



Company Profile

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This *Baxter 2009 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.

ASSURANCE/VERIFICATION

Baxter engaged Bureau Veritas North America, Inc. to conduct an independent assurance/verification of selected sections of the *Baxter 2009 Sustainability Priorities Report* and related content in the comprehensive report online. Bureau Veritas conducted the assurance/verification against its standard procedures and guidelines for external verification of sustainability reports, based on current best practice in independent assurance, according to the following symbols:



For the Environment, Health and Safety-related sections of this Priorities Report, Bureau Veritas has determined that sections marked with this symbol are accurate, reliable and free from material mistake or misstatement.



For the Supply Chain-related section of this Priorities Report, nothing has come to the attention of Bureau Veritas to indicate that the reviewed statements marked with this symbol are inaccurate or that the information is not fairly stated.

Baxter International Inc., through its subsidiaries, 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 27 countries and sells them in more than 100, with approximately 60% of its sales coming from outside the United States. In 2009, Baxter's global sales totaled approximately \$12.6 billion. At year-end 2009, Baxter employed approximately 49,700 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 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, drug formulation and packaging technologies.



The **RENAL** business is a leading provider of products and services for peritoneal dialysis (PD), a home-based therapy for people with end-stage kidney disease. Products include PD solutions, devices and related supplies. The business also manufactures products and provides support services for continuous renal replacement therapy – an acute, hospital-based therapy – and distributes products for in-center hemodialysis.



MORE ONLINE ▶ sustainability.baxter.com/company_profile

From the Chairman and CEO



These are challenging times for healthcare. While the need for healthcare continues to grow, resources are limited. In many developing countries, people with hemophilia, end-stage kidney disease and other critical diseases still go untreated. In the United States, as many as 50 million people lack health insurance, which in early 2010 precipitated the most significant national healthcare reform legislation since the introduction of Medicare.

The new U.S. healthcare reform legislation will expand access to healthcare coverage for U.S. citizens without insurance and seeks to reduce long-term healthcare costs. Other

changes in our industry, coupled with an ongoing global economic crisis, also are contributing to a challenging environment for Baxter, encouraging us to intensify our focus on ways to become even more innovative, productive and efficient.

Sustainability, like any effective business strategy, requires a long-term view. Global climate change, natural resource depletion, political unrest, financial instability and insufficient access to quality healthcare and education are not problems that are solved overnight. Corporations have an important role to play, as do governments, non-governmental organizations and other groups, to help address these issues.

Some of these challenges, such as increasing access to healthcare and education, are especially relevant to Baxter. As a global healthcare company, we provide life-saving and life-sustaining products and therapies to developing markets, where healthcare needs are greatest. Much of our community involvement focuses on increasing access to health services for the poor and underserved. We've also taken a leadership role in supporting education, particularly in science, technology, engineering and math (STEM).

In many ways, sustainability is an extension of our business and our culture. Each of our sustainability priorities represents an opportunity to engage employees, contribute to a more sustainable world and benefit our business. Reducing natural resource use, for example, conserves precious resources for the future and decreases operational costs. Promoting an inclusive and diverse workplace creates a culture that enables employees to work together more effectively and helps us retain good people. Supporting STEM education today helps ensure that more children are equipped to meet the scientific and technical challenges of tomorrow.

While we're proud of the progress we continue to make on our sustainability priorities and goals, we are never satisfied. We're working to accelerate our progress on a number of these challenges, as we clearly can do more.

I look forward to reporting further progress on our sustainability initiatives next year.

ROBERT L. PARKINSON, JR.
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
JUNE 2010

BAXTER 2009 SUSTAINABILITY HIGHLIGHTS

- ▶ Received Carbon Reduction certification from the Carbon Trust for FLEXBUMIN [Albumin (Human)] – the first and only albumin therapy in a flexible, plastic container, and the first and only medical product to receive this certification.
- ▶ Decreased water usage by 9% in absolute terms and 29% indexed to revenue compared to 2005.
- ▶ Decreased net greenhouse gas emissions from operations by 5% on an absolute basis and 26% indexed to revenue compared to 2005.
- ▶ Realized environmental benefits at Baxter's European headquarters in Zurich, Switzerland, which uses nearly 80% less energy than a typical office building of its size due to green-building design elements such as natural lighting, roof-top solar panels and other innovative features.
- ▶ Delivered professional development to nearly 400 Chicago Public Schools teachers through Baxter's Science@Work program, bringing biotechnology to more than 24,000 students and earning the company "Outstanding Partner" recognition.
- ▶ Launched Global Supplier Sustainability Program, incorporating 20 green criteria into Baxter's purchasing procedures.
- ▶ Achieved a third straight year of improvement in reducing cases resulting in days lost due to workplace injuries.
- ▶ Provided more than \$52 million in foundation grants and company cash contributions and product donations to address critical needs globally, with a focus on increasing access to healthcare.

Baxter Sustainability Priorities and Goals

PRIORITIES

Baxter recognizes the importance of having clear priorities to focus its efforts and direct its initiatives. The company's nine sustainability priorities 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 as well as areas where the company is uniquely positioned to have a positive impact. Baxter's longer-term performance goals (detailed in the table to the right) demonstrate the company's commitment, motivate continual improvement and help stakeholders assess performance.



Frank Gong, research scientist at Baxter's China Premix Research and Development Centre in Suzhou, compounds intravenous pharmaceutical products for Chinese hospitals. Baxter has made significant investments in China to meet the country's growing need for quality healthcare.

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 AND STRATEGIC PRODUCT DONATIONS**
- ▶ **BAXTER WILL STRENGTHEN THE COMPANY'S COMMITMENT TO EDUCATION, ESPECIALLY MATH AND SCIENCE**

<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 1 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; 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 U.S. car fleet by 20% from 2007 baseline. 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 5,000 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 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. Increase R&D investment from 2008 to improve access to healthcare for the "base of the pyramid." 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 49,700 employees worldwide are essential to creating products that save and sustain lives. The company is continually improving its structures and programs to provide a safe, healthy and inclusive workplace and to foster a culture that drives integrity and innovation.

Shelley Raymond is an Environment, Health and Safety manager at Baxter's manufacturing facility in Alliston, Ontario, Canada. The plant was the company's first in North America to achieve certification to the International Organization for Standardization (ISO) 14001 Environmental Management System Standard and the Occupational Health and Safety Assessment Series (OHSAS) 18001.





Full-time employees spend a significant number of their waking hours at work. This underscores the importance for companies to create workplaces that are safe and promote health. Baxter continually searches for ways to further decrease the potential for injury and enhance employee wellness.

PROGRESS

► 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.

UPDATE

In 2009, Baxter demonstrated its third straight year of improvement in its cases with days lost rate, a 52% reduction from 2006. In 2008, the most recent year industry benchmarking data were available, Baxter's performance ranked fourth of industry peers.¹

Unfortunately, the company did not see a reduction in the number of serious incident cases.² Baxter is assessing the root causes of those events and determining how to avoid them in the future. See more detail in the comprehensive report online.

Employee Safety Baxter applies two main processes to continually improve safety performance:

Hazard identification and risk assessment (HIRA) enables Baxter to tailor programs that address the main sources of employee injuries and illnesses. For example, Baxter's Castlebar, Ireland, facility takes a risk-based approach to controlling ergonomic risk, which the company has identified as a key focus area globally. At the facility, manual handling-related injuries decreased from 21% of the total in 2008 to 10% in 2009.

Near-miss reporting enables employees to identify incidents that might have resulted in injury, illness or damage but did not. When all levels of employees are actively involved in identifying and eliminating hazards, injuries can be prevented. By 2009, 64% of manufacturing, research and development and distribution sites with 100 or more employees had implemented a near-miss reporting program. For example, since the Cleveland, Mississippi, United States, manufacturing site launched an online near-miss reporting tool in 2006, near-miss reporting at the site has increased by 89%.

Health and Wellness BeWell@Baxter is the company's umbrella program for its health and wellness initiatives. Its cornerstone is the Personal Wellness Profile, an online health risk assessment that helps employees understand how lifestyle choices, family history and other factors impact their health. The assessment provides Baxter with data to target facility-level and global programs.

