



OUR PEOPLE and OUR PRODUCTS make OUR WORLD a better place

This *Baxter 2008 Sustainability Priorities Report* describes progress against each of Baxter's nine sustainability priorities. See the comprehensive report online for performance information on the full range of Baxter's sustainability activities as well as additional detail about several of the priorities described in this document.

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VERIFICATION ASSURANCE

Baxter commissioned ERM Certification and Verification Services (ERM CVS) to perform verification assurance on the following environment, health and safety (EHS)-related sections of this *Baxter 2008 Sustainability Priorities Report*, as noted by the symbol:



- Safe and Healthy Workplace
- Carbon Footprint
- Natural Resource Use
- Product Stewardship

This review is designed to confirm that information presented is an accurate, reliable and transparent representation of performance. ERM CVS also has provided assurance on all EHS content in the comprehensive sustainability report online. See more information in the *Sustainability Reporting* section online.

Company Profile

Baxter International Inc. develops, manufactures and markets products that save and sustain the lives of people with hemophilia, immune disorders, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. As a global, diversified healthcare company, Baxter applies a unique combination of expertise in medical devices, pharmaceuticals and biotechnology to create products that advance patient care worldwide.

Baxter manufactures products in 26 countries and sells them in more than 100 countries, with approximately 60 percent of its sales coming from outside the United States. In 2008, Baxter's global sales totaled approximately \$12.3 billion. At year-end 2008, Baxter employed approximately 48,500 people worldwide.

BAXTER OPERATES IN THREE BUSINESS SEGMENTS:



The **BIOSCIENCE** business is a leading manufacturer of recombinant and plasma-based proteins to treat hemophilia and other bleeding disorders; plasma-based therapies to treat immune deficiencies, alpha 1-antitrypsin deficiency, burns and shock, and other chronic and acute blood-related conditions; products for regenerative medicine, such as biosurgery products and technology used in adult stem-cell therapies; and vaccines.



The **MEDICATION DELIVERY** business manufactures products used in the delivery of fluids and drugs to patients. These include intravenous (IV) solutions and administration sets, premixed drugs and drug-reconstitution systems, pre-filled vials and syringes for injectable drugs, IV nutrition products, infusion pumps and inhalation anesthetics, as well as products and services related to pharmacy compounding, and drug formulation and packaging technologies.



The **RENAL** business provides products to treat end-stage renal disease, or irreversible kidney failure. It is a leading manufacturer of products for peritoneal dialysis (PD), a home therapy Baxter helped commercialize 30 years ago. Products include PD solutions and automated cyclers that provide therapy overnight. The business also distributes products for hemodialysis, which generally takes place in a hospital or clinic.



From the Chairman and CEO



Baxter plays a unique role in healthcare. Virtually every product we make is used to treat a critical, life-threatening condition. Our therapies are infused, injected or inhaled an estimated six million times a day, in more than 100 countries, to save and sustain the lives of people with hemophilia, immune disorders, end-stage kidney disease and other critical illnesses.

The sustainability challenges we face as a society are no less critical. Poverty, hunger, climate change, resource depletion, and lack of access to quality healthcare and education are just some of the threats to the well-being of future generations.

At Baxter, we are committed to applying the same dedication and spirit of innovation to improving the health of the planet as we do in developing new and better therapies for patients.

We define sustainability as a long-term approach to including our social, economic and environmental responsibilities among our business priorities. Baxter's efforts in this area align with and support our mission of saving and sustaining lives.

This is the 10th year that Baxter has published a sustainability report. In all of our sustainability-related activities, whether it's corporate giving, expanding access to healthcare, strengthening education or other areas you can read about in this report, we strive to be leaders, setting the pace for others to follow.

ESTABLISHING SUSTAINABILITY AS PART OF OUR CULTURE

Since joining Baxter as chairman and chief executive officer in 2004, I have been highly supportive of accelerating Baxter's sustainability efforts, and I am proud of the progress we've made in making sustainability part of our culture.

Our formation in 2006 of an executive-level Sustainability Steering Committee to guide our global sustainability efforts was a significant step forward. It further institutionalized sustainability at Baxter and elevated accountability for sustainability across the company and to the highest levels of management.

The creation of nine sustainability priorities in 2007 was the next step in this process. These priorities, which are the focus of our print report this year, define what we consider to be the most important sustainability areas as a company and help us channel our resources where we can maximize our impact. Since then, we have added long-term 2015 goals for each priority to further clarify our expected progress. Advancement toward these targets is measured quarterly and reported to management.

Our sustainability priorities tie to larger societal goals. For Baxter, increasing access to healthcare, promoting diversity and inclusion, strengthening education and reducing our environmental impact are all areas where Baxter's success contributes to a greater good while also benefiting us as a company. Acting with integrity, ensuring the health and safety of our employees, and developing partnerships with suppliers to foster a "greener" supply chain are equally important to industry leadership.

In early 2009, we added to our product stewardship priority an animal welfare goal to identify additional opportunities

to replace, reduce and refine ("3Rs") the use of animal testing. While we have long-standing policies and practices designed to minimize animal testing, the addition of this goal reflects our continuing commitment to build on our history of conscientious action and innovation in this area.

LOOKING AHEAD, MOVING FORWARD

Despite these accomplishments, sustainability is not about yesterday's achievements. It is about creating a better world for tomorrow. We must continue to engage our customers, suppliers, employees, communities, other business sectors, and regional and national governments if we are truly to make the progress necessary to meet the challenges we face.

We are in the midst of one of the most difficult economic crises in our lifetimes. While no company, including Baxter, is immune to the issues affecting the global economy, we remain committed to making a positive impact on the health and well-being of our local and global communities.

As a society, the biggest problem we face in tackling our most pressing sustainability challenges is simply the scope and enormity of the task. Successfully addressing these challenges requires the cooperative effort of governments, businesses, interest groups and individual citizens.

I believe corporations can play a lead role in making a difference. I encourage all stakeholders to join us in appreciating today's sustainability challenges and contributing toward long-term solutions. Working together, we can create a better world for future generations.

ROBERT L. PARKINSON, JR.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
JUNE 2009



Baxter Sustainability Priorities and Goals

Although committed to addressing a broad range of sustainability issues, Baxter recognizes the importance of having clear priorities to focus its efforts and direct its initiatives.

In 2007, the company's executive-level Sustainability Steering Committee defined nine priorities that fall into three broad categories: Our People, Our Operations and Products, and Our World. These priorities reflect issues of key concern to Baxter and its stakeholders and areas where the company is uniquely positioned to have a positive impact. Since then, Baxter has established longer-term performance goals for each priority to demonstrate the company's commitment, motivate continual improvement and help stakeholders assess performance. This table outlines Baxter's sustainability priorities and goals, and notes related information in this report and in the full report online.



Above: Baxter products are used in more than 100 countries to save and sustain the lives of people with a range of critical medical conditions.

PRIORITIES



OUR PEOPLE

BAXTER WILL PROMOTE A SAFE AND HEALTHY WORKPLACE

BAXTER WILL PROMOTE AN INCLUSIVE AND DIVERSE WORKPLACE

BAXTER WILL PROMOTE ETHICAL CONDUCT AND LEGAL COMPLIANCE



OUR OPERATIONS AND PRODUCTS

BAXTER WILL DRIVE A GREEN SUPPLY CHAIN

BAXTER WILL DRIVE REDUCTIONS IN ITS CARBON FOOTPRINT

BAXTER WILL DRIVE REDUCTIONS IN ITS NATURAL RESOURCE USE

BAXTER WILL DRIVE ENHANCED PRODUCT STEWARDSHIP



OUR WORLD

BAXTER WILL STRENGTHEN ACCESS TO HEALTHCARE THROUGH PRODUCT DEVELOPMENT, STRATEGIC PHILANTHROPIC GIVING AND PRODUCT DONATIONS

