



# Making a Meaningful Difference

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BAXTER 2016 CORPORATE RESPONSIBILITY REPORT

**Baxter**

## From the Chairman and CEO



Baxter's mission, "Save and Sustain Lives," is a mere four words, yet rich with meaning for our 48,000 employees worldwide.

It channels our passion as we address fundamental healthcare needs of patients and their clinicians worldwide; and it guides the choices we make in the service of sound corporate citizenship. Baxter employees are tenacious in pursuing lasting social, environmental and economic value for our stakeholders consistent with our mission.

2016 was a transformational year for our company. It was our first full year of operation following the spinoff of our bioscience business, which served as a catalyst to redefine our strategy and elevate our

performance as a healthcare leader. It also presented an opportunity to assert our commitment to corporate responsibility in some new ways to make an even greater impact for our diverse stakeholder base. In 2016:

- The Baxter International Foundation, our philanthropic arm, made the largest single grant in its history—\$2.25 million over three years—to fund an innovative mobile care program designed to increase healthcare access among underserved populations in Mexico City
- We completed the first year of our new "manufacture to donate" process, addressing urgent care needs in 67 countries with approximately \$14 million in products distributed through our relief partners
- We significantly bolstered our global emphasis on workplace flexibility, providing new tools and information to support our employees
- We achieved our best safety performance ever, with recordable cases decreasing 19% from the previous year

Examples like these begin to reflect the wide-ranging scope of our dedication. Even as we transform as a business, we are tireless in our efforts to expand access to quality care, reduce our environmental footprint, advance STEM education, promote an inclusive workplace, and ultimately make a difference for the communities and constituencies we serve. You will see many highlights in this report.

Our corporate responsibility priorities are tightly integrated with our strategic imperatives as a healthcare leader, adding greater dimension to how we bring our mission to life. And just as there will always be unmet needs to address on behalf of patients, there will always be new avenues to pursue on our journey as a corporate citizen. Many are outlined in our 2020 corporate responsibility goals, while others will be defined only as tomorrow's challenges come to light.

Through it all, what remains certain is the remarkable energy and focus our employees bring to all facets of our mission. Together we will continue working hard to advance care and touch lives around the world.

José (Joe) E. Almeida | Chairman, President and Chief Executive Officer

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## Company Profile

Operations in



**100+**

countries

Manufacturing facilities in



**20+**

countries



**~48,000**

employees worldwide



**\$10.2**

billion net sales



**\$27.3**

million charitable giving  
including cash and product

Data as of December 31, 2016

Baxter International Inc. provides a broad portfolio of essential renal and hospital products, including acute and chronic dialysis products; sterile IV solutions; infusion systems and devices; parenteral nutrition therapies; premixed and oncolytic injectables; surgery products and anesthetics; drug reconstitution systems; and pharmacy automation, software and services. The company's global footprint and the critical nature of its products and services play a key role in expanding access to healthcare in emerging and developed countries. These products are used by hospitals, kidney dialysis centers, nursing homes, rehabilitation centers, doctors' offices and by patients at home under physician supervision. Baxter's employees worldwide are building upon the company's rich heritage of medical breakthroughs to advance the next generation of healthcare innovations that enable patient care.

The company has a longstanding commitment to research and development, and its history is rich with medical firsts, from the first commercially manufactured IV solutions to the first portable kidney dialysis machine, and many more. Baxter continually pursues breakthrough technologies through its own research as well as collaborations and partnerships around the world.

Baxter has a broad global presence, serving patients and clinicians in more than 100 countries across the Americas, Europe, the Middle East, Africa and Asia Pacific. The company's corporate headquarters is in Deerfield, Illinois, United States. Research and Development (R&D) activities take place in R&D centers in Belgium, Sweden, Italy, Germany, China, Japan and the United States. Baxter products are manufactured at over 50 facilities across more than 20 countries.

The company's employees are dedicated to ensuring that Baxter is there when and where patients need care, from hospitals and clinics to homes in rural areas and major cities.



# Corporate Responsibility at Baxter

Corporate responsibility is fundamental to Baxter's broad aspirations. The company is focused on achieving top quartile results relative to its industry peers and other comparators across three key dimensions:

- Quality and Patient Safety
- Industry-Leading Performance
- Best Place to Work

The company's corporate responsibility initiatives support its mission to apply innovative science to developing products that save and sustain patients' lives.

## Managing Corporate Responsibility

Baxter's Corporate Responsibility Council (see graphic), composed of executives and subject matter experts from across the company, oversees Baxter's strategy and leads its efforts to integrate corporate responsibility into the business.

The council's role is to:

- Set and adjust the company's corporate responsibility strategy as needed based on assessment of global challenges, opportunities and emerging issues;
- Establish and implement the company's [2020 corporate responsibility priorities and goals](#), track progress, drive organizational

## GOVERNANCE AND MANAGEMENT OF CORPORATE RESPONSIBILITY AT BAXTER



accountability and recognize individual and team accomplishments;

- Provide annual updates on Baxter's corporate responsibility programs to the Quality, Compliance and Technology Committee of the company's Board of Directors; and
- Solicit stakeholder feedback and review stakeholder inquiries as appropriate.

Council members sponsor Baxter's corporate responsibility priorities and goals. Each sponsor is accountable for developing goals and action plans in his or her respective area. The council meets quarterly to review progress, discuss how

to address performance gaps and consider new initiatives. Additional groups provide input to the council as needed.

## Materiality Assessment

In 2015, Baxter conducted a materiality assessment to analyze its priority corporate responsibility issues. The process included mapping of impacts across the value chain, interviews with internal and external stakeholders, review of internal and external information about the company, and discussion of results with Ceres coalition members. See the [Baxter 2015 Corporate Responsibility Report](#) for more detail about the process.

The materiality assessment informed the development of [Baxter's 2020 corporate responsibility priorities and goals](#). As described in this report, Baxter has well-developed policies and programs demonstrating a long history of engagement and progress in many of these areas. The company will continue to expand these efforts moving forward.

## Corporate Responsibility Reporting

Baxter is committed to sharing information about its corporate responsibility programs, priorities, goals and performance. This report illustrates the company's commitment to sound governance and balanced, transparent disclosure. Through the annual reporting process, Baxter measures and evaluates its performance, and communicates its progress and challenges. This engages and educates employees and senior leaders on corporate responsibility issues while driving performance improvements.

## External Reporting Standards



Baxter was one of the first companies to pilot the Global Reporting Initiative

(GRI) Sustainability Reporting Guidelines, in 1999. It has served as a GRI Organizational Stakeholder since the program's inception in 2004 and belongs to the GRI GOLD Community. This report aligns with the [GRI G4 Sustainability Reporting Guidelines](#) (undeclared). See the [GRI Index](#) for detail.

## Feedback

Baxter encourages readers of this report to provide comments and suggestions via email: [corporate\\_responsibility\\_report@baxter.com](mailto:corporate_responsibility_report@baxter.com).

## 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 2016 unless stated otherwise. Some examples and program descriptions include information from 2017.
- 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 include parts of Baxter that became Baxalta on July 1, 2015, unless stated otherwise.
- All currency in this report is in U.S. dollars unless stated otherwise.
- Significant restatements of data compared to prior years are noted in the sections where they appear.

## Assurance and Verification



Bureau Veritas North America, Inc. verified Baxter's Scope 1, 2 and 3 greenhouse gas emissions. See [verification statement](#).

Bureau Veritas assured the following sections of the report:

- [Product Innovation](#) (except Quality and Patient Safety)
- [Employee Health and Safety](#)
- [Operations](#)
- [Responsible Procurement and Logistics](#)
- [Baxter World Environment Week](#) content in the [Serving Our Communities](#) section
- Related material in Appendix: [Baxter Data Summary](#); [Baxter Value Chain Energy Usage and GHG Emissions](#); and [Baxter Facilities with ISO 14001, OHSAS 18001, ISO 50001 and Green Building Certifications](#)

See assurance statements in [English](#) and [Spanish](#).

Most of the financial data included in the [Baxter Data Summary](#) are taken from the audited consolidated financial statements contained in [The Baxter International Inc. 2016 Annual Report](#). These financial statements are audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

# Baxter 2020 Corporate Responsibility Priorities and Goals

Baseline is 2015 unless otherwise stated.

PRIORITY..... GOAL ..... PROGRESS IN 2016 .....

## PRODUCT INNOVATION

*Improve  
sustainability  
and performance  
of products  
and services*

Enhance product quality and patient safety by achieving a 15% reduction in product complaints (CIPM), compared to 2015 (aggregate)

The company achieved a 22% decrease.

Achieve at least 15% material reduction on three therapies/products compared to those currently on the market, without affecting efficacy

Baxter's recently launched AMIA Automated Peritoneal Dialysis System with the SHARESOURCE Connectivity Platform is up to 30% lighter than other cyclers on the market. The company is assessing several potential new products and changes to existing products designed to support this goal.

Eliminate 3,000 metric tons of packaging material from Baxter products shipped to customers

The company eliminated 320 metric tons of packaging material from its products shipped to customers.<sup>1</sup>

Eliminate or minimize the presence of chemicals of concern (as defined by regulations) in new products

Baxter continued to eliminate and reduce chemicals of concern by changing existing products and processes, which includes expanding the company's offering of DEHP-free intravenous access sets and reducing usage of cyclohexanone in manufacturing processes at multiple locations. The company continues to screen all new products under development to minimize or preferably eliminate the use or presence of chemicals of concern.

Partner with organizations to implement recycling of product waste at hospitals and increase participation from 60 hospitals to 200

Participation in a program in Australia to recover PVC in hospitals increased to 90 hospitals. Baxter also continues to participate in the Healthcare Plastics Recycling Council, including a recently concluded Chicago regional demonstration project for recycling healthcare plastics in hospitals.

## WORKPLACE CULTURE

*Promote inclusion,  
diversity and  
employee  
engagement*

Aspire to diversity in leadership at or above benchmarks

Baxter remains within the benchmark range for female and ethnic minority representation at the director and VP levels.

Achieve an employee engagement score comparable to top quartile companies as measured by Baxter's Best Place to Work survey

The company's score in the engagement category in Baxter's Best Place to Work survey was 4 percentage points below top quartile of comparator companies.

## ETHICS AND COMPLIANCE

*Drive a culture  
of integrity and  
the highest ethical  
behavior*

Drive highest integrity and compliance to achieve zero government enforcement actions over compliance issues

Baxter had zero corruption-related enforcement actions in 2016.

Achieve overall compliance culture scores in the top quartile of general industry benchmarks

Baxter achieved favorable ratings on the two employee survey questions related to ethics culture. Although above average, the scores were 6 and 4 percentage points below top quartile companies.

## EMPLOYEE HEALTH AND SAFETY

*Achieve a zero-harm  
workplace and  
improve employee  
well-being*

Achieve the top quartile in total recordable incident rate among global companies across all industries as measured by ORCHSE

In a comparison of 35 global companies across industries,<sup>2</sup> Baxter's total recordable incident rate ranked 19th, or top 54%.

Reduce employee health risk by increasing participation from 35% to 45% in BeWell@Baxter health promotion program initiatives and by expanding family participation

Baxter achieved an average participation rate of 38% of employees in the Personal Wellness Profile, the Exercise Challenge and Healthy Eating Month, up from 35% in 2015.

# Baxter 2020 Corporate Responsibility Priorities and Goals

Baseline is 2015 unless otherwise stated.

## PRIORITY

## GOAL

## PROGRESS IN 2016

### OPERATIONS

*Reduce environmental footprint through increased efficiency and resource conservation*

Pursue zero waste-to-landfill by achieving a landfill diversion rate of 95% or higher at all manufacturing locations

Eighteen manufacturing sites, 38% more than in 2015 and 30% of the total, achieved landfill diversion rates of 95% or higher.

Reduce total energy and water use and total waste generation by 15% indexed to revenue

Baxter reduced energy use 1%, decreased water use 1% and increased total waste generation 2%, all indexed to revenue.

Reduce absolute GHG emissions by 10%

Baxter reduced absolute GHG emissions by 3%.

### RESPONSIBLE PROCUREMENT AND LOGISTICS

*Implement world-class sustainability practices with key partners*

Increase Baxter's spending with diverse suppliers by 50%, from 4% of relevant spending in 2015 to 6% in 2020<sup>3</sup>

Baxter increased purchases with diverse suppliers to 4.4% of relevant spending during the year.

Expand green transport partnerships with government agencies, nongovernmental organizations and/or private companies from one business region to all business regions globally

The company continued partnership with the U.S. Environmental Protection Agency SmartWay<sup>®</sup> program as a private fleet operator and third-party transport contractor, and continued membership in Green Freight Asia.

### INNOVATION THAT EXPANDS ACCESS TO CARE

*Improve access to healthcare for the underserved*

Proactively pre-position Baxter's donated products with donor partners, which will enable them to optimally distribute and be first on scene to address critical medical needs

Baxter donated nearly \$14 million in products to donor partners AmeriCares, Direct Relief and Partners in Health. These organizations distributed Baxter products in 67 countries in response to disasters and to support medical missions.

Establish The Baxter International Foundation Partnership Grant program in 2016 to drive increased access to healthcare for an incremental 10,000 patients annually

The Baxter International Foundation and Direct Relief launched a mobile health initiative to bring lifesaving medical treatment and education to more than 10,000 patients annually in Mexico City. The three-year, \$2.25 million program benefited more than 13,000 people in its first three months.

Launch two new emerging market business models in Baxter's Renal business

Baxter's Flying Angel project in China significantly improved PD therapy standards of care, infrastructure and affordability for thousands of end-stage renal disease patients in six pilot provinces.

### SERVING OUR COMMUNITIES

*Support communities worldwide in enduring ways*

Complete two projects, including one by 2018, that support access to clean water or enhance sanitation in water-stressed areas where Baxter has an operational presence

Baxter defined a project near its facility in Aguacatán, Guatemala, to provide access to clean water as well as educational resources to about 1,500 local families over three years. The company will launch phase one of the project in 2017.





a linear model of “take, make, dispose” to a circular model illustrated in the graphic below. Innovative product, service and systems design, increased reuse and recycling, and collaboration across sectors enable product materials to remain in use longer. This approach can save Baxter money, improve its reputation, and reduce the company’s environmental impact and that of its customers.

**SUSTAINABILITY ACROSS THE PRODUCT LIFE CYCLE**

Baxter is beginning to transition from a linear to a circular business model that maximizes the value gained from materials while improving environmental performance and the customer experience.

# Product Innovation

## Improve sustainability and performance of products and services

Bureau Veritas has provided assurance on the content in this section (except the Quality and Patient Safety subsection).

Baxter creates products that save and sustain lives worldwide. This is the company’s mission and its most important contribution to society. The demand for Baxter’s products will only continue to grow

as the world pushes toward 9.7 billion people by 2050<sup>1</sup> and standards of living continue to improve globally. Quality and patient safety underpin the company’s ongoing success. Baxter has extensive policies and processes to ensure excellence in these areas, and continues to innovate new products and services that enhance patient safety.

Manufacturing and delivering products can have extensive environmental impacts. These impacts are mainly due to the materials Baxter’s products contain and the energy, water and other resources needed to make, transport and use them. To capture the most value from these natural resources, the company is continuing to shift from

### Sustainable Design

Baxter uses Product Sustainability Review and life cycle assessment to understand product environmental performance and requirements across the value chain and drive ongoing improvements

### Materials Use

Baxter innovates to reduce materials use in products, to decrease waste in manufacturing and packaging, and to minimize use of materials of concern

### Quality and Patient Safety

Baxter has an unrelenting dedication to quality and patient safety that is foundational to the company’s ongoing success

### Product End-of-Life

Baxter works to repair and reuse electronic medical products when possible, and collaborates to recycle medical waste and recapture materials when reuse is not an option



## CASE STUDY »

## SHARESOURCE Remote Patient Automated Peritoneal Dialysis Management System

In 2016, Baxter launched its SHARESOURCE remote patient management system, designed to help more patients gain access to home therapy. This telehealth platform is offered with Baxter's AMIA and HOMECHOICE CLARIA automated peritoneal dialysis (APD) systems, where they are cleared for use worldwide. The two-way, cloud-based technology platform improves the patient experience by allowing designated healthcare providers to securely view dialysis-related treatment data that are automatically collected after each home-based PD session. Healthcare providers can act on this information by securely and remotely adjusting their patients' device settings without requiring patients to travel to the clinic. The SHARESOURCE system also provides a patient's healthcare team better visibility to his or her missed treatments, for follow-up as needed.

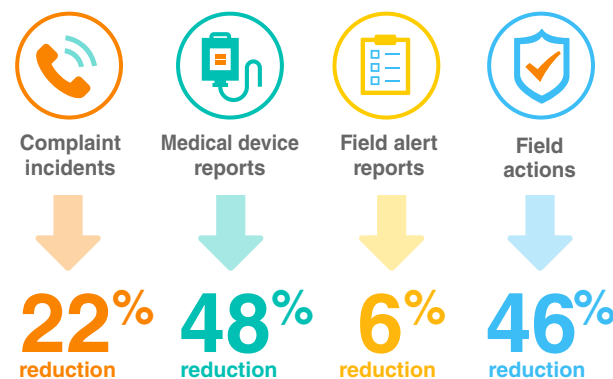
These are in addition to the more general benefits of home-based PD therapy, including receiving treatment in a familiar setting, avoiding the need to travel to clinics, and maintaining the ability to work during normal business hours. This treatment also offers environmental advantages, such as reduced greenhouse gas emissions related to travel and decreased use of electricity and water for treatment compared to in-clinic hemodialysis. AMIA also reduces materials use, since it is up to 40% smaller and 30% lighter than other systems on the market.

