

2013 
Sustainability at Baxter



Baxter



Overview

Company Profile

Baxter's mission is to save and sustain lives. Millions of people count on this commitment every day. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to research and create products that advance patient care worldwide. Baxter's employees are focused on increasing access to the company's products, innovating new technologies and pursuing creative collaborations that bring the company's mission to life for more patients globally.

Sustainability at Baxter

Baxter's commitment to sustainability complements the company's mission to save and sustain lives by creating lasting social, environmental and economic value for all stakeholders. While Baxter's efforts cover a wide range of areas, the company recognizes the importance of having clear priorities to focus its activities. The company has nine sustainability priorities with corresponding goals, divided into three categories: Our People, Our Operations and Products, and Our World (see page 2). These priorities reflect the sustainability issues that are most material to Baxter and areas where the company is best positioned to have a positive impact.

Baxter's executive-level Sustainability Steering Committee defines the company's long-term sustainability strategy and leads Baxter's efforts to integrate sustainability into its daily activities. Committee members sponsor Baxter's sustainability priorities and are accountable, along with senior management, for achieving progress toward the company's 2015 goals. The committee meets regularly to review progress toward defined targets, discuss how to address performance gaps and consider sustainability opportunities.

ASSURANCE/VERIFICATION



Baxter engaged Bureau Veritas North America, Inc. (BVNA) to conduct an independent assurance of the Environment, Health and Safety (EHS), Supply Chain and selected Product Responsibility sections of Baxter's online 2013 Sustainability Report and related content in this brochure.

BVNA also conducted verification of Baxter's Scope 1, Scope 2 and Scope 3 greenhouse gas emissions data. BVNA has determined that sections noted with this check mark are accurate, reliable and free from material mistake or misstatement. Further details regarding the assurance and verification are provided in Baxter's comprehensive report online.

From the Chairman and CEO



Dear Stakeholders,

Baxter's vitality as a healthcare enterprise, and our ability to deliver on our commitments to our stakeholders, depends on our embrace of the new. This includes not only the scientific innovations that define our service to patients and healthcare providers; it also encompasses new ways of doing business that advance our goals as a publicly traded company and global corporate citizen.

In March 2014 we announced our intention to launch the BioScience portion of our business as a fully independent company. Charting a new course as two separate entities will place both organizations in an even stronger position to expand global patient access to current therapies, introduce new products addressing unmet needs and concentrate on other key priorities and objectives.

I am confident that each company will build on our legacy of sustainable development grounded in responsible business practices to create lasting social, environmental and economic value. In fact, this year marks the 15th annual edition of Baxter's sustainability report; and as you will see here, our commitment remains unwavering as we strive to benefit our broad stakeholder base.

In 2013 Baxter decreased greenhouse gas emissions, energy use and water use. We increased patient access to market leading therapies in developing countries. We ensured our products are first on the scene in disaster-stricken communities. We helped advance STEM education to cultivate the future of scientific innovation. Yet for every milestone achieved, there are more opportunities to make a difference for the communities we serve.

Our executive Sustainability Steering Committee is now assessing our strategy in light of our changing corporate structure and stakeholder expectations, and we are updating our goals to reflect our aspirations.

As always, the needs of our stakeholders inspire us to ever greater levels of accomplishment. Every day our employees worldwide are focused on new opportunities to integrate our sustainability principles across our strategies and operations — and I urge them to maintain the pace. Together we will continue making an impact for generations to come in pursuit of our mission to save and sustain lives.

A handwritten signature in dark ink, appearing to read "Bob Parkinson". The signature is fluid and cursive, written over a light, textured background.

