

*Revised February 20, 2018*

**BAXTER INTERNATIONAL INC.  
Corporate Governance Guidelines**

The Board of Directors of Baxter International Inc. (“Baxter” or the “Company” including its subsidiaries) recognizes the importance of excellent corporate governance as a means of addressing the needs of the Company’s shareholders, employees, customers and other stakeholders. These guidelines, along with the charters and key practices of the Board committees, provide the overall framework for the governance of Baxter. The Board of Directors recognizes that corporate governance is a dynamic and ever-evolving area warranting periodic review. Accordingly, the following guidelines are subject to review and change from time to time by the Corporate Governance Committee and the Board.

**I. Board of Directors**

**A. Size and Composition**

1. Size. The Company’s Amended and Restated Certificate of Incorporation provides that the number of directors shall be fixed from time to time by the Board of Directors, but in no event shall be less than nine or more than seventeen.
2. Independence of Directors. The Board of Directors will be composed of a majority of directors who meet the criteria for “independence” established by the New York Stock Exchange (“NYSE”). In order to be considered independent, the Board shall affirmatively determine that the director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).
3. Chairman of the Board/Chief Executive Officer. The Company’s Bylaws require that the Board of Directors annually elect a Chairman of the Board and a Chief Executive Officer, which positions are currently held by the same person. So long as the Chief Executive Officer serves as Chairman, the independent directors will annually elect a Lead Director from among the independent directors. The Board annually reviews its corporate governance, which includes succession planning for the Chairman and Chief Executive Officer.
4. Lead Director. The Lead Director shall:
  - preside at all Board executive sessions and all meetings of the Board when the Chairman and Chief Executive Officer is not present;
  - act as principal liaison between the independent directors and the Chairman and Chief Executive Officer;
  - review and approve meeting agendas for the Board and work with the Chairman and Chief Executive Officer to facilitate timely and appropriate information flow to the Board;
  - review and approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;

- have the authority to call special meetings of the independent directors;
- in consultation with the chair of the Corporate Governance Committee, lead the annual performance evaluation of the Chairman and Chief Executive Officer;
- in consultation with the chair of the Corporate Governance Committee, lead the Chairman and Chief Executive Officer succession process; and
- serve as the contact person for interested parties to communicate directly with the independent directors.

## **B. Selection and Qualifications**

1. Director Qualifications. The Board of Directors has delegated to the Corporate Governance Committee the responsibility for recommending to the Board the nominees for election as directors at the annual meetings of shareholders, and recommending persons to fill any vacancy on the Board. Invitations to join the Board are extended by the Chairman of the Board or a designated representative. The Corporate Governance Committee selects individuals for nomination to the Board of Directors based on the following criteria. Nominees for director must:

- Possess fundamental qualities of intelligence, honesty, perceptiveness, good judgment, maturity, high ethics and standards, integrity, fairness and responsibility.
- Have a genuine interest in the Company and recognition that as a member of the Board, each director is accountable to all shareholders of the Company, not to any particular interest group.
- Have a background that demonstrates an understanding of business and financial affairs and the complexities of a large, multifaceted, global business, governmental or educational organization.
- Be or have been in a senior position in a complex organization such as a corporation, university or major unit of government or a large not-for-profit institution.
- Have no conflict of interest or legal impediment that would interfere with the duty of loyalty owed to the Company and its shareholders.
- Have the ability and be willing to spend the time required to function effectively as a Director.
- Be compatible and able to work well with other Directors and executives in a team effort with a view to a long-term relationship with the Company as a Director.
- Have independent opinions and be willing to state them in a constructive manner.

Directors are selected on the basis of talent and experience. Diversity of background, including diversity of gender, race, ethnic or geographic origin, age, and experience in business, government and education and in

healthcare, science, technology and other areas relevant to the Company's activities are factors in the selection process. As a majority of the Board must consist of individuals who are independent, a nominee's ability to meet the independence criteria established by the NYSE is also a factor in the nominee selection process.