## QUALITY AND PATIENT SAFETY

Baxter's reputation and ongoing success depend on the quality and safety of its products and services. A focus on quality is embedded in Baxter's culture across the product life cycle, from product development and enhancements to post-market surveillance activities.

In 2016, Baxter established Top 20 Complaint Reduction, a comprehensive program to enhance product performance and safety. This program helped the company decrease product complaint incidents by 22%, exceeding the goal of a 15% reduction by 2020. Continuing to improve in these areas will free up resources to focus on innovation and new technologies.

### Progress from 2015 to 2016\*



\*Complaint incidents are product complaints normalized to the volume of products distributed. Medical device reports are reports submitted to the U.S. Food and Drug Administration of certain medical device malfunctions, deaths or serious injuries associated with the use of a medical device. Field alert reports are reports submitted to the U.S. FDA for a specific drug application and defect category. Field actions can be recalls or other actions taken related to distributed products.

Key examples of innovations in 2016 that enhanced product quality and usability include:

- MiniCaps, a disposable product that supports peritoneal dialysis (PD), enables users to safely

connect to and disconnect from the PD system aseptically, significantly reducing the risk of peritonitis. Baxter's Quality and Engineering teams implemented a multitiered approach to reduce process variability and improve inspection capabilities. This enhanced product performance significantly in 2016 and 2017, decreasing both complaints and medical device reports by more than 50%.

- Access Disposables products are used to transfer therapeutic fluids, medications, and nutrition, blood and blood products from a rigid, semi-rigid or flexible container to the hub of an access device. Changing catheter extension set materials from acrylic to ABS plastic virtually eliminated connection complaints for the product.

Baxter also introduced several new products in the hospital products and renal markets to continually improve the customer experience. For example, the Renal franchise launched CLARIA, AMIA, and SHARESOURCE in 2016 to improve PD treatment. CLARIA is the newest version of the popular HOMECHOICE device, with improved technology. The AMIA device provides additional customer interface innovations to ease new patients onto PD therapy and assist with home use. In conjunction with the SHARESOURCE telehealth system, these products provide the first and only two-way, remote patient management system for home dialysis therapy globally (see case study at left).

The company also collaborates with regulatory bodies to advance quality and safety.<sup>2</sup> Baxter is working with the U.S. Food and Drug Administration (FDA) to develop standards and metrics that will enable the agency to more effectively compare companies and identify leaders in quality and safety. The FDA will then use this information to determine the frequency of inspections. Baxter will be among the first sites to participate in the pilot

studies, which will allow it to further demonstrate the capabilities of its quality system. The company is also working with ministries of health in China, Thailand and Mexico to help shape standards related to parametric release, a method of ensuring that critical parameters are met for sterility at the time of product release.

To achieve its vision to be a top quartile company, Baxter is also collaborating with suppliers and contract manufacturers to increase their capabilities and support ongoing improvements and innovation in the company's product portfolio.

## SUSTAINABLE DESIGN

Baxter's Product Sustainability Program—in partnership with the research and development, marketing and supply chain groups—embeds product stewardship across the company.

Product Sustainability Review (PSR) underpins the company's sustainable design efforts. This required assessment, or a similar analysis, occurs during the product development process for all new products, to assess environmental, health and safety, sustainability, and regulatory considerations and requirements across the value chain. This includes high-level review as well as more detailed life cycle assessment (LCA)-based computer modeling of proposed products and may involve comparison with existing products. Key metrics illustrate progress on avoiding materials of concern, minimizing customer waste and reducing product carbon footprint. The objectives of PSR are to continually improve Baxter's own operations, help meet customer expectations to make products more sustainable and manage regulatory risk.

Since 2005, Baxter has used PSR to evaluate more than 20 medical devices, and currently has multiple products under assessment. Several PSR reviews have influenced materials selection to avoid chemicals of concern. This is in addition to more than 80 renal products that have undergone a separate environmental impact analysis. Eighty-four percent of those products demonstrated either improved or comparable performance with the products they replaced.

To supplement PSR, Baxter uses LCA in selected cases to evaluate and improve the sustainability performance of its products. During 2016, the company expanded on an LCA conducted the prior year on Baxter Renal Therapy Services (RTS)<sup>3</sup> in Colombia. Baxter collaborated with the University of Wisconsin-Madison to conduct a social life cycle assessment (S-LCA) to develop a broader understanding of the social implications and relative benefits of in-clinic hemodialysis and home-based peritoneal dialysis in that country, from the perspectives of various stakeholder groups. This pioneering study helped to advance emerging S-LCA methodology and illustrated how this approach may be applied to healthcare services.

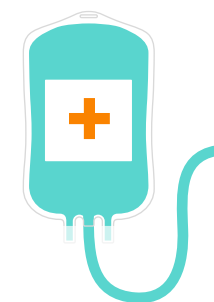
During 2016, Baxter piloted a project to assess the social, environmental and economic value created for patients and hospitals through the use of several key products in Latin America, due to factors such as reduced length of stay in treatment facilities.

During 2016, Baxter remained involved with the [Coalition for Sustainable Pharmaceuticals and Medical Devices \(CSPM\)](#), a working group of leading healthcare companies of which it was a founding member. Baxter will continue collaborating with the organization to understand customer needs and trends related to sustainable healthcare and to help drive the industry forward.

## MATERIALS USE

Materials use is a key driver of Baxter's environmental footprint, so getting the most value possible from materials is a priority and central to the company's drive toward a more circular economy. Reducing plastic waste and increasing recycling is essential, since plastic scrap from manufacturing is the company's largest waste stream. During 2016, Baxter reduced plastic scrap per unit of production by 5% compared to 2015, at 17 sites representing 73% of the company's overall plastic volume. This decreased plastic waste by more than 535 metric tons.

**Reducing the thickness of IV  
and renal fluid bags  
maintains performance and saves**



**145**  
metric tons of PVC

**\$400,000**  
annually

Baxter also innovates to decrease the environmental impact of product packaging by reducing the amount used and substituting for environmentally preferable materials. In 2016, the company's facility in Cali, Colombia, changed the film type of the Mini-Bag Plus, improving performance and saving 31 metric tons of PVC and \$62,000 on an annualized basis. By reducing the thickness of IV and renal fluid bags from 0.0145 inches to 0.0125 inches, the company's São Paulo, Brazil, facility will save 145 metric tons of PVC and \$400,000 yearly.

Baxter's site in Guangzhou, China, reduced the size of MiniCap packaging, saving 15 metric tons of cardboard and nearly \$110,000 annually.

Keeping materials of concern out of the waste stream can increase the value of waste and the potential for waste material to be reused for other high-value purposes. Baxter has global strategies and programs to help ensure that it meets product materials restrictions such as the EU RoHS2 Directive and the EU REACH Regulation, among others. The company also works to minimize or avoid the use of conflict minerals in its products and [reports progress](#). In addition to materials restricted by regulations, Baxter also gathers information about substances such as bisphenol-A (BPA) and latex, which are of interest to some customers.

## PRODUCT END-OF-LIFE

Baxter works to keep valuable materials in use at the end of product life. Some of the electronic medical devices Baxter sells, such as renal automated peritoneal dialysis cyclers, are designed to support the circular economy through serviceability, repair and reuse. The company leases certain types of its electronic medical products to customers and patients, which helps ensure that they have the technology that best meets their needs and provides increased flexibility compared to ownership. This model also ensures that those products will be returned to Baxter after a set period of time. As appropriate, the company repairs those products for reuse, which lengthens product life, decreases the environmental impacts of product disposal and new product manufacture, and keeps valuable materials in use. In Europe, Baxter conducted 12,000 service events of HOMECHOICE PD devices during 2016.

Regulations in many countries worldwide require responsible recycling of electronic products when reuse is no longer an option. 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. In 2016, more than 50 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 how to dispose of Baxter products in accordance with the directive.

Baxter also works with customers, industry peers and recycling and disposal vendors to facilitate the recycling and responsible treatment of disposable medical products such as IV bags. During 2016, Baxter participated in a pilot project of the Healthcare Plastics Recycling Council (HPRC) and the Plastics Industry Association to demonstrate the viability of recycling noninfectious, pre-patient healthcare plastics on a regional basis. The study, which focused on the Chicago area, revealed information about the types and volumes of plastics used in participating hospitals, the possible economies of scale of multi-hospital efforts, challenges associated with sorting commingled plastics, and the potential for materials recycling. See the [Chicago Regional Demonstration Project Report](#) for more detail.

Baxter co-founded a European chapter of HPRC with several other companies and sponsored a workshop in the UK in 2016 to explore how to apply circular economy principles to healthcare plastics in the European Union. The company has since helped to expand the reach of the chapter and implement some of the ideas discussed including partnering with a hospital in Denmark to understand its waste streams.

In 2013, Baxter established a partnership with the Vinyl Council of Australia (VCA) to launch the VCA's PVC Recovery in Hospitals initiative in Australia. During 2016, the initiative expanded to reach 62 hospitals in Australia (up from 48 in 2015) as well as 28 in New Zealand (up from 12 in 2015). Together, these locations are estimated to collect about 10 metric tons of PVC for recycling per month. Baxter Australia added the collection of aluminium anesthesia containers to the program at three hospitals, and plans to expand to more in 2017. See [historical information](#).

**62 hospitals in Australia** + **28 hospitals in New Zealand**



The company is also helping patients who receive regular home deliveries of dialysis solutions to recycle related waste. As of the end of 2016, more than 750 Baxter peritoneal dialysis (PD) home patients participated in the Home PD Recycling Program (643 in Australia and 107 in New Zealand, up from 460 and 0 the prior year). The program collects and recycles 9 metric tons of plastic and 7 metric tons of cardboard each month.





## Workplace Culture

### Promote inclusion, diversity and employee engagement

#### EMPLOYEE ENGAGEMENT

Baxter is committed to providing its 48,000 employees worldwide with a Best Place to Work. The company remains steadfast in driving a high-performing, inclusive organization where employees pursue rewarding careers, receive competitive compensation and take pride in bringing the company's mission to life. To help employees

realize their full potential and reward them for their contributions, Baxter offers a welcoming workplace with a wide range of learning and development opportunities and a competitive compensation and benefits package.

The company strives to create an inclusive culture and a diverse work environment. A diverse workforce drives innovation, creates trusted partnerships with customers, suppliers and community partners, and ultimately contributes to the success and sustainability of the business. Baxter works to attract, motivate and retain a diverse workforce in order to better understand and address the needs of the company's patients, caregivers, customers, suppliers and employees.

### Performance and Career Development

To advance Baxter's goal of being a Best Place to Work, in 2016 the company simplified its approach to performance management by eliminating ratings and increasing the emphasis on continuous feedback. In 2017, Baxter is moving to monthly check-ins focused on performance feedback, and enhanced career development and planning, for which all employees and managers have responsibility. To support this shift and to further build manager and employee capabilities, Baxter will offer a learning series in 2017 focused on receiving and giving feedback, career development and planning, and engagement. In 2016, the company piloted career development and planning webinars with more than 1,300 employees in its Global Science and Technology organization.

In 2016, Baxter introduced 10 leadership competencies that align to the company's cultural values. These guide performance, development planning, and employee selection; drive continuous improvement; and enhance monthly check-ins between employees and managers. With the launch of the leadership competencies, Baxter provided tools and resources to managers and employees to prioritize development and growth in these critical areas. These included a self-assessment tool to help employees and managers align on strengths and gaps, a guide to help employees develop in each competency and aligned e-learning modules.

Baxter also conducted a 360 degree assessment during the year—aligned with the leadership competencies—with the company's top leaders. The assessments provided feedback to help the leadership team create development and succession plans. Baxter plans to cascade the 360 degree assessment process to additional levels of employees in 2017 and beyond.

## Talent Development

Baxter's talent development philosophy emphasizes a combination of work experiences, feedback, relationships and training. The company provides virtual, online and classroom offerings around the globe on topics such as business/financial acumen, leadership, management, product knowledge, U.S. Food and Drug Administration regulations, Good Manufacturing Practice guidelines and job-specific skills. Employees can access development resources on the company's intranet site.

Mentoring—referred to as DevelopMentoring—is another critical component of development at Baxter. In 2016, Baxter reinvigorated its approach to mentoring, including an online internal tool to match mentors and mentees based on participant input. The company engages in four types of mentoring (see graphic below). [Learn more.](#)

Voluntary employee turnover in 2016 was 9.9% compared to 9.8% in 2015. Talent development contributes to workforce engagement and retention.

Baxter offers various development opportunities based on the career level of the employee, from college students interested in working for Baxter to current employees and managers.

**Summer Internships** Baxter's 12-week internship/co-op program provides college students with hands-on experience in a field related to their course of study. Throughout the internship, students have many development and networking opportunities, including a group volunteer project that they complete at a Baxter-supported charity. Participants are often invited back through Baxter's development programs. In 2016, the company hosted nearly

60 interns from eight schools across six states. [Learn more.](#)

**Rotational Development Programs** Six rotational development programs help participants develop skills and enhance knowledge of Baxter through a variety of roles. A wide range of training and development opportunities are available, including a weeklong program focused on people skills. In 2016, more than 75 employees participated in the commercial, finance, information technology, operations/quality, sales and technical rotational development programs. [Learn more](#) about rotational development and [technical development programs](#) at Baxter.

[View more](#) information about talent development at Baxter.

## Manager and Leadership Development

Baxter's global Management Essentials training series aims to build leadership skills, to enhance manager capabilities, and to develop and refine skills in areas such as change management, coaching and feedback, communication, critical thinking and problem solving, and managing conflict and performance.

Additionally, the company piloted Management 101 courses worldwide for people managers and above in 2016. These one-day, in-person workshops focus on conducting performance conversations that are both people- and results-oriented. During the session, employees practice and learn essential skills for effective performance conversations and gain the confidence to hold others accountable while maintaining working relationships.

Baxter also offers various leadership development programs, including Career Challenge, Situational Leadership, Managing the Matrix, Leading for Results and Growing Emerging Leaders.



## Measuring Company Culture

Every year, Baxter conducts an all-employee Best Place to Work survey. More than 85% of Baxter’s employees worldwide participated in 2016.

### BAXTER 2016 BEST PLACE TO WORK SURVEY (CATEGORY SCORES)

		Baxter	Global Benchmark*
<b>Rewards</b>	Providing competitive pay and benefits; attracting and retaining the best talent	56%	45%
<b>Organization</b>	Driving productivity through goal alignment, agility and teamwork; ensuring clarity on direction and vision	71%	66%
<b>Development</b>	Providing employees with the opportunity to grow and the resources to achieve their career aspirations	65%	59%
<b>Engagement</b>	An employee’s personal investment in the organization and motivation to contribute to its success	66%	60%
<b>Workplace</b>	Providing a safe work environment; enabling employees to do their best work	69%	64%
<b>Leadership</b>	Growing leaders who inspire commitment and engagement, develop their teams and align goals	62%	60%
<b>Inclusion</b>	Ensuring that everyone is able to contribute their best and the company has the diversity to drive innovation	61%	62%

\* Data are from Aon Hewitt and represent more than 500 companies and over 11 million employees.

Survey results are shared broadly across Baxter, and teams create action plans to address low-scoring areas. Based on 2016 survey results, the company has refined its approach to performance feedback and ratings, updated tools and trainings to ensure manager effectiveness and launched new inclusion and diversity training for all employees.

To supplement the annual survey, employees receive pulse surveys throughout the year to provide input on certain areas covered in the broader survey.

Selected employees joined focus groups to help shape changes for the company in response to survey data. Ongoing feedback from Baxter leaders and employees is crucial to make Baxter a Best Place to Work.

## COMPENSATION AND BENEFITS

Baxter’s global total compensation philosophy is to provide market-competitive pay and benefits while rewarding employees for strong individual and business performance. Learn more about [employee compensation and benefits](#) and [executive compensation](#) at Baxter.

## GLOBAL INCLUSION AND DIVERSITY

At Baxter, inclusion and diversity is about building diverse, high-performing teams that are engaged and innovative, and advancing company culture so that every employee feels valued, respected and safe to be their authentic self. Baxter is committed to attracting, motivating and retaining an inclusive and diverse workforce to better address the needs of its employees, customers, suppliers, patients and caregivers.

The company defines inclusion and diversity in four key areas:

**Workforce**



Recruit and build diverse and high-performing teams that are engaged and innovative

**Workplace**



Advance the company’s inclusive culture where every employee feels valued, respected and safe to be their authentic self

**Communities**



Cultivate strategic and diverse supplier and community partnerships

**Marketplace**



Consider the needs of customers and their patients in all aspects of Baxter’s business

VIEW THE DATA SUMMARY FOR MORE DETAIL. ➤

## Global Inclusion Council

In 2016, Baxter’s Global Inclusion Council (GIC) was chaired by the company’s Corporate Vice President-International, and is composed of approximately 15 senior leaders from the company’s businesses, regions and functions. These leaders serve as inclusion and diversity champions, advocates and thought leaders across the company. The GIC is responsible for advocating and driving the company’s global inclusion and diversity priorities, as well as developing and implementing local inclusion plans. In 2016, the GIC continued to focus globally on advancing women and underrepresented minorities in leadership and driving inclusive leadership capabilities and culture.



## Building Cultural Competence

Baxter provides employees with training, tools and resources to build cultural awareness and competence.

These tools help employees engage more authentically and effectively with each other and deliver better business results. In addition, many employees work on global teams, which enables them to experience other cultures and build cultural competence through daily interactions.

