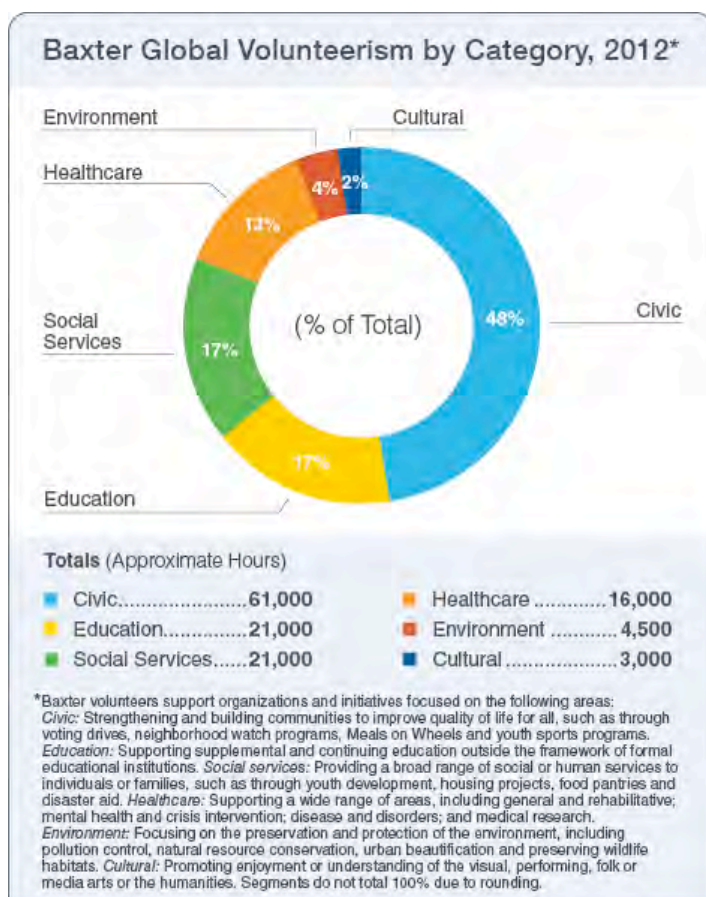
Employee involvement takes many forms, such as volunteering at a school or blood drive, serving at a hospital or food pantry, participating in community park clean-up days, or joining a local non-profit organization board or committee. Employees at each Baxter site select volunteer activities to undertake and organizations to support, as they can best determine the most relevant and highest impact projects.

In 2012, Baxter sponsored its fourth 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 2012 event, which was again held the first week of June to correspond with the United Nation's World Environment Day. More than 120 Baxter sites worldwide sponsored events that promoted earth-friendly activities. Highlights included:

- **Cali, Colombia** - The facility provided employees with an ecological footprint calculator to determine the number of trees they would need to plant to offset their environmental impact.
- **Pisa, Italy** - Pisa's Environment, Health and Safety Team organized a guided tour of the Italian League for Bird Protection's Massaciuccoli Oasis to teach students about the area and encourage them to enjoy and respect nature.
- **Auckland, New Zealand** - Employees took part in the Motuihe Restoration Project, planting native trees on Motuihe, an island in the Hauraki Gulf. This project aims to restore the island to its natural state of beaches, native forests, wetlands and open spaces, which are home to rare and endangered birds and insects.



Baxter employees in Canada bring food to a local food pantry, one of many volunteer activities in 2012 related to Baxter Canada's 75 Days of Caring, an employee volunteerism initiative commemorating the organization's 75th anniversary.



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 2012 included:

- **Japan** (all offices) – Employees collected bottle caps to donate to Ecocap Movement, which sold them to recyclers and then used the proceeds to buy polio vaccines for children in developing countries.
- **Taipei, Taiwan** – Employees taught children from the Taiwan Fund for Children and Families how to cook healthy food and pack a wholesome lunch box.

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. Baxter contributes to organizations on behalf of employees who donate 75 or more hours. More than 680 Baxter employees volunteered at least 40 hours in 2012.

In the United States, The Baxter International Foundation Dollars for Doers program provides grants to qualified organizations in which Baxter employees have actively volunteered for 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 2012, the program provided 61 grants to 43 organizations for a total of \$24,500.

75 Days of Caring

To commemorate Baxter Canada's 75th anniversary in 2012, employees in the country participated in more than 20 team events during "75 Days of Caring," including environmental education, gardening and horticulture, socializing with senior citizens, and packing physician kits for overseas medical missions. Baxter employees contributed more than 6,100 volunteer hours and supported organizations such as Camp Dorset, a camp for children with chronic disease, and the Mississauga Food Bank.

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 2012, The Baxter International Foundation matched gifts to eligible organizations submitted by nearly 2,000 U.S.-based employees from 39 states. Gifts totaled \$701,175, which doubled the impact to 730 charitable organizations.