2. Director Orientation and Continuing Education. The Corporate Governance Committee is responsible for ensuring that new directors receive an effective orientation to the Company and has adopted a Director Orientation and Continuing Education Program. In addition, the Corporate Governance Committee periodically reviews the director education sessions attended by the directors in order to assess the effectiveness of continuing director education.
3. Review of Director Affiliations. The Corporate Governance Committee annually reviews the outside affiliations of each director to determine whether those affiliations present any conflicts of interest or are otherwise inconsistent with the best interests of Baxter.
4. Limit on the Number of Other Company Directorships. No director who is employed full time may serve on the board of directors of more than two other public companies, and no other director may serve on the board of directors of more than four other public companies, unless Baxter's Board determines that simultaneous service on additional boards would not impair the director's ability to serve effectively on Baxter's Board. Directors are required to notify the Chairman of the Board and the Chairman of the Corporate Governance Committee prior to accepting any invitation to serve on the board, audit committee or compensation committee of any other company to ensure there are no conflicts of interest or other issues.
5. Board Compensation. The Compensation Committee is responsible for recommending to the Board of Directors changes in the compensation and benefits paid to directors for their Board service. Compensation for non-employee directors should be competitive and fairly pay directors for work required of directors of a company of Baxter's size and complexity. In addition, director compensation should include equity-based compensation in order to align directors' interests with the long-term interests of shareholders. The Compensation Committee annually reviews the level and form of the Company's director compensation, including how such compensation relates to the Company's peers. Changes to director compensation are proposed to the full Board for approval. A director who is also an employee of the Company shall not receive additional compensation for such service as a director.
6. Stock Ownership Guidelines. Each director is encouraged to maintain ownership of Baxter common stock. The stock ownership guideline recommended for each director, after five years of Board service, is to hold five times the annual cash retainer provided to directors.
7. Change in Director's Circumstances. If a director discontinues or changes the employment affiliation held at the time of election as a director,

becomes involved in a current or potential conflict of interest or a commercial or other relationship (including relationships of immediate family members) that may impair the director's independence, becomes unable to spend the required time or becomes disabled, that director shall notify the Corporate Governance Committee with an explanation of the changed circumstances including, if applicable, the director's future business or professional plans. The Corporate Governance Committee shall review the information presented and determine the appropriateness of continued membership. No member of the Board whose Board membership is being reviewed shall participate in the review process or vote on the matter.

8. Director Retirement. It is the policy of the Board that a director who has reached the age of 75 shall not be nominated for reelection to the Board and such director shall retire from the Board by the time immediately prior to the commencement of the annual meeting of shareholders following his/her 75<sup>th</sup> birthday (so that the Board may, at its option, nominate another person to stand for election in lieu of the retiring director); provided, however, that the Corporate Governance Committee may recommend, and the Board may approve, the nomination for reelection of a director at or after the age of 75 and such director shall not be required to retire if such retirement would (i) occur immediately before, during or promptly after a material transaction being reviewed or approved by the Board (including a merger, acquisition, divestiture or other transaction), (ii) occur immediately before, during or promptly after succession of the Chairman or Chief Executive Officer, (iii) occur immediately before, during or promptly after an unusual degree of recent director retirements, removals, resignations or other turnover or (iv) likely cause non-compliance (including with respect to laws and external and internal rules, regulations, policies, codes, or other standards), in each case as determined in the sole and absolute discretion of the majority of directors then in office (excluding the subject director). For the avoidance of doubt, term limits for directors are not being established hereby.

**C. Operation and Performance Evaluations**

1. Executive Sessions. The Board of Directors shall meet in executive session at every regularly scheduled meeting. Executive session shall mean meetings without Company management or employee directors.
2. Agenda. The Chairman of the Board, in consultation with the Lead Director, will establish the agenda for each Board meeting. Each Board member is encouraged to suggest the inclusion of items on the agenda.
3. Distribution of Board Materials. As a general rule, presentations on specific subjects should be sent to the Board members sufficiently in advance to allow time for review, so that Board meeting time may be conserved and discussion time focused on questions that the Board may have about the materials. To that end, Board members are expected to read all of such materials prior to the meetings.

