# Baxter 2010 Environmental Financial Statement

## Estimated Environmental Costs, Income, Savings and Cost Avoidance Worldwide[1]

| **Environmental Costs** (dollars in millions) | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| **Basic Program** | | | | |
| Corporate Environmental – General and Shared Business Unit Costs[2] | $2.0 | $2.0 | $1.9 | $1.9 |
| Auditor and Attorney Fees | 0.6 | 0.4 | 0.3 | 0.4 |
| Energy Professionals and Energy Reduction Programs | 1.2 | 1.2 | 1.2 | 1.1 |
| Corporate Environmental – Information Technology | 0.4 | 0.4 | 0.4 | 0.3 |
| Business Unit/Regional/Facility Environmental Professionals and Programs | 8.3 | 8.1 | 7.8 | 7.3 |
| Pollution Controls – Operation and Maintenance | 3.7 | 3.6 | 3.4 | 3.4 |
| Pollution Controls – Depreciation | 2.5 | 3.1 | 2.4 | 0.9 |
| **Basic Program Total** | **$18.7** | **$18.8** | **$17.4** | **$15.3** |
| **Remediation, Waste and Other Response** (proactive environmental action will minimize these costs) | | | | |
| Attorney Fees for Cleanup Claims and Notices of Violation | $0.0 | $0.1 | $0.1 | $0.1 |
| Settlements of Government Claims | 0.0 | 0.0 | 0.0 | 0.0 |
| Waste Disposal | 7.2 | 7.9 | 8.1 | 8.2 |
| Carbon Offsets[3] | 0.3 | 0.2 | 0.2 | 0.1 |
| Environmental Fees for Packaging[4] | 0.9 | 1.0 | 0.9 | 0.9 |
| Environmental Fees for Electronic Goods and Batteries | 0.1 | 0.1 | 0.1 | 0.1 |
| Remediation/Cleanup – on-site | 0.4 | 0.1 | 0.2 | 0.5 |
| Remediation/Cleanup – off-site | 0.8 | 0.4 | 0.1 | 0.0 |
| **Remediation, Waste and Other Response Total** | **$9.7** | **$9.8** | **$9.7** | **$9.9** |
| **Total Environmental Costs** | **$28.4** | **$28.6** | **$27.1** | **$25.2** |
| **Environmental Income, Savings and Cost Avoidance** (dollars in millions; see Detail on Income, Savings and Cost Avoidance from 2010 Activities below) | | | | |
| **From Initiatives in Stated Year** | | | | |
| Regulated Waste Disposal | $1.3 | $(0.5) | $(0.1) | $(0.7) |
| Raw Materials Associated with Regulated Waste[5] | 3.7 | (1.1) | (1.5) | (3.1) |
| Non-hazardous Waste Disposal | 0.3 | 0.3 | 0.7 | 0.1 |
| Raw Materials Associated with Non-hazardous Waste[5] | 1.4 | 2.9 | 1.7 | 1.6 |
| Recycling (Income) | 5.9 | 3.5 | 5.5 | 4.4 |
| Energy Conservation | (1.5) | 5.1 | 5.7 | 3.7 |
| Water Conservation | 0.4 | 0.6 | 0.8 | 0.6 |
| **From Initiatives in Stated Year Total**[6] | **$11.5** | **$10.8** | **$12.8** | **$6.6** |
| As a Percentage of Basic Program Costs | 61% | 57% | 74% | 43% |
| **Cost Avoidance from Initiatives Started in the Six Years Prior to and Realized in Stated Year**[6,7] | **$82.6** | **$97.4** | **$106.4** | **$79.6** |
| **Total Environmental Income, Savings and Cost Avoidance in Stated Year** | **$94.1** | **$108.2** | **$119.2** | **$86.2** |

| **Detail on Income, Savings and Cost Avoidance from 2010 Activities** (dollars in millions) | Income and Savings | Cost Avoidance | Total Financial Benefit |
|---|---|---|---|
| Regulated Waste Disposal Cost Reduction | $0.9 | $0.4 | $1.3 |
| Raw Materials Associated with Regulated Waste Cost Reduction | 2.9 | 0.8 | 3.7 |
| Non-hazardous Waste Disposal Cost Reduction | (0.3) | 0.6 | 0.3 |
| Raw Materials Associated with Non-hazardous Waste Cost Reduction | (0.3) | 1.7 | 1.4 |
| Recycling Income | 5.9 | 0.0 | 5.9 |
| Energy Consumption Cost Reduction | (6.9) | 5.4 | (1.5) |
| Water Consumption Cost Reduction | (2.8) | 3.2 | 0.4 |
| **Total** | **$(0.5)** | **$12.1** | **$11.5** |

| **Cost Avoidance Detail from Efforts Initiated in the Six Years Prior to Report Year** (dollars in millions) | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|
| Regulated Waste Disposal | $0.9 | $0.1 | $0.2 | $0.2 |
| Raw Materials Associated with Regulated Waste | 1.2 | 0.1 | (1.3) | 0.3 |
| Non-hazardous Waste Disposal | 3.2 | 3.2 | 4.9 | 3.3 |
| Raw Materials Associated with Non-hazardous Waste | 18.7 | 24.9 | 24.2 | 17.9 |
| Energy Consumption | 51.4 | 62.6 | 72.3 | 53.6 |
| Water Consumption | 7.3 | 6.5 | 6.1 | 4.3 |
| **Total** | **$82.6** | **$97.4** | **$106.4** | **$79.6** |

[1]Financial numbers rounded to nearest US$100,000 to reflect appropriate degree of data accuracy. [2]Corporate 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. [3]Cost of carbon offsets includes expenses associated with purchasing renewable energy certificates, carbon credits purchased through the Chicago Climate Exchange (CCX, now IntercontinentalExchange) and the annual membership fee for that organization. [4]Following completion of the 1996-2005 packaging-reduction goal, Baxter discontinued tracking program costs and financial savings associated with packaging-reduction initiatives at the corporate level. Baxter may reinstitute this line item in future financial statements. [5]Reflects 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. [6]In calculating savings and cost avoidance for waste-, energy- and water-reduction activities, it is assumed that production and distribution activities grew proportionately with Baxter's publicly stated cost of goods sold, adjusted for changes in inventory and inflation. Baxter uses a three-year rolling average of the annual percentage change in growth in the cost of goods sold to determine the financial values for each stated year. For 2010, the three-year rolling average was 2%; for 2009, 3%; for 2008, 5%; and for 2007, 3%. This rolling average helps avoid distortions due to certain acquisitions/divestitures and the delayed environmental effects from changes in production. [7]To 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.