BAXTER WILL STRENGTHEN THE COMPANY'S COMMITMENT TO EDUCATION, ESPECIALLY MATH AND SCIENCE

2015 GOALS (UNLESS STATED OTHERWISE)	RELATED CONTENT
<ul style="list-style-type: none"> Implement best-in-class programs designed to protect the safety and improve the health of employees that result in performance in the top three of industry peers. <i>See footnote 2 on page 7.</i> 	Page 7 or sustainability.baxter.com/EHS
<ul style="list-style-type: none"> Create and sustain an inclusive culture where diverse ideas, backgrounds, experiences and perspectives are respected and valued. 	Page 8 or sustainability.baxter.com/employees and sustainability.baxter.com/supply_chain
<ul style="list-style-type: none"> Continue to champion internal and industrywide ethical sales and marketing practices by: <ul style="list-style-type: none"> > Implementing Baxter's enhanced U.S. Healthcare Compliance Program and International Anticorruption Program within the company; and > Working with U.S. and international trade associations, non-governmental organizations and governments to harmonize and enforce standards on financial interactions with healthcare providers that allow for appropriate education, research and dialogue on products and services and discourage improper incentives. 	Page 9 or sustainability.baxter.com/governance_ethics_and_compliance
<ul style="list-style-type: none"> Reduce the carbon footprint of Baxter's car fleet by 20% from 2007 baseline. <i>See footnote 3 on page 11.</i> Incorporate green principles into Baxter's purchasing program with its top 100 suppliers (by spend). 	Page 11 or sustainability.baxter.com/supply_chain
<ul style="list-style-type: none"> Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline. Increase facility energy usage of renewable power to 20% (of total). 	Page 12 or sustainability.baxter.com/EHS
<ul style="list-style-type: none"> Reduce total waste generation 30% indexed to revenue from 2005 baseline. Reduce energy usage 30% indexed to revenue from 2005 baseline. Eliminate 5 million kilograms (5,000 metric tons) of packaging material from products sent to customers from 2007 baseline. Reduce water usage 35% indexed to revenue from 2005 baseline. To help achieve this, by 2010 evaluate potentially vulnerable watersheds associated with Baxter facilities and establish aggressive water conservation goals for high-risk areas. Implement two projects to help protect vulnerable watersheds and/or provide communities with enhanced access to clean water. 	Page 13 or sustainability.baxter.com/EHS and sustainability.baxter.com/product_responsibility
<ul style="list-style-type: none"> Incorporate the following elements as appropriate into Baxter's product stewardship programs: sustainable design, takeback and recycling of Baxter's products. Identify new opportunities to replace, reduce and refine ("3Rs") the use of animal testing. 	Page 15 or sustainability.baxter.com/product_responsibility
<ul style="list-style-type: none"> By 2010, assess existing products for relevance to the "base of the pyramid" (developing economies) and identify high-impact, economically viable product opportunities. <i>See footnote 1 on page 18.</i> Increase R&D investment from 2008 to improve access to healthcare for the "base of the pyramid." Establish a council to assess U.S. philanthropic giving, and develop and implement a strategy to align efforts with public policy priorities to enhance healthcare. By 2010, assess a percentage of Baxter's total giving to healthcare programs. Work with donor partners to develop and implement a strategic product donation plan beginning in 2010 that includes: being the first on the scene following disasters and tragedies, contributing most needed products to stabilize supply, and contributing most needed products in least developed and developing economies. 	Page 17 or sustainability.baxter.com/community_support
<ul style="list-style-type: none"> Facilitate learning of math and science through biotechnology education for Chicago Public Schools teachers and students, and partner with other educational organizations to provide similar opportunities in other locations. 	Page 19 or sustainability.baxter.com/community_support



OUR PEOPLE

Baxter's 48,500 employees worldwide are key to the company's success. They play a pivotal role in inspiring, developing and implementing the company's sustainability strategy and programs.

To help Baxter and its employees realize their full potential, the company continually improves its structures and programs to provide a safe, healthy, inclusive and engaging workplace.

Integrity is a cornerstone of Baxter's culture, and the company supports its employees in making decisions that demonstrate the highest ethical standards.

Right: Bernhard Kutscher, vice president, research and development (R&D), Europe, is one of many Baxter employees around the world that share expertise in medical plastics, biologics, sterilization and other scientific disciplines to create unique life-saving products. R&D is essential to Baxter's growth.



PRIORITY: Baxter Will Promote a Safe and Healthy Workplace

As a company focused on creating life-saving products and therapies, Baxter considers it a natural extension of its work to make a positive impact on the safety and health of its employees and contractors.

► **EMPLOYEE SAFETY** In 2008, Baxter identified the following facility-level processes as the most effective ways to improve safety performance and strengthen the safety culture companywide:

2008 SAFETY PERFORMANCE (compared to 2007)¹

CASES WITH DAYS LOST RATE	IMPROVED 24%
DAYS LOST RATE	IMPROVED 22%
RECORDABLE CASE RATE	IMPROVED 9%
EMPLOYEE/CONTRACTOR SERIOUS INCIDENTS	7/2 in 2008 (12/1 in 2007)
EMPLOYEE/CONTRACTOR FATALITIES	0/1 in 2008 (0/0 in 2007)

- **Hazard identification and risk assessment:** A 2008 survey of facilities revealed that hazard identification and risk assessment programs reflect varying degrees of maturity. Baxter is standardizing its efforts in 2009 to improve consistency.
- **Near-miss reporting:** A near-miss program identifies incidents that might have resulted in injury, illness or damage but did not. For 2009, Baxter established eight required elements of an effective near-miss program and is tracking facility progress in implementing these across the company.

In 2007, Baxter's cases with days lost rate performance ranked fourth of industry peers.²

► **HEALTH AND WELLNESS** A productive and healthy workforce is vital to Baxter's ongoing success. Through BeWell@Baxter, the company's global employee health and wellness effort introduced in 2007, Baxter is building a culture that promotes work-related and personal health. BeWell@Baxter aligns the company's many health and wellness initiatives under a comprehensive program that raises awareness and supports individual accountability and engagement.

In 2008, Baxter launched its vision for global smoke-free campuses. By the end of the year, 77 percent of company facilities were smoke-free campuses. The target for the end of 2009 is 80 percent of global facilities.

Baxter also launched its Personal Wellness Profile in 2008, an online health risk assessment that helps employees better understand how their lifestyle choices, family history and other factors impact their health. Employees set health goals, create action plans and track their progress. The company's target is for 25 percent of employees globally to complete the assessment in 2009. Using the aggregate results, Baxter will target programs to address risk and need.

In addition, in 2008 Baxter's seasonal influenza prevention program vaccinated 37 percent of employees worldwide, compared to 29 percent the previous year.

2015
GOAL

- Implement best-in-class programs designed to protect the safety and improve the health of employees that result in performance in the top three of industry peers.²

Below: At Baxter's production facilities worldwide, including this one in Suzhou, China, the company integrates ergonomic concepts into workstation design and setup. Tables and chairs are adjustable to promote neutral posture.



¹ All rates based on 100 full-time employees working one year, which equals a total of 200,000 work hours. For tracking purposes, Baxter applies U.S. Occupational Safety and Health Administration recordkeeping practices worldwide. *Cases with days lost:* work-related injuries or illnesses that cause an employee to lose at least one full day of work after the date of the incident. *Days lost:* number of days lost due to work-related injuries and illnesses. *Recordable cases:* work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with days lost. *Serious incidents and Fatalities:* see Baxter Summary Data Table 2004-2008 on page 22.

² Out of 14 healthcare companies reporting global safety data to ORC Worldwide, Baxter placed fourth in cases with days lost rate in 2007. ORC Worldwide is an international management and human resources consulting firm. 2008 data not available as of June 2009.





PRIORITY: Baxter Will Promote an Inclusive and Diverse Workplace

Baxter believes that an inclusive culture and a diverse workforce can drive innovation; create trusted partnerships with customers, suppliers and community partners; and contribute to business success.

Beyond building a globally diverse organization of individuals from various backgrounds, perspectives and experiences, Baxter is committed to fostering an inclusive culture where differences are valued and respected. The company partners with organizations that embrace inclusion, including those involved in Baxter's philanthropic and volunteerism efforts. Working with diverse suppliers is also integral to the company's inclusion strategy.

► **GLOBAL INCLUSION COUNCIL** In 2008, Baxter established a Global Inclusion Council, composed of leaders from across the company. The Council provides thought leadership, guidance and support to implement Baxter's global inclusion strategy. In 2008, the Council created internal awareness of the inclusion strategy, enhanced cross-cultural awareness of Council leaders, and assessed best practices. The Council also identified new opportunities to further the strategy in 2009 and beyond.