Case Study: Feature Story

Baxter employees host sessions for critical thinking and debate at Chicago high school

Nestled in the pages of magazines like *Time*, *Ebony*, *Latina*, *Chicago Magazine*, *Sports Illustrated* and *The Economist* are news items, ideas and controversies that high school students from Muchin College Prep in Chicago—a charter school that serves 500 students from more than 45 zip codes throughout the city and features many educational innovations—eagerly await to pore over each month.

Magazines in hand, students gather in the school's library once a month to bring the topics found in these publications to life through spirited discussion and debate, transforming the space into a salon of critical thinking.

Facilitated by six Baxter International Inc. employee volunteers, Muchin College Prep's magazine club was launched by the company's African American Leadership Council (AALC) to fill a need for periodicals to keep the students up-to-date on thought-provoking topics and current events. When touring the school in 2012, Heather Polk, senior marketing manager in Baxter's Medical Products business and community co-lead for AALC, noticed that the school didn't have magazines in its library that could help engage the students.

"Magazines are a great way to get young people reading and involved in current events," Polk says. "They can also be a good option for those who have limited attention spans or who aren't as receptive to books."

AALC raised money to purchase magazine subscriptions for eight publications for the library, and started a club on campus to promote reading, critical thinking and discussion. About 40-60 students attend each meeting, during which the Baxter volunteers guide an hour-long conversation about hot topics or current events.

"We try to keep it fresh and relevant to where the students are in their lives," says Polk. "For example, an article we selected about the Lance Armstrong scandal prompted questions about ethics and peer pressure. We asked students, 'What prompted him to cheat?' and 'When do you feel that ethics develop in one's life?'"

Other topics have included gun control, entrepreneurship, AIDS, the presidential inauguration, and even the marketing behind the Super Bowl. Reading the articles can also help impart more general life lessons—such as the need to be discerning about the writer's perspective and the potential for media bias.

Baxter's support as part of its Science@Work program helped launch the charter high school in 2009, and the company has remained involved with students since then through career development activities and science, technology, engineering and mathematics (STEM) programs. However, the company has recognized the value in fostering critical thinking and analysis skills through non-science avenues, in addition to more traditional STEM programs.

Polk explains, "Through these discussions we encourage debate, trying to show the students how to develop, articulate and support their opinions. We hope that these skills will help them not only in high school, but also in college and in their careers."

Lauren Craft, Muchin College Prep Founding Dean of Students, has seen a warm reception to the magazine club since its inception.

"The Baxter volunteers pose great questions that really get them thinking, which they appreciate. Students are showing up in large numbers, and word of mouth has been spreading about the program," Craft says.

She adds that beyond the opportunity for students to engage in thought-provoking discussion and debate, the partnership with Baxter also exposes students to professionals from the corporate sphere.

"Getting face time with Baxter volunteers is really valuable, as it provides students a chance to learn what they do in their careers and what corporate culture is like," Craft explains.

Students from Muchin have had the opportunity to get face-to-face with corporate culture and careers through other Baxter initiatives as

Giving Young People a Voice

Lauren Craft, Founding Dean of Students at Muchin College Prep, and Heather Polk, senior marketing manager within Baxter's Medical Products business, worked together, along with other members of Baxter's African American Leadership Council to create the Muchin Magazine Club.



Students from Muchin College Prep visit Baxter's headquarters in Deerfield to discuss careers.



well. In 2009, Last year, more than 20 employees at Baxter Round Lake facility welcomed Muchin students to tour the microscopy and biology labs. This year, 15 employees from research & development and the commercial group visited the school three times to support biology, physics and chemistry classes at Muchin. And more than 20 Baxter executives have participated in career day opportunities with Muchin students both on site at Baxter and within their classrooms.

Polk says that she and the other Baxter volunteers are eager to remain involved in the club, and to see students continue to improve their critical thinking and debate skills.

"Teenagers can often feel they are being talked down to, or aren't really given the chance to be heard," Polk says. "I tell them that everyone has a voice. We're giving them a chance to express their opinions and perspectives."

Case Study: Baxter Helps Connect Local Community through Millennium Trail

Employees and visitors heading to Baxter's Round Lake, Illinois, United States facility will soon have an alternate mode of transportation for getting there. Over the past decade, the company worked with the Lake County Forest Preserves (LCFP) to help develop the Millennium Trail, which, once finished, will connect central, western and northern Lake County communities and forest preserves through 35 miles of trails for hiking, biking and horseback riding. Today, more than 20 of those miles are completed and available for public use, and Baxter has been instrumental in making some of them a reality through a series of land sales and easement permissions throughout the last several years. The company's efforts will help ensure the trail is built without obstruction, said Bonnie Thomson Carter, LCFP commissioner and chairman of its Planning and Restoration Committee.

"Baxter's support has made it possible for the Forest Preserves to reach its goals of bringing trail access and connected preserves to the western quarter of Lake County," Thomson Carter said. By linking residential areas to parks, forest preserves, schools, businesses and shopping districts, trails allow people to alter their travel behavior by bicycling or hiking to their destination instead of driving. At the end of the day, it means cleaner air, less traffic and a greater quality of life for all Lake County residents -- including many Baxter employees.

