

Baxter 2014 ●●● Sustainability Report



Baxter

BAXTER.COM/SUSTAINABILITY-REPORT

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Sustainability at Baxter



How nations, companies and individuals respond to sustainability challenges such as natural resource consumption, ethical business conduct, energy use and access to healthcare and educational opportunities impacts life in the 21st century and beyond. Baxter strives to demonstrate its leadership, values and commitment through its actions to address these pressing issues.

Sustainability is a core element of Baxter's vision to build a truly great company by providing sustainable value for all stakeholders. The company's sustainability initiatives support its mission to apply innovative science in the development of medical products and specialty therapies that save and sustain patients' lives.

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PHOTO: A team from Baxter's Northern Illinois facilities volunteers at the Chicago Botanic Garden as part of Baxter World Environment Week, an annual event to promote sustainable living in employees' communities.

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FROM THE CHAIRMAN AND CEO GRI 1.1 1.2



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

Baxter's accomplishments and aspirations as a corporate citizen depend on our sustainability as a business. We must constantly advance and innovate as a healthcare industry leader to create lasting social, environmental and economic value for the communities we serve worldwide.

We are now approaching perhaps the most consequential transformation the company has made in its 84-year history of saving and sustaining lives: the separation of Baxter into two independent corporations. One, based on our market-leading renal care and hospital products businesses, will retain the Baxter International name. The other, Baxalta Incorporated, will focus on our premier portfolio of biopharmaceuticals. Both will be positioned to thrive in a dynamic marketplace and deliver strong results for their many stakeholders.

While Baxter's corporate profile will shift, our commitment to sustainability will endure. It has been a defining Baxter value for decades, and will remain integral to everything we do. Our executive Sustainability Steering Committee is developing Baxter's sustainability strategy and goals for 2020 to reflect evolving stakeholder expectations, business opportunities,

and global and social challenges. Baxalta's future leadership team is also assessing its corporate responsibility strategies in light of its structure, operations and business objectives.

Baxter's sustainability performance in 2014 reflects the many ways our global team is bringing this commitment to life. Over the course of the year, we continued to reduce the company's carbon footprint, emphasizing the use of lower-carbon fuels and renewable energy. For instance, our Grosotto, Italy, facility switched from heavy fuel to renewable biomass; manufacturing sites in Mexico and Puerto Rico converted their boilers from fuel oil to lower-carbon fuels; and our new Mississauga, Ontario, facility achieved Canada LEED Gold green building certification.

Baxter also stayed vigilant in responding to global healthcare crises and natural disasters. We reacted quickly to the outbreak of Ebola in West Africa and, more recently, to the earthquake in Nepal, with multiple airlifts of donated medical supplies, managed through our humanitarian aid partners AmeriCares and Direct Relief.

In addition, we advanced our award-winning inclusion and diversity initiatives, expanded access to our products in developing nations and took numerous other actions in line with our sustainability priorities. You will find the details throughout this report.

I want to thank our employees across the company for their unwavering efforts to reinforce Baxter's position as a sustainability leader, and for integrating our priorities across all aspects of our business. This passion will continue to resonate as we prepare for a new phase in how we live our commitment to operational excellence, social responsibility and greater access to care worldwide.

Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer
June 2015

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BAXTER'S APPROACH GRI 3.5

Sustainability is a core element of Baxter's vision to build a truly great company by providing sustainable value for all stakeholders. The company's sustainability initiatives support its mission to apply innovative science in the development of medical products and specialty therapies that save and sustain patients' lives. Sustainability is inherently broad, and Baxter's efforts cover a wide range of areas, but all are designed to create value for stakeholders. See [Stakeholder Engagement](#).

Baxter's sustainability strategy is further defined by its nine priorities. Divided into the categories Our People, Our Operations and Products, and Our World—these sustainability priorities have corresponding goals for 2015. 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 business activities. 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;
- Support implementation of sustainability programs and key projects;
- 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

Governance and Management of Sustainability at Baxter



- Guide and inform Baxter's sustainability reporting; and
- Solicit [stakeholder feedback](#) and review stakeholder inquiries as appropriate.

Committee members sponsor Baxter's sustainability priorities. Each sponsor is accountable for developing goals in his or her respective area.

The committee meets quarterly to review progress, to discuss how to address any performance gaps and to consider new initiatives. These meetings often feature outside sustainability experts to contribute independent input and perspectives. Additional groups provide input to the committee as needed.

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In 2013 and 2014, the committee undertook strategic planning, looking beyond the company's 2015 priorities and goals. The committee reviewed and defined Baxter's material issues based on relevance to Baxter and impact on the company and the world. The group also established the company's sustainability vision, formulated key aspirations and drafted 2020 goals and metrics. The company will publish this plan once approved by senior executives.

To inform this process, the committee:

- Assessed the trends most likely to affect Baxter and its value chain, including global megatrends such as hyper-connectivity and de-industrialization; healthcare industry trends such as business model innovation and proactive health management; and sustainability trends such as climate change, fresh water scarcity and population growth.
- Gathered input from Baxter executives, senior leaders, and employees on the company's 2015 priorities and goals and the 2020 plan;
- Incorporated feedback from Ceres¹ and its select coalition members, with expertise in Baxter's focus areas, on a draft of the 2020 plan; and
- Reviewed relevant information from sources including the Global Reporting Initiative G4 Sustainability Reporting Guidelines, the Sustainability Accounting Standards Board, Ceres and customer feedback.

Committee members continue engaging with key business and functional leaders to integrate sustainability into the company's business strategies. This drives innovation, performance and competitive advantage for Baxter.

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 the company'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 and 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;
- Earned Carbon Reduction certification for the first medical product from the Carbon Trust in 2010; and
- Recognized in 2014 as one of only 15 companies included on the Dow Jones Sustainability World Index each year since the Index was created in 1999.

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.

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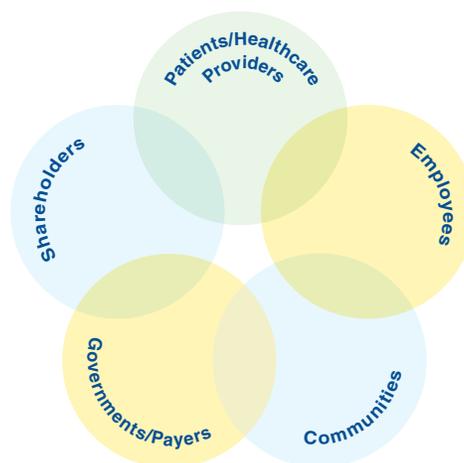
Indirect Impacts

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STAKEHOLDER ENGAGEMENT AND AFFILIATIONS AND MEMBERSHIPS GRI 4.12 4.13 4.14 4.15 4.16

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 toward common goals. Operating responsibly and addressing the needs of these interconnected groups helps Baxter maintain the commercial success that enables the company to deliver on its sustainability priorities.



Baxter engages with stakeholders on key aspects of its business and products. The company's five primary stakeholder groups are summarized in the table (right) with examples of the value Baxter provides, channels of engagement and representative affiliations/memberships.

Baxter also has relationships with environmental, industry, patient, professional, sustainability and regional and local organizations as well as advocacy coalitions. See examples in the table to the right. For example, the company has been a member of Ceres since 1997 and has committed to work with the organization to enhance Baxter's sustainability performance and disclosure.

Value Provided by Baxter	Channels of Engagement	Examples of Affiliations/ Memberships
Patients/ Healthcare Providers		
<ul style="list-style-type: none"> • Creating products that save and sustain lives • Maintaining and improving access to Baxter's products, therapies and services • Providing products that incorporate strong environmental and social considerations 	<ul style="list-style-type: none"> • Patient websites • Patient surveys • Industry organizations • Product donations • Grants 	<ul style="list-style-type: none"> National Kidney Foundation American Society of Health-System Pharmacists The Oley Foundation
Employees		
<ul style="list-style-type: none"> • Working to protect employee safety and improve health • Creating an inclusive workplace and a diverse workforce • Providing employees with professional growth opportunities 	<ul style="list-style-type: none"> • Business Resource Groups • Employee surveys • Code of Conduct • Ethics and compliance hotline 	<ul style="list-style-type: none"> Institution of Occupational Safety and Health Society of Corporate Compliance and Ethics
Communities		
<ul style="list-style-type: none"> • Contributing to healthy and sustainable communities • Helping to address key public health needs • Providing local students and teachers with educational opportunities in science, technology, engineering and math (STEM) 	<ul style="list-style-type: none"> • Involvement in community organizations • Employee volunteer efforts • Collaboration with international health and aid organizations 	<ul style="list-style-type: none"> Association of Corporate Contribution Professionals (ACCP) Boston College Center for Corporate Citizenship Center for Health and the Global Environment The Partnership for Quality Medical Donations
Governments/Payers		
<ul style="list-style-type: none"> • Providing cost-effective healthcare solutions • Collaborating with governments to provide long-term solutions to complex healthcare challenges 	<ul style="list-style-type: none"> • Lobbying activities • Representation on advisory committees • Supplier diversity program • Supplier audits and site visits 	<ul style="list-style-type: none"> Canadian Malnutrition Task Force US-ASEAN Business Council
Shareholders		
<ul style="list-style-type: none"> • Creating and enhancing shareholder value 	<ul style="list-style-type: none"> • Analyst/investor presentations and meetings accessible online • Quarterly news announcements and earnings releases • Periodic reports to the U.S. Securities and Exchange Commission • Socially responsible investment surveys 	<ul style="list-style-type: none"> CDP Ceres Global Reporting Initiative Dow Jones Sustainability Index FTSE4Good

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SUSTAINABILITY REPORTING GRI 3.1 3.3 3.4 3.5 3.6 3.7 3.8 4.12

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 a platform for stakeholder engagement and is an important means for soliciting feedback on the company's activities.

Through the annual reporting process, Baxter measures and evaluates its performance and communicates its progress and challenges. These activities engage and educate many employees and senior leaders 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 (GHG) 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, making this 2014 version Baxter's sixteenth.

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 engagement.

External Reporting Standards

External sustainability reporting standards promote relevant, transparent, balanced and comparable disclosure

of company performance. Baxter was one of the first companies to pilot the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines in 1999 and has served as a GRI Organizational Stakeholder since the program's inception in 2004.

The GRI Guidelines provide a valuable perspective to Baxter in its reporting process. Reviewing report content against the range of GRI performance indicators helps Baxter identify possible reporting gaps and areas that might warrant further disclosure.

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

Feedback GRI 3.5 4.17

Baxter encourages readers of this 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 this 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 2014 unless stated otherwise. Some examples and program descriptions include information from 2015.
- This report covers Baxter's global operations, including subsidiaries, unless stated otherwise. Environmental, health and safety data include joint ventures where Baxter has a controlling interest.
- The performance data in this report do not reflect Baxter's acquisition of Gambro AB on September 6, 2013, unless stated otherwise.

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- All currency in this report is in U.S. dollars unless stated otherwise.
- Significant restatements of data compared with 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.

Assurance and Verification GRI 3.13



Bureau Veritas North America, Inc. assured the Environment, Health and Safety and selected Product Responsibility sections of this report (Product Sustainability, Materials Use, Packaging and Product End-of-Life) (see assurance statement in English and Spanish). In addition, Bureau Veritas North America, Inc. verified the GHG emissions data included in this report (see verification statement).

Many of the financial data included in the Economic Impacts section are taken from the consolidated financial statements contained in the Baxter International Inc. 2014 Annual Report. These financial statements are audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

ECONOMIC IMPACTS

Baxter's direct and indirect economic impacts on its stakeholders are an important part 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. Indirect impacts, which can be 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 resulting from the company's spending.

Baxter's broader economic contributions depend on its ongoing financial performance. The company's global net sales totaled \$16.7 billion in 2014, an increase of 11% over the prior year. Gambro sales favorably impacted total sales growth by seven percentage points. Sales in the United States totaled approximately \$7.0 billion, increasing more than 9% compared with 2014, and international sales totaled \$9.7 billion, increasing 13% compared with 2014. During the five years ending December 31, 2014, Baxter's total shareholder return (including reinvested dividends) equaled 42.1%.

For a detailed description of the company's financial performance, see Baxter's 2014 Annual Report. To view other investor information, such as reports, presentations and details about upcoming events, see the Investors section of the company's website.

Direct Impacts GRI EC1

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

- Customers purchase 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 locations).

The following table (next page) summarizes these transactions.

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Economic Value Generated and Distributed (dollars in millions)

	2010	2011	2012	2013	2014
Economic Value Generated					
Net Sales*	\$12,562	\$13,638	\$13,936	\$14,967	\$16,671
Income from Continuing Operations	1,420	2,208	2,283	2,012	1,946
Net Income	1,420	2,224	2,326	2,012	2,497
Economic Value Distributed					
Suppliers					
Payments to Suppliers (approximate)	\$5,500	\$5,700	\$6,100	\$7,300	\$7,300
Investors					
Share Repurchases	\$1,453	\$1,583	\$1,480	\$913	\$550
Cash Dividends on Common Stock	688	709	804	1,023	1,095
Governments					
Income Tax Expense (U.S.)*	\$284	\$256	\$208	\$172	\$103
Income Tax Expense (International)*	179	291	347	362	390
Communities					
Cash Donations**	\$31.3	\$33.0	\$28.7	\$30.3	\$29.9
Product Donations/ Patient Assistance Programs***	48.1	47.2	28.0	34.3	18.3
Baxter (Reinvested)					
Capital Expenditures	\$963	\$960	\$1,161	\$1,525	\$1,898
R&D Expenses*	857	890	1,081	1,165	1,421

*Operating results from the company's Vaccines franchise are classified as discontinued operations for all periods presented.

**Figures include 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 page 18 of [Baxter's Annual Report on Form 10-K](#) to view a graph that compares the 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 over the past five

years (December 31, 2009–December 31, 2014). For additional detail, see Baxter's [interactive stock chart](#).

Impact on Communities

Baxter positively impacts local communities through wages and benefits it pays employees as well as other expenditures and investments. The company currently employs approximately 65,500 people in 67 countries and continues to expand its global presence in response to increasing product demand.

In Baxter's biopharmaceuticals business, which is expected to become a separate, independent global company known as Baxalta in mid-2015, there were several developments.

- In September 2014, Baxter [announced plans](#) to form a new global innovation and R&D center in Cambridge, Massachusetts, United States, which will serve as the heart of Baxalta's R&D program. The first phase of the center opened late that year, and additional staff will transition to the new facility during 2015 and 2016. The Cambridge facility will house approximately 400 R&D employees.
- Baxter also formally opened its first advanced recombinant biologic facility in Singapore in August 2014, and announced expansion plans for a new recombinant protein processing suite.
- Baxter continues to build a new state-of-the-art manufacturing facility near Covington, Georgia, United States, to support growth of its plasma-derived therapies. Baxter expects to make more than \$1 billion in capital investments at the site over the course of construction. The company anticipates that this expansion will create more than 1,500 full-time positions in Georgia and over 2,000 jobs overall, and expects to begin commercial operation in 2018. [Learn more](#). To assist Baxter with training for the Covington facility, and to benefit other new life sciences companies in the area, Georgia QuickStart recently opened a 50,000 square-foot Georgia BioScience Training Center.

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Baxter also made investments during 2014 related to its Medical Products business, which will retain the Baxter name following the separation.

- In May 2014, the company held an opening ceremony for its new R&D facility in Suzhou, China, which employed approximately 170 scientists and engineers at the end of 2014.
- Last year, Baxter made a \$225 million peritoneal dialysis capacity expansion investment across China, at manufacturing facilities in Guangzhou, Suzhou and Tianjin.
- The company also continued its innovation partnerships in India, including an expanded collaboration with Syngene (an internationally respected custom research and manufacturing organization) to establish that firm's Baxter-dedicated research center in Bangalore. At the end of 2014, the global research center there had approximately 155 Syngene employees working solely on Baxter projects. In addition, an ongoing collaboration with HCL, a global leader in IT and R&D engineering services based in India, has grown from approximately 120 engineers in 2013 to 240 in 2014. Through these collaborations, Baxter aims to develop products for local and global patient needs, which can be scaled worldwide.
- In 2014, Baxter began commercial production on a new line at its Marion, North Carolina, facility—part of an approximately \$167 million broader investment there and at its Mountain Home, Arkansas, facility to expand overall sterile IV solutions manufacturing capacity in the United States.
- In August 2014, Baxter shared its plans to invest nearly \$300 million in its manufacturing facility in Opelika, Alabama, to help address demand for dialyzers, a critical component used in hemodialysis therapy. The company, which currently employs about 170 people at the facility, plans to begin hiring an additional 200 workers in 2016. [Read more.](#)
- Construction also continues at Baxter's facility in Halle/Westfalen, Germany, to expand capacity to support growth of Baxter's BioPharma Solutions business.

Indirect Impacts GRI EC9

Baxter's foremost indirect economic impact is the value of its products and innovations (see [Scientific Excellence](#)). By using proprietary technologies and 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.

For example, Baxter is the world's leading manufacturer of peritoneal dialysis (PD) products, which are self-administered at home to treat patients with end-stage renal disease, or irreversible kidney failure. In China, the dialysis population increases by 10%–12% per year, with 89% of those using in-center hemodialysis and just 11% using PD. Increasing the proportion of appropriate patients treated with PD therapy to 21% of the total over four years could reduce the country's cumulative five-year dialysis spending by 370 million RMB (US\$54 million).¹

The company also 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.

Baxter's spending also has a multiplier effect on the broader economy through, for example, job creation in the supply chain and supporting services such as air travel and hospitality. The company does not calculate these impacts, but believes they are significant given Baxter's size and scope. For example, Baxter paid its suppliers approximately \$7.3 billion in 2014, which those suppliers used to pay their own suppliers, provide their employees with wages and benefits, and pay taxes and other expenses.

¹ Neil N, Walker DR, Sesso R, et al.: Gaining efficiencies: resources and demand for dialysis around the globe. *Value Health*. 2009; 12(1): 73–79.

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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, in the following ways:

- **Cost Savings and Avoidance** Baxter saves money by decreasing energy used in operations, reducing waste and using water more efficiently. The company also reduces costs through enhanced employee health and safety.
- **Market Access** The company maintains access to markets worldwide by ensuring that its products adhere to high quality and safety standards and comply with regulations worldwide.
- **Employee Engagement** Baxter invests in employee training, programs for global inclusion and diversity, and initiatives that support work/life balance.
- **New and Expanding Markets** The company expands access to healthcare through business model innovation and partnerships with health authorities.
- **Enhanced Brand and Reputation** Based on the company's programs and performance, Baxter has strengthened relationships with local communities and other stakeholders, is included in socially responsible investment indices and receives awards and recognition.

Managing Risk

Baxter also manages 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 6-14 of Baxter's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, for more detail. Information about Baxter's approach in some of these areas is described as appropriate in this report in the following sections: Quality and Safety, Environmental Compliance and Product Use.

Sustainability Priorities and 2015 Goals

GRI 1.2 3.5



OUR PEOPLE

OUR OPERATIONS
AND PRODUCTS

OUR WORLD

Sustainability is inherently broad, and Baxter's efforts cover a wide range of areas. To focus the company's efforts, Baxter's sustainability strategy is defined by its nine priorities. Organized into three categories—Our People, Our Operations and Products, and Our World—these sustainability priorities have corresponding goals for 2015.

The following pages describe the company's progress in each area.

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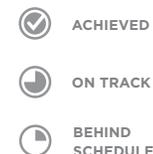
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Our People

GRI 1.2 3.5

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.

2014 PROGRESS

In a comparison of 14 healthcare companies,¹ Baxter's performance ranked second best in cases with days lost rate in 2013, the most recent year industry benchmarking data were available. In 2014, compared with 2013, Baxter's recordable case rate worsened by 6%, its cases with days lost rate worsened by 36% and its days lost rate worsened by 50%.

¹In a comparison of 14 healthcare companies: 10 reported global safety data to ORCHSE Strategies, three reported data as requested by Baxter and one reported data on its public website.

STATUS



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.

2014 PROGRESS

The company continues to focus on capability building with managers and leaders through a mandatory in-person Power of Managing Inclusively workshop. In 2014, Baxter also continued to focus on its Business Resource Groups (BRGs), which provide a forum for employees to develop skills, strengthen 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. Baxter has a total of eight BRGs and has begun to expand some of these globally.

STATUS



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.*

2014 PROGRESS

Baxter is enhancing its policies that govern how the company, its employees and third parties interact with the medical community. This includes investment in new systems and programs that support better management, transparency and compliance for these interactions. For example, Baxter launched its Global Policy on Interactions with the Medical Community and Government Officials in the United States in 2014 and is launching it globally in 2015.

Through Baxter's leadership role in The Mexican Association of Innovative Medical Devices Industries (AMID), the company partners with health sector stakeholders to promote efficient and transparent regulatory and procurement processes. Further, AMID created an industry code of conduct along with a training program that is offered to distributors in Mexico to increase their employees' awareness and compliance with anticorruption laws, limits on promotional activity with healthcare professionals and the promotion of ethical business practices.

STATUS





Our Operations and Products

GRI 1.2 3.5

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.

-  ACHIEVED
-  ON TRACK
-  BEHIND SCHEDULE

Baxter Will Drive a Sustainable Supply Chain

2015 GOAL	2014 PROGRESS	STATUS
<i>Incorporate sustainable principles into Baxter's purchasing program.</i>	In 2014, Baxter continued to integrate sustainable practices into procurement and collaborate with its suppliers on their sustainability programs and progress. Baxter supported educational programs for supplier development through the National Minority Supplier Development Council (NMSDC) and participated in the NMSDC annual meeting and Chicago Business Opportunity Fair to engage with prospective minority-owned suppliers. Baxter remains involved in the Pharmaceutical Supply Chain Initiative, a healthcare industry group that promotes responsible procurement, risk mitigation and supplier capability building to address sustainability risks and improve performance.	
<i>Reduce Baxter's U.S. car fleet greenhouse gas emissions per kilometer by 20% from 2007 baseline.</i>	Baxter's U.S. sales car fleet achieved a 10% reduction in greenhouse gas (GHG) emissions per kilometer driven compared to 2007.	

Baxter Will Drive Reductions in its Carbon Footprint

2015 GOAL	2014 PROGRESS	STATUS
<i>Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline.</i>	In 2014, Baxter's net GHG emissions from operations equaled 742,000 metric tons carbon dioxide equivalent (CO ₂ e), a 41% reduction compared with 2005 indexed to revenue, and an absolute decrease of 8%. This includes emissions from Baxter-operated facilities and vehicles, as well as the subtraction of purchased renewable energy certificates (RECs) and carbon offsets.	
<i>Increase facility energy usage of renewable power to 20% (of total).</i>	During the year, renewable energy sources provided 22% of Baxter's energy use for operations, exceeding the company's 2015 goal. Biomass fuel for boilers at four company locations represented 9% of total energy use and the renewable energy component of purchased electricity and renewable energy certificates together represented 13%. On-site geothermal, solar photovoltaic and solar hot water systems contributed a small amount to the total.	

Baxter Will Drive Reductions in its Natural Resource Use

2015 GOAL	2014 PROGRESS	STATUS
<i>Reduce energy usage 30% indexed to revenue from 2005 baseline.</i>	In 2014, Baxter used 10,055 trillion joules of energy, a reduction of 27% compared with 2005, indexed to revenue, and an absolute increase of 14%. Baxter's absolute energy usage rose 4% from 2013 to 2014.	
<i>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.</i>	In 2014, the company used 15.8 million cubic meters of water, a reduction of 32% compared with 2005, indexed to revenue, and an absolute increase of 6%. Baxter's absolute water consumption increased by nearly 7% from 2013 to 2014.	
<i>Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.</i>	In 2014, Baxter completed its third year of working with the Philippine Center for Water and Sanitation to improve 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. Baxter also completed its first year of working with Sarar Transformación SC to implement a community water project near Baxter's facility in Cuernavaca, Mexico.	
<i>Reduce total waste generation 30% indexed to revenue from 2005 baseline.</i>	In 2014, Baxter generated 76,430 metric tons of waste (including 65,000 metric tons non-hazardous and 11,430 metric tons regulated), a decrease of 17% compared with 2005, indexed to revenue, and an absolute increase of 29%. Baxter is piloting a zero waste-to-landfill initiative and plans to expand the program globally.	
<i>Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.</i>	Since 2007, Baxter has implemented projects that have reduced the amount of packaging sent to customers by 5,880 metric tons, exceeding its goal. Although Baxter has achieved this goal, the company will continue its work to reduce packaging.	

Baxter Will Drive Enhanced Product Stewardship

2015 GOAL	2014 PROGRESS	STATUS
<i>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.</i>	In 2014, Gambro (which Baxter acquired in September 2013) completed a life cycle assessment (LCA) of CWP 800, a new water purification system used for dialysis. The LCA will be used to create an Environmental Product Declaration (Type II) for the CWP 800 system, which the company plans to publish during 2015. Baxter also worked with graduate students from the University of Wisconsin-Madison to develop a methodology to assess carbon reduction strategies for Baxter Renal Therapy Services in Colombia. The team demonstrated various approaches that Renal Therapy Services can use to prioritize carbon reduction opportunities across the value chain.	
<i>Identify new opportunities to replace, reduce and refine (3Rs) the use of animal testing.</i>	Baxter is committed to enhancing animal welfare through the 3Rs—replacement, reduction and refinement. In 2014, the company enhanced its focus on refinement by increasing the amount of information collected per study by combining study activities. This refined the approach without increasing animal use.	



Our World

GRI 1.2 3.5

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.

- ACHIEVED
- ON TRACK
- BEHIND SCHEDULE

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

2015 GOAL	2014 PROGRESS	STATUS
<p><i>Create a new business model to improve access to healthcare for the “base of the pyramid” (developing economies).</i></p>	<p>In 2014, Baxter expanded its efforts in China and India. The company continued to advance its business model innovation projects in both countries through innovation hubs that address health needs in those markets. Baxter also developed 10-year strategies for accelerating growth and increasing access to care in its renal, fluid systems and integrated pharmacy solutions franchises.</p>	
<p><i>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.</i></p>	<p>In 2014, Baxter continued its work with AmeriCares and Direct Relief International to pre-position products for emergencies as well as to meet ongoing needs in underserved communities, contributing more than \$18 million in products. These proactive strategic donations helped facilitate timely support to 71 countries.</p>	

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

2015 GOAL	2014 PROGRESS	STATUS
<p><i>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.</i></p>	<p>During the 2013-2014 school year, Baxter's Science@Work: Expanding Minds with Real-World Science program, a multiyear commitment to Chicago Public Schools, reached nearly 32,000 students and more than 450 teachers through in-depth biotechnology teacher training and module lesson plans. This increased the total reach of the program to more than 132,000 students and 1,525 teachers since 2008. Baxter also contributed to several other educational initiatives during the year in the Chicago area and globally.</p>	

Governance, Ethics and Compliance



As a global healthcare company operating in more than 100 countries, Baxter is committed to effective corporate governance, adherence to the law and fostering a culture of ethics and compliance throughout the organization. In 1995, Baxter became one of the first companies to adopt formal corporate governance guidelines. Re-examining the company's practices and setting new standards is ongoing, and the company's current 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 the law or of company policy. It investigates these items promptly and reports to senior management as appropriate.

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PRIORITIES ADDRESSED



Baxter Will Promote Ethical Conduct
and Legal Compliance

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

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CORPORATE GOVERNANCE GRI 4.1 4.2 4.3 4.6 4.8 4.9

Baxter is operated under the direction of the company's board of directors. In 2014, 12 independent directors and Baxter's chief executive officer (CEO) comprised the company's 13-person board.

Baxter's CEO serves as the chairman of the board. In addition, the board 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 flow of information to the board and serves as the contact person for interested parties to communicate directly with the independent members of the board.

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

Baxter's board has six committees: [Audit](#), [Compensation](#), [Corporate Governance](#), [Finance](#), [Public Policy](#), and [Science and Technology](#). Each is made up of independent directors and has the authority to obtain advice or assistance from outside experts, as the committee deems appropriate.

The board meets in executive session at each regularly scheduled meeting. During 2014, the board held eight meetings. All directors attended 75% or more of the meetings of the board and board committees on which they served. Average attendance was approximately 97%. [View more information about 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, and selects directors 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 2014 reflected the diversity of the company's business and the wide range of responsibilities attributed to each of these officers. For example, Mr. Parkinson had over 50 performance goals for 2014 covering the following areas: financial performance; organizational development and human resources; corporate strategy and business development; quality and regulatory; operational excellence; board relations and governance; constituent relations (including with respect to sustainability matters); leadership; and innovation and R&D.

[See Baxter's 2015 Proxy Statement for more detail on executive compensation.](#)

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Stock Ownership Guidelines for Executive Officers and Board Members

To further align the interests of our directors and management with our shareholders, Baxter requires its executive officers and directors to own company 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 GRI 4.6 4.8 4.12 SO3

Baxter's Ethics and Compliance codes and standards encompass the company's relationships with employees, suppliers, healthcare professionals, medical institutions and patient organizations.

Code of Conduct

Baxter's [Code of Conduct](#) defines the core principles that govern employee behavior 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. Available in 23 languages, the Code builds on Baxter's long-standing commitment to leadership in ethical business practices. It covers 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.

New Baxter employees receive Code of Conduct training within their first three months of employment. Baxter's corporate policies support the Code by articulating the company's commitments, setting behavioral expectations and requiring certain actions. A comprehensive intranet site provides employees with additional information on corporate policies.

Baxter's Code reflects evolving regulations and stakeholder expectations. It extends beyond employees, by defining compliance expectations for the company's suppliers, healthcare professionals, medical institutions and patient organizations working with or for Baxter. The Code includes Baxter's Global Interactions with the Medical Community and Government Officials policy, which covers how the company's employees, contractors, agents and third parties conduct themselves with government officials.

The Code requires 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 intranet site to keep employees informed about Baxter's ethics and compliance policies, topic-specific training and other tools and resources.

Human Rights

Baxter respects and is committed to fostering human rights, dignity and the diverse contributions of all, as detailed in the company's [Human Rights Policy](#). Baxter's philosophy and

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policy in this area are further supported by the company's [Leadership Expectations](#), Code of Conduct, sustainability program, supplier codes and agreements (see below) and other global policies. Refer to the company's [California Transparency in Supply Chains Act of 2010 statement](#).

Standards for Baxter Suppliers

To conduct business with Baxter, suppliers must have a code of conduct that aligns with Baxter's standards or they must agree to abide by the company's Ethics and Compliance Standards for Baxter Suppliers. These standards define policies and set common expectations about ethical behavior when doing business with Baxter (see [Supplier Standards](#) for more information). Baxter's Supplier Quality and Purchasing and Supplier Management groups evaluate and approve all key suppliers before any materials, components, products or services may be purchased. Additionally, Baxter's [Supplier Quality Standard](#) and [Ethics and Compliance Standards for Baxter Suppliers](#) specifically address sustainability issues, including indentured and child labor, employment standards, waste and energy reduction and ethics.

Other Professional Codes of Ethics

Baxter has adopted several external professional and industry codes of ethics:

- AdvaMed [Code of Ethics on Interactions with Health Care Professionals](#);
- Ethics & Compliance Officer Association [Standards of Conduct for Business Ethics and Compliance Professionals](#);
- European Federation of Pharmaceutical Industries and Associations [Code of Practice on Relationships with Patient Organizations](#) and [Code of Practice on Promotion of Medicines to, and Interactions with, Healthcare Professionals](#);
- Institute for Supply Management [Principles and Standards of Ethical Supply Management Conduct](#);

- National Society of Professional Engineers [Code of Ethics for Engineers](#);
- Regulatory Affairs Professionals [Code of Ethics for Regulatory Affairs Professionals](#); and
- Society for Corporate Compliance and Ethics [Code of Ethics for Compliance and Ethics Professionals](#).

Additionally, the company works with non-governmental organizations and trade associations to enhance ethics and compliance standards worldwide. This includes:

- Sharing the company's perspective with The European Federation of Pharmaceutical Industries and Associations regarding interactions with the medical community and disclosure of such information;
- Working with Eucomed on the development of Ethics and Compliance standards for the Medical Technology Industry;
- Working 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;
- Participating on a task force of the China Council of Advanced Medical Technology Association (AdvaMed), to develop an industry code of conduct for the China operations of member companies of AdvaMed; and
- Working with the Mexican Association of Innovative Medical Devices Industries (AMID) to update AMID's Code of Interactions with Healthcare Professionals to ensure the highest international and local ethics standards. Baxter also supported AMID by creating a harmonized training that endorses standards and criteria agreed upon by the medical device industry.

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ETHICS AND COMPLIANCE STRUCTURE AND PROGRAMS GRI SO2 SO3

Baxter designed and updates its ethics and compliance structure and programs regularly to reflect the needs of a diversified and complex global healthcare company. The company manages programs and activities to help employees make good decisions about appropriate behaviors in the markets where Baxter operates.

Corporate Responsibility Office

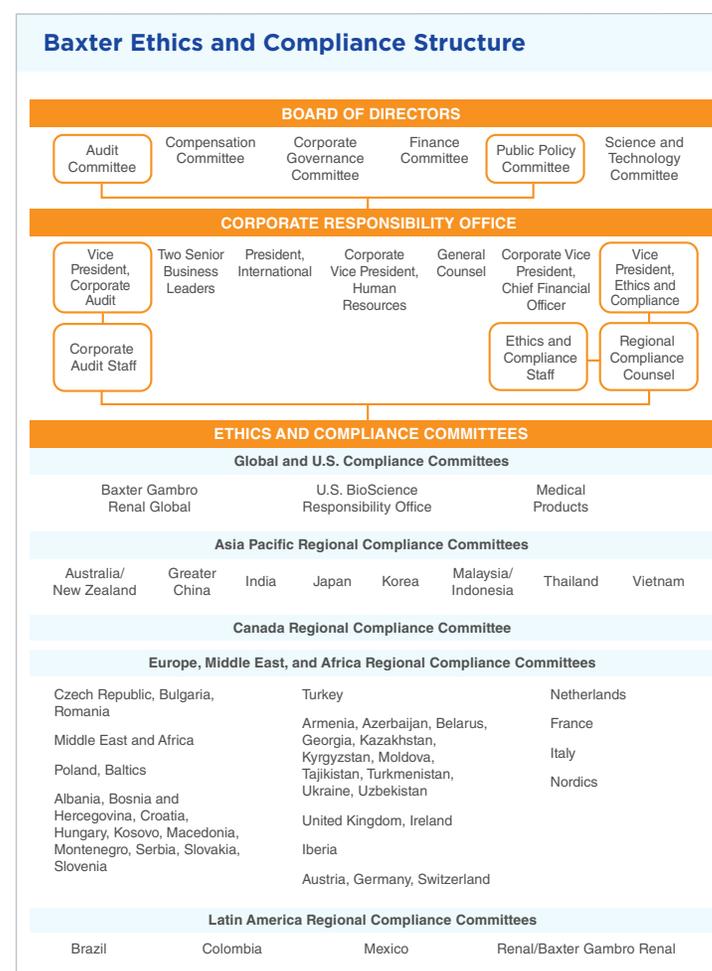
The Corporate Responsibility Office (CRO) was established by Baxter's Board of Directors in 1993 and is composed of nine senior executives. The CRO actively and visibly supports Baxter's commitment to act with integrity and compliance. The CRO also provides direction and oversight for Baxter's Ethics and Compliance program.

The CRO, which meets quarterly, 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. At the direction of the CRO, compliance committees operate at the regional, country and business level to drive the integration of the Ethics and Compliance program throughout Baxter.

Promoting Ethics and Compliance

In 2014, Baxter participated in Ethics and Compliance Week, a global week-long event highlighting the importance of ethics and compliance in the workplace. Employees participated in various activities designed to promote the importance of ethics and compliance, including a presentation by the CEO at an all-employee meeting. Employees also heard testimonials from business leaders on compliance as a competitive advantage. Additionally, the company provided managers with tools and resources to further educate their teams on this important topic both during the designated week and throughout the remainder of 2014.