*"Baxter is committed to fostering an inclusive work environment that attracts, engages and retains a diverse workforce to drive healthcare innovation that better the lives of the patients we serve. Integrating different backgrounds and perspectives within all facets of our organization is what allows us to continue delivering on our mission to save and sustain lives."*

**JOSÉ (JOE) E. ALMEIDA**  
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

For all people managers, Baxter offers an instructor-led, mandatory workshop called Power of Managing Inclusively (available in 11 languages). The company also has an online toolkit on valuing differences, which addresses the skills and tools needed to create an inclusive and diverse culture.

The "Introduction to Managing Unconscious Bias" eLearning program, launched in 2016, educates all employees on the concept of unconscious bias, including ways to mitigate or eliminate it. To further embed awareness of unconscious bias throughout the organization, Baxter prompts its employees to think through their biases in key processes, such as talent assessment, feedback and hiring. This reminds employees to slow down their thinking and consider ways they can remove and/or mitigate unconscious bias that may influence their decisions.

## Business Resource Groups

Baxter's eight Business Resource Groups (BRGs) support the company's inclusion and diversity goals, including the recruitment, retention and engagement of diverse employee groups. The groups work to enhance personal growth and multicultural understanding, while strengthening relationships among employees and with business partners, community partners and customers. [Learn more.](#)

## Equal Opportunity

As an equal opportunity employer, Baxter prohibits employment discrimination or harassment of applicants, employees and third parties due to race, color, religion or religious creed, gender, national origin, ancestry, age, physical or mental disability, medical condition, genetic information, marital status, sex, sexual orientation, gender identity or expression, military or veteran status or any other basis protected by law.

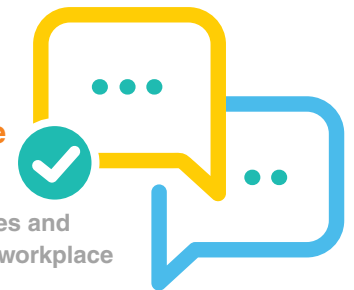
See information regarding board diversity on page 20 of Baxter's [2017 Proxy Statement](#).

## WORKPLACE FLEXIBILITY

Baxter appreciates the increasing demands on employees to manage their personal and work lives, and respects the need for different approaches regarding where and when work gets done. Managers and employees share the responsibility for effective, flexible work arrangements and alignment on expectations.

### 2016 Workplace Flexibility Discussion Guide

Information-sharing resource for employees and managers to discuss workplace flexibility options



In 2016, the company continued to reinforce its longstanding commitment to this area by providing additional tools and information globally for managers and employees to improve conversations about workplace flexibility. The company introduced a workplace flexibility discussion guide that outlines flexibility options and provides resources for employees and managers. Throughout the year, the company shared [stories](#) about workplace flexibility in practice, highlighting the difference flexibility makes in the lives of employees, managers and leaders. Baxter encourages and highlights the use of technology to support effective remote work.

[Learn more](#) about workplace flexibility at Baxter.



monitoring and investigations. Relationships with third parties can be a focus of these assessments, taking into account factors such as the nature of the arrangement with Baxter, adherence to contractual terms and Baxter’s ethics and compliance standards for suppliers, the level of interaction with governments and healthcare professionals, training history and needs, and other possible risk factors.

In 2016, the company conducted three compliance assessments using Ethics and Compliance and Corporate Audit resources, one each in Europe, Middle East and Africa; Latin America; and Asia Pacific. The assessments showed continued progress in awareness, understanding and implementation of Baxter’s anticorruption programs.

Baxter also conducted compliance self-monitoring in 49 countries as outlined below. The company is automating its compliance monitoring program to broaden coverage.



## RELATIONSHIPS WITH HEALTHCARE PROFESSIONALS AND GOVERNMENT OFFICIALS

Baxter is committed to transparent reporting about relationships with the medical community and government officials. This includes the continued implementation of anticorruption programs to ensure that those relationships and related payments are for necessary and genuine services. In 2016, the company completed the worldwide launch of its Global Interactions Policy, which outlines when and how it is acceptable to provide members of the medical community or government officials with any payment of monetary value or other benefit.

In 2016, the company introduced local Contributions Management Committees outside of the United States and Canada. Baxter’s Contributions Management Program reviews and processes contribution requests—such as for community and patient education events and walks or runs to increase disease awareness—from nonprofit and for-profit healthcare organizations (HCOs). In 2016, the company processed more than 100 such requests and approved more than \$1 million in contributions to HCOs.

## ETHICS AND COMPLIANCE HELPLINE

In 2016, Baxter logged and addressed 307 reports into its Ethics and Compliance Helpline system. Not all of the reports involved allegations of misconduct. All reports were promptly addressed or triaged.

### 2016 ETHICS AND COMPLIANCE HELPLINE REPORTS



**307**  
Reports received



**22**  
Countries



**274**  
Reports closed (of 307)

Reports Closed by Category	% of total*
Work Environment/Employee Relations	62%
Interactions with Government Officials including HCPs/HCOs (outside the U.S.)	18%
Asset or Information Misuse or Misappropriation/Data Privacy	5%
Manufacturing/EHS/R&D/Regulatory	4%
Conflict of Interest	3%
Financial Management and Reporting	3%
Marketing and Sales	3%
Competitive Practices	1%
Payments/Gifts/Entertainment with HCPs/HCOs (U.S.)	0%

\* Data do not add up to 100% due to rounding. The category Payments/Gifts/Entertainment with HCPs/HCOs (United States) had one report closed, which rounded to 0%. HCP refers to healthcare professional.





# Employee Health and Safety

Achieve a zero-harm workplace and improve employee well-being

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

As a part of Baxter's aspiration to be a Best Place to Work, the company provides a safe workplace and the resources to maintain and improve health and wellness.

The company tracks and evaluates each major incident that takes place to fully understand root causes and prevent recurrence. The Environmental, Health, Safety and Sustainability (EHS&S) organization reports employee safety performance to Baxter's senior leadership and manufacturing and supply chain management weekly, and also communicates this performance to the company's Board of Directors.

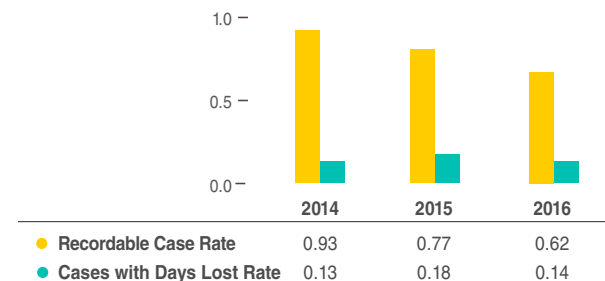
For more information about employee health and safety at Baxter, [click here](#).

## Performance

In 2016, Baxter achieved its lowest ever recordable case rate, a decrease of 19% from the prior year. It also improved its cases with days lost rate by 22% and its days lost rate by 27%.

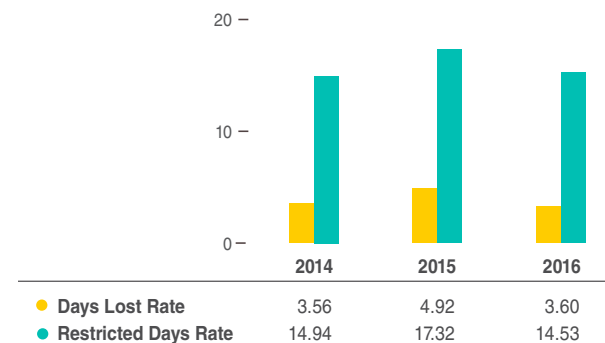
Key drivers included enhanced visibility to all recordable injuries with weekly management reporting; increased management engagement in safety performance; accountability systems for root cause analysis and corrective and preventive actions; and early monitoring of lost workday cases for appropriate management.

**RECORDABLE CASE RATE AND CASES WITH DAYS LOST RATE\***



\* See the [Baxter Data Summary](#) for descriptions of metrics and additional detail.

**DAYS LOST RATE AND RESTRICTED DAYS RATE\***



\* See the [Baxter Data Summary](#) for descriptions of metrics and additional detail.

## Injuries and Major Incidents

Baxter regularly evaluates the company's main sources of work-related injuries to identify trends and opportunities for improvement.

Major incidents are defined as those that result in an employee or contractor being hospitalized overnight (for more than observation), sustaining an amputation or dying. When a major incident occurs, facility management conducts an evaluation and follows formal processes and reporting mechanisms to share knowledge companywide and prevent recurrence.

Major incidents increased at Baxter in 2016 (eight, none involving contractors) compared to 2015 (four, none involving contractors). No fatalities occurred.

[VIEW THE DATA SUMMARY FOR MORE DETAIL.](#) >

## Enhancing Safety Culture and Performance

In 2016, based on a review of historical performance trends, Baxter further enhanced its safety culture and performance. This includes specific safety strategies for targeted facilities, increased oversight of case reporting, and completion of corrective and preventive actions following recordable injuries.

### FOCUSED INJURY AND ILLNESS REDUCTION STRATEGIES

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

### EMPHASIS ON HIGH-HAZARD SOURCES

During 2016, Baxter continued to categorize all EHS&S incidents by potential severity, and devoted appropriate resources to discover the root causes of incidents, correct them and prevent recurrence. Baxter launched a new Safety Alert system to enhance learning from major incidents. The system requires applicable sites to verify awareness of occurrences and associated risks, as well as any needed remediation.

## Health and Wellness Program Management and Initiatives

Baxter's occupational health function, in partnership with Human Resources and Global Communications, develops the company's health and wellness strategies. A global team of diverse health professionals and volunteers, known as Local Champions, helps refine and implement these approaches and define specific priorities.



### BEWELL@BAXTER

Baxter recognizes that healthy employees are more engaged and productive and 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 influence their health and future health risks. The company uses this data to focus its health promotion program on areas of highest future health risk for employees. As of the end of 2016,



more than 32% of Baxter's employees worldwide had completed a Personal Wellness Profile.<sup>1</sup>

In 2016, more than 14,000 employees (28% of the total) logged more than 165,000 hours of exercise as part of the BeWell@Baxter Exercise Challenge. This represents a 29% increase in hours compared to 2015. Fifty-four percent of facilities worldwide 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 vaccinations** In 2016, Baxter offered free seasonal flu vaccinations to 97% of its employees; 31% of all employees were vaccinated.
- **Smoke-free workplaces** In 2016, 89% of campuses with 25 or more employees were smoke-free, up slightly from 88% in 2015. The company asked facilities that are not smoke-free to set a date for that conversion, if allowed by local regulation.



## Operations

### Reduce environmental footprint through increased efficiency and resource conservation



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

Baxter is committed to driving sustainability throughout its global manufacturing operations.<sup>1</sup> The company strives to use energy, water and raw materials efficiently, while reducing waste and

greenhouse gas (GHG) emissions. This improves environmental performance while saving money and enhancing Baxter's reputation.

The company's environmental, health, safety and sustainability (EHS&S) vision is 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's EHS&S Policy outlines the company's commitments within its operations and across the value chain. The company's EHS&S governance

structure helps the organization achieve its goals and create long-term business value.

Baxter follows a management-systems approach guided by its global EHS&S requirements. The company applies the ISO 14001 standard to manage its environmental aspects and the OHSAS 18001 standard to manage its health and safety hazards and risks. As of year-end 2016, 64 Baxter locations met the requirements of ISO 14001 and 48 sites were certified to OHSAS 18001.

The company's EHS&S audit program verifies that Baxter's facilities have programs that achieve regulatory compliance and meet the company's EHS&S requirements, objectives and goals. In 2016, Baxter conducted EHS&S audits at 22 facilities.

With regard to environmental compliance, Baxter received four environmental Notices of Violation (NOVs) in 2016 (all related to wastewater) and paid \$0 in environmental fines. The company settled one health and safety NOV during the year, and paid \$1,529 in health and safety fines.

Since 1994, Baxter has published an Environmental Financial Statement (EFS) to demonstrate the value of the company's proactive global environmental management program. The EFS reports total estimated environmental income, savings and cost avoidance realized in the reporting year.

Baxter did not produce an EFS for 2016. The company intends to evaluate the EFS methodology for future reports.

**PROGRESS ON 2020 ENVIRONMENTAL GOALS**

Goals (2015 baseline)	Progress through 2016
Reduce total energy use by 15%, indexed to revenue	↓ 1% decrease
Reduce total water use by 15%, indexed to revenue	↓ 1% decrease
Reduce total waste generation by 15%, indexed to revenue	↑ 2% increase
Reduce absolute GHG emissions by 10%	↓ 3% decrease
Pursue zero waste-to-landfill by achieving a landfill diversion rate of 95% or higher at all manufacturing locations	✓ Achieved at 30% of manufacturing locations

Renewed efforts are underway to improve performance in these areas.

**ENERGY**

Using energy effectively enhances business efficiency, conserves natural resources and improves environmental performance. Reducing fossil fuel combustion decreases GHG emissions, improves air quality and decreases fine particulates that contribute to adverse health effects.

Baxter has a goal to reduce total energy use by 15% indexed to revenue by 2020, from a 2015 baseline. In 2016, the company used 9,052 trillion joules of energy—1% less than in 2015, indexed to revenue. This includes electricity, fuel and purchased steam used by Baxter-managed and Baxter-operated facilities and excludes energy related to company-operated vehicles. Facility expansions and production increases in 2016 contributed to a 1% absolute increase in energy usage year over year.

Energy conservation supports Baxter’s business because energy is one of the company’s most significant manufacturing costs. The company’s

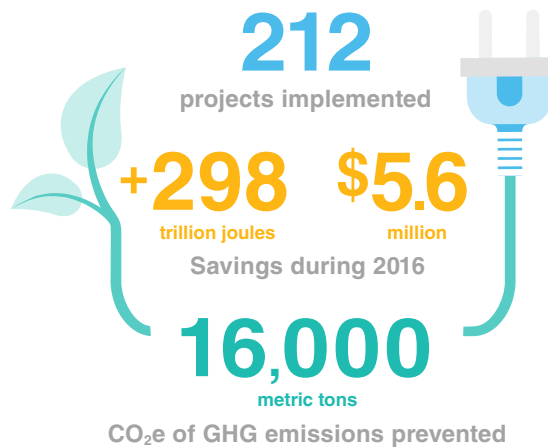
energy costs dropped 7% between 2015 and 2016, saving \$11.4 million, due to decreasing energy prices.

Site-specific energy assessments identify opportunities to conserve energy and to apply and share new technologies and best practices across the company. In 2016, Baxter performed energy assessments at 10 facilities worldwide. From those, the company identified 189 potential energy conservation projects, with possible annual savings of \$4.8 million. Facility personnel also uncover possible energy conservation projects.

During 2016, Baxter implemented 212 energy conservation projects that saved more than \$5.6 million and 298 trillion joules of energy on an annual basis, avoiding more than 16,000 metric tons carbon dioxide equivalent (CO<sub>2</sub>e) of GHG emissions.

Responsible energy procurement is integral to Baxter’s GHG emissions reduction strategy. At manufacturing sites in Europe, the company increased renewable power use to 73% of total electricity in 2016 from 51% in 2015, simultaneously

**2016 Energy Conservation Projects**



**2016 Baxter Lean Energy Program Achievements**



saving \$3.3 million through its global energy sourcing strategy.

Baxter has operated a Lean Energy Program for the company’s main manufacturing facilities since 2007. It includes four sets of Lean Energy standards—Prerequisite, Bronze, Silver and Gold. Each defines 14 to 35 requirements a facility must meet at that level, with a focus on process and system energy efficiency. By year-end 2016, 38 sites achieved Prerequisite status.

The Baxter global energy program began to apply the ISO 50001 standard in 2014 to its facility-level energy management systems. By the end of 2016, five company locations met ISO 50001 requirements, as verified by an accredited third party.

[VIEW THE DATA SUMMARY AND VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS TABLE FOR MORE DETAIL.](#)

**WATER AND WASTEWATER**

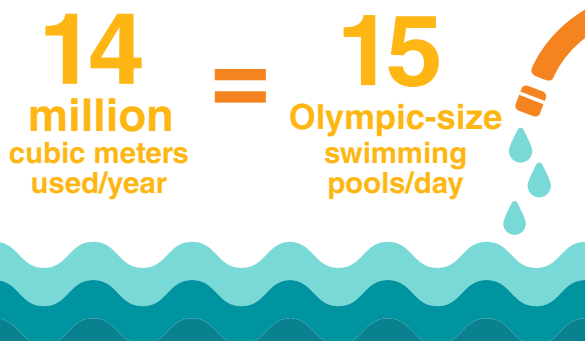
Water issues continue to grow in importance worldwide. Although these concerns are global, they must be addressed at the local or regional level. Baxter works to better understand the



impacts of its water use across the value chain and implements conservation and efficiency projects at its manufacturing facilities.

Baxter has a goal to reduce total water use by 15% indexed to revenue by 2020, from its 2015 baseline. Baxter reduced water consumption by 1% indexed to revenue from 2015 to 2016.

During 2016, Baxter used approximately 14 million cubic meters of water,<sup>2</sup> roughly equivalent to filling 15 Olympic-size swimming pools every day. This equaled 2% more water than in 2015 in absolute terms and 1% less indexed to revenue.



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 mapping<sup>3</sup> with water management to help facilities identify areas for additional conservation. The company has

implemented many straightforward means of reducing water usage, leaving future reduction more difficult. Moreover, Baxter anticipates that business growth and manufacturing process changes will continue to present challenges in this area.

During 2016, several Baxter sites increased total water usage due to expansion or renovation, start-up and other changes in manufacturing processes. The company implemented water recovery and reuse projects at some facilities. For example, Baxter's facility in Cali, Colombia, executed projects to recover and reuse process water, including condensate and reverse osmosis reject water. In addition, the facility changed sanitation practices to reduce water use. These efforts contributed to overall site reduction of approximately 10,000 cubic meters of water in 2016, despite a 5% increase in production.