The Millennium Trail's complex network of connected open spaces also provides a vital and diverse habitat for a variety of plants and animals. Baxter has worked with the Forest Preserves to establish natural areas on both sides of the trail as it runs adjacent to Baxter's facility to encourage the growth of native prairie and woodland species, designed to attract a variety of wildlife and create a scenic passageway.

"I continually hear from residents about how much they use these trails and how much they appreciate this connection to nature," Thomson Carter said. In addition to connecting residents to nature, the trail also helps encourage connections between neighboring areas by improving regional transit -- a priority in building more environmentally sustainable communities, said Art Gibson, Baxter vice president of Environment, Health and Safety and Sustainability.

"Many Baxter employees live and work in Lake County -- we are part of this community -- and we're committed to working with the Lake County Forest Preserves to make it a more environmentally sustainable community," Gibson said.

The expansion of the Millennium Trail is not the first time Baxter has partnered with local agencies to benefit the environment and improve quality of life for Lake County residents. In 2002, Baxter launched a novel water reclamation project that reused the majority of treated wastewater at its Round Lake campus. The project, a first-of-its-kind in Illinois at the time, involved Baxter leasing up to 185 acres of land to a local nursery for the planting of nursery stock, which were then irrigated with Baxter's treated wastewater. And in 2008, Baxter donated \$40,000 to assist in the rebuilding and modernization of the Long Lake Dam. The dam, built in 1930, helps control



The Lake County Forest Preserves Millennium Trail will connect central, western and northern Lake County communities and forest preserves.



Baxter's Round Lake facility is located in Lake County, Illinois, which is known for its forest preserves and natural areas. Baxter works with the community to preserve the natural habitat of the surrounding area.

of the flow of water from Long Lake to Fox Lake and allows pleasure boat traffic from Long Lake to the rest of the Chain of Lakes.

For more information about the LCFP and the Millennium Trail, visit <http://www.lcfd.org/>

Case Study: Feature Story

Health System in Savannah, Ga. Recognized for Community Service Commitment with Foster G. McGaw Prize

2012 Winner Honored for its Holistic Approach to Healthcare

After back surgery and an extended stay in the hospital, Savannah, Ga. resident Denet Whitfield found herself out of a job and without a source of income. She couldn't even afford groceries and feared losing her apartment. After reaching out to several government agencies for help, she was eventually referred to St. Joseph's/Candler Health System's St. Mary's Community Center and Health Center, a community outreach initiative dedicated to helping people in the poorest neighborhoods in Chatham County, Ga. improve their quality of life.

"When someone answered on the other end of the line, I felt hope immediately," Whitfield recalls.

"Now every time I walk into the building I feel safe."

St. Mary's helped Whitfield get stabilized and assisted her in setting up and providing transportation to and from several medical appointments at the Health Center. She received a new pair of glasses at the center's eye clinic, and attends healthy cooking classes as well as a dance class at the Community Center.

"Whatever state you are in, they accept you and want you to be better," Whitfield says. "My self-esteem has really increased since coming to St. Mary's, and my health has also improved."

In addition to helping people like Whitfield get healthy and connect with other community members, St. Mary's also offers General Education Development (GED) test preparation, money management counseling, job training skills, after-school tutoring and a preschool program, thanks to the efforts of St. Joseph's/Candler. The recent recipient of the 2012 Foster G. McGaw Prize for Excellence in Community Service, sponsored by The Baxter International Foundation, the American Hospital Association (AHA) and Health Research & Educational Trust, St. Joseph's/Candler was honored for its multifaceted programs that have improved quality of life and access to healthcare for the surrounding area.

"St. Joseph's/Candler Health System and the finalist organizations are outstanding examples of how community outreach is improving the health of our local communities and making a real difference in people's lives," said Donna Namath, Executive Director, The Baxter International Foundation.

"Through sponsorship of the Foster McGaw Prize, The Baxter International Foundation celebrates excellence in community service."

Each year, this \$100,000 prize is presented to a healthcare organization that provides innovative programs that significantly improve the health and well-being of its community. The long-running prize, first awarded in 1986, inspires hospitals, health systems and communities to assess and implement impactful healthcare initiatives. St. Joseph's/Candler programs such as the health and human services found at St. Mary's Community Center and Health Center, free computer access available through the African-American Health Information and Resource Center and free healthcare at the Good Samaritan Clinic, have impacted the lives of diverse community members who previously lacked adequate healthcare due to financial or accessibility limitations.

Dedication to Community Service

In addition to after-school tutoring, St. Mary's Community Center offers all-day summer camp for school-age children and a preschool program for three- and four-year-olds. (Photo courtesy of St. Joseph's/Candler.)



At St. Mary's Community Center, a local outreach initiative sponsored by St. Joseph's/Candler Health System, kindergartners through eighth-graders take part in after-school tutoring sessions in reading, math and writing. (Photo courtesy of St. Joseph's/Candler.)