During 2014 Ethics and Compliance Week, Baxter's CRO launched the Ethics and Compliance Awards Program to recognize teams and individuals across Baxter for their positive contributions. Winners, announced in February 2015, were chosen for going above and beyond their responsibilities under the company's Code of Conduct. Their accomplishments were communicated to all employees through the company's internal communications channels.



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Certificate of Integrity and Compliance

Each year, Baxter requires executives, managers, sales representatives and other selected employees worldwide 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, available in 16 languages, also measures the integration of ethical business practices throughout Baxter. In 2014, more than 16,000 employees completed the COIC.

Legal and Regulatory Compliance Training

Baxter requires employees worldwide to take web-based training on legal and regulatory compliance. In 2014, nearly 57,500 employees completed more than 117,000 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 Legal department and Ethics and Compliance group also conducted hundreds of classroom sessions around the world during the year to train employees on the company's ethics and compliance standards and supporting policies.

Baxter continued to implement its risk-based anticorruption education program to provide awareness-level training to most employees, and more advanced training to employees who regularly interact with government officials and healthcare professionals. In 2014, Baxter conducted anticorruption training sessions for employees in a variety of roles, including sales, marketing, medical affairs and finance.

See [Product Use](#) for detail about advertising and promotion.

Relationships with Healthcare Professionals and Government Officials

Baxter is committed to reporting transparently on its relationships with healthcare professionals. This includes the

continued implementation of anticorruption programs that work to ensure those relationships and related payments are for necessary and genuine services. As a company dedicated to making a meaningful difference in patients' lives, Baxter's integrity in this area is paramount.

Baxter launched its Global Policy on Interactions with the Medical Community and Government Officials in the United States in 2014 and will launch it globally in 2015. Additionally, the company is implementing a phased rollout of a centralized technology platform linking all of the company's related interactions worldwide to enhance internal and external reporting.

During the year, Baxter also enhanced its U.S. Contributions Management Program to review and process contribution requests from nonprofit and for-profit healthcare organizations (HCOs). These may include charity events, awards, patient educational events and annual education meetings. A cross-functional Baxter team reviews HCO requests monthly. In 2014, the company received and processed more than 700 HCO requests and approved more than \$12 million in contributions.

Physician Payment Disclosure/Sunshine Act

The Physician Payments Sunshine Act, signed into law in 2010 as part of the Affordable Care Act, requires companies, including Baxter, that operate in the United States and that manufacture covered drugs, devices, biologics and medical supplies, to track and report certain payments and transfers of value provided to physicians and teaching hospitals. Manufacturers are required to collect information about payments such as consulting fees, travel and lodging, meals, education grants and royalties.

International Anticorruption Activities

During 2014, Baxter's Ethics and Compliance team, working closely with other groups and functions in the company, continued to advance its anticorruption program.

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This includes periodic assessments and monitoring of Baxter's global operations with regard to key corruption risks. The company conducted 16 compliance assessments in 2014 using Corporate Audit and Ethics and Compliance resources. In some cases, Baxter also used external counsel and external auditors. The audits took place in four countries in Europe, the Middle East and Africa (EMEA), two countries in Latin America, three countries in Asia Pacific and two countries in North America. Assessment results have shown continued progress in awareness, understanding and implementation of Baxter's anticorruption programs.

In addition to compliance assessments, the company conducted compliance self-monitoring in 60 countries, including 12 in Asia Pacific, 45 in EMEA and three in Latin America. The monitoring, coordinated by the Ethics and Compliance team, was led by regional internal controls and country-level finance personnel.

Also in 2014, Baxter continued global implementation of its International Anticorruption Third Party Policy, with emphasis on review of and due diligence regarding business partners who interface with government officials and agencies in activities such as the approval, registration, promotion and sales of Baxter's products and therapies. In line with best practices, the company rolled out a tiered approach to third-party risk assessment, targeting high-risk countries and third parties for in-depth due diligence investigation.

This multifaceted program includes a robust process to conduct due diligence on relevant business partners, as well as to train them on anticorruption laws and Baxter's standards and expectations. 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.

Trade Compliance

In 2014, the company continued to identify and train a network of key personnel globally, tasked with identifying

and addressing related issues in their countries and functions, and seeking advice from their designated expert as warranted. Baxter also continues to enhance tools and processes to screen for and address related risks involving its products and business transactions. Additionally, the company expanded training through in-person sessions and its Export Control and Economic Sanctions trade compliance e-learning course. The course raises awareness about global export controls and economic sanctions, regulations and related company policies. The course also focuses on Baxter's procedures, as well as employees' responsibility to ensure compliance in this area. Baxter also conducted Trade Compliance assessments and training at newly acquired businesses.

Data Privacy and Security

In the course of doing business, consumers, patients, healthcare professionals, employees and others share personal information with Baxter. The company's [global privacy policy](#) defines Baxter's privacy standards and guides the company's global operations to follow similar controls for protecting personal and patient health information. All Baxter employees are required to complete an online training course on the policy.

Baxter's Global Privacy Office addresses three major areas of privacy: patient personal and health information; employee personal information; and personal information managed by the company's service providers. Its main role is to govern and oversee privacy compliance.

Baxter's Global Privacy Program is composed of U.S. Health Insurance Portability and Accountability Act (HIPAA) Privacy Compliance, European Union Data Protection Compliance and Global Data Transfer programs. In 2014, Baxter's Global Privacy Office continued to monitor and improve the HIPAA privacy compliance program in the United States. The organization completed the assessment of EU data protection to maintain compliance with the European Union

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Data Protection Directive. In 2015, the Global Privacy Office plans to continue to monitor and maintain the privacy compliance program globally with an emphasis on global data transfer compliance and training Baxter employees.

Information security is a closely related area of focus. Baxter's Information Technology (IT) Risk Governance Board meets quarterly to ensure appropriate accountability, priority and decision-making in response to identified IT risks. A separate cross-functional Information Governance Council oversees the management of business risk related to security, privacy and legal information.

Baxter's Information Protection Program, which includes global policies, organizational awareness mechanisms and compliance systems, enforces appropriate use and protection of the company's information and technology. In 2014, Baxter expanded the program globally, engaging hundreds of employees responsible for protecting sensitive Baxter information. The company also made significant investment in people, process and technology to guard against cyber-attack and data loss. This includes advanced threat detection and security analytics technologies at critical junctures within Baxter's network. Together, these improvements have strengthened the company's core security capabilities to protect the interests of our customers, employees, management and other stakeholders.

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Open communication is central to Baxter's commitment to integrity. The company offers numerous channels to educate and counsel employees as well as confidential avenues to report suspected violations of law and policy (see graphic), which it investigates promptly and reports to senior management as appropriate. Managers are responsible for maintaining an environment that enables employees to raise and discuss issues safely. In this way, Baxter prevents incidents from occurring and addresses issues when they do arise.

Channels for Employees Seeking Guidance or Raising Issues on Ethics and Compliance Matters



One such channel is the Baxter Ethics and Compliance Helpline, an independent telephone and web resource available to employees and their families, suppliers, customers and other Baxter stakeholders to raise issues and open communications about possible company ethics and compliance issues. Callers can report an issue or seek guidance in any one of 150 languages, 24 hours a day, seven days a week, and may choose to remain anonymous. No caller identification features are attached to this line.

Baxter Ethics and Compliance Helpline

Phone 1-877-BAXTER3

Fax 1-847-948-2867

Web

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In 2014, 335 inquiries from 32 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.

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, triages and investigates the allegations and takes appropriate remedial action where necessary.



Employees

GRI 2.8 LA1



Baxter is committed to providing its employees worldwide a great place to work. To help employees realize their full potential and reward them for their contributions, Baxter offers a wide range of learning and development opportunities and comprehensive compensation and benefits programs.

Baxter strives to create an inclusive culture and a diverse work environment. A culturally diverse workforce drives innovation, creates trusted partnerships with customers, suppliers and community partners and ultimately, contributes to the success and sustainability of the business. The company works to attract, motivate and retain a diverse workforce that allows it to better understand and address the needs of the company's employees, customers, business suppliers, patients and caregivers. [View a chart of Baxter's Global Workforce.](#)

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PRIORITIES ADDRESSED



Baxter Will Promote an Inclusive and Diverse Workplace

PHOTO: Denan Dulbic is an assembly team leader at Baxter's Lund, Sweden facility. The facility manufactures products for dialysis treatments, both for hemodialysis patients and for critically ill patients with acute kidney injury.

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TALENT MANAGEMENT

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MEASURING COMPANY CULTURE

GLOBAL INCLUSION AND DIVERSITY

FLEXIBILITY AND WORK/LIFE

TALENT MANAGEMENT GRI 4.8 LA2 LA10 LA11 LA12

As part of Baxter's commitment to being a great place to work and develop, the company provides employees the opportunity to advance their knowledge and expand their skills. Baxter focuses on the following to ensure the sustainability of its workforce and to drive a high-performing culture:

- Leadership Expectations
- Individual and Corporate Goal Alignment
- Succession Management
- Talent Development

Baxter also has various policies and programs in place to address a wide range of bioethics issues, from Animal Welfare and Clinical Trials to the use of genetically modified organisms and the cloning and use of human embryos. The company's Bioethics Policy includes Baxter's Bioethics Guiding Principles, which 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 team considers these principles in addition to the advice of scientific and ethical advisors to determine whether to proceed with research activities that touch upon bioethical aspects. For such activities to be justified, the potential benefits to individual subjects and society must equal or exceed possible risks.

Leadership Expectations

The Baxter Leadership Expectations ([see graphic](#)) are the foundation of the company's culture. They outline what Baxter expects of all employees. This framework includes:

- **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.

70%
WORK EXPERIENCES

- Expanding your current role
- Stretch/challenging assignments
- Special projects
- Rotational assignments
- Volunteerism/ community involvement

20%
FEEDBACK/ RELATIONSHIPS

- Mid-year and year-end performance and career discussions
- Networking
- Mentoring
- Coaching
- Professional or trade association

10%
TRAINING

- Instructor-led courses
- Self-study/online courses
- Books/journals
- Advanced degree/ professional certification
- Conferences

The Leadership Expectations are fully integrated into recruiting, development, rewards and assessment practices.

Succession Management

To support a robust leadership pipeline, the company assesses its talent through an organization inventory process. The CEO conducts an annual review of Baxter's business, regional and functional senior leadership with the Operations Committee (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 Baxter's Board of Directors, which 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 Talent Development philosophy emphasizes a combination of work experiences, feedback and relationships, and training.

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Baxter believes that development should be:

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

All professional employees complete a Talent Profile that includes the individual's experience, an assessment of key competencies and language skills, career aspirations and mobility. This profile serves as an internal resume to apply for internal open positions and is critical to providing management with visibility to key capabilities that exist within the organization. Through the company's MyCareer@Baxter portal, employees can access development and planning tools, as well as comprehensive information about performance expectations and goals, training opportunities and jobs at Baxter. Additionally, the company's talent management system provides integrated talent processes including performance management, development planning and talent acquisition. It also delivers additional reporting, visibility of talent and supporting tools to help managers develop their teams.

Baxter also provides more than 31,000 computer-based and classroom offerings on topics such as Food and Drug Administration regulations, Good Manufacturing Practice guidelines and job-specific skills. All employees can access online learning, with courses in up to 20 languages. Also see [Ethics and Compliance](#) for information on legal and regulatory compliance training.

In 2014, employees completed more than one million hours of training globally, an average of 17 hours per employee.

Baxter's ongoing talent development efforts contribute to workforce engagement and retention. Voluntary employee turnover in 2014 was 9.1% worldwide, compared with 9.5% in 2013.

Top Talent Development

In 2014, Baxter launched career development workshops for employees who manage teams as well as individual contributors. More than 500 employees participated in these workshops. In addition, top talent have access to other in-person programs in various regions including Situational Leadership and Managing the Matrix.

Training for Managers

Baxter also provides employees with tools and techniques to be effective leaders. 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 2014, more than 2,700 managers completed at least one Management Essentials course.

As managers progress from supervising individuals to leading teams, they face new challenges and demands. In 2014, Baxter held 28 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 2014, more than 230 managers 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 2014, more than 1,950 employees have enrolled.

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SUSTAINABILITY EDUCATION GRI LA11

To help achieve Baxter's sustainability goals, the company works to educate and engage employees in its sustainability initiatives. In Baxter's 2013 Culture Survey, 76% 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 channels such as:

- Quarterly all-employee webcasts with CEO Bob Parkinson;
- Regular internal communications about sustainability practices at the company;
- A sustainability intranet site that provides success stories, tips and other tools to help engage employees about the company's sustainability priorities and offers employees the ability to give feedback and ask questions;
- Quarterly press releases highlighting achievements; and
- Events focused on environmental initiatives and healthy living such as Baxter World Environment Week and [BeWell@Baxter](#), and volunteer activities to address local concerns such as healthcare and education.

See [Employee Involvement](#) for more information.

COMPENSATION AND BENEFITS GRI LA3

Baxter's global total compensation philosophy is to provide market-competitive pay and benefits while rewarding employees for strong individual and business performance.

In addition to base salary, the company's total compensation package may also 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. Find out more about [executive compensation](#).

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 in this area, the company offers many programs and resources to help employees meet their personal goals and family needs (see [Flexibility and Work/Life](#)). Additionally, [BeWell@Baxter](#), the company's health and wellness program, helps 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 for improvement. More than 90% of Baxter's employees worldwide completed the last survey, which was conducted in 2013. Due to Baxter's plans to create two separate leading global healthcare companies, the next survey at Baxter is planned for 2016.

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GLOBAL INCLUSION AND DIVERSITY GRI 4.8 LA13

An inclusive culture and a diverse workforce contribute to Baxter's success and sustainability by driving innovation and creating trusted relationships with employees, customers, suppliers and community partners. This underpins the company's global inclusion and diversity strategy, which is directly linked to one of Baxter's shared values—respect for individuals and the diverse contributions of all. Baxter's global inclusion and diversity strategy focuses on four key areas:

- **Workforce** Building a diverse organization globally;
- **Workplace** Fostering an inclusive culture that values diversity;
- **Communities** Establishing partnerships with community-based organizations that embrace and support diverse stakeholder groups; and
- **Marketplace** Building innovative customer connections and supplier partnerships.

To reinforce the importance of fostering an inclusive culture, Baxter's senior executives have inclusion goals and are held accountable for fostering an inclusive work environment where we hire and promote qualified diverse candidates.

Following is more information about Baxter's programs and progress in these areas:

- Global Inclusion Council
- Inclusion and Diversity Training
- Business Resource Groups
- 2014 Business and Regional Initiatives
- 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 worldwide develop local inclusion plans. These incorporate Baxter-wide opportunities in addition to addressing unique local inclusion priorities and requirements. 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. In 2013, the Global Inclusion Council benchmarked the company's 2013 inclusion and diversity performance compared with companies of similar size and developed Baxter's 2014–2016 inclusion and diversity strategic plan.

Inclusion and Diversity Training

Baxter's Power of Managing Inclusively is a four-hour, instructor-led, mandatory workshop for all managers, supervisors and above. In 2014, more than 5,600 employees completed the workshop. Also in 2014, the Inclusion IMPACT! series was launched in the United States. This online series extends the lessons learned from The Power of Managing Inclusively course, continuing to educate managers about inclusion and diversity topics and providing them with tools they can use immediately to build awareness and inclusion on their teams.

Business Resource Groups

Business Resource Groups (BRGs) provide a forum for employees to develop skills, strengthen 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. Baxter has a total of eight BRGs: the African-American Leadership Council, the Asian Leadership Network, Baxter

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EnAbles, the Baxter Equality Network, BaxVets, Baxter Women Leaders, Early Career Professionals and Latinos@Baxter. Each BRG is sponsored by a member of Baxter's Operations Committee. The company has expanded BRGs globally to include new chapters around the world.

View [videos](#) about the Baxter Equality Network and Baxter Women Leaders.

Business and Regional Initiatives

Baxter is involved in inclusion and diversity initiatives at its facilities around the world. In Canada and Latin America, Baxter sponsors an annual Inclusion and Diversity Week, during which teams across the regions participate in activities such as town hall meetings, volunteer events and training sessions. In Western Europe, a "Boomers and Millennials" reverse mentoring initiative matches Baxter employees who are recent graduates with senior, long-term Baxter employees to facilitate communication on how the different generations can collaborate effectively and learn from each other. In Asia, 14 countries are focused on advancing women to critical leadership positions.

Baxter's BioScience and Medical Products businesses launched the Women & Ethnic Minority Mentoring program, a diversity-driven mentoring program to accelerate the upward movement of director level and above top talent women and minorities. The program matches mentees with senior leaders from their respective business. There are also specific mentoring programs in the regions and functions.

Equal Opportunity for All Employees

Baxter is committed to equal opportunity for all employees. 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

	2010	2011	2012	2013	2014
Ethnic (% of non-white total)					
Board of Directors	7.7%	8.3%	23.1%	23.1%	23.1%
Executive Management*	17.7%	11.7%	12.5%	7.8%	8.3%
Gender (% of female total)					
Board of Directors	15.4%	16.7%	23.1%	23.1%	23.1%
Executive Management*	17.6%	17.6%	18.8%	15.4%	25.0%

*The data set of Executive Management aligns with Executive Management listed on www.Baxter.com as of December 31, 2014.

Gender Diversity at Baxter (% female globally)*

	2010	2011	2012	2013	2014
Vice President and Above	19.8%	21.5%	21.4%	24.4%	26.1%
Supervisor/Director	47.8%	48.0%	47.8%	46.3%	46.4%
Non-Manager	55.4%	54.1%	53.6%	54.2%	53.2%
Overall	51.9%	51.3%	50.8%	50.5%	50.1%

*Figures do not include Baxter Credit Union employees, which represent approximately 0.1% of the total population.

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Supplier Diversity

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

Awards

Several leading organizations recognized Baxter for its inclusion and diversity efforts in 2014. [Click here for a comprehensive list.](#)

FLEXIBILITY AND WORK/LIFE GRI LA3

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

Baxter's global operations collaborate with external organizations, as appropriate, to develop and implement flexible work/life programs. The following programs and resources are all available in the United States and many are offered globally:

- Adoption assistance and reimbursement;
- Alternate work arrangements;
- Back-up/emergency child and elder care;
- Child care support;
- Dependent-care flexible spending accounts;
- Educational assistance;
- Eldercare management services;
- Employee assistance and counseling programs;
- Lactation rooms;
- Resource and 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 40% of eligible employees (regular employees working at least 20 hours a week) used one or more of these programs in 2014. Baxter estimates conservatively that it realizes nearly \$6 of benefit for every dollar invested in work/life programs through reduced absenteeism and enhanced productivity. This is based on employee surveys and program utilization data to compare the value of estimated employee time saved with 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 helps employees and managers to review the steps required for proposing and reviewing requests for flexibility. Determining the most appropriate alternate work arrangement typically considers the employee's job requirements, personal needs, and work performance, as well as business needs and goals.

Environment, Health and Safety

GRI 2.8 3.6 3.7 3.10 SO1



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

Baxter recognizes the interconnection between aspects of its environmental footprint, such as water consumption, energy usage and greenhouse gas (GHG) emissions. For example, producing highly purified water for Baxter's healthcare products uses significant amounts of energy. As a result, saving water also helps the company to reduce energy use and associated GHG emissions. Taking a holistic view to understand and decrease Baxter's environmental impacts is central to the company's approach. This report covers the ninth year of performance against the company's EHS 2015 goals, which are integrated into the company's overarching sustainability priorities.

Scope of Baxter EHS Reporting

- The environmental data included in this report are based on 129 reporting locations, of which 60 are manufacturing, 24 are warehouse, and 45 are administrative, clerical or other. Several of the reporting units comprise multiple locations that report as a single entity. For example, in 2014, Baxter's 76 plasma collection centers in North America reported as a single entity, as did the 55 renal therapy sites located in Colombia. The reporting scope excludes certain leased facilities and recent acquisitions for which environmental performance data are not available or are not considered to be material to Baxter's overall environmental performance.
- The health and safety data included in this report are based on 293 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).

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PHOTO: Employees in Sabiñánigo, Spain, celebrated Baxter World Environment Week by making individual pledges concerning the environment that filled a tree poster.

PRIORITIES ADDRESSED

Baxter Will Drive Reductions in its Carbon
FootprintBaxter Will Drive Reductions in Natural
Resource UseBaxter Will Promote a Safe and Healthy
Workplace

¹ The 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.

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EHS PROGRAM

EHS Vision and Policy GRI 4.8



Bureau Veritas has provided assurance on the content in this section.

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 EHS performance. We will set goals, measure progress and communicate results.

Compliance with this policy is the responsibility of every employee.

Signed October 2012
Robert L. Parkinson, Jr.
Chairman and Chief Executive Officer
Originally adopted August 1997

Program Governance GRI 4.5



Bureau Veritas has provided assurance on the content in this section.

Baxter's 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 300 full-time equivalent employees around the world, manages the company's EHS compliance requirements and risks. The organization works with a diverse group of internal and external stakeholders to address emerging EHS issues and related business challenges. The EHS organization, including business group EHS support teams, has reported to global manufacturing since 2003. EHS Legal and Audit Services reports to the Ethics and Compliance function of Baxter's Legal department to preserve the objectivity of legal advice and the global EHS auditing function.

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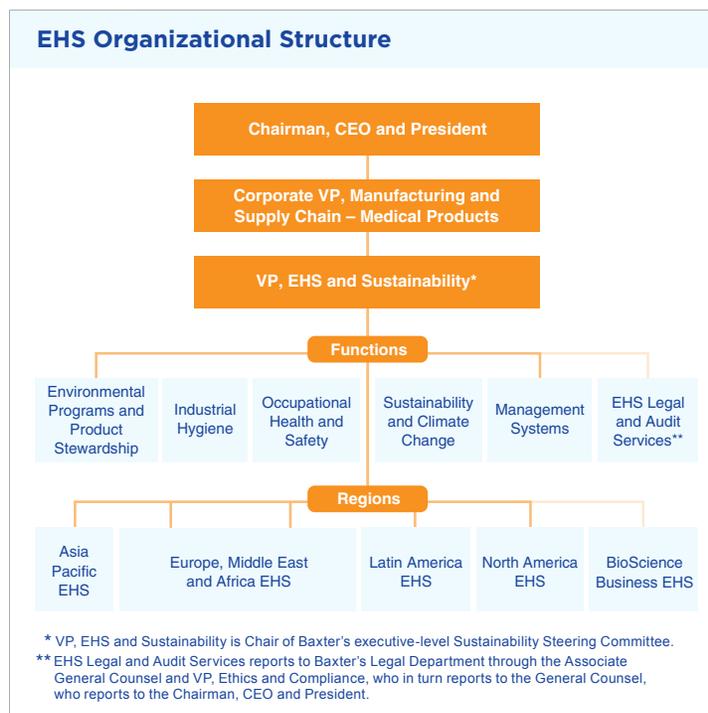
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EHS functional and regional teams (see graphic) provide input to Baxter's EHS Leadership Team, composed of EHS directors and other leaders who establish and maintain the company's EHS policy, global EHS requirements, strategy and goals. This promotes 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 2014, he presented EHS performance updates and reported progress on related sustainability initiatives. In a separate meeting of the Public Policy and Audit Committees, Baxter's associate general counsel and vice president of compliance discussed the broader sustainability program.

Accountability for EHS Performance

In 2014, as in previous years, the performance management objectives of Manufacturing and Operations leadership included measures tied to Baxter's goals to reduce safety incidents, energy and water use, and waste generation. Also, the company disclosed in its 2015 proxy statement that the goals set for Baxter's CEO include items related to sustainability, and these factor into decisions related to his compensation.

EHS 2015 Goals

 **Bureau Veritas has provided assurance on the content in this section.**

Baxter's 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 determining these goals. The Baxter Manufacturing Council establishes goals for the company's manufacturing operations annually that 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 2014, annual bonuses for leaders in the manufacturing organization were, in part, tied to the company's performance along these dimensions.

The table (following page) 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.

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EHS 2015 Goals

2015 Goal (items in blue are also companywide sustainability goals)

Performance through 2014

Environmental (base year 2005, unless otherwise noted)

Reduce energy usage 30% indexed to revenue.	Reduced 27% indexed to revenue.
Reduce greenhouse gas (GHG) emissions 45% indexed to revenue.	Reduced 41% indexed to revenue.
Increase facility energy usage of renewable power to 20% (of total).	Increased to 22%.
Reduce total waste generation 30% indexed to revenue.	Reduced 17% indexed to revenue.
Reduce water usage 35% indexed to revenue.	Reduced 32% indexed to revenue.
Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.	Continued implementation of community water projects near Baxter's manufacturing facility in Canlubang, Philippines, and near the company's facility in Cuernavaca, Mexico.
Reduce the carbon footprint of Baxter's U.S. car fleet by 20% from 2007 baseline.	Reduced GHG emissions 10% per kilometer driven.
Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.	Eliminated 5,880 metric tons.
Reduce environmental compliance incidents* by 75%.	Incidents increased by 105%.

* 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

Identify and minimize life cycle impacts for new products.	On track (ongoing).
Proactively 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.	Implementing six projects, including two product life cycle assessment partnerships with Baxter customers.

Occupational Health and Safety and Industrial Hygiene

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 2013, the most recent year that data was available, Baxter's cases with days lost rate performance ranked second of industry peers.**
Fully deploy the BeWell@Baxter health-promotion program according to defined criteria.	Deployed at least 8 out of 10 BeWell@Baxter program elements in 74% of targeted facilities.
Implement a flexible strategy to increase employee awareness and ownership of their individual health status.	Twenty-nine percent 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.	On track (ongoing).
Develop a formal process to ensure site-level industrial hygiene competency to perform industrial hygiene risk assessments and monitoring.	Completed two Baxter Industrial Hygiene Foundations Modules, a Refresher Industrial Hygiene Module, and a Noise Control Engineering Module in 2014.
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 as a result of a 2013 meeting with Baxter's occupational health and toxicology consultant. Implemented the guidance document in 2014.

** In a comparison of 14 healthcare companies: 10 reported global safety data to ORCHSE Strategies, three reported data as requested by Baxter and one reported data on its public website.

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EHS Management Systems and Certifications GRI 4.12



Bureau Veritas has provided assurance on the content in this section.

Baxter's global [Environment, Health and Safety 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 protect employees and company assets, minimize environmental impact, reduce company risk and enhance Baxter's reputation and EHS leadership. The company assesses all of its facilities using the same performance measurement system.

EHS Management System Standards

Baxter 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 aspects and the Occupational Health and Safety Assessment Series (OHSAS) 18001 occupational health and safety management system standard to manage its health and safety hazards and risks. Baxter generally requires third-party certification to ISO 14001 and OHSAS 18001 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 and/or OHSAS 18001 standards and seek certification to improve their EHS performance.

ISO 14001 and OHSAS 18001 audits verify whether a facility's management system supports compliance with relevant regulations and company policy. Following a successful corporate EHS audit, Baxter's external auditing and certification body recommends a facility for certification to these standards.

As of year-end 2014, 79 Baxter locations have met the requirements of ISO 14001. Sixty-seven locations are part of Baxter's ISO 14001 global group certificate, and the remaining 12 locations are certified by other firms. As of year-end 2014, 61 Baxter locations were certified to OHSAS 18001. Fifty-five locations are part of Baxter's OHSAS 18001 group certificate, and the other six are certified by other firms.

Green Building Certification

In 2010, Baxter approved an EHS policy that requires new sites or those undergoing major renovations to conduct a green building review. The company encourages certification to international building rating standards such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED), the United Kingdom's Building Research Establishment Environmental Assessment Method (BREEAM), and Minergie, the Swiss certification for building energy consumption. As of February 2015, eight Baxter buildings were certified to green building standards.

Examples of green buildings at Baxter include the following:

- **Canada** Baxter's office building in Mississauga, Ontario, achieved Canada LEED Interior certification in October 2014. More than 90% of employees in the facility have direct lines of sight outdoors, and controls enable 90% of occupants to adjust lighting to meet individual needs. All new wood-based materials are certified to Forest Stewardship Council standards.
- **Italy** In February 2014, a new facility at Baxter's Rieti manufacturing site was certified to the Italia LEED Gold standard.

[View a list of Baxter facilities worldwide that have achieved ISO 14001, OHSAS 18001, and green building certifications.](#)

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EHS Audits

 Bureau Veritas has provided assurance on the content in this section.

Baxter's 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 EHS performance that does not meet Baxter's expectations. In 2014, Baxter conducted EHS audits at 31 out of 106 applicable facilities.¹ Of these, 14 were in the company's Europe, Middle East and Africa region; six were in North America; eight were in Asia Pacific; and three were in Latin America.

The company staffs its audit teams with professionals from the corporate EHS audit group and the EHS organization, as well as external regulatory experts as appropriate. External firms conduct certification audits to the ISO 14001 Environmental Management System Standard and the OHSAS 18001, as appropriate. When auditors identify gaps in meeting EHS requirements, the audit team guides facility management to identify the related weaknesses in their EHS management systems.

Throughout the year, the EHS organization reviews the most common audit findings to systematically target identified issues, strengthen corporate policy when needed and prioritize company initiatives. The EHS organization's functional teams then address some of the areas of greater concern. In 2014, these included material handling and fall prevention.

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 and ensures appropriate approval of the extension of any deadlines.

In addition to facility audits, Baxter also conducts targeted regulatory risk audits as warranted. In 2014, the corporate EHS group focused on regulatory and EHS risk areas such as control of energy sources and electrical safety.

COMPLIANCE

Environmental Compliance GRI EN23 EN28 SO8

 Bureau Veritas has provided assurance on the content in this section.

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 fines** Fines related to environmental compliance issues.
- **Environmental compliance incidents** Releases that exceed permit limits (exceedances) and other spills or releases that must be reported to the government. Some exceedances may result in NOV's.

Baxter received 15 environmental NOV's in 2014. Baxter paid no environmental fines in 2014.

Environmental NOV's and Fines

	2010	2011	2012	2013	2014
Wastewater NOV's	3	5	4	17	4
Other Environmental NOV's	6	2	7*	5*	11*
Total Environmental NOV's	9	7	11	22	15
Total Environmental Fines**	\$1,000	\$9,985	\$59,000	\$28,400	\$0

*Some of these NOV's also have aspects related to wastewater.

**Fines paid during calendar year noted.

¹ The reporting in this section includes facilities from Baxter's acquisition of Gambro.

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Baxter has a goal to decrease overall environmental compliance incidents 75% by 2015, compared to 2005. Baxter made progress toward this goal in 2014, following structural changes to its wastewater treatment facilities at a large European manufacturing site responsible for 88% of the 2013 incidents. The company maintains its commitment to continuously reduce compliance incidents through 2015 and beyond.

Environmental Compliance Incidents

	2010	2011	2012	2013	2014
Air	2	1	2	0	13
Land	1	1	0	0	3
Drinking Water	0	0	0	0	0
Wastewater	67	76	98	581	68
Total	70	78	100	581	84

In 2014, most of Baxter's environmental compliance incidents were related to wastewater. These included exceedances of 15 different parameters, of which the most common was pH (59% of the total).

During the year, 65 of Baxter's wastewater-related compliance incidents occurred at facilities that discharge to regional or municipal wastewater treatment systems. The other three (zinc, copper, and ammonium) were discharged into waterways.

See Water and Wastewater for more detail.

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 Superfund 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 \$8.6 million at year-end 2014. Separate from the Superfund cases noted above, Baxter paid approximately \$206,500 during the year for ongoing voluntary environmental remediation associated with historic operations at the company's Irvine, California, United States, facility.

Health and Safety Compliance GRI SO8

 Bureau Veritas has provided assurance on the content in this section.

Health and Safety NOVs and Fines

	2010	2011	2012	2013	2014
NOVs Settled	3	2	3	6	1
Fines Paid (in dollars)	\$945	\$0	\$0	\$2,000	\$0

In 2014, Baxter received one health and safety-related NOV related to a missing label on a pressure vessel. Baxter implemented corrective actions to address matters raised by this violation.

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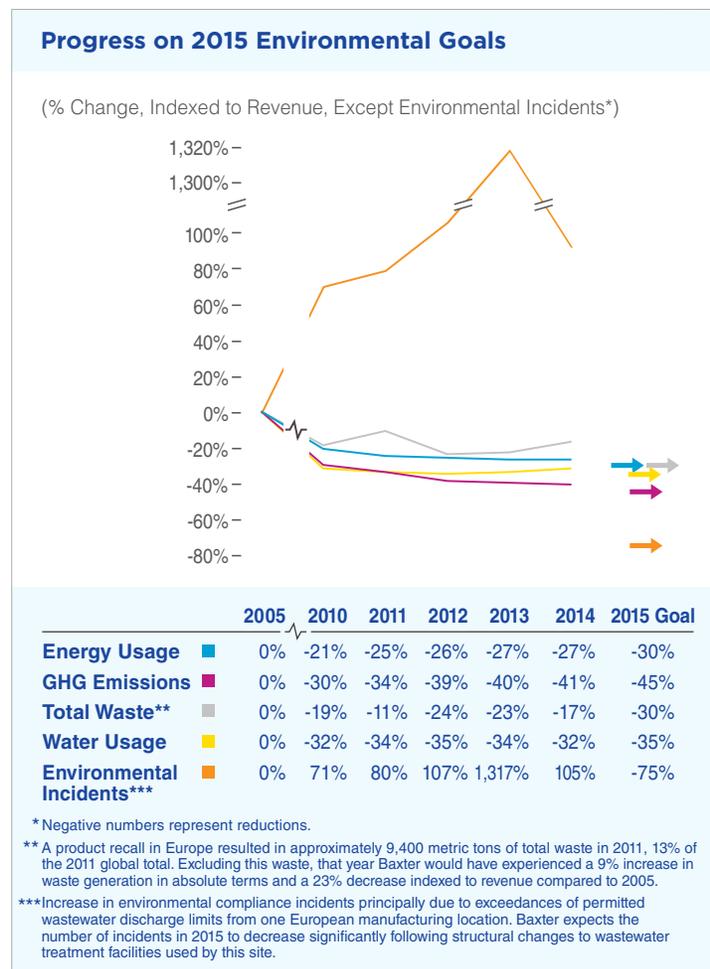
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Bureau Veritas has provided assurance on the content in this section.



See [Energy](#), [GHG Emissions from Operations](#), [Waste](#), [Water and Wastewater](#), and [Environmental Compliance](#) for more detail.

In 2014, Baxter continued working toward its [2015 EHS goals](#). As the graph (left) illustrates, progress toward several of the company's natural resource use reduction goals slowed or reversed during the year. Baxter anticipates that ongoing business growth and changes to manufacturing processes during the next several years will continue to present challenges to future reduction efforts.

While Baxter made significant progress toward its environmental incidents-reduction goal during the year, considerable progress is still needed to achieve the 2015 target. See [Water and Wastewater](#), and [Environmental Compliance](#) for more detail.

Environmental Financial Statement

The following table describes environmental program costs during 2014, along with environmental income, savings and cost avoidance realized from activities completed during the year.

Environmental Costs, 2014 (dollars in millions)	
Basic Program	\$26.5
Remediation, Waste and Other Response	14.0
Total Environmental Program Costs	\$40.5
Environmental Income, Savings and Cost Avoidance, 2014 (dollars in millions)	
Total Waste Generation	\$(11.4)
Recycling (net income)	6.1
Energy Conservation	(4.4)
Water Conservation	(1.0)
Total Environmental Income, Savings and Cost Avoidance	\$(10.7)

See the [2014 Environmental Financial Statement](#) for more detail.

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Air Emissions GRI EN19 EN20



Bureau Veritas has provided assurance on the content in this section.