Twenty-eight percent of the company's employees worldwide completed a Personal Wellness Profile by the end of 2009 (including those completed during 2008), nearly double the goal of 15%. By the end of 2009, Baxter provided facility-level health risk reports and recommendations to the 19 sites that exceeded a 20% response rate to help them set local priorities and design risk-based programs. Based on companywide employee health risk data, the two main wellness campaigns for 2010 are focused on exercise and nutrition.

Baxter made progress on its smoke-free workplaces initiative during the year as well, increasing the percentage of smoke-free facilities to 82% at the end of 2009, up from 77% in 2008. Baxter is assessing how to address possible work rule limitations in Europe, which can restrict the company's ability to enact this type of workplace program.



The design of this wheeled product-transfer unit enables employees such as Lynn Carroll of Baxter's Thetford, United Kingdom, facility to easily push products into an isolation chamber rather than lift them.

2009 SAFETY PERFORMANCE (compared to 2008)³

Cases with Days Lost Rate	0.15 (improved 21%)
Days Lost Rate	4.16 (improved 2%)
Restricted Days Rate	12.68 (improved 35%)
Recordable Case Rate	1.07 (improved 17%)
Employee/Contractor Serious Incidents ²	12/2 ⁴
Employee/Contractor Fatalities	0/0 ⁴

¹ In a comparison of 12 healthcare companies reporting global safety data to ORC Worldwide, Baxter's performance ranked fourth in cases with days lost rate in 2008, the most recent year industry benchmarking data were available.

² Serious workplace incident cases are those that result in an employee or contractor being hospitalized overnight, sustaining an amputation or dying.

³ 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. Thus, in cases where an injury occurs and there are conflicting medical opinions 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. *Cases with days lost:* work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident. *Days lost:* number of days lost recommended by the most authoritative physician's opinion (including weekends and holidays) due to a work-related injury or illness. *Restricted days:* 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. *Recordable cases:* work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with days lost.

⁴ In November 2009, a contractor died while performing on-site dredging of a pond at Baxter's Deerfield, Illinois, United States, headquarters. The Lake County medical examiner determined that the individual died of natural causes, and that the death was not work-related. It therefore is not included in this data.



A diverse employee population is a fundamental aspect of inclusion, yet it is not enough on its own. Baxter also strives to create an inclusive culture that fosters respect and enables all employees to work together effectively. Every Baxter employee is expected to demonstrate behaviors expressed in the Baxter Leadership Expectations, including respect for individuals and the diverse contributions of all.

PROGRESS

2015 GOAL

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

UPDATE

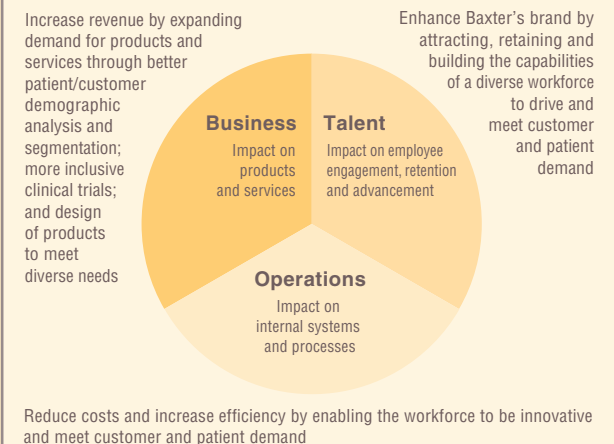
With input from Baxter's Global Inclusion Council, in 2009 several of the company's businesses and regions developed customized plans to drive progress toward inclusion goals. For example, Baxter's U.S. Government Affairs and Public Policy team and Renal business collaborated with the National Kidney Foundation, Congressional Black Caucus, Congressional Hispanic Caucus and other minority associations to raise awareness of Medicare's new benefit for education on end-stage renal disease, a condition that disproportionately impacts African Americans, Hispanics and Native Americans. Also, Baxter's BioScience business developed programs to increase awareness and education about hemophilia diagnosis and treatment among Hispanics. In 2010, the Global Inclusion Council will help all of Baxter's businesses, regions and functions develop and execute inclusion plans and integrate inclusion into the business as well as lead Baxter's new companywide employee education initiative to help employees understand their role in building a more inclusive culture.

During 2009, Baxter developed a Global Inclusion Scorecard of employee representation data covering aspects such as gender, ethnicity and job level. The Scorecard is used to help identify gaps and opportunities to enhance Baxter's global inclusion strategy. For example, data from the Scorecard have been used with senior executives to illustrate the composition of their organization and determine ways to increase diversity such as through partnerships with external organizations to strengthen the talent pipeline.

Baxter continues to focus on developing mutually beneficial relationships with small and diverse suppliers. Supporting diverse suppliers contributes to overall economic vitality and reflects Baxter's diverse employee and customer base. In 2009, Baxter increased visibility of the company's supplier diversity program by adding supplier diversity information to the supplier agreement summary sheets approved by senior management. During the year, Baxter spent \$484 million with small businesses in the United States and Puerto Rico, approximately 20% of Baxter's total supplier spending in those markets. The company spent approximately \$80 million with women-owned businesses and \$20 million with minority-owned firms. See more detail on page 22.



THE BUSINESS CASE FOR INCLUSION AND DIVERSITY AT BAXTER



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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.

PROGRESS

► 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.

UPDATE

Baxter is focused on promoting and selling its products based on their merit and value. The company empowers employees to work with integrity and in compliance with laws worldwide through education, live resources and other tools.

In 2008, Baxter launched and began training employees on its new Code of Conduct, which addresses Baxter's commitment to ethical and lawful sales and marketing practices in the United States and abroad. In 2009, Baxter completed its Code of Conduct training, refreshed its policies addressing corruption and interactions with healthcare providers around the globe, and introduced an International Interactions Policy website containing compliance-related tools such as local country annexes. Developed by Baxter, these annexes summarize anticorruption laws and industry and professional codes of practice in each country outside the United States where Baxter does business, and provide specific guidance on typical employee interactions.

To implement these policies effectively, Baxter launched an e-learning module addressing international corruption. The company also held more than 100 international anticorruption training sessions in 19 languages for about 3,500 relevant employees, and delivered more than 90 U.S. healthcare compliance training sessions to more than 3,000 relevant employees.

Baxter supplemented this training with awareness communications, such as periodic compliance alerts to senior management on global enforcement trends. Training continues for other key employee groups.

► 2015 GOAL

Continue to champion internal and industrywide ethical sales and marketing practices by:

- 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.

UPDATE

In 2009, Baxter identified more than 100 country-level organizations and 22 regional, global or multilateral organizations focused on anticorruption. Based on the risk Baxter faces in each country and the company's potential to make a positive impact, Baxter will prioritize organizations to collaborate with to create industry-level codes of practice related to product marketing and sales.

Additionally, Baxter is reviewing 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. During 2010, Baxter plans to determine whether and how it will engage in these efforts.



Code of Conduct posters from Baxter's Asia Pacific facilities

Baxter's Code of Conduct Receives High Marks

Baxter's Code of Conduct defines the core principles that govern employee behavior and how the company conducts its business. It was featured in November 2009 as the Ethisphere Institute's Code of the Week with an overall score of A-. Baxter received top scores for the Code's public availability, expressed values and commitments, risk topics discussed, and related non-retaliation and reporting efforts.

Electronic and in-person training on the Code ensures that all Baxter employees worldwide understand the company's ethics and compliance expectations and why compliance to each standard is important to Baxter's business. During 2009, the Ethics and Compliance team also conducted more than 100 in-person training sessions to educate more than 2,200 employees on the company's Ethics and Compliance Program.



Our Operations and Products

Environmental stewardship has been central to Baxter for more than three decades. To continue to improve the company's environmental performance, Baxter has programs across the product life cycle, from product development and supplier management to manufacturing, transport and end-of-life.