Above: Support Engineer Wiko Nkema Bosenge analyzes material samples at Baxter's research and development (R&D) facility in Nivelles, Belgium.

► **EMPLOYEE FEEDBACK** In 2008, Baxter conducted 17 employee roundtables involving 200 randomly selected employees from 28 countries. Members of executive management facilitated these sessions, designed to improve understanding of local and organization-wide diversity and inclusion challenges, opportunities and perspectives. In 2009, Baxter will use feedback from the roundtables coupled with employee perspectives from the company's 2009 Culture Survey to help shape future inclusion efforts that will focus on training and education.

► **SUPPLIER DIVERSITY** Baxter strives to develop mutually beneficial relationships with small and diverse suppliers, given the importance these suppliers have to the company and to the communities where Baxter employees live and work. In 2008, the company spent approximately \$457 million with small businesses in the United States and Puerto Rico, 17 percent of Baxter's supplier spending in those markets. The company spent \$88 million with women-owned businesses and \$24 million with minority-owned firms in those locations.

2015 GOAL

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

Below: Shannon Zhou is a training consultant for Baxter's Asia Pacific region.



® In recognition of its commitment to diversity and inclusion, in 2009 Baxter received the prestigious Catalyst Award for its Building Talent Edge program in the company's Asia Pacific region. Baxter introduced the program in 2005 to achieve a 50/50 gender balance in management and executive positions across the region through robust recruitment and development strategies coupled with strong communication and accountability. Baxter increased the percentage of women in management and executive positions in the Asia Pacific region from 31 percent in 2004 to 50 percent in 2008, reaching the program's goal two years ahead of schedule. See more detail in the case study online.



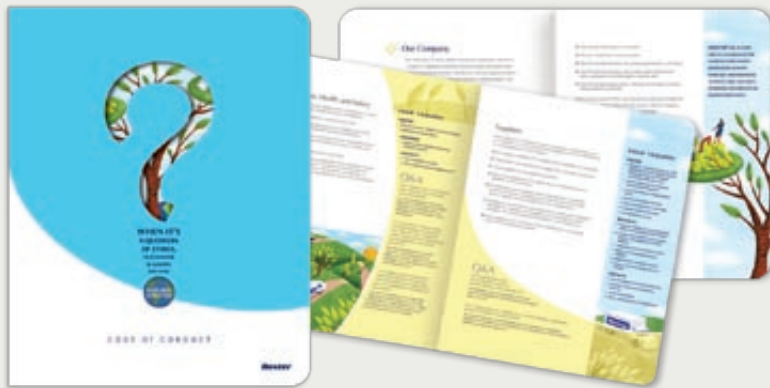
PRIORITY: Baxter Will Promote Ethical Conduct and Legal Compliance

Corruption poses a significant challenge to the global economy. It is an impediment to sustainable development, increases inequality, undermines public institutions and dampens economic growth. For companies, corruption adds to the cost of doing business, represents significant legal and reputational risks and creates unsustainable business relationships.

Corruption risks differ by industry. In the healthcare industry, maintaining ethical interactions with healthcare providers is essential to ensure that purchasing decisions are based on efficacy and quality and not on inappropriate factors. Companies, including Baxter, have a pivotal role to play in promoting sound ethics by maintaining high standards and

demanding that their business partners do the same. Baxter is committed to operating with the highest integrity and ethical and legal standards.

In 2008, Baxter launched its new Code of Conduct. Available in 20 languages, it builds upon the prior code by identifying expected behaviors and explaining why compliance to each standard is important to Baxter's business. In 2009, the company will train all of its employees globally on the Code of Conduct.



Baxter updated its Global Anticorruption Policy in 2008, which governs how the company's employees, contractors, agents and third parties interact with government officials. The company also revised its U.S. and international policies for interactions with healthcare practitioners, medical institutions and patient organizations. Baxter conducts risk assessments covering all of its operations, and it audits and monitors performance in this area through its compliance assessments and other means.

In early 2009, Baxter launched a risk-based anticorruption education program that provides ongoing training and communication to various groups within the company to sustain awareness.

2015 GOAL

- Continue to champion internal and industrywide ethical sales and marketing practices by:
 - > Implementing Baxter's enhanced U.S. Healthcare Compliance Program and International Anticorruption Program within the company; and
 - > Working with U.S. and international trade associations, non-governmental organizations and governments to harmonize and enforce standards on financial interactions with healthcare providers that allow for appropriate education, research and dialogue on products and services and discourage improper incentives.



Above: Ozden Bayir (left), sales representative for Baxter's parenteral nutrition business in Turkey, discusses the features of Baxter's triple-chamber bag with customer Oktay Demirkiran of Istanbul University Hospital. Maintaining high ethical standards in interacting with customers is among the topics covered in Baxter's new Code of Conduct.

Anticorruption efforts can be impeded or enhanced by others in the industry, so Baxter is committed to establishing or improving industry codes of conduct and promoting ethical behavior across the healthcare sector. For example, Baxter is highly involved in AdvaMed and Eucomed, which are U.S.- and European-based organizations that have created industry codes of conduct governing interactions with healthcare providers. In 2009, the company will identify industry associations in Latin America and Asia Pacific to collaborate with to develop and enhance medical device or pharmaceutical industry codes of conduct.

In 2009, Baxter will evaluate how broader anticorruption initiatives such as the UN Global Compact, the World Economic Forum Partnering Against Corruption Initiative and the Organisation for Economic Co-operation and Development Principles may complement the company's approach.

Environmental protection is one of the key challenges facing the world today.

Baxter realizes that its business activities impact the environment, and has made environmental stewardship a priority for more than three decades, applying the same high standards to all facilities worldwide.

Understanding and reducing the company's impacts – related to the materials and services it purchases from its suppliers, its manufacturing and the products it sells – is fundamental to Baxter's commitment to sustainability. Every impact offers an opportunity for improvement, and the company has programs in place to enhance its performance across the entire range of its operations.

Right: Baxter's supply chain extends from producers of raw materials to end-users of Baxter products. The company's plants and warehouses use electronic inventory, ordering, invoicing and distribution systems to increase supply chain efficiency and improve environmental performance. Antonio Cosentino, in Baxter's Nivelles, Belgium, facility, uses a data terminal to manage inventory.





PRIORITY: Baxter Will Drive a Green Supply Chain

Baxter works with thousands of suppliers in more than 100 countries to secure the raw materials, components, services, goods and transportation capabilities required for the company's operations worldwide. As part of this global business community, Baxter is committed to working with its suppliers to improve their environmental performance, purchase products with reduced environmental impacts and minimize transportation-related emissions.

To better understand Baxter's suppliers' environmental performance, in 2008 the company conducted a supplier sustainability survey of approximately 100 of its major U.S. suppliers. Combined, these suppliers represented \$2.2 billion or 50 percent of Baxter's total supplier spend. *See highlights in the full report online.*

► GREEN PROCUREMENT To improve the environmental impacts of its purchasing, Baxter has begun embedding sustainability into its formal relationships with suppliers. In 2008 in the United States and Canada, Baxter modified its request for proposal document to cover information about suppliers' sustainability commitment, initiatives and performance, and also added sustainability language to its standard supplier agreement. The company plans to incorporate that language into similar documents in all other locations in 2009. Baxter also will include sustainability criteria in its global supplier scorecards for direct suppliers.¹

In early 2009, Baxter launched an Environmentally Preferable Purchasing Policy. It covers consumables, which are mainly office supplies, and also contributes to LEED®² certification for existing buildings. The initial scope of the policy is the company's Deerfield, Illinois, United States, headquarters, and Baxter plans to broaden the scope to all Northern Illinois facilities in the future.

One area of focus is the company's car fleet. In the 2008-2009 lease cycle, Baxter selected cars with a higher advertised fuel efficiency than the ones it was replacing. However, the measured fuel efficiency actually decreased. Baxter is determining how to improve this performance in coming years to meet its 2015 goal. Baxter has efforts related to its fleet outside the United States as well.