Water issues vary significantly by location. In 2016, Baxter applied the World Business Council for Sustainable Development Global Water Tool to evaluate the availability of renewable water supply at the company's 60 largest water-use locations for which the tool provided data. These locations represented 95% of Baxter's total water use. In 2016, facility water usage in extreme water-scarcity, water-scarce and water-stressed areas combined decreased by 2% in absolute terms and 4% indexed to revenue compared to 2015.

## Wastewater

Wastewater discharged from Baxter's production operations is one of the company's most significant environmental compliance risks. In 2016, 60% of Baxter's self-reported environmental incidents were exceedances of permitted wastewater discharge limits.

To address existing wastewater compliance issues globally and to anticipate potential future ones, Baxter pursues an aggressive approach to wastewater compliance, evaluation and risk mitigation. Based on recent experience, 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 and recent data to identify possible trends and areas of concern;
- Verify the effectiveness of procedures used to monitor compliance with wastewater permit conditions and methods used to investigate and remedy causes of noncompliant 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, the EHS&S Audit group periodically performs targeted wastewater assessments. These reinforce the importance of understanding the effects of wastewater discharges on compliance and the need for proper management of wastewater treatment.

[VIEW THE DATA SUMMARY FOR MORE DETAIL.](#)

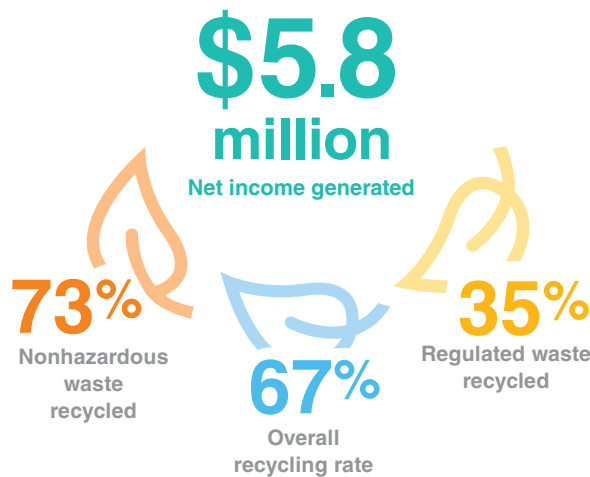


## WASTE

Baxter identifies leading waste reduction opportunities based on the highest-volume waste streams, facilities that produce the most waste, sites with strong potential to improve, and other factors. The company tracks and analyzes waste data from each major facility to assess progress toward waste reduction goals and identify ways to improve processes that generate waste. Facilities measure waste at the point of generation to rapidly identify significant sources. These and other activities reduce expenses related to raw materials use, waste handling and disposal.

During 2016, Baxter's operations generated 77,900 metric tons of total waste, up 4% from 2015 in absolute terms and 2% indexed to revenue.<sup>4</sup>

### 2016 Recycling at Baxter



The company's operations generated 64,300 metric tons of nonhazardous waste during 2016, a 4% increase in absolute terms and a 2% rise indexed to revenue. Baxter attributes this increase to changes in manufacturing and expanded production at some of the company's larger manufacturing facilities.

Reducing plastic waste and increasing recycling is essential, since plastic scrap from manufacturing is Baxter's largest waste stream, representing roughly one-third of the company's nonhazardous waste. Baxter also innovates to mitigate the environmental impact of product packaging. Read more in [Product Innovation](#).

Regulated waste<sup>5</sup> represents 17% of Baxter's total waste. During 2016, the company's operations generated 13,600 metric tons of regulated waste, up 7% in absolute terms and 5% indexed to revenue. This increase was due to higher-volume discards of a certain chemical waste at a facility in North America that expanded during the year, as well as improved reporting at that facility.

In 2016, Baxter recycled 73% of nonhazardous waste and 35% of regulated waste for an overall recycling rate of 67%. Recycling at Baxter generated nearly \$5.8 million in net income in 2016.<sup>6</sup>

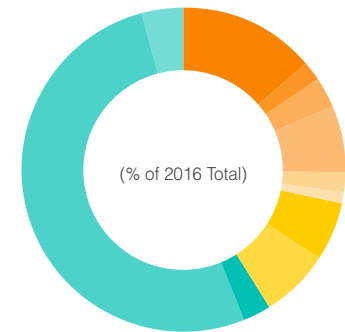
Baxter has a goal to pursue zero waste-to-landfill by achieving a landfill diversion rate of 95% or higher at all manufacturing locations by 2020. In 2016, 18 manufacturing sites and one R&D facility achieved this rate, up 38% from 2015.

[VIEW THE DATA SUMMARY FOR MORE DETAIL.](#)

## GHG EMISSIONS ACROSS THE VALUE CHAIN

Climate change is among the most pressing sustainability challenges facing the world today, posing risks for humans and natural ecosystems.

### BAXTER'S GLOBAL GHG EMISSIONS FOOTPRINT\*



	Thousand Metric Tons CO <sub>2</sub> e		% of Total
	2015	2016	2016
<b>Upstream (Scope 3)</b>			
Purchased Goods and Services	703	717	14%
Capital Goods	114	90	2%
Fuel- and Energy-Related Activities	137	136	3%
Upstream Transportation and Distribution	413	336	7%
Waste Generated in Operations	18	20	0%
Business Travel	70	102	2%
Employee Commuting	31	30	1%
Upstream Leased Assets	0	0	0%
<b>Baxter Operations (Scope 1 and 2)</b>			
Facility/Vehicle Fuel Usage and Refrigerant Losses (Scope 1)	292	290	6%
Purchased Energy (Scope 2)	383	362	7%
<b>Downstream (Scope 3)</b>			
Downstream Transportation and Distribution	147	143	3%
Processing of Sold Products	15	15	0%
Use of Sold Products	2,837	2,680	53%
End-of-Life Treatment of Sold Products	186	180	4%
Downstream Leased Assets	0	0	0%
Franchises	0	0	0%
Investments	41	0	0%
<b>Total</b>	<b>5,387</b>	<b>5,101</b>	<b>100%</b>

\*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. Segments do not add up to 100% due to rounding.

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.

Baxter began reporting its Scope 1, Scope 2 and certain Scope 3 GHG emissions in 1997 and contributed to the development of the initial version of the Greenhouse Gas Protocol, a collaboration of World Resources Institute and the World Business Council for Sustainable Development.

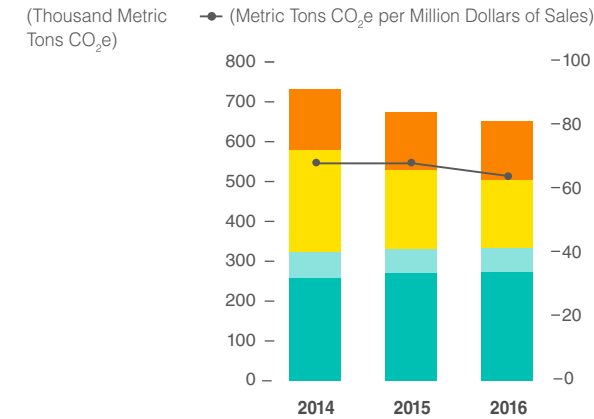
Baxter estimates its 2016 GHG emissions footprint (Scope 1, 2 and 3)<sup>7</sup> at 5.1 million metric tons CO<sub>2</sub>e,<sup>8</sup> down 6% from the prior year. The main factor contributing to this decrease was GHG emissions associated with the use of certain products for which production and sales decreased in 2016. In addition, GHG emissions associated with product transport fell in part due to various improvements during the year.

**VIEW THE DATA SUMMARY AND VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS TABLE FOR MORE DETAIL.**

### GHG EMISSIONS FROM OPERATIONS

Energy use accounts for 98% of Baxter's GHG emissions from operations, so the company focuses its reduction efforts in this area. In 2016, Baxter facilities completed 212 energy-conservation projects that reduced annual GHG emissions by more than 16,000 metric tons CO<sub>2</sub>e. Other tactics include fuel switching, cogeneration, onsite renewable energy systems, renewable power procurement and green buildings.

### GHG EMISSIONS FROM BAXTER OPERATIONS



Region	2014	2015	2016
Asia Pacific	151	147	149
EMEA	255	197	170
Latin America	67	62	62
North America	257	269	271
<b>Metric tons CO<sub>2</sub>e per Million Dollars of Sales</b>	<b>68</b>	<b>68</b>	<b>64</b>

Baxter has a goal to reduce absolute GHG emissions from operations by 10% by 2020. In 2016, the company reduced GHG emissions from operations by 3% compared to 2015. Total net emissions from operations equaled 652,000 metric tons CO<sub>2</sub>e in 2016, including a subtraction of 137,900 metric tons CO<sub>2</sub>e of carbon credits.

By the end of 2016, 28% of the company's energy use for operations was from renewable sources. Biomass fuel for boilers at four company locations<sup>9</sup> represented 11% of total energy use, and the renewable energy component of purchased electricity and renewable energy certificates together represented 17%. On-site geothermal, solar photovoltaic and solar hot water systems contributed a small amount to the total.

Baxter's energy procurement team works to provide both sustainable and economical energy to all manufacturing sites. During 2016, the company sourced more than 160,000 MWh of 100% renewable electricity for Baxter's European manufacturing sites. This represented 73% of total electricity for manufacturing in the region, up from 51% in 2015. In 2017, Baxter plans to increase this amount to 230,000 MWh of renewable electricity, equaling 98% of projected electricity use in European manufacturing operations. In most cases, savings realized through the company's comprehensive global energy sourcing strategy finance the premium for green electricity contracts.

Globally in 2016, Baxter purchased more than 250,000 MWh of electricity generated from 100% certified renewable power, a 25% increase from 2015, including all electricity purchased by the company in Illinois. Baxter was recognized as



the 23rd largest corporate purchaser of renewable energy in the United States during the year.<sup>10</sup>

Since 2007, Baxter has maintained carbon neutrality at its headquarters in Deerfield, Illinois, through electricity generated from certified renewable energy sources. The company offsets facility-related emissions from purchased electricity and from fuel combusted on-site.

**VIEW THE DATA SUMMARY AND VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS TABLE FOR MORE DETAIL.**



## Responsible Procurement and Logistics

Implement world-class sustainability practices with key partners



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

Baxter's global supply chain extends from the producers of raw materials it utilizes in manufacturing to the end users of its products. The company is committed to building and driving a responsible

supply chain. Collaboration is central to its approach, and Baxter engages its suppliers on key corporate responsibility issues including human rights, business ethics, labor practices, health and safety, and environmental performance. The company also innovates to mitigate environmental impacts from product transport. To learn more about Baxter's supply chain, [click here](#).

### RESPONSIBLE PROCUREMENT

#### Standards and Policies

Baxter is integrating corporate responsibility into its procurement practices to drive improved performance across its supplier base. The

### Labor Standards Assurance System »

In response to a requirement from one of Baxter's largest customers in the UK, Baxter is implementing a Labor Standards Assurance System (LSAS) for certain products it supplies to that customer. This will provide Baxter a clear framework to approach human rights and labor standards, and to improve the company's ability to manage supply chain risks in these areas.

The company is collaborating with a third party to develop a management systems approach. This includes a Baxter UK LSAS Policy, a Labor Standards Status Review (a desk-based risk assessment of Baxter's supply chain), a mapping of related operational controls and employee training. The company may widen the scope of the management system in the future.

company's [Supplier Quality Standards](#) and [Ethics and Compliance Standards for Suppliers](#) outline Baxter's expectations and requirements for all of its suppliers in this area.

As outlined in [Baxter's Global Human Rights Policy](#), the company respects human rights, dignity and the diverse contributions of all individuals. Fostering human rights takes many forms at Baxter and is reflected in numerous company policies and initiatives in areas including employment practices, privacy, safety, supply chain, ethical conduct and access to healthcare. The company works to ensure that Baxter suppliers share the company's high standards.

Baxter's [Modern Slavery Statement](#) declares the company's commitments and approach to ensuring that its UK operations and supply chain are free



from modern slavery such as child labor, forced and bonded labor, and human trafficking. The company also has a position statement related to the [California Transparency in Supply Chains Act of 2010](#).

To integrate these standards and policies into the company's business, Baxter considers social and environmental criteria in its purchasing decisions in addition to standard dimensions such as price and quality. The company incorporates corporate responsibility criteria into its requests for proposal and supplier contract templates.

### Managing Procurement Risks

In 2016, Baxter developed an overarching strategy and a risk-based approach to manage supply chain corporate responsibility risks. The strategy is designed to help the company structure and prioritize its engagement in this area.

### Supplier Corporate Responsibility Survey

At the end of 2016, Baxter invited 211 global and regional top direct and indirect suppliers to participate in its Supplier Corporate Responsibility Survey, a key part of the company's due diligence. The survey covers program governance as well as environmental, social, and health and safety aspects. Eighty percent of the 211 suppliers surveyed responded. Baxter will provide suppliers with a report card based on the data they provided.

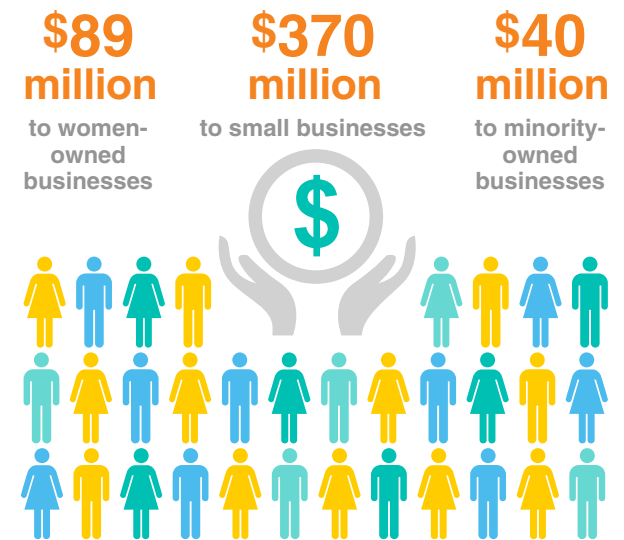
### Supplier Audits

Baxter launched its supplier audit pilot program in 2016 and conducted one audit in Asia Pacific, two in North America and two in Europe. The audit format, aligned with the [Pharmaceutical Supply Chain Initiative \(PSCI\)](#) protocol, covers ethics,

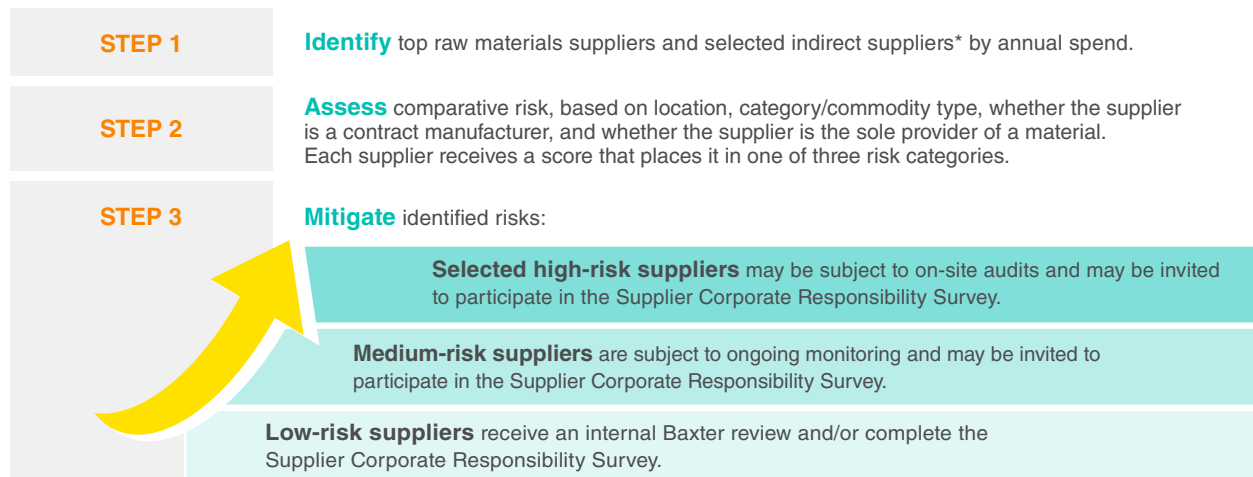
labor, environmental, health and safety, and related management systems.

### Supplier Diversity

Baxter develops mutually beneficial relationships with small and diverse suppliers, and works to continue to increase the diversity of its supplier base.



#### SUPPLY CHAIN CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM



\* "Direct suppliers" produce goods used in the manufacture of Baxter products. "Indirect suppliers" provide other goods and services to Baxter.

The company spent nearly \$370 million in 2016 with small suppliers in the United States and Puerto Rico. The decrease compared to 2015 resulted from reductions in service-related and capital expansion projects associated with the spin-off of Baxalta. During the year, the company also spent \$89 million with women-owned businesses and \$40 million with minority-owned firms in the United States and Puerto Rico. Veteran-owned, service-disabled veteran-owned, disadvantaged and HUBZone-certified businesses represented \$6.7 million, \$0.5 million, \$12.4 million and \$0.8 million of Baxter's spending, respectively.

**BAXTER SUPPLIER DIVERSITY SPENDING  
(DOLLARS IN MILLIONS)\*\***

	2014	2015	2016
<b>Small Businesses</b>	\$504	\$762	\$370
<b>Women-Owned Businesses</b>	91	133	89
<b>Minority-Owned Businesses</b>	32	42	40

\* 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.