Jonathan Nicol and other employees of Baxter's Sherbrooke, Quebec, Canada, facility help maintain nearly 6,000 trees that Baxter planted during the last five years to offset emissions associated with the site's activities. Sherbrooke was Canada's first manufacturing facility to receive carbon neutral certification in 2005.





A significant amount of Baxter's broader environmental impacts occur within its supply chain. For example, an estimated 38% of the company's overall carbon footprint is represented by its suppliers. Baxter concentrates its efforts to green its supply chain on minimizing transportation-related emissions, procuring raw materials and other goods and services with reduced environmental impacts, and helping suppliers improve their environmental performance.

PROGRESS

► 2015 GOAL

Reduce the carbon footprint of Baxter's U.S. car fleet by 20% from 2007 baseline.

UPDATE

In 2009, Baxter's U.S. car fleet emitted 10,331 metric tons of carbon dioxide equivalent (CO₂e) emissions, 1.5% more than the 2007 baseline. Baxter is in the process of replacing the majority of its fleet from six-cylinder to more fuel-efficient four-cylinder vehicles by 2012. The company will continue to encourage fuel-efficient driving through online training and by monitoring maintenance reports.

Baxter is also working to reduce the greenhouse gas (GHG) emissions of its car fleets in other countries. In Japan, the company plans to convert 200 of its 250 sales fleet cars to hybrid vehicles by the end of 2012. This will save an estimated 400 metric tons of CO₂e emissions a year.

► 2015 GOAL

Incorporate green principles into Baxter's purchasing program with its top 100 suppliers (by spend).

UPDATE

In 2009, Baxter launched its Global Supplier Sustainability Program. It includes an initiative to procure products and services that help the company reduce its environmental impact while maintaining continuity of supply and managing costs. Baxter incorporated 20 green criteria into its purchasing procedures, providing its procurement organization a framework to evaluate suppliers' sustainability initiatives. These criteria include items such as environmental performance tracking and reporting; natural resource use; hazardous substances management; product and packaging take-back programs; and goals to decrease energy use, GHG emissions and water consumption. Sustainability is one of several factors, also including quality and cost, which Baxter uses to select and evaluate its suppliers.

In 2009, Baxter identified 100 suppliers based on spend, importance to supply continuity, and carbon footprint, and surveyed those suppliers to assess their performance against the criteria mentioned above (see table). Baxter considers a supplier green if the supplier has programs in at least 90% of the criteria surveyed. In 2009, 10% of the 70 respondents met this definition. By learning more about suppliers' environmental performance, Baxter can identify opportunities to collaborate for improvement. In 2009, Baxter launched its e-Impact program to communicate suppliers' environmental success stories and to recognize Baxter employees and suppliers for environmental initiatives. For example, Baxter supplier Lexington Precision enhanced its rubber molding process, reducing raw materials use by approximately 50%, improving quality and providing cost savings to Baxter.

Baxter has worked with external organizations such as the Green Suppliers Network to help suppliers use resources more efficiently and the Carbon Disclosure Project to improve carbon reporting in the company's supply chain.



Baxter continually explores options to reduce fuel use and GHG emissions from product transport, such as with these double-decker trucks with enhanced aerodynamic features used in Baxter's European facilities.

Innovations in Product Transport

During 2009, Baxter implemented the use of inland waterways rather than ground freight to transport goods to and from the ports of Antwerp, Belgium, and Rotterdam, Netherlands, and the company's Lessines, Belgium, facility. This shift saved the company 40% on freight costs and decreased fuel use and associated emissions by 80% on those routes.

BAXTER ANNUAL SUPPLIER SUSTAINABILITY SURVEY SUMMARY RESULTS, 2009

CATEGORY	% GREEN ¹
Environmental/Sustainability Program <i>Example Criteria: Measures and reports environmental information</i>	23%
Reductions in Carbon Footprint <i>Example Criteria: Has a goal and program to reduce GHG emissions</i>	31%
Reductions in Natural Resource Use <i>Example Criteria: Has a goal and activities to reduce waste generation</i>	30%
Enhanced Product Stewardship <i>Example Criteria: Uses a product stewardship/life cycle approach</i>	14%

¹ Baxter considers a supplier green in a category if it responds positively to 90% of questions in that category.





Industry produces about 20% of greenhouse gas (GHG) emissions globally.¹ As a result, companies have an important role to play to reduce GHG emissions that contribute to climate change. Baxter's strategies to reduce emissions from operations include energy conservation, energy-efficient technologies, renewable energy, new high-performance facilities and the use of carbon credits and offsets. See more detail about the company's broad approach in the comprehensive report online.

PROGRESS

2015 GOAL

Reduce greenhouse gas emissions 45% indexed to revenue from 2005 baseline.²

UPDATE

In 2009, Baxter's GHG emissions from operations equaled 751,000 metric tons of carbon dioxide equivalent (CO₂e), a 26% reduction indexed to revenue compared to 2005, and a 5% absolute decrease.

Energy use represents 96% of Baxter's net GHG emissions from operations, so energy conservation is core to the company's emissions-reduction program (see page 13 for detail). This program saved \$6.7 million in energy costs in 2009.

Green buildings provide many benefits that enhance employee productivity and reduce operating expense. Baxter's European headquarters in Zurich, Switzerland, includes natural lighting, water-based cooling and heating, and roof-top solar panels. As a result, it offers a pleasant working environment and uses nearly 80% less energy than a typical office building of similar size. The company has incorporated green-building design principles at several other sites worldwide.

Baxter complements these efforts with the purchase of electricity generated from renewable power, carbon credits and carbon offsets. These equaled 49,000 metric tons of CO₂e reductions in 2009. During the year, the company purchased 74,100 megawatt hours (MWh) of 100% certified renewable power in Austria and 29,500 MWh of certified renewable energy certificates (RECs) in the United States, making Baxter the 28th largest corporate purchaser in the country.³

Baxter supports market-based carbon cap-and-trade programs, and has participated in the Chicago Climate Exchange since 2003 (as a founding member) and the European Union Emissions Trading Scheme since 2005. Baxter also has agreed to participate on the technical committees developing the India Climate Exchange and Tianjin Climate Exchange (in China).

Through the purchase of electricity generated by certified renewable energy and carbon credits, as well as tree planting (with independent verification), Baxter has achieved carbon neutrality related to on-site electricity usage and fuel consumption at several sites, including its corporate headquarters in Deerfield, Illinois, United States.

2015 GOAL

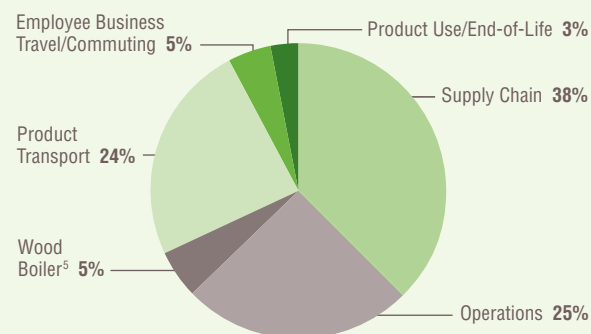
Increase facility energy usage of renewable power to 20% (of total).

UPDATE

In 2009, 17% of Baxter facilities' energy use was from renewable energy sources, unchanged from 2008. This includes electricity generated by certified renewable power purchased specifically by Baxter (4.3%), the renewable energy component of electrical utilities serving Baxter sites (5.1%)⁴, and energy from the use of a wood-fired boiler at one of Baxter's locations (7.6%).⁵

The installation of onsite renewable energy projects continues to be a challenge for Baxter. This is primarily due to relatively low project paybacks, even though the company has reduced its minimum required internal rate of return for energy projects.

BAXTER'S GLOBAL GHG EMISSIONS FOOTPRINT, 2009
(total = 3.0 million metric tons CO₂e)



"Baxter's ranking among the leading 100 U.S. companies in Maplecroft's Climate Innovation Indexes reflects a strong alignment of environmental management systems with forward-looking innovation activities, in relation to energy efficiencies as well as the use of renewable energy."