Due to an aggressive air toxics reduction program initiated in 1988, Baxter decreased toxic air emissions from its operations by approximately 98% during the past 25 years. The company continues to monitor its air emissions and supports facility-led initiatives in this area. However, because of its low emissions levels, Baxter focuses its environmental programs and goals on other priorities.

Baxter's toxic air emissions increased to approximately 22.5 metric tons in 2014, a 23% rise in absolute terms compared to 2013 and a 47% reduction indexed to revenue since 2005. Key factors included the following:

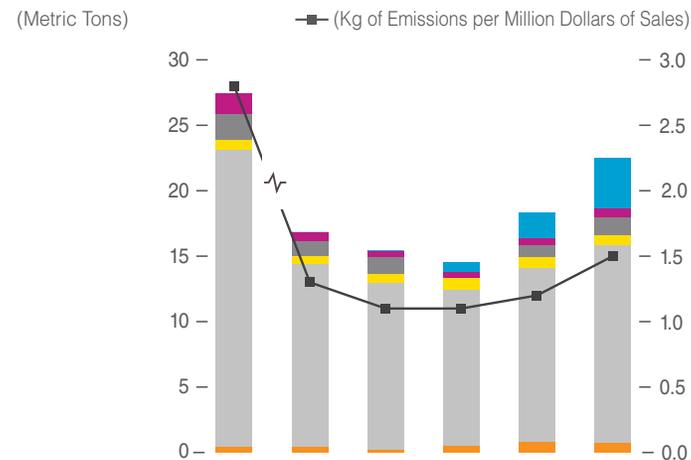
- Di-2-ethylhexyl phthalate (DEHP), the company's most significant air toxic from operations, increased from 13.3 to 15.1 metric tons primarily due to increased production of products containing PVC materials.
- Cumene emissions in the graphic increased by 2 metric tons due to rising production of non-PVC products.

Baxter will continue to evaluate and install emissions-control technologies when necessary and feasible to further reduce air emissions associated with manufacturing.

Emissions of sulfur oxides (SO_x) decreased by 37% in absolute terms from 2013 to 2014. Energy conservation initiatives companywide and a transition from heavy fuel oils to lighter diesel fuels and natural gas at some locations have led to these improvements. For example:

- **Cuernavaca, Mexico** The facility switched from diesel fuel to natural gas to operate on-site equipment such as boilers. This reduced SO_x emissions by 55% in 2014 compared with 2013.
- **Grosotto, Italy** In 2014, the site transitioned from heavy fuel oil to biomass, reducing SO_x emissions by 37% compared with the prior year.

Baxter Process Related Toxic Air Emissions



	2005	2010	2011	2012	2013	2014
Cumene	0.0	0.0	0.0	0.7	1.9	3.9
ETO*	1.6	0.7	0.5	0.5	0.6	0.7
Methylene Chloride	1.9	1.1	1.3	0.7	0.9	1.3
Methanol	0.8	0.6	0.7	0.9	0.8	0.8
DEHP*	22.7	14.0	12.7	11.9	13.3	15.1
Other	0.4	0.4	0.2	0.5	0.8	0.7

	2005	2010	2011	2012	2013	2014
Total**	2.8	1.3	1.1	1.1	1.2	1.5

*ETO = ethylene oxide; DEHP = Di(2-ethylhexyl)phthalate.

**Totals reflect the removal of methyl ethyl ketone (MEK) as an air toxic by the United States Environmental Protection Agency.

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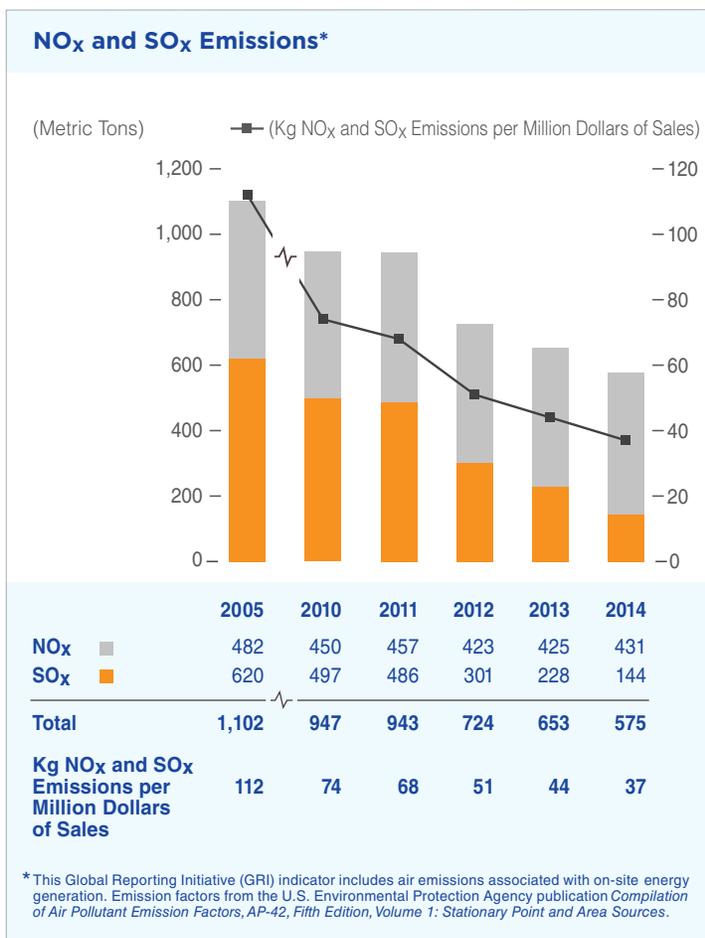
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Emissions of nitrogen oxides (NO_x) increased by 1% from 2013 to 2014. More than 50% of Baxter's overall NO_x emissions occur within North America, primarily due to biomass use for steam production at one of Baxter's largest manufacturing sites.



Biodiversity GRI 4.12 EN11 EN12 EN13 EN14

Bureau Veritas has provided assurance on the content in this section.

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 1,000 hectares of land, about one-quarter of which is impermeable surface. Although 22 of Baxter's 58 manufacturing and research and development sites are located in 11 of the world's biodiversity "Hot Spots"¹ as designated by Conservation International, the company's operations typically are situated 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 or community outreach programs where appropriate.

Baxter Site Activities in 2014

During [Baxter World Environment Week](#), the company's signature initiative that engages and educates employees on environmental sustainability, facilities conduct biodiversity-related and environmental-preservation activities. During 2014, 132 sites in 29 countries worldwide held local cleanups, educational campaigns, tree-planting events and other

¹ A Conservation International Hot Spot is an ecosystem that is biologically rich and endangered. Baxter has manufacturing or research and development sites in the following Hot Spots: Atlantic Forest of Brazil, California Floristic Province, Caribbean Islands, Chilean Winter Rainfall Forest, Indo-Burma, Japan, Mediterranean Basin, Mesoamerica, Philippines, Sundaland and Tropical Andes.

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biodiversity-focused activities. Examples included:

- **Australia** More than 30 employees from the Toongabbie site participated in the annual “bushcare” initiative in a strip of land located near the Toongabbie River. The volunteers weeded, collected garbage, and planted and watered native plants. The employees received training on the difference between local native plants and their look-a-like weeds.
- **New Zealand** A group of volunteers from the Auckland facility visited Motuihe Island to plant trees. The mission of the Motuihe Trust is to restore, enhance and protect the indigenous flora and fauna and the significant historic sites of Motuihe Island.
- **United States** Employees from Baxter’s BioLife center in Waterloo, Iowa, displayed information on the mass dying out of honey bees, the impact of this trend on the environment and how to prevent it. They also provided tips on types of bee-friendly native flowers and environments.

Worldwide, Baxter facilities in 14 countries planted 3,075 trees during the year.

Other Activities in 2014

Chicago Botanic Garden Baxter has supported the Chicago Botanic Garden in Glencoe, Illinois, United States, for more than 25 years, and 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 whose research includes preserving biodiversity. Awarded a LEED Gold certification by the U.S. Green Building Council, the Plant Science Center also serves as home to a unique doctoral program in plant biology and conservation with Northwestern University and is the headquarters for the Garden’s international efforts in plant conservation.

Baxter’s ongoing financial support helps the Garden’s scientists, researchers and students make vital discoveries



A Baxter Northern Illinois employee processes seeds for a seed bank at the Chicago Botanic Garden during a volunteer event for Baxter World Environment Week.

about plant survival, habitat destruction, invasive species and restoration.

In 2014, more than 50 Baxter volunteers participated in an educational event at the Garden, which included removing invasive species from several areas in the Garden. Family members had the opportunity to learn about butterflies through an exhibit called Butterflies and Blooms. Additionally, Baxter sponsors the Garden’s annual celebration of World Environment Day in June, which focuses on community education. Baxter displays its sustainability efforts with an exhibit each year and collaborates with other sponsors on a children’s education theme. Approximately 6,800 visitors attended this event in 2014.

GHG Emissions Reduction Baxter’s continued efforts to reduce energy usage and associated GHG emissions from its operations and throughout Baxter’s value chain also support biodiversity. Pulitzer Prize winning author E.O. Wilson, Ph.D., projects that with current global trends, 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 2050.¹

¹ E.O. Wilson, “The Future of Life.”

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Energy GRI EN3 EN4 EN5 EN7



Bureau Veritas has provided assurance on the content in this section.

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

While energy conservation benefits the environment, it also makes good business sense for Baxter, since energy is one of the company's most significant manufacturing costs. Since 2005, while Baxter increased sales 56% through 2014, the company's absolute energy usage from operations increased by 14%. Due to sharply increasing energy prices, Baxter's corresponding facility-related energy costs rose 69% during this same period, to \$190 million. This underscores the importance of the company's ongoing energy conservation efforts. Baxter saved approximately \$48 million in 2014 from energy conservation projects that the company has implemented since 2005.

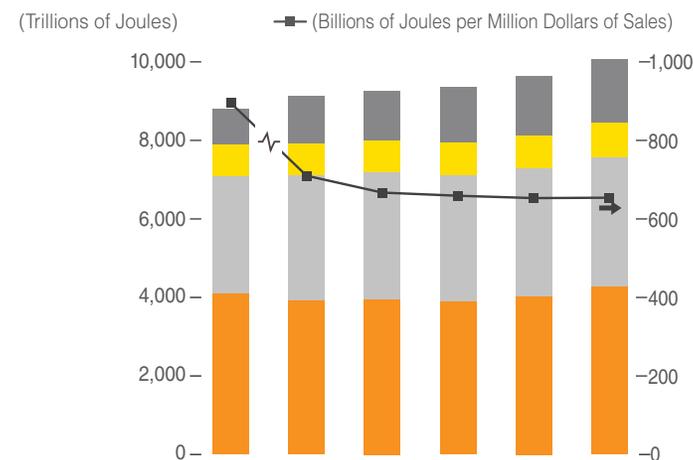
Performance

From 2005 to 2014, 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. Changes in manufacturing processes, and increased production and product development activities in 2014 contributed to a 4% absolute increase of energy usage, compared to 2013. Continued business growth and changes to manufacturing processes over the next several years will present a challenge to future energy-reduction efforts. Baxter is placing greater focus on implementing key energy-reduction projects to help meet the company's 2015 goal to decrease energy usage from operations by 30% indexed to revenue, compared with 2005.

Baxter recognizes the benefits of cogeneration and uses this technology at four Baxter facilities. 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 accurately assess energy efficiency performance over time at those sites.

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

Energy Usage from Baxter Operations*



	2005	2010	2011	2012	2013	2014
Asia Pacific	924	1,200	1,279	1,406	1,497	1,621
Latin America	797	814	812	828	843	867
EMEA	3,003	3,189	3,218	3,232	3,261	3,299
North America	4,090	3,914	3,952	3,883	4,024	4,268
Baxter Total	8,814	9,117	9,261	9,349	9,625	10,055

	2005	2010	2011	2012	2013	2014
Billions of Joules per Million Dollars of Sales	895	710	667	659	653	654

→ 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.

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Energy Consumption by Activity, 2014

	Electricity	Steam
Boiler Makeup Water		2%
Building Heating/Hot Water		9%
Chillers/HVAC	34%	
Combustion/Distribution Losses		33%
Compressed Air	11%	
Lighting	6%	
Production/Sterilization	32%	35%
Water Purification	7%	16%
Other	10%	5%
Total	100%	100%

The table above describes 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](#) for examples of projects to enhance efficiency in some of these areas.

Baxter's energy management program incorporates three main components: the company's Lean Energy Program, energy balances and performance tracking and reporting.

Lean Energy Program

In 2007, Baxter launched a Lean Energy Program for the company's principal manufacturing facilities. The program

Lean Energy Program Performance

(% of program criteria implemented across all manufacturing facilities, at year-end)

	2007	2008	2009	2010	2011	2012	2013*	2014
Pre-requisite	93%	98%	100%	100%	98%	99%	91%	97%
Bronze		85%	94%	98%	95%	98%	88%	89%
Silver			76%	89%	89%	91%	81%	82%
Gold				54%	60%	71%	66%	68%

*Performance declined in 2013 due to the addition of four sites to the program.

includes four sets of Lean energy standards: Pre-requisite, Bronze, Silver and Gold. Each defines 25 to 30 requirements a facility's energy program must meet to qualify for that level, with a focus on the energy efficiency of facility processes and systems. In general, a site's Lean Energy Program level correlates closely with its energy efficiency performance. In 2014, a total of 5 sites had achieved gold status. Baxter reviews and updates the program periodically and introduces new sites (acquisitions and new plants).

Energy Balances

Energy balances play an important role in identifying energy conservation opportunities, and applying and sharing new technologies and best practices 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 energy conservation projects, which often involves purchasing or upgrading equipment, Baxter has reduced its minimum required internal rate of return for these initiatives by approximately 5% compared to other capital projects.

In 2014, Baxter performed energy balances at the following 10 facilities: Lessines, Belgium (2); Guangzhou, China, and Shanghai, China; Prerov, Czech Republic; Meyzieu, France; Hechingen, Germany; Sondalo, Italy; Tijuana, Mexico; and Cleveland, Mississippi, United States.

As a result of energy balances completed in 2014, Baxter has identified 215 potential energy conservation projects worldwide representing possible annual savings of \$6.3 million.

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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. This focuses on Baxter's Lean Energy Program, energy balance project implementation and water usage assessments. It highlights progress toward the company's internal target to reduce energy use per unit of production by 3% annually, and helps the company identify when performance is lagging so it can respond accordingly.

Energy Conservation Initiatives

Examples of projects implemented during 2014 include the following:

- **Poland** Baxter's facility in Lublin implemented projects to recover hot water from processes such as product steam sterilization and equipment cleaning. Capturing and reusing this water saved an estimated \$240,000 annually in energy and water combined while reducing associated GHG emissions by 600 metric tons CO₂e.
- **Puerto Rico** Baxter's facility in Jayuya reduced electricity consumption by retrofitting existing lighting to LED lighting. This will save an estimated \$70,000 annually and reduce associated GHG emissions by 200 metric tons CO₂e.
- **Multiple Plants** Multiple facilities globally, such as Guangzhou and Shanghai, China, continue to implement projects to recover waste heat from product steam sterilization. Projects completed at these sites will save approximately \$160,000 and reduce associated GHG emissions by about 610 metric tons CO₂e.

Global Energy Management Activities

Baxter senior management sponsors the company's global energy management activities, which are part of an integrated energy-conservation, cost-reduction and GHG emissions reduction program. The program's success depends on the collaboration of Facilities Engineering Services; facility energy managers and site teams; Environment, Health and Safety; Corporate Services and Administration; and Purchasing and Supplier Management.

GHG Emissions across the Value Chain

GRI 3.6 3.9 EN16 EN17 EN29



Bureau Veritas has provided assurance on the content in this section.

Global warming and resulting climate change are among the most pressing sustainability challenges facing the world today, posing risks for humans and natural ecosystems. Multinational companies can help address climate change by understanding their impacts across the value chain and decreasing GHG emissions. 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) for 2014 at 5.2 million metric tons 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.

The company's Scope 1 and Scope 2 emissions have a high level of certainty and have been verified for the past five years to a reasonable assurance level by Bureau Veritas North America. Scope 3 categories are based on various assumptions and estimates. For the past three years, Bureau Veritas North America verified to a limited assurance level Baxter's methodology and emissions factors for calculating Scope 3 GHG emissions. Baxter continues to refine its understanding of the company's GHG emissions footprint and to implement emissions reduction strategies.

External Recognition

In May 2013, UK-based Environmental Investment Organization recognized Baxter with a 2013 Scope 3 Disclosure Leader Award. Baxter was listed second among all companies in the world for reporting 12 of 15 Scope 3 GHG emission categories.¹

¹ This performance relates to Baxter's 2011 GHG emissions reported in 2012.

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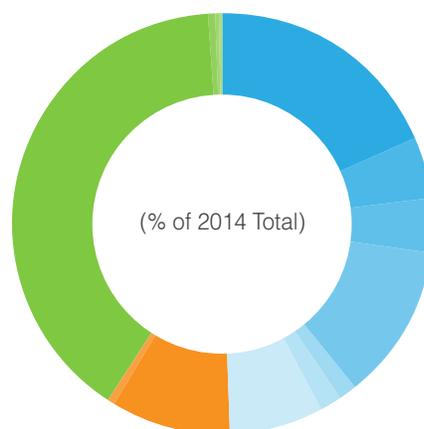
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Baxter's Global GHG Emissions Footprint*



	2013	2014	2014
Upstream (Scope 3)	(Metric Tons CO ₂ e)	(Metric Tons CO ₂ e)	(% of Total)
Purchased Goods and Services	937,000	974,000	18.6%
<i>Estimated GHG emissions associated with Baxter's purchase of goods and services. See Sustainable Procurement for information about Baxter's efforts to encourage suppliers to improve their environmental performance, including reducing GHG emissions.</i>			
Capital Goods	210,000	238,000	4.6%
<i>GHG emissions associated with the procurement of capital goods, such as manufacturing equipment and new or renovated facilities.</i>			
Fuel and Energy-Related Activities**	204,000	217,000	4.2%
<i>GHG emissions related to the production of fuels and energy purchased and consumed by Baxter.</i>			
Upstream Transportation and Distribution	569,000	583,000	11.1%
<i>GHG emissions related to the transportation of purchased goods from suppliers to Baxter and the distribution of Baxter products to customers. See Product Transport for more information about initiatives in this area.</i>			
Waste Generated in Operations	17,000	15,000	0.3%
<i>Baxter estimates GHG emissions associated with off-site wastewater treatment and waste management.</i>			
Employee Business Travel	61,000	65,000	1.2%
<i>This category for 2014 includes commercial air travel (61,000 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.</i>			
Employee Commuting	92,000	96,000	1.8%
<i>This estimate is based on employee counts by region, approximate average commute distances and commuting mode.</i>			
Upstream Leased Assets			
<i>This category includes emissions from the operation of assets leased by the company. Baxter continues to evaluate possible emissions associated with this category.</i>			
Subtotal	2,091,000	2,188,000	41.8%

	2013	2014	2014
Baxter Operations (Scope 1 and 2)	(Metric Tons CO ₂ e)	(Metric Tons CO ₂ e)	(% of Total)
Facility/Vehicle Fuel Usage and Refrigerant Losses (Scope 1)	358,000	377,000	7.2%
<i>Vehicles operated at Baxter sites, for the company's sales fleet and to distribute certain Baxter products. See GHG Emissions from Operations for extensive detail.</i>			
Purchased Energy (Scope 2)	463,000	480,000	9.2%
<i>Principally purchased electricity and a small quantity of purchased steam. See GHG Emissions from Operations for extensive detail.</i>			
Subtotal	821,000	857,000	16.4%
Downstream (Scope 3)	(Metric Tons CO ₂ e)	(Metric Tons CO ₂ e)	(% of Total)
Downstream Transportation and Distribution	22,000	22,000	0.4%
<i>Emissions from transportation and distribution of products sold by Baxter between Baxter operations and the end consumer that are not paid for by Baxter, in vehicles and facilities not owned or controlled by Baxter.</i>			
Processing of Sold Products***			
<i>This category includes emissions from the processing of sold intermediate products by third parties (e.g., manufacturers) subsequent to sale by Baxter. The company continues to evaluate possible emissions associated with this category.</i>			
Use of Sold Products	2,067,000	2,075,000	39.6%
<i>Estimates of emissions associated with the use of Baxter products. The company is exploring strategies to mitigate some of these product-related emissions.</i>			
End-of-life Treatment of Sold Products	79,000	80,000	1.5%
<i>Emissions from the waste recycling, disposal and treatment of products sold by Baxter at end of life.</i>			
Downstream Leased Assets****			
<i>Emissions not already counted in Scope 1 or Scope 2 from the operation of assets owned by Baxter and leased to other entities in the reporting year. Baxter continues to evaluate possible emissions associated with this category.</i>			
Franchises*****	9,000	9,000	0.2%
<i>Emissions from the operation of franchises not already included in Scope 1 or Scope 2. A franchise is a business operating under a license to sell or distribute another company's goods or services within a certain location.</i>			
Investments	4,000	5,000	0.1%
<i>Emissions associated with Baxter's investments in the reporting year, not already included in Scope 1 or Scope 2.</i>			
Subtotal	2,181,000	2,191,000	41.8%
Total	5,093,000	5,236,000	100%

*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: Upstream Leased Assets, Processing of Sold Products and Downstream Leased Assets.

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

****See Category 13 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
*****See Category 14 of the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

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GHG Emissions from Operations GRI 3.9 4.12 EN6 EN16 EN17 EN18 EN29



Bureau Veritas has provided assurance on the content in this section.

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 include 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 tactics to reduce GHG emissions such as energy efficiency initiatives, fuel switching, cogeneration, onsite renewable energy systems, renewable power, and high-performance green buildings.

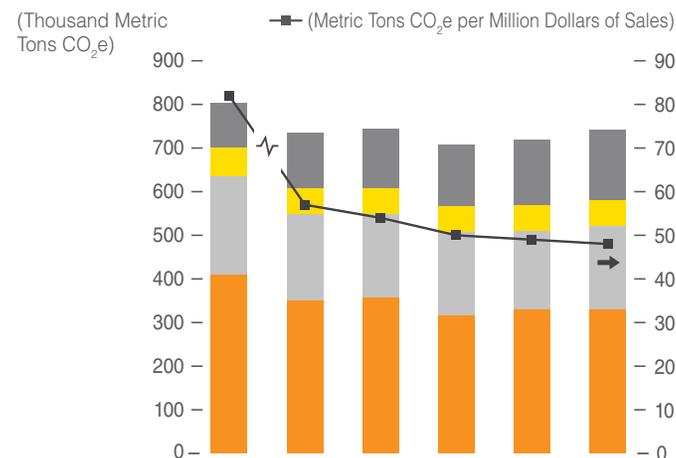
Baxter's goal is to reduce GHG emissions from operations 45% indexed to revenue by 2015 compared with 2005. From 2005 to 2014, Baxter decreased net GHG emissions from operations by 8% in absolute terms and 41% indexed to revenue. As the company continues to expand with new facilities and production operations, Baxter projects it will be challenging to meet its 2015 goal.

Total net emissions from operations of 742,000 metric tons CO₂e in 2014 includes a subtraction of 115,000 metric tons CO₂e for the following:

- 88,000 metric tons CO₂e of certified renewable energy;
- 17,000 metric tons CO₂e of Chicago Climate Exchange carbon credits purchased from the Intercontinental Exchange; and
- 10,000 metric tons CO₂e of carbon credits purchased to meet emissions reduction requirements for one Baxter site subject to the European Union Emissions Trading Scheme.

This total is equivalent to 13% of total emissions from operations and represents approximately one-fifth of the company's progress toward its 2015 GHG emissions reduction goal.

Greenhouse Gas Emissions from Baxter Operations*



	2005	2010	2011	2012	2013	2014
Asia Pacific	101	126	137	143	152	161
Latin America	66	59	58	57	58	60
EMEA	227	200	193	193	181	191
North America	409	349	356	315	329	330
Total (with purchased credits)	803	734	744	708	720	742

	2005	2010	2011	2012	2013	2014
Metric Tons CO₂e per Million Dollars of Sales	82	57	54	50	49	48

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

* Net GHG emissions from Baxter operations include emissions associated with facility energy usage (both from on-site fuel use and purchased electricity), company-managed sales and distribution fleet vehicles, other vehicles operated by Baxter and refrigerant losses. Net emissions from operations take into account the purchase of renewable energy, carbon credits and carbon offsets. Bureau Veritas North America, Inc. verified Baxter's 2014 Scope 1 and Scope 2 GHG emissions from global operations under Baxter's control.

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The following table outlines the sources of GHG emissions from Baxter operations during 2014.

GHG Emissions from Baxter Operations, 2014*			
	Metric Tons CO ₂ e	Percent of Total	Primary Focus for GHG Emissions Reduction
Purchased Electricity and Steam	480,000	55.9%	Energy conservation
Purchased Fossil Fuels	286,000	33.5%	Energy conservation and switching to lower GHG emitting or renewable fuels and Biomass
Baxter Operated Sales, Distribution and Other Business Vehicles	62,000	7.2%	Improved vehicle efficiency
Refrigerant-Related Emissions	29,000	3.4%	Switching to refrigerants with a lower GHG emissions potential
Subtotal	857,000	100%	
Purchase of Renewable Energy (Electricity) and Carbon Credits	115,000		
Net GHG Emissions	742,000		

* See the paragraph below for details regarding emissions from biomass-fired boilers at four Baxter locations.

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

In 2014, Baxter used biomass fuels to generate energy in boilers at three Baxter locations: Marion, North Carolina, United States (sawdust and scrap wood chips from lumber operations and the hardwood flooring and furniture industries); Alathur, India (coconut shells, rice husks and sugarcane remnants); and Grosotto, Italy (scrap wood chips from lumber operations). Additionally, Baxter's facility in Waluj, India, purchases steam from a biomass-fueled boiler (residual biomass from sugarcane and cotton) owned and operated by a third party. During the year, emissions from the Baxter-operated biomass boilers equaled 130,000 metric tons CO₂ and emissions from the third party-operated biomass boiler equaled 7,000 metric tons CO₂. Following the

Greenhouse Gas Protocol,¹ these are not included in reported Scope 1 and 2 emissions. However, also following the Greenhouse Gas Protocol, the company does include CO₂e emissions from the CH₄ and N₂O components of biomass combustion in its reported Scope 1 emissions. See [Baxter's Energy Usage and Greenhouse Gas Emissions](#) for more detail.

Greenhouse Gas Emissions Reductions

Energy usage accounts for 97% of Baxter's GHG emissions from operations, so the company focuses its emissions reduction efforts in this area. In 2014, Baxter facilities completed 132 energy conservation projects that reduced annual GHG emissions by 12,600 metric tons CO₂e. For more detail, see [Energy](#).

In 2014, the Cuernavaca, Mexico, facility transitioned from diesel fuel to natural gas to operate on-site equipment such as boilers. In addition, the Grosotto, Italy, site stopped using heavy fuel oil and switched to biomass. These projects contributed to a combined reduction in GHG emissions of almost 5,000 metric tons CO₂e per year.

RENEWABLE ENERGY

In 2007, Baxter committed to increasing facility usage of renewable energy to 20% of total energy use by 2015. In 2014, 22% of the company's energy use for operations was from renewable sources. Biomass fuel for boilers at four company locations represented 9% of total energy use and the renewable energy component of purchased electricity and renewable energy certificates together represented 13%. On-site geothermal, solar photovoltaic (PV) and solar hot water systems contributed a small amount to the total.

During 2014, Baxter purchased 212,000 megawatt hours (MWh) of electricity generated from 100% certified renewable power. The company was recognized as the 21st largest corporate purchaser of renewable energy in the United States during the year.²

¹ The Greenhouse Gas Protocol, [Corporate Accounting and Reporting Standards \(Corporate Standard\)](#).

² U.S. Environmental Protection Agency Green Power Partnership Fortune 500 Partners List, January 26, 2015.

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Beginning in 2012, all electricity purchased by Baxter in Illinois, United States, was 100% wind-generated, Green-e certified renewable energy. This equaled 78,300 MWh in 2014.

The following table summarizes energy sources used by utilities to generate electricity for Baxter globally in 2007 and in 2014. During that period, renewable energy sources increased from 22.8% to 33.6% of the total.

Energy Sources that Generated Electricity Used by Baxter* (% of total)

Renewable Energy Sources	2007	2014
Biomass	1.6%	2.3%
Geothermal	0.5%	0.5%
Hydroelectric	16.4%	17.8%
Solar	0.0%	1.1%
Wind	4.3%	11.9%
Subtotal	22.8%	33.6%
Non-Renewable Energy Sources		
Coal	31.3%	27.2%
Natural Gas	22.6%	20.6%
Nuclear	14.1%	12.9%
Oil	8.7%	5.0%
Waste	0.5%	0.7%
Subtotal	77.2%	66.4%
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 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 2014 was approximately 1,000 MWh. Examples include the following:

- **2013** Baxter installed an 836 kWp¹ solar PV system (the company's largest) at its Marsa, Malta, facility.
- **2012** Baxter installed solar hot water and PV systems at its Rieti, Italy, facility.

- **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.

Carbon Neutrality

Since 2007, Baxter has maintained carbon neutrality at its headquarters in Deerfield, Illinois, United States, and its manufacturing 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.

Green Buildings

High-performance green buildings provide many benefits that enhance employee productivity and reduce operating expense. Baxter has incorporated green building design principles and 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](#)).

Carbon Markets

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.

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

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Waste GRI EN22



Bureau Veritas has provided assurance on the content in this section.

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

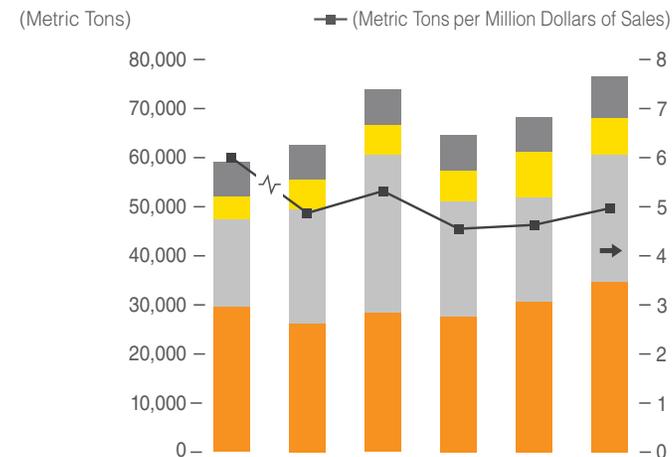
Baxter tracks and analyzes waste data from each major facility to assess progress toward waste-reduction goals and identify opportunities to improve the efficiency of processes that generate waste. The company's EHS information management system captures waste performance data monthly, enabling quick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

Baxter sites generate different types of waste, so the company's total waste goal combines non-hazardous and regulated waste to encourage each site to focus on the type 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 2014, Baxter's operations generated 76,430 metric tons of total waste, up 29% from 2005 in absolute terms and a 17% decrease indexed to revenue.

Total Waste^{*,**}



	2005	2010	2011	2012	2013	2014
Asia Pacific	7,070	7,140	7,200	7,310	7,260	8,350
Latin America	4,640	5,960	6,030	6,150	9,160	7,470
EMEA	17,840	23,170	32,360	23,400	21,290	25,950
North America	29,540	26,280	28,310	27,650	30,620	34,660
Total	59,090	62,550	73,900	64,510	68,330	76,430

	2005	2010	2011	2012	2013	2014
Metric Tons per Million Dollars of Sales	6.00	4.87	5.32	4.55	4.63	4.97

→ 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.

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In absolute terms, total waste increased by 12% during 2014 compared with 2013. Baxter attributes this to the following:

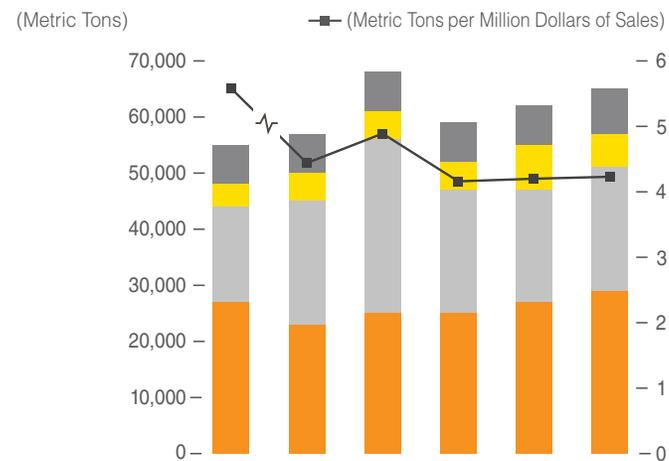
- Plasma collection continues to increase at the company's BioLife centers. Although the centers have implemented innovative projects to reduce waste generated per plasma donation, these efforts have not offset the overall increase due to business growth and improved reporting of waste quantities generated.
- Baxter's facilities in Los Angeles, California, United States and Vienna, Austria, sent higher quantities of alcohol waste off-site for disposal or recycling due to operational changes and capacity constraints associated with the facilities' onsite alcohol recovery stills.

Non-hazardous Waste Performance

During 2014, Baxter's operations generated 65,000 metric tons of non-hazardous waste, 18% more than in 2005 in absolute terms and a 24% decrease indexed to revenue.

Plastic scrap represents Baxter's largest waste stream, comprising roughly one-third of the company's non-hazardous waste. Baxter's Corporate Environmental Engineering group continues working with 20 sites to identify improvement opportunities using Lean and Six Sigma tools. Nine sites participating in the Plastic Waste Reduction Program reduced plastic waste by 535 metric tons in 2014. The San Vittore, Switzerland, facility continues to improve operational efficiency. The site implemented projects that reduced plastic scrap by 10% on an absolute basis compared to 2013, saving nearly 161 metric tons. The Woodlands, Singapore, facility optimized plastics extrusion start up processes to reduce scrap. These initiatives contributed to a 10.5% absolute reduction in plastic waste during the year, representing 155 metric tons.

Non-hazardous Waste*



	2005	2010	2011	2012	2013	2014
Asia Pacific	7,000	7,000	7,000	7,000	7,000	8,000
Latin America	4,000	5,000	5,000	5,000	8,000	6,000
EMEA	17,000	22,000	31,000	22,000	20,000	22,000
North America	27,000	23,000	25,000	25,000	27,000	29,000
Total	55,000	57,000	68,000	59,000	62,000	65,000

	2005	2010	2011	2012	2013	2014
Metric Tons per Million Dollars of Sales	5.58	4.44	4.89	4.16	4.20	4.23

2015 Goal See Total Waste Goal

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

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Significant waste reduction efforts during the year related to other materials included the following:

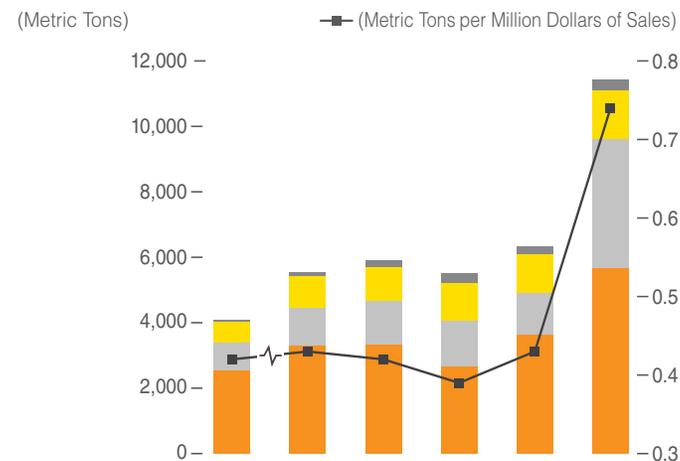
- Mexico** The Cuernavaca facility partnered with a new waste vendor to increase total recycling from 70% in 2013 to 81% in 2014. This initiative also raised awareness about proper materials sorting, which helped reduce non-hazardous waste by approximately 130 metric tons during the year.
- United States** The Jayuya, Puerto Rico, facility began to use plastic bins to receive supplies, instead of less durable cardboard boxes. In addition, the site started recycling and reusing wooden pallets and metal, and introduced reusable shoe covers. These practices, combined with raising awareness about proper material sorting, contributed to a total non-hazardous waste reduction of more than 100 metric tons compared to 2013.