Robert L. Parkinson, Jr. June 2014

Baxter Sustainability Priorities



Our People

Baxter will promote a safe and healthy workplace

Baxter will promote an inclusive and diverse workplace

Baxter will promote ethical conduct and legal compliance



Our Operations and Products

Baxter will drive a sustainable supply chain

Baxter will drive reductions in its carbon footprint

Baxter will drive reductions in its natural resource use

Baxter will drive enhanced product stewardship



Our World

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

and Goals 2015 Goals (unless stated otherwise)

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

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- Incorporate sustainable principles into Baxter's purchasing program.
- Reduce Baxter's U.S. car fleet greenhouse gas emissions per kilometer by 20% from 2007 baseline.
- Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline.
- Increase facility energy usage of renewable power to 20% (of total).
- Reduce energy usage 30% indexed to revenue from 2005 baseline.
- 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.
- Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.
- Reduce total waste generation 30% indexed to revenue from 2005 baseline.
- Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.
- 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.
- Identify new opportunities to replace, reduce and refine (3Rs) the use of animal testing.

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



Baxter Will Promote a Safe and Healthy Workplace

It is a priority at Baxter to provide safe and healthy workplaces to all of its employees. The company continually searches for ways to further decrease the potential for injury and improve employee wellness. During the year, Baxter continued pursuing key strategies to enhance its safety culture and performance.

In a comparison of 14¹ healthcare companies, Baxter's performance ranked second best in cases with days lost rate² in 2012, the most recent year industry benchmarking data were available. This placement puts Baxter on course to achieve its 2015 goal. Baxter's overall safety performance since 2005 has improved significantly. Compared to 2012, Baxter improved its recordable case rate by 2%, its cases with days lost rate by 38%, and its days lost rate by 46%. Baxter is striving to achieve a zero-harm workplace.

Baxter continues to integrate the following strategies to enhance its safety culture and performance:

- Addressing ergonomic hazards, a leading source of injury
- Reducing high-hazard sources of injury
- Implementing Baxter's Future State of Safety task force findings by engaging leadership in developing safety improvement strategies and increasing employee engagement



Baxter China employees and their children spend time outdoors flying kites during BeWell@Baxter Exercise Challenge Month.

BeWell@Baxter is the company's umbrella program for health and wellness initiatives. Its cornerstone is the Personal Wellness Profile, an online tool that provides individual and facility-level health risk information. In 2013, 29% of the company's employees worldwide had completed a Personal Wellness Profile. Also during the year, more than 11,000 employees globally logged more than 175,000 hours of exercise as part of the BeWell@Baxter Exercise Challenge.

¹Ten of the 14 companies reported global safety data to Mercer (formerly ORC Worldwide), three provided data as requested by Baxter and one reported data on its public website.
²The rate of work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident, per 100 full-time employees working one year.

Baxter Will Promote an Inclusive and Diverse Workplace

Baxter believes that an inclusive culture and a diverse workforce can drive innovation, create trusted partnerships with customers, suppliers and communities, and ultimately contribute to the success and sustainability of the business. To support this, one of the company's Leadership Expectations — respect for individuals and the diverse contributions of all — is a shared value expected of all employees.



Baxter's Business Resource Groups support the company's business goals and aim to enhance personal growth and multicultural understanding while strengthening relationships among employees and stakeholders.

Baxter is focused on increasing ethnic and gender diversity throughout the company. Baxter's Global Inclusion Council provides thought leadership, guidance and support to enhance the company's inclusive culture, and collaborates with Baxter's businesses, regions and functions globally to develop local inclusion plans.

In 2013, Baxter established three additional Business Resource Groups (BRGs), Baxter EnAbles (for employees living with or supporting those with physical, sensory or cognitive disabilities), BaxVets (for employees who have served or serve in the military) and Early Career Professionals (for employees at earlier stages in their careers), for a total of eight. The company also began global expansion of several BRGs. Sponsored by members of Baxter's executive management, BRGs provide a forum for employees to develop skills, strengthen relationships among employees, enhance multicultural connections both inside and outside the company, and support key business initiatives.

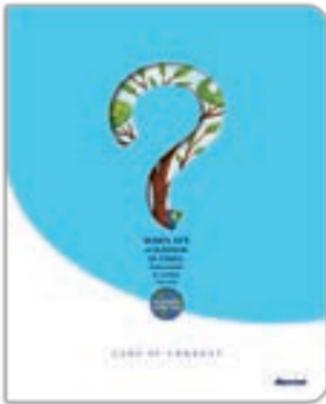
The company also continues to extend its inclusion and diversity efforts in the marketplace. Baxter's supplier diversity program develops mutually beneficial relationships with small and diverse suppliers, and is partnering with the BRGs to enhance its efforts.