Alyson Warhurst, CEO, Maplecroft Climate Innovation Indexes

¹ IPCC Climate Change 2007: Synthesis Report, page 36.
http://www.ipcc.ch/pdf/assessment-report/ar4/syr/ar4_syr.pdf.

² Baxter's principal GHG emissions reduction goal applies to its operations, including emissions associated with facility energy use (both from fuel burned on site and purchased electricity), company-managed sales and distribution fleet vehicles, other vehicles and refrigerant losses. Net emissions from operations also take into account the purchase of renewable energy, carbon credits and carbon offsets. The company has programs to address the other emissions categories noted in the graph as well, which are estimated by Baxter and independent third parties. See information related to supply chain and product delivery on page 11.

³ See www.epa.gov/grnpower/toplists/fortune500.htm.

⁴ As nations increasingly enact renewable-energy requirements for electricity providers, the total percentage of electrical energy Baxter purchases that is generated from non-renewable resources is expected to decline.

⁵ For 2009, GHG emissions from a Baxter wood-fired boiler equaled 156,000 metric tons CO₂e. Baxter includes these emissions in its overall GHG emissions footprint. However, following the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Rev. Edition (page 63), the company does not include CO₂e emissions from biologically sequestered carbon (e.g. CO₂e from burning biomass/biofuels) in its total emissions from operations (Scope 1 and 2) or in progress against its 2015 GHG emissions reduction goal. See more detail in the table "Baxter Energy Usage and Greenhouse Gas Emissions" in the comprehensive report online.



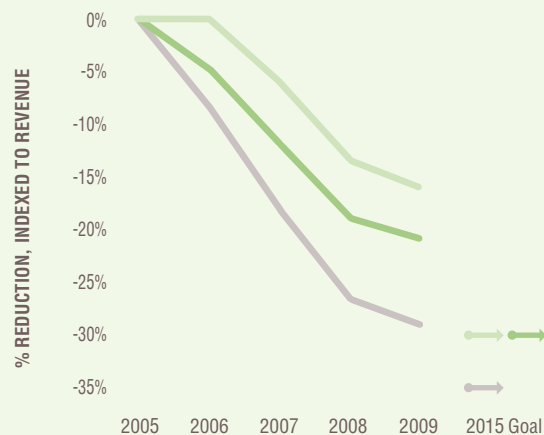


The world's human population has more than doubled from 3 billion in 1959 to 6.8 billion in 2010, and is projected to grow to 9 billion by 2040.¹ This dramatic increase combined with rapid economic development in many countries places enormous strain on natural resources. To extend the availability of these resources to future generations, Baxter works to use them efficiently. This also improves the company's environmental performance and enhances its competitive advantage.



Lorenzo Hutson (left) and Michael Bellomo of Baxter's plasma-fractionation facility in Los Angeles, California, United States, assess the plant's new wastewater treatment facility, completed in 2009.

PROGRESS ON 2015 ENVIRONMENTAL GOALS (see page 22 for detail, including absolute values)



Total Waste	0%	0%	-6%	-13%	-16%	-30%
Energy Usage	0%	-5%	-12%	-19%	-21%	-30%
Water Usage	0%	-8%	-17%	-27%	-29%	-35%

PROGRESS

2015 GOAL

Reduce total waste generation 30% indexed to revenue from 2005 baseline.

UPDATE

Baxter's main source of non-hazardous waste is plastics scrap material from manufacturing (approximately 30% of the total generated in 2009). Its main source of regulated waste is biological and human blood-derived plasma wastes from plasma donor activities and plasma processing (54% of the total). In 2009, Baxter generated 61,290 metric tons of waste, 16% less than in 2005, indexed to revenue, and an absolute increase of 7%. This was driven primarily by business growth and expansion.

Baxter identifies its leading opportunities to decrease waste based on factors including the highest volume waste streams across the company, facilities that produce the most waste, and sites with particularly strong potential to improve.

Baxter has initiated packaging reduction projects for shipments between facilities by replacing one-way disposable containers with reusable ones. Recent projects in the United States and Puerto Rico have reduced packaging waste by more than 400 metric tons. In 2009, more than 15 facilities worldwide recycled more than 90% of their non-hazardous waste.

Baxter's plasma-related waste rose during the past year due to increased plasma collection and processing. Waste plastics continue to be an opportunity for improvement, which Baxter will address with a formal program in 2010.

2015 GOAL

Reduce energy usage 30% indexed to revenue from 2005 baseline.

UPDATE

Baxter's primary energy uses in its facilities are electricity to power lighting, critical systems and manufacturing equipment (41% of the total), and fuels to generate steam for heat, water purification and product sterilization (59%). The company used 8,572 trillion joules of energy in its facilities in 2009, 21% less than in 2005, indexed to revenue, and an absolute increase of 1%.

Baxter's main focus is increasing energy efficiency in manufacturing. The company uses annual goals and a lean energy program to drive enhancements, and reports performance by location quarterly to its Manufacturing Council to ensure ongoing progress.

The company conducts energy balances² at major sites. Based on energy and water invoices, electrical readings and fuel use data, the company identifies and prioritizes energy conservation opportunities. These projects can lead to 10-25% energy-related cost savings per unit of production. Since 2005, Baxter has realized \$27.6 million in savings through these efforts.

Baxter also uses innovative technologies to decrease energy use. In 2009, the company's Medication Delivery manufacturing facility in Thetford, United Kingdom, began to install LED lighting, and has converted 25% of its fixtures. This pilot will save an estimated 240 MWh annually, and will influence the company's future lighting strategies. Baxter's BioScience site in Thousand Oaks, California, installed a 94% efficient boiler economizer, the third such system in the United States (see case study in the comprehensive report online).

¹ U.S. Census Bureau, International Data Base.
<http://www.census.gov/ipc/www/idb/worldpopinfo.html>.

² Energy balances identify all points of energy consumption and usage at a facility.



PROGRESS

2015 GOAL

Eliminate 5,000 metric tons of packaging material from products sent to customers from 2007 baseline.

UPDATE

Baxter works to minimize packaging materials and selects materials taking into account their environmental impact, focusing on high-volume products. During 2009, the company implemented projects that achieved an annualized reduction of 933 metric tons of corrugated cardboard consumption, exceeding the interim target of 800 metric tons. Total annualized savings since 2007 equal 1,410 metric tons.¹

For example, in 2009 Baxter's Medication Delivery business introduced a smaller carton for 5-liter intravenous solutions, saving 68 metric tons of corrugated material per year. The company is working to address decentralized packaging reduction activities in a more structured manner. In 2010, Baxter will continue to improve its packaging tracking systems and enhance its ability to spread best practices across the organization.

2015 GOAL

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.

UPDATE

Baxter's main use of water is for manufacturing-related processes such as in cooling towers, sterilizers and steam boilers (80% of total use). In 2009, the company used 13.4 million cubic meters of water, 29% less than in 2005, indexed to revenue. Absolute water use decreased for the fourth consecutive year.

Baxter conducts water balances² at high-volume sites to identify reduction opportunities. For example, Baxter's site in Cherry Hill, New Jersey, United States, decreased water system flushing, reduced water filter backwash frequencies and recycled water treatment system waste streams. From 2008 to 2009, the site decreased its water usage by 27%, saving 47,000 cubic meters. See the comprehensive report online for detailed information about water and wastewater.

2015 GOAL

Implement two projects to help protect vulnerable watersheds or provide communities with enhanced access to clean water.