St. Joseph's/Candler Health System's African American Health Information & Resource Center provided Internet access, computer training classes and health screenings to more than 15,000 Chatham County residents in 2012. (Photo courtesy of St. Joseph's/Candler.)



The Volunteer Income Tax Assistance (VITA) program at St. Joseph's/Candler Health System has grown from 65 tax returns prepared in 2002, to 745 tax returns filed in 2012, with a combined refund value of \$1.5 million. (Photo courtesy of St. Joseph's/Candler.)



St. Joseph/Candler's also partners with the Internal Revenue Service and about 30 volunteers each year to prepare taxes for many of the center's "working poor." The Volunteer Income Tax Assistance (VITA) program has grown from 65 tax returns prepared in 2002, with total combined refunds just shy of \$100,000, to 745 tax returns filed in 2012, with a combined refund value of \$1.5 million. Much of this money is then put back into the local economy through resident spending at restaurants and retail services, says Sister Pat Baber, director of St. Mary's Community Center, St. Mary's Health Center and the Good Samaritan Clinic.

"With the VITA program, the tax returns these folks get are also spent on extremely important everyday items like medication, paying the water or electricity bill or even buying a bed," Baber says. "Before this program many of them never would have dreamed of getting a tax return."

The \$100,000 that St. Joseph's/Candler has been awarded through the McGaw Prize will go towards continuing the important work of these programs, as well as several other initiatives the Health System spearheads within the community to bridge the gap in healthcare access and coverage in its community, and promote a healthier lifestyle among residents.

"We have always believed that external factors strongly influence good health, including safe and adequate housing, education, access to information and meaningful employment," says Paul P. Hinchey, President & CEO, St. Joseph's/Candler Health System. "This award honors our community partners and the Savannah community in general, for focusing on the social determinants of a healthy person."

For more details about St. Joseph's/Candler Health System and the award, please read the press release or visit the AHA website.

Sustainability at Baxter 2012



Public Policy

Baxter

Public Policy



Baxter leaders including Robert Parkinson Jr., Chairman and CEO, sign a Memorandum of Understanding, along with officials from the Ministry of Health in China, to expand care for renal patients living in rural areas.

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 worldwide to support patient access to the company's life-saving therapies, increase understanding of the benefits of those therapies, and address barriers to care and explore possible solutions. This 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 the company's government affairs activities. The committee reviews Baxter's political contributions, positions on pending legislation and political advocacy activities. For additional information on the company's government affairs activities, see Baxter's 2012 Political Contributions Report. This report details contributions made in 2012 by Baxter and Baxter's Political Action Committee, BAXPAC, as well as information about the company's membership in certain trade and industry groups.

Recognizing Baxter's leadership in this area, the company was ranked as the Surgical, Medical, and Dental Instruments and Supplies sector leader for political disclosure, transparency and accountability in the 2012 CPA-Zicklin Index of Corporate Political Accountability and Disclosure.

Healthcare Reform

Advancing Advocating for Patient Access within Insurance Exchanges

Healthcare reform efforts are underway in the United States to improve efficiency, stem rising costs, address disparities in the level of care and expand access. Baxter remains committed to advocating for changes that are in the best interests of its patients.

Health insurance exchanges—electronic platforms implemented by the federal and state governments, 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 (ACA). To support its patients with rare diseases, Baxter advocates health insurance exchanges to:

- recognize rare diseases;
- include an adequate number of in-network providers that address rare conditions;
- allow patients with extremely rare diseases access to out-of-network providers without incurring excessive costs;

- provide access to all medically necessary therapies and healthcare providers;
- ensure cost sharing does not discriminate or unfairly target any patient or rare disease group;
- provide access to third party cost sharing (premium, co-pay and co-insurance) assistance and due process; and
- provide transparency surrounding management utilization, medical necessity determinations, appeals and grievances.

Adhering to the Physician Payments Sunshine Act

Baxter is responding to the federal requirements mandated by the Physician Payment Sunshine Act. See Ethics and Compliance.

Supporting the Food and Drug Administration Safety and Innovation Act

Every five years, the United States Congress must reauthorize the law associated with the user fees paid by manufacturers to support staff positions at the FDA. In 2012, Baxter supported passage of the Food and Drug Administration Safety and Innovation Act to ensure the timely review of new drug, device, biologic, biosimilar, and generic applications before the FDA, allowing patients to receive timely access to new and innovative therapies. The new user fee law aims to provide a predictable review process that fosters innovation and helps ensure that Baxter's patients continue to receive new therapies.