In 2014, Baxter also focused on reducing packaging material sent to customers. Sites in São Paulo, Brazil; Cali, Colombia; Manesar, India; Grosotto, Italy; and Oued Ellil, Tunisia; implemented initiatives to reduce the use of packaging materials such as cardboard and plastic, saving about 530 metric tons. See [Packaging](#) for details.

Regulated Waste Performance¹

Baxter generated 11,430 metric tons of regulated waste in 2014, 179% more than in 2005 in absolute terms and a 79% increase indexed to revenue. This represents about 15% of the total waste Baxter generated during the year. Regulated waste increased by 81% on an absolute basis compared to 2013, principally due to increased activity in Baxter-operated plasma collection centers, as well as operational changes and capacity constraints associated with on-site alcohol reprocessing and reuse at the company's facilities in Los Angeles, California, United States; and Vienna, Austria. The rise in demand for plasma units donated at Baxter collection centers represents an ongoing waste generation challenge.

Regulated Waste*



	2005	2010	2011	2012	2013	2014
Asia Pacific	70	140	200	310	260	350
Latin America	640	960	1,030	1,150	1,160	1,470
EMEA	840	1,170	1,360	1,400	1,290	3,950
North America	2,540	3,280	3,310	2,650	3,620	5,660
Total	4,090	5,550	5,900	5,510	6,330	11,430

	2005	2010	2011	2012	2013	2014
Metric Tons per Million Dollars of Sales	0.42	0.43	0.42	0.39	0.43	0.74

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.

¹ 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. In addition to wastes typically 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.

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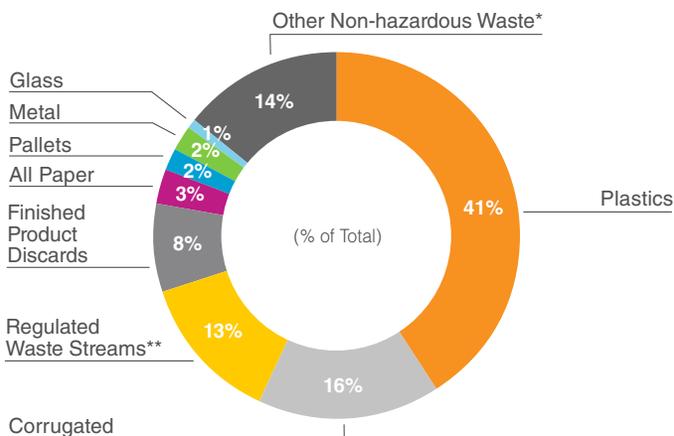
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Off-Site Recycling of Select Waste Streams, 2014



* 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.

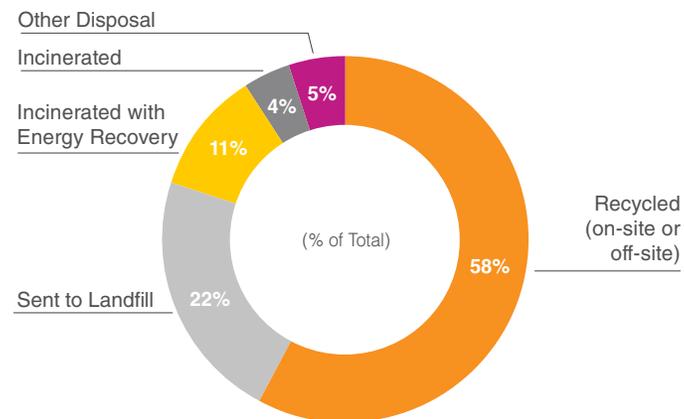
Recycling

Baxter has steadily increased its recycling rate since 2007. Of the 65,000 metric tons of non-hazardous waste generated in 2014, Baxter recycled approximately 45,000 metric tons, or 69%. Baxter also recycled 6,890 metric tons of regulated waste in 2014, for an overall recycling rate of 68%.¹

Recycling activities at Baxter generated nearly \$6.1 million in net income in 2014. Although some recycled waste streams do not generate revenue, in those cases recycling typically still costs less than disposal. Recycling proceeds in 2014 decreased by 15% compared with 2013 due to an increase in regulated material recycling, which represents an expense rather than revenue.

Four manufacturing sites and one R&D facility have diverted 95% or more of their waste from landfill. Those sites are: Alliance Park, Braine l'Alleud, and Lessines, Belgium; Cartago, Costa Rica; Liverpool, England; and San Vittore, Switzerland.

Waste Management at Baxter, 2014



Non-production Waste Streams Not Included in Total Waste Performance (metric tons)

	2012			2013			2014		
	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total	Non-Hazardous	Regulated	Total
Construction and Demolition Debris	1,200	0	1,200	2,500	0	2,500	1,600	0	1,600
Remediation Waste	0	140	140	0	2,170	2,170	0	0	0
Wastewater Treatment Sludge	2,300	100	2,400	2,200	240	2,440	2,500	240	2,740
Total	3,500	240	3,740	4,700	2,410	7,110	4,100	240	4,340

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.

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Water and Wastewater GRI EN8 EN9 EN10 EN21

 Bureau Veritas has provided assurance on the content in this section.

Water issues continue to grow in visibility and importance worldwide, and many consider access to clean water to be a basic human right. Although these concerns are global, addressing water 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, so water conservation and reuse are key focus areas for the company. 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 performance.

Baxter is dedicated to reducing water consumption by 35% indexed to revenue by 2015, compared with 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 GHG emissions are interrelated, including within Baxter's manufacturing operations. As water quality decreases, Baxter will need to use additional energy and water for the production of highly purified water used in manufacturing.

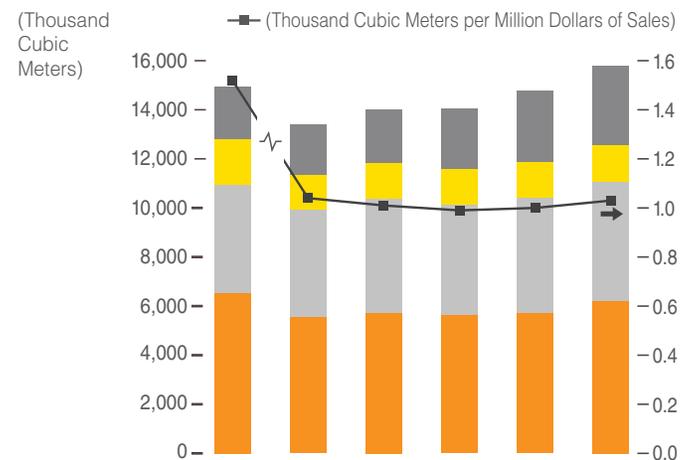
Water Usage

Baxter closely manages how it obtains, uses, treats, re-circulates and discharges water. In 2014, the company obtained approximately 43% of its water from on-site wells and the remainder from municipal water distribution systems.

During 2014, Baxter used approximately 15.8 million cubic meters of water,¹ roughly equivalent to filling 17 Olympic-sized

swimming pools every day. This equaled 5.5% more water than in 2005 in absolute terms and 32% less indexed to revenue. Baxter used nearly 7% more water in 2014 than in 2013, largely due to production growth in the Asia Pacific region, along with changes in manufacturing practices and product development activities at numerous Baxter facilities globally. Although the company continues to focus on water and energy reduction projects to help meet its 2015 goal, Baxter anticipates that business growth and manufacturing process changes during the next several years will present a challenge to future water-reduction efforts.

Water Usage



	2005	2010	2011	2012	2013	2014
Asia Pacific	2,152	2,056	2,181	2,502	2,925	3,270
Latin America	1,859	1,415	1,467	1,439	1,460	1,500
EMEA	4,404	4,407	4,640	4,510	4,705	4,832
North America	6,533	5,535	5,712	5,615	5,694	6,207
Total	14,948	13,413	14,000	14,066	14,784	15,809
Thousand Cubic Meters per Million Dollars of Sales	1.52	1.04	1.01	0.99	1.00	1.03
→ 2015 Goal	Reduce water usage by 35% indexed to revenue (base year 2005)					

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

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Baxter uses water in three main ways:

- Process-related operations include cooling towers, chillers, steam boilers, sterilizers and water purification (80% of total);
- 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. 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 and water cost and 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 mapping¹ with water management to help facilities identify areas for additional conservation.

During 2014, Baxter implemented water recovery and reuse projects at several facilities:

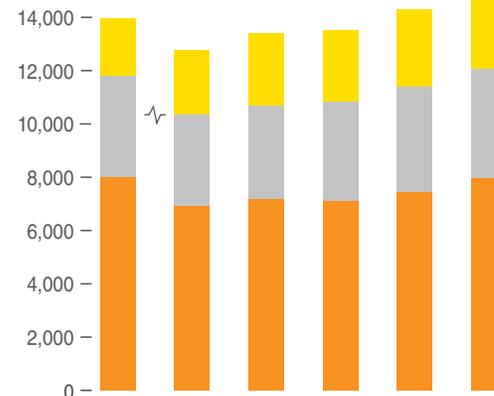
- **Poland** Product sterilization and equipment cleaning are often water- and energy-intensive. Baxter's Lublin facility implemented a system to recover heated water from these processes for reuse in product sterilization, which also decreases the need to cool hot water generated from cleaning. This project reduced water consumption by an estimated 31,000 cubic meters on an annualized basis while saving energy.
- **Spain** Baxter's facility in Sabinánigo completed a project to reuse water from the water purification process. This reduced water consumption by approximately 12,500 cubic meters annually while saving energy.

Water-Stressed Locations

Water issues vary significantly by location. Baxter used the World Business Council for Sustainable Development Global Water Tool in 2012 to evaluate the availability of renewable water resources at Baxter's 52 largest water-consuming locations, which represent more than 96% of the company's total water use. Twelve of those sites are located in water-scarce areas, 11 in water-stressed areas and 29 in water-sufficient areas (see second note on graph below).

Water Usage, by Availability**

(Thousand Cubic Meters)



	2005	2010	2011	2012	2013	2014
Scarce Water Resources	2,173	2,451	2,710	2,688	2,885	3,148
Stressed Water Resources	3,796	3,397	3,504	3,719	3,976	4,105
Sufficient Water Resources	8,004	6,924	7,185	7,103	7,433	7,942

* Water usage from Baxter's 51 sites with the greatest use, representing 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.

¹ 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.

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Water usage in water-scarce and water-stressed areas increased approximately 6% in absolute terms and decreased about 2% indexed to production in 2014 compared with 2013. Water consumption increased at these locations primarily due to production growth to meet local market demands and elevated water use in certain processes that support manufacturing.

Baxter has established partnerships with local non-governmental organizations (NGOs) to implement projects to help protect vulnerable watersheds and provide communities with enhanced access to clean water and sanitation.

Throughout 2014, Baxter continued working with the Philippine Center for Water and Sanitation (PCWS) to improve water, sanitation and hygiene conditions for the nearly 1,500 inhabitants of Sitio Silangan, a community located in a water-scarce region and within walking distance of the company's manufacturing facility in Canlubang, Philippines. PCWS builds the capabilities of communities, households, NGOs and other groups to address these challenges throughout the country.

Efforts in 2014 included the formation of the Sitio Silangan Water and Sanitation Association, which is composed of local residents trained in the construction, operation, repair and maintenance of newly installed water and sanitation equipment. To increase its impact, this association has joined with NGOs and the local government to promote similar technologies for surrounding communities. Through the end of 2014, community residents, along with PCWS, built eight additional biogas digester septic tanks in Sitio Silangan (for a total of 12), 13 iron removal filters (15 total), eight rainwater harvesting tanks (10 total), and 10 biosand filters (60 total). The Development Center for Asia Africa Pacific recognized this project as among "Best Practices in Implementing Water, Sanitation and Hygiene Programs and Health Promotion in the Philippines."

Baxter has also partnered with Sarar Transformación SC to implement a community water project near the company's Cuernavaca, Mexico, facility, which is located in a water-stressed region. The project's goals are to improve the water and sanitation infrastructure at three local schools and provide education on water sustainability and sanitation to residents in the area of Tepoztlán. During 2014, the project team installed three rainwater harvesting systems and two biofilter treatment systems. Combined, these capture or reuse approximately 1,400 cubic meters of water annually. Under the program, Sarar Transformación educated nearly 970 students, parents, school staff and community members on water conservation and sanitation.

Wastewater

Wastewater discharged from Baxter's production operations represents one of the company's most significant environmental compliance risks. In 2014, 80% of Baxter's self-reported environmental incidents were exceedances of permitted wastewater discharge limits, and 59% of the wastewater exceedances were related to pH excursions. The pH parameter is monitored continuously, and each exceedance, no matter how minor, constitutes a self-reported incident.

To address existing wastewater compliance issues globally and to anticipate potential future ones, Baxter continues to pursue an aggressive approach to wastewater compliance, evaluation and risk mitigation. Learning from recent issues, the company has implemented a systematic wastewater risk management program that proactively identifies emerging issues. This involves a holistic review of major manufacturing locations that includes the following:

- Evaluate effectiveness of facility change management processes used to assess possible impacts to wastewater generation and compliance;
- Review wastewater compliance history to identify possible trends and areas of concern;

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- Verify the effectiveness of procedures used to monitor compliance with wastewater permit conditions and methods used to investigate and remedy causes of non-compliant wastewater discharges;
- Use five-year production forecasts to compare wastewater treatment capacity and capabilities with anticipated production changes; and
- Gauge employee awareness of wastewater operations and roles in ensuring compliance.

In addition to this program, the EHS Audit group periodically has performed targeted wastewater assessments since 2011. These reinforce the importance of understanding the effects of wastewater discharges on compliance, and on proper management of wastewater treatment.

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 2014, these 12 facilities treated more than 4.3 million cubic meters of wastewater, nearly 27% of Baxter's total water consumption.

The combined treated effluent from the 10 facilities that discharge to a waterway have average concentration levels of wastewater pollutants (see table) that are generally regarded as indicators of adequately treated wastewater and are well below typical regulatory discharge limits.

Wastewater and Active Pharmaceutical Ingredients

Baxter takes seriously concerns 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.

Wastewater Pollutants*

		2005	2010	2011	2012	2013	2014	Typical Acceptable Discharge Level
BOD ₅ **	Metric Tons	26	41	24	36	33	29	
	mg/L	6	10	5	8	7	7	20
COD**	Metric Tons	111	106	98	120	99	113	
	mg/L	26	27	22	28	21	27	60
TSS**	Metric Tons	45	34	49	34	38	38	
	mg/L	11	9	11	8	8	9	20
Total Direct Discharge	Thousand Cubic Meters	4,340	3,948	4,404	4,348	4,656	4,243	

* 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. BOD₅ refers to 5-day biological oxygen demand; COD refers to chemical oxygen demand; TSS refers to total suspended solids.

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

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 management 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.

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Baxter's 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. Historically the company has typically demonstrated a return of approximately three dollars per year for every dollar invested.

In 2014, environmental income, savings and cost avoidance equaled a net loss of \$10.7 million for initiatives completed during the year, compared to net gains of \$8.8 million in 2013 and \$20.3 million in 2012. This was only the second time since Baxter began producing its EFS that the company did not realize net positive environmental income, savings and cost avoidance. Costs related to unexpected waste management activities were the main contributing factor. EFS analysis helps Baxter determine where to focus additional resources for greatest impact, and in the past year, Baxter has continued to focus on waste generation and related performance. The company expects to benefit from those efforts in the future.

The most significant factors that influenced performance in 2014 included the following:

- **Regulated waste** Regulated waste increased by 81% in absolute terms compared to 2013, principally due to growth in Baxter-operated plasma collection centers and limitations with alcohol recovery and reuse at the company's Los Angeles, California, United States and Vienna, Austria, sites. This significantly increased costs associated with regulated waste disposal, and regulated materials.
- **Energy** Increased average utility energy rates and 4% higher energy consumption compared to 2013 adversely impacted net energy cost savings and avoidance.

Total estimated environmental income, savings and cost avoidance realized in 2014 from environmental initiatives implemented since 2007 totaled \$2.6 million.

See the [2014 Environmental Financial Statement](#) for more detail.

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A Baxter employee performs a routine inspection at the company's Manesar, India, facility.

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. The company is committed to continuous improvement in this area, and sets goals, measures progress and communicates results. At Baxter, all employees are accountable for safety.

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;

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- Plasma-donor centers;
- Research and development;
- Renal-therapy centers;
- Pharmacy compounding centers; and
- Warehousing and distribution.

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

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 some Baxter locations and promoting balanced nutrition. The company also is working toward a smoke-free environment at all locations.

See a summary of 2014 performance in this area, descriptions of how Baxter manages [health and wellness](#) and [safety](#), and details about several of the company's programs and initiatives.

2014 Safety Performance GRI 3.9 LA7

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In 2014, Baxter's recordable case rate worsened by 6%, its cases with days lost rate worsened by 36% and its days lost rate worsened by 50%, compared to the prior year. The following table (at right) summarizes the company's health and safety performance from 2010-2014. It also includes Baxter's 2014 and 2015 targets in this area, which motivate the company to make progress toward its [2015](#) priority to Promote a Safe and Healthy Workplace.

Baxter Safety Performance 2010-2014

Indicator	2010	2011	2012	2013	2014	2014 Target	2015 Target*
Recordable Case Rate**,**	1.00	0.95	0.90	0.88	0.93	0.87	0.86
Cases with Days Lost Rate**,**	0.17	0.158	0.154	0.096	0.131	0.102	0.129
Days Lost Rate**,**	4.56	5.47	4.35	2.37	3.56	2.43	3.46
Restricted Days Rate**,**	14.59	13.86	14.38	12.66	14.94	n/a	n/a
Days Away (Lost), Restricted or Transferred Rate (DART)**,**	19.15	19.33	18.73	15.03	18.50	n/a	n/a
Employee/ Contractor Serious Incidents (total number)****	5/0	12/1	5/0	5/3	10/3	n/a	n/a
Employee/ Contractor Fatalities (total number)	0/0	1/0	0/0	0/0	0/0	n/a	n/a

* To develop 2015 safety targets, Baxter's 2014 year-end rates were amended to include 2014 data from a few new acquisitions that will be included in externally reported safety data in 2015.

** All rates based on 100 full-time employees working one year, which equals 200,000 work hours. For tracking purposes, Baxter follows 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. Rates exclude acquisitions until January 1 of the first year following at least 18 months with Baxter.

*** 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 a 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.

**** 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. This data includes new sites and acquisitions.

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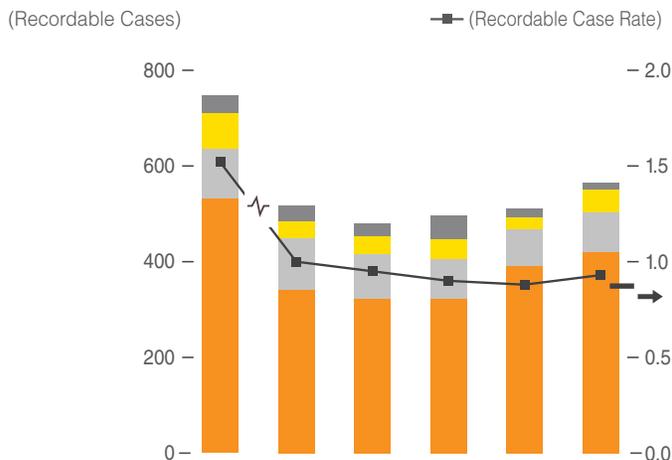
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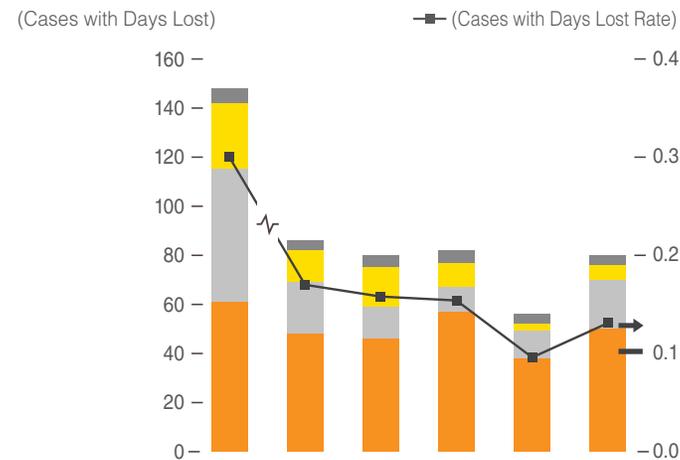
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Recordable Cases and Rate



	2005	2010	2011	2012	2013	2014
Asia Pacific	38	32	29	49	18	16
Latin America	75	37	36	41	26	46
EMEA	104	107	93	83	75	83
North America	531	341	323	323	391	420
Total	748	517	481	496	510	565
Recordable Case Rate	1.52	1.00	0.95	0.90	0.88	0.93
2014 Target	Achieve a recordable case rate of 0.87					
2015 Target	Achieve a recordable case rate of 0.86					

Cases with Days Lost and Rate*



	2005	2010	2011	2012	2013	2014
Asia Pacific	6	4	5	5	4	4
Latin America	27	13	16	10	3	6
EMEA	54	21	13	10	11	20
North America	61	48	46	57	38	50
Total	148	86	80	82	56	80
Cases with Days Lost Rate	0.300	0.170	0.158	0.154	0.096	0.131
2014 Target	Achieve a cases with days lost rate of 0.102					
2015 Target	Achieve a cases with days lost rate of 0.129					

*In a comparison of 14 healthcare companies, Baxter's performance ranked second in cases with days lost rate in 2013, the most recent year industry benchmarking data were available.



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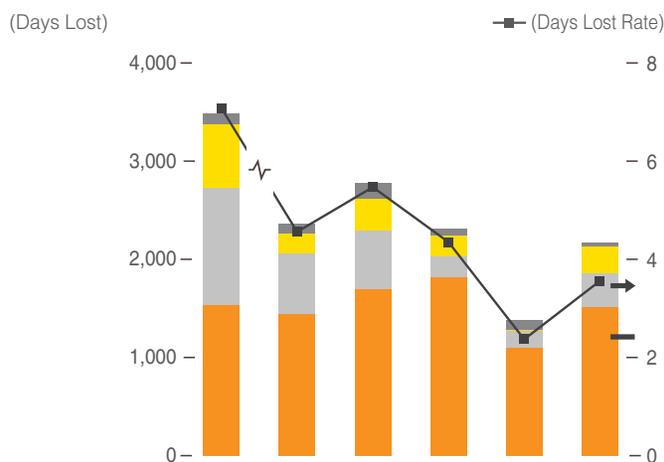
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In 2014, Baxter's safety performance worsened for the three main indicators tracked (recordable case rate, cases with days lost rate and days lost rate). Regional performance summaries include the following:

- Asia Pacific** The recordable case rate improved by 18% due to sharpened focus on ergonomics and increased safety communications throughout the region. The cases with days lost rate improved by 5%. The days lost rate improved by 28% due to a focus on case management, with the restricted days rate improving by 89%.

- Europe, Middle East and Africa (EMEA)** Within EMEA the focus is on reducing overall recordable cases, not just lost time cases. Safety incidents in the region increased for the first time in five years. The recordable case rate rose by 10% due to expansion of existing facilities including validation of new product lines, as well as adjustments within facilities in preparation for the split of the company in 2015.
- Latin America** The recordable case rate worsened by 73%. Recordable cases in Renal Therapy Services (RTS) clinics in Latin America increased by 122% (80% of which

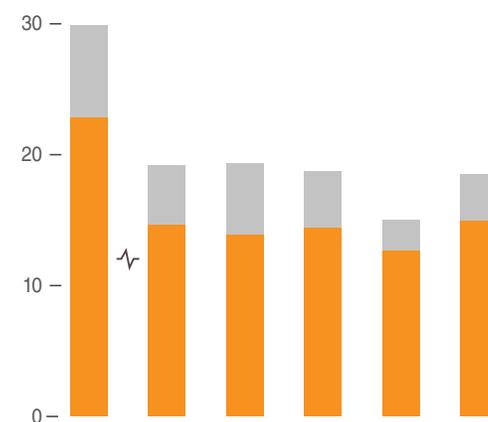
Days Lost and Rate



	2005	2010	2011	2012	2013	2014
Asia Pacific	118	110	163	71	98	34
Latin America	645	201	320	212	14	279
EMEA	1,190	613	601	217	172	339
North America	1,536	1,443	1,691	1,812	1,094	1,515
Total	3,489	2,367	2,775	2,312	1,378	2,167
Days Lost Rate	7.08	4.56	5.47	4.35	2.37	3.56

- 2014 Target** Achieve a days lost rate of 2.43
- 2015 Target** Achieve a days lost rate of 3.46

Restricted Days and Days Lost Rates



	2005	2010	2011	2012	2013	2014
Days Lost Rate	7.08	4.56	5.47	4.35	2.37	3.56
Restricted Days Rate	22.80	14.59	13.86	14.38	12.66	14.94
Total	29.88	19.15	19.33	18.73	15.03	18.50

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were needle sticks, cuts and punctures). During 2014, the RTS clinics focused on re-deploying safety and health programs, which led to improved employee and leadership reporting of injuries. As a result, clinics have implemented several corrective and preventive actions to minimize risk exposure and better drive a culture of a zero-harm.

- **North America** The recordable case rate improved by 2%; however, the cases with days lost rate worsened by 20% and the days lost rate worsened by 27% due to significant management transition and increased production demands at a large manufacturing facility in the region. In addition, BioLife centers experienced a significant increase in days lost and the days lost rate, with a single case accounting for more than half of the total days lost for the centers.

Baxter's overall safety performance since 2005 has improved significantly:

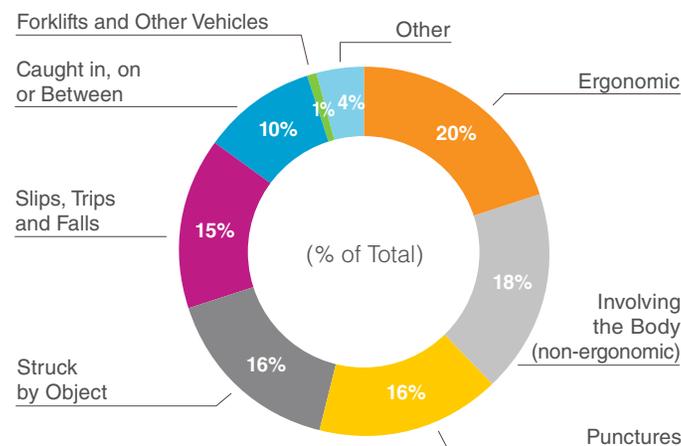
- 39% reduction in recordable case rate
- 56% decrease in cases with days lost rate
- 50% reduction in days lost rate

In a comparison of 14 healthcare companies,¹ Baxter's performance ranked second in cases with days lost rate in 2013, the most recent year industry benchmarking data were available. Although this placement puts Baxter on course to achieve its [2015 safety-related goal](#), maintaining and improving this ranking will require continuous enhancements to the company's safety systems and strategies.

Analysis of Injuries and Serious Incidents

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 2014. Two major sources of injuries and illnesses for the past eight years (when the company began analyzing these data) have been ergonomic issues and slips, trips and falls. Baxter has initiated focused programs in each

Sources of Recordable Injury and Serious Incidents, 2014



of these areas. See the [Safety Program Management and Initiatives](#) section for details.

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. Regional and business EHS groups are required to prepare and distribute a report

¹ In a comparison of 14 healthcare companies: 10 reported global safety data to ORCHSE Strategies, three reported data as requested by Baxter and one reported data on its public website.

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about the incident, according to Baxter's global EHS requirements. 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.

Serious incidents increased at Baxter in 2014 (13 incidents; three involving contractors) compared to 2013 (eight incidents; three involving contractors). No fatalities occurred. Baxter's new system to classify the severity of incidents and near miss occurrences is designed to better understand and prevent the precursors of serious incidents.

Safety Program Management and Initiatives



Bureau Veritas has provided assurance on the content in this section.

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.

The company uses several indicators to measure safety performance at Baxter. Recordable case rate and cases with days lost rate are integrated into senior managers' annual performance management objectives and impact their compensation. The company also tracks serious incidents and evaluates each one 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 2013, Baxter strengthened its three-pronged approach to enhancing its safety culture and performance based on a review of historical performance trends.

FOCUSED INJURY-REDUCTION STRATEGIES

Injury and illness metrics and internal EHS audits provide focus for the company's safety and occupational health efforts. Baxter continues to target ergonomics and slips, trips and falls, the top sources of injury within the company.

Ergonomics Baxter developed an ergonomic integration strategy in 2013 to embed related considerations into existing management systems. The company expanded the strategy in 2014 to more effectively integrate ergonomic concepts at Baxter. The strategy consists of the following:

- **Measuring risk to drive decision making** Baxter provides facilities with tools to quantify ergonomic risk following the company's risk measurement strategy.
- **Engaging facilities in ergonomics** Baxter provides facilities with a consistent framework to manage ergonomics.
- **Incorporating ergonomics into engineering designs** Engineering design concepts ensure equipment fits worker characteristics and capabilities. Baxter's ergonomic design guidelines and training for engineering personnel support ergonomic injury prevention.
- **Applying lean ergonomics to reduce wasted motion** Lean ergonomics eliminates wasted human motion, improving productivity while reducing ergonomic risk.

Fall Prevention¹ Baxter continued to maintain and enhance its fall prevention resources in 2014. The company developed new training and four safety bulletins to reinforce fall prevention strategies at the facility level. In addition, the company documented and distributed two fall prevention best practices.

¹ A safety procedure used in industry to ensure that hazardous machines are properly shut off and not started up again prior to the completion of maintenance or servicing work.

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ENVIRONMENTAL FINANCIAL STATEMENT

HEALTH AND SAFETY

- Performance
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- Health and Wellness Program Management and Initiatives*

THE FUTURE STATE OF SAFETY AT BAXTER



Baxter launched the “Safety Connection” intranet portal in January 2014, following extensive benchmarking with internal centers of excellence and with other companies.

This led to establishing the vision of the company’s Future State of Safety. The portal defines critical safety behaviors at four employee levels, and provides tools and resources to enhance employee ownership of safety. More than 135 Safety Agents were designated at Baxter locations to assist with communication and deployment at the facility level. Also in 2014, Baxter identified the need to enhance people manager safety leadership skills. The company designed a modular training initiative, which it piloted at two manufacturing facilities in 2014 and plans to deploy at selected sites in North America and Latin America in 2015.

EMPHASIS ON HIGH-HAZARD SOURCES

Severity Classification System During 2014, Baxter continued to implement the BioScience high-hazard identification process with more than 1,400 hazard assessments completed since its deployment in 2012. The company also deployed a system to ensure that all EHS incidents are categorized according to potential severity, and that the company devotes appropriate resources to discover the root causes of events, correct them and prevent reoccurrence.

Other Safety Programs and Initiatives

ELECTRICAL SAFETY, MACHINE GUARDING AND LOCKOUT/ TAGOUT

During 2014, Baxter strengthened its electrical safety, machine guarding and lockout/tagout¹ programs by deploying enhanced policies and guidance documents and implementing verification requirements at the facility level. If not handled properly, these safety program aspects can result in serious injuries.

NEAR MISS REPORTING

Near miss reporting continues to be an effective strategy to engage employees in identifying and mitigating workplace hazards. 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 verified effective programs in 76% of locations with 100 or more employees, exceeding the company’s goal of 75%.

Health and Wellness Program Management and Initiatives

 Bureau Veritas has provided assurance on the content in this section.

Baxter’s occupational health function develops the company’s health and wellness strategies. A global team of diverse health professionals helps 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. By the end of 2014, 29% of the company’s employees worldwide had completed a Personal Wellness Profile.¹ Data indicated that emotional

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well-being was a significant issue for Baxter employees. To address this, Baxter established a year-long theme of “Total Well-Being — Emotional Health” and encouraged all locations to plan awareness-raising events on this topic.

Also in 2014, more than 14,000 employees (up 31% compared to 2013) logged more than 200,000 hours of exercise (up 13%) as part of the BeWell@Baxter Exercise Challenge. Seventy-one percent of employees (up from 68%) from 180 facilities worldwide (up 31%) took part in “Healthy Eating Month.”

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 2014, Baxter offered free seasonal flu vaccinations to 99% of its employees. A total of 21,471 employees were vaccinated, representing 36% of the company’s total population. In addition, 299 vaccinations were provided to family members.
- **Health promotion programs** In 2014, 74% 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 strengthened its commitment to providing a smoke-free work environment with 91% of campuses totally smoke-free in 2014 (up from 89% in 2013).

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 maintains a network of local program owners, which it supports through ongoing case management education. In 2014, 85% of all locations with 25 or more employees had a case management program in place, according to defined criteria.

¹ Beginning in 2011, profiles untouched for three years were removed from the active database. At the beginning of 2014, the participation rate was 23.5%.

Product Responsibility



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

While delivering products that save and 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, appropriate treatment of products at end-of-life. Baxter also has programs to ensure high standards in quality, safety and product integrity.

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PRIORITIES ADDRESSED



Baxter Will Drive Enhanced Product Stewardship



Baxter Will Drive Reductions in its Natural Resource Use

PHOTO: Jarvis Reeves, machine leader I, works at Baxter's facility in Opelika, Alabama. The manufacturing plant produces dialyzers, which help deliver hemodialysis, a life-sustaining therapy for patients with end-stage renal disease.

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

Sustainability across the Product Life Cycle

Issue	Approach
R&D and Design	
Bioethics	Bioethics Policy and position statements
Animal Welfare	Baxter Global Animal Welfare Committee > External regulations and voluntary guidelines > Replace, reduce and refine (3Rs) the use of animal testing
Clinical Trials	Clinical Trials Policy > External standards > Independent Ethics Committee/Institutional Review Board
Sustainable Design	Product Sustainability Review > Life cycle assessment
Materials Use	
Materials Selection/Reduction/Innovations	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 > Conflict minerals
Restricted Materials	
Manufacturing	
Resource Efficiency	EHS program and goals > ISO 14001 and OHSAS 18001 management systems and standards > Audits > Rigorous compliance > Proactive reduction of natural resource use > Hazard identification and risk assessment > "Future State of Safety" task force
Environmental Impacts	
Employee Health and Safety	
Product Transport	
Environmental Impacts of Transport	Distribution network optimization > Intermodal transport > Increased capacity utilization > Technology innovation > Pallet programs > Environmentally responsible transportation partnerships
Packaging	
Minimizing Packaging	Materials reduction > Materials substitution > Innovative design
Materials Selection	
Product Use	
Advertising and Promotion	Compliance with promotional regulations worldwide > U.S. and international policies for interactions with healthcare practitioners, medical institutions and patient organizations
Safe Handling and Use	Safety Data Sheets > Clinical education
Access to Healthcare	Advancing public health > Business model innovation > Product donations > The Baxter International Foundation awards and grants > Public policy efforts
Product End-of-Life	
Reuse (when appropriate), Responsible Recycling, Disposal (as a last resort)	Product take-back, repair and recycling programs > Minimization of customer waste > Industry collaborations

QUALITY AND SAFETY GRI SO8 PR2 PR9

Promoting product quality and 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 were not equipped to prepare their own. Every day, Baxter products make a difference for millions of patients worldwide. The company's reputation and ongoing success depend on the quality and safety of its products and services, so uncompromising dedication in these areas is a guiding principle of Baxter's culture and is among its shared values.