UPDATE

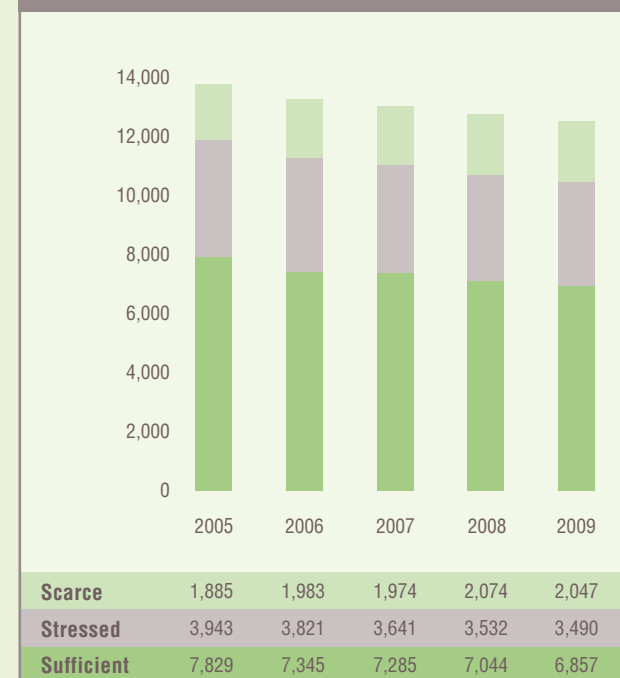
Using tools from the World Business Council for Sustainable Development, World Resources Institute and other organizations, and taking into account its own water footprint, Baxter identified and is prioritizing possible locations to support community aquifer protection or access to clean water projects.

The company plans to collaborate with Water Advocates, a non-governmental organization (NGO) that connects companies with NGOs and other organizations that have a local presence and focus on water issues. Baxter plans to use input from Water Advocates, along with feedback from local Baxter personnel and communities, to propose the locations for two projects to the company's Sustainability Steering Committee and senior management for approval in 2010.

"Companies are increasingly looking toward water and sanitation programming as both the gravity of the issue and the tangible, visible, cost-effective results of water initiatives become clearer."

John Oldfield, Executive Vice President, Water Advocates

WATER USAGE, BY AVAILABILITY^{3,4} (thousand cubic meters)



¹ These savings represent the total savings attributable to identified projects across the company, counted only for the first year the packaging innovation was implemented.

² Water balances map water use throughout a facility from the incoming water to the final treatment step.

³ Water usage from Baxter's 40 sites with the greatest use, representing 92% of the company's total annual water consumption.

⁴ Availability of renewable water supplies evaluated using the World Business Council for Sustainable Development Global Water Tool. *Water-scarce* areas have less than 1,000 cubic meters of annual renewable water supply per person per year. *Water-stressed* areas have more than 1,000 cubic meters but less than 1,700 cubic meters. *Water-sufficient* areas have more than 1,700 cubic meters.



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

PROGRESS

► 2015 GOAL ✓

Incorporate the following elements as appropriate into Baxter's product stewardship programs: sustainable design, takeback and recycling of Baxter's products.

UPDATE

Baxter applies its Product Sustainability Review (PSR) assessment during the early stages of product development on all medical devices, from intravenous (IV) solution containers to dialysis machines. The company uses PSR results to help establish product requirements and minimize potential health and environmental impacts. In 2010, Baxter will expand use of PSR into product development in its BioScience business.

In 2009, Baxter completed several externally verified life cycle assessments demonstrating the significant environmental benefits of FLEXBUMIN [Albumin (Human)] – the first and only human albumin¹ solution in a flexible, plastic container – compared to a similar product in a glass bottle. The FLEXBUMIN container system has a 55-77% smaller carbon footprint, depending on product size and geography (see case study in the comprehensive report online).

In 2009, Baxter continued its participation in the Hospital Plastics Recycling Council. The council, a cooperative alliance of healthcare businesses, partnered with the Cleveland Clinic in Ohio, United States, to initiate a pilot to collect and recycle pre-operative plastics (such as pour bottles and blue wrap²). Successful preliminary results have generated interest for expansion to other cities.

Baxter also is working with other partners in waste management and recycling to test the economic and logistical feasibility of more efficient management of wastes generated from Baxter IV products. Possibilities include creating products from recycled materials that can be reused in the medical supply chain, such as plastic pallets made from mixed plastic IV bags or packaging.

► 2015 GOAL

Identify new opportunities to replace, reduce and refine (3Rs) the use of animal testing.

UPDATE

Baxter is committed to using and developing alternative protocols, methodologies and models that eliminate the use of or reduce the number of animals required for research and testing. During 2009, Baxter's Chief Scientific Officer established the company's Global Animal Welfare Committee. The committee, composed of veterinary professionals from the company's research and development organization, oversees all aspects of Baxter's animal use programs.

The committee's focus includes the following: further developing and implementing programs that will optimize animal welfare and adhere to Baxter's 3R and other animal use initiatives; refining universal principles of animal care and welfare across all Baxter animal research sites and external collaborators; providing regular review of Baxter's animal welfare program, policies, standards and best practices and updates to internal education and training programs; and setting strategic direction for future activities.

Learn more about Baxter's initiatives and innovations that support the company's animal welfare efforts in the comprehensive report online.



Senior Laboratory Specialist Isabelle Leglise of Baxter's research and development facility in Nivelles, Belgium, examines the seals on Baxter's triple-chamber container, used to provide IV nutrition to patients who cannot receive adequate nutrition through other means.

¹ Albumin is an essential protein found in human plasma.

² The polypropylene sheeting used to wrap surgical supplies before sterilization to create a sterile barrier.



As a global healthcare company focused on innovation, Baxter embraces the opportunity to help solve the world's greatest healthcare challenges. Key focus areas include increasing access to healthcare for those in need as well as promoting math and science education to better prepare the next generation of innovators.

Children from an impoverished section of India receive healthcare education thanks to the Chronic Care Foundation, recipient of a grant from The Baxter International Foundation. Foundation grants focus on programs that increase access to healthcare, particularly for the disadvantaged and underserved.



Many factors prevent people from receiving healthcare, including poor infrastructure, political instability, lack of education, poverty, restrictive regulatory frameworks, and inadequate availability and affordability of medical products. Baxter is committed to expanding access to healthcare globally, through product and business model innovation, as well as cash and product donations.

PROGRESS

► 2010 GOAL

By 2010, assess existing products for relevance to the “base of the pyramid” (developing economies) and identify high-impact, economically viable product opportunities.

UPDATE

While access to healthcare remains a challenge worldwide, companies have an opportunity to develop and deliver healthcare solutions specifically for those at the “base of the pyramid” (BoP), the approximately 4 billion people who live on less than \$1,500 annually and have limited access to the healthcare market.

Baxter already has infrastructure and marketing and product-development channels in place where many BoP inhabitants live. In 2009, Baxter determined that it is currently doing business in 84 of 151 countries (56%) listed as emerging and developing economies by the International Monetary Fund (from 2008 data). Thus the company plans to draw heavily on its experience in emerging markets to develop its BoP strategy.

Baxter has created a network of marketing leads in each of its businesses to increase the cohesiveness of long-range product planning companywide and align with potential new business models to serve these populations. Next steps include reconciling regional business goals with BoP needs and identifying the optimal business model to meet those needs. As an ongoing part of Baxter’s portfolio review process, the company will continue to determine strategic opportunities to enhance its BoP offerings.

► 2015 GOAL

Increase R&D investment from 2008 to improve access to healthcare for the “base of the pyramid.”

UPDATE

Baxter assessed research and development (R&D) investment levels in the BoP area in 2009, helping the company set goals and envision future BoP models. During the year, Baxter formalized its collaboration with Stu Hart, Ph.D., Samuel C. Johnson Chair in Sustainable Global Enterprise and Professor of Management at the Cornell University Johnson School of Management, and Enterprise for a Sustainable World (ESW) to build a process to investigate BoP commercial and R&D investment opportunities.

In 2009, Baxter took three main steps to advance its BoP initiative:

Created a structure Hosted a session for Baxter leaders with Dr. Hart and ESW to discuss a long-term BoP approach; assigned a strategy and planning manager; and established a BoP Protocol Leadership Team, as well as a project team to launch Baxter’s efforts.

Communicated BoP as a strategic initiative Engaged the Baxter Innovation Council to identify existing and new product opportunities; sought ongoing senior management support; and worked with functional experts to ensure project success.

Identified a region to start Based on analysis, identified Latin America as the pilot location for Baxter’s BoP initiatives.