Providing Internet Resources to Patients and Customers

To assist patients and customers as healthcare reform is implemented at the state level, Baxter created an Internet tool that allows 24-7 access to state activities on ACA. It is available at the following Baxter websites, which provide information for patients living with hemophilia and end-stage renal disease, as well as hospital customers:

- Hemophilia
- End Stage Renal Disease

Safety and Quality

Reducing the Economic Burden of HAIs

The World Health Organization (WHO) has identified healthcare associated infections (HAIs) as a leading cause of preventable morbidity and mortality, and an area where investments in preventive measures can yield significant cost savings and public health benefits. According to the WHO, HAIs affect hundreds of millions of patients worldwide each year, with estimates ranging from 3.5-12% of hospitalized patients in developed economies, and 5-19% in developing economies. In some locations, more than 25% of patients admitted to hospitals acquire HAIs.¹

Raising awareness of the health and economic burden of HAIs among Asia Pacific Economic Cooperation (APEC) policy makers was a major goal of the APEC Life Sciences and Innovation Forum (LSIF) in 2012. Baxter, a board member of the Association for Advanced Medical Technologies (Advamed), actively supported Advamed in its role as knowledge partner for this forum.

In July 2012, the APEC LSIF convened the first ever APEC High Level Workshop on Reducing the Economic Burden of HAIs, which brought together representatives from APEC governments, healthcare organizations, hospitals, the Asian Development Bank and others. The workshop recommendations stipulate that nations implement policies and allocate appropriate resources to support hospitals in reducing HAIs. In September 2012, the APEC Ministers adopted the following statement in the Joint Statement of the APEC Ministerial Meeting in Vladivostok: "We welcome work to address the economic and public health burden of healthcare associated infections. We encourage officials to work with stakeholders to reduce the incidence of infections in healthcare settings." View the full statement: http://www.apec.org/Meeting-Papers/Ministerial-Statements/Annual/2012/2012_amm.aspx.

Promoting Integrated Care and Efficiency

In 2011, Baxter UK established and facilitated a group of thought leaders in health, social care, and other sectors of the National Health Service (NHS) called The 2048 Group. This forward-thinking group—named for the year in which the NHS will turn 100—engages in solutions-focused policy debate about the key issues facing the future of healthcare in Britain. The group met several times last year to discuss new and innovative ideas about the future of the NHS. In November 2012, the group published INTEGRATED CARE: A COLLECTION OF ESSAYS, to promote ideas and dialogue about increasing efficiency and improving the quality, safety and delivery of

care to patients. Essays covered topics such as vertical integration of services and support for patients, technologies such as telehealth that support patient independence, and how the NHS should shift its focus from individual diseases to viewing a “whole” patient experience. To read an electronic version of the book, click [here](#). Moving forward, the group will continue to meet to discuss other key policy topics.

Baxter also continues to implement its Evolving Health program in the U.K., a customer facing strategy which aims to deliver quality and efficiency benefits to the NHS and patients. The company developed the program in response to NHS’s Quality, Innovation, Productivity and Prevention (QIPP) challenge, which aims to achieve up to £20 billion (approximately \$26 billion) of savings by 2015. The savings are intended to help accommodate growing demand for healthcare, partly due to an aging population. To learn more about Evolving Health, click [here](#).

Access to Healthcare

Medicare IVIG Access Act

Roughly 10,000 Medicare beneficiaries in the United States have been diagnosed with one of approximately 150 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 PID 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 supported this bill, and lobbied for its enactment throughout 2012.

On January 10, 2013, the Medicare IVIG Access Act was signed into law, creating a demonstration program to provide Medicare reimbursement for the nursing services and supplies associated with home infusion of IVIG therapy for up to 4,000 PID patients. The program is authorized for three years.

Educating Health Policy Makers in Washington, D.C. about Benefits of Home Dialysis

Baxter supported and participated in the inaugural National Summit on Home Dialysis Policy in Washington, D.C. in March 2012, to further the dialogue about the benefits of home dialysis for those with end stage renal disease. Home dialysis, including peritoneal dialysis and home hemodialysis, are alternatives to in-center treatment, which generally requires patients to visit a clinic three times a week. Despite the widely accepted and well-documented benefits of home dialysis—improved outcomes associated with more consistent treatments, enhanced patient satisfaction, improved quality of life and lower costs compared to in-center treatment—approximately ten percent of U.S. dialysis patients received treatment at home in 2012.²

More than 50 patients, clinicians, industry representatives and policymakers assembled at the summit to identify common concerns and opportunities to drive appropriate utilization of home dialysis and identify pathways for collaborative action. The group addressed challenges in education, training and implementation of home dialysis; the national reimbursement system; quality measures; and innovation related to the modality. Representatives from the Centers for Medicare and Medicaid Services, United States Renal Data System, Department of Veterans Affairs and the Food and Drug Administration were among those who attended.

One result of the summit was the launch of the Alliance for Home Dialysis, created as a way for the organizations involved to continue their advocacy efforts, develop policy recommendations, and advance thought leadership surrounding home dialysis. Following the summit, the alliance developed a National Summit on Home Dialysis Policy Report of the Delegates, outlining the group’s policy priorities and objectives.

Partnerships

Through its public policy efforts worldwide, Baxter develops unique public-private collaborations to increase patient access to critical therapies.