Baxter Will Promote Ethical Conduct and Legal Compliance

Corruption poses a significant challenge to the global economy and can put healthcare companies and patients at risk. It is an impediment to sustainable development, increases inequality, undermines public institutions and dampens economic growth. Corruption in the healthcare industry erodes trust with patients and other stakeholders, adds to the cost of doing business, and represents significant legal and reputational risks.

Baxter's comprehensive Code of Conduct, policies, training and other programs set expectations and govern appropriate employee conduct. The company has a focus on promoting ethical sales and marketing practices in the United States and abroad. Baxter



encourages employees to seek guidance and report concerns through formal channels to avoid inappropriate decision-making or actions that may violate the company's ethics and compliance standards.

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 control of these interactions. Baxter continued global implementation of its International Anticorruption Third Party Policy during 2013, with emphasis on business partners who interface with non-U.S. healthcare professionals and government agencies. The company also continued to enhance its risk-based anticorruption training program, Compliance Fitness, by expanding intensive workshops for commercial and functional teams in select high-risk markets.

Baxter works with several U.S. and international trade associations to harmonize and enforce standards, including the China Association of Enterprises with Foreign Investment R&D-based Pharmaceutical Association Committee, the European Federation of Pharmaceutical Industries and Associations, Eucomed, and the Mexican Association of Innovative Medical Devices Industries. Additionally, Baxter's Asia Pacific and China Ethics and Compliance teams participated in a China Council of Advanced Medical Technology Association (AdvaMed) task force to develop an industry Code of Conduct for the China operations of AdvaMed member companies.