\*\*Data from 2014–2015 include spending from parts of Baxter that became Baxalta on July 1, 2015. Disaggregation of the data was not feasible.



Baxter helps advance diverse, minority business development through support of the Advanced Management Education Program in partnership with the Kellogg School of Management at Northwestern University and the National Minority Supplier Development Council.

[Learn more](#) about supplier diversity at Baxter.

**Industry Collaboration**

Baxter collaborates with other members of the healthcare industry to enhance its influence, improve efficiency and advance responsible procurement.

The company is a member of the Pharmaceutical Supply Chain Initiative (PSCI), a healthcare industry group focused on responsible procurement, risk mitigation and supplier capability building. Baxter encourages its suppliers to participate in the PSCI

supply chain audit program, and the company also takes part in the PSCI Supplier Capability Building Committee, which creates resources and training to help suppliers improve their performance.

As a corporate member of the [Sustainable Purchasing Leadership Council \(SPLC\)](#), Baxter works to advance the organization's mission of supporting and recognizing purchasing leadership that accelerates the transition to a prosperous and sustainable future. In 2016, Baxter collaborated with other member organizations to pilot a small/medium enterprise (SME) Supplier Sustainability Maturity Model to help SMEs establish sustainability within their companies.

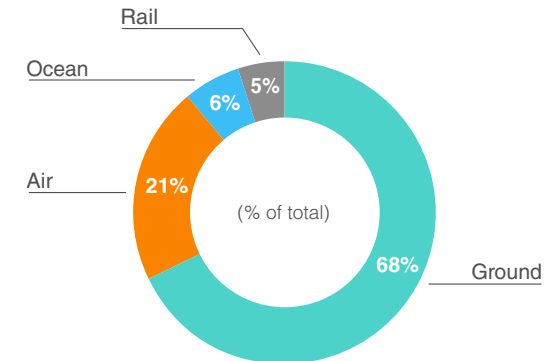
**GREEN LOGISTICS**

Baxter transports more than 4.5 million metric tons of raw materials and finished goods each year throughout its global supply chain. The company mainly partners with third-party vendors and carriers. In some instances, Baxter operates its own product distribution system, such as a private fleet for renal product home delivery in certain countries.

The company's total worldwide GHG emissions from product transport equaled 336,000 metric tons CO<sub>2</sub>e in 2016, equivalent to 75 kilograms CO<sub>2</sub>e per metric ton of products transported, a 25% decrease from 2015.

Baxter's approach to improving efficiency and decreasing GHG emissions in this area includes:

**Optimizing the distribution network** The use of innovative technologies, such as state-of-the-art transport management systems and route optimization tools, saves time and money while

**WORLDWIDE GHG EMISSIONS FROM PRODUCT  
TRANSPORT BY MODE, 2016**

improving environmental performance. In the United States, Baxter implemented a load optimization tool that increased average trailer utilization by 4%. In addition, Baxter closed and consolidated nine distribution warehouses globally.

**Intermodal transport** Combining multiple transportation modes for a single shipment can decrease costs and overall GHG emissions; for example, by converting road to rail for parts of a route. In Europe, the company converted approximately 30% of its road freight to rail in 2016. Also in Europe, the company has begun to try out the use of rail to Asia rather than air. Overall, Baxter used rail for approximately 8% of its freight globally in 2016.

**Environmentally responsible partnerships** Baxter is one of a select number of companies that participate in the U.S. Environmental Protection Agency SmartWay® program as both a Carrier and Shipper Partner. As a member of Green Freight Asia, Baxter works to enhance the company's Asia Pacific green optimization transport strategies and technologies.



## Innovation That Expands Access to Care

### Improve access to healthcare for the underserved

Baxter's products often make the difference between life and death. According to the World Health Organization, at least 400 million people globally lack access to one or more essential health services. For this reason, the company is dedicated to sustaining and increasing access to healthcare in communities through public and private partnerships and capacity-

building grants. Along with its partners, Baxter is also committed to being first on scene in times of crisis with product and resource donations.

### ADVANCING PUBLIC HEALTH

Baxter collaborates with other organizations to expand the availability of its treatments and advance public health. This includes educating current and potential patients worldwide, as well as training 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.

### Sharing Best Practices for End-Stage Renal Disease Treatment

The "Flying Angel" program focuses on the sustainable care and delivery model for peritoneal dialysis (PD) patients with end-stage renal disease (ESRD) in rural parts (prefecture-level cities and counties) of China. The program is a partnership between Baxter and the National Health and Family Planning Commission (NHFPC). In 2016, the program was profiled by *Health News*, the official publication of the NHFPC, for its contribution to building ESRD awareness and drive access to PD therapy, calling the program a model for "micro healthcare reform" in prefecture-level cities and countries. Since the program's launch in 2012, thousands of ESRD patients in the six pilot provinces have benefited from significant improvement in the standard of care, infrastructure and affordability of PD therapy.



As part of the Flying Angel program, a doctor treats a 69-year-old farmer receiving peritoneal dialysis at her home in Yichuan County, Luoyang City, Henan Province, China.

## PRODUCT DONATIONS

Baxter donates products to help improve access to healthcare worldwide.

In 2016, Baxter contributed

**~\$14 million\***  
in products



and helped people in  
**67 countries**

\*The value of products that Baxter contributes during a year may be greater or less than the value of Baxter products distributed by the company's relief partners.

During the year, Baxter continued to work with its humanitarian aid partners—Americares and Direct Relief—to pre-position products for emergencies and to address ongoing needs in underserved communities. In 2016, Baxter added a third product donation partner, Partners In Health, to help strengthen health systems in poor communities around the world. To maximize impact, Baxter donates items that recipient organizations have requested through a critical needs list, such as IV solutions and hemostatic sealants.

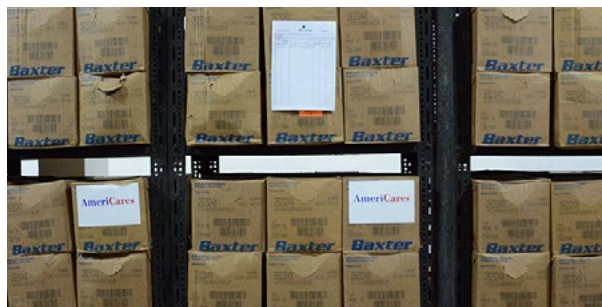
### Medical Missions

When healthcare professionals travel overseas to provide charitable medical care to underserved populations, they often work in hospitals and clinics that lack modern surgical materials.

Baxter's hemostatic and tissue sealant products, anesthesia products, and IV solutions are among the most requested items in these situations.

During 2016, Baxter products were used in 43 countries as part of 161 medical outreach trips supported by Americares.

[Learn more](#) about Americares' medical missions and how to request products.



In partnership with Americares, Baxter facilitates timely, targeted support of essential medical products around the world in times of crisis. [Click here](#) to read a recent story about Baxter products used on Americares' medical mission trips.

### THE BAXTER INTERNATIONAL FOUNDATION

In 2016, [The Baxter International Foundation](#) approved 73 grants to increase access to healthcare for more than 6 million individuals through targeted programs that improve the quality and accessibility of healthcare for the disadvantaged and underserved in local communities. Some of the grants approved were based on recommendations from Baxter employees and helped meet local needs for dental care and mental healthcare services for children, the uninsured and the elderly.

**Baxter** International Foundation **AT A GLANCE**

The Baxter International Foundation provided

 **\$4.5 million**  
in cash contributions  
(excluding future commitments)

to

**28 countries**



including the following employee programs:

 **Dollars for Doers**  
Nearly \$82,000 in grants to almost  
150 U.S. organizations\*

and

 **Matching Gifts**  
Nearly \$800,000 in  
employee matching gifts to more than  
750 U.S. organizations in 45 states\*\*

\* The company's Dollars for Doers program provides grants to qualifying organizations at which Baxter employees have volunteered for at least 10 hours during the year.

\*\*The Foundation's Matching Gift program doubles personal donations made to eligible organizations by Baxter employees.





Children and parents learn about the symptoms of leukemia through interactive games at a health fair screening event organized by Casa de la Amistad. More than 350,000 individuals will receive health education, prevention and awareness training through the Driving Your Health partnership.



## Read about Other Recent Foundation Grants »

*Photo left to right:*

A Chicago-area Schweitzer Fellow created the Leadership, Education and Development (LEAD) program to increase diversity in nursing and help first-generation high school graduates transition to college.

[Learn more.](#)

The Barangay Health Station in the Philippines, completed in 2016, will deliver critical health services along with other sites to an estimated 20,000 residents.

[Learn more.](#)



## Driving Your Health (Manejando Tu Salud)

In 2016, The Baxter International Foundation, in partnership with Direct Relief, launched the Foundation's largest multiyear partnership to fund a mobile health program focused on increasing access to healthcare in Mexico City. [Learn more.](#)

## Baxter International Foundation Prize Programs

The Baxter International Foundation sponsors three prize programs that recognize organizations and individuals demonstrating excellence in community service and healthcare research.



**Foster G. McGaw Prize** Each year, in conjunction with the American Hospital Association and Health Research & Educational Trust,

The Baxter International Foundation presents the Foster G. McGaw Prize to a U.S. healthcare organization that delivers innovative programs to improve community health and well-being, and also recognizes three finalists.



**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 individuals who have made major contributions to public health through innovative research.



**Episteme Award** In conjunction with the Honor Society of Nursing—Sigma Theta Tau International—The Baxter International Foundation

bestows the Episteme Award every other year to a nurse who has contributed significantly to nursing knowledge development, application or discovery.

## PUBLIC POLICY

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 the company's lifesaving therapies, increase understanding of the benefits of those therapies, address barriers to care and explore possible solutions. This involves engaging with governments to improve the regulatory environment and reimbursement structure for Baxter's therapies and collaborating with clinicians, nongovernmental organizations and patient groups to increase access to healthcare for millions of people worldwide.

The Quality, Compliance and Technology Committee of Baxter's Board of Directors oversees the company's government affairs activities. The committee reviews Baxter's positions on pending legislation and political advocacy efforts. For additional information, see [Baxter's 2016 Political Contributions Report](#), which details political contributions reviewed by the Baxter Political Action Committee Board of Directors. It also includes information about the company's membership in certain trade and industry groups.



Baxter was ranked among the first tier of companies in the 2016 CPA-Zicklin Index of Corporate Political Disclosure and Accountability. Baxter's key

public policy focus areas include accelerating the rate at which new treatments can reach patients, home dialysis, kidney disease education, and support of diverse populations.

## 21st Century Cures Act

Baxter, along with medical technology association AdvaMed, supported U.S. Congressional passage of the [21st Century Cures Act in 2016](#). This legislation is intended to improve the process for regulatory advancement and approval of new treatments, and will help improve the innovation ecosystem for devices, diagnostics and drugs.

## Engagement on Home Dialysis

Baxter belongs to the Alliance for Home Dialysis, an organization focused on advocacy, policy and thought leadership. The company participated in the 2016 Alliance for Home Dialysis Capitol Hill Briefing in Washington, DC, to further the dialogue about the benefits of home dialysis for patients with end-stage renal disease. The workshop provided a forum for the home dialysis community and U.S. Congressional staff to discuss emerging policy opportunities to ensure patient choice in treatment.

Home dialysis is an alternative 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 compared with in-center treatment—including improved outcomes associated with more consistent treatments, enhanced patient satisfaction, improved quality of life and lower costs—only about 11% of U.S. dialysis patients receive treatment at home.

## Home Delivery of Renal Products

In the United States, the dispensing of pharmaceuticals is governed by laws and regulations at the state level. Baxter works to

help shape state policies to better align with the company's Renal Home Patient service.

This project has had several milestones. In 2015, the National Association of State Boards of Pharmacy adopted language in the State Pharmacy Model Act that exempts manufacturers of dialysis supplies and drugs from registration as a pharmacy to deliver products to patients' homes. In 2015, Georgia and North Carolina enacted similar laws. Florida enacted the changes in 2016, and Michigan exempted the practice by rule. Baxter teams are working to expand law adoption in several additional states during 2017.

## Supporting Diverse Populations

In April 2016, Baxter's GAPP team held its fourth annual Minority Health Month Fly-In in Washington, DC. Representatives of Baxter's business resource groups 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 members of the Tri-Caucus, including the Congressional Black Caucus, the Congressional Hispanic Caucus and the Congressional Asian Pacific American Caucus.

During 2016, Baxter representatives also attended The National Minority Quality Forum Summit, the Congressional Black Caucus Foundation Annual Legislative Conference, National Black Caucus of State Legislators Annual Meeting and the Congressional Hispanic Caucus Institute Public Policy Conference.





## Serving Our Communities

### Support communities worldwide in enduring ways

Baxter is committed to saving and sustaining lives. Every day, the company strives to make a meaningful difference to people who depend on Baxter's products, and in the communities where the company's employees live and work. In collaboration with partners around the world, Baxter focuses on improving access to healthcare, fostering tomorrow's innovation and giving back.

During 2016, Baxter and The Baxter International Foundation donated more than \$27 million in products, cash and Foundation grants. Of that amount, the company's business units, functions and manufacturing facilities contributed more than \$9 million to local organizations worldwide (63% outside the United States). Baxter has contributed nearly \$74 million over the last three years.

In the United States, Baxter makes charitable contributions to organizations in the communities where employees live and work. In 2016, the company focused on providing funding for patient education, feeding the hungry and helping the less fortunate. The contributions outlined provide a small sample

of the impact made in 2016. [Learn more](#) about giving and engaging at Baxter.

- **NAACP ACE** Nearly \$350,000 to inform and engage community leaders in an active dialogue to boost awareness and improve communication with African Americans about dialysis options.
- **Americares Healthy Food Initiative** More than \$320,000 to support the distribution of healthy food at three clinics in the United States as part of the organization's prediabetes program.
- **NICASA Behavioral Health Services** A total of \$100,000 over five years to support the Family Sustainability Program, which provides emergency financial assistance and other services to more than 300 families per year.

#### BAXTER AND THE BAXTER INTERNATIONAL FOUNDATION CHARITABLE GIVING\* (DOLLARS IN MILLIONS)

	2014	2015	2016
<b>Baxter Product Donations to Aid Organizations**</b>			
Products/Patient Assistance Programs	\$5.20	\$8.76	\$13.65
<b>Business and Facility Cash Donations</b>			
Within U.S.	\$2.98	\$3.34	\$3.39
Outside U.S.	10.50	8.20	5.73
<b>Subtotal</b>	<b>\$13.48</b>	<b>\$11.54</b>	<b>\$9.12</b>
<b>The Baxter International Foundation Contributions</b>			
<b>Within U.S. (including Puerto Rico)</b>			
Grants	\$1.09	\$1.39	\$2.05
Matching Gifts and Dollars for Doers	0.91	1.05	0.88
Scholarships Awarded	0.25	0.27	0.27
Prize Programs	0.39	0.58	0.31
<b>Subtotal</b>	<b>\$2.64</b>	<b>\$3.28</b>	<b>\$3.51</b>
<b>Outside U.S.</b>			
Grants	0.22	1.11	0.86
Scholarships Awarded	0.07	0.10	0.12
<b>Subtotal</b>	<b>0.29</b>	<b>1.21</b>	<b>0.98</b>
<b>Total Foundation Contributions</b>	<b>\$2.93</b>	<b>\$4.49</b>	<b>\$4.49</b>
<b>Total Charitable Giving</b>	<b>\$21.61</b>	<b>\$24.79</b>	<b>\$27.26</b>

\* Some subtotals vary 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 and humanitarian aid partners as appropriate. This number may be greater or less than the value of Baxter products distributed during the year by the company's relief partners. See [Innovation That Expands Access to Care](#).

## FOSTERING TOMORROW'S INNOVATION

Innovation is the lifeblood of everything Baxter does. The company takes a hands-on approach to developing the next generation of scientists, engineers and healthcare professionals by supporting teachers and science, technology, engineering and math (STEM) education; serving as mentors in communities worldwide; and creating diverse learning opportunities in the sciences. Through these efforts, Baxter is helping to advance tomorrow's healthcare breakthroughs and delivery.

In 2008, Baxter launched Science@Work: Expanding Minds with Real-World Science, a multiyear commitment to Chicago Public Schools to support teacher training and student development in the health sciences.

Other education activities during 2016 included:

**FIRST** Baxter is a founding member of FIRST (For Inspiration and Recognition of Science and Technology) and has provided the program financial and mentoring support since 1998. In 2016, Baxter provided seed funding to 16 local FIRST Robotics teams to help offset team costs.

**Junior Achievement** During the 2015–2016 school year, more than 225 Baxter volunteers provided financial literacy education to over 4,200 students across the United States.

## GIVING BACK

Baxter capitalizes on its global reach to serve communities in enduring ways through donations,

### SCIENCE@WORK BY THE NUMBERS, 2008–2016



**370+**  
in-class real world experiences



**800+**  
Baxter Boxes distributed  
(tool kits)

**2,000+**  
teachers reached

**925+**  
Baxter employees involved



**174,000+**  
students reached



*Photo left to right:* Senior at Lindblom Math & Science Academy and R&D STEM Learning Exchange participant Asia Green examines peritoneal dialysis solution as part of a visit to a Baxter Learning Lab. [Learn more.](#) / Baxter's Science@Work program, which strives to revolutionize high school science education, integrates real world experiments into a biotechnology class at Lindblom Math & Science Academy in Chicago. [Learn more.](#) / Alan Mather, Chicago Public Schools Chief of College and Career Success, discusses a student's project, completed through the Baxter Center of Science Education. [Learn more.](#)

employee volunteering and matching gifts. The company works continually to create long-term, meaningful change and offers employees a place to pursue rewarding careers while giving back.