Entering into Agreement with Sanguin to Support Demand for Plasma-Derived Therapies

Baxter uses plasma to produce medications that treat immune disorders, hemophilia, trauma and other critical conditions. In July 2012, Baxter entered into a manufacturing services agreement with Stichting Sanquin Bloedvoorziening (Sanquin Blood Supply Foundation), a not-for-profit organization responsible for the blood supply in the Netherlands, to provide additional plasma fractionation capacity in support of global demand for Baxter's plasma-derived therapies. Baxter will pay Sanquin a fixed fee to fractionate plasma used for these medications; the partnership is expected to result in up to 1.6 million liters of incremental plasma fractionation capacity annually.

The initial term of the agreement is 10 years, with production beginning in 2014, and Sanquin reaching the full 1.6 million liters annually by the end of 2016.

Partnering with Brazil to Increase Access to Therapy for Hemophilia A Patients

It is estimated that more than 10,000 people in Brazil are living with hemophilia A, and today the vast majority are treated with plasma-derived factor VIII therapy.³ To provide these patients with greater access to recombinant factor VIII (rFVIII) therapy, Baxter entered into an exclusive 20-year partnership in November 2012 with Hemobrás (Empresa Brasileira de Hemoderivados e Biotecnologia), a public company dedicated to creating greater self-sufficiency in the production of life-saving therapies for people in Brazil with hemophilia, primary immunodeficiency disease, cirrhosis, severe burns, cancer and AIDS. Through this partnership, Baxter will be the exclusive provider of Brazil's recombinant FVIII treatment over the next 10 years while the companies work together on the technology transfer to support development of local manufacturing capacity by Hemobrás.

Advancing Private-Public Partnerships in Vietnam to Ensure Sustainable Healthcare

To address access to quality healthcare solutions that support the Vietnamese government's healthcare objectives, Baxter's Vietnam team participated in the "Workshop on Public Private Partnerships in the Health Sector" in December 2012. Attended by over 160 representatives from the healthcare sector and officials from the Ministry of Health (MOH), other government agencies, the U.S. Embassy and healthcare industry companies, this forum encouraged dialogue between the public and private sector to strengthen the healthcare system in Vietnam. It was also the country's first public-private sector discussion on how both sectors can work together to address Vietnam's evolving healthcare needs. Baxter participated in conversations about reducing the burden in overcrowded hospitals and developing human resources through education and training, as well as developing educational programs that will help provide access to PD treatment and encourage a preventative/prophylactic approach to hemophilia treatment. The company's Vietnam team also sponsored a Leaders' Dinner that convened guests of honor including co-hosts of the seminar—Dr. Nguyen Thi Kim Tien, Vietnam's Minister of Health, and David Shear, U.S. Ambassador to Vietnam.

¹ Report on the endemic burden of healthcare-associated infection worldwide. World Health Organization, Geneva, Switzerland, 2011. Available at http://whqlibdoc.who.int/publications/2011/9789241501507_eng.pdf.

² Neumann, Mark. "Some bright spots for home dialysis." *Nephrology News & Issues*. (July 13, 2012). Web. <http://www.nephrology-digital.com/201208/201208/5/0>

³ Federação Brasileira de Hemofilia. Accessed on: 10 March 2011. Available at: <http://www.hemofiliabrasil.org.br>

2012 Political Contributions Report

Baxter respects local political customs and obeys all laws about engaging in the political process everywhere it operates. 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.

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 legislation, 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

The U.S. Supreme Court decision in the Citizens United case in 2010 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). However, Baxter has not made independent political expenditures or contemplated this form of activity, 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 2012, the company did not participate in any ballot measures and it is not generally Baxter's practice to do so.

In the United States, Baxter contributed \$22,000 to state candidates in 2012 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.

Baxter's Corporate Contributions to U.S. State Candidates, 2012			
Member	District	Party	Amount
Arkansas			
Dismang, Jonathan	S28	R	\$250
Hopper, Karen	H100	R	\$250
Irvin, Missy	S18	R	\$250
Key, Johnny	S17	R	\$250
Leding, Greg	H86	R	\$250
Lindsey, Uvalde	S4	D	\$250
Teague, Larry	S10	D	\$250
Tyler, Linda	S35	D	\$250
Williams, Darrin	H36	D	\$250
Wood, Jon	S7	R	\$250
Florida			
Cocoran, Richard	H37	R	\$500
Crisafulli, Steve	H51	R	\$500
Latvala, Jack	S20	R	\$500
Robertson, Ken	H75	R	\$500
Georgia			
Channell, Mickey	H116	R	\$750
Grant, Johnny	S25	R	\$250
Holt, Doug	H112	R	\$250
Jeffares, Rick	S17	R	\$250
Jerguson, Sean	H22	R	\$750
Williamson, Bruce	H111	R	\$250
Illinois			
Althoff, Pamela J.	S32	R	\$250
Bellock, Patricia	H47	R	\$500
Cole, Sandy	H262	R	\$250
Cross, Tom	HD84	R	\$1,250
Cullterton, John J.	SD6	D	\$1,500
Duffy, Dan	S26	R	\$250