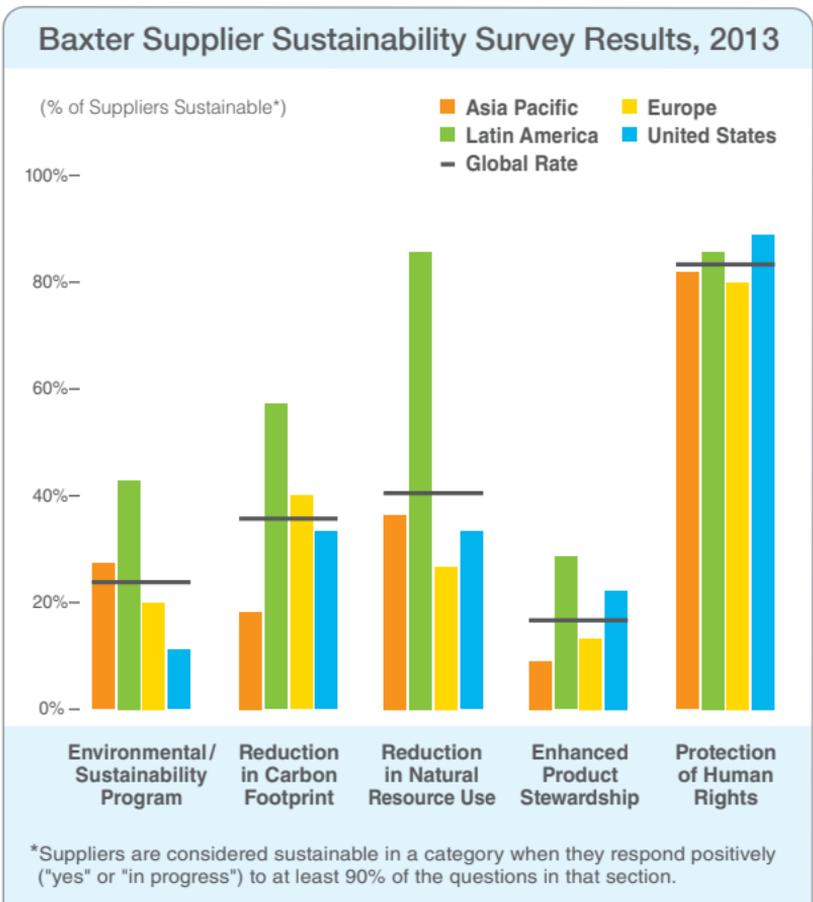


Baxter Will Drive a Sustainable Supply Chain ✓

Baxter's efforts to drive a sustainable supply chain mitigate risk to the company, encourage innovation through supplier collaboration and reduce environmental impacts. The company engages its suppliers on key sustainability issues such as energy use, greenhouse gas (GHG) emissions and waste reduction across the value chain. Baxter also focuses on responsible sourcing, which includes addressing conflict minerals regulations, promoting human rights standards and reducing environmental impacts associated with raw materials.

In 2013, Baxter joined the Pharmaceutical Supply Chain Initiative, a healthcare industry group that promotes responsible procurement. The company also conducted its fifth annual supplier sustainability survey to collect baseline information on suppliers' programs and performance. It also engaged suppliers to determine the source of materials and chemical content of substances and parts used in Baxter's products.

The company continued to implement initiatives to reduce the environmental impact from product transport, including co-loading, optimizing its distribution network and shifting to less energy-intensive modes of transportation.





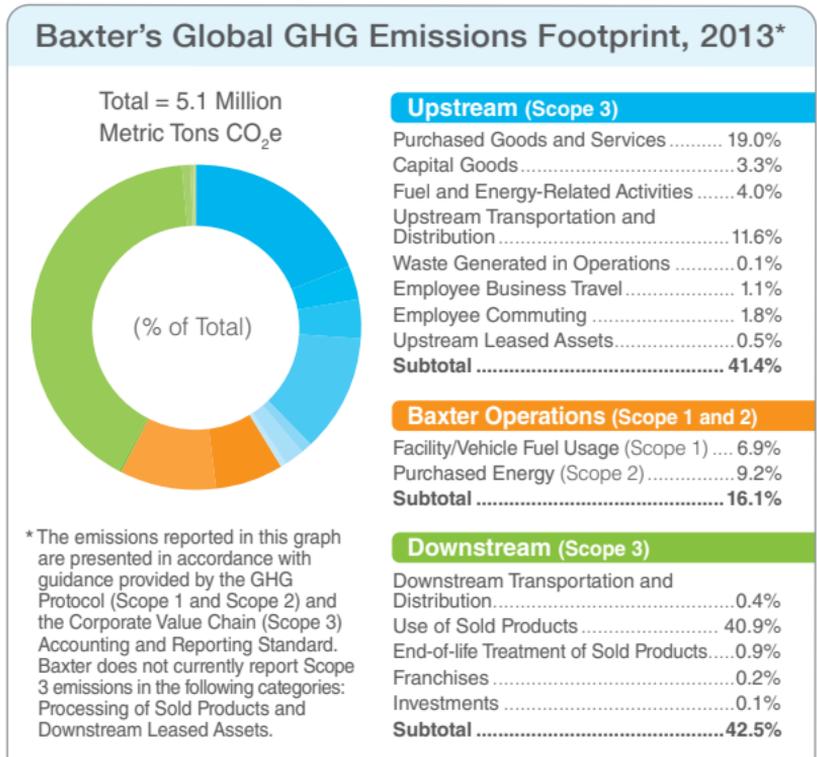
Baxter Will Drive Reductions in its Carbon Footprint

Companies have an important role to play in reducing greenhouse gas (GHG) emissions that contribute to climate change. This begins with understanding their GHG emissions footprint, setting goals to improve performance and reducing emissions through innovative programs.

Baxter takes a broad approach to quantifying and managing GHG emissions throughout its value chain. In 2013, the company's net GHG emissions from operations equaled 714,000 metric tons carbon dioxide equivalent (CO₂e), a 40% reduction compared to 2005 indexed to revenue, and an absolute decrease of 10%.