► PRODUCT TRANSPORTATION Baxter works to reduce emissions related to the transportation of its products to customers worldwide. In the United States, Baxter requires all of its surface transport providers to participate in the U.S. Environmental Protection Agency SmartWaySM program.

Shifting from more to less energy-intensive modes of transport such as truck to rail also reduces emissions. Baxter has increased the use of intermodal transport (rail and truck combined as opposed to truck only) in the United States every year since 2005, reducing greenhouse gas (GHG) emissions by 530 metric tons carbon dioxide equivalent (CO₂e) in 2008. In Europe, shifting from truck to other modes of transport reduced GHG emissions by more than 1,580 metric tons CO₂e in 2008. Baxter plans to report transport-related emissions globally in the future.

2015 GOALS

- Reduce the carbon footprint of Baxter's car fleet by 20% from 2007 baseline.³
- Incorporate green principles into Baxter's purchasing program with its top 100 suppliers (by spend).

Below: In 2009, Baxter is piloting two new electric/diesel hybrid trucks in California, United States, to support its Renal fleet, which delivers kidney dialysis solutions to home patients.



Baxter has implemented numerous enhancements since 2004 to its Renal truck fleet, such as installing onboard computers, which helped reduce idle times from 10 percent to 2 percent, and capping fleet speeds at 62 miles per hour. In 2009, Baxter will upgrade onboard computer systems, enhance fleet delivery routing software and introduce two diesel hybrids to the Renal fleet. The company projects that these changes, combined with ongoing upgrades, will reduce fleet emissions 18-20 percent in 2009 compared to 2008.

Starting in July 2008, Baxter offset the GHG emissions associated with all product deliveries from the company's Northampton, United Kingdom (UK), distribution center to customers in the UK (more than 2,220 metric tons of CO₂e) by purchasing carbon credits from The CarbonNeutral Company in a wind power project based in southern India.

¹ "Direct" suppliers are those that provide raw materials and components used in Baxter products.

² The Leadership in Energy and Environmental Design (LEED) Green Building Rating System is a voluntary, consensus-based rating system for developing high-performance, sustainable buildings. See www.usgbc.org for more detail.

³ Updated baseline year due to improved data availability.





PRIORITY: Baxter Will Drive Reductions in its Carbon Footprint

Global climate change, caused by the increase of greenhouse gas (GHG) emissions in the atmosphere since the beginning of the industrial revolution, is the most pressing environmental issue of this generation. Responding successfully to this challenge will require all elements of society – individuals, businesses, cities, states and nations – to take meaningful and timely action.

Addressing global climate change and reducing GHG emissions is fundamental to Baxter's commitment to sustainability. Key focus areas for the company include energy management, use of renewable energy and emissions trading. *See additional aspects of Baxter's approach in the full report online.*

► **ENERGY MANAGEMENT** Baxter's global energy management program is focused on minimizing company energy use and cost, which helps to reduce energy-related GHG emissions. *See page 13 for more detail and an example of energy conservation.*

One example of an energy management project that will reduce Baxter's carbon intensity is the installation of a 3 megawatt cogeneration system approved in 2009 for Baxter's Castlebar, Ireland, facility. This project will generate electricity and steam from natural gas, a lower carbon fuel than heavy fuel oil. Heavy fuel oil is currently used and until recently was the only fuel available at the facility.

► **RENEWABLE ENERGY** Baxter increased facility energy usage of renewable power to 16 percent of total energy usage in 2008, compared to 15 percent in 2005. In 2008, the company installed solar energy systems in China, Portugal and Spain, and plans to identify more sites in 2009.

In 2008, the company also purchased 29,500 megawatt hours of certified renewable energy certificates in the United States (the 25th largest corporate purchaser in the United States as of January 2009).¹ Baxter has achieved carbon neutrality by offsetting GHG emissions associated with on-site fuel consumption and electricity use at three sites globally, including Baxter's corporate complex in Deerfield, Illinois, United States. In some cases, Baxter also has purchased renewable energy certificates to offset GHG emissions associated with product manufacturing and product delivery to customers. *See page 15 for detail.*

► **EMISSIONS TRADING** Carbon cap-and-trade systems are emerging in various regions and countries in the world. These market-based systems can play an important role in facilitating the reduction of certain GHG emissions. Baxter participates in the Chicago Climate Exchange (CCX) and the European Union Emissions Trading Scheme. Baxter is monitoring the development of other carbon-trading systems worldwide, including in China and India.

¹ According to the U.S. Environmental Protection Agency. See www.epa.gov/grnpower/toplists/fortune500.htm.

2015 GOALS

- Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline.
- Increase facility energy usage of renewable power to 20% (of total).

"Baxter has shown leadership by reporting its greenhouse gas emissions and climate change strategies through the Carbon Disclosure Project since 2002 and through recognition in 2008 in the Carbon Disclosure Leadership Index, for its high-quality disclosure on climate change-related issues."

PAUL DICKINSON, CEO
THE CARBON DISCLOSURE PROJECT

Below: A representative of CCX, the world's first and North America's only GHG registry, reduction and trading system, monitors global carbon market activity at the organization's headquarters in Chicago, Illinois, United States. Baxter became a founding member of CCX in 2003.



>> Baxter's 2008 GHG emissions from operations totaled 738,000 metric tons of carbon dioxide equivalent (CO₂e), essentially flat from 2005 levels and a 21% reduction indexed to revenue. <<





PRIORITY: Baxter Will Drive Reductions in its Natural Resource Use

Baxter depends on materials, energy, water and other natural resources to manufacture its products and conduct its business. These resources are limited, and the company has a long history of demonstrated commitment to using them wisely. The 2015 natural resource goals are a part of Baxter's third generation of environmental goals and reflect issues that are important to the company's operations, customers and other stakeholders.

► **WASTE** Baxter's main source of non-hazardous waste is plastics scrap generated from manufacturing, and its main source of regulated waste is biological and blood-derived plasma wastes from plasma processing activities. Waste-reduction efforts during 2008 focused especially on the largest production sites. For example, the company's Guayama, Puerto Rico, plant reduced waste by more than 2,000 metric tons (66 percent) compared to 2007 by improving the efficiency of cleaning operations and the accuracy of waste-generation data. *See the Waste section in the full report online for information about the Guayama, Puerto Rico, facility's 2007 performance.*

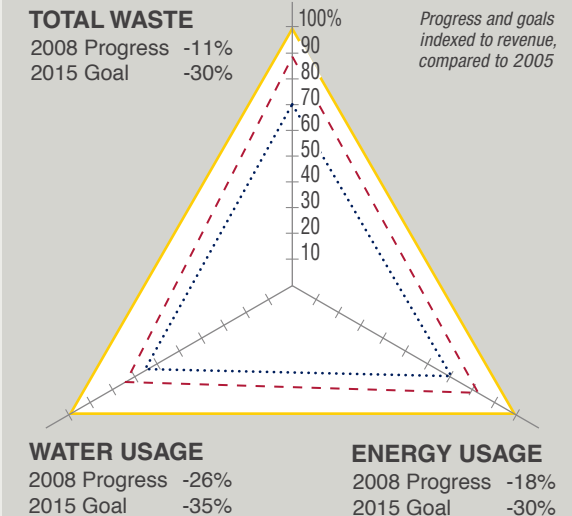
Historically, Baxter's challenges with meeting its waste-reduction targets have been attributed to disposal of expired product that customers return and increased generation of certain wastes at a few facilities. In 2009, Baxter is deploying a new information management system for its Environment, Health and Safety organization. This system will allow more timely and consistent tracking of waste generation to better enable management to respond to unfavorable trends.

► **PACKAGING** Baxter used more than 47,000 metric tons of corrugated packaging in 2008 for its products worldwide, and works to use these materials more efficiently. In 2008, the company reduced the packaging size for the majority of U.S. Renal solution cartons, decreasing the storage space required by customers in their homes by 30 percent. Due to this initiative, Baxter realized a corrugate reduction of 360 metric tons in the second half of 2008 and is positioned to realize a decrease of 800 metric tons in 2009. Baxter is establishing a companywide tracking system in 2009 to improve reporting of packaging initiatives.