Quality

Baxter's global quality management system provides a single, global companywide standard for quality. This system supports a consistent approach to managing quality across the product life cycle, including design, development, manufacturing, sterilization, labeling, packaging, distribution and promotion. It helps to address the complexities of managing quality across interconnected businesses, regions and manufacturing operations, enhancing the company's ability to meet standards and to 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. Simplifying processes is one focus, 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.

When Baxter identifies a potential quality or patient-safety issue with one of its products, or determines that products manufactured or marketed by the company do not meet

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company specifications, published standards or regulatory requirements, it investigates and takes appropriate preventive and corrective actions. This may include patient risk mitigation actions, such as training healthcare professionals and/or patients, notifying customers about revised labeling, correcting problems at the customer location, withdrawing products from the market and other actions.

Through a quality enhancement initiative, Baxter is transforming its approach to product safety. The company focuses on proactive risk identification and mitigation, as opposed to only responding after identification of a quality or safety issue. This effort is critical not only to patients and healthcare providers, but also to regulators who exert strict oversight across the industry regarding product issues. With governance and guidance from an executive quality council, this approach focuses on continual risk reduction, clear accountability for the safety and quality of products across the life cycle, assessment of the state of the quality system and continuous improvement.

Baxter takes any self-identified quality or patient safety issues or findings by regulatory authorities very seriously and establishes comprehensive plans to address them. While executing these corrective actions, the company also assesses the potential to leverage these improvements more broadly.

Baxter's operations and products are subject to extensive regulation by governmental agencies worldwide. [View the Baxter 2014 Annual Report to learn more.](#)

Further detail about Baxter product recalls can be found on [Baxter.com](#).

Safety

Baxter focuses on safety across the product life cycle, from product development and enhancements to post-market research, pharmacovigilance, device vigilance and other post-market surveillance activities. For example,

Baxter's pharmacovigilance function identifies, confirms and communicates pre- and post-market drug safety signals to the appropriate stakeholders and authorities. Through product labeling and risk management activities, the department develops and executes approaches to ensure a positive benefit-risk balance of Baxter's therapeutic drug products and medical devices. 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.

The company has continued to expand its portfolio to address hospital safety and efficiency issues. In February 2014, Baxter acquired **ICNet Software**, a company that produces surveillance and case management software for infection prevention, antimicrobial stewardship—efforts designed to encourage appropriate use of antimicrobials—and clinical pharmacy support. A growing body of evidence demonstrates that hospital-based programs dedicated to improving antibiotic use can improve treatment of infections and may help reduce adverse events related to inappropriate antibiotic use. Findings also show that these programs significantly reduce hospital rates of antibiotic resistance.¹ Read more in this [feature story](#).

Baxter also remains committed to advancing safety in specialty compounded medications. The company continues to grow its portfolio of [pharmacy informatics technology](#), which automates and documents the medication preparation process from preparation through dispensing. For example, Baxter's **DoseEdge** Pharmacy Workflow Manager is an integrated system that automates the process of routing, preparing, inspecting, tracking and reporting on IV and oral liquid doses—providing transparency, visibility and documentation for the dose preparation and dispensing

¹ Elligsen M, Walker SA, Pinto R, et al. Audit and feedback to reduce broad-spectrum antibiotic use among intensive care unit patients: a controlled interrupted time series analysis. *Infection control and hospital epidemiology : the official journal of the Society of Hospital Epidemiologists of America*. April 2012;33(4):354-361.

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process within healthcare pharmacy settings. The system's features include automatic calculations and barcode verification of ingredients, which help reduce preparation errors and facilitate uniform processes among users. Since March 1, 2008, 1.7 million potential preparation errors have been identified using the **DoseEdge** System, out of 32.3 million prepared doses.¹ Baxter also works to advance clinical practice and promote public-private partnerships in this field. Baxter's SIGMA Spectrum Infusion Pump, which features Dose Error Reduction Software and customizable Master Drug Libraries with facility-defined dosing limits to reduce infusion-related adverse drug events, received the "Best in KLAS" award for Smart Pumps—LVP in the 2014 Best in KLAS: Medical Equipment & Infrastructure Report.

PRODUCT INTEGRITY

Counterfeit and/or adulterated medical products pose risks to patient safety worldwide. Maintaining product integrity is a complex and multifaceted challenge, encompassing an array of risk management, supply chain, product design and packaging strategies. Baxter's product integrity program takes 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 Monitoring

Baxter has conducted an extensive review of its product portfolio and geographic presence to assess the level of risk associated with individual products by market. The highest priority products and markets were earmarked for initial implementation of various product integrity measures, including multiple layers of product packaging features

and serialization using GS1 standards, the most widely used supply chain standards system in the world. The GS1 organization is dedicated to the design and implementation of global standards and solutions to improve the efficiency and visibility of supply chains globally and across sectors.



Baxter's risk assessment process is dynamic and informed by ongoing monitoring and information sharing among law enforcement and regulatory officials and industry players due to changing economics, shifting political climates, new technologies and other world events. Baxter also monitors for patterns or anomalies within its own pharmacovigilance, product complaint reporting and customer order systems.

¹ Data on file; aggregated from March 2008 through May 2014.

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Supply Chain Measures

Maintaining a secure supply chain, from Baxter to the end user of the product, is essential to ensure product integrity. Direct sales and sole source agreements are one way the company can retain control and/or visibility of the product. Baxter regularly monitors customer purchasing data and trends and has terminated or changed customer relationships after detecting actions that jeopardize supply chain integrity (e.g. resale of product, unexplained spikes or changes in ordering behavior that would suggest diversion). Baxter's sales contracts include restrictions that support supply chain transparency and control, including the destruction of product packaging in some markets.

Additionally, the company was an early adopter of GS1 standards adopting the Global Trade Item Number (GTIN) in 2004. A GTIN is a unique identification number that provides the link between the product 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 of technologies that can help ensure products are moved correctly and efficiently throughout the supply chain.

Industrywide, 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 Baxter's products to healthcare providers and patients around the world.

Product Design and Packaging

Over the last several years, Baxter has implemented several enhancements to product design and packaging to enable and expand product authentication and the ability to identify tampering. These measures include multiple levels of closure

and packaging 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.

Collaboration with Officials and Industry Partners

Baxter collaborates with regulatory and public health officials and industry experts to share intelligence, insights and experience regarding product integrity. Groups such as GS1, Pharmaceutical Cargo Security Coalition, 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.

R&D AND DESIGN GRI 4.8 4.11

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

Baxter also has policies and programs to address a wide range of bioethics issues, from Animal Welfare and [Clinical Trials](#) to the use of 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 team considers these principles in addition to the advice of scientific and ethical advisors to determine whether to proceed with research activities that have bioethical aspects. For such activities

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to be justified, the potential benefits to individual subjects and society must equal or outweigh possible risks. For more information, see Baxter's [Bioethics Position Statements](#).

Animal Welfare GRI 4.8 4.12

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 life-sustaining products and therapies. Baxter believes that it has an ethical responsibility to ensure the well-being and humane care of the 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.

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 either reduce animal use or improve animal welfare, while ensuring sound data are collected. 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](#).

Baxter's Global Animal Welfare Committee

Baxter's Global Animal Welfare Committee is composed of internal veterinary professionals 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 committee focuses on:

- Further developing and implementing programs that will advance the 3Rs (as described on the following page), 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; and
- Reviewing Baxter's animal use, animal welfare programs and related policies and standards.

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 of practice, committee members participate in leading professional organizations where they receive continuing education and share best practices. Examples include:

Europe

- The European Partnership for Alternative Approaches to Animal Testing
- Federation of European Laboratory Animal Science Associations
- Society for Laboratory Animal Science

United States

- American Association for Laboratory Animal Science
- American Society of Laboratory Animal Practitioners
- Council on Research for American Veterinary Medical Association
- Extractables and Leachables Safety Information Exchange
- Product Quality Research Institute
- The United States Pharmacopeial Convention

International

- The Association for Assessment and Accreditation of Laboratory Animal Care International
- The International Association of Bioethics

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- International Consortium for Innovation and Quality in Pharmaceutical Development
- International Organization for Standardization (ISO)

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 described below.

Replacement

Baxter implements new technologies and processes to substitute animal with non-animal tests.

- When possible, Baxter utilizes its strength in analytical characterization of its materials as a means to assess toxicologic risk in lieu of animal testing.
- Baxter utilizes software to model structure-activity relationships, thereby using in silico methods when possible to obviate the need for animal testing.

Reduction

When Baxter is required to conduct animal testing, researchers use enhanced data collection and analysis methods to reduce overall animal use.

- For both new product development and established products, Baxter replaces 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.
- 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.

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 continually places an emphasis study designs that maintain or increase the amount of information collected without increasing animal use.
- Baxter evaluates and ensures consistently high standards for all animal housing methods and enrichments.

Animal Welfare Guidelines

Baxter complies with relevant animal welfare regulations and guidelines, including:

- American National Standards Institute/Association for the Advancement of Medical Instrumentation/ISO 10993-2 Biological Evaluation of Medical Devices—Part 2: Animal welfare requirements
- Association for Assessment and Accreditation of Laboratory Animal Care International
- European Treaty Series No. 123 (ETS123) European Convention for the Protection of Vertebrate Animals Used for Experimental and Other Scientific Purposes
- European Directive 2010/63/EU on the protection of animals used for experimental and other scientific purposes
- National Research Council: Guide for the Care and Use of Laboratory Animals (revised 2011 version)
- U.S. Animal Welfare Act Standards
- World Health Organization Council for International Organizations of Medical Sciences International Guiding Principles for Biomedical Research Involving Animals

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Clinical Trials GRI 4.8 4.12 PR3

Clinical trials play an essential role in the development of new 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'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 company-sponsored studies worldwide. Clinical trials at Baxter require prior written approval by an Independent Ethics Committee/Institutional Review Board. Study subjects must provide written informed consent before any study-related activities or assessments occur.

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, European Medicines Agency-authorized or other country specific public repositories as legally required. Baxter studies are registered at publically available websites 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. These websites include ClinicalTrials.gov, [European Network of Centres for Pharmacoepidemiology and Pharmacovigilance](http://EuropeanNetworkofCentresforPharmacoepidemiologyandPharmacovigilance), [EU Clinical Trials Register](http://EUClinicalTrialsRegister) and [European Clinical Trials Database](http://EuropeanClinicalTrialsDatabase).

Baxter adheres to standards related to clinical trials including, but not limited to, those found in the following:

Europe

- [European Union Directive 2001/20/EC](#) and [Directive 2005/28/EC](#) on the Approximation of the Laws, Regulations and Administrative Provision of the Member States relating to the implementation of good clinical practices in the conduct of clinical trials on medicinal products for humans;
- European Union [Medical Devices Directives](#); and
- European Medicines Agency [Guideline on good pharmacovigilance practices \(GVP\), Module VIII – Post-authorisation safety studies \(Rev 1\)](#)

United States

- Applicable privacy and data protection standards and regulations such as the [U.S. Health Insurance Portability and Accountability Act of 1996](#); and
- [U.S. Code of Federal Regulations Part 50 and 312](#) for drugs and Part 812 for medical devices.

Worldwide

- The International Conference on Harmonization guidance for industry governing [Good Clinical Practice](#) and [Good Manufacturing Practice](#);
- Principles that have their origin in the [Declaration of Helsinki](#); and
- The laws and regulations of the applicable country.

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Bureau Veritas has provided assurance on the content in this section.

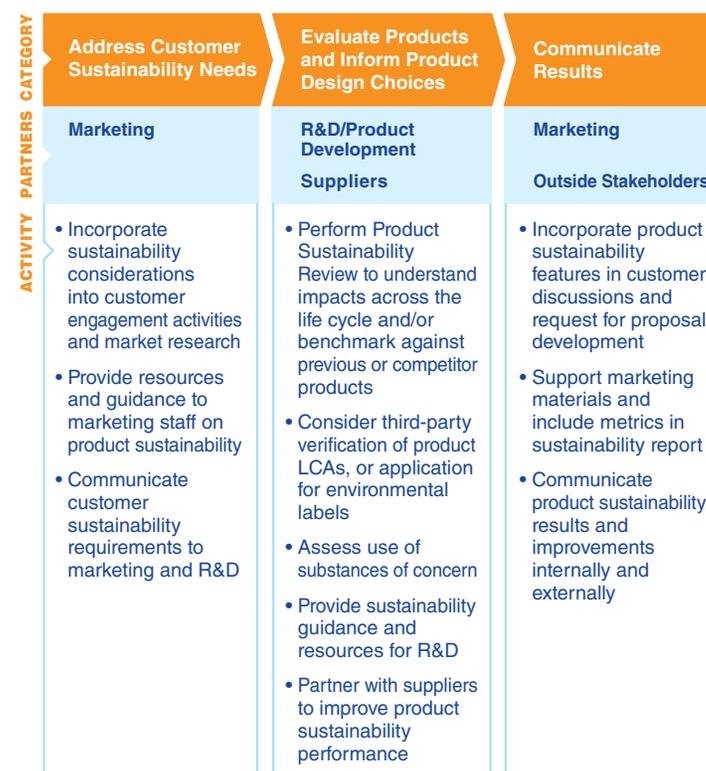
A significant part of Baxter's environmental footprint is embodied in the products it designs, manufactures and sells worldwide. Reducing these impacts has been a key focus for the company for many years. Baxter's Product Sustainability Program—which builds on an extensive partnership with the R&D, marketing and supply chain groups—works to further embed product stewardship across Baxter.

The company is committed to continually improving the sustainability of its products. Doing so meets customers' growing expectations and requirements, helps to address new and expanding regulations globally, responds to ongoing pressure from non-governmental organizations and other interested stakeholders, and decreases the company's environmental impacts across the value chain. This requires a broad range of inputs and expertise, and the collaboration of people representing different teams and functions across the company (see graphic).

To fully consider environmental performance in product design, Baxter must understand the possible impacts of the decisions it makes across the life cycle. To achieve this, the company has adopted sophisticated analytical processes and tools, including Product Sustainability Review and life cycle assessment (LCA).

Product Sustainability Review

Product Sustainability Review (PSR)—also referred to as an environmental, health and safety (EHS) plan—provides the foundation for the company's efforts in sustainable design. This required assessment occurs during the Design Control Methodology, which guides the product development process for all medical devices. PSR helps Baxter to fully consider and address EHS factors, such as materials selection, energy use and recyclability.



The process includes identifying high-level sustainability risks and opportunities in areas such as laws and regulations and customer and other stakeholder requirements, as well as a comprehensive review that identifies improvement opportunities across the life cycle. This includes LCA-based computer modeling of proposed products, 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 help establish product requirements and minimize potential product impacts to human health and the environment.

Since 2005, Baxter has used PSR to evaluate more than 20 medical devices and currently has multiple devices under assessment. Several reviews have influenced materials selection to avoid chemicals of concern.

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PSR also helps Baxter address compliance considerations for existing and upcoming product stewardship-related regulations, and the company periodically updates the PSR toxic chemicals screen to reflect changes in legislation, customer concerns, and other factors. This helps Baxter meet growing customer demands to limit these substances and address material restrictions under the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Directive and other regulations worldwide. See [Materials Use](#) for more information about Baxter's approach related to product materials.

Life Cycle Assessment

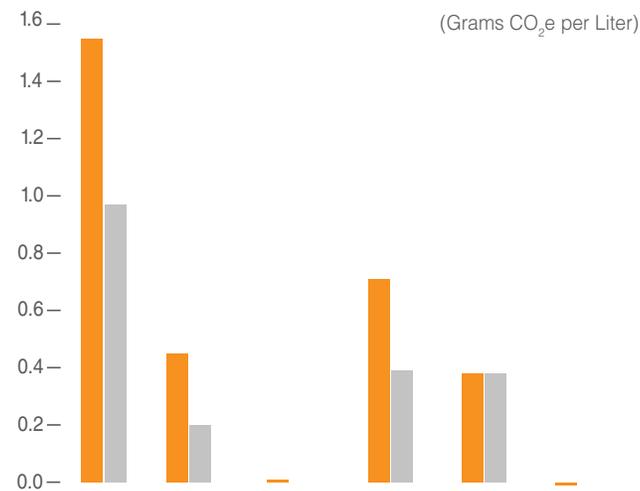
Supplementing PSR, Baxter also uses LCA to evaluate and improve the environmental performance of its products. This may include decreasing the presence of chemicals of concern and reducing life cycle water or energy consumption, greenhouse gas (GHG) emissions or waste generation.

In 2014, Gambro (which Baxter acquired in September 2013) completed an LCA of CWP 800, a new water purification system used for dialysis. Minimizing electricity and water consumption in the use phase, which consists of system operation and water flow required for dialysis, has the largest potential for improving environmental performance and was a focus during product development. For example, the use phase represents about 70–80% of total life cycle potential impact on climate change, depending on which of two use cases is assessed (see graph). Production represents most of the remainder, with insubstantial contributions from transport and end-of-life. The LCA will be used to create an Environmental Product Declaration (Type II) for the CWP 800 system, which the company plans to publish during 2015.

In 2014, Baxter worked with graduate students from the University of Wisconsin-Madison to develop a methodology to assess carbon reduction strategies for Baxter's Renal Therapy Services (RTS)¹ in Colombia. The study provided several approaches to analyze and prioritize carbon reduction options in four areas—energy efficiency, on-site

Global Warming Potential for CWP 800 Water Purification System*

(Grams CO₂e per Liter)



	Total	Production	Transport	Operation of Water Purification System	Water Flow Required for Dialysis	End-of-Life
Case 1	1.55	0.45	0.01	0.71	0.38	-0.01
Case 2	0.97	0.20	0.00	0.39	0.38	0.00

*Case 1 is the CWP 800 including a reverse osmosis unit with one filtration membrane and a hot water unit. Case 2 is the CWP 800 including a reverse osmosis unit with two filtration membranes and a hot water unit. The use phase is based on data in France.

renewable energy generation, transportation and carbon offsetting—based on impact and cost-effectiveness. The scope of the analysis included manufacturing (including employee commuting); product distribution to warehouses, clinics and patient homes; service delivery at clinics or homes (including patient travel); additional energy use required at clinics and emissions from waste transportation and disposal. A carbon footprint estimate showed that manufacturing is the largest contributor to overall GHG emissions, followed by service delivery and then product distribution.

¹ Baxter's Renal Therapy Services is a provider of in-center dialysis services in countries such as Argentina, Colombia, Ecuador, Guatemala, Turkey and Ireland. The clinics provide innovative, quality services including pre-dialysis patient management, hemodialysis, peritoneal dialysis and follow-up treatment for transplant patients.

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The team also demonstrated various approaches that RTS can use to prioritize carbon reduction opportunities across the value chain. These included using lean analysis to identify inefficient facilities, comparing the feasibility of wind versus solar energy, assessing transportation best practices and analyzing the cost effectiveness of carbon offsetting. Moving forward the team plans to complete an LCA of RTS in Colombia.

In 2013, Baxter conducted an internal LCA of automated peritoneal dialysis (APD) using the company's HomeChoice cyclor, which performs treatment overnight. Peritoneal dialysis (PD) treats end-stage renal disease, or kidney failure by removing waste, toxins and fluids from a patient's kidneys inside his or her body using the body's natural filter called the peritoneal membrane. The study assessed impacts across the life cycle related to consumables (raw materials and manufacturing), distribution to patients at home, cyclor electricity use, patient travel for monthly doctor visits, and disposal of consumables. The results showed that consumables were the most significant contributor to overall impacts, regardless of the prescription scenario or the type of environmental impact assessed, representing 73% of total energy use, 66% of GHG emissions and 79% of water use.

Baxter is pursuing LCAs of several additional products during 2015.

Stakeholder Engagement on Product Environmental Performance

GRI 4.16 4.17

Customers, purchasing organizations and governments in most European countries and in the United States (especially in California) increasingly require product environmental performance information in requests for proposal and consider that information in vendor selection. A standard environmental questionnaire used by several purchasing organizations in the United States potentially influences a substantial amount of procurement annually across the healthcare sector. Similarly, many governments worldwide set environmental criteria for "greener" public procurement.

Throughout Europe, EHS-related questions represent, on average, 5% of the total weighting of tenders that Baxter receives.

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 multiple languages.

Reflecting the sizable environmental impacts of the healthcare sector and the complexity of issues in this area, Baxter promotes improved performance across the industry. The company works with customers, industry peers and other organizations to address challenges such as the recycling and responsible treatment of disposable medical products.

Examples of engagement during 2014 included:

- **Coalition for Sustainable Pharmaceuticals and Medical Devices (CSPM)** Baxter is a founding member of this working group of leading healthcare companies. In collaboration with NHS England, CSPM strives to advance more sustainable healthcare products and services by promoting best practice and developing sustainability tools and guidelines to reduce product environmental impact. During the year, Baxter co-developed and signed on to a [joint statement](#) for the U.N. Climate Summit. This document describes the organization's commitment to developing more sustainable healthcare products and practices, and outlines several metrics it will use to measure success.
- **Healthcare Plastics Recycling Council (HPRC)** Baxter helped develop tools to support hospital recycling programs and attended a Hospital Roundtable focused on that issue at Stanford Hospital and Clinics with several California hospitals. See [Product End-of-Life](#) for more detail.
- **Practice Greenhealth** Baxter participated in the [Greening the Operating Room symposium](#) sponsored by this organization. The event promoted environmentally-friendly practices in the operating room and explored innovative approaches to ongoing improvement in this area.

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- **Product Sustainability Round Table** Baxter joined this organization, convened by PE International, through which members benchmark performance and share experiences, perspectives and insights about key sustainability trends and emerging issues.
- **State Waste Services** Baxter Australia signed a three-year partnership agreement with State Waste Services to promote and provide PVC recycling to all hospitals throughout New South Wales. This builds on a partnership that Baxter established in 2013 with the Vinyl Council of Australia (VCA).

MATERIALS USE GRI EN26 4.11



Bureau Veritas has provided assurance on the content in this section.

Materials use is a key driver of Baxter's environmental footprint, so decisions about material types and quantities are an important focus for the company. 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.

Using materials efficiently is also a priority. Plastic scrap from manufacturing is the company's largest waste stream, so reducing plastic waste and increasing recycling is essential. During 2014, Baxter reduced plastic scrap per unit of production by 13%, compared with 2011, at 20 sites, which represent about 85% of the company's overall plastic volume. For its electronic products, Baxter works to maximize product service life, reuse and recycling as appropriate. The company also strives to optimize packaging and implemented projects that reduced total packaging by nearly 530 metric tons in 2014 on an annualized basis¹ (see Packaging for details).

Customers, governments and other stakeholders are increasingly focused on the materials and chemical substances used in products and packaging. In some countries, legislation restricts the use of specific substances

in products (see Materials Restrictions). Customers are also interested in the use of recycled and recyclable materials, such as in packaging.

Product Design and Materials Innovation

Baxter works to ensure that new products meet robust environmental design principles, comply with environmental regulations and satisfy customer requirements. The company uses PSR for all new medical devices, to assess environmental, health and safety impacts across the product life cycle. For example, new electrical and electronic devices are designed to meet the European Union (EU) Restriction on Hazardous Substances (RoHS) Directive guidelines. Based on available information, all devices are screened for the presence of chemicals from the REACH Regulation list of "Substances of Very High Concern" (SVHCs) and those are considered for elimination. Baxter also uses life cycle assessment to evaluate product environmental performance and determine ways to reduce product environmental footprint, including related to materials use. See Product Sustainability for more detail.

To meet the preferences of some customers and address drug compatibility issues in specific clinical applications, Baxter continues to identify 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, scientific data supporting safe use, regulatory requirements, environmental impact and other aspects.

¹ These savings represent the total savings attributable to identified projects across the company, counted only for the first year the packaging innovation is implemented.

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Materials Reporting and Restrictions

The EU RoHS2 Directive seeks to phase out the use of lead, mercury, cadmium, hexavalent chromium and brominated flame retardants in electronic products, including medical devices. Since July 2014, new medical devices that contain those substances above certain thresholds¹ cannot be placed on the EU market. Furthermore, countries such as China, Russia, South Korea, Taiwan and some U.S. states, such as California, have proposed or enacted similar legislation. Baxter follows a global strategy to respond to these regulations worldwide and is planning to expand use of RoHS2-compliant products in other markets globally.

Baxter is also working to ensure it meets the EU REACH Regulation, which requires chemical suppliers, manufacturers or importers of more than one metric ton of a chemical substance in a given year to register the substance with the European Chemical Agency. The regulation expands significantly the number of substances that will require authorization for use, identifies SVHCs that may face future restrictions and requires companies to inform customers about the presence² of those substances in products. Baxter has registered all required substances and preparations following the regulation. The company's cross-functional REACH team oversees Baxter's ongoing response and explores further opportunities to eliminate hazardous substances.

Customers and governmental regulations increasingly require companies to disclose information about materials and chemical substances used in products and manufacturing. Tracking and reporting this data is complex given the number and evolution of these standards and because some products contain components from numerous suppliers worldwide.

Baxter is implementing a global project to determine and assess the material and chemical content of substances and parts purchased for use in Baxter products. The company uses this to understand what key chemicals of concern are

present and to meet global regulations, such as the RoHS2 Directive and REACH Regulation. Through ongoing work with suppliers, the company 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. Ensuring compliance requires ongoing expansion of supplier engagement, working with new suppliers and potentially modifying product designs.

Baxter also focuses on due diligence, training and reporting related to tin, tantalum, tungsten or gold originating from the Democratic Republic of Congo or adjoining countries. See Baxter's [Conflict Minerals Report](#) and [Supplier Standards](#) for more detail.

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.

MANUFACTURING GRI EN26

The company has extensive EHS programs to minimize environmental impacts and ensure employee safety at its facilities globally.

Baxter generally requires third-party certification to the 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 2014, 79 Baxter locations have met the requirements of

¹ As defined by the RoHS2 Directive, maximum concentrations allowed are 0.1% by weight of homogeneous material for all substances except for cadmium which is restricted to 0.01% by weight.

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

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ISO 14001 and are covered by Baxter's group certificate, and 61 company locations were certified to OHSAS 18001. See [EHS Management Systems and Certifications](#) for detail.

In 2014, 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.

PACKAGING GRI EN26



Bureau Veritas has provided assurance on the content in this section.

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 2014 that reduced total packaging on an annualized basis by nearly 530 metric tons. Total annualized savings since 2007 equal 5,880 metric tons, exceeding Baxter's goal to eliminate 5,000 metric tons of packaging material from products sent to customers by 2015.¹

For example, during 2014, Baxter's Manesar, India, facility completed a project that saved 30 metric tons of packaging material on an annualized basis. The site reduced the bag weight on PD products by 7%. Baxter's facility in Cali, Colombia, completed several projects that reduced total packaging on an annualized basis by 216 metric tons. One project replaced the cardboard partition cushioning system with one using polyethylene bubbles filled with air, saving 128 metric tons of packaging material on an annualized basis. Baxter's facility in São Paulo, Brazil, reduced the thickness of the IV solutions bags it produces by 10%, thus decreasing packaging by 260 metric tons on an annualized basis.

PRODUCT USE GRI 4.12 PR3 PR6

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. The FDA's oversight includes 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 worldwide, reviewing marketing materials for accuracy and balance regarding presentation of product risks and benefits. The company's approach takes into account regulations and standards which vary by region:

- **Asia Pacific** Baxter uses an electronic approval system that enables the company to comply with advertising and promotion codes, regulations and internal standards in 18 countries.
- **Canada** Baxter's advertising and promotion standards incorporate industry best practices following Pharmaceutical Advertising Advisory Board guidelines and are reviewed for compliance to Health Canada 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 Code of Practice on the Promotion of Prescription-only Medicines to, and Interactions with, Healthcare Professionals](#). The company reviews marketing materials at the pan-European level, as well as at the country level for compliance with national product licenses and local codes of practice. Baxter also adheres to the [EUCOMED Code of Ethical Business Practice](#), which covers medical devices.

¹ This equals the total savings attributable to identified projects across the company, counted only for the first year after the packaging innovation was implemented.

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- **Latin America** Baxter applies standard review procedures for advertising and promotion to ensure compliance with regional and local marketing promotion codes and regulations.
- **United States** Baxter's advertising and promotion standards for all business groups incorporate industry best practices and are reviewed rigorously for compliance with applicable U.S. laws and FDA regulations.

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.

PRODUCT END-OF-LIFE GRI EN26 EN27



Bureau Veritas has provided assurance on the content in this section.

The responsible treatment of healthcare products after customer use is an increasingly important issue worldwide. The appropriate approach varies by type of product, so Baxter has a range of initiatives. For example, some of the electronic medical devices Baxter sells, such as renal APD cyclers, are well suited to repair and reuse after the original customer has finished using them (see below). Many of the company's other products, such as IV bags, cannot be reused due to regulatory, quality and safety reasons. However, they may be recycled responsibly 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 those products for reuse, 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 require responsible recycling. For example, the European Union (EU) Waste Electrical and Electronic Equipment (WEEE) Directive requires manufacturers to arrange for the take-back of electronic products at end-of-life. This regulation impacts certain Baxter products in the EU such as dialysis machines, IV pumps and other electronic devices. In 2014, approximately 43 metric tons of electronic products and batteries were recovered in the region on Baxter's behalf.

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 EU 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 works with customers, industry peers and recycling and disposal vendors to facilitate the recycling and responsible treatment of disposable medical products. The company belongs to the HPRC, an alliance of global healthcare companies focused on the recycling of plastic products used 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. During 2014, a team led by Baxter developed guidance for optimizing and managing receiving dock space (which is typically under high demand in hospitals) to support recycling programs. This tool covers aspects such as defining a program's scope, clarifying logistics with recycling vendors, assessing which space best suits program needs and determining how to effectively manage materials to be recycled. HPRC plans to publish this information in 2015, as a part of its [HospiCycle guide](#), developed to help hospitals successfully implement recycling practices.

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Through HPRC, Baxter participated in a Hospital Roundtable hosted by Stanford Hospital and Clinics during the year, focused on hospital plastic recycling programs. The company gained insights on the types and effectiveness of plastic recycling programs in place at several participating California hospitals and learned what additional information and tools would help to increase the success of those initiatives.

Baxter continues to seek other opportunities to partner with healthcare organizations, waste management and recycling firms to test the economic and logistical feasibility of more efficient management of wastes generated from Baxter and other healthcare products.

In 2014, Baxter Australia signed a three-year partnership agreement with State Waste Services (SWS) to promote and provide PVC recycling to all hospitals throughout New South Wales (NSW). SWS will offer PVC recycling services anywhere in the state, at a greater than 35% discount compared with disposing of PVC among general waste. Baxter will support the program by providing hospitals with bins, brochures and staff education.

“This is a significant development and competitive advantage for our reputation, as we will now be offering every NSW hospital customer this recycling program and delivering real value to the health system,” said David Akeroyd, Managing Director, Baxter Australia New Zealand.

This builds on the partnership that Baxter established in 2013 with the Vinyl Council of Australia (VCA) to launch the VCA’s PVC Recovery in Hospitals initiative in Australia. During 2014, the initiative grew rapidly, reaching 32 hospitals in Australia as well as 3 in New Zealand, which together have the potential to recycle 70 metric tons of PVC during 2015. See [Case Study: Baxter Australia Partners in Hospital Waste Recycling Program](#) for historical information.

Baxter is also helping patients who receive regular home deliveries of dialysis solutions in Australia to recycle related

waste. As of the end of 2014, more than 250 Baxter PD home patients participated in the Home PD Recycling Program, which collects and recycles more than 4 metric tons of plastic and 2 metric tons of cardboard each month from patients in 11 participating Renal units.

Global Waste Site 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. 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.

Supply Chain GRI 2.8



Baxter’s supply chain extends from producers of raw materials to end users of the company’s products. The company is committed to building and driving a sustainable supply chain. The company engages its suppliers on key sustainability issues including energy use, greenhouse gas (GHG) emissions, waste reduction and the environmental impacts of raw materials used in Baxter’s products. Responsible sourcing is a focus as well, including conflict minerals as well as other supply chain-related human rights issues. Baxter also strives to maintain a diverse supplier base that reflects the markets and communities in which the company operates.

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PRIORITIES ADDRESSED

 Baxter Will Drive a Sustainable Supply Chain

PHOTO: Baxter’s Woodlands, Singapore, facility manufactures renal products, intravenous sets, and infusion pumps.

Supply Chain

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SUPPLIER STANDARDS GRI 3.9 4.8 4.12 HR2

Several sustainability-related standards govern Baxter's relationships with suppliers and serve as the foundation for the company's Global Supplier Sustainability Program. Baxter maintains a culture of strict compliance with applicable laws, rules and regulations, and the highest standards of ethics and business conduct. This extends to the company's relationships with suppliers.

The following standards provide a framework for consistent supplier evaluation, approval and selection, and define policies and expectations for ethical behavior when doing business with Baxter.

- The [Supplier Quality Standard](#) addresses sustainability issues, including child labor, employment standards, waste and energy reduction, materials of concern and supply chain due diligence and ethics.
- Baxter's [Ethics and Compliance Standards for Baxter Suppliers](#), available in 19 languages and included with supplier agreements, covers areas such as child labor, confidential information, intellectual property, gifts and entertainment, anticorruption, conflicts of interest, trade compliance, fair employment opportunities and environment, health and safety.
- Baxter's [Conflict Minerals position statement](#) addresses the company's goal to source raw materials that require the use of tin, tantalum, tungsten or gold from conflict-free sources.

Baxter does not tolerate any form of forced labor or human trafficking and slavery in its operations or supply chain. The company works to ensure that suppliers operate ethically and do not engage in these practices. (See Baxter's [statement](#) in response to the California Transparency in Supply Chains Act of 2010.)

The company requires 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, employees in Baxter's Purchasing and Supplier Management (PSM) organization

complete mandatory ethics training. 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.

To ensure Baxter maintains a continuous supply of vital raw materials used in its products, the company also asks key suppliers to provide emergency response plans describing how they will respond in the event of a catastrophe or other business interruptions.

Pharmaceutical Supply Chain Initiative

Baxter believes that it can enhance its influence and improve efficiency through collaboration with other members of the healthcare industry to advance responsible procurement and sustainability. In 2013, Baxter joined the Pharmaceutical Supply Chain Initiative (PSCI), a healthcare industry group focused on responsible procurement, risk mitigation and supplier capacity building.

PSCI has developed a code covering ethics, labor, safety, environmental and management systems standards and expectations for suppliers to the healthcare industry. PSCI's independent auditor and audit committee review the audit results and monitor the subsequent supplier corrective and preventive actions implemented. Baxter encourages its suppliers to participate in the PSCI audit program.

Additionally, Baxter supports the PSCI supplier capability building committee, which creates information resources and training to help suppliers advance responsible procurement. During 2014, PSCI provided introductory trainings on responsible procurement. PSCI is also exploring additional supplier training opportunities, in areas such as safety, that can be tailored to specific country or regional needs.

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Product Material Regulatory Compliance

Customers and governmental regulations increasingly require companies to disclose information about materials and chemical substances used in products and manufacturing. Tracking this information is complex since some of Baxter's products, such as infusion pumps and dialysis machines, may contain components from numerous suppliers worldwide. Baxter's suppliers play a critical role in helping the company assess material compliance risk. The [Materials Use](#) section of this report provides more information about Baxter's initiatives.

The Dodd-Frank Act requires companies that file annual reports with the U.S. Securities and Exchange Commission to indicate if their products contain tin, tantalum, tungsten or gold originating from the Democratic Republic of Congo or adjoining countries. See Baxter's [Conflict Minerals Report](#). In 2014, in addition to performing due diligence on its global suppliers consistent with the Organisation for Economic Co-operation and Development Guidelines for Conducting Due Diligence on Minerals from Conflict-Affected Areas, Baxter posted its [Conflict Minerals position statement](#) to address the company's goal to source raw materials that require the use of tin, tantalum, tungsten or gold from conflict-free sources. Baxter also updated its supplier quality standards, purchase order terms and conditions and other procurement practices to address conflict mineral risk. In 2014, the company provided training to the Gambro purchasing team on conflict minerals compliance and launched an online page of guidance for its suppliers.