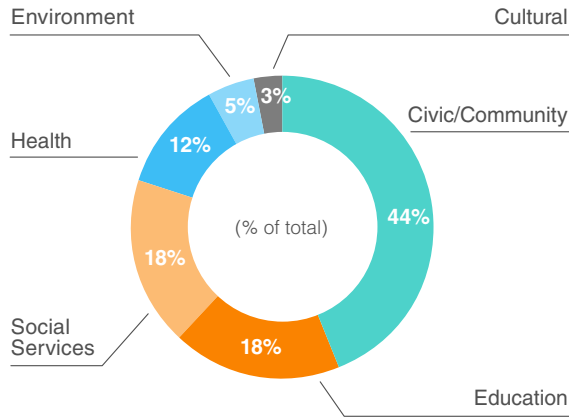
In 2015, Baxter worked with an NGO to develop a rainwater collection and treatment system, as well as a sanitation educational program in San Juan Tlacotenco, a community of about 2,000 people near the company's site in Cuernavaca, Mexico. As a result of the project and nearly \$85,000 in funding, the community now has a guaranteed water supply during the rainy season and students receive training on healthier behaviors and the importance of water.



Baxter partnered with members of the San Juan Tlacotenco community in Mexico, near the company's facility in Cuernavaca, to implement a creative and sustainable solution for water supply that also provided valuable lessons in ecology and health. [Learn more.](#)



**BAXTER GLOBAL VOLUNTEERISM BY CATEGORY, 2016**



**Employee Volunteerism**

In 2016, nearly 4,700 Baxter employees in 36 countries volunteered 73,000 hours in their communities. Employees at each Baxter site select volunteer activities to undertake and organizations to support.

**Dollars for Doers**

In the United States, The Baxter International Foundation Dollars for Doers program provides volunteer grants to eligible organizations in recognition of Baxter employees who have volunteered a minimum of 10 hours during the year. In 2016, more than 200 employees applied for Dollars for Doers grants, providing almost 150 organizations nearly \$82,000 in program support.

**Matching Gifts**

The Baxter International Foundation Matching Gift Program matches employee donations of \$25 or more, up to \$5,000 each year, to qualifying



In 2016

**200+**

employees applied for Dollars for Doers grants



and The Baxter International Foundation provided nearly

**\$82,000**

in grants



to almost

**150**

organizations

U.S. public charities.<sup>1</sup> In 2016, The Foundation matched more than 1,000 gifts from U.S.-based employees in 45 states. Matches totaled nearly \$800,000, which doubled the impact of employee gifts to more than 750 organizations.

**Scholarship Program**

The Baxter International Foundation has a longstanding commitment to the education of employees' children through annual, merit-based scholarships. A third-party agency evaluates student applications based on academic, extracurricular and employment accomplishments.



**76**

new scholarships



**199**

renewed scholarships



**24**

countries participating

Recipients receive a \$1,500 cash award, and scholarships may be renewed for up to three additional years.

**Baxter World Environment Week**

 Bureau Veritas has provided assurance on the content in this Baxter World Environment Week section.



Through Baxter World Environment Week, the company engages and educates employees on environmental sustainability. Facilities

conduct environmental-preservation activities, including those that focus on advancing the health of ecosystems where Baxter has a presence. In 2016, 100 sites in 24 countries worldwide held local cleanups, educational campaigns, tree planting events and other biodiversity-focused activities.



As part of Baxter World Environment Week 2016, the company launched the Baxter Global Biodiversity

Challenge to inspire employees to engage in efforts to enhance and protect the biodiversity in their region. Teams from Toongabbie, Australia, and Renal Therapy Services, Colombia, were the 2016 challenge winners.

**Toongabbie, Australia** More than 40 employees at the site participated in the Bushcare program, contributing for the fourth year to the regeneration of indigenous local plant life. Employees bedded-in, mulched and watered 600 native plants to add to the 2,000 planted in previous years. Plant species included canopy, middle-layer and ground-layer plants to encourage use of the habitat by native animal species.



Toongabbie, New South Wales, Australia, employees contributing to the Bushcare program during Baxter World Environment Week 2016.

**MAKING A MEANINGFUL DIFFERENCE**



**1,300+**  
employees

**40+**  
charities supported



**5,000+**  
volunteer hours

*Photo left to right:* Volunteers from the Tianjin Plant spent the day playing games with participants from the CEDAR program that helps university students from rural areas integrate into city life. / A team collaborates with the Salvation Army to build toys for underprivileged children in Australia. / Employees in Bangalore, India, organized a day of fun for underprivileged children at Sarikaari Kriya Prathamik Patashale.

**Renal Therapy Services (RTS), Colombia**

RTS employees in Colombia participated with their families in events to promote ecosystem health in six locations near Baxter sites throughout the country. Activities included tree planting and educational events focused on vulnerable ecosystems.

funds during Making a Meaningful Difference Month to improve the lives of people in local communities and to care for the environment. Last year, employees visited nursing homes and schools, hosted fundraisers and collection drives, and cleaned facilities where families stay when loved ones are in the hospital.

**Making a Meaningful Difference Month**

Each October, Baxter employees in the Asia Pacific region volunteer time and contribute



## APPENDIX: Baxter Data Summary

 Bureau Veritas has provided assurance on the Employee Health and Safety, Operations, and Responsible Procurement and Logistics content in this section.

SECTION AND INDICATOR	2014	2015	2016
<b>Financial Performance</b>			
Net Sales (\$ millions)	\$10,719	\$9,968	\$10,163
U.S. Net Sales (\$ millions)	\$3,999	\$4,001	\$4,259
International Net Sales (\$ millions)	\$6,720	\$5,967	\$5,904
Net Income (\$ millions)	\$2,497	\$968	\$4,965
Stock Price (\$ at year end)	\$39.82	\$38.15	\$44.34
Dividend (\$ per share)	\$2.05	\$1.27	\$0.505
Research and Development (\$ millions)	\$610	\$603	\$647
<b>Workplace Culture</b>			
<b>Global Workforce by Job Level (as a % of total)</b>			
Executive	0.4%	0.3%	0.3%
Management	12.4%	11.8%	11.3%
Professionals	31.2%	31.1%	30.5%
Technical/Clerical	56.1%	56.7%	57.8%
<b>Global Workforce by Gender (as a % of total)</b>			
Female	50.1%	49.4%	49.3%
Male	49.9%	50.6%	50.7%
<b>Global Workforce by Region (as a % of total)</b>			
Asia Pacific	18.4%	22.9%	22.6%
Canada	1.7%	2.1%	2.0%
Europe, Middle East and Africa (EMEA)	32.2%	29.3%	29.1%
Latin America	12.2%	15.6%	17.6%
United States (including Puerto Rico)	35.6%	30.0%	28.6%
<b>Female Representation by Region (as a % of total)</b>			
Asia Pacific	50.2%	50.1%	49.3%
Canada	57.4%	57.6%	56.9%
EMEA	47.8%	48.4%	48.4%
Latin America	56.8%	56.7%	56.3%
United States (including Puerto Rico)	49.6%	45.6%	45.3%
<b>Female Representation by Job Level (women as a % of total)</b>			
Executive	26.1%	22.8%	26.0%
Management	39.2%	39.0%	39.1%
Professionals	49.2%	49.0%	49.1%
Technical/Clerical	53.2%	52.0%	51.5%
<b>Ethnic Minority Representation (as a % of total, U.S. only)</b>			
Executive	35.0%	35.0%	37.8%
Management	19.7%	19.5%	22.2%
Professionals	26.7%	25.1%	25.4%
Technical/Clerical	33.0%	29.6%	30.2%
	37.8%	43.7%	44.5%
<b>Employee Health and Safety</b>			
<b>Recordable Case Rate<sup>1</sup></b>			
Asia Pacific	0.93	0.77	0.62
EMEA	0.14	0.08	0.09
Latin America	0.57	0.56	0.56
North America	0.38	0.42	0.26
	1.83	1.60	1.37
<b>Cases with Days Lost Rate<sup>2</sup></b>			
Asia Pacific	0.13	0.18	0.14
EMEA	0.04	0.00	0.01
Latin America	0.14	0.18	0.19
North America	0.05	0.04	0.05
	0.22	0.35	0.26

SECTION AND INDICATOR	2014	2015	2016
<b>Employee Health and Safety (cont.)</b>			
<b>Days Lost Rate<sup>3</sup></b>			
Asia Pacific	3.56	4.92	3.60
EMEA	0.30	0.00	0.04
Latin America	2.34	2.37	3.76
North America	2.28	0.14	0.22
	6.61	11.14	8.98
<b>Restricted Days Rate<sup>4</sup></b>			
Asia Pacific	14.94	17.32	14.53
EMEA	0.25	0.51	13.37
Latin America	5.55	6.11	45.52
North America	0.62	4.32	1.62
	35.72	45.87	0.17
Days Away (Lost), Restricted or Transferred Rate <sup>5</sup> (DART)	18.50	22.25	18.12
Employee/Contractor Major Incidents <sup>6</sup> (total number)	10/3	4/0	8/0
Employee/Contractor Fatalities <sup>7</sup> (total number)	0/0	0/0	0/0
Health and Safety Notices of Violation Settled	1	1	1
Health and Safety Fines Paid (in dollars)	\$0	\$225	\$1,529
<b>Sources of Recordable Injury and Serious Incidents<sup>8</sup> (as a % of total)</b>			
Ergonomic	20%	22%	25%
Involving the Body (nonergonomic)	18%	8%	2%
Punctures	16%	7%	5%
Struck by Object	16%	14%	19%
Slips, Trips and Falls	15%	19%	22%
Caught in, on or Between	10%	11%	11%
Forklifts and Other Vehicles	1%	3%	3%
Other	5%	17%	13%
<b>Operations<sup>9</sup></b>			
<b>Baxter Process-Related Toxic Air Emissions<sup>10</sup> (metric tons)</b>			
Cumene	23	22	23
EiO	4	3	3
Methylene Chloride	1	1	1
Methanol	1	2	2
DEHP	0	0	0
Other	16	15	17
	1	1	0
Kg Process-Related Toxic Air Emissions per Million Dollars of Sales	2	2	2
<b>NOx and SOx Emissions<sup>11</sup> (metric tons)</b>			
NOx	604	520	514
SOx	414	398	386
	190	122	128
Kg NOx and SOx Emissions per Million Dollars of Sales	56	52	51
<b>Energy Usage from Baxter Operations<sup>12</sup> (trillions of joules)</b>			
Asia Pacific	9,014	8,984	9,052
EMEA	1,524	1,512	1,544
Latin America	3,004	2,996	2,849
North America	899	903	916
	3,587	3,573	3,743
Billions of Joules per Million Dollars of Sales	841	901	891
Renewable Energy Purchased (trillions of joules)	1,638	2,265	2,530
Facility Usage of Renewable Energy (as a % of total energy use)	18%	25%	28%

**APPENDIX: Baxter Data Summary (continued)**

SECTION AND INDICATOR	2014	2015	2016
<b>Operations<sup>9</sup> (cont.)</b>			
<b>Lean Energy Program Performance<sup>13</sup> (% of program criteria implemented across all manufacturing facilities, at year-end)</b>			
Pre-requisite	97%	97%	97%
Bronze	89%	91%	89%
Silver	82%	77%	76%
Gold	68%	64%	60%
Baxter's Global Greenhouse Gas (GHG) Emissions Footprint (Scope 1, 2, and 3) (metric tons CO <sub>2</sub> e). See <a href="#">Baxter Value Chain Energy Usage and GHG Emissions</a> for detail.	5,300,000	5,387,000	5,101,000
<b>GHG Emissions from Baxter Operations (metric tons CO<sub>2</sub>e)</b>	730,000	675,000	652,000
Asia Pacific	151,000	147,000	149,000
EMEA	255,000	197,000	170,000
Latin America	67,000	62,000	62,000
North America	257,000	269,000	271,000
GHG Emissions from Operations per Million Dollars of Sales (metric tons CO <sub>2</sub> e)	68	68	64
<b>Total Waste<sup>14</sup> (metric tons)</b>	66,900	74,800	77,900
Asia Pacific	7,900	8,400	7,900
EMEA	29,000	34,000	34,300
Latin America	8,200	7,800	10,600
North America	21,800	24,600	25,100
Metric Tons of Total Waste per Million Dollars of Sales	6.24	7.50	7.67
<b>Nonhazardous Waste<sup>15</sup> (metric tons)</b>	58,900	62,100	64,300
Asia Pacific	7,800	8,300	7,700
EMEA	23,200	23,600	24,200
Latin America	6,700	6,400	9,100
North America	21,200	23,800	23,300
Metric Tons of Nonhazardous Waste per Million Dollars of Sales	5.49	6.23	6.33
<b>Regulated Waste<sup>16</sup> (metric tons)</b>	8,000	12,700	13,600
Asia Pacific	100	100	200
EMEA	5,800	10,400	10,100
Latin America	1,500	1,400	1,500
North America	600	800	1,800
Metric Tons of Regulated Waste per Million Dollars of Sales	0.75	1.27	1.34
<b>Waste Management at Baxter (% of total)</b>			
Recycled (on-site or off-site)	59.4%	56.2%	53.8%
Incinerated with Energy Recovery	7.7%	14.2%	13.3%
Incinerated	4.9%	4.3%	4.7%
Sent to Landfill	18.1%	15.0%	13.9%
Other Disposal	9.8%	10.2%	14.3%
<b>Water Usage (thousand cubic meters)</b>	13,800	13,522	13,735
Asia Pacific	3,146	2,940	3,082
EMEA	4,122	4,314	3,966
Latin America	1,481	1,491	1,557
North America	5,051	4,777	5,130
Thousand Cubic Meters Water Usage per Million Dollars of Sales	1.29	1.36	1.35
<b>Water Usage, by Availability<sup>17</sup> (thousand cubic meters)</b>	13,111	12,802	13,086
Extreme Scarcity Water Resources	449	469	387
Scarce Water Resources	667	608	565
Stressed Water Resources	3,862	3,652	3,695
Sufficient Water Resources	3,454	3,592	3,772
Abundant Water Resources	4,679	4,481	4,667

SECTION AND INDICATOR	2014	2015	2016
<b>Operations<sup>9</sup> (cont.)</b>			
<b>Wastewater Flow<sup>18</sup> (total direct discharge, thousand cubic meters)</b>	4,243	3,970	3,754
BOD <sub>5</sub> (metric tons)	29	36	38
BOD <sub>5</sub> (mg/L)	7	9	10
COD (metric tons)	113	94	92
COD (mg/L)	27	24	24
TSS (metric tons)	38	40	40
TSS (mg/L)	9	10	11
<b>Environmental Compliance</b>			
Environmental Notices of Violation	15	10	4
Environmental Fines Paid (in dollars)	\$0	\$909	\$0
<b>Responsible Procurement and Logistics</b>			
Spend with Suppliers <sup>19</sup> (United States and Puerto Rico) (approximate, dollars in billions)	\$3.5	\$4.8	\$2.9
<b>Supplier Diversity<sup>20</sup> (dollars in millions)</b>			
Spend with Small Businesses	\$504	\$762	\$370
Spend with Minority-Owned Businesses	32	42	40
Spend with Women-Owned Businesses	91	133	89
<b>Worldwide GHG Emissions from Product Transport, by Mode<sup>21</sup> (metric tons CO<sub>2</sub>e)</b>	490,400	412,800	336,000
Air	124,000	90,600	71,600
Ocean	37,300	34,000	20,400
Rail	9,300	9,400	15,300
Ground	319,800	278,800	228,700
<b>Worldwide GHG Emissions from Product Transport, by Region<sup>22</sup> (metric tons CO<sub>2</sub>e)</b>	490,400	412,800	336,000
Asia Pacific	62,300	48,900	32,800
EMEA	115,400	126,000	126,600
Latin America	82,000	45,800	9,000
North America	230,800	192,000	167,600
<b>Baxter and The Baxter International Foundation Charitable Giving<sup>23</sup> (dollars in millions)</b>			
<b>Total Charitable Giving</b>	<b>\$21.61</b>	<b>\$24.79</b>	<b>\$27.26</b>
<b>Product Donations<sup>24</sup></b>			
Products/Patient Assistance Programs	\$5.20	\$8.76	\$13.65
<b>Business and Facility Cash Donations</b>	<b>\$13.48</b>	<b>\$11.54</b>	<b>\$9.12</b>
Within the United States	2.98	3.34	3.39
Outside the United States	10.50	8.20	5.73
<b>The Baxter International Foundation Contributions</b>	<b>\$2.93</b>	<b>\$4.49</b>	<b>\$4.49</b>
Within the United States (including Puerto Rico)	2.64	3.28	3.51
Grants	1.09	1.39	2.05
Matching Gifts and Dollars for Doers	0.91	1.05	0.88
Scholarships	0.25	0.27	0.27
Prize Programs	0.39	0.58	0.31
Outside the United States	0.29	1.21	0.98
Grants	0.22	1.11	0.86
Scholarships	0.07	0.10	0.12
<b>Political Contributions</b>			
See <a href="#">Baxter 2016 Political Contributions Report</a> for detailed data.			



