Baxter

2018 CORPORATE RESPONSIBILITY REPORT

MAKING A MEANINGFUL DIFFERENCE

TABLE OF CONTENTS

ASSURANCE AND VERIFICATION

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

Bureau Veritas assured the following sections of the report:

- Product Innovation (except Patient Safety and Quality)

- Employee Health and Safety

- Operations

- Responsible Procurement and Logistics

- Baxter World Environment Week content in the Serving Our Communities section

- Related material in Appendix: Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions; and Baxter Facilities with ISO 14001, OHSAS 18001, ISO 50001 and Green Building Certifications

See assurance statements in English and Spanish.

Most of the financial data included in the Baxter Data Summary are taken from the audited consolidated financial statements contained in the Baxter International Inc. 2018 Annual Report. These financial statements are audited by Baxter's independent registered public accounting firm, PricewaterhouseCoopers LLP.

From the Chairman and CEO

Baxter is transforming.

Our Mission to Save and Sustain Lives remains firm, reflecting our longstanding emphasis on medically essential technologies and our passion for making a difference. What's changing is how we bring this mission to life.

For the past three years, our approximately 50,000 employees globally have been hard at work building a revitalized Baxter. We share a reinvigorated focus on driving value through leading-edge innovation; accelerating operational excellence; advancing our culture through speed, simplicity, courage and collaboration; and enhancing Baxter's status as a great place to work for our diverse employee base.

Ultimately, our transformation is about elevating our performance to benefit the many stakeholders we serve, from patients and healthcare providers to our investors and the communities where we do business.

The same spirit of transformation is at work in how we embrace our role as a leading corporate citizen. This is as fundamental to our mission as the products in our portfolio. Our opportunity now is to sharpen our focus and refine our execution in order to increase our impact.

This report outlines our priorities and accomplishments in 2018. With our employees leading the way, we have already exceeded a number of our 2020 goals, including:

- We reduced absolute greenhouse gas emissions by 14% compared with 2015, due in part to 29% of our energy use in operations coming from renewable sources.

- We increased spending with diverse suppliers from 4% of relevant spending in 2015 to 6.1% in 2018, an increase of more than 50%.

- We advanced our commitment to PVC recovery and recycling, with partnerships in more than 200 hospitals and clinics across Australia, New Zealand and Guatemala.

- We achieved a 19% decrease in product complaints through 2018, compared with 2015, as well as improvements across many other quality-related metrics, reflecting our commitment to patient safety and quality, and continuous improvements in product performance and customer service.

2018 also marked the third year of our Driving Your Health initiative, a free community mobile medical program serving greater Mexico City. Through 2018, more than 630,000 people benefited from this program, exceeding our goals. Based in part on this success, our go-forward grant strategy will emphasize larger-scale, multiyear grants to help increase the reach of quality healthcare in underserved communities globally.

Many thanks to our committed Baxter employees around the world, whose passion and tenacity fuel our corporate responsibility efforts, as well as our broader transformation. Together we remain focused on creating lasting social, environmental and economic value for our stakeholders in support of our mission.

JOSÉ (JOE) E. ALMEIDA | Chairman, President and Chief Executive Officer

Company Profile

About Us

Every day, millions of patients and caregivers rely on Baxter's leading portfolio of critical care, nutrition, renal, hospital and surgical products. For more than 85 years, we have been operating at the intersection where innovations that save and sustain lives meet the healthcare providers that make it happen.

This heritage gives us a distinct perspective on the needs of patients and caregivers. We lead today by putting those insights to work to deliver new, enhanced healthcare solutions and improve access to care. We have a longstanding commitment to research and development (R&D), and a rich history of medical firsts, from the first commercially manufactured IV solutions to the first portable kidney dialysis machine, and many more.

To continue to transform and increase access to care for patients around the world, we are investing in new collaborations, partnering with world-renowned institutions, seeking out the next generation of innovators in healthcare and funding the pursuit of new discoveries and research. Baxter's employees worldwide are now building upon the company's legacy of medical breakthroughs to advance the next generation of transformative healthcare innovations. We are dedicated to ensuring that Baxter is there when and where patients need care, from hospitals and clinics to homes in rural areas and major cities.