U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) Program

As a manufacturer, Baxter is also a supplier to other companies, and works to ensure it meets the highest standards of [ethics and business conduct](#). Baxter's efforts to establish a secure supply chain for its raw materials and shipments of products from suppliers and customers, such as through the C-TPAT Program, support a secure

supply of life-saving medical products. 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 an importer, Baxter has been recognized as a Tier III Partner (the highest level an importer can achieve) in the U.S. C-TPAT Program since 2011. As of 2015, about 3% of the nearly 11,000 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.

Additionally, the company was an early adopter of GS1 standards, which are used to uniquely identify all products, trade items, logistic units, locations, assets and relationships in the supply chain—from manufacturer to consumers. See [Product Integrity](#) for more information.

SUSTAINABLE PROCUREMENT GRI 3.9 EN26 HR2

Baxter considers several environmental and social factors as it integrates sustainable practices into procurement. The company collaborates with its suppliers to identify opportunities to improve environmental performance, such as reducing energy use, GHG emissions and waste. Baxter also promotes human rights throughout its supplier base.

Requests for Proposal and Supplier Agreements

Baxter considers price, quality, environmental criteria and other factors when selecting and evaluating its suppliers. To support these efforts, the company incorporates sustainability in requests for proposal (RFPs) and supplier contract templates globally. This reiterates Baxter's commitment and provides a means to assess each supplier's ability to support progress against Baxter's sustainability goals and conduct business consistent with Baxter's supplier standards.

Baxter's RFPs ask suppliers to provide:

- Their sustainability policy and mission statement;

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- 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 progress against 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. See [Supplier Diversity](#) for more information about Baxter's efforts in this area.

The agreement also encourages suppliers to identify products and/or services for Baxter's use with reduced environmental impact. Baxter asks its suppliers to provide regular updates on their sustainability activities.

Annual Supplier Sustainability Survey

From 2009 until 2013, Baxter surveyed its significant suppliers annually about their environmental, safety, ethics, human rights and other sustainability-related programs and progress. The company used responses to identify opportunities for best practice sharing and collaboration to improve performance. To encourage honest and accurate disclosure, supplier responses did not impact current or future contracts.

In 2014, Baxter shared each supplier's responses with the Baxter purchasing employee responsible for the relationship. This enabled the relationship manager to incorporate this information into regular supplier meetings to verify responses, discuss gaps and identify opportunities for further collaboration. Baxter is also using aggregated results to determine focus areas for additional training or collaboration, which can be tailored by region. While suppliers are ultimately accountable for their performance, Baxter will engage and

influence where it can to advance the sustainability of its supply base, as an extension of its sourcing and operations sustainability and, ultimately, product responsibility.

Due to the planned separation of Baxter into two companies in 2015, Baxter did not conduct the supplier sustainability survey during 2014. Future plans for this program remain to be determined.

Combined Results of e-Impact Projects

	2010	2011	2012	2013	2014
Project Ideas Submitted	5	107	120	60	49
Projects Completed	5	41	43	23	17
Cost Savings*	\$231,000	\$3,100,000	\$4,100,000	\$2,275,000	\$9,270,000
Greenhouse Gas Emissions Reduction (metric tons CO ₂ e)*	162	15,000	18,000	5,620	3,200

* Metrics only include projects completed in the year indicated.

Recognizing Supplier Environmental Efforts

During 2014, Baxter's e-Impact program continued to identify opportunities to collaborate with suppliers to improve environmental performance and to recognize results. To acknowledge successful projects, Baxter leaders award both the supplier and the relevant Baxter employees with an electronic certificate of appreciation. Employees submitted 49 ideas for projects in 2014. Of these, 17 initiatives were successfully completed during the year, with combined benefits to Baxter and its suppliers summarized below.

For example, based on an e-Impact submission, in 2014, Baxter's Jayuya and Guayama, Puerto Rico, facilities converted from using heavy fuel oil in boilers to using lower carbon natural gas in the form of liquid propane. Also based on a submission, in 2013, Baxter's Neuchâtel, Switzerland, facility installed an on-site, roof-mounted solar photovoltaic system and entered into an agreement to procure electricity generated from 100% renewable power from a local electricity provider. As a result, all of the electricity used by Neuchâtel, is now generated from 100% renewable power.

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PRODUCT TRANSPORT GRI EN18 EN26 EN29

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 fleet for Renal product home delivery in certain countries. In other cases, the company partners with third-party vendors and carriers.

Baxter estimates GHG emissions for upstream and downstream product transportation and distribution. The company's approach to improving performance in this area includes:

- Optimizing the distribution network
- Using intermodal transport
- Increasing capacity utilization
- Engaging in environmentally responsible partnerships
- Implementing pallet recovery and waste minimization efforts

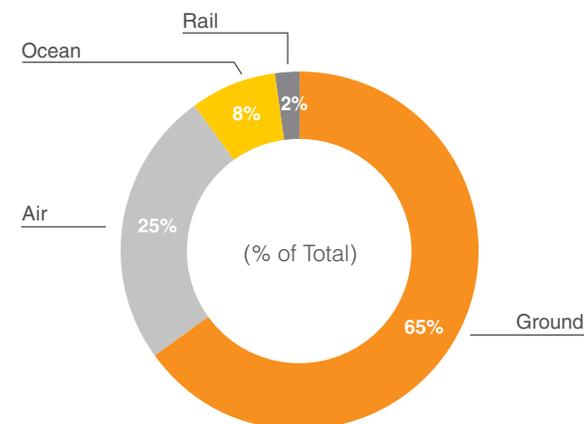
Performance in 2014

Baxter formed its first Global Transportation Council in early 2015 to create a strategic road map for product transport globally. The Council will create goals and plans, share internal and external best practices, serve as a point of accountability globally, and provide the tools to further improve product transportation at the company.

During 2014, Baxter continued to refine a system to track GHG emissions from product transport worldwide. The company again worked with UPS® and The CarbonNeutral Company to determine its worldwide transportation-related GHG emissions by truck, rail, air and ocean.

Baxter's total worldwide GHG emissions from product transport equaled 490,500 metric tons carbon dioxide equivalent (CO₂e) in 2014, equivalent to 128 kilograms CO₂e per metric ton of products transported, the same rate as in 2013.

GHG Emissions from Product Transport by Mode, 2014



	2012	2013	2014
Worldwide GHG Emissions from Product Transport, by Mode (metric tons CO₂e)			
Air	90,300	125,000	124,000
Ocean	33,000	28,100	37,300
Rail	11,900	9,900	9,300
Ground	292,300	287,300	319,900
Total	427,500	450,300	490,500
Worldwide GHG Emissions from Product Transport, by Region (metric tons CO₂e)**			
Asia Pacific	50,400	68,300	62,300
Latin America	46,400	73,800	82,000
Europe, Middle East and Africa	143,400	105,500	115,400
North America	187,300	202,700	230,800
Total*	427,500	450,300	490,500

*In accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, total product transport emissions equaled 515,000 metric tons CO₂e in 2014, including a portion of Baxter's Scope 3 Category 4: Upstream Transportation and Distribution emissions (490,500 metric tons CO₂e) and Baxter's Scope 3 Category 9: Downstream Transportation and Distribution emissions (25,000 metric tons CO₂e)

**In this table, Baxter's Asia Pacific region includes countries in Asia and Oceania; Latin America comprises countries in Latin America and the Caribbean, including Mexico; North America includes the United States, Canada, and Puerto Rico.

Supply Chain

SUPPLIER STANDARDS

SUSTAINABLE PROCUREMENT

PRODUCT TRANSPORT

SUPPLIER DIVERSITY

Optimizing the Distribution Network

To decrease product transport distance, environmental impact and cost, Baxter identifies opportunities to ship products to customers from local manufacturing facilities when possible. For example, the company's customers in Poland had previously received products from Baxter's manufacturing facilities in Western Europe via the company's distribution facility in Belgium. In 2012, Baxter began to manufacture and distribute certain products from its manufacturing facility in Poland directly to local customers.

In its largest U.S. replenishment center, Baxter deployed a new application that assists transportation planners to maximize the total weight of a truckload. The tool suggests an optimal product mix and loading pattern to increase total truckload weight, while not exceeding legal weight limits. Baxter is deploying this application in other replenishment centers.

Intermodal Transport

Different modes of transport—such as air, ocean, river barges, trucks and rail—have varying levels of fuel intensity and environmental impact. Using intermodal transport, which combines multiple modes for a single shipment, can decrease costs and reduce overall GHG emissions.

Baxter continues to use this approach in Europe and the United States when possible. For example, shipping containers are moved from manufacturing plants by truck, transferred to more efficient and cost-effective rail or barge transport for longer distances, and then shifted back to truck for final delivery. Baxter used intermodal transport for approximately 20% of its shipments to replenish the company's U.S. distribution network in 2014.

	2010	2011	2012	2013	2014
Intermodal Loads	7,600	7,800	7,600	6,900	7,300
GHG Emissions Reductions (metric tons CO ₂ e)*	20,000	20,000	23,000	18,000	16,600

*Compared to not using intermodal transport.

Capacity Utilization

Baxter also improves transport efficiency by increasing capacity utilization. For example, use of double-decker trucks to replenish distribution centers across Europe has enabled Baxter to transport loads in two trucks that have historically required three, reducing overall GHG emissions. Another way to advance capacity utilization is through cooperation agreements with others to share routes and trucks to move combined loads most efficiently.

In the United States, Baxter is collaborating with other companies to co-load shipments to reduce GHG emissions and costs. For example, Baxter is partnering with a major beverage manufacturer's transport division to utilize their equipment with Baxter's. Since the products are of similar densities, this will help maximize usage of fully loaded trailers.

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 and Shipper Partner. **SmartWay** is a partnership between the U.S. EPA and industry to reduce air pollution and GHG emissions through cleaner, more fuel-efficient product transport.

Supply Chain

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Baxter became a **SmartWay Carrier Partner** in 2009 with its U.S. Renal truck fleet, recognizing the company's "outstanding" commitment to using 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's operations in the United States also became a **SmartWay Partnership Shipper**. Since 2009, the company requires all of its carriers in the United States to be **SmartWay** members. In 2013, Baxter's operations in Canada also became a **SmartWay Partnership Shipper**.

Pallet Recovery and Waste Minimization Efforts

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 some locations, Baxter uses reusable plastic pallets in a "closed loop" system or in returnable totes.

In other countries, including Brazil, Colombia and Mexico, teams work to optimize the used wooden pallets, and recycle them when feasible. In Italy, Poland, Spain, Sweden and the United Kingdom, pallet recovery programs refurbish pallets for reuse.

Baxter continues to reduce the environmental impact of its warehouse and distribution facilities. For example, the company added a dock tunnel and quick door into its loading bay at its facility in Italy. This allows less energy to escape while Baxter loads product from the facility onto a truck for delivery.

SUPPLIER DIVERSITY GRI EC6

Baxter works to develop mutually beneficial relationships with small and diverse suppliers, and strives to continue to increase the diversity of its supplier base. The company increased its spend with small suppliers in the United States and Puerto Rico to nearly \$504 million in 2014, 19% more than in 2013.

Small and diverse suppliers offer many advantages. Small suppliers are often more agile than larger companies and have an entrepreneurial outlook that can foster creativity and collaboration. Baxter's patient and customer base is increasingly diverse, and using diverse suppliers helps the company to better meet their varied needs. Additionally, Baxter's use of local and diverse suppliers contributes to economic stability in local communities. Sourcing locally also helps Baxter reduce its transport-related environmental impacts.

Baxter works to keep supplier diversity prominent throughout the supplier bidding and contracting process. For example, in addition to RFPs, Baxter includes 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?

To increase the visibility of diverse suppliers prior to initiating RFPs, the company plans to become more involved in diverse supplier forums and fairs to help Baxter purchasers become acquainted with these suppliers prior to a bid process. In addition, Baxter plans to focus on developing both second and third tier relationships throughout its supply base. Baxter is working to create a robust, diverse supplier registration portal to enable small and diverse

Supply Chain

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businesses in the United States to share their capabilities with Baxter procurement representatives.

Baxter has sponsored the National Minority Supplier Development Council (NMSDC) for more than 20 years and has belonged to the NMSDC Health Care Industry Group since 2006. In 2014, Baxter partnered with NMSDC to fund a scholarship to Northwestern University's Kellogg School of Management for a certified minority-owned supplier, to help advance the capabilities of that company. During the year, Baxter also participated in the NMSDC annual meeting and the Chicago Business Opportunity Fair to meet new minority suppliers. In 2014, the Chicago Minority Supplier Development Council recognized a Baxter purchasing manager for her efforts to promote small and diverse suppliers during the prior year.

In 2014, Baxter became a member of the National Gay & Lesbian Chamber of Commerce (NGLCC). The NGLCC is the largest global not-for-profit advocacy organization dedicated to expanding the economic opportunities and advancements of the lesbian, gay, bisexual and transgender business community. In addition to focusing on supplier diversity in the United States, the NGLCC works to establish international supplier diversity programs. The company is also a corporate partner of the Women's Business Development Center.

Baxter is exploring possibilities to grow its supplier diversity program from a U.S.-based effort into a global one. In 2014, Baxter signed the Charter of Diversity in Austria, an initiative by the Austrian Chamber of Commerce for private and public corporations, organizations and institutions to publically disclose their efforts to engage in inclusion and diversity business networking in that country. Regional teams at Baxter met during the year to plan additional opportunities to pursue and learn about supplier diversity in other parts of the world.

2014 Supplier Diversity Performance

In 2014, Baxter spent nearly \$504 million with small businesses in the United States and Puerto Rico, approximately 15% of Baxter's total supplier spending of \$3.5 billion in those markets. During the year, the company spent about \$91 million with women-owned businesses and nearly \$32 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 \$6.2 million, \$0.6 million, \$3.6 million and \$1.1 million of Baxter's spending, respectively.

Baxter Supplier Diversity Spending (dollars in millions)*

	2010	2011	2012	2013	2014
Small Businesses	\$491	\$388	\$366	\$422	\$504
Women-Owned Businesses	97	88	90	86	91
Minority-Owned Businesses	34	36	34	37	32

*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 include veteran-owned, disability-owned, service-disabled veteran-owned, small disadvantaged and **HUBZone**-certified businesses. **HUBZone** is a United States Small Business Administration program for small companies that operate and employ people in Historically Underutilized Business Zones (**HUBZones**).

Access to Healthcare

GRI EC8



Improving access to healthcare is a global challenge. This issue is especially pressing in developing countries, where infrastructure, political instability, poverty, levels of education, regulatory restrictions, and inadequate availability and affordability of medical products can all limit access. Developing solutions requires cooperation among governments, non-governmental organizations, corporations, medical professionals and others.

Baxter produces life-saving and life-sustaining products and therapies in the form of biologics, devices and specialized pharmaceuticals (such as intravenous solutions and anesthetic agents) that are typically administered in a hospital or clinical setting. The company collaborates with government partners to expand access to quality care, while improving health outcomes and controlling costs.

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PRIORITIES ADDRESSED



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

PHOTO: A shipment of Baxter-donated products for Ebola relief is unloaded in Monrovia, Liberia. (Photo credit: AmeriCares)

Access to Healthcare

ADVANCING PUBLIC HEALTH

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The following graphic illustrates Baxter's broad approach in this area.



ADVANCING PUBLIC HEALTH GRI LA8

Baxter supports initiatives that expand availability of its treatments, and the company collaborates with other organizations to advance public health. This includes education to better inform current and future patients around the world, as well as training to increase the capabilities of physicians and other healthcare professionals. The company also enters into public-private partnerships to share best practices in manufacturing and treatment. Additionally, Baxter collaborates with governments, companies and other organizations to influence policy and standards that promote patient access to therapy and products.

Following are some examples of Baxter's recent efforts to advance public health in the areas of hemophilia, immune disorders, renal disease and compounded medications.

Improving Care for Hemophilia Patients

As a leading manufacturer of hemophilia products, Baxter is committed to improving patient treatment and care. For example, through its Bilingual Healthcare Educators program in the United States, Baxter offers support 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](#).

To provide hemophilia patients with greater access to recombinant factor VIII (rFVIII) treatment, Baxter entered into an exclusive 20-year partnership in 2012 with [Hemobrás](#) (Empresa Brasileira de Hemoderivados e Biotecnologia). Through this partnership, Baxter will be the sole supplier of Brazil's recombinant FVIII treatment during the first 10 years of the initiative while the companies collaborate on technology transfer to support development of local manufacturing capacity. 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.¹ In 2014, nearly 4,000 patients in Brazil were converted from plasma factor VIII to recombinant factor VIII, adding to the more than 3,000 patients already undergoing prophylactic recombinant factor VIII treatment.

The company also works to provide medical professionals with educational opportunities to help pursue a bleed-free world. Baxter launched the first hemophilia multidisciplinary community in Latin America in 2014, aimed at developing an educational group for healthcare providers. The initiative, called ALAS Hemostatis, consists of Centers of Excellence, the ALAS Expert Working Group, the website [ALASHemostatis.com](#), and international facility tours.

¹ Federação Brasileira de Hemofilia. Accessed on: 10 March 2011. Available at <http://www.hemofiliabrasil.org.br>

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During their first ALAS Hemostasis Expert Working Group meeting, the group discussed current hemophilia care levels and the potential establishment of principles of care similar to those in Europe. The group plans to meet three times in 2015.

Baxter also donated more than \$2.3 million worth of recombinant factor VIII treatment to the China Children and Teenagers' Fund from 2013 to 2015, which will be used by children under 18 years old with moderate to severe hemophilia A who come from a low income background. This is in addition to more than five million international units of recombinant factor VIII product that Baxter China had already donated.

Expanding Access to Plasma-Derived Therapies

It is estimated that 160,000 Brazilians suffer from a primary immunodeficiency (PI), although only 4,000 have been diagnosed. In November 2014, Baxter, PI patient associations and healthcare professionals, along with a congressman in Brazil, attended a public hearing in the Brazilian Parliament. Their purpose was to promote early diagnosis and appropriate treatment of the disease and to request an update to the Ministry of Health's guidelines regarding PI therapies. As a result of the public hearing, the congressman offered to endorse a Bill of Law based on a letter of demands drafted by the speakers. Four congressmen have committed to signing the bill and supporting the patients. Baxter was a supporter of this initiative that will bring better treatment and care for PI patients in the country.

In 2014, [Stichting Sanquin Bloedvoorziening \(Sanquin Blood Supply Foundation\)](#) began to process plasma supplied by Baxter into bulk material for Baxter's plasma-derived therapies used to treat immune disorders, hemophilia, trauma and other critical health conditions. Two years earlier, Baxter had entered into a 10-year manufacturing services agreement with Sanquin to provide additional plasma fractionation capacity in support of global demand for Baxter's plasma-derived therapies.

Sharing Best Practices for End-Stage Renal Disease Treatment

The program "Flying Angel," a partnership between Baxter China and the Chinese National Institute of Hospital Administration under the National Health and Family Planning Commission (former Ministry of Health), has been developing and deploying a sustainable peritoneal dialysis (PD) care and delivery model for end-stage renal disease (ESRD) patients living in rural parts of the country. See [Case Study: Improving Access to Renal Therapy in China](#).

Baxter has also advanced construction on a new PD manufacturing facility in Thailand, which will support increased demand and access to care under Thailand's "PD First" policy. This policy, in place since 2008, encourages PD as the first-line dialysis treatment option, when appropriate, for new ESRD patients. The facility is expected to start commercial production in the first quarter of 2016.

In 2014, Baxter supported the launch of the [Federación Mexicana de Enfermos y Trasplantados Renales, A.C. \(FEMETRE\)](#), which provides a unified voice for renal patients in the country. An estimated 9.5 million people in Mexico suffer from chronic renal disease, and approximately 129,000 are in phase IV or V and require dialysis or transplant. As only roughly 60% of the renal disease patient population has access to the appropriate treatment, FEMETRE seeks to provide universal access to timely treatment through support and awareness, as well as advocacy within the National Health System.

Also, in 2013, Baxter announced it would provide St. Joseph's Healthcare Hamilton, a hospital in Ontario, Canada, with \$250,000 over five years to deliver chronic kidney disease patients with digital educational materials about treatment options.

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Expanding Access to Compounded Medications

Baxter recently entered into a public-private partnership with Changi General Hospital in Singapore to establish the Centre of Excellence in Compounding to share best practices within the larger compounding community as well as to innovate in care delivery models. The center will develop clinical protocols and care paths to enable the administration of compounded sterile solutions to certain patients at home, allowing them to avoid staying in the hospital for weeks and potentially reducing the possibility of hospital-acquired infections.

Investigator Initiated Research and Continuing Medical Education Grants

Baxter is committed to supporting investigator-initiated research and medical education to benefit healthcare practitioners and advance patient care worldwide. For example, Baxter BioScience provided the Jeffrey Modell Foundation a grant in 2014 to continue to research and lobby for the Severe Combined Immune Deficiency (SCID) Newborn Screening Program, which is now implemented in 32 of the 50 U.S. states, the District of Columbia and the Navajo Nation covering 76.8% of babies born in the U.S. Babies with this condition left undiagnosed and untreated will generally not survive their first birthday. However, newborn screening for SCID enables these babies to be identified, diagnosed and cured with a stem cell transplant.

All grant submissions are reviewed by a multidisciplinary team. Once accepted for further assessment, the proposal is evaluated on the basis of medical or scientific merit, potential clinical usefulness of the data expected to be generated by the study and alignment with Baxter's existing or anticipated future product strategy and therapeutic area strategy. Baxter does not support research that is unnecessarily duplicative or a pretense to promote Baxter's products. All grants comply with Baxter's Global Policy on Interactions with the Medical Community and Government Officials. See [Ethics and Compliance Structure and Programs](#).

Addressing Product Shortages

The product shortages that have occurred across the industry in recent years have involved many factors, including raw material shortages, shifts in clinical practices, company decisions to discontinue specific medicines, supply disruptions from manufacturers which cause volatility in overall industry demand and supply, wholesaler and pharmacy inventory practices, changes in hospital and pharmacy contractual relationships with suppliers and wholesalers, adherence to protocols mandated by the FDA, natural disasters and manufacturing challenges. Drug shortages are complex problems that require broad-based solutions from all stakeholders. Baxter is committed to finding balanced solutions that involve stakeholders across the value chain.

Baxter's extensive portfolio offers options for clinicians and patients to address their supply needs through similar products or drugs that are available in a slightly different format (e.g. a premix intravenous formulation of a drug versus an injectable format that is in short supply). The company has remained the one continual supplier for a number of critical products that have experienced supply disruption.

In a number of instances over the last few years, Baxter has quickly responded to help minimize customer impact of competitive disruptions in the supply of particular products and has sought to ensure patients continue to receive the life-sustaining therapies they needed. Read feature story, "[Baxter Facilities Go Above and Beyond in the Face of Mother Nature and Unprecedented Customer Demand](#)." In some situations, Baxter has increased production or temporarily shifted production capability to increase supply, has adjusted inventory and supply chain practices and prioritized clinical access to vital products on an equitable basis in order to meet critical patient needs, has worked closely with regulatory authorities to seek approval for alternative products and has collaborated with raw material suppliers to help address gaps in supply.

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Through business model innovation, Baxter strives to develop products and therapies that address the unmet needs of patients around the world. In developing regions, these projects focus on factors such as limited infrastructure, poverty and lack of resources, which often limit access to healthcare. In these efforts, the company also considers possible application to other emerging markets, to leverage Baxter's investment and expand its impact.

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

In 2014, Baxter continued to advance its business model innovation projects in China and India through innovation hubs that address health needs in those emerging markets, such as hemophilia, renal disease and safe intravenous (IV) infusions. For example, in India, where 80% of people with hemophilia are undiagnosed, Baxter innovation hub leaders spent time last year meeting and talking with patients, doctors, members of NGOs, hospital staff and accredited social health activist workers to learn more about the

needs of local patients and healthcare providers and to test business models. In addition, they looked at the country's government, transportation and communication systems to better understand factors that could influence hemophilia screenings and treatments. Baxter also developed 10-year strategies for accelerating growth and increasing access to care in its renal, fluid systems and integrated pharmacy solutions franchises.

Baxter is a member of the International Institute for Sustainable Enterprise and the International Partnership for Innovative Healthcare Delivery (IPIHD), a coalition affiliated with the World Economic Forum. Through these memberships, the company learns from leaders in the field about addressing emerging markets and innovating to find healthcare solutions.

PRODUCT DONATIONS GRI 4.8 LA8

Baxter donates products to help improve access to healthcare worldwide. In 2014, the company contributed more than \$18 million in products, including through patient assistance programs, to help people in 71 countries (see [map](#)).

To maximize impact, Baxter donates items that recipient organizations have requested, such as intravenous (IV) solutions, hemostatic sealants, pharmaceuticals and hemophilia products. The company'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 donation opportunities, matching available inventory to patient need.

Baxter's proactive, strategic approach to product donations improves process efficiency and effectiveness and facilitates timely, targeted support to communities in need. This approach also enhances aid organizations' ability to plan and respond to emergencies, since the donor organizations

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know in advance what products to expect from Baxter. Additionally, they are able to house the products in their warehouses, allowing Baxter products to be ready for emergency airlifts.

During 2014, Baxter continued to work with its humanitarian aid partners—AmeriCares and Direct Relief—to pre-position products for emergencies as well as to address 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, 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 continued to work with International Health Partners (IHP), an organization dedicated to improving access to healthcare and medicines in the developing world by partnering with companies in Europe to provide donated medical aid to organizations serving needy communities. The company began its collaboration with IHP to help facilitate product donations from its sites in Europe. In 2014, Baxter contributed products with long shelf lives to enable aid organizations including IHP to provide a steady supply of medicines for ongoing support as well as critical therapies to offer in times of crisis.

Pre-positioned to Assist in Crises

In response to the Ebola virus outbreak, Baxter donated medical products (and cash grants) to Direct Relief. The products, which included antibiotics, anesthetics, and IV-related pharmaceuticals, supplies and equipment,

had a total value of more than \$200,000. There is no curative treatment for Ebola, but supportive care, including rehydration using intravenous fluids and the treatment of secondary infections, greatly improves survival rates. Baxter's donations of IV solutions and related IV supplies and equipment, as well as antibiotics, are high priority items for healthcare facilities treating Ebola patients in West Africa.

Both AmeriCares and Direct Relief played key roles in providing Baxter lifesaving fluids on their first airlifts to the affected areas early in the fall of 2014. The strategic pre-placement of Baxter fluid products enabled quick "first on the scene" placement for both organizations, which made multiple shipments to Liberia and Sierra Leone. Additionally, The Baxter International Foundation provided a \$100,000 disaster relief grant to U.S. Fund for UNICEF to provide home hygiene kits to communities near the affected areas to stop the spread of the disease.

In Monrovia, Baxter products were essential in responding not only to the crisis, but also to re-establishing hospitals as they reopened in hard-hit areas, such as St. Joseph Catholic Hospital. That facility re-opened its maternity ward near the end of 2014 utilizing Baxter products.

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 (WFH), dedicated to improving the lives of people with hemophilia and related bleeding disorders. Baxter is the founding sponsor of the organization's Global Alliance for Progress (GAP) program, which works to improve access to hemophilia diagnosis, care and treatment. Since its launch in 2003, more than 28,300 patients have been diagnosed with hemophilia in 24 GAP countries. The program has also trained about 13,000 patients, family members and national member association board members. The program has also led to the implementation of national

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hemophilia care programs in 20 countries, and the signing by ministries of health in 16 countries of memoranda of understanding that commit governments to a framework of hemophilia care and treatment delivery. There was also a cumulative increase in treatment product supply of more than 3.3 billion international units.

To help ensure that underserved countries have sufficient factor replacement treatment, Baxter has donated more than 4.5 million units of product over the past four years through the WFH, as well as its humanitarian aid partners such as AmeriCares.¹ See [Advancing Public Health](#).

Patient Assistance Programs

Baxter maintains U.S. patient assistance programs to help ensure continuous access to therapeutic 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. Baxter contributes to PSI programs that support patients with bleeding disorders, alpha-1 antitrypsin deficiency (AAT) and primary immune deficiency.

Baxter also supports the myPN Support program, a patient assistance program for U.S. citizens and legal residents in the United States that helps qualifying patients maintain access to certain parenteral nutrition drug therapies.

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 materials. Baxter's BioSurgery hemostatic and tissue sealant products as well as anesthesia products and IV solutions are some of the most requested Baxter products in these situations. During 2014, AmeriCares supported 262

Medical Outreach program shipments to 48 countries with Baxter products.

In 2014, Baxter again donated a general inhalation anesthetic for use by the Helping Hands Medical Mission in El Salvador. Through the Helping Hands Medical Mission, doctors perform surgery at no cost for impoverished patients at El Hospital La Divina Providencia in Santiago. The team has evaluated more than 300 patients and performed more than 150 general abdominal surgeries during their past two missions.

Medical mission teams also benefit from Baxter product donations. One patient in Lagawe, Philippines, a young pregnant woman, came to the emergency room suffering from fetal distress. Evaluation revealed this to be caused by a prolapsed umbilical cord; the team immediately performed an emergency cesarean section, while administering Baxter fluids, and in less than 15 minutes had delivered twin baby girls. The mother, who had never had a pre-natal exam, did not know she had been carrying twins.

Physician teams through AmeriCares medical outreach program in the Philippines also provided surgeries for children with cleft lip and palates, repairs that allow children with those congenital abnormalities to speak, eat and hear normally, and avoid the social stigma that often accompanies that condition. Dr. Conrad Zapanta and his team used Baxter products during their time at Ifugao General Hospital in Lagawe.

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

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THE BAXTER INTERNATIONAL FOUNDATION GRI LA8

The Baxter International Foundation focuses primarily on increasing access to healthcare worldwide. In 2014, the Foundation donated \$2.9 million in cash (excluding future commitments) in 21 countries. This included over \$900,000 to more than 860 organizations through the Foundation's Dollars for Doers and Matching Gifts programs that support employees' philanthropic contributions. The majority of 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 2014 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:

- **India** Sightsavers International, in Delhi, used funds from Baxter to help enhance the lives of more than 46,000 people through five vision centers, with 662 patients receiving eye surgery, half of whom had cataracts removed.
- **New Zealand** Auckland-based Shine (Safer Homes in New Zealand Everyday) will hire a social worker to encourage a proactive and high-quality patient screening program and immediate response for patients who are affected by domestic violence.
- **United States** The Trevor Project in West Hollywood, California, will use the grant to add two crisis coordinators to continue to provide crisis intervention and suicide prevention to lesbian, gay, bisexual, transgender and questioning teens and young adults.

Watch a [video](#) about The Baxter International Foundation grants, or see a [complete list](#) of recent grants with additional detail.

The Baxter International Foundation also sponsors three prize programs, among the most prestigious in healthcare, 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 to improve community health and well-being. See the [press release](#) about the 2014 recipient.

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. See the [press release](#) about the 2014 recipient.

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 to nursing knowledge development, application or discovery that produce significant public benefit.

The Foundation also has a long-standing commitment to the education of employees' children through annual merit-based scholarships. A neutral third-party agency evaluates applications on the basis of the students' academic, extracurricular and employment accomplishments. Recipients receive a \$1,500 cash award during the academic year for which they are selected. Scholarships may be renewed for up to three additional years. In 2014, the Foundation awarded 100 new scholarships. Of those, 78 students were from the United States and Puerto Rico, representing 21 states. The remaining 22 were from 15 different countries around the world. Additionally, in 2014, the program awarded 175 renewal scholarships. Of these, 136 students were in 21 states and Puerto Rico and 39 were from 18 different countries.

Community Support

GRI 3.9 EC8



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 are central to the company's approach.

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. These efforts often complement Baxter's initiatives to increase access to healthcare, including in emerging markets. See [Access to Healthcare](#) for more detail.

TOPICS IN THIS SECTION

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COMMUNITY NEEDS

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PRIORITIES ADDRESSED



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



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

PHOTO: Baxter employees in Northern Illinois volunteer with Habitat for Humanity of Lake County. Through 2014, Baxter has sponsored 10 houses for families in need.

Community Support

EDUCATION AND
CRITICAL COMMUNITY NEEDS

EMPLOYEE INVOLVEMENT

This section includes the following pages:

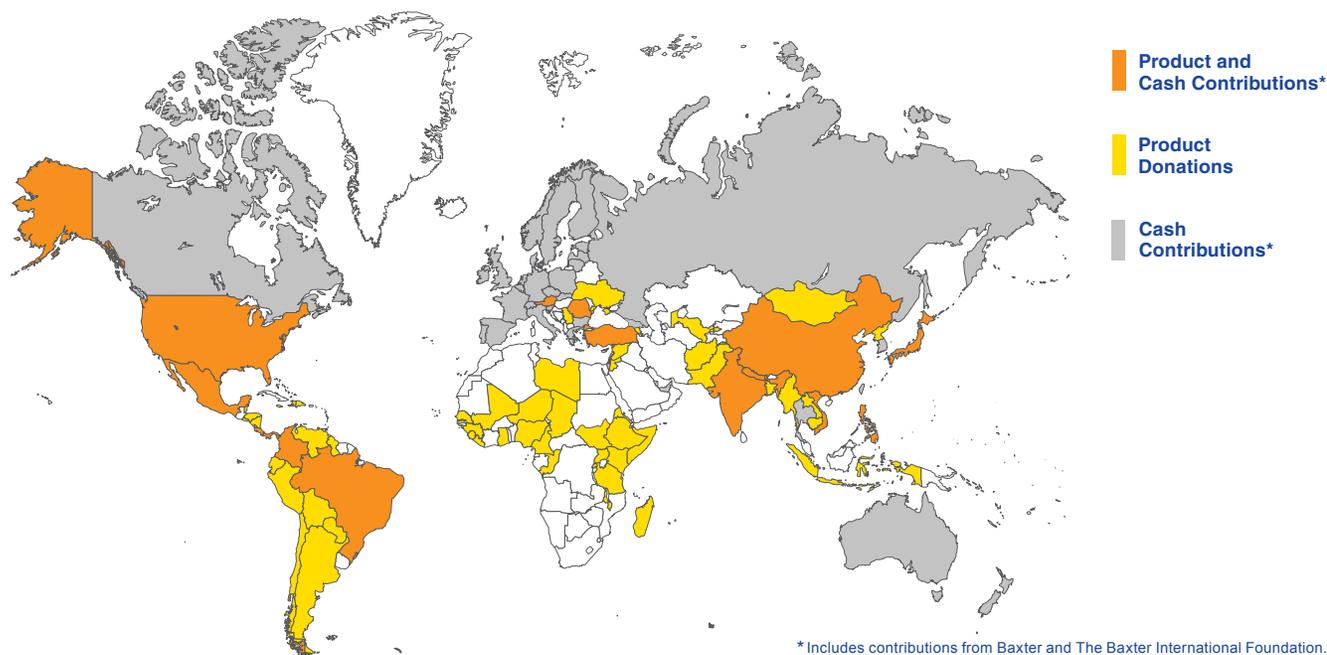
Education and Critical Community Needs Baxter makes financial and in-kind donations to address local community needs such as improving education, protecting the environment and fostering patient safety. The company's business units, functions and manufacturing facilities contributed more than \$29 million worldwide in 2014, over 49% outside the United States.

Employee Involvement The company encourages employees to volunteer time and expertise in their communities through two programs offered by The Baxter International Foundation. The Dollars for Doers Program provides matching grants to U.S. charitable organizations for

employee volunteer hours. The Foundation also matches employees' financial contributions to eligible U.S. charitable organizations through the 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. These efforts often complement Baxter's initiatives to increase access to healthcare, including in emerging markets. See [Access to Healthcare](#) for more detail.