**APPENDIX: Baxter Value Chain Energy Usage and GHG Emissions**

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

	Units	Energy Usage		Joules (trillions)		Energy Costs (dollars in millions)		Carbon Dioxide Equivalents <sup>1,2</sup> (thousand metric tons)	
		2015	2016	2015	2016	2015	2016	2015	2016
<b>Upstream Scope 3 Emissions</b>									
Purchased Goods and Services (Category 1) <sup>3</sup>		n/a	n/a	n/a	n/a	n/a	n/a	703	717
Capital Goods (Category 2) <sup>4</sup>		n/a	n/a	n/a	n/a	n/a	n/a	114	90
Fuel and Energy-related Activities (Category 3) <sup>5</sup>		n/a	n/a	n/a	n/a	n/a	n/a	137	136
Upstream Transportation and Distribution (Category 4) <sup>6</sup>		n/a	n/a	n/a	n/a	n/a	n/a	413	336
Waste Generated in Operations (Category 5) <sup>7</sup>		n/a	n/a	n/a	n/a	n/a	n/a	18	20
Business Travel (Category 6) <sup>8</sup>		n/a	n/a	n/a	n/a	n/a	n/a	70	102
Employee Commuting (Category 7) <sup>9</sup>		n/a	n/a	n/a	n/a	n/a	n/a	31	30
Upstream Leased Assets (Category 8) <sup>10</sup>		n/a	n/a	n/a	n/a	n/a	n/a	0	0
<b>Upstream Scope 3 Emissions Total</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1,486</b>	<b>1,431</b>
<b>Baxter Operations</b>									
<b>Stationary Sources (facilities)</b>									
Electricity (purchased)	Million kWh	972	955	3,499	3,438	\$110.5	\$103.4	487	478
Electricity (on-site renewable)	Million kWh	3	4	11	14	n/a	n/a	n/a	n/a
Natural Gas	Million Cubic Meters	105	105	4,026	4,034	39.4	35.7	186	185
Fuel Oil	Million Liters	6	7	263	280	3.7	4.3	18	20
Propane and LPG	Million Kilograms	6	6	272	292	3.9	3.8	17	19
Purchased Steam	Million Kilograms	27	11	63	25	1.0	0.3	20	22
Biomass <sup>11</sup>	Million Kilograms	118	133	839	963	4.8	4.3	2	2
Carbon Dioxide Offsets <sup>12</sup>	Million Kilograms	n/a	n/a	n/a	n/a	n/a	n/a	(124)	(138)
<b>Subtotal</b>		<b>n/a</b>	<b>n/a</b>	<b>8,973</b>	<b>9,046</b>	<b>\$163.3</b>	<b>\$151.8</b>	<b>606</b>	<b>588</b>
<b>Mobile Sources (Baxter operated vehicles)<sup>13</sup></b>									
Aviation Fuel	Million Liters	1.4	0.7	51	23	\$1.5	\$0.5	4	2
Gasoline	Million Liters	6.0	5.9	216	212	6.8	6.3	14	14
Diesel Fuel	Million Liters	13.4	12.5	517	480	12.8	12.1	36	33
<b>Subtotal</b>	<b>Million Liters</b>	<b>20.8</b>	<b>19.1</b>	<b>784</b>	<b>715</b>	<b>\$21.1</b>	<b>\$18.9</b>	<b>54</b>	<b>49</b>
<b>Refrigerants<sup>14</sup></b>									
Refrigerant Losses (facilities)	Metric Tons	n/a	n/a	n/a	n/a	n/a	n/a	15	15
<b>Scope 1 Total</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>292</b>	<b>290</b>
<b>Scope 2 Total (market-based)</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>383</b>	<b>362</b>
<b>Scope 2 Total (location-based)</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>465</b>	<b>461</b>
<b>Baxter Operations Total</b>		<b>n/a</b>	<b>n/a</b>	<b>9,757</b>	<b>9,761</b>	<b>\$184.4</b>	<b>\$170.7</b>	<b>675</b>	<b>652</b>
<b>Downstream Scope 3 Emissions</b>									
Downstream Transportation and Distribution (Category 9) <sup>15</sup>		n/a	n/a	n/a	n/a	n/a	n/a	147	143
Processing of Sold Products (Category 10) <sup>16</sup>		n/a	n/a	n/a	n/a	n/a	n/a	15	15
Use of Sold Products (Category 11) <sup>17</sup>		n/a	n/a	n/a	n/a	n/a	n/a	2,837	2,680
End-of-life Treatment of Sold Products (Category 12) <sup>17</sup>		n/a	n/a	n/a	n/a	n/a	n/a	186	180
Downstream Leased Assets (Category 13)		n/a	n/a	n/a	n/a	n/a	n/a	0	0
Franchises (Category 14) <sup>18</sup>		n/a	n/a	n/a	n/a	n/a	n/a	0	0
Investments (Category 15) <sup>18</sup>		n/a	n/a	n/a	n/a	n/a	n/a	41	0
<b>Downstream Scope 3 Emissions Total</b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>3,226</b>	<b>3,018</b>
<b>Total GHG Emissions (including CO<sub>2</sub>e offsets in Baxter operations)<sup>19</sup></b>		<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5,387</b>	<b>5,101</b>

**APPENDIX: Baxter Facilities with ISO 14001, OHSAS 18001, ISO 50001 and Green Building Certifications<sup>1</sup>**

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

Region/Country/ /State/Province	City	ISO 14001	OHSAS 18001	ISO 50001	Green Building Certification
<b>Asia Pacific</b>					
Australia	Toongabbie	X	X		
China	Guangzhou	X	X		
China	Shanghai	X	X		
China	Shanghai (Gambro)				
China	Suzhou	X	X		
China	Tianjin	X	X		
India	Alathur	X	X		
India	Manesar	X	X		
India	Waluj	X			
Japan	Miyazaki	X			
New Zealand	Auckland	X	X		
Philippines	Canlubang	X	X		
Singapore	Woodlands	X	X		
<b>Europe, Middle East and Africa</b>					
Belgium	Braine l'Alleud	X	X		
Belgium	Lessines	X	X		
Belgium	Lessines BDCE	X	X		
Czech Republic	Prerov	X			
France	Jonage-Lyon				BREEAM Good (2011)
France	Meyzieu				
Germany	Bielefeld	X	X		
Germany	Halle Westfalen	X	X	X	
Germany	Hechingen	X	X	X	
Ireland	Castlebar/Swinford	X	X	X	
Ireland	Dublin/Belfast	X			
Italy	Grosotto	X	X		
Italy	Medolla	X			
Italy	Monselice	X	X		
Italy	Rome	X	X		Italia LEED Gold (2015)
Italy	Sesto Fiorentino	X	X		
Italy	Sondalo	X	X		
Malta	Marsa	X	X		
Poland	Lublin	X			
Portugal	Sintra	X	X		
Spain	Las Palmas	X	X		
Spain	Sabiñánigo	X	X		
Spain	Valencia	X	X		

Region/Country/ /State/Province	City	ISO 14001	OHSAS 18001	ISO 50001	Green Building Certification
<b>Europe, Middle East and Africa (cont.)</b>					
Sweden	Lund	X			
Sweden	Rosersberg				EU GreenBuilding (2011)
Switzerland	Zurich				Minergie Plus (2010)
Tunisia	Oued Ellil	X	X		
United Kingdom	Elstree	X			
United Kingdom	Mount Vernon	X	X		
United Kingdom	Northampton	X	X		
United Kingdom	Stockport	X	X		
United Kingdom	Thames Valley	X	X		
United Kingdom	Thetford	X	X		
<b>Latin America</b>					
Brazil	São Paulo	X	X	X	
Colombia	Cali	X	X		
Costa Rica	Cartago	X	X		
Mexico	Atlacomulco	X	X		
Mexico	Cuernavaca	X	X		
Puerto Rico	Aibonito	X	X		
Puerto Rico	Guayama	X			
Puerto Rico	Jayuya	X			
<b>North America</b>					
Canada, Ontario	Alliston	X	X		
Canada, Ontario	Mississauga				Canada LEED Silver (2014)
United States, Alabama	Opelika	X	X		
United States, Arkansas	Mountain Home/Midway	X	X		
United States, California	Hayward	X	X		
United States, California	Irvine	X			
United States, Illinois	Round Lake, Manufacturing	X		X	
United States, Illinois	Round Lake, R&D	X			LEED Silver (2013) <sup>2</sup>
United States, Indiana	Bloomington	X	X		
United States, Minnesota	St. Paul/Minneapolis	X			
United States, Mississippi	Cleveland	X	X		
United States, New York	Medina	X			
United States, North Carolina	Marion	X	X		



## APPENDIX: Endnotes

### 2020 PRIORITIES AND GOALS

<sup>1</sup> This represents the total savings attributable to identified projects across the company, counted only for the first year the packaging innovation was implemented.

<sup>2</sup> In a comparison of 35 global companies across all industries, 29 reported global safety data to ORCHSE and six reported data on their public websites.

<sup>3</sup> United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted).

### PRODUCT INNOVATION

<sup>1</sup> According to <http://www.un.org/en/development/desa/news/population/2015-report.html>.

<sup>2</sup> Baxter's products, facilities and operations are subject to regulation by the U.S. Food and Drug Administration and other regulatory authorities worldwide. These agencies administer requirements covering the testing, safety, efficacy, manufacturing, labeling, promotion and advertising, distribution and post-market surveillance of Baxter's products.

<sup>3</sup> 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.

### EMPLOYEE HEALTH AND SAFETY

<sup>1</sup> Beginning in 2011, profiles untouched for three years were removed from the active database. As of the beginning of 2016 the participation rate was 27%.

### OPERATIONS

<sup>1</sup> The environmental data included in this report are based on 138 reporting locations, of which 60 are manufacturing, 24 are warehouse, and 54 are pharmacies, administrative, clerical or other. Several of the reporting units comprise multiple locations that report as a single entity. For example, in 2016, Baxter's 52 renal therapy sites in Colombia reported as a single entity. The reporting scope excludes certain leased facilities for which environmental performance data are not available or are not material to Baxter's overall environmental performance. The health and safety data included in this report are based on 168 reporting locations. The EHS information reported covers 100% of Baxter's operations unless noted otherwise. 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&S audits). See the [Baxter Data Summary](#) for additional detail.

<sup>2</sup> One cubic meter equals 1,000 liters or 264 gallons.

<sup>3</sup> 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.

<sup>4</sup> Baxter reports "regulated waste" rather than "hazardous waste." This term includes some materials that would otherwise be classified as nonhazardous 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.

<sup>5</sup> To more closely reflect production efficiency and support consistent evaluation of facility performance and trends, Baxter excludes certain non-routine, non production-related waste streams from its total waste performance data and progress against its 2020 waste goal. These waste streams are construction and demolition debris, remediation waste and wastewater treatment sludge.

<sup>6</sup> Incineration with energy recovery is considered recycling.

<sup>7</sup> The company's Scope 1 and Scope 2 emissions have a high level of certainty and have been verified for the past seven years to a reasonable assurance level by Bureau Veritas North America. Scope 3 categories are based on various assumptions and estimates. For the past five years, Bureau Veritas North America verified to a limited assurance level Baxter's methodology and emissions factors for calculating Scope 3 GHG emissions.

<sup>8</sup> The market-based method is used for Scope 2 unless otherwise stated. Data in this report are presented in accordance with the GHG Protocol (Scope 1 and Scope 2) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

<sup>9</sup> In 2016, Baxter used biomass fuels to generate energy in boilers at three Baxter locations in the United States, India and Italy. Additionally, another of the company's facilities in India purchases steam from a biomass-fueled boiler owned and operated by a third party. During the year, emissions from the Baxter-operated biomass boilers equaled 148,000 metric tons CO<sub>2</sub>. In accordance with the Greenhouse Gas Protocol, these are not included in reported Scope 1 and Scope 2 emissions. However, also in accordance with the Greenhouse Gas Protocol, the company includes CO<sub>2</sub>e emissions from the CH<sub>4</sub> and N<sub>2</sub>O components of biomass combustion in its reported Scope 1 emissions.

<sup>10</sup> U.S. Environmental Protection Agency Green Power Partnership Fortune 500 Partners List, Feb. 9, 2017.

### SERVING OUR COMMUNITIES

<sup>1</sup> Houses of worship and political organizations are not eligible for the Foundation Matching Gift Program.

### BAXTER DATA SUMMARY

<sup>1</sup> Work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with days lost. Data for 2014 include sites that became Baxalta on July 1, 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. Baxter includes occupational diseases and illnesses, such as hearing loss and ergonomic disorders, within its broader categories of cases, but does not track or report those items separately. Due to privacy regulations in the company's Europe, Middle East and Africa region, Baxter does not classify or report injuries by gender. Supervised contracted employees are included in the injury statistics reported below and are not tracked separately. Independent contractors are not included in Baxter's injury data, because they are supervised by other organizations.

<sup>2</sup> Work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident. Data for 2014 include sites that became Baxalta on July 1, 2015.

<sup>3</sup> 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. Data for 2014 include sites that became Baxalta on July 1, 2015.

<sup>4</sup> 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. Data for 2014 include sites that became Baxalta on July 1, 2015.

<sup>5</sup> Data for 2014 include sites that became Baxalta on July 1, 2015.

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Data do not include Gambro. Data for 2014 include sites that became Baxalta on July 1, 2015.

<sup>9</sup> Some totals vary from sum of items in category, due to rounding.

<sup>10</sup> Totals reflect the removal of methyl ethyl ketone (MEK) as an air toxic by the United States Environmental Protection Agency. ETO = ethylene oxide; DEHP = Di(2-ethylhexyl)phthalate.

<sup>11</sup> Includes air emissions associated with on-site energy generation. Emission factors from the U.S. Environmental Protection Agency publication Compilation of Air Pollutant Emission Factors, AP-42, Fifth Edition, Volume 1: Stationary Point and Area Sources.

<sup>12</sup> Includes stationary sources (Stationary Sources (facilities) Subtotal line item from Baxter Value Chain Energy Usage and GHG Emissions table) and excludes energy consumption associated with Baxter-operated mobile sources.

<sup>13</sup> Baxter's Lean Energy Program began in 2007. Early in 2016, Baxter introduced new Lean Energy Program requirements and updated some existing ones to better align the program with ISO 50001 requirements for energy management.

<sup>14</sup> Excludes waste associated with U.S. Renal Home Care operations, since patients 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.

<sup>15</sup> 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.) that are nonhazardous in nature but may be classified as regulated in some countries. Excludes waste associated with U.S. Renal Home Care operations, since patients dispose of unused product rather than returning it to Baxter for disposal.

<sup>16</sup> 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.

<sup>17</sup> Water usage from Baxter's 60 sites with the greatest use, representing 95% 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. Extreme-scarcity areas have less than 500 cubic meters of renewable water resources per person per year. Water-scarce areas have at least 500 cubic meters but less than 1,000 cubic meters. 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 but less than 4,000 cubic meters. Water-abundant areas have greater than 4,000 cubic meters.



## APPENDIX: Endnotes (continued)

### BAXTER DATA SUMMARY (CONTINUED)

- <sup>18</sup> 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. BOD<sub>5</sub> refers to five-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.
- <sup>19</sup> Data for 2014 and 2015 include parts of Baxter that became Baxalta on July 1, 2015.
- <sup>20</sup> 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 U.S. Small Business Administration program for small companies that operate and employ people in Historically Underutilized Business Zones (HUBZones). Data from 2014–2015 include spending from parts of Baxter that became Baxalta on July 1, 2015. Disaggregation of the data was not feasible.
- <sup>21</sup> Data for 2014 include parts of Baxter that became Baxalta on July 1, 2015.
- <sup>22</sup> Ibid.
- <sup>23</sup> Some subtotals vary from sum of items in category, due to rounding.
- <sup>24</sup> 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 and humanitarian aid partner requests as appropriate. This number may be different than the value of Baxter products distributed during the year by the company's relief partners. See [Innovation That Expands Access to Care](#).

### BAXTER VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS

- <sup>1</sup> Baxter used the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol 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 GHG emissions related to electricity consumption.
- <sup>2</sup> Bureau Veritas North America, Inc. verified to a reasonable level Baxter's 2015 and 2016 Scope 1 and Scope 2 GHG emissions. Bureau Veritas North America, Inc. also verified Baxter's methodology for determining 2015 and 2016 Scope 3 GHG emissions to a limited level.
- <sup>3</sup> Estimated based on an environmentally extended input-output model from an independent third party and Baxter's revenue and sector of operation.
- <sup>4</sup> Estimated based on capital expenditures and an estimated emission factor per million dollars of capital expenditure from benchmarking with industry.
- <sup>5</sup> Estimated based on Baxter's actual yearly energy usage by energy type and GHG emission factors for each energy type per GaBi life cycle assessment software.
- <sup>6</sup> Estimated by the company's independent transportation service provider based on shipment of products to Baxter customers.
- <sup>7</sup> Estimated emissions for wastewater treatment by municipalities and off-site waste recycling and disposal based on Baxter's waste generation by type, guidance provided by the Massachusetts Department of Environmental Protection (United States), and the U.S. EPA WARM model.
- <sup>8</sup> Estimated based on domestic and international air mileage, rental vehicle mileage, and hotel room stays provided by Baxter's global travel providers, and using emission factors from UK Government GHG Conversion Factors for Company Reporting, Greenhouse Gas Protocol Mobile Combustion GHG Emissions Calculation Tool, and Carbonfund.org Business Travel Calculator.
- <sup>9</sup> Estimated based on the number of Baxter employees by country and statistics on commuting time and transport mode split into public transport, passenger cars, taxi and motorcycle, and walking or bicycling. Emission factors for each mode were obtained from Defra.
- <sup>10</sup> Emissions associated with upstream leased assets are included in Baxter's Scope 1 and 2 emissions.
- <sup>11</sup> 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 four Baxter locations. These emissions were calculated as 129,000 and 148,000 metric tons CO<sub>2</sub>e in 2015 and 2016, respectively. CO<sub>2</sub>e emissions from CH<sub>4</sub> and N<sub>2</sub>O components of biomass combustion included in reported Scope 1 emissions.