PHASES OF BoP PROGRAM DEVELOPMENT

- 1 Establish Program Structure and Initiate Planning
- 2 Co-Create Business Plan with Local Communities
- 3 Launch Pilot
- 4 Evolve Sustainable Business Model for Growth



As part of Baxter’s Making a Meaningful Difference campaign in 2009, employee volunteers in India coordinated a series of activities for underprivileged children, including a free health checkup.

¹ In 2009, Baxter discontinued its previously stated goal to “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.” After creating a council to assess U.S. philanthropic giving, the council re-affirmed Baxter’s position that local and business-level decision-making most effectively address local community needs.

PROGRESS

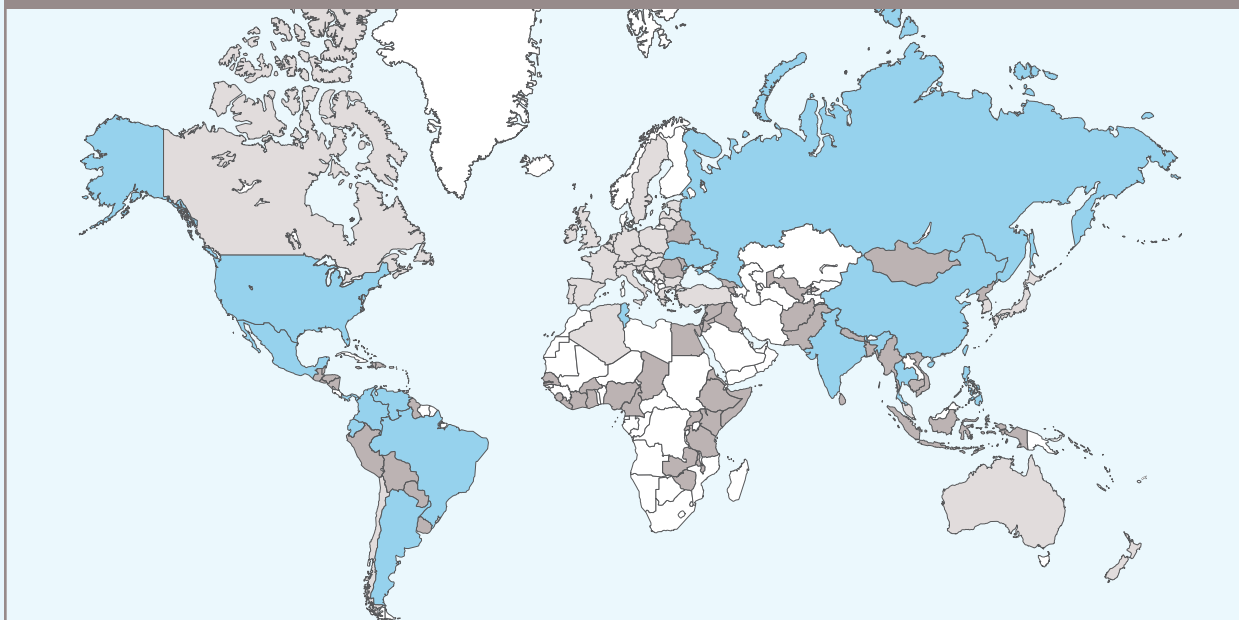
2015 GOAL

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.

UPDATE

In 2009, Baxter continued its donor partnerships with AmeriCares and Direct Relief International. The company's Global Community Relations team worked with these organizations to determine most-needed products including Medication Delivery items critical for rehydration and injectables for disease prevention. Baxter hemophilia products and kidney dialysis solutions were also requested to ensure continuity of care to patient groups in regions that lack reliable healthcare delivery systems. In turn, Baxter identified processes to support such efforts going forward.

OVERVIEW OF BAXTER GLOBAL COMMUNITY SUPPORT IN 2009



¹ Includes contributions from Baxter and The Baxter International Foundation.

Product & Cash Contributions¹

Product Donations

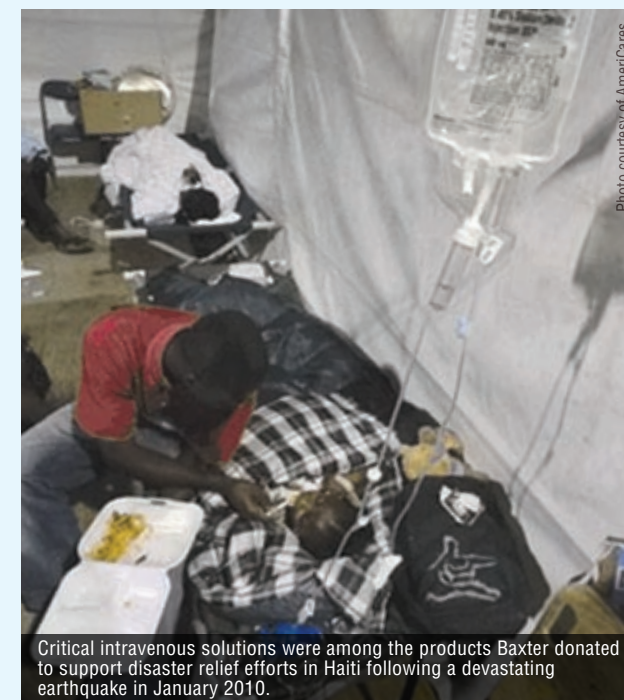
Cash Contributions¹

Collaborating on Disaster Relief

Baxter and The Baxter International Foundation committed more than \$2.5 million to support disaster relief efforts in response to the devastating earthquake in Haiti in January 2010.

As a result of work completed in 2009, Baxter products were in place at the AmeriCares warehouses when the earthquake struck. This builds on more than 20 years that AmeriCares and Baxter have worked together to deliver medical therapies to those in need.

Due to Baxter's work with Direct Relief International, the first victims brought to St. Damien Hospital in Haiti following the earthquake were treated with preparedness packs containing Baxter products as well as those from 11 other organizations.



Critical intravenous solutions were among the products Baxter donated to support disaster relief efforts in Haiti following a devastating earthquake in January 2010.



Global leaders have identified science, technology, engineering and math (STEM) education as one of the highest priorities for youth today. In 2008, Baxter made a commitment to ensure future generations are inspired by math and science by creating local initiatives that enhance existing education programs with professional development and real-world experience.



Damani Bolden, student at Lindblom Math and Science Academy in Chicago, Illinois, United States, discusses a prototype kidney dialysis machine for juvenile patients, developed by students as part of a problem-based learning project hosted by Baxter.

PROGRESS

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.

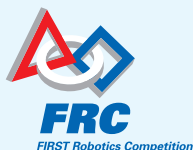
UPDATE

In 2008, Baxter launched Science@Work: Expanding Minds with Real-World Science, a multiyear commitment to Chicago Public Schools (CPS). The largest corporate donation to science education in CPS history, Science@Work provides biotechnology professional development for teachers and hands-on science experiences for students. In the 2008-2009 school year, the program reached more than 24,000 students and 352 teachers in 109 schools. Baxter hosted 24 experiences for teachers and students including lab tours, lectures, career days, and a problem-based learning project in which students created a prototype dialysis machine to meet the needs of juvenile kidney-disease patients. In October 2009, CPS named Baxter an Outstanding Partner for its contribution to science education. Baxter continues to evolve the program with employee engagement opportunities focused on supporting teachers and students near the company's headquarters in Chicago, Illinois, United States, which has the third largest school district in the country.

Other Education Initiatives



Since the 1970s in Illinois, United States, Baxter has supported Junior Achievement (JA), a global organization that teaches students the fundamentals of the free market and entrepreneurship. In 2009, Baxter increased participation in JA by 68% with 116 volunteers contributing more than 1,600 hours in 130 classrooms across five schools. Baxter is expanding its Northern Illinois participation another 50% through 2010 to reach nearly 6,000 students. Fifty employees in Canada, China, Ireland and throughout Latin America contributed more than 450 hours in 2009.








In 1992, Baxter became a founding member of U.S. FIRST (For Inspiration and Recognition of Science and Technology) Robotics, which engages students in mentor-based programs that build science, engineering and technology skills. In 2009, Baxter provided financial support to produce FIRST's Midwest Regional Championship, and sponsored a local team that has worked with the company's Mountain Home, Arkansas, United States, facility engineers for 14 years.