► **ENERGY** Manufacturing Baxter products requires electricity to power equipment and fuels to generate steam for water purification and sterilization. Baxter conducts routine energy assessments at all manufacturing sites to identify

(continued on page 14)

PROGRESS ON 2015 ENVIRONMENTAL GOALS



2005 BASELINE 2008 PROGRESS 2015 GOAL



Above: Plastic is Baxter's most significant waste stream. Regrind operator Karen Ogle operates a plastic shredder at Baxter's Marion, North Carolina, United States, facility. The site regrinds plastic trim and scrap and mixes it with virgin plastic to extrude into tubing and sheeting.

2015 GOALS

- Reduce total waste generation 30% indexed to revenue from 2005 baseline.
- Reduce energy usage 30% indexed to revenue from 2005 baseline.
- Eliminate 5 million kilograms (5,000 metric tons) of packaging material from products sent to customers from 2007 baseline.
- Reduce water usage 35% indexed to revenue from 2005 baseline. To help achieve this, by 2010 evaluate potentially vulnerable watersheds associated with Baxter facilities and establish aggressive water conservation goals for high-risk areas.
- Implement two projects to help protect vulnerable watersheds and/or provide communities with enhanced access to clean water.



(continued from page 13)

energy-saving opportunities, implements energy conservation practices through its "Lean Energy" program and tracks progress quarterly against the company's energy goal. The company also hosts a biennial energy conference to train and recognize its energy managers and support personnel and to share best practices.

Among the facilities Baxter recognized for energy conservation practices in 2008 was São Paulo, Brazil, which decreased energy use by 4.4 percent per unit of production through projects such as a rooftop water evaporation system that cools the building and reduces process-water discharge costs.

► **WATER** Baxter's main use of water is for processes such as cooling towers, sterilizers and steam boilers (80 percent of total use). About 15 percent goes into the company's products and 5 percent is for potable uses.

Baxter's continued success in water conservation is primarily due to water recovery and reuse projects at many locations and best practice sharing companywide. For example, Baxter's Grosotto, Italy, facility reduced water consumption by 116 million liters (14 percent reduction compared to 2007) through sterilizer water recovery and cooling water optimization projects. In another project, four European locations are conducting water balances and creating value stream maps¹ to enhance processes in production lines for one of Baxter's intravenous (IV) products, which will save significant water and energy when completed.

► **WATERSHEDS** Baxter is using tools from the World Business Council for Sustainable Development, World Resources Institute and others to prioritize areas for community aquifer protection projects, and the company is exploring potential partnerships with organizations to protect water resources in the most vulnerable areas.

¹ A "value stream map" is a visual "Lean" tool that enables Baxter facilities to identify opportunities to reduce resource use and waste.



Above: Water is essential for many of Baxter's life-sustaining products. Pamela Ward and Kathleen Horney, mixing handlers at Baxter's Marion, North Carolina, United States, facility, one of the world's largest IV solutions plants, add purified water to a mix tank. Baxter's water-intensive facilities establish conservation goals to help preserve this resource.



PRIORITY: Baxter Will Drive Enhanced Product Stewardship

Baxter sells more than 100 million cases of products each year. The manufacture, transport, use and ultimate disposal of these products can impact the environment by using energy, materials and other resources. Baxter manages these impacts through its product stewardship programs.

The design stage offers a unique opportunity to influence a product's environmental, health and safety performance, so Baxter includes a Product Sustainability Review (PSR) during the early stages of product development. PSR focuses on medical devices, ranging from intravenous (IV) solution containers to dialysis machines.

An initial screen reveals high-level environmental and health and safety risks and opportunities at the concept phase, and a comprehensive review then identifies improvement opportunities across the life cycle. Baxter uses these results to confirm product feasibility, help establish product requirements and minimize potential product impacts to human health and the environment. PSR also provides a channel to integrate compliance considerations for existing and upcoming product-related regulations.¹

In 2008, Baxter enhanced the PSR screen for toxic chemicals. This will help the company meet growing customer demands and will also help Baxter prepare for potential chemical restrictions under the European Union REACH regulation.

Since 2005, Baxter has used PSR to evaluate all new medical devices reaching the concept stage of development, and currently has several devices under review.

► PRODUCT EXAMPLES Baxter offers a number of IV medications, parenteral nutrition solutions, injectable drugs, biopharmaceuticals, access systems, administration devices and other products that use or are contained in non-PVC or non-DEHP [di(2-ethylhexyl)phthalate] materials. *See the Materials Use section in the full report online for more information about materials used, including PVC, in Baxter products.*

In the United Kingdom in 2008, one of Baxter's non-PVC IV containers became the company's first product to receive the CarbonNeutral® brand mark. Baxter purchased carbon offsets equaling 4,310 metric tons carbon dioxide equivalent (CO₂e) to balance the emissions from sourcing and delivery of raw materials, product manufacturing, delivery and use, and finally disposal of the packaging.

Using third-party expertise and verification, Baxter is conducting a comprehensive life cycle analysis on a product to quantify how improved product packaging and delivery has reduced the product's carbon footprint and other life cycle environmental impacts.

2015 GOALS

- Incorporate the following elements as appropriate into Baxter's product stewardship programs: sustainable design, takeback and recycling of Baxter's products.
- Identify new opportunities to replace, reduce and refine ("3Rs") the use of animal testing.



Above: Cecilia Santana of New York, New York, United States, uses Baxter peritoneal dialysis products to cleanse her blood of toxins, waste and excess fluid normally removed by healthy kidneys.

Baxter is also focused on product end-of-life. For its electronic products, when refurbishment and reuse is not an option, Baxter pursues responsible recycling. Integrating design for disassembly into product development will facilitate more efficient processing.

Baxter's product stewardship programs also address other issues that generally arise in the research and design phase of the product life cycle, including issues related to bioethics, clinical trials and animal welfare. While health regulations currently require the use of animal testing in the development and production of healthcare products, Baxter is committed to minimizing animal testing. In early 2009, Baxter added a product stewardship goal of identifying additional opportunities to replace, reduce and refine ("3Rs") the use of animal testing. Baxter looks forward to adding to the number of successful innovations it has introduced in this area over the years.

¹ For example, the European Union Restriction of Hazardous Substances (RoHS) Directive, REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances) Regulation, Energy-using Products (EuP) Directive, and Waste Electrical and Electronic Equipment (WEEE) Directive.





Companies, especially global corporations such as Baxter, have an opportunity and responsibility to look beyond their daily business activities, assess the broader challenges facing the world, and consider how to marshal their unique resources and capabilities to bring about significant and lasting change.

This not only demonstrates leadership, but can drive innovation and growth while helping to solve the world's most pressing social and environmental problems.

Building on its core strengths and targeting fundamental human needs, Baxter is committed to increasing access to healthcare globally and improving education.

Right: The Baxter International Foundation grant recipient Associação Obra do Berço provides healthcare to indigent children in São Paulo, Brazil. Foundation grants focus on programs that increase access to healthcare in communities where Baxter employees live and work.





PRIORITY: Baxter Will Strengthen Access to Healthcare through Product Development, Strategic Philanthropic Giving and Product Donations

More than a billion people worldwide lack adequate access to healthcare. The affordability and availability of healthcare is further impacted by a challenging macroeconomic environment worldwide, in developing economies and developed countries alike. Helping to address this global challenge is a key theme in Baxter's commitment to sustainability. The company's broad approach includes product development, strategic philanthropic giving and product donations targeted at those most in need.

While access to healthcare is a challenge worldwide, companies have an opportunity to deliver healthcare solutions specifically for those at the "base of the pyramid" (BoP).¹ Although Baxter has worked in emerging economies for numerous years, developing products particularly suited to those at the BoP is an emerging area of its sustainability and business strategy.

In 2008, Baxter began to analyze its portfolio to identify existing products as well as product development opportunities to meet the needs of these populations. Current products particularly well suited to emerging economies and potentially to the BoP have the following characteristics: long shelf life, little or no required refrigeration, low dependency on healthcare infrastructure (such as hospitals, clinics and skilled medical staff), non-complex technology and low cost. In 2009, Baxter will develop a list of the highest potential product opportunities and assess the feasibility of making those products more accessible.

Baxter also assessed research and development (R&D) investment levels in this area in 2008, which will help the company set targets to increase future spending.