Overview of Baxter Global Community Support in 2014



Community Support

EDUCATION AND CRITICAL COMMUNITY NEEDS

EMPLOYEE INVOLVEMENT

2014 Giving Summary

During 2014, Baxter and The Baxter International Foundation gave more than \$50 million, including product donations, cash contributions and foundation grants. The company has contributed nearly \$332 million over the last five years.

Baxter and The Baxter International Foundation Charitable Giving* (dollars in millions)					
	2010	2011	2012	2013	2014
Product Donations**					
Products/Patient Assistance Programs	\$48.09	\$47.17	\$28.02	\$34.29	\$18.29
Business and Facility Cash Donations***					
Within United States	\$14.66	\$12.88	\$12.31	\$14.37	\$15.04
Outside United States	12.56	16.05	13.10	13.12	14.58
Subtotal	\$27.22	\$28.93	\$25.52	\$27.49	\$29.62
The Baxter International Foundation Contributions					
Within United States (including Puerto Rico)					
Grants	\$1.32	\$1.65	\$1.47	\$0.76	\$1.09
Matching Gifts and Dollars for Doers	0.74	0.71	0.65	0.77	0.91
Scholarships	0.20	0.21	0.21	0.21	0.25
Prize Programs	0.26	0.23	0.23	0.39	0.39
Subtotal	2.47	2.83	2.56	2.13	2.64
Outside the United States					
Grants	1.56	1.14	0.50	0.65	0.22
Scholarships	0.07	0.07	0.07	0.07	0.07
Subtotal	1.63	1.21	0.57	0.72	0.29
Total Foundation Contributions	\$4.10	\$4.04	\$3.13	\$2.85	\$2.93
Total Charitable Giving	\$79.41	\$80.14	\$56.67	\$64.63	\$50.84

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

***Baxter and facility cash donations from outside the United States include some Gambro facilities.

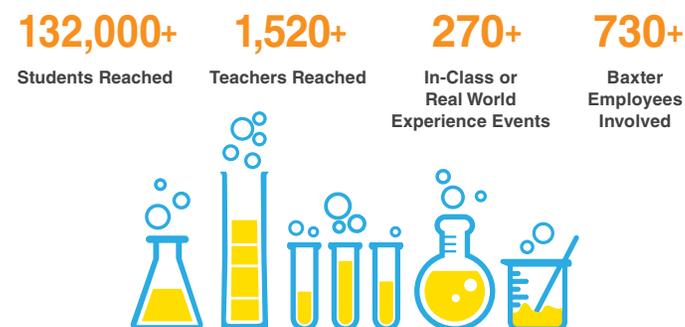
EDUCATION AND CRITICAL COMMUNITY NEEDS

Education

Advancing elementary and high school science and math 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 science and math education programs to prepare students for careers in science. Baxter Corporate Vice President and Chief Information Officer Paul Martin was recently named one of the 100 Diverse Corporate Leaders in STEM (Science Technology Engineering and Math) by [STEMconnector](#).

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 2013-2014 school year, the program reached nearly 32,000 students and more than 450 teachers through in-depth biotechnology teacher training and module lesson plans. This increased the total to more than 132,000 students and 1,525 teachers since 2008.

Science@Work by the Numbers, 2008-2014



Community Support

EDUCATION AND
CRITICAL COMMUNITY NEEDS

EMPLOYEE INVOLVEMENT



Instituto Health Sciences Career Academy Students collaborated with Baxter employees on the Illinois Science & Technology Institute R&D STEM Learning Exchange Problem Challenge. The Baxter challenge related to human impact on the environment and how it affects human health.

Baxter also contributed to several other educational initiatives during the year throughout Northern Illinois. The company supported 93 events for teachers and students, including several enabling students to experience science first-hand through interactions with Baxter professionals. These included a Baxter collaboration with Northwestern University's Office of STEM Education Partnerships and the Biotechnology Center of Excellence at Lindblom Math and Science Academy in 2014 to provide teachers professional development workshops to bring biotechnology into the classroom.

Baxter's educational efforts reach an ethnically and socioeconomically diverse range of students. In 2013-2014 in the CPS district, the focus of many Baxter programs, 91% of students were non-Caucasian, 85% were from low-income families and 16% were limited-English proficient.¹

Other education initiatives in 2014 included:

FIRST Baxter is a founding member of FIRST (For Inspiration and Recognition of Science and Technology), and 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.

The company has provided approximately \$2.1 million in financial support to FIRST since 1998, and sponsors two regional competitions, the FRC Midwest Regional and the Arkansas Regional. In 2014, Baxter supported ten local teams in Arkansas, Colorado, Illinois, Minnesota, and New York in the United States, as well as Cuernavaca, Mexico.

Junior Achievement During the 2013-14 school year, 305 Baxter volunteers in seven countries spent more than 3,500 hours teaching financial literacy to nearly 7,000 students.

Street Law, Inc. More than 20 Baxter lawyers, paralegals and other professionals created and delivered in-classroom lessons to approximately 100 Lindblom Math and Science Academy students on various legal topics in conjunction with Street Law, Inc., a nonprofit organization dedicated to teaching groups that are underrepresented in the legal field about law, democracy and human rights.

In addition to Baxter's efforts to expand access to healthcare through private-public partnerships, product donations and grants, the company works within communities worldwide to help raise awareness about diseases and treatment options. Efforts from 2014 included:

World Hemophilia Day In recognition of World Hemophilia Day, Baxter contributed to the World Federation of Hemophilia campaign "Speak Out. Create Change!" and issued its own position paper entitled "Envisioning a World Without Bleeds," focused on increased collaboration to improve the quality and access to comprehensive care for hemophilia patients worldwide.

World PI Week World PI Week, established in 2011 with support from Baxter, raises the recognition and diagnosis of primary immunodeficiencies (PI).² During the week-long event, organizers worldwide encourage improved PI awareness and diagnosis among medical professionals and the general public.

¹ Chicago Public Schools website. "Stats and Facts." http://www.cps.edu/about_cps/at-a-glance/pages/stats_and_facts.aspx.

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.

Community Support

EDUCATION AND
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World Kidney Day (WKD) The 2014 theme was “Chronic Kidney Disease (CKD) and aging.” Although CKD can occur at any age, chances of developing the condition increase with age. WKD, which is an annual campaign initiated by the International Society of Nephrology and the International Federation of Kidney Foundations, was designed to support a global day of unity in raising awareness for kidney health, kidney disease and access to care. Baxter once again was a proud sponsor of the WKD campaign, as well as supported the movement around the world by organizing communications and activities that helped foster greater awareness.

EMPLOYEE INVOLVEMENT

Baxter employees contribute skills and expertise to benefit local communities. These efforts help recipient organizations advance their missions, and also provide employees with opportunities to grow personally and develop leadership skills.

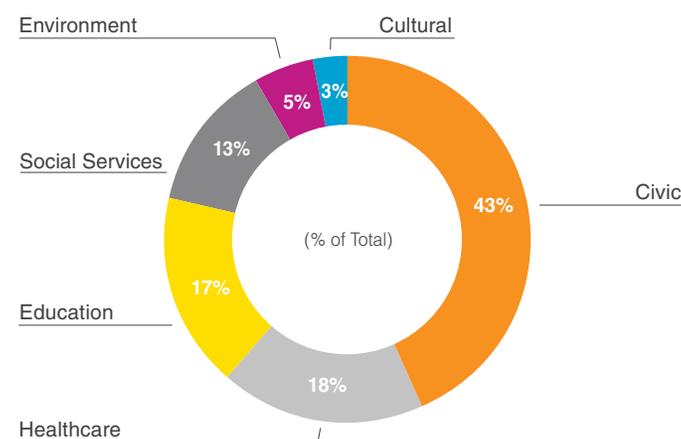
Employee Volunteerism

In 2014, nearly 6,300 Baxter employees volunteered more than 128,000 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.

Employees track their efforts using Baxter’s internal volunteerism website. Since 2008, the company has logged nearly 962,000 hours and recognized employees who volunteer for 40 or more hours during the year. More than 675 Baxter employees volunteered at least 40 hours in 2014.

In the United States, The Baxter International Foundation’s Dollars for Doers program provides grants to qualified organizations at which Baxter employees have volunteered for at least 10 hours during 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 2014, the program provided 153 grants to 130 organizations for nearly \$61,000.

Baxter Global Volunteerism by Category, 2014*



Totals (approximate hours)

■ Civic	55,600	■ Social Services	16,300
■ Healthcare	22,500	■ Environment	6,500
■ Education	22,400	■ Cultural	4,300

*Baxter volunteers support organizations and initiatives focused on the following areas: **Civic:** Strengthening and building communities to improve quality of life for all, such as through voting drives, neighborhood watch programs, Meals on Wheels and youth sports programs. **Healthcare:** Supporting a wide range of areas, including general and rehabilitative; mental health and crisis intervention; disease and disorders; and medical research. **Education:** Supporting supplemental and continuing education outside the framework of formal educational institutions. **Social services:** Providing a broad range of social or human services to individuals or families, such as through youth development, housing projects, food pantries and disaster aid. **Environment:** Focusing on the preservation and protection of the environment, including pollution control, natural resource conservation, urban beautification and preserving wildlife habitats. **Cultural:** Promoting enjoyment or understanding of the visual, performing, folk or media arts or the humanities. Segments do not add up to 100% due to a small number of uncategorized hours.

Community Support

EDUCATION AND
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EMPLOYEE INVOLVEMENT



Dollars for Doers recipient Daniel Borger volunteers at the Birmingham, Alabama Zoo. Borger states “Although this is not the most glamorous volunteer job, I take great pride in directly contributing to the animal’s well-being.” In 2014 the number of employees participating in the Dollars for Doers Program increased by 80%.

The company enhanced the U.S. Dollars for Doers program in 2014, allowing employees more flexibility to select the organizations to which their contributions go. Due partly to these changes, employee participation grew by 80%.

Baxter Canada continued its Dollars for Doers program, which awards \$1,000 grants to organizations selected by employee volunteers who volunteered a minimum of 16 hours during the year. The company then randomly selects employees from the pool of volunteers to name their charity of choice to receive a grant. In 2014, Baxter Canada provided \$25,000 in Dollars for Doers grants.¹

Baxter World Environment Week

In 2014, Baxter sponsored its sixth annual “Baxter World Environment Week” to promote sustainable living in employees’ communities. “Understanding Our Impact on the areas of Water, Energy and Food” with a focus on education was the theme of the 2014 event, which took place the first week of June to correspond with the United Nation’s World Environment Day. More than 130 Baxter sites worldwide sponsored events that promoted

earth-friendly activities, including the following:

- **Sintra, Portugal** Employees planted trees at a local school and spoke with students about the importance of environmental conservation.
- **Deerfield, Illinois, United States** The company headquarters hosted a globally webcast speaker event featuring the CEO of the Chicago Botanic Garden, held a plant sale and farmers market in the cafeteria and hosted a volunteer and educational experience for employees and their children at the Garden.

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 2014 included:

- **Chennai Regional Office, India** Employees and their families visited the Maranatha Children’s Home to celebrate Diwali, and brought the children gifts and provided funding for one month of food.
- **Seoul, Korea** Baxter employees participated in “Baxter Baking with Love” to bake for children at the Korea Red Cross Community Center and the Sindang Children’s Day Care Center.

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 2014, The Baxter International Foundation matched gifts to eligible organizations submitted by more than 1,400 U.S.-based employees from 42 states. Matches totaled nearly \$850,000, which doubled the impact to over 775 charitable organizations.

¹ U.S. Dollars for Doers is funded by The Baxter International Foundation. Baxter Canada Dollars for Doers is funded by business and facility donations.

Public Policy

GRI 505



Many legislative issues affect Baxter's business globally, including reimbursement, tax, trade and a variety of regulatory concerns. The company's Government Affairs and Public Policy (GAPP) team works with lawmakers, governments and policymakers worldwide to support patient access to Baxter's life-saving therapies, increase understanding of the benefits of those therapies, address barriers to care and explore possible solutions. This involves engaging directly with governments to improve the regulatory environment and reimbursement structure for the company's therapies, and collaborating with clinicians, non-governmental organizations and patient groups to increase access to care for millions of patients worldwide.

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CONTRIBUTIONS REPORT

PHOTO: Laurie Hernandez, vice president, strategy and integration, served as moderator during a Congressional Hispanic Leadership Institute congressional briefing on disparities in chronic diseases during Baxter's 2015 Minority Health Month Fly-In.

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

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 efforts. For additional information, see [Baxter's 2014 Political Contributions Report](#). This details contributions made in 2014 by Baxter and Baxter's Political Action Committee, BAXPAC. It also includes information about the company's membership in certain trade and industry groups.

Recognizing Baxter's leadership in this area, the company was ranked among the first tier of companies for political disclosure, transparency and accountability in the [2014 CPA-Zicklin Index of Corporate Political Disclosure and Accountability](#).

Baxter's key focus areas include the following:

Physician Payments Sunshine Act

Baxter is responding to federal requirements mandated by the U.S. Physician Payments Sunshine Act. Read more in the [Ethics and Compliance section](#).

Engagement on Home Dialysis

Baxter participated in the 2014 National Summit on Home Dialysis Policy in Washington, D.C., to further the dialogue about the benefits of home dialysis for patients with end-stage renal disease and to discuss actions underway to alleviate recent peritoneal dialysis (PD) solution shortages. Home dialysis, including PD 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—including improved outcomes associated with more consistent treatments, enhanced patient satisfaction, improved quality of life and lower costs compared to in-center treatment—only about 10% of U.S. dialysis patients received treatment at home in 2012.¹

Baxter belongs to the Alliance for Home Dialysis, an organization focused on advocacy, policy recommendations and thought leadership. During 2014, the Alliance educated Congressional offices about home dialysis, nephrologist reimbursement practices through Medicare Part B and telehealth issues, helping to influence legislation related to these topics.

Increased Access for Hemophilia Patients in Romania

In early 2014, the Romania government announced a 40% increase in its hemophilia budget. This increase came after sustained engagement from Baxter's Romania team and GAPP. Specifically, Baxter's Romania leadership met with the Prime Minister, President, Foreign Minister, Minister of Finance and the Minister of Economy. The team provided background and analysis of hemophilia treatment targets in other EU countries and how such programs would benefit patients in Romania. As a result of the budget increase, Baxter Romania is providing more hemophilia products to patients in Romania.

Outreach on Behalf of Diverse Populations

In April 2014, Baxter's GAPP team held its second annual Minority Health Month Fly-In in Washington, D.C. Members of Baxter's business resource groups (BRGs), including the African-American Leadership Council, Asian Leadership Network and Latinos@Baxter, came from across the country to underscore the importance of developing strong public policies in the healthcare and medical device sectors to help address healthcare disparities that continue to affect racial and ethnic minorities. The team met with more than 30 members of the Tri-Caucus, including members of the Congressional Black Caucus, the Congressional Hispanic Caucus and the Congressional Asian Pacific American

¹ Neumann, Mark. "Some bright spots for home dialysis." Nephrology News & Issues. (July 13, 2012). Available at <http://www.nephrology-digital.com/201208/201208/5/0>.

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

Caucus, where they discussed Baxter's leadership through the IV drug shortage, the importance of ensuring program integrity and transparency in the 340B program, the need for supporting improvements in chronic disease research and treatment of end-stage renal disease and growing international markets through trade agreements.

During the visit, Baxter participants also attended The National Minority Quality Forum Summit, where Dana Mendenhall, Baxter director of marketing, renal, presented to legislators, policy makers and clinical experts about racial disparities in treatment of chronic kidney disease.

During 2014, Baxter representatives attended the Annual National Summit on Health Disparities, the Congressional Black Caucus Foundation Annual Legislative Conference, the Congressional Black Caucus Community Breakfast and Health Fair, the National Association of Latino Elected and Appointed Officials Annual Conference, the National Council of La Raza Annual Conference and the Congressional Hispanic Caucus Institute Public Policy Conference.

2014 POLITICAL CONTRIBUTIONS REPORT GRI S05 S06

Baxter obeys all laws regarding engagement in the political process everywhere it operates. The company's Code of Conduct, which states 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. Each year, the Public Policy Committee reviews political contributions, positions on pending legislative, and other political advocacy initiatives.

This Political Contributions Report provides information about corporate contributions made in the United States by Baxter as well as contributions made by BAXPAC.

It also includes information about Baxter's lobbying expenses and membership in trade and industry groups.

- [Corporate Contributions](#)
- [Baxter Political Action Committee](#)
- [Lobbying Expenses](#)
- [Certain Memberships](#)

Corporate Contributions

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 or considered such expenditures, 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 2014, 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 \$66,000 to state candidates and other candidate leadership and political organizations in 2014 after approval from the BAXPAC Board. U.S. law does not allow companies to make contributions to federal candidates. As discussed on the next page, contributions to federal candidates may be made by BAXPAC.

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

Baxter's Corporate Contributions to U.S. State Candidates, 2014

Member	District	Party	Amount	Member	District	Party	Amount
Arkansas				Georgia (cont.)			
Broadaway, Mary	H57	D	\$250	Cooper, Sharon	H43	R	\$500
Davis, Andy	H31	R	\$250	Deal, Nathaniel	Governor	R	\$5,000
Gillam, Jeremy	H45	R	\$250	England, Terry	H116	R	\$500
Holcomb, Mike	H10	D	\$250	Ginn, Frank	S47	R	\$500
Irvin, Missy	S18	R	\$500	Hill, Jack	S4	R	\$500
Kizzia, David	H26	D	\$250	Jeffares, Rick	S17	R	\$500
McLean, James	S19	D	\$500	Jones, Burt	S25	R	\$500
Sample, Bill	S14	R	\$500	O'Neal, Larry	H146	R	\$500
Wren, Tommy	H62	D	\$250	Ralston, David	H7	R	\$2,500
California				Shafer, David	S48	R	\$2,500
Atkins, Toni	H78	D	\$2,500	Stephens, Ron	H164	R	\$500
Bonilla, Susan	H14	D	\$1,000	Unterman, Renee	S45	R	\$500
DeLeon, Kevin	S24	D	\$2,500	Williamson, Bruce	H115	R	\$500
Gatto, Mike	H43	D	\$1,000	Illinois			
Hernandez, Ed	S22	D	\$1,000	Althoff, Pam	S32	R	\$250
Jones, Brian	H71	D	\$1,000	Bellock, Patricia	H47	R	\$400
Lara, Ricardo	S33	D	\$1,500	Bliss, Daniel	S9	D	\$250
Liu, Carol	S25	D	\$1,000	Bradley, John	H117	D	\$250
Maienschein, Brian	H77	R	\$1,000	Bush, Melinda	S31	D	\$250
Morrell, Mike	S23	D	\$1,000	Clayborne, James	S57	D	\$500
Mullin, Kevin	H22	D	\$1,000	Cullerton, John J.	S6	D	\$1,500
Olsen, Kristin	H12	D	\$1,500	Currie, Barbara Flynn	H25	D	\$500
Pavley, Fran	S27	R	\$1,000	Delgado, Willie	S2	D	\$250
Quirk, Bill	H19	D	\$1,000	Drury, Scott	H58	D	\$250
Weber, Shirley	H79	D	\$1,000	Duffy, Dan	S26	R	\$250
Florida				Durkin, Jim	H82	R	\$1,000
Brodeur, Jason	H28	R	\$500	Feigenholtz, Sara	H12	D	\$250
Lee, Tom	S24	R	\$500	Fine, Laura	H17	D	\$250
Pigman, Cary	H55	R	\$500	Gabel, Robyn	H18	D	\$500
Rodrigues, Ray	H76	R	\$500	Harmon, Don	S39	D	\$500
Thrasher, John	S6	R	\$500	Harris, Greg	H13	D	\$250
Georgia				Hunter, Mattie	S33	D	\$250
Cagle, Casey	Lt. Governor	R	\$2,500	Hutchinson, Toi	S40	D	\$250
Chanell, Mickey	H120	R	\$500	Lang, Lou	H16	D	\$250

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

Baxter's Corporate Contributions to U.S. State Candidates, 2014

Illinois (cont.)

Link, Terry	S30	D	\$500
Madigan, Michael J.	H22	D	\$1,500
Mautino, Frank	H76	D	\$250
Mayfield, Rita	H60	D	\$250
McSweeney, David	H52	R	\$250
Morrison, Julie	S29	D	\$250
Munoz, Tony	S1	D	\$250
Murphy, Matt	S27	R	\$500
Pritchard, Robert	H70	R	\$250
Radogno, Christine	S41	R	\$1,000
Sente, Carole	H59	D	\$250
Sims, Elgie	H34	D	\$250
Steans, Heather	S7	D	\$250
Sullivan, Ed	H51	R	\$250
Syverson, Dave	S35	R	\$250
Trotter, Donne	S17	D	\$350
Turner, Arthur	H9	D	\$250
Wheeler, Barbara	H64	R	\$250
Yingling, Sam	H62	D	\$250

Mississippi

Bryan, Hob	S7	D	\$500
Bryant, Phil	Governor	R	\$500
Kirby, Dean	S30	R	\$500
Mims, Sam	H97	R	\$500
Reeves, Tate	Lt. Governor	R	\$500
White, Jason	H48	R	\$500

TOTAL **\$61,000**

Contributions to Candidate Leadership Committees and/or Party Committees, 2014

Payee	Amount
California Moderate Democrats Committee	\$5,000
Total	\$5,000

Baxter's Corporate Contributions to 501(c)(4) and 527 Organizations, 2014

Baxter also engages to advance the company's interests and those of its patients through membership in 501(c)(4) and 527 organizations.

Contributions to 501(c)(4) Organizations, 2014*

Payee	Amount
The Ripon Society	\$25,000
Third Way	\$32,500
Total	\$57,500

Contributions to 527 Organizations, 2014*

Payee	Amount
National Governors Association	\$20,000
Democratic Governors Association	\$10,000
Republican Governors Association	\$25,000
Total	\$55,000

*Only includes organizations for which GAPP pays the annual dues.

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

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 \$167,750 in contributions in 2014.

BAXPAC Contributions to U.S. Federal and State Candidates, 2014

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
Arkansas						
Boozman, John		X		AR	R	\$1,500
California						
Bass, Karen	X			CA037	D	\$1,000
Bera, Ameriash	X			CA007	D	\$1,000
Brownley, Julia	X			CA026	D	\$1,000
Eshoo, Anna	X			CA018	D	\$1,000
Feinstein, Dianne		X		CA	D	\$2,500
Matsui, Doris	X			CA006	D	\$1,500
Schiff, Adam	X			CA028	D	\$2,000
Georgia						
Lewis, John	X			GA005	D	\$2,000
Illinois						
Kelly, Robin	X			IL002	D	\$2,500
Roskam, Peter	X			IL006	R	\$2,500

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
Illinois (cont.)						
Schneider, Bradley	X			IL010	D	\$4,000
Shimkus, John	X			IL015	R	\$2,000
Kirk, Mark		X		ILR	R	\$2,000
Indiana						
Carson, Andre	X			IN007	D	\$2,500
Young, Todd	X			IN009	R	\$1,000
Iowa						
Anderson, William			X	IA003	R	\$200
Dix, Bill			X	IA025	R	\$400
Dotzler, William			X	IA031	D	\$200
Dvorsky, Robert			X	IA015	D	\$200
Fry, Joel			X	IA027	R	\$250
Gronstal, Michael			X	IA050	D	\$400
Heddens, Lisa			X	IA046	D	\$250
Jacoby, David			X	IA074	D	\$200
Jochum, Pam			X	IA050	D	\$400
Jorgensen, Ron			X	IA006	R	\$200
Mathis, Liz			X	IA034	D	\$200
Miller, Linda			X	IA082	R	\$250
Paulsen, Kraig			X	IA035	R	\$400
Ragan, Amanda			X	IA007	D	\$250
Running-Marquardt, Kirsten			X	IA069	D	\$200
Segebart, Mark			X	IA006	R	\$250
Upmeyer, Linda			X	IA012	R	\$300
Wessel-Kroeschell, Beth			X	IA045	D	\$250
Whitver, Jack			X	IA019	R	\$200
Kentucky						
McConnell, Mitch		X		KY	R	\$2,500
Maryland						
Hoyer, Steny	X			MD005	D	\$2,500
Michigan						
Benishek, Daniel	X			MI001	R	\$2,000
Upton, Fredrick	X			MI006	R	\$2,500
Minnesota						
Walz, Timothy	X			MN001	D	\$1,000
Paulsen, Erik	X			MN003	R	\$2,500

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

BAXPAC Contributions to U.S. Federal and State Candidates, 2014

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
New Jersey						
Pallone, Frank	X			NJ006	D	\$2,000
Pascrell, William	X			NJ009	D	\$1,000
New Mexico						
Lujan, Ben	X			NM003	D	\$2,500
New York						
Meeks, Gregory	X			NY005	D	\$1,000
Hawley, Stephen			X	NY139	R	\$250
North Carolina						
Apodaca, Thomas			X	NC048	R	\$500
Berger, Philip			X	NC026	R	\$500
Blackwell, Hugh			X	NC086	R	\$500
Blue, Daniel			X	NC014	D	\$500
Brown, Harry			X	NC006	R	\$500
Butterfield, G.	X			NC001	D	\$1,000
Dobson, Josh			X	NC085	R	\$500
Dollar, Joseph			X	NC036	R	\$500
Glazier, Richard			X	NC044	D	\$500
Hagan, Kay		X		NC	D	\$5,000
Hager, Michael			X	NC112	R	\$500
Hall, Larry			X	NC029	D	\$500
Hartsell, Fletcher			X	NC036	R	\$500
Hise, Ralph			X	NC047	R	\$500
Moore, Timothy			X	NC111	R	\$500
Pate, Louis			X	NC007	R	\$500
Stam, Paul			X	NC037	R	\$500
Starnes, Edgar			X	NC087	R	\$500
Tillman, Jerry			X	NC029	R	\$500
Ohio						
Burke, David			X	OH083	R	\$500
Fudge, Marcia	X			OH011	D	\$2,500
Gonzales, Anne			X	OH019	R	\$1,000
Oelslager, W. Scott			X	OH029	R	\$500
Rosenberger, Cliff			X	OH091	R	\$500
Smith, Ryan			X	OH093	R	\$500

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
Ohio (cont.)						
Sprague, Robert			X	OH083	R	\$500
Oregon						
Wyden, Ron		X		OR	D	\$1,000
Pennsylvania						
Marino, Thomas	X			PA010	R	\$1,000
Pitts, Joseph	X			PA016	R	\$2,500
Turzai, Michael			X	PA028	R	\$1,000
Dermody, Frank			X	PA033	D	\$500
Baker, Matthew			X	PA068	R	\$500
Conklin, H. Scott			X	PA077	D	\$500
Kampf, Warren			X	PA157	R	\$500
Adolph, William			X	PA165	R	\$500
Petri, Scott			X	PA178	R	\$500
Hughes, Vincent			X	PA007	D	\$500
Pileggi, Dominic			X	PA009	R	\$500
Mensch, Robert			X	PA024	R	\$500
Corman, Jacob			X	PA034	R	\$1,000
Costa, Jay			X	PA043	D	\$500
South Carolina						
Scott, Timothy		X		SC	R	\$1,000
Tennessee						
Alexander, Lamar		X		TN	R	\$4,000
Texas						
Abbott, Greg			X	TX	R	\$1,500
Brady, Kevin	X			TX008	R	\$4,000
Burgess, Michael	X			TX026	R	\$3,500
Cornyn, John		X		TX	R	\$5,000
Kolkhorst, Lois			X	TX013	R	\$1,250
Nelson, Jane			X	TX012	R	\$1,250
Patrick, Dan			X	TX007	R	\$1,500
Raymond, Richard			X	TX042	D	\$1,250
Veasey, Marc	X			TX033	D	\$2,500
Zerwas, John			X	TX028	R	\$1,250

Public Policy

2014 POLITICAL CONTRIBUTIONS REPORT

BAXPAC Contributions to U.S. Federal and State Candidates, 2014

Member	Federal House	Federal Senate	State Candidate	District	Party	Amount
West Virginia						
McKinley, David	X			WV001	R	\$1,000
Wisconsin						
Ryan, Paul	X			WI001	R	\$2,500
Kind, Ron	X			WI003	D	\$2,000
Total						\$122,750

Other BAXPAC Contributions, 2014

Payee	Amount
Building Relationships in Diverse Geographic Environments PAC	\$5,000
Committee for Hispanic Causes/Building Our Leadership Diversity PAC (CHC BOLD PAC)	\$5,000
Congressional Black Caucus PAC	\$5,000
Democratic Congressional Campaign Committee	\$5,000
Every Republican is Crucial	\$5,000
National Republican Senatorial Committee	\$15,000
New Democrat Coalition PAC	\$5,000
Total	\$45,000

Lobbying Expenses

In 2014, Baxter spent approximately \$2,820,000 on federal lobbying-related activities in the United States, to promote policies that support the company's objectives. This amount includes the salaries and overhead expenses of Baxter employees dedicated to this area, the value of time and related expenses of internal partners (such as corporate counsel), payments to external consultants and lobbyists and trade association dues used for lobbying. Baxter adheres to all federal, state and local laws to ensure compliance in this area. Outside the United States, Baxter also complies with all applicable laws and regulations.

Certain Memberships

Baxter maintains memberships in numerous industry and trade groups including organizations that engage in lobbying activities. The table (bottom left) includes the amount that Baxter has been notified was spent on federal-related lobbying activity during 2014 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 towards consensus in these areas.

Federal-related Lobbying Expenditures by Certain U.S.-based Trade Associations, 2014

Payee	Amount
AdvaMed	\$49,800
Alliance for Home Dialysis Policy	\$29,600
Biotechnology Industry Organization (BIO)	\$138,600
GPhA Generic Pharmaceutical Association	\$25,000
Kidney Care Partners (KCP)	\$32,000
Plasma Protein Therapeutics Association (PPTA)	\$11,800

APPENDIX: Baxter Value Chain Energy Usage and Greenhouse Gas Emissions

GRI 3.9 EN3 EN4 EN16 EN17 EN29

	Units	Energy Usage			Joules (trillions)			Energy Costs (dollars in millions)			Carbon Dioxide Equivalents ^{1,2} (thousand metric tons)			
		2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014	
Upstream Scope 3 Emissions														
<i>Purchased Goods and Services (Category 1)³</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	924	937	974	
<i>Capital Goods (Category 2)⁴</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	163	210	238	
<i>Fuel and Energy-related Activities (Category 3)⁵</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	197	204	217	
<i>Upstream Transportation and Distribution (Category 4)⁶</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	564	569	583	
<i>Waste Generated in Operations (Category 5)⁷</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15	17	15	
<i>Business Travel (Category 6)⁸</i>														
Commercial Airlines (Aviation Fuel Use)	Million Kilometers Flown	305	345	388	n/a	n/a	n/a	n/a	n/a	n/a	55	58	61	
Rental Cars (Fuel Use)	Million Kilometers Driven	6	6	7	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	
Hotel Stays (Hotel Energy Use)	Thousand Room Nights	133	140	158	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	
Subtotal		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	59	62	65	
<i>Employee Commuting (Category 7)⁹</i>														
Gasoline Fuel	Million Liters	33	34	38	1,211	1,251	1,420	\$43.0	\$42.4	\$46.2	77	83	87	
Diesel Fuel	Million Liters	3	3	3	115	119	126	4.2	4.1	4.4	8	9	9	
Subtotal		Million Liters	36	37	41	1,326	1,370	1,546	\$47.2	\$46.5	\$50.6	85	92	96
<i>Upstream Leased Assets (Category 8)¹⁰</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	tbd	tbd	tbd	
Upstream Scope 3 Emissions Total		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,007	2,091	2,188	
Baxter Operations														
<i>Stationary Sources (Facilities)</i>														
Electricity (Purchased)	Million kWh	982	1,004	1,046	3,729	3,801	3,934	\$114.0	\$117.6	\$123.2	452	463	478	
Electricity (On-Site Renewable)	Million kWh	0	1	2	0	4	7	n/a	n/a	n/a	n/a	n/a	n/a	
Natural Gas	Million Cubic Meters	97	108	120	3,729	4,136	4,601	36.6	42.8	49.4	188	209	233	
Fuel Oil	Million Liters	25	20	11	999	771	431	18.6	13.4	8.0	69	53	30	
Propane and LPG	Million Kilograms	1.7	1.6	3.9	83	77	192	1.7	1.6	3.8	5	5	12	
Purchased Steam	Million Kilograms	20	18	22	46	41	50	0.7	0.9	0.9	2	1	2	
Biomass ¹¹	Million Kilograms	109	114	119	762	800	845	3.8	3.8	4.4	10	10	11	
Carbon Dioxide Offsets ¹²	Million Kilograms	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(103)	(101)	(115)	
Subtotal		n/a	n/a	n/a	9,348	9,630	10,060	\$175.4	\$180.1	\$189.7	623	640	651	
<i>Mobile Sources (Baxter Operated Vehicles)¹³</i>														
Aviation Fuel	Million Liters	1.7	1.4	1.5	60	51	53	\$2.0	\$1.6	\$1.9	4	4	4	
Gasoline	Million Liters	9.0	8.8	8.3	325	320	301	11.8	11.1	10.3	21	21	20	
Diesel Fuel	Million Liters	9.9	12.1	14.0	382	466	542	13.9	16.3	19.5	28	33	38	
Subtotal		Million Liters	20.6	22.3	23.8	767	837	896	\$27.7	\$29.0	\$31.7	53	58	62
<i>Refrigerants¹⁴</i>														
Refrigerant Losses (Facilities)	Thousand Kilograms	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	32	22	29	
Baxter Operations Total		n/a	n/a	n/a	10,115	10,467	10,956	\$203.1	\$209.1	\$221.4	708	720	742	
Downstream Scope 3 Emissions														
<i>Downstream Transportation and Distribution (Category 9)¹⁵</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	22	22	22	
<i>Processing of Sold Products (Category 10)¹⁶</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	tbd	tbd	tbd	
<i>Use of Sold Products (Category 11)¹⁷</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,773	2,067	2,075	
<i>End-of-life Treatment of Sold Products (Category 12)¹⁷</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	72	79	80	
<i>Downstream Leased Assets (Category 13)</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	tbd	tbd	tbd	
<i>Franchises (Category 14)¹⁸</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9	9	9	
<i>Investments (Category 15)¹⁸</i>		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4	4	5	
Downstream Scope 3 Emissions Total		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,880	2,181	2,191	
Total GHG Emissions (Incl. CO₂e Offsets in Baxter Operations)¹⁹		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,595	4,992	5,121	

APPENDIX: Baxter Value Chain Energy Usage and Greenhouse Gas Emissions (footnoted information from previous page)

- 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 to a reasonable level Baxter's 2012, 2013 and 2014 Scope 1 and Scope 2 GHG emissions. Bureau Veritas North America, Inc. also verified Baxter's methodology for determining 2012, 2013 and 2014 Scope 3 GHG emissions to a limited level.
- ³ Baxter estimated the GHG emissions of its first-tier and sub-tier suppliers (purchased goods and services) for 2012, 2013 and 2014 using modeling performed in relation to Baxter's supply chain for 2012 by an independent firm and prorated to 2013 and 2014 using changing global sales. 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 2012. From these total estimated quantities, GHG emissions for Categories 3, 4 and 6 were subtracted to arrive at the Category 1 amounts reported for 2012, 2013 and 2014.
- ⁴ Estimated 2012, 2013 and 2014 GHG emissions based upon 2012, 2013 and 2014 capital expenditures reported in Baxter's annual reports and an estimated emission factor per million dollars of capital expenditure based in part upon benchmarking with industry.
- ⁵ GHG emissions calculated for 2012, 2013 and 2014 based upon Baxter's actual yearly energy usage by energy type and GHG emission factors for each energy type per GaBi life cycle assessment software.
- ⁶ Upstream Transportation and Distribution GHG emissions determined by 1) an estimate of GHG emissions associated with Baxter's supply chain (delivery of products and services to Baxter) based upon modeling by an independent firm for 2012 and prorated to 2013 and 2014 using changing global sales and 2) an independent third party calculating GHG emissions associated with the transportation of products to Baxter customers in 2012, 2013 and 2014.
- 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 Defra DECC GHG information to calculate associated GHG emissions. Information from travel providers regarding rental car distance 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, assumptions regarding mode of transportation, and assumptions about the blend of fuel used (gasoline and diesel fuels).
- 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 117,000, 123,000 and 130,000 metric tons CO₂ in 2012, 2013 and 2014, respectively. CO₂e emissions from CH₄ and N₂O components of biomass combustion included in reported Scope 1 emissions.
- ¹² Includes the purchase of electricity generated from 100% certified renewable electricity (Austria, Brazil, Spain, Switzerland, United Kingdom and United States), and the purchase of carbon credits from the EU Emissions Trading Scheme and the Chicago Climate Exchange/InterContinental Exchange (United States) that were retired in 2012, 2013 and 2014.
- 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 reported CFC, HCFC and HFC refrigerant losses by each Baxter location. Baxter calculated associated GHG emissions using actual emission factors for each reported refrigerant.
- ¹⁵ Baxter engaged an independent third party to calculate GHG emissions associated with the transportation of products to Baxter customers in 2012, 2013 and 2014. These GHG emissions are reported in Category 4. GHG emissions associated with Downstream Transportation and Distribution are estimated at 5% of the former emissions.
- ¹⁶ Baxter continues to evaluate potential GHG emissions associated with this Scope 3 category.
- ¹⁷ Baxter estimated the emissions associated with the use and final disposition of products based upon available product production quantities and global warming potential information available for certain types of products. Emissions for certain other products were estimated.
- ¹⁸ Baxter estimated GHG emissions for this Scope 3 category based upon certain financial information presented in the company's annual reports and the magnitude and annual change of net emissions from Baxter's.
- ¹⁹ Totals do not include CO₂ emissions from Baxter-owned wood-fired boilers. See footnote 11 above for detail.