In 2009, Baxter launched Education Advantage, a scholarship program for people with hemophilia A. The program provides financial aid and resources to help hemophilia patients with education planning, career development, community involvement and lifestyle management. Education Advantage is administered independently by Scholarship America.






Guide to the Comprehensive *Baxter 2009 Sustainability Report* Online

This chart illustrates the wide range of content in the comprehensive online version of the *Baxter 2009 Sustainability Report*. The online version includes the information about progress against Baxter's sustainability priorities highlighted in this print report, expanded detail and performance information about these and other areas of sustainability, and numerous case studies illustrating examples of strong performance. The online report is available at sustainability.baxter.com.

SUSTAINABILITY AT BAXTER	COMPANY PROFILE	GOVERNANCE, ETHICS AND COMPLIANCE	EMPLOYEES	ENVIRONMENT, HEALTH AND SAFETY	
<p>Chairman and CEO Letter</p> <p>Baxter's Approach</p> <p>Priorities and Goals</p> <p>Stakeholder Engagement</p> <p>Affiliations and Memberships</p>	<p>Innovation</p> <p>Awards and Honors</p> <p>Milestones</p>	<p>Corporate Governance</p> <p>Ethics and Compliance</p> <p>Code of Conduct</p> <p>Structure and Programs</p> <p>Guidance and Compliance</p> <p>PRIORITY</p> <p>Baxter Will Promote Ethical Conduct and Legal Compliance</p> <p>CASE STUDIES</p> <p>Baxter Chief Scientific Officer Discusses New Science and Technology Committee of Baxter's Board of Directors</p> <p>Enhancing Baxter's Ethics and Compliance Program in China</p>	<p>Talent Management</p> <p>Sustainability Education</p> <p>Compensation and Benefits</p> <p>Measuring Company Culture</p> <p>Global Inclusion and Diversity</p> <p>PRIORITY</p> <p>Baxter Will Promote an Inclusive and Diverse Workplace</p> <p>Work/Life</p> <p>CASE STUDIES</p> <p>Baxter World Environment Week</p> <p>Baxter Builds Relationship with Howard University to Attract Diverse Talent</p>	<p>EHS Program ✓</p> <p>Policy and Vision</p> <p>Program Governance</p> <p>EHS 2010 Goals</p> <p>EHS Management Systems</p> <p>EHS Audits</p> <p>Compliance ✓</p> <p>Environmental</p> <p>Health and Safety</p> <p>CASE STUDIES</p> <p>Baxter European Facilities Collaborate to Reduce Water and Energy Use</p> <p>Waste Reduction at Marion, North Carolina, United States, Site</p> <p>Thousand Oaks, California, United States, Facility Applies Innovative Technology to Conserve Energy</p>	<p>2009 Environmental Performance ✓</p> <p>Performance At-a-Glance</p> <p>Air Emissions</p> <p>Biodiversity</p> <p>Eco-Efficiency/ Raw Materials Use</p> <p>Energy</p> <p>GHG Emissions and Climate Change</p> <p>Waste</p> <p>Water and Wastewater</p> <p>PRIORITY ✓</p> <p>Baxter Will Drive Reductions in its Carbon Footprint</p> <p>PRIORITY ✓</p> <p>Baxter Will Drive Reductions in its Natural Resource Use</p> <p>2009 Environmental Financial Statement ✓</p> <p>Health and Safety ✓</p> <p>2009 Performance</p> <p>Programs and Initiatives</p> <p>PRIORITY ✓</p> <p>Baxter Will Promote a Safe and Healthy Workplace</p>
					

✓ Bureau Veritas has determined that sections marked with this symbol are accurate, reliable and free from material mistake or misstatement. *See page 2 for more detail.*

✓ Nothing has come to the attention of Bureau Veritas to indicate that the reviewed statements marked with this symbol are inaccurate or that the information is not fairly stated. *See page 2 for more detail.*

PRODUCT RESPONSIBILITY	SUPPLY CHAIN	COMMUNITY SUPPORT	ECONOMIC IMPACTS	PUBLIC POLICY	SUSTAINABILITY REPORTING
<p>PRIORITY¹ ✓</p> <p>Baxter Will Drive Enhanced Product Stewardship</p> <p>Quality</p> <p>Safety</p> <p>R&D and Design</p> <p>Product Sustainability Review</p> <p>Bioethics</p> <p>Animal Welfare</p> <p>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> <p>Addressing a Rare Disorder: Baby Botulism</p> <p>FLEXBUMIN Life Cycle Assessment</p> <p>Materials Restrictions</p> <p><small>¹ The first goal for this priority was externally verified. See page 15 for detail.</small></p>	<p>Managing Supplier Performance ✓</p> <p>Global Green Supply Chain ✓</p> <p>PRIORITY ✓</p> <p>Baxter Will Drive a Green Supply Chain</p> <p>Supplier Diversity ✓</p> <p>Customers ✓</p> <p>CASE STUDIES</p> <p>Engaging Suppliers to Reduce Environmental Impact</p> 	<p>Access to Healthcare</p> <p>Product Development</p> <p>Base of the Pyramid</p> <p>Philanthropic Giving</p> <p>Product Donations</p> <p>The Baxter International Foundation</p> <p>PRIORITY</p> <p>Baxter Will Strengthen Access to Healthcare through Product Development and Strategic Product Donations</p> <p>Critical Community Needs</p> <p>PRIORITY</p> <p>Baxter Will Strengthen the Company's Commitment to Education, Especially Math and Science</p> <p>Employee Involvement</p> <p>CASE STUDIES</p> <p>Project HOPE</p> <p>Making a Meaningful Difference</p> 	<p>Direct Impacts</p> <p>Indirect Impacts</p> <p>Business Value</p> 	<p>2009 Political Contributions Report</p> 	<p>External Reporting Standards</p> <p>Feedback on 2008 Report</p> <p>Assurance</p> <p>Bureau Veritas Verification Opinion</p> <p>Global Reporting Initiative Index</p> 

Baxter Summary Data Table 2005–2009

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

SECTION AND INDICATOR	2005	2006	2007	2008	2009
COMPANY PROFILE					
NET SALES (dollars in millions)	\$9,849	\$10,378	\$11,263	\$12,348	\$12,562
NET INCOME ATTRIBUTABLE TO BAXTER (dollars in millions)	956	1,397	1,707	2,014	2,205
BAXTER SHARE PRICE (in dollars; end of stated year)	37.65	46.39	58.05	53.59	58.68
R&D EXPENDITURES (dollars in millions)	533	614	760	868	917
GOVERNANCE, ETHICS AND COMPLIANCE					
ETHICS AND COMPLIANCE HELPLINE AND COIC ¹ INQUIRIES (total)	274	341	234	273	322
EMPLOYEES					
BAXTER GLOBAL WORKFORCE	46,900	47,600	46,500	48,500	49,700
<i>Board and Executive Leadership Diversity²</i>					
ETHNIC (% non-white of total)					
Board of Directors	8.3%	8.3%	7.7%	7.7%	7.7%
Executive Leadership	16.7%	13.3%	13.3%	13.3%	14.3%
GENDER (% female of total)					
Board of Directors	16.7%	16.7%	15.4%	15.4%	15.4%
Executive Leadership	25.0%	33.3%	33.3%	33.3%	28.6%
<i>Gender Diversity at Baxter (% female globally)³</i>					
VICE PRESIDENT AND ABOVE	19.6%	19.0%	17.7%	18.5%	19.2%
SUPERVISOR/DIRECTOR	38.2%	39.1%	47.7%	48.1%	48.5%
NON-MANAGER	57.0%	56.5%	56.4%	56.3%	55.8%
OVERALL	54.1%	53.7%	52.7%	52.8%	52.5%
ENVIRONMENT, HEALTH AND SAFETY					
<i>Environment (figures in absolute terms, except when stated otherwise)⁴</i>					
PROCESS-RELATED CFC AND TOXIC AIR EMISSIONS					
Metric Tons	31.2	33.3	31.1	20.8	18.7
Kg per Million Dollars of Sales	3.2	3.2	2.8	1.7	1.5
SOx EMISSIONS					
Metric Tons	616	619	629	610	573
Kg per Million Dollars of Sales	63	60	56	49	46
NOx EMISSIONS					
Metric Tons	475	466	463	457	446
Kg per Million Dollars of Sales	48	45	41	37	36
ENERGY USAGE FROM BAXTER OPERATIONS					
Trillions of Joules	8,473	8,455	8,484	8,606	8,572
Billions of Joules per Million Dollars of Sales	860	815	753	695	682
NET GHG EMISSIONS FROM BAXTER OPERATIONS ⁵					
Thousand Metric Tons CO ₂ e	793	759	753	763	751
Metric Tons CO ₂ e per Million Dollars of Sales	81	73	67	62	60
NON-HAZARDOUS WASTE					
Metric Tons	53,000	56,000	56,000	57,000	55,000
Metric Tons per Million Dollars of Sales	5.38	5.40	4.97	4.60	4.38