Global Presence

Baxter's products, technologies and therapies are available in more than 100 countries across three geographic segments: the Americas (including both North and South America); Europe, Middle East and Africa (EMEA); and Asia-Pacific (APAC). Our corporate headquarters is in Deerfield,

Products available in
100+
countries

~50,000
employees worldwide
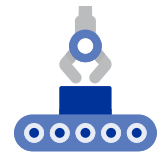
Manufacturing facilities in
20+
countries

Illinois. R&D is conducted at centers in Belgium, China, Germany, India, Italy, Sweden and the United States. Our products are manufactured in approximately 50 facilities across more than 20 countries.

Each of the company's business units provides a broad portfolio of essential healthcare products, including acute and chronic dialysis therapies; sterile IV solutions; infusion systems and devices; parenteral nutrition therapies; inhaled anesthetics; generic injectable pharmaceuticals; and surgical hemostat and sealant products.

REVENUE BY GEOGRAPHIC SEGMENT, 2018

Asia Pacific
20%

$11.1B

53%

27%

Europe, Middle East and Africa

Americas
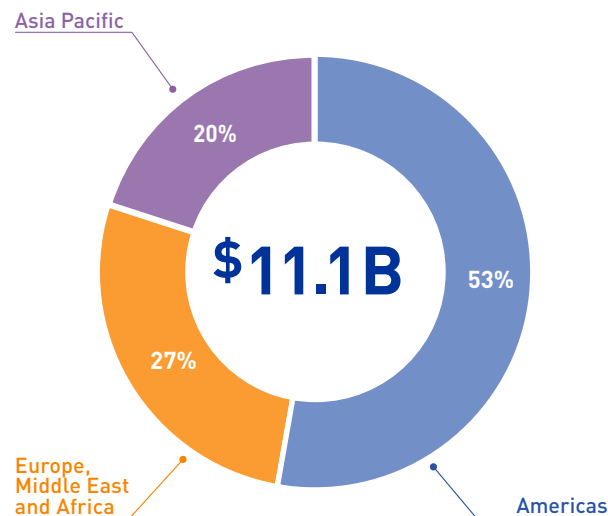
REVENUE BY GLOBAL BUSINESS UNIT, 2018*

$3.7B	$2.7B	$2.1B	$0.9B	$0.8B	$0.5B
Renal Care	Medication Delivery	Pharmaceuticals	Clinical Nutrition	Advanced Surgery	Acute Therapies
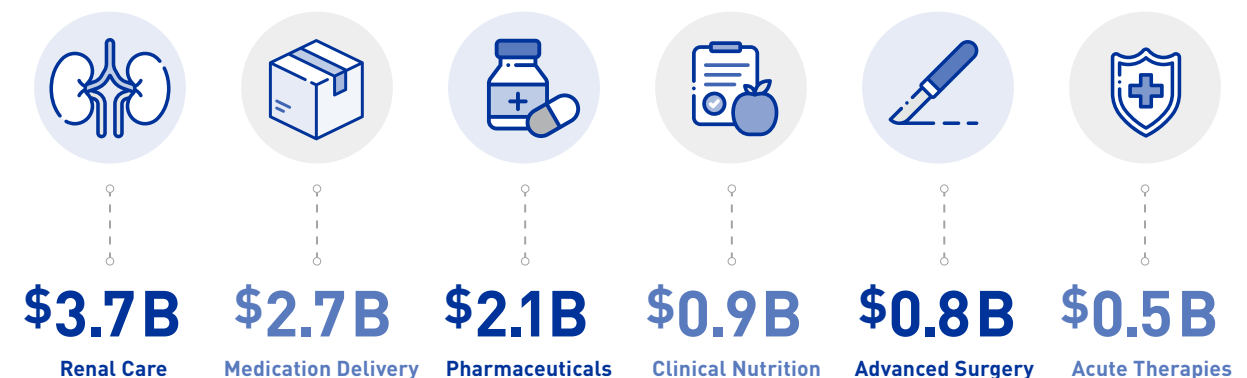
* Sales and related figures represent fiscal year 2018; other sales represent ~$0.5B. Sum of business unit revenues does not equal total global revenue due to rounding.

Corporate Responsibility at Baxter

Corporate responsibility is integral to Baxter's business strategy and supports our mission to save and sustain lives. We strive to be ever conscious of the impact we have on our employees, our communities and on the people and patients who depend on our products globally. Corporate responsibility has been vital to our culture for decades and is championed by our employees worldwide.