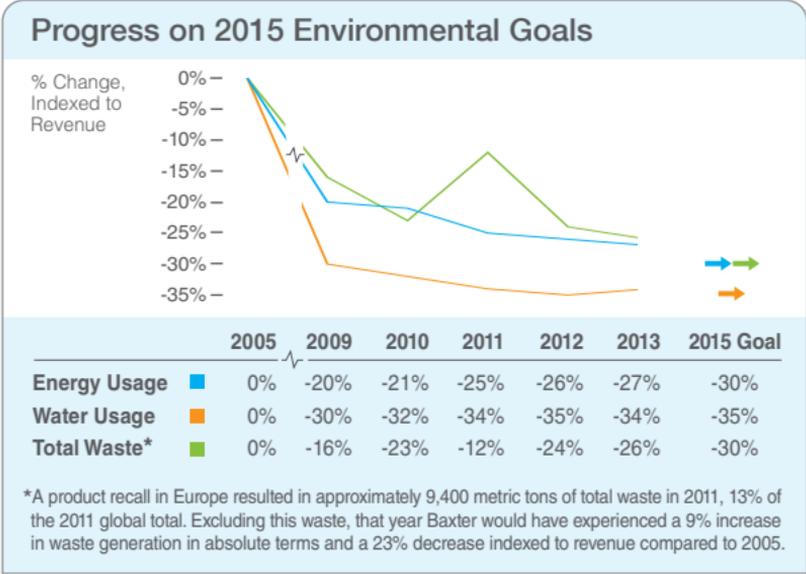
During the year, renewable energy sources provided 22% of Baxter's energy use for operations, exceeding the company's 2015 goal. Of this amount, biomass fuel for boilers at three company locations represented 9% and the renewable energy component of purchased electricity and renewable energy certificates together represented 13%. On-site geothermal, solar photovoltaic (PV) and solar hot water systems provided a small amount of the total.

Innovative facility projects in 2013 included installation of Baxter's largest onsite solar system, an 836 kW PV system at its Malta facility, which provides approximately 23% of the electrical power required by the facility, and reduces the site's GHG emissions by 1,100 metric tons CO₂e annually. The company also installed a trigeneration system at its Toongabbie, Australia, facility that generates electricity and heating and cooling to support manufacturing operations.



Baxter Will Drive Reductions in its Natural Resource Use

Baxter works to use natural resources efficiently to improve the company's environmental performance, enhance its competitive advantage and extend the availability of those resources to future generations.



Baxter continues to work toward meeting its 2015 natural resource use reduction goals.

Energy The company's Lean Energy Program, which includes facility energy assessments and the use of innovative technologies such as cogeneration and geothermal installations, is central to Baxter's approach to energy conservation. Since 2005, the company has achieved cumulative energy reductions of approximately \$41 million based on annualized project savings realized in 2013.

Water Due to the strong link between energy usage and water processing, conserving water remains a key focus of Baxter's Lean Energy Program and facility energy assessments. Baxter integrates Lean manufacturing principles and tools such as value stream mapping with water management to help facilities identify areas for additional conservation and savings.

Waste Baxter continues to make progress on its waste reduction initiatives. Eight sites participating in the plastic waste reduction program decreased plastic waste by more than 444 metric tons in 2013. To advance the company's broader waste performance, Baxter is piloting zero waste-to-landfill initiatives in certain locations.

Packaging Baxter works to decrease the environmental impact of packaging through innovative designs that reduce materials use and by substituting environmentally preferable materials when feasible.



Baxter Will Drive Enhanced Product Stewardship¹ ✓

Baxter is dedicated to creating products that save and sustain lives worldwide in a way that minimizes environmental impacts. This requires a holistic approach, from the early stages of design and materials selection through product manufacture, transport and, ultimately, end-of-life.



Erick Quiles Perez of San Juan, Puerto Rico, uses Baxter's FEIBA [Anti-Inhibitor Coagulant Complex] to treat his hemophilia A with inhibitors. When Erick required knee surgery, his surgeons used Baxter's FLOSEAL Hemostatic Matrix to help control his bleeding.