Working closely with organizations that focus on the main disease states related to Baxter's businesses such as hemophilia and immune disorders is another way that Baxter promotes access to healthcare. In 2008, the company established a council to collect and review Baxter's U.S. cash philanthropic contributions. Decision-making is decentralized, as local managers and employees can best determine the appropriateness of a contribution in their

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2015 GOALS

- By 2010, assess existing products for relevance to the "base of the pyramid"¹ (developing economies) and identify high-impact, economically viable product opportunities.
- Increase R&D investment from 2008 to improve access to healthcare for the "base of the pyramid."
- Establish a council to assess U.S. philanthropic giving, and develop and implement a strategy to align efforts with public policy priorities to enhance healthcare. By 2010, assess a percentage of Baxter's total giving to healthcare programs.
- Work with donor partners to develop and implement a strategic product donation plan beginning in 2010 that includes: being the first on the scene following disasters and tragedies, contributing most needed products to stabilize supply, and contributing most needed products in least developed and developing economies.

"Baxter is a key contributor to not only our disaster-specific relief efforts, but towards expanding our ability to provide ongoing medical assistance to help more people live longer, healthier lives. Baxter's generous product donations play an important role in helping us achieve our mission and improve access to medicines around the world."

CURT WELLING, PRESIDENT AND CEO
AMERICARES



Above: Baxter and The Baxter International Foundation have helped fund programs that expand access to healthcare in India and other developing countries.





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community. The council assesses how to most effectively use these data to guide Baxter's efforts to enhance healthcare in ways that are globally relevant and applicable to all of the company's businesses.

Product donations also play an important role in making Baxter products available to people in need. Baxter works with product donation partners that extend its reach – primarily AmeriCares and Direct Relief International – to understand their supply needs and help make critical products available where and when needed. In 2008, Baxter donated and shipped \$10.9 million of medical products to benefit people in 58 countries.

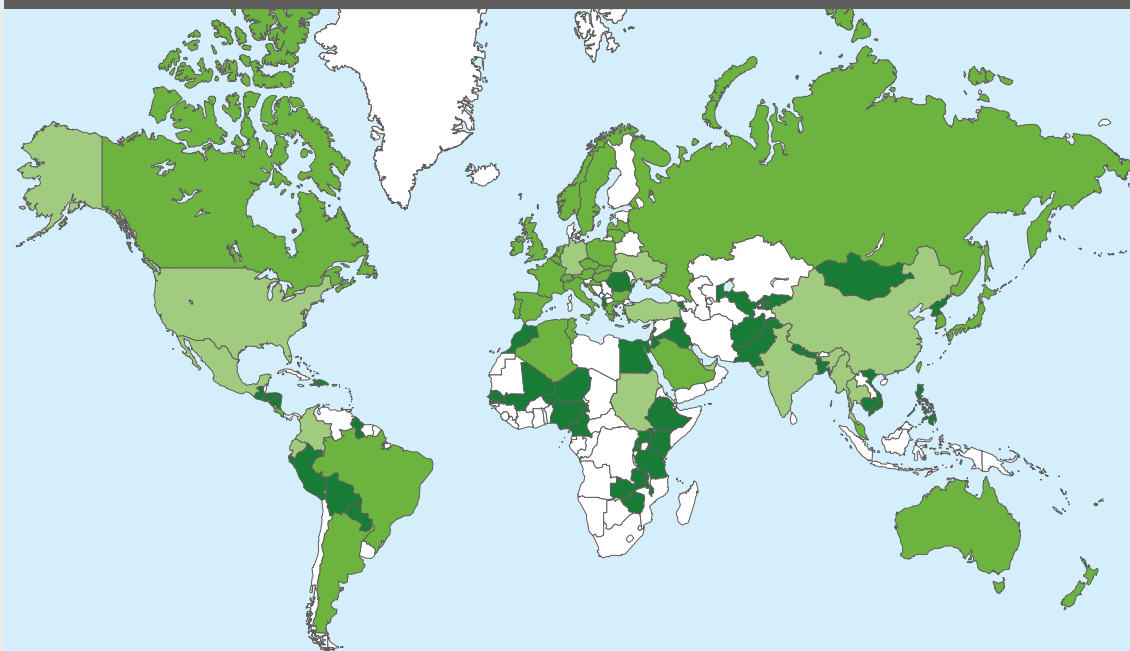
As part of these donations, Baxter provides targeted support in times of crisis. For example, the company assisted individuals affected by an earthquake in China and a cyclone in Myanmar, both in 2008, by donating nearly \$2.4 million in Baxter products to humanitarian organizations working in the affected regions.

Baxter also facilitates access to its products through support of non-profit organizations such as the World Federation of Hemophilia. Baxter is a founding member and lead contributor to the organization's Global Alliance for Progress (GAP) program, which works to improve the diagnosis and treatment of hemophilia in developing countries. Baxter donated more than 600,000 units of recombinant factor VIII to the GAP program in 2008.

Finally, Baxter contributes products through its patient assistance programs, which provide continued access to products when a patient experiences a lapse in insurance coverage or faces other challenges that limit access. These contributions equaled \$2.54 million in 2008.

¹ The term "base of the pyramid" refers to the roughly four billion people who live on less than \$4 per day per capita, mostly in developing countries. Many companies have typically developed and marketed products and services for people at the "top of the pyramid." In recent years, more companies have extended product and service offerings to the "middle of the pyramid," often referred to as an "emerging economy" strategy.

OVERVIEW OF BAXTER GLOBAL COMMUNITY SUPPORT IN 2008



PRODUCT DONATIONS

CASH CONTRIBUTIONS¹

PRODUCT & CASH CONTRIBUTIONS

¹ Includes contributions from Baxter and The Baxter International Foundation.



Above: The Baxter International Foundation grant recipient Fundação Julita provides health services to children in the low-income Jardim São Luis community in São Paulo, Brazil.



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

According to the Nation's Report Card™, only 29 percent of U.S. fourth-grade students, 29 percent of eighth-graders and 18 percent of 12th-graders performed at or above the proficient level in science.¹ Just 39 percent of fourth-graders and 32 percent of eighth-graders performed at or above the proficient level in math.²

As a science- and technology-based company, Baxter has a responsibility to help ensure that current students as well as future generations have every opportunity to learn and be inspired by math and science. In 2008, the company



Above: Jeanne Mason, Baxter corporate vice president of Human Resources, teaches a Junior Achievement class in a school outside of Chicago, Illinois, United States, as part of Baxter's support of education programs globally.

initiated its first formal effort in advancing science, technology, engineering and mathematics (STEM) education by unveiling a program aimed at students and teachers in the Chicago area, where Baxter is headquartered.

Baxter launched Science@Work: Expanding Minds with Real-World Science in October 2008. This five-year commitment to the Chicago Public Schools (CPS) will provide funding and hands-on experience with Baxter employees who volunteer to train teachers and encourage students to explore biotechnology. During that time, Science@Work is expected to reach up to 90 percent of CPS biology teachers (about 450) and more than 65

percent of current CPS high school students (nearly 75,000). The initiative introduced its teacher training modules in Fall 2008, and the first 91 teachers will receive biotechnology training by the end of the 2008-2009 academic year.

As part of Science@Work, Baxter partnered with Lindblom Math and Science Academy in Chicago's underserved Englewood community to establish the school's Biotechnology Center of Excellence. The Center will train CPS science teachers on how to incorporate biotechnology into their classrooms, and will teach Lindblom students biotechnology fundamentals. Baxter will also support the Illinois Institute of Technology's Instructional Development System Program, which offers professional development in biotechnology to teachers at participating Chicago schools.

Additionally, through Science@Work, Baxter will partner with Noble Street Network and Instituto del Progreso Latino to take an active role in opening two new public schools as part of Chicago's Renaissance 2010 initiative, designed to create 100 new public schools of exceptional quality in underserved communities by 2010.

"Chicago Public Schools teachers are hungry for more contact with working scientists. Baxter's Science@Work program has the potential to help fill this need by getting employee volunteers involved in education projects throughout CPS."

CASSIE FREEMAN, ASSOCIATE, RESEARCH AND EVALUATION, CENTER FOR ELEMENTARY MATHEMATICS AND SCIENCE EDUCATION, UNIVERSITY OF CHICAGO

Baxter employee volunteers also share their passion for science with CPS students through classroom visits and field trips to Baxter facilities. In 2008, more than 60 students visited Baxter to talk with scientists about their jobs. Baxter will measure the success of these programs for the next several years and will assess how to best share the company's experience with other key audiences.