APPENDIX: Baxter 2014 Environmental Financial Statement

Estimated Environmental Costs, Income, Savings and Cost Avoidance Worldwide¹

Environmental Costs (dollars in millions)	2014	2013	2012	2011	2010
Basic Program					
Corporate Environmental – General and Shared Business Unit Costs ²	\$3.1	\$3.1	\$2.7	\$2.3	\$2.0
Auditor and Attorney Fees	0.5	0.4	0.4	0.3	0.4
Energy Professionals and Energy Reduction Programs	1.5	1.4	1.3	1.2	1.1
Corporate Environmental – Information Technology	0.4	0.3	0.3	0.3	0.4
Business Unit/Regional/Facility Environmental Professionals and Programs	12.2	11.9	10.6	9.9	10.1
Pollution Controls – Operation and Maintenance	6.1	5.6	5.3	5.2	4.9
Pollution Controls – Depreciation	2.7	2.5	2.3	2.4	2.5
Basic Program Total	\$26.5	\$25.2	\$22.9	\$21.6	\$21.4
Remediation, Waste and Other Response (proactive environmental action will minimize these costs)					
Attorney Fees for Cleanup Claims and Notices of Violation	\$0.2	\$0.3	\$0.3	\$0.2	\$0.1
Settlement of Government Claims	0.0	0.0	0.0	0.0	0.0
Waste Disposal	9.1	10.3	9.9	9.3	7.9
Carbon Taxes, Credits and Offsets ³	1.0	0.9	0.8	0.8	0.9
Environmental Fees for Packaging ⁴	0.8	0.9	0.9	0.9	0.9
Environmental Fees for Electronic Goods and Batteries	0.0	0.0	0.1	0.1	0.1
Remediation/Cleanup – On-site	1.9	0.2	0.2	0.2	0.4
Remediation/Cleanup – Off-site	1.0	1.2	1.5	0.4	0.8
Remediation, Waste and Other Response Total	\$14.0	\$13.8	\$13.7	\$11.9	\$11.1
Total Environmental Costs	\$40.5	\$39.0	\$36.6	\$33.5	\$32.5

Cost Avoidance Detail from Efforts Initiated in the Six Years Prior to Report Year (dollars in millions)	2014	2013	2012	2011	2010
Regulated Waste Disposal	\$1.4	\$0.8	\$0.8	\$0.4	\$0.8
Regulated Waste Materials	(18.6)	(11.8)	(5.8)	(2.7)	0.3
Non-hazardous Waste Disposal	2.3	2.0	2.6	1.2	3.1
Non-hazardous Waste Materials	6.8	8.6	5.3	2.2	17.4
Energy Consumption	19.0	29.8	29.9	35.2	55.1
Water Consumption	2.4	4.8	5.6	4.9	7.7
Total	\$13.3	\$34.2	\$38.4	\$41.2	\$84.4

Detail on Income, Savings and Cost Avoidance from 2014 Activities (dollars in millions)	Income and Savings	Cost Avoidance	Total Financial Benefit
Regulated Waste Disposal Cost Reduction	(\$0.2)	(\$0.3)	(\$0.5)
Regulated Waste Materials Cost Reduction	(6.3)	(4.9)	(11.2)
Non-hazardous Waste Disposal Cost Reduction	1.4	(0.9)	0.5
Non-hazardous Waste Materials Cost Reduction	(2.3)	2.1	(0.2)
Recycling Income	6.1	n/a	6.1
Energy Consumption Cost Reduction	(9.6)	5.2	(4.4)
Water Consumption Cost Reduction	(1.3)	0.4	(0.9)
Total	(\$12.2)	\$1.6	(\$10.6)

¹Financial numbers rounded to nearest US\$100,000 to reflect appropriate degree of data accuracy. ²Corporate environmental costs comprise total environmental costs related to operating corporate environmental programs that report into Baxter manufacturing and legal groups. While corporate Environment, Health and Safety (EHS) and certain business unit EHS groups were integrated in 2003, total business unit program costs remain in the Business Unit/Regional/Facility Environmental Professionals and Programs line, as those environmental costs more directly support facility programs. ³Carbon taxes, expenses associated with purchasing renewable energy from electric utilities, renewable energy certificates, and carbon credits purchased on the European Union ETS and Chicago Climate Exchange (CCX), through the U.S. Intercontinental Exchange. ⁴Following completion of the 1996-2005 packaging-reduction goal, Baxter discontinued tracking program costs and financial savings associated with packaging-reduction initiatives at the corporate level. Baxter may reinstate this line item in future financial statements. ⁵Reflects change (positive for decrease and negative for increase) for purchases of raw materials due to changes in material use efficiency and associated generation of waste. ⁶In calculating savings and cost avoidance for waste-, energy- and water-reduction activities, it is assumed that production and distribution activities grew proportionately with Baxter's publicly stated cost of goods sold, adjusted for changes in inventory and the average of three inflation indexes. Baxter uses a three-year rolling average of the annual percentage change in adjusted growth in the cost of goods sold to determine the financial values for each stated year. For 2014, the three-year rolling average was 2%; for 2013, 5%; for 2012, 3%; for 2011, 3%; and for 2010, 2%. This rolling average helps avoid distortions due to certain acquisitions/divestitures and the delayed environmental effects from changes in production. ⁷To be conservative, the accumulation of reported cost avoidance from conservation activities in prior years is terminated after seven years, the approximate duration of many facility conservation and process-improvement projects, after which additional process improvements and changes are possible.

Environmental Income, Savings and Cost Avoidance (dollars in millions; see Detail on Income, Savings and Cost Avoidance from 2014 Activities)

From Initiatives in Stated Year	2014	2013	2012	2011	2010
Regulated Waste Disposal	(\$0.5)	\$0.1	\$0.6	\$0.3	\$1.4
Regulated Materials ⁵	(11.2)	(4.9)	(1.7)	(0.7)	3.7
Non-hazardous Waste Disposal	0.5	0.2	1.2	(1.0)	0.8
Non-hazardous Materials ⁵	(0.2)	2.8	9.6	(11.4)	3.4
Recycling (net income)	6.1	7.2	6.6	5.0	5.8
Energy Conservation	(4.4)	3.4	3.6	2.3	0.5
Water Conservation	(1.0)	0.0	0.4	(0.2)	0.4
From Initiatives in Stated Year Total⁶	(\$10.7)	\$8.8	\$20.3	(\$5.7)	\$16.0
As a Percentage of Basic Program Costs	-40%	35%	89%	-26%	75%
Cost Avoidance from Initiatives Started in the Six Years Prior to and Realized in Stated Year^{6,7}	\$13.3	\$34.2	\$38.4	\$41.2	\$84.4
Total Environmental Income, Savings and Cost Avoidance in Stated Year	\$2.6	\$43.0	\$58.7	\$35.5	\$100.4

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 process improvements and changes are possible.

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.

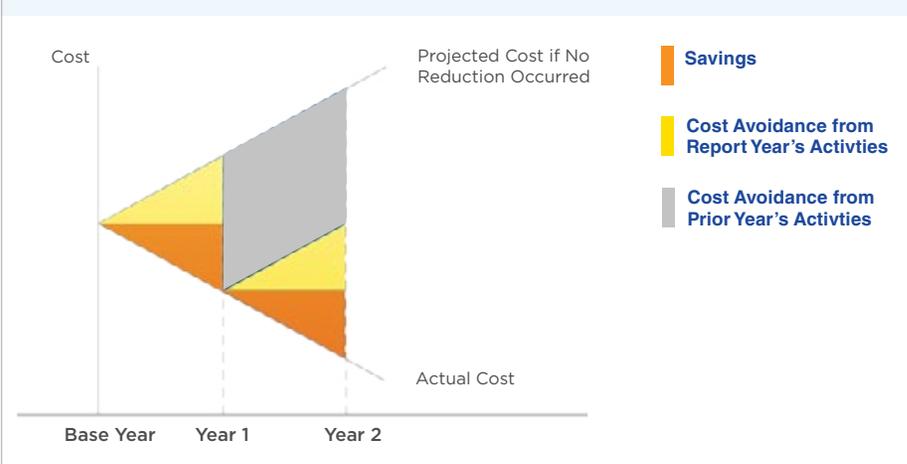
In calculations related to materials use, Baxter uses the current average cost of materials and the compounded growth in business activity.

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).

Savings and Cost-Avoidance Model



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.

APPENDIX: Baxter Facilities with ISO 14001, OHSAS 18001 and Green Building Certifications^{1,2} GRI 2.5

Region/Country/State/ Province	City	ISO 14001	OHSAS 18001	Green Building Certification	Region/Country/State/ Province	City	ISO 14001	OHSAS 18001	Green Building Certification
Asia					Europe, Middle East and Africa (cont.)				
Australia	Toongabbie	X	X		Spain	Valencia	X	X	
China	Guangzhou	X	X		Spain	Las Palmas	X	X	
China	Shanghai	X	X		Sweden	Lund	X		
China	Shanghai (Gambro)	X			Sweden	Rosersberg			EU GreenBuilding (2011)
China	Suzhou	X	X		Switzerland	Effretikon/Volketswil	X	X	
China	Tianjin	X	X		Switzerland	Neuchâtel	X	X	
India	Alathur	X			Switzerland	Zurich			Minergie Plus (2010)
India	Manesar	X	X		Tunisia	Oued Ellil	X	X	
India	Waluj	X			Turkey	Istanbul	X	X	
Japan	Miyazaki	X			United Kingdom	Elstree	X		
New Zealand	Auckland	X	X		United Kingdom	Mount Vernon	X	X	
Philippines	Canlubang	X	X		United Kingdom	Northampton	X	X	
Singapore	BioScience	X	X		United Kingdom	Stockport	X	X	
Singapore	Woodlands	X	X		United Kingdom	Thames Valley	X	X	
					United Kingdom	Thetford	X	X	
Europe, Middle East and Africa					Latin America				
Austria	Orth	X	X		Brazil	São Paulo	X	X	
Austria	Vienna	X	X	LEED Gold (2011) ³	Colombia	Cali	X	X	
Belgium	Lessines	X	X		Costa Rica	Cartago	X	X	
Belgium	Lessines BDCE	X	X		Mexico	Atlatomulco	X	X	
Belgium	Braine l'Alleud	X	X		Mexico	Cuernavaca	X	X	
Czech Republic	Prerov	X			Puerto Rico	Aibonito	X	X	
France	Jonage-Lyon			BREEAM Good (2011)	Puerto Rico	Guayama	X		
France	Maurepas	X	X		Puerto Rico	Jayuya	X		
France	Meyzieu	X							
Germany	Bielefeld	X	X		North America				
Germany	Halle Westfalen	X	X		Canada, Ontario	Alliston	X	X	
Germany	Hechingen	X	X		Canada, Ontario	Mississauga			Canada LEED Silver (2014)
Germany	Höchstadt	X	X		United States, Alabama	Opelika	X	X	
Ireland	Castlebar/Swinford	X	X		United States, Arkansas	Mountain Home/Midway	X	X	
Ireland	Dublin/Belfast	X			United States, California	Hayward	X	X	
Italy	Grosotto	X	X		United States, California	Irvine	X		
Italy	Medolla	X			United States, California	Los Angeles	X	X	LEED Silver (applied) for two buildings
Italy	Pisa	X	X		United States, California	Thousand Oaks	X	X	
Italy	Rieti	X	X	LEED Gold (2014)	United States, California	Van Nuys	X	X	
Italy	Rome	X	X	Italia LEED Silver (2011)	United States, Colorado	Englewood	X	X	
Italy	Sesto Fiorentino	X	X		United States, Illinois	Round Lake (Manufacturing)	X		
Italy	Sondalo	X			United States, Illinois	Round Lake (R&D)	X		LEED Silver (2013) ³
Malta	Marsa	X	X		United States, Indiana	Bloomington	X	X	
Poland	Lublin	X			United States, Mississippi	Cleveland	X	X	
Portugal	Sintra	X	X		United States, North Carolina	Marion	X	X	
Spain	Sabiñánigo	X	X						

¹ This table includes facilities from Baxter's acquisition of Gambro. ² As of December 31, 2014, unless stated otherwise. ³ The building with green certification noted is one of several buildings at the designated location.

APPENDIX: Independent Assurance Statement



Introduction and objectives of work

Baxter engaged Bureau Veritas North America, Inc. (BVNA) of the Bureau Veritas Group to conduct an independent assurance of the Environmental, Health and Safety (EHS) sections and selected Product Responsibility sections of Baxter's online 2014 Sustainability Report (the Report). Baxter has commissioned assurance for the EHS section of its annual sustainability report for the past 16 years.

This Assurance Statement applies to the related information included within the scope of work described below. That information and its presentation in the Report is the sole responsibility of Baxter management. BVNA was not involved in the drafting of the Report. 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 selected pages of the Report.

Scope of work

Baxter requested BVNA to conduct reasonable level assurance of the Report to verify the accuracy of the following:

- Data and information included in the EHS section of the Report.
- Data and information included in the following selected pages of the Product Responsibility section of the Report: Materials Use, Packaging, Product End of Life, and Product Sustainability.

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

- Activities outside the defined assurance period, the calendar year of 2014;
- Positional statements (expressions of opinion, belief, aim or future intention) by Baxter and statements of future commitment;
- Any financial data previously audited by an external third party; and
- Data and information included in sections of the Report that are not listed in the scope of work above.

Methodology

Our work was conducted against BVNA's standard procedures and guidelines for external Assurance of Sustainability Reports, based on the requirements of the International Standard on Assurance Engagements 3000 (ISAE 3000) as the reference assurance standard and the Global Reporting Initiative (GRI) G3 Guidelines as the reference reporting standard.

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 BVNA's reasonable assurance, BVNA undertook the following activities:

1. Interviews with relevant Baxter personnel and select individuals responsible for collecting and reporting EHS and Product Responsibility performance data and other information. These interviews included discussion with management personnel and staff members responsible for preparing text and contributing data for sections of the Report within the scope of this assurance;
2. Review of documentary evidence produced by Baxter to support information presented in sections of the Report within the scope of this assurance;
3. Evaluation of the information presented in the Report sections based on consideration of the GRI G3 Guidelines with emphasis on principles of accuracy, accessibility, balance, clarity, comparability, reliability and timeliness;
4. Audit of performance data, including review of a sample of data to source documentation during visits to representative manufacturing sites located in: Irvine, California, United States; Lessines, Belgium; Lublin, Poland; Miyazaki, Japan; and Northampton, United Kingdom.
5. Review of Baxter data and information systems used for collection, aggregation, analysis and review of EHS and product responsibility information during visits to Baxter's corporate EHS office in Round Lake, Illinois.

Our findings

On the basis of our methodology and the activities described above, it is our opinion that the EHS section and selected Product Responsibility sections of the Report within the scope of this assurance:

- are accurate, reliable and free from material mistake or misstatement;
- are presented in a clear, understandable and accessible manner;
- provide a fair and balanced representation of activities; and
- allow readers to form a balanced opinion of Baxter's activities and performance during the calendar year of 2014.

It is also our opinion that Baxter has established appropriate systems for the collection, aggregation, analysis and review of relevant information and data related to the EHS section and selected Product Responsibility sections of the Report within the scope of this assurance.

Additional commentary

During the assurance process, BVNA was pleased to observe that Baxter has:

- Continued to report on progress toward 2015 goals in a balanced manner;
- Continued to implement energy efficiency projects aimed at reducing greenhouse gas emissions associated with operations; and
- Developed systems for evaluating data for the BioScience and Medical Products/ Renal businesses separately.

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

- Update the materiality assessment to allow for reporting in accordance with GRI G4 next year;
- Continue to refine estimation methods used for metrics that are not directly measured; and
- Encourage operating sites to conduct secondary reviews of data prior to submission.

Statement of independence, impartiality and competence

The Bureau Veritas Group 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 2014 revenue of 4.2 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.

The Bureau Veritas Group 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 the Bureau Veritas Group's standard methodology for the Assurance of Sustainability Reports.



Bureau Veritas North America, Inc.

Denver, CO

May 2015

APPENDIX: Independent Assurance Statement (Spanish)



Introducción y objetivos del trabajo

Bureau Veritas Norte América, Inc. (BVNA) fue contratado por Baxter para llevar a cabo una garantía independiente de las secciones de medio ambiente, salud y seguridad (EHS), y determinadas secciones de Responsabilidad de Producto en el Reporte de Sostenibilidad (en línea) del 2014 (el Reporte). Baxter ha comisionado la garantía de las secciones de EHS de su Reporte Anual de Sostenibilidad por los últimos 16 años.

Esta garantía se aplica a la información relacionada e incluida en el alcance del trabajo que se describe a continuación. Dicha información y su presentación en el Reporte son de responsabilidad exclusiva de la gerencia de Baxter. BVNA no está involucrado en el diseño del Reporte. Nuestra única responsabilidad es proporcionar garantía independiente sobre la precisión y la fiabilidad de la información que se incluye, y sobre los sistemas en que se basa y procesos utilizados para recopilar, analizar y examinar determinadas páginas del Reporte.

Alcance de Trabajo

Baxter pidió a Bureau Veritas que llevara a cabo una garantía de nivel razonable para verificar la exactitud de los siguientes:

- Datos e información incluidos en las secciones de medio ambiente, salud y seguridad (EHS).
- Datos e información incluida en las siguientes secciones de Responsabilidad del Producto seleccionadas: Uso de Materiales, Empaque, Fin de Vida del Producto, y Sostenibilidad del Producto.

Quedan excluidas del alcance de trabajo de esta garantía cualquier información relacionada con:

- Actividades fuera del periodo de garantía definido, el año calendario 2014;
- Declaraciones posicionales (las expresiones de opinión, creencia, apunte o intención futura) por Baxter y declaraciones de compromiso para el futuro;
- Datos financieros previamente auditados por un tercero externo; y
- Datos e información incluida en las secciones del Reporte que no estén listados en el alcance de trabajo.

Metodología

Nuestro trabajo se llevó a cabo en base a los procedimientos estándares y directrices de Bureau Veritas para Garantía Externa de los Reportes de Sostenibilidad basado en los requerimientos de la Norma ISAE 3000 (International Standard on Assurance Engagements 3000), como referencia de estándar de garantía, y las Guías G3 de GRI (Global Reporting Initiative), como referencia de estándar de reporte.

El trabajo fue planeado y llevado a cabo para proporcionar un nivel razonable, en lugar de

seguridad absoluta y creemos que proporciona una base razonable para nuestras conclusiones.

Como parte del nivel razonable de garantía independiente de BVNA, BVNA realizó las siguientes actividades:

1. Entrevistas al personal relevante de Baxter y determinado personal responsable de recolectar y reportar los datos de desempeño de EHS y Responsabilidad del Producto, y otra información concerniente a estas dos áreas mencionadas. Estas entrevistas incluyen personal de gerencia, y el personal responsable de preparar textos y datos que contribuyen a las secciones del Reporte incluidas en el alcance del trabajo;
2. Revisión de evidencia documentada de Baxter para soportar la información presentada en las secciones incluidas dentro del alcance del trabajo del Reporte;
3. Evaluación de la información presentada en las secciones del Reporte basadas en la consideración de las Guías GRI G3 con énfasis en los principios de precisión, accesibilidad, equilibrio, claridad, comparabilidad, fiabilidad y puntualidad;
4. Auditoria de datos de desempeño de EHS, incluyendo un muestreo de datos recolectados durante las visitas a sitios de manufactura representativos localizados en: Irvine, California, United States; Lessines, Belgium; Lublin, Poland; Miyazaki, Japan; y Northampton, United Kingdom.
5. Revisión de los datos y sistemas de información de Baxter utilizados para la recolección, agregación, análisis y revisión de la información de EHS y Responsabilidad del Producto seleccionadas, durante la visita a las oficinas corporativas del grupo de EHS de Baxter en Round Lake, Illinois.

Nuestros resultados

En base a la metodología y las actividades descritas anteriormente, es nuestra opinión que las secciones de EHS y de Responsabilidad de Producto seleccionadas dentro del alcance de esta garantía independiente:

- son exactas, seguras y exentas de errores significativos o de aserción errónea;
- son presentados de una manera clara, entendible y accesible;
- proporcionan una justa y equilibrada representación de las actividades; y
- permite a los lectores formar una opinión equilibrada de las actividades de Baxter y su desempeño durante el año calendario 2014.

Es nuestra opinión que Baxter ha establecido sistemas apropiados para la recolección, agregación, análisis y revisión de información relevante y datos relacionados a EHS y Responsabilidad del Producto que están dentro del alcance de la garantía del Reporte.

Comentarios adicionales

Durante el proceso de garantía independiente, para BVNA ha sido grato observar que Baxter ha:

- Continuado reportando progreso hacia las metas del año 2015 en una manera balanceada;
- Continuado implementando proyectos de eficiencia energética con el objetivo de reducir las emisiones de gases de invernadero asociadas con las operaciones; y
- Desarrollado sistemas para evaluar los datos del negocio de BioScience y Medical Products/Renal por separado.

Basado en el trabajo realizado, le recomendamos a Baxter tome en consideración lo siguiente:

- Actualizar la evaluación de materialidad de modo que permita reportar de acuerdo a las Guías GRI G4 el próximo año;
- Continuar refinando los métodos de estimación utilizados en los métricos que no son directamente medidos; y
- Fomentar en sitios de operación que se conduzca una revisión secundaria de los datos antes de ser sometidos al sistema de gestión de manejo de información.

Declaración de la independencia, imparcialidad y competencia

Bureau Veritas es una empresa de servicios profesionales independientes que se especializa en calidad, seguridad, salud, gestión ambiental y social con más de 180 años de historia proporcionando servicios de garantía independiente, y con una ganancia anual en el 2014 de 4.2 billones de Euros.

Ningún miembro del equipo de aseguramiento tiene una relación de negocios con Baxter, sus Directores o Gerentes más allá de lo necesario de esta asignación. Hemos llevado a cabo esta verificación independientemente, y no ha habido ningún conflicto de intereses.

Bureau Veritas ha implementado un Código de Ética por toda la compañía para mantener altos estándares éticos entre el personal en sus actividades del día a día.

El equipo de aseguramiento tiene una experiencia amplia en la realización de garantía sobre información ambiental, social, ética e información sobre salud y seguridad, los sistemas y procesos y una comprensión excelente de la metodología para la Garantía de Reportes de Sostenibilidad de Bureau Veritas.



Bureau Veritas North America, Inc.

Denver, CO

Mayo 2015

APPENDIX: Verification Statement Greenhouse Gas Emissions



Bureau Veritas North America, Inc. (BVNA) was engaged to conduct an independent verification of the greenhouse gas (GHG) emissions reported by Baxter International Inc. (Baxter) for the period stated below. This Verification Statement applies to the related information included within the scope of work described below.

The determination of the GHG emissions is the sole responsibility of Baxter. BVNA's sole responsibility was to provide independent verification on the accuracy of the GHG emissions reported, and on the underlying systems and processes used to collect, analyze and review the information.

Boundaries of the reporting company GHG emissions covered by the verification:

- Operational Control
- Worldwide
- Excludes recent acquisitions, including the recent acquisition of Gambro AB, that have not yet been fully integrated into Baxter

GHG Emissions verified:

	2012	2013	2014
Scope 1 Emissions, metric tons CO ₂ e	357,000	358,000	377,000
Scope 2 Emissions, metric tons CO ₂ e	454,000	463,000	480,000
Scope 3 Emissions (metric tons CO₂e) in the following categories:			
1 Purchased Goods and Services	924,000	937,000	974,000
2 Capital Goods	163,000	210,000	238,000
3 Fuel and Energy-related Activities	197,000	204,000	217,000
4 Upstream Transportation and Distribution	564,000	569,000	583,000
5 Waste Generated in Operations	15,000	17,000	15,000
6 Employee Business Travel	59,000	62,000	65,000
7 Employee Commuting	85,000	92,000	96,000
9 Downstream Transportation and Distribution	22,000	22,000	22,000
11 Use of Sold Products	1,773,000	2,067,000	2,075,000
12 End-of-Life Treatment of Sold Products	72,000	79,000	80,000

Data and information supporting the Scope 1 and Scope 2 GHG emissions assertion were historical in nature.

Data and information supporting the Scope 3 GHG emissions assertion were in some cases estimated rather than historical in nature.

Period covered by GHG emissions verification:

- Calendar Years 2012, 2013, 2014

GHG Reporting Protocols against which verification was conducted:

- World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol (**Scope 1 and 2**)
- WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (**Scope 3**)

GHG Verification Protocols used to conduct the verification:

- ISO 14064-3: Greenhouse gases—Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

Level of Assurance and Qualifications:

- Reasonable (Scope 1 and 2)
- Limited (Scope 3)

GHG Verification Methodology:

- Interviews with relevant personnel of Baxter;
- Review of documentary evidence produced by Baxter;
- Review of Baxter data and information systems and methodology for collection, aggregation, analysis and review of information used to determine GHG emissions at Baxter's EHS headquarters location in Round Lake, Illinois and during site visits to manufacturing facilities located in: Irvine, California, United States; Lessines, Belgium; Lublin, Poland; Miyazaki, Japan; and Northampton, United Kingdom; and
- Audit of a sample of data used by Baxter to determine GHG emissions.

Assurance Opinion:

Based on the verification process and procedures conducted, the Scope 1 and Scope 2 GHG emissions assertion shown:

- is materially correct and is a fair representation of the GHG data and information, and
- is prepared in accordance with the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard.

Based on the verification process and procedures conducted, there is no evidence that the Scope 3 GHG emissions assertion:

- is not a fair representation of the GHG emissions data and information; and

- has not been prepared in accordance with the WRI/WBCSD Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

It is our opinion that Baxter has established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of GHG emissions for the stated period and boundaries.

Statement of independence, impartiality and competence

The Bureau Veritas Group 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.

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

The Bureau Veritas Group has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day-to-day business activities. The verification team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 20 years combined experience in this field and an excellent understanding of the Bureau Veritas Group's standard methodology for the verification of greenhouse gas emissions data.

Attestation:



Lisa S. Barnes, Lead Verifier
Practice Line Leader
Sustainability and Climate Change Services
Bureau Veritas North America, Inc.
Denver, Colorado



Trevor Donaghu, Technical Reviewer
Senior Project Manager
Sustainability and Climate Change Services
Bureau Veritas North America, Inc.
San Ramon, California

June 5, 2015

This verification statement, including the opinion expressed herein, is provided to Baxter and is solely for the benefit of Baxter in accordance with the terms of our agreement. We consent to the release of this statement by you to the Carbon Disclosure Project (CDP) in order to satisfy the terms of CDP disclosure requirements but without accepting or assuming any responsibility or liability on our part to CDP or to any other party who may have access to this statement.

GLOBAL REPORTING INITIATIVE INDEX

This report aligns with the GRI G3 Sustainability Reporting Guidelines. Baxter self-declares this report to application level B.

Disclosure	Description	2014 Reporting	Disclosure	Description	2014 Reporting
Strategy and analysis			Report Parameters (cont.)		
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	3.6	Boundary of the report.	Sustainability Reporting Environment, Health and Safety GHG Emissions across the Value Chain
1.2	Description of key impacts, risks, and opportunities.	Chairman and CEO Letter Priorities and Goals	3.7	State any specific limitations on the scope or boundary of the report.	Sustainability Reporting Environment, Health and Safety
Organizational Profile			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
2.1	Name of the organization.	2014 Annual Report	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.	GHG Emissions across the Value Chain GHG Emissions from Operations 2014 Environmental Financial Statement 2014 Safety Performance Supplier Standards Sustainable Procurement Community Support Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
2.2	Primary brands, products, and/or services.	2014 Annual Report	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
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	2014 Annual Report	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Noted in sections as relevant.
2.4	Location of organization's headquarters.	Baxter's headquarters are located in Deerfield, Illinois, United States, approximately 20 miles north of Chicago.	3.12	Table identifying the location of the Standard Disclosures in the report.	Global Reporting Initiative Index
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.	2014 Annual Report Baxter Facilities with ISO 14001, OHSAS 18001 and Green Building Certifications	3.13	Policy and current practice with regard to seeking external assurance for the report.	Assurance and Verification
2.6	Nature of ownership and legal form.	Baxter Healthcare Corporation (BAX) is a publicly traded company listed on the New York Stock Exchange.	Governance, Commitments and Engagements		
2.7	Markets served.	2014 Annual Report	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
2.8	Scale of the reporting organization.	2014 Annual Report Employees Environment, Health and Safety Supply Chain	4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Corporate Governance
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	2014 Annual Report	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
2.10	Awards received in the reporting period.	Awards and Honors	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
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 Sustainability Reporting Feedback			

Disclosure	Description	2014 Reporting	Disclosure	Description	2014 Reporting
Governance, Commitments and Engagements (cont.)			Governance, Commitments and Engagements (cont.)		
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 Program Governance	4.14	List of stakeholder groups engaged by the organization.	Stakeholder Engagement and Affiliations and Memberships
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Corporate Governance Codes and Standards	4.15	Basis for identification and selection of stakeholders with whom to engage.	Stakeholder Engagement and Affiliations and Memberships
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	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Stakeholder Engagement and Affiliations and Memberships Stakeholder Engagement on Product Environmental Performance
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 Animal Welfare Clinical Trials Supplier Standards Product Donations	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.	Stakeholder Engagement on Product Environmental Performance Feedback
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Corporate Governance	Economic		
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Corporate Governance Guidelines		Disclosure on Management Approach	Economic Impacts Direct Impacts Indirect Impacts
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.	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
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Stakeholder Engagement and Affiliations and Memberships Codes and Standards EHS Management Systems and Certifications Biodiversity GHG Emissions from Operations Animal Welfare Clinical Trials Product Use Supplier Standards Sustainability Reporting	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.
4.13	Memberships in associations and/or national/international advocacy organizations.	Stakeholder Engagement and Affiliations and Memberships	EC3	Coverage of the organization's defined benefit plan obligations. (Core)	2014 Annual Report (page 52)
			EC4	Significant financial assistance received from government. (Core)	Not available on a companywide basis.
			EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. (Additional)	

Disclosure	Description	2014 Reporting
Economic (cont.)		
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)	
EN2	Percentage of materials used that are recycled input materials. (Core)	
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
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. (Additional)	Energy
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)	Water and Wastewater
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

Disclosure	Description	2014 Reporting
Environmental (cont.)		
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. (Core)	Biodiversity
EN13	Habitats protected or restored. (Additional)	Biodiversity
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity. (Additional)	Biodiversity
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. (Additional)	
EN16	Total direct and indirect greenhouse gas emissions by weight. (Core)	GHG Emissions across the Value Chain GHG Emissions from Operations Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN17	Other relevant indirect greenhouse gas emissions by weight. (Core)	GHG Emissions across the Value Chain GHG Emissions from Operations Baxter Value Chain Energy Usage and Greenhouse Gas Emissions
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. (Additional)	GHG Emissions from Operations Product Transport
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 Materials Use Manufacturing Product Transport Packaging Product End-of-Life Sustainable Procurement

Disclosure Description

2014 Reporting

Environmental (cont.)

EN27	Percentage of products sold and their packaging materials that are reclaimed by category. (Core)	Product End-of-Life The European Union packaging directive requires Baxter to reclaim packaging and to submit related reports. Baxter typically pays third parties fees of about \$0.8 million per year to do this, as indicated on the company's Environmental Financial Statement. Baxter does not currently have systems to track overall 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.
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)	2014 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 Flexibility and Work/Life
LA1	Total workforce by employment type, employment contract, and region. (Core)	Employees Regional Employee Breakdown
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 Flexibility and 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.

Disclosure Description

2014 Reporting

Labor Practices and Decent Work (cont.)

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)	2014 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.
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 20 allegations of discrimination and harassment in 2014. 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.

Disclosure	Description	2014 Reporting
Human Rights (cont.)		
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)	Baxter 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)	Baxter 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 Access to Healthcare Community Support Education and 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)	Ethics and Compliance Structure and Programs
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. (Core)	Codes and Standards 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 2014 Political Contributions Report
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. (Additional)	2014 Political Contributions Report
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. (Additional)	

Disclosure	Description	2014 Reporting
Society (cont.)		
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 Quality and Safety If a company fails to comply with 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 2014, Baxter received zero untitled letters and two warning letters from the U.S. FDA. The company also had a Regulatory Meeting with FDA, agreeing to work closely with the Agency and provide regular updates on its progress to meet all requirements and resolve all matters identified in the warning letters. Comparable information is not commonly available outside the United States.
Product Responsibility		
	Disclosure on Management Approach	Product Responsibility Quality and Safety Product Integrity R&D and Design Materials Use Manufacturing Packaging Product Use Product End-of-Life Product Transport Advancing Public Health Business Model Innovation 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
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)	Quality and 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)	
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).	Quality and Safety

Baxter 2014

Sustainability Report

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The matters discussed in this Sustainability at Baxter report that are not historical facts are forward-looking statements, including statements with respect to future company compliance, performance and the planned spin-off of Baxalta. These statements involve numerous risks and uncertainties. Many factors could affect the company's actual results, causing results to differ, possibly materially, from those expressed in the forward-looking statements. These factors include actions of regulatory bodies and other governmental authorities including the following, which could cause actual results to differ materially from those in the forward-looking statements: the ability to successfully separate the businesses on the terms or timeline currently contemplated, if at all, and achieve the intended results; a material adverse change in either the biopharmaceutical or the medical products businesses; satisfaction of regulatory and other requirements; actions of regulatory bodies and other governmental authorities; clinical trial results; changes in laws and regulations; product quality, manufacturing or supply issues; patient safety issues; and other risks identified in Baxalta's Form 10 and Baxter's most recent filing on Form 10-K and other Securities and Exchange Commission filings, all of which are available on Baxter's website. The company disclaims any obligation to update any forward-looking statements.

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