Baxter's Product Sustainability Program includes a required assessment applied during the early stages of product development on all medical devices, from intravenous solution containers to dialysis machines. The company uses the results to help establish product requirements and contribute to minimizing potential product impacts to human health and the environment.

Baxter also uses life cycle assessment (LCA) to evaluate the environmental performance of its products and determine ways to reduce environmental impact. In 2013, the company completed a comparative LCA of the Baxter VIVIA Hemodialysis System with two alternative hemodialysis (HD) devices, one conventional HD device from Baxter and one home HD device from another company. HD devices are used by some patients with end stage renal disease to filter their blood outside the body through a dialyzer (blood filter). The VIVIA system is designed to allow patients with kidney failure to perform High Dose HD therapy (more frequent or extended duration HD) at home, in part through extended uses of its dialyzer and blood set. In this LCA, the VIVIA system had a carbon footprint approximately 35% smaller than the conventional HD system performing fewer treatments per week in an in-center setting, and between 20-40% smaller than the two alternative HD systems performing High Dose HD at home.

Baxter is committed to enhancing animal welfare through the 3Rs — replacement, reduction and refinement. In 2013, Baxter maintained its focus on replacement alternatives used in the development and testing of biologic-based therapies.

¹External assurance covered the first goal of this priority. See page 3.



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

Many factors prevent people from obtaining healthcare, including poor infrastructure, political instability, lack of education, poverty, restrictive regulatory frameworks, and inadequate availability and affordability of medical products. Baxter is committed to expanding access to healthcare globally.

In 2013, Baxter continued its work with AmeriCares and Direct Relief to pre-position products for emergencies as well as to meet ongoing needs in underserved communities. These proactive strategic donations helped facilitate timely support to 81 countries. AmeriCares and Direct Relief used Baxter's pre-positioned products for Typhoon Haiyan relief in the Philippines, and the company also shipped additional needed products directly.

During the year, combined giving from Baxter and The Baxter International Foundation totaled more than \$64 million, the majority focused on increasing access to healthcare.

Through the process of business model innovation, Baxter strives to develop products and therapies that address the unique, unmet needs of patients around the world. In developing regions, these projects typically focus on factors such as poor infrastructure, poverty and lack of resources.



Elderly people who live in the Tang Qiao Community of the Pudong new district of Shanghai receive home-based health care thanks to Project Hope, a recipient of a grant from The Baxter International Foundation.

In 2013, Baxter continued to advance its business model innovation projects in China and India through the establishment of innovation hubs that address health needs in both emerging and developed markets. Baxter built a research and development (R&D) facility in Suzhou, China, and expanded its R&D partnerships in India, including an expanded collaboration with Syngene to establish that firm's Baxter-dedicated global research center in Bangalore, India. Baxter also continued its collaboration with HCL for R&D engineering services.



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

Global leaders have identified science, technology, engineering and math (STEM) education as one of the most important issues for today's youth. As a healthcare company, Baxter has a special responsibility in this area. The company works to inspire future generations by creating local initiatives that enhance existing education programs with professional development and real-world experience.

In the 2012-2013 school year, Baxter's Science@Work: Expanding Minds with Real-World Science program, a multiyear commitment to Chicago Public Schools (CPS), reached 21,000 students and 340 teachers through in-depth biotechnology teacher training and module lesson plans. This increased the total to more than 83,000 students and 1,000 teachers since 2008, representing 45% of the 145 high schools throughout the district. Baxter also contributed to several other educational initiatives during the year, in Chicago and other locations.

In 2013, Baxter hosted its second high school summer intern program, during which 24 CPS high school seniors participated in 25 sessions at the company's global headquarters in Deerfield, Illinois. Students learned about a variety of topics from 75 Baxter professionals, including business strategy, marketing and sales, in addition to hands-on experiments in R&D. Additionally, Baxter partnered during the year with Northwestern University's Office of STEM Education Partnerships and the Biotechnology Center of Excellence at Lindblom Math and Science Academy. Together, the group developed the Biotechnology Professional Development Series, during which 116 teachers from 87 schools in the Chicago area participated in four workshops exploring biotechnology topics and related scientific techniques and skills. Baxter Chairman and CEO Robert L. Parkinson, Jr. provided the keynote address.