- <sup>12</sup> Includes the purchase of electricity generated from 100% certified renewable electricity (Belgium, Brazil, Czech Republic, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland, United Kingdom and United States), and the purchase of carbon credits from the EU Emissions Trading Scheme.
- <sup>13</sup> 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.
- <sup>14</sup> 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.
- <sup>15</sup> Estimated based on previous Baxter product LCAs as well as the company's revenue by product type. Category 1 emissions were extrapolated to other categories depending on the product type.
- <sup>16</sup> Estimated based on an environmentally extended input-output model from an independent third party and revenue from Baxter's contract services business.
- <sup>17</sup> Estimated based on production quantities and global warming potential information for certain types of products. Emissions for certain other products estimated based on previous Baxter product LCAs as well as the company's revenue by product type. Category 1 emissions were extrapolated to other categories depending on the product type.
- <sup>18</sup> Baxter engaged an independent third party to estimate 2015 GHG emissions associated with investments using an environmentally extended input-output model, Baxter's retained shares in the spin-off of Baxalta, and Baxalta's 2015 revenue and sector of operation.
- <sup>19</sup> Totals do not include CO<sub>2</sub> emissions from Baxter-owned wood-fired boilers. See footnote 11 above for detail.

### BAXTER FACILITIES WITH ISO 14001, OHSAS 18001, ISO 50001 AND GREEN BUILDING CERTIFICATIONS

- <sup>1</sup> As of December 31, 2016, unless stated otherwise.
- <sup>2</sup> 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 selected sections in Baxter's 2016 Corporate Responsibility Report (the Report). Baxter has commissioned assurance for the EHS section of its annual corporate responsibility/sustainability report for the past 18 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 by Baxter to develop content for selected sections of the Report.

### Scope of work

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

Data and information included in the following sections of the Report:

- Product Innovation except the Quality and Patient Safety subsection
- Employee Health and Safety
- Operations

Baxter requested BVNA to conduct limited level assurance of the following:

Data and information included in the following section of the Report:

- Responsible Procurement and Logistics

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

- Activities outside the defined assurance period, the calendar year of 2016;
- 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) G4 Guidelines as the reference reporting protocol.

The work was planned and carried out to provide reasonable, rather than absolute, assurance except for the Responsible Procurement

and Logistics section, which was carried out to provide limited assurance. We believe that our work provides an appropriate basis for our conclusions.

As part of BVNA's assurance process, BVNA undertook the following activities:

1. Interviews with relevant Baxter personnel responsible for collecting and reporting performance data and other information for Environmental, Health, Safety and Sustainability (EHS&S); Product Innovation; and Responsible Procurement and Logistics sections of the Report. 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 Report sections within the scope of this assurance.
3. Evaluation of the information presented in the selected Report sections based on consideration of the GRI G4 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 operating sites located in: Deerfield, Illinois, United States; Haina, Dominican Republic; Liverpool, United Kingdom; Lund, Sweden; Meyzieu, France; Opelika, Alabama, United States; and Shanghai, China.
5. Audit of performance data including review of a sample of data to source documentation.
6. Review of Baxter data and information systems used for collection, aggregation, analysis and review of information subject to assurance during visits to Baxter's corporate EHS offices in Round Lake, Illinois, and Baxter's headquarters office in Deerfield, Illinois.

### Our findings

On the basis of our methodology and the activities described above, it is our opinion that the data and information within the Product Innovation (except the Quality and Patient Safety subsection), Employee Health and Safety, and Operations sections of the Report:

- 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 2016.

In addition, nothing has come to our attention to indicate that the data and information in the Responsible Procurement and Logistics section are inaccurate or that the information is not fairly stated.

It is also our opinion that Baxter has established appropriate systems for the collection, aggregation, analysis and review of relevant information and data in the sections of the Report within the scope of this assurance.

### Additional commentary

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

- Established new priorities and goals to allow for balanced reporting through 2020;
- Successfully incorporated EHS data from Gambro acquisition sites into the reported data for global operations;
- Revised and strengthened requirements and guidance on EHS data reporting at the facility level to improve the consistency of data reporting from global operations; and
- Improved the process for tracking supplier diversity data.

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

- Continue to streamline processes for reporting GHG emissions based on scope for global operations; and
- Collect information related to green logistics throughout the year to allow for efficient reporting of significant accomplishments in the Corporate Responsibility Report.

### 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 2016 revenue of 4.55 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 Corporate Responsibility Reports.

**Bureau Veritas North America, Inc.**  
Lakewood, CO  
June 2017

## GLOBAL REPORTING INITIATIVE (GRI) INDEX

This report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines (undeclared).

Disclosure	Description	2016 Reporting
<b>General Standard Disclosures</b>		
<b>Strategy and analysis</b>		
G4-1	Statement from the CEO	<a href="#">From the Chairman and CEO</a>
<b>Organizational Profile</b>		
G4-3	Name of the organization	<a href="#">Company Profile</a>
G4-4	Primary brands, products and services	<a href="#">Baxter 2016 Annual Report</a>
G4-5	Location of organization's headquarters	Baxter's headquarters are located in Deerfield, Illinois, United States, approximately 20 miles north of Chicago.
G4-6	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	<a href="#">Baxter 2016 Annual Report</a>
G4-7	Nature of ownership and legal form	Baxter International Inc. (BAX) is a publicly traded company listed on the New York Stock Exchange.
G4-8	Markets served	<a href="#">Baxter 2016 Annual Report</a>
G4-9	Scale of the organization	<a href="#">Operations; Baxter 2016 Annual Report</a>
G4-10	Employee demographics	<a href="#">Baxter Data Summary</a>
G4-12	Description of the organization's supply chain	<a href="#">Responsible Procurement and Logistics</a>
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	<a href="#">Baxter 2016 Annual Report</a>
G4-14	Whether and how the precautionary approach or principle is addressed by the organization	<a href="#">Product Innovation</a> ; 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.
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes or which it endorses	GRI G4 Sustainability Reporting Guidelines; ISO 14001 standard; OHSAS 18001 standard; Greenhouse Gas Protocol
G4-16	Memberships of associations and national or international advocacy organizations	Select examples include: American Society for Parenteral and Enteral Nutrition; Americares; Direct Relief; Diversity Best Practices; Healthcare Business Women's Association; National Kidney Foundation; Partnership for Quality Medical Donations; Partners In Health; Society of Corporate Compliance and Ethics; The Oley Foundation; US-ASEAN Business Council

Disclosure	Description	2016 Reporting
<b>General Standard Disclosures (cont.)</b>		
<b>Identified Material Aspects and Boundaries</b>		
G4-17	Entities included in the organization's consolidated Baxter 2015 Annual Report financial statements or equivalent documents and whether any of those entities are not covered by the report	<a href="#">Baxter 2016 Annual Report</a>
G4-18	Process for defining report content and Aspect Boundaries	<a href="#">Corporate Responsibility at Baxter</a>
G4-19	Material Aspects	<a href="#">Corporate Responsibility at Baxter</a>
G4-20	Material Aspects within the organization	<a href="#">Corporate Responsibility at Baxter</a>
G4-21	Material Aspects outside the organization	<a href="#">Corporate Responsibility at Baxter</a>
G4-22	Effect of restatements	Noted in sections as relevant
<b>Stakeholder Engagement</b>		
G4-24	List of stakeholder groups	Baxter's main stakeholder groups include patients/healthcare providers, employees, communities, governments/payers and shareholders.
G4-25	Basis for identification and selection of stakeholders with whom to engage	<a href="#">Stakeholder Engagement; Baxter 2017 Proxy Statement</a>
G4-26	Approach to stakeholder engagement	<a href="#">Stakeholder Engagement; Baxter 2017 Proxy Statement</a>
<b>Report Profile</b>		
G4-28	Reporting period	Calendar year 2016
G4-29	Date of most recent previous report	September 2016
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions about report	<a href="mailto:corporate_responsibility_report@baxter.com">corporate_responsibility_report@baxter.com</a>
G4-32	Global Reporting Initiative index	Global Reporting Initiative Index
G4-33	Assurance	<a href="#">Assurance and Verification</a>
<b>Governance</b>		
G4-34	Governance structure of the organization	<a href="#">Corporate Governance</a>
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	<a href="#">Corporate Responsibility at Baxter</a>
G4-38	Composition of the highest governance body and its committees	<a href="#">Corporate Governance</a>
G4-39	Whether Chair of the highest governance body is also an executive officer	<a href="#">Corporate Governance</a>
G4-40	Nomination and selection processes for the highest governance body and its committees	<a href="#">Corporate Governance</a>
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	<a href="#">Corporate Governance</a>
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities	<a href="#">Corporate Responsibility at Baxter</a>



Disclosure	Description	2016 Reporting
<b>General Standard Disclosures (cont.)</b>		
<b>Governance (cont.)</b>		
G4-49	Process for communicating critical concerns to the highest governance body	<a href="#">How to Contact Board of Directors</a>
G4-51	Remuneration policies for the highest governance body and senior executives	<a href="#">Corporate Governance, Baxter 2017 Proxy Statement</a>
G4-52	Process for determining remuneration	<a href="#">Corporate Governance, Baxter 2017 Proxy Statement</a>
<b>Ethics and Integrity</b>		
G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	<a href="#">Ethics and Compliance</a>
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior	<a href="#">Ethics and Compliance</a>
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior	<a href="#">Workplace Culture; Ethics and Compliance; Operations; Responsible Procurement and Logistics</a>
<b>Specific Standard Disclosures</b>		
<b>Economic</b>		
<b>Economic Performance</b>		
G4-EC1	Direct economic value generated and distributed	<a href="#">Serving Our Communities; Baxter Data Summary; Baxter 2016 Annual Report</a>
G4-EC2	Financial implications and other risks and opportunities for the organization due to climate change	<a href="#">Baxter's CDP submission</a>
<b>Indirect Economic Impacts</b>		
G4-EC7	Development and impact of infrastructure investments and services supported	<a href="#">Innovation That Expands Access to Care; Serving Our Communities</a>
G4-EC8	Significant indirect economic impacts, including the extent of impacts	<a href="#">Innovation That Expands Access to Care; Responsible Procurement and Logistics</a>
<b>Environmental</b>		
<b>Energy</b>		
G4-EN3	Energy consumption within the organization	<a href="#">Operations; Baxter Data Summary</a>
G4-EN4	Energy consumption outside of the organization	<a href="#">Operations; Baxter Data Summary</a>
G4-EN5	Energy intensity	<a href="#">Operations; Baxter Data Summary</a>
G4-EN6	Reduction of energy consumption	<a href="#">Operations; Baxter Data Summary</a>
<b>Water</b>		
G4-EN8	Total water withdrawal by source	<a href="#">Operations; Baxter Data Summary</a>
G4-EN9	Water sources significantly affected by withdrawal of water	<a href="#">Operations; Baxter Data Summary</a>
G4-EN10	Percentage and total volume of water recycled and reused	<a href="#">Operations; Baxter Data Summary</a>
<b>Emissions</b>		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	<a href="#">Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions</a>
G4-EN16	Energy indirect GHG emissions (Scope 2)	<a href="#">Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions</a>

Disclosure	Description	2016 Reporting
<b>Specific Standard Disclosures (cont.)</b>		
<b>Environmental (cont.)</b>		
<b>Emissions (cont.)</b>		
G4-EN17	Other indirect GHG emissions (Scope 3)	<a href="#">Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions</a>
G4-EN18	GHG emissions intensity	<a href="#">Operations; Baxter Data Summary</a>
G4-EN19	Reduction of GHG emissions	<a href="#">Operations</a>
<b>Effluents and Waste</b>		
G4-EN22	Total water discharge by quality and destination	<a href="#">Baxter Data Summary</a>
G4-EN23	Total weight of waste by type and disposal method	<a href="#">Operations; Baxter Data Summary</a>
<b>Products and Services</b>		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	<a href="#">Product Innovation</a>
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	<a href="#">Product Innovation</a>
<b>Compliance</b>		
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	<a href="#">Baxter Data Summary</a>
<b>Transport</b>		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations and of transporting members of the workforce	<a href="#">Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions</a>
<b>Supplier Environmental Assessment</b>		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	<a href="#">Responsible Procurement and Logistics; Baxter Value Chain Energy Usage and GHG Emissions</a>
<b>Labor Practices and Decent Work</b>		
<b>Employment</b>		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	<a href="#">Baxter Data Summary</a>
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<a href="#">Workplace Culture</a> ; All benefits are generally provided to full-time and part-time employees
<b>Labor/Management Relations</b>		
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Minimum notice period varies by country. 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.
<b>Occupational Health and Safety</b>		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	<a href="#">Workplace Culture; Baxter Data Summary</a>



Disclosure	Description	2016 Reporting
<b>Specific Standard Disclosures (cont.)</b>		
<b>Labor Practices and Decent Work (cont.)</b>		
<b>Training and Education</b>		
G4-LA9	Average hours of training per year per employee by gender and by employee category	<a href="#">Workplace Culture</a>
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	<a href="#">Workplace Culture</a>
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	<a href="#">Workplace Culture</a>
<b>Diversity and Equal Opportunity</b>		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity	<a href="#">Workplace Culture</a> ; <a href="#">Corporate Governance</a>
<b>Labor Practices Grievance Mechanisms</b>		
G4-LA16	Number of grievances about labor practices filed, addressed and resolved through formal grievance mechanisms	<a href="#">Ethics and Compliance</a>
<b>Human Rights</b>		
<b>Nondiscrimination</b>		
G4-HR3	Total number of incidents of discrimination and corrective actions	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 16 allegations of discrimination and harassment in 2016. 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.
<b>Child Labor</b>		
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures to contribute to the effective abolition of child labor	<a href="#">Responsible Procurement and Logistics</a> ; <a href="#">Baxter Global Human Rights Policy</a> ; <a href="#">Baxter Code of Conduct</a> ; <a href="#">Baxter Supplier Quality Standard</a> ; <a href="#">Ethics and Compliance Standards for Baxter Suppliers</a> ; <a href="#">Conflict Minerals Position Statement</a> ; <a href="#">Pharmaceutical Supply Chain Initiative</a>

Disclosure	Description	2016 Reporting
<b>Specific Standard Disclosures (cont.)</b>		
<b>Human Rights (cont.)</b>		
<b>Forced or Compulsory Labor</b>		
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and elimination of all forms of forced or compulsory labor	<a href="#">Responsible Procurement and Logistics</a> ; <a href="#">Baxter Global Human Rights Policy</a> ; <a href="#">Baxter Code of Conduct</a> ; <a href="#">Baxter Supplier Quality Standard</a> ; <a href="#">Ethics and Compliance Standards for Baxter Suppliers</a> ; <a href="#">Baxter California Transparency in Supply Chains Act</a> ; <a href="#">Conflict Minerals Position Statement</a> ; <a href="#">Pharmaceutical Supply Chain Initiative</a>
<b>Society</b>		
<b>Anticorruption</b>		
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	<a href="#">Ethics and Compliance</a>
G4-SO4	Communication and training on anti-corruption policies and procedures	<a href="#">Ethics and Compliance</a>
<b>Public Policy</b>		
G4-SO6	Total value of political contributions by country and recipient/beneficiary	<a href="#">Baxter 2016 Political Contributions Report</a>
<b>Compliance</b>		
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	<a href="#">Baxter 2016 Annual Report</a>
<b>Grievance Mechanisms for Impacts on Society</b>		
G4-SO11	Number of grievances about impacts on society filed, addressed and resolved through formal grievance mechanisms	<a href="#">Ethics and Compliance</a>
<b>Product Responsibility</b>		
<b>Customer Health and Safety</b>		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	<a href="#">Product Innovation</a>
G4-PR2	Total number of incidents of noncompliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcome	<a href="#">Baxter 2016 Annual Report</a>
<b>Compliance</b>		
G4-PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	<a href="#">Baxter 2016 Annual Report</a>



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**Cover Photo:**

A young girl in the town of San Juan Tlacotenco, Mexico, near Baxter's facility in Cuernavaca, drinks from a fountain at school. Baxter, in partnership with Sarar Transformación (Sarar-T)—a consulting firm focused on sustainable decentralized water and sanitation systems—identified and implemented a range of projects designed to help protect the area's vulnerable watershed and provide the community with enhanced access to clean water. The benefits to the community of these efforts include school infrastructure improvements and the development of a community water, sanitation and environmental health plan.

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The matters discussed in this Baxter 2016 Corporate Responsibility Report 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 following, which could cause actual results to differ materially from those in the forward-looking statements: a material adverse change in the hospital products or renal 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 and patient safety issues. The company disclaims any obligation to update any forward-looking statements.

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## History in Corporate Responsibility

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

- 1977** • Established the company's first formal environmental program, policy and energy conservation initiatives
- 1992** • Released Baxter's first environmental report
- 1993** • Established the Corporate Responsibility Office to oversee the company's ethics and compliance practices
- 2000** • Published Baxter's first sustainability report
- 2001** • Developed Baxter's Global Business Practice Standards for Suppliers
- 2002** • Commenced Baxter's Product Sustainability Review process
- 2007** • Established the company's Corporate Responsibility Council
- 2013** • Recognized as one of the most civic-minded companies in the United States for the first time by Points of Light as part of The Civic 50
- 2014** • Recognized as one of only 15 companies to have been included on the Dow Jones Sustainability World Index each year since the index was created in 1999
- 2015** • Conducted the company's first comprehensive, non-financial, corporate responsibility materiality assessment
- 2016** • Published the company's 2020 corporate responsibility priorities and goals