Feigenholtz, Sara	H12	D	\$750
Harmon, Don	SD39	D	\$650
Hunter, Mattie	SD33	D	\$250
Link, Terry	S30	D	\$500
Madigan, Michael J.	H22	D	\$1,500
Mayfield, Rita	HD60	D	\$250
Murphy, Matt	S27	R	\$500
Osmond, JoAnn	H61	R	\$250
Pritchard, Robert	H70	R	\$250
Radogno, Christine	S41	R	\$1,250
Righter, Dale	S55	R	\$250
Steans, Heather	S7	D	\$750
Sullivan, Ed	H51	R	\$250
Syverson, Dave	S35	R	\$250
Trotter, Donne E.	S17	D	\$850
Mississippi			
Bryan, Hob	S7	D	\$500
Burton, Terry	S31	R	\$500
Frierson, Herb	H106	R	\$500
Mims, Sam	H97	R	\$500
Reeves, Terry Lt.	Gov	R	\$500
Total			\$22,000

Baxter's Corporate Contributions to 501(C)(4) and 527 Organizations, 2012

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 2012.

The Ripon Society	\$25,000
Third Way	\$32,500
Total*	\$57,500

Through its GAPP team, Baxter contributed to the following 527 organizations during 2012.

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

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 about these laws and regulations is available on the Federal Election Commission website. BAXPAC contributes 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 \$165,000 in contributions in 2012.

BAXPAC Contributions to U.S. Federal and State Candidates, 2012

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
Arizona						
Crawford, Eric Alan	X			AR1	R	\$5,000
Pryor, Mark Lunsford		X		AR	D	\$1,000
California						
Bass, Karen	X			CA37	D	\$2,500
Becerra, Xavier	X			CA34	D	\$1,000
Campbell, John B.T.	X			CA45	R	\$1,000
Eshoo, Anna	X			CA18	D	\$2,000
Roybal-Allard, Lucille	X			CA40	D	\$1,000
Colorado						
DeGette, Diana	X			CO1	D	\$2,500
Illinois						
Dold, Robert	X			IL10	R	\$3,500
Shimkus, John	X			IL15	R	\$1,000
Indiana						
Coats, Daniel		X		IN	R	\$2,000

Young, Todd Christopher	X		IN9	R	\$5,000
Louisiana					
Richmond, Cedric	X		LA2	D	\$1,000
Maryland					
Van Hollen, Christopher	X		MD8	D	\$3,500
Michigan					
Benishek, Daniel	X		MI1	R	\$2,000
Camp, Dave	X		MI4	R	\$3,000
Dingell, John	X		MI2	D	\$1,000
Mississippi					
Thompson, Bennie	X		MS2	D	\$1,000
Montana					
Baucus, Max		X	MT	D	\$2,000
New Jersey					
Pallone, Frank	X		NJ6	D	\$1,000
New York					
Hochul, Kathleen	X		NY27	D	\$3,000
Ohio					
Amstutz, Ron		X	OH3	R	\$1,000
Pennsylvania					
Adolph Jr., William		X	PA165	R	\$500
Baker, Matthew		X	PA68	R	\$500
Costa Jr., Jay		X	PA43	R	\$500

Dermody, Frank	X	PA33	D	\$500
Hughes, Vincent	X	PA7	D	\$500
Smith, Samuel	X	PA66	R	\$1,000
Turzai, Michael	X	PA28	R	\$1,000
South Carolina				
Clyburn, James	X	SC6	D	\$5,000
Texas				
Burgess, Michael	X	TX26	R	\$4,000
Utah				
Hatch, Orrin	X	UT	R	\$4,000
Matheson, James	X	UT4	D	\$1,000
Washington				
Larsen, Rick	X	WA2	D	\$5,000
Wisconsin				
Kind, Ron	X	WI3	D	\$5,000
Wyoming				
Barrasso, John Anthony	X	WY	R	\$1,000
Total				\$83,000

Other BAXPAC Contributions. 2012	
Payee	Amount
Building Relationships in Diverse Geographic Environments PAC	\$5,000
Congressional Black Caucus PAC	\$5,000
Committee for Hispanic Causes/Building Our Leadership Diversity PAC (CHC BOLD PAC)	\$5,000
Democratic Congressional Campaign Committee	\$15,000
Democratic Senatorial Campaign Committee	\$5,000

Every Republican is Crucial	\$5,000
Kidney Care Partners (KCP) PAC	\$2,000
National Republican Congressional Committee	\$5,000
National Republican Senatorial Committee	\$15,000
New Democrat Coalition PAC	\$5,000
Republican National Committee	\$15,000
Total	\$82,000

Lobbying Expenses

In 2012, Baxter spent approximately \$2,590,000 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. Baxter's federal lobbying data was reviewed by an external firm.

Certain Memberships

Baxter maintains memberships in numerous industry and trade groups including organizations that engage in lobbying activities. The table below includes the amount that Baxter has been notified has been spent on federal-related lobbying activity during 2012 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 in these areas.