Additionally, through Junior Achievement, America's largest and oldest financial literacy organization, Baxter volunteers teach students ages 6 to 18 the basics of free enterprise to help them succeed in the global economy. Baxter is also a founding sponsor of FIRST (For Inspiration and Recognition of Science and Technology), which, among other activities, helps students design and build robots.

Moreover, Baxter has traditionally supported education through programs such as The Baxter International Foundation's employee Matching Gift and Dollars for Doers programs, and through volunteer efforts by facilities and employees. In 2008, Baxter employees devoted more than 140,000 volunteer hours to a variety of organizations, a portion of which supported education initiatives worldwide.

¹ The Nation's Report Card™ is published by the National Assessment of Educational Progress (NAEP). The NAEP 2005 assessment in science was administered from January to March 2005. The organization's next science assessment will be administered from January to March 2009 and results will be reported in the spring of 2010.







² The NAEP 2007 assessment in mathematics was administered from January to March 2007. The organization's next mathematics assessment will be administered from January to March 2009 and results will be reported for grades four and eight in the fall of 2009.

2015
GOAL



- Facilitate learning of math and science through biotechnology education for Chicago Public Schools teachers and students, and partner with other educational organizations to provide similar opportunities in other locations.



Baxter 2008 Sustainability Report Online

SUSTAINABILITY AT BAXTER	COMPANY PROFILE	GOVERNANCE, ETHICS AND COMPLIANCE	EMPLOYEES	ENVIRONMENT, HEALTH AND SAFETY	
<div>Chairman and CEO Letter</div> <div>Baxter's Approach</div> <div>Priorities and Goals</div> <div>Stakeholder Engagement</div> <div>Affiliations and Memberships</div>	<div>Innovation</div> <div>Awards and Honors</div> <div>Sustainability Milestones</div>	<div>Corporate Governance</div> <div>Ethics and Compliance</div> <div>Standards</div> <div>Structure and Programs</div> <div>Guidance and Compliance</div> <div><div><div><div></div><div>PRIORITY</div></div><div>Baxter Will Promote Ethical Conduct and Legal Compliance</div></div><div><div><div></div><div>Case Study:</div></div><div>Data Privacy and Security</div></div></div>	<div>Talent Management</div> <div>Compensation and Benefits</div> <div>Measuring Company Culture</div> <div>Global Inclusion</div> <div><div><div><div></div><div>PRIORITY</div></div><div>Baxter Will Promote an Inclusive and Diverse Workplace</div></div><div><div><div></div><div>Case Study:</div></div><div>Baxter Honored with Catalyst Award</div></div></div> <div>Work/Life</div>	<div>EHS Program <div>✓</div></div> <div>Policy and Vision</div> <div>Program Governance</div> <div>EHS Goals</div> <div>EHS Management Systems</div> <div>EHS Audits</div> <div><div><div><div></div><div>Case Studies:</div></div><div><div>EHS Audits Prompt Program Improvements</div><div>Baxter Shares the Foundation of its Environmental Financial Statement</div></div></div></div> <div>Compliance <div>✓</div></div> <div>Environmental</div> <div>Health and Safety</div>	<div>2008 Environmental Performance <div>✓</div></div> <div>Performance At-a-Glance</div> <div>Air Emissions</div> <div>Biodiversity</div> <div>Eco-Efficiency/ Raw Materials Use</div> <div>Energy</div> <div>GHG Emissions and Climate Change</div> <div><div><div><div></div><div>PRIORITY</div></div><div>Baxter Will Drive Reductions in its Carbon Footprint</div></div><div>Waste</div><div>Water and Wastewater</div><div><div><div><div></div><div>PRIORITY</div></div><div>Baxter Will Drive Reductions in its Natural Resource Use</div></div><div>2008 Environmental Financial Statement <div>✓</div></div><div>Health and Safety <div>✓</div></div><div>2008 Performance</div><div>Programs and Initiatives</div><div><div><div><div></div><div>PRIORITY</div></div><div>Baxter Will Promote a Safe and Healthy Workplace</div></div></div></div></div>
					

This chart illustrates the wide range of content in the comprehensive online version of the *Baxter 2008 Sustainability Report*. The online version includes the information about progress against Baxter's sustainability priorities highlighted in this print report and expanded detail. The online version also includes performance information about other areas of sustainability as well as numerous case studies illustrating examples of strong performance. The online report is available at sustainability.baxter.com.

PRODUCT RESPONSIBILITY	SUPPLY CHAIN	COMMUNITY SUPPORT	ECONOMIC IMPACTS	PUBLIC POLICY	SUSTAINABILITY REPORTING
<p>PRIORITY ✓ Baxter Will Drive Enhanced Product Stewardship</p> <p>Quality</p> <p>Safety</p> <p>R&D and Design Product Sustainability Review Bioethics Animal Welfare Clinical Trials</p> <p>Materials Use</p> <p>Manufacturing</p> <p>Product Transport</p> <p>Packaging</p> <p>Product Use</p> <p>Product End-of-Life</p> <p>Case Studies:</p> <ul style="list-style-type: none"> Heparin: Addressing Product Contamination Materials Restrictions Carbon-Neutral Products in the United Kingdom 	<p>Managing Supplier Performance</p> <p>Supplier Diversity</p> <p>Greening the Supply Chain</p> <p>PRIORITY Baxter Will Drive a Green Supply Chain</p> <p>Customers</p>	<p>Access to Healthcare Product Development Strategic Philanthropic Giving Product Donations and Grants</p> <p>PRIORITY Baxter Will Strengthen Access to Healthcare through Product Development, Strategic Philanthropic Giving and Product Donations</p> <p>Case Studies:</p> <ul style="list-style-type: none"> AmeriCares' India Warehouse Helps Expand Access to Healthcare World Federation of Hemophilia Global Alliance for Progress Fostering a Culture of Volunteerism <p>Critical Community Needs</p> <p>PRIORITY Baxter Will Strengthen the Company's Commitment to Education, Especially Math and Science</p> <p>Employee Involvement</p>	<p>Direct Impacts</p> <p>Indirect Impacts</p> <p>Business Value</p>	<p>Political Contributions Report</p>	<p>External Reporting Standards</p> <p>Feedback on 2007 Report</p> <p>Assurance ERM CVS Verification Opinion</p> <p>Good EHS Reporting Principles</p> <p>GRI Index</p>
					

Baxter Summary Data Table 2004-2008

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

SECTION AND INDICATOR	2004	2005	2006	2007	2008
COMPANY PROFILE					
NET SALES (dollars in millions)	\$9,509	\$9,849	\$10,378	\$11,263	\$12,348
NET INCOME (dollars in millions)	388	956	1,397	1,707	2,014
BAXTER SHARE PRICE (in dollars; end of stated year)	34.54	37.65	46.39	58.05	53.59
R&D EXPENDITURES (dollars in millions)	517	533	614	760	868
GOVERNANCE, ETHICS AND COMPLIANCE					
ETHICS AND COMPLIANCE HELPLINE AND COIC ¹ INQUIRIES (total)	309	274	341	234	273
EMPLOYEES					
BAXTER GLOBAL WORKFORCE	48,300	46,900	47,600	46,500	48,500
<i>Board and Executive Leadership Diversity²</i>					
ETHNIC (% non-white of total)					
Board of Directors	9.1%	8.3%	8.3%	7.7%	7.7%
Executive Leadership	7.7%	16.7%	13.3%	13.3%	13.3%
GENDER (% female of total)					
Board of Directors	18.2%	16.7%	16.7%	15.4%	15.4%
Executive Leadership	15.4%	25.0%	33.3%	33.3%	33.3%
<i>Gender Diversity at Baxter (% female globally)</i>					
VICE PRESIDENT AND ABOVE	20.1%	19.6%	19.0%	17.7%	18.5%
SUPERVISOR/DIRECTOR	38.4%	38.2%	39.1%	47.7%	48.1%
NON-MANAGER	57.3%	57.0%	56.5%	56.4%	56.3%
OVERALL	54.6%	54.1%	53.7%	52.7%	52.8%
ENVIRONMENT, HEALTH AND SAFETY					
<i>Environment (figures in absolute terms; not indexed to revenue)</i>					
PROCESS-RELATED CFC AND TOXIC AIR EMISSIONS (metric tons)	34	30	33	31	21
SOx EMISSIONS (metric tons)	569	589	611	620	607
NOx EMISSIONS (metric tons)	474	466	464	461	455
ENERGY USAGE FROM BAXTER OPERATIONS (trillions of joules)	9,017	8,945	8,963	9,044	9,216
NET GHG EMISSIONS FROM BAXTER OPERATIONS (thousand metric tons CO ₂ e) ³	752	743	739	731	738
NON-HAZARDOUS WASTE (metric tons)	56,000	52,000	56,000	56,000	57,000
REGULATED WASTE (metric tons)	4,120	4,150	4,090	5,130	5,820