Our corporate responsibility strategy focuses on the environmental, social, economic and governance issues that matter most to our company and stakeholders, that drive positive business performance, and where we can make a meaningful difference. This strategy supports our company's efforts to achieve top quartile results relative to industry peers and other comparators across four dimensions:

- Patient safety and Quality
- Growth through innovation
- Best place to work
- Industry-leading performance

We are committed to sharing information about our 2020 corporate responsibility priorities and goals and performance. Our annual Corporate Responsibility Report illustrates our commitment to sound governance and balanced, transparent disclosure.

GOVERNANCE AND MANAGEMENT OF CORPORATE RESPONSIBILITY AT BAXTER

Chairman and CEO
Executive Sponsor   SVP, Operations

Chair: VP, Environment, Health, Safety & Sustainability

Corporate Responsibility Council (Members/Goal Owners)

General Manager, Renal Care	VP, Finance – Operations & Quality	VP, Purchasing	VP, Quality – Hospital Products
VP, Global Patient Safety	SVP, Communications	VP, HR - Operations & Quality	VP, Sales – U.S. Based Hospital Products
VP, Engineering	VP, Supply Chain	Associate General Counsel, Regulatory Law	

Corporate Responsibility Working Group

Managing Corporate Responsibility

Baxter's Corporate Responsibility Council is composed of executives and subject matter experts from across the company. The Council, which meets quarterly, helps oversee our corporate responsibility strategies and leads our efforts to integrate corporate responsibility throughout our business.

The Council's role is to:

- Advance our corporate responsibility strategy and culture
- Implement our 2020 corporate responsibility priorities and goals
- Provide oversight and drive organizational accountability
- Deliver updates to our Board of Directors, including a discussion of related goals and industry trends
- Solicit and review stakeholder input

Stakeholder Engagement

Baxter engages with a broad range of stakeholders to inform our corporate responsibility strategy. They provide valuable insights about how we are perceived, how our products are used and can be improved, and potential sources for innovation and inspiration. We identify and engage with stakeholders based on their expertise, level of influence, willingness to collaborate, impact on Baxter and our company's impact on them.

BAXTER'S FIVE PRIMARY STAKEHOLDER GROUPS

In 2018, Ceres, a sustainability nonprofit organization, convened a group of Baxter stakeholders to provide us with input about our 2017 Corporate Responsibility Report. Based on that feedback, we have made several changes to this 2018 report, including:

- Expanded on the business case for sustainability by mapping Baxter's top quartile goals to our 2020 corporate responsibility priorities

- Added links in the material issues table that point to related content in the report

- Provided graphical representations of progress against many of our 2020 goals at the beginning of related sections

Materiality

To understand and prioritize issues that are critical to the long-term sustainability of our business, we periodically conduct assessments to identify the corporate responsibility issues that are most relevant to Baxter and our stakeholders. In 2018, we worked with an external partner to update our corporate responsibility "materiality" assessment and verify and refine our list of material issues. As used in this report, "materiality" or "material" refers to environmental, social and economic issues that are deemed to be of significant importance to our stakeholders and to the company. These "material" issues inform our corporate responsibility strategy, priorities and goals, and reporting, and are not the same as "material" issues for the purposes of the company's financial and SEC reporting in the United States.

The process for this assessment included:

- Review of the material issues defined during our prior materiality assessment, conducted in 2015

- Assessment of the material issues of industry peers, based on recent corporate responsibility reports

- Analysis of issues defined as material by the Sustainability Accounting Standards Board for the Medical Equipment and Supplies and Pharmaceuticals industries

- Review of issues prioritized for the Health Care Equipment and Supplies industry by the Dow Jones Sustainability Index

- Development of a working list of material issues based on the analysis described above

- Interviews with 15 Baxter executives and 14 external stakeholders, including customers, investors, NGOs, suppliers and other companies, to determine how important it is for Baxter to effectively manage each issue on the working list, considering factors such as the impact of the issue on Baxter as well as the company's impacts and influence related to each issue

Based on these inputs, we verified and refined our list of material issues (see table on following page). Key findings included:

- Our 2020 corporate responsibility priorities and goals, defined in 2015, continue to align with the issues that are most relevant to our stakeholders and our company.

- Internal and external stakeholders provided similar ratings for many of the issues, indicating strong alignment.