SECTION AND INDICATOR	2005	2006	2007	2008	2009
ENVIRONMENT, HEALTH AND SAFETY (CONTINUED)					
<i>Environment (continued)</i>					
REGULATED WASTE					
Metric Tons	4,150	4,090	5,130	5,820	6,290
Metric Tons per Million Dollars of Sales	0.42	0.39	0.46	0.47	0.50
WATER USAGE					
Thousand Cubic Meters	14,814	14,297	13,948	13,654	13,437
Thousand Cubic Meters per Million Dollars of Sales	1.50	1.38	1.24	1.10	1.07
BOD ₅ ⁶ (biochemical oxygen demand) DISCHARGES (metric tons)	26	26	28	28	31
COD ⁶ (chemical oxygen demand) DISCHARGES (metric tons)	111	119	134	132	102
TSS ⁶ (total suspended solids) DISCHARGES (metric tons)	45	49	53	48	31
ENVIRONMENTAL NOTICES OF VIOLATION (NOVs)	17	17	10	10	9
ENVIRONMENTAL FINES PAID (in dollars)	\$11,825	\$1,500	\$4,591	\$0	\$800
<i>2009 Environmental Financial Statement</i>					
TOTAL ENVIRONMENTAL COSTS (dollars in millions)	\$21.2	\$22.3	\$24.6	\$25.8	\$27.2
TOTAL ESTIMATED ENVIRONMENTAL INCOME, SAVINGS AND COST AVOIDANCE IN STATED YEAR (dollars in millions)	90.1	90.3	87.2	120.7	107.8
<i>Occupational Health and Safety</i>					
CASES WITH DAYS LOST RATE ^{7,8}	0.30	0.31	0.25	0.19	0.15
DAYS LOST RATE ^{7,8}	7.08	6.94	5.45	4.23	4.16
RESTRICTED DAYS RATE ^{7,8}	22.80	16.80	15.72	19.46	12.68
RECORDABLE CASE RATE ^{7,8}	1.52	1.35	1.41	1.29	1.07
EMPLOYEE/CONTRACTOR SERIOUS INCIDENTS (total number) ⁹	9/0	4/0	12/1	7/2	12/2 ¹⁰
EMPLOYEE/CONTRACTOR FATALITIES (total number)	2/2	0/1	0/0	0/1	0/0 ¹⁰
WORLDWIDE WORKERS' COMPENSATION ESTIMATE (dollars in millions) ¹¹	\$20.6	\$15.2	\$14.9	\$14.4	\$15.9
HEALTH AND SAFETY CITATIONS SETTLED	1	3	2	2	6
HEALTH AND SAFETY FINES PAID (in dollars)	\$0	\$10,740 ¹²	\$0	\$45,000 ¹³	\$1,733
SUPPLY CHAIN					
PAYMENTS TO SUPPLIERS (approximate, dollars in millions)	\$4,000	\$4,100	\$4,100	\$4,400	\$4,400
<i>Supplier Diversity¹⁴</i>					
PAYMENTS TO SMALL BUSINESSES (dollars in millions)	\$454	\$504	\$399	\$457	\$484
PAYMENTS TO MINORITY-OWNED BUSINESSES (dollars in millions)	36	40	23	24	20
PAYMENTS TO WOMEN-OWNED BUSINESSES (dollars in millions)	68	95	95	88	80
COMMUNITY SUPPORT					
PRODUCT DONATIONS (dollars in millions) ¹⁵	\$17.82	\$14.85	\$31.09	\$10.86	\$18.94
CASH DONATIONS (dollars in millions) ¹⁶	17.60	20.72	23.51	32.93	33.96

¹COIC stands for Certificate of Integrity and Compliance. ²Executive Leadership figures include Operations Committee members and regional presidents. ³2009 figures do not include Baxter Credit Union employees, which represented approximately 0.1% of the total population. ⁴Historic data may differ from previously reported data as a result of corrections as well as revisions due to acquisitions and divestitures. ⁵Net greenhouse gas (GHG) emissions from Baxter operations include emissions associated with facility energy use (both from fuel burned on site and purchased electricity), company-managed sales and distribution fleet vehicles, other vehicles and refrigerant losses. Net emissions from operations also take into account the purchase of renewable energy, carbon credits and carbon offsets. An independent entity engaged by the Chicago Climate Exchange (CCX) verified Baxter's direct GHG emissions from operations in Canada, Mexico, Puerto Rico and the United States. A consultant for the U.S. Environmental Protection Agency Climate Leaders program reviewed Baxter's direct and indirect GHG emissions from operations in the United States and Puerto Rico. ⁶Total water pollutant levels for treated wastewater discharging directly into waterways. Data do not include two facilities that operate zero-discharge systems in accordance with local regulatory requirements. Before 2006, actual performance data for some sites were not available. In those cases, Baxter developed estimates based on performance at similar facilities. ⁷All 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. Thus, in cases where an injury occurs and there are conflicting medical opinions 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. ⁸Cases with days lost: work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident. ⁹Days lost: number of days lost recommended by the most authoritative physician's opinion (including weekends and holidays) due to a work-related injury or illness. ¹⁰Restricted days: 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. ¹¹Recordable cases: work-related injuries or illnesses requiring medical attention beyond first-aid, including cases with days lost. ¹²Serious workplace incident cases are those that result in an employee or contractor being hospitalized overnight, sustaining an amputation or dying. ¹³In November 2009, a contractor died while performing on-site dredging of a pond at Baxter's Deerfield, Illinois, United States, headquarters. The Lake County medical examiner determined that the individual died of natural causes, and that the death was not work-related. It therefore is not included in this data. ¹⁴Workers' 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 extrapolates global figures based on data from the United States. ¹⁵The data reported includes a line of \$7,500 that Baxter paid in connection with a U.S. Federal Aviation Administration (FAA) matter at its Beltsville, Maryland, United States, facility. ¹⁶Data include United States and Puerto Rico, with a fiscal year basis of 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. ¹⁷Data include 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 comprehensive 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. ¹⁸Data include contributions from Baxter and The Baxter International Foundation.

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 2009 unless stated otherwise. Some program descriptions and examples include information from 2010.
- This report covers Baxter's global operations, including subsidiaries, unless otherwise noted. Environmental, health and safety data include joint ventures where Baxter has a controlling 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:



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FTSE4Good



CARBON DISCLOSURE PROJECT



Home dialysis patient Elmer Ordoñez lives in a remote region of Colombia, requiring Baxter to deliver his dialysis solutions by mule. Baxter is the world's leading provider of home dialysis products for people with end-stage kidney disease, with more than 80% of this business outside the United States.



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The matters discussed in this *Baxter 2009 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.

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Cover photo:



Baxter products provide life-saving and life-sustaining therapies for patients in more than 100 countries. To reach home dialysis patients in remote locations, the company sometimes must employ unconventional means of transport, such as this delivery of dialysis solutions by mule in a region of Colombia.

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