Federal-Related Lobbying Expenditures by Certain U.S.-based Trade Associations, 2012*	
AdvaMed	\$26,040
Alliance for Home Dialysis Policy	\$18,500
Biotechnology Industry Organization (BIO)	\$120,450
GPhA Generic Pharmaceutical Association	\$25,000
Healthcare Institute of New Jersey	\$12,500
Kidney Care Partners (KCP)	\$14,490
Plasma Protein Therapeutics Association (PPTA)	\$10,555.50
US ASEAN Council	\$200
US India Business Council	\$5,000

*Only includes groups of which GAPP is aware. These dues are paid by Baxter's businesses and not by GAPP.

View Baxter's 2011 Political Contributions Report, 2010 Political Contributions Report, 2009 Political Contributions Report and 2008 Political Contributions Report.

Case Study: Baxter Advocates on Behalf of Diverse Patient Populations

Baxter engages in a variety of advocacy and community outreach efforts throughout the year to educate policymakers on issues affecting patients. These efforts also provide opportunities outside of the office for Baxter employees to voluntarily engage and raise awareness of healthcare disparities and diseases that disproportionately impact the populations they represent.

"It is a rewarding experience to see the positive impact Baxter is making on patients," said Charles Cush, senior director of marketing, who served breakfast to attendees of the 42nd Annual Legislative Conference for the Congressional Black Caucus (CBC) held in September 2012. "It's one of the reasons I came to work at Baxter."

Cush was one of several Baxter African-American Leadership Council Business Resource Group (BRG) members who attended the conference, where the company sponsored the CBC Spouses' Community Breakfast and Health Fair. Delegates from Baxter served breakfast to veterans alongside elected officials and manned a table with information about end-stage renal disease. The event enabled the group to engage with individuals who are often at risk for significant health issues, including diabetes, which can be a precursor to end-stage renal disease. Members of Baxter's African-American Leadership Council also took part in the annual policy briefing and attended various sessions concerning healthcare issues.



Charles Cush, senior director of marketing at Baxter, serves breakfast to veterans during the Congressional Black Caucus Spouses' Community Breakfast and Health Fair.

That same month, members of the Latinos@Baxter BRG flew to Washington, D.C. during Hispanic Heritage Month to take part in the 35th Annual Hispanic Heritage Month Gala and Latino Brunch hosted by the Congressional Hispanic Caucus Institute Inc. (CHCI), of which the company was a sponsor. Baxter delegates met with elected officials affiliated with CHCI and the National Association of Latino Elected and Appointed Officials and discussed healthcare issues and legislation important to patients. The Latinos@Baxter BRG also took part in the 2012 CHCI High School Latino Leaders in D.C. program, in which they sponsored four Chicago-area high school students on a week-long program in the capital to develop leadership skills, meet with leaders, visit historic sites and become inspired to impact their own communities.

"Being able to take part in those discussions on behalf of the Latino patients that Baxter impacts was really meaningful for us," said Francisco Rausa, III, senior manager of research at Baxter, who attended with other members of Latinos@Baxter. "We were honored to have been able to help make the D.C. experience possible for emerging young leaders as well."

Baxter's business resource groups, such as Latinos@Baxter and the African American Leadership Council, support the company's business goals and aim to enhance personal growth and multicultural understanding, while strengthening relationships among employees and with customers and community partners. Baxter has five business resource groups—which also include the Asian Leadership Network, Baxter Equality Network and Building Women Leaders—and more are in development.

Advocates from Baxter's Building Women Leaders BRG attended the fourth annual Healthcare Summit in November 2012, hosted by the Women in Government (WIG). With participants that included 45 female women state legislators from around the country, the summit focused on state implementation of federal healthcare reform; increased awareness about diabetes, oncology and rare diseases; and chronic disease prevention and management. Baxter's delegates attended sessions about issues of high interest to the company and its patients, including women's health, the changing role of pharmacists, transmission of hospital acquired infections, and policies and legislation related to Alzheimer's disease.

"This was a great learning experience for me and definitely made me have a stronger appreciation for the role that healthcare can play in government, beyond actual legislation," said Melanie Neal, director of operations in the United States for Baxter's Medical Products business.

Finishing off the year with a trip to the capital in December, delegates from Baxter's Asian Leadership Network visited with seven Asian

American and Pacific Islander Congressional Caucus leaders. They addressed healthcare issues affecting the Asian American community, including access; language barriers and disparities in care; increasing awareness of and screening for hepatitis B, hepatitis C, tuberculosis and HIV; and enhancing data collection for Asian groups. As a result of the visit, the Asian Leadership Network identified opportunities to continue engagement with stakeholders including policy makers, patients and physicians and shared feedback with Baxter business leaders regarding potential collaboration opportunities.

"It was wonderful to connect with the Asian American and Pacific Islander (API) policy makers and leaders," said Michelle Luo, director, market access for Baxter's Medical Products business. "Some of them even commented that we were the first company to do so."