Other educational initiatives included supporting the debut of the FIRST program (For Inspiration and Recognition of Science and Technology) Arkansas Regional Competition as well as sponsoring student teams in Arkansas, Illinois, New York, Wisconsin and Mexico. Baxter employees also taught financial literacy worldwide through Junior Achievement and provided in-classroom lessons to students on various legal topics in conjunction with Street Law, Inc.

Summary Data Table

Please see relevant sections in the comprehensive report online for more extensive performance data and graphs.

Performance Indicator	2011	2012	2013
Company Profile			
Net Sales (dollars in millions)	\$13,893	\$14,190	\$15,259
R&D Expenses (dollars in millions)	946	1,156	1,246
Employees			
Global Workforce	48,500	51,000	61,500
Gender Diversity (% female of total)	51.3%	50.8%	50.5%
Environment, Health and Safety			
Energy Usage from Operations (trillions of joules) ¹	9,261	9,348	9,636
Net Greenhouse Gas Emissions from Operations (thousand metric tons CO ₂ e) ²	732	701	714
Total Waste (metric tons) ³	73,880	64,500	65,330
Water Usage (thousand cubic meters)	14,000	14,067	14,760
Recordable Case Rate ^{4,5}	0.95	0.90	0.88
Cases with Days Lost Rate ^{4,5}	0.16	0.15	0.10
Days Lost Rate ^{4,5}	5.47	4.35	2.37
Community Support			
Total Charitable Giving (dollars in millions) ⁶	\$80.14	\$56.67	\$64.63

¹Includes stationary sources (Stationary Sources Subtotal line item from Baxter Value Chain Energy Usage and Greenhouse Gas Emissions table in the comprehensive report online) and excludes energy consumption associated with Baxter-operated mobile sources, materials and product delivery, and employee commuting and travel.

²Includes 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. Takes into account the purchase of renewable energy, carbon credits and carbon offsets. For the years 2011, 2012 and 2013, Bureau Veritas North America, Inc. verified Baxter's Scope 1 and Scope 2 GHG emissions from global operations under Baxter's control and verified the methodology and emission factors used to calculate Scope 3 GHG emissions.

³Excludes 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.

⁴All rates based on 100 full-time employees working one year, which equals 200,000 work hours. For tracking purposes, Baxter's position is to follow U.S. Occupational Safety and Health Administration recordkeeping requirements worldwide. Thus, in cases where an injury occurs and conflicting medical opinions arise as to the number of days away and/or restricted days that should be recorded, Baxter records on the basis of the most authoritative physician's opinion.

⁵Recordable 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 and illnesses. Baxter does not count the date of injury and date of return to full duty as lost days.

⁶Includes product donations, Baxter business and facility cash contributions, and The Baxter International Foundation contributions. Variations in Baxter's annual product donations are due to fluctuations in community needs, the severity and volume of disaster relief response, the regulatory environment, manufacturing processes, change in product mix, and marketing. The company identifies opportunities to donate and responds to community requests as appropriate.



Baxter International Inc.
One Baxter Parkway
Deerfield, Illinois 60015-4625
USA

www.baxter.com

 **See Comprehensive Report Online**

The comprehensive online Baxter 2013 Sustainability Report provides expanded detail on the company's sustainability programs and performance.

The report is available at sustainability.baxter.com.



The matters discussed in this Sustainability at Baxter brochure that are not historical facts are forward-looking statements, including statements with respect to future company compliance and performance. 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 U.S. Food and Drug Administration; the effect of economic conditions; technological developments in the healthcare field; advances in environmental protection processes; and other factors more completely described in Baxter's Annual Report on Form 10-K and other filings with the U.S. Securities and Exchange Commission, which are available on the company's website at www.baxter.com. The company disclaims any obligation to update any forward-looking statements.

References in this report to Baxter are intended to refer collectively to Baxter International Inc. and its U.S. and international subsidiaries.

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