4. Evaluation of Chairman and Chief Executive Officer Performance. The Corporate Governance Committee annually reviews and evaluates the performance of the Chairman and Chief Executive Officer. The Corporate Governance Committee Chairperson reports to the Board on the evaluation in executive session. The evaluation is used in cooperation with the Compensation Committee and the Board in setting compensation.
5. Board and Committee Self-Evaluations. The Board annually reviews its own structure, governance principles, composition, agenda, processes and schedule to consider whether it is functioning well in view of its responsibilities and the evolving situation of the Company. In furtherance of this objective, the Corporate Governance Committee annually reviews the process by which the Board and its committees conduct annual self-evaluations.
6. Attendance. Each director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings materials distributed in advance of such meetings. In addition, each director is expected to attend the annual meeting of shareholders so that shareholders have an opportunity to communicate directly with members of the Board.
7. Confidentiality. Each Board member is expected to protect and hold confidential all non-public information obtained as a result of membership on the Board. Each Member understands that he or she may not disclose, without express Board authorization or as required by law, non-public information to anyone outside the Company including, without limitation, principals or employees of any business entity which employs them or which has sponsored their election to the Board. Non-public information includes information related to Board deliberations and discussions with respect to business issues and decisions, relationship dynamics among the Board members and officers and other employees of the Company and all other confidential information acquired by reason of his or her position as a member of the Company's Board of Directors.
8. Committees. The Board of Directors has four standing committees consisting of an Audit Committee, Compensation Committee, Corporate Governance Committee and Quality, Compliance and Technology Committee. All of the members of the Audit, Compensation and Corporate Governance committees shall meet the independence criteria established by the NYSE. From time to time, the Board may determine that it is appropriate to form a new committee or a special committee or to restructure or combine its standing committees. Each required committee of the Board shall be governed by a charter, which the committee shall review annually. The Corporate Governance Committee shall annually review committee membership and recommend to the Board any changes in the structure of the committees.

9. Access to Independent Advisers. The Board of Directors and each of its committees have the ability to hire outside consultants and experts, as the Board of Directors or any committee deems necessary and appropriate. Each committee shall communicate to the full Board its intent to hire an outside consultant or expert.

## II. Fiduciary Oversight

- A. Philosophy. The Board of Directors fosters and encourages a corporate environment of strong disclosure controls and procedures, including internal controls, fiscal accountability, high ethical standards and compliance with applicable policies, laws and regulations.
- B. Access to Management. The Board of Directors has complete access to Baxter's management. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operations of the Company and that the Chief Executive Officer be appropriately informed of such contact.
- C. Related Person Transactions. The Board of Directors recognizes that related person transactions present a heightened risk of conflicts of interest. Accordingly, the Corporate Governance Committee has been charged with reviewing related person transactions regardless of whether the transactions are reportable pursuant to Item 404 of Regulation S-K under the Securities Exchange Act of 1934, as amended. For purposes of these guidelines, a "related person transaction" is any transaction in which the Company was or is to be a participant and in which any related person has a direct or indirect material interest other than transactions that involve less than \$50,000 when aggregated with all similar transactions. For any related person transaction to be consummated or to continue, the Corporate Governance Committee must approve or ratify the transaction. The Corporate Governance Committee reviews related person transactions as they arise and are reported to the Committee. The Corporate Governance Committee also reviews materials prepared by the Corporate Secretary to determine whether any related person transactions have occurred that have not been reported. These materials are prepared based in part upon information provided by executive officers and directors in their D&O questionnaires as well as a review of certain accounting records of the Company. It is the Company's policy to disclose all related person transactions in the Company's applicable filings to the extent required by the Securities Act of 1933 and the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder.

For purposes of these guidelines, a "related person" is any person who is, or at any time since the beginning of the Company's last fiscal year was

- an executive officer or director (including in each case nominees for director),
- any shareholder owning in excess of five percent of the Company's common stock, and
- an immediate family member of an executive officer, director, or five percent shareholder.

For purposes of these guidelines, an "immediate family member" includes a person's spouse, parents, stepparents, children, stepchildren, siblings, mothers and

fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than employees) who shares such person's home.

**III. Strategic and Succession Planning**

- A. Review of Strategic Plans. At least annually, the Board of Directors reviews the strategic plan for Baxter and each of Baxter's major businesses.
  
- B. Succession Planning. At least annually, the Chairman and Chief Executive Officer reviews succession planning with the Board of Directors. The Board of Directors shall oversee the succession planning process in order to ensure that the process is rigorous and effective. In furtherance of this objective, the Corporate Governance Committee, in consultation with the Lead Director, will focus upon succession planning for the Chairman and Chief Executive Officer. This review will be shared with the full Board in connection with its broader oversight responsibilities.