SECTION AND INDICATOR	2004	2005	2006	2007	2008
ENVIRONMENT, HEALTH AND SAFETY (CONTINUED)					
WATER USAGE (thousand cubic meters)	14,136	14,793	14,280	13,926	13,729
BOD ₅ ⁴ (biochemical oxygen demand) DISCHARGES (metric tons)	27	28	29	30	30
COD ⁴ (chemical oxygen demand) DISCHARGES (metric tons)	110	116	126	139	137
TSS ⁴ (total suspended solids) DISCHARGES (metric tons)	48	47	51	55	49
ENVIRONMENTAL NOTICES OF VIOLATION (NOVs)	16	17	17	10	10
ENVIRONMENTAL FINES PAID (in dollars)	\$31,462	\$11,825	\$1,500	\$4,591	\$0
<i>2008 Environmental Financial Statement</i>					
TOTAL ENVIRONMENTAL COSTS (dollars in millions)	n/a	\$21.2	\$22.6	\$25.0	\$26.0
TOTAL ENVIRONMENTAL INCOME, SAVINGS AND COST AVOIDANCE IN STATED YEAR (dollars in millions)	n/a	92.6	87.7	83.5	91.9
Occupational Health and Safety					
CASES WITH DAYS LOST RATE ^{5,6}	0.45	0.30	0.31	0.25	0.19
DAYS LOST RATE ^{5,6}	11.37	7.08	6.94	5.45	4.23
RECORDABLE CASE RATE ^{5,6}	1.60	1.52	1.35	1.41	1.29
EMPLOYEE/CONTRACTOR SERIOUS INCIDENTS (total number)	3/0	9/0	4/0	12/1	7/2
EMPLOYEE/CONTRACTOR FATALITIES (total number)	0/0	2/2	0/1	0/0	0/1
WORLDWIDE WORKERS' COMPENSATION ESTIMATE (dollars in millions) ⁷	\$22.4	\$20.6	\$15.2	\$14.9	\$14.4
HEALTH AND SAFETY CITATIONS SETTLED	5 ^a	1	3 ^a	2	2
HEALTH AND SAFETY FINES PAID (in dollars)	\$38,086 ^a	\$0	\$10,740 ^a	\$0	\$45,000
SUPPLY CHAIN					
PAYMENTS TO SUPPLIERS (approximate, dollars in millions)	n/a	\$4,000	\$4,100	\$4,100	\$4,400
<i>Supplier Diversity¹⁰</i>					
PAYMENTS TO SMALL BUSINESSES (dollars in millions)	\$445	\$454	\$504	\$399	\$457
PAYMENTS TO MINORITY-OWNED BUSINESSES (dollars in millions)	44	36	40	23	24
PAYMENTS TO WOMEN-OWNED BUSINESSES (dollars in millions)	35	68	95	95	88
COMMUNITY SUPPORT					
PRODUCT DONATIONS (dollars in millions) ¹¹	\$7.87	\$17.82	\$14.85	\$31.09	\$10.86
CASH DONATIONS (dollars in millions) ¹²	7.15	17.60	20.72	23.51	32.93

¹COIC stands for Certificate of Integrity and Compliance. ²Executive Leadership figures include Operations Committee members and regional presidents. ³Includes purchased greenhouse gas (GHG) emissions offsets. GHG emissions from Baxter operations exclude emissions associated with material and product delivery and employee commuting and travel. An independent entity engaged by the Chicago Climate Exchange (CCX) as well as ERM CVS verified Baxter's GHG emissions, which were also reviewed by U.S. Environmental Protection Agency Climate Leaders. ⁴Estimated total water pollutant levels for treated wastewater discharging directly into waterways. When actual performance data were not available, estimates were developed based on performance at similar facilities. ⁵All rates based on 100 full-time employees working one year, which equals a total of 200,000 work hours. For tracking purposes, Baxter applies U.S. Occupational Safety and Health Administration recordkeeping practices worldwide. ⁶Cases with days lost work-related injuries or illnesses that cause an employee to lose at least one full day of work after the date of the incident. ⁷Workers' compensation costs are the medical expenses due to a work-related injury or illness and a portion of the employee's salary while disabled. Exact costs worldwide are difficult to obtain due to international privacy laws, so Baxter uses costs in the United States and Puerto Rico and extrapolates the data worldwide. ⁸The data reported includes a fine of \$31,200 that Baxter paid in connection with a U.S. Nuclear Regulatory Commission matter at its Aibonito, Puerto Rico, facility. ⁹The data reported includes a fine of \$7,500 that Baxter paid in connection with a U.S. Federal Aviation Administration matter at its Beltsville, Maryland, United States, facility. ¹⁰United States and Puerto Rico. Fiscal year basis (October 1 through September 30). Accounts payable data are sent to a third party, which categorizes spending. Other categories in total include veteran-owned, service-disabled veteran-owned, small disadvantaged and HUBZone-certified businesses. ¹¹Includes value of product donations calculated using a combination of average wholesale price and average sale price. See Baxter and The Baxter International Foundation Charitable Giving table in the full report online for detail. Variations in Baxter's annual product donations are due to fluctuations in community needs, the regulatory environment, manufacturing processes and marketing. The company identifies opportunities to donate and responds to community requests as appropriate. ¹²Includes contributions from Baxter and The Baxter International Foundation.





Above: Baxter products and therapies save and sustain the lives of patients in more than 100 countries, including in the indigenous community of Los Papayos in Colombia.

ABOUT THIS REPORT

- This report is intended for global use. Please consult the appropriate country-specific Baxter website for more information. Some statements in the Company Profile 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 2008 unless stated otherwise. Some program descriptions and examples include information from 2009.
- This report covers Baxter's global operations, including subsidiaries, unless otherwise noted. Environmental, health and safety data includes joint ventures where Baxter has a significant interest.
- All currency in this report is in U.S. dollars unless stated otherwise.
- The comprehensive report online includes an index of Global Reporting Initiative (GRI) contents.
- For more information about this report, please contact the Center for One Baxter at 1-800-422-9837 or 1-847-948-4770, or by e-mail at onebaxter@baxter.com.

FEEDBACK

Stakeholder feedback is an important source of ideas for continual improvement of Baxter's sustainability programs and annual reporting. We encourage readers to provide comments and suggestions through our online survey at: sustainability.baxter.com/survey.

Baxter is proud to be recognized by or affiliated with many sustainability-related organizations and programs, including:



CARBON DISCLOSURE PROJECT



FTSE4Good



Chicago Climate Exchange



Baxter



Baxter International Inc.
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Deerfield, Illinois 60015

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The matters discussed in this *Baxter 2008 Sustainability Priorities 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 U.S. Food and Drug Administration; the effect of economic conditions; technological developments in the healthcare field; advances in environmental protection processes; and other factors more completely described in Baxter's Annual Report on Form 10-K and other filings with the U.S. Securities and Exchange Commission, which are available on the company's website at www.baxter.com. The company disclaims any obligation to update any forward-looking statements.

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

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Cover photo: Baxter delivers peritoneal dialysis (PD) solutions to a home patient with end-stage kidney disease in the indigenous community of Los Papayos in Colombia, a seven-hour journey by open sea and river. As the world's leading provider of PD products and services, Baxter delivers life-saving PD solutions to patients in remote locations worldwide.

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