- Product-related issues, such as patient safety and quality, healthcare access and affordability, and privacy and data protection, were among the most highly rated issues overall.

- Among internal stakeholders, employee-related issues ranked especially high, including employee attraction, development and retention; diversity and inclusion; and health, safety and well-being.

Outcomes from this assessment inform our corporate responsibility priorities and strategy.

2018 MATERIALITY ASSESSMENT FINDINGS*

IMPACT WITHIN VALUE CHAIN

Issue	Description	Upstream	Baxter Operations	Downstream
Climate change	Reducing energy consumption and expanding use of renewable energy in Baxter's operations and reducing greenhouse gas (GHG) emissions across our value chain; incorporating climate change strategy, including adaptation and resilience planning, into relevant business decisions. Learn more.	●	●	●
Community support and volunteerism	Supporting communities in need where Baxter has a presence, with partnerships aimed at addressing economic, environmental and social needs, including through financial contributions and employee volunteerism. Learn more.		●	
Diversity and inclusion	Maintaining an inclusive, nondiscriminatory hiring process and culture; providing employees equal pay for equal work regardless of gender, race, sexual orientation or disability; welcoming, leveraging and appreciating the uniqueness of every Baxter employee; and supporting supplier diversity. Learn more.	●	●	●
Employee attraction, development and retention	Attracting, engaging and retaining top talent by providing employees career and personal training and development opportunities, and designing succession plans to ensure there are qualified Baxter candidates for critical positions; upholding labor rights and ensuring that labor concerns can be reported. Learn more.		●	
Ethics and compliance	Providing an effective corporate governance structure, business processes, marketing standards, and reporting mechanisms, and fostering an open culture that demonstrates the highest ethics and anticorruption standards. Learn more.	●	●	●
Health, safety and well-being	Providing employees with a zero-harm workplace, an environment that encourages healthy choices, and resources to maintain and improve their health and safety and that of their families. Learn more.		●	
Healthcare access and affordability	Improving access to, and affordability of, Baxter products and services for populations in need, through product innovation, public health initiatives, public policy efforts, business model innovation and strategic giving, which includes product donations and grants from the Baxter International Foundation. Learn more.			●
Human rights	Ensuring workers across Baxter's value chain are treated in accordance with international standards of human rights. Learn more.	●	●	●
Innovation	Investing in innovation that solves for unmet needs and improves patient outcomes and standards of care. Learn more.		●	●
Patient safety and quality	Helping to ensure quality and patient safety across the product life cycle, through leading practices in design, materials use, manufacturing, communications, surveillance and reporting. Learn more.	●	●	●
Privacy and data protection	Protecting personal information from unauthorized or inappropriate collection, processing and disclosure, and protecting information resources from threats, whether internal or external, deliberate or accidental. Learn more.	●	●	●
Product sustainability	Incorporating and managing sustainability across the product life cycle (R&D and design, materials use including chemicals of concern, manufacturing, product transport, packaging, product use and end-of-life), and communicating sustainable product attributes to customers. Learn more.	●	●	●
Supply chain sustainability	Working with suppliers to improve their own sustainability programs and performance, as well as Baxter's. Learn more.	●		
Waste	Minimizing disposal of manufacturing waste from Baxter's operations, first through source reduction and reuse and then through recycling and energy recovery. Learn more.		●	
Water use	Reducing water use in Baxter's operations, increasing reuse, managing water discharge quality and protecting local water sources, especially in water-scarce areas. Learn more.		●	

*In this report, we are not using the terms "material" and "materiality" as defined for the purposes of financial and SEC reporting in the United States. Instead, the terms refer to environmental, social and economic issues that are of significant importance to our stakeholders and to the company. These "material" issues inform our corporate responsibility strategy, priorities and goals, and reporting. The issues in this table are listed in alphabetical order. The listing does not reflect the presumed importance or "materiality" of any particular issue to Baxter or our stakeholders.

Introduction | 2020 Priorities and Goals | Product Innovation | Workplace Culture | Ethics and Compliance | Employee Health and Safety | Operations | Responsible Procurement and Logistics | Innovation That Expands Access to Care | Serving Our Communities

Baxter

Baxter 2020 Corporate Responsibility Priorities and Goals

Baseline is 2015 unless otherwise stated.

PRIORITIES	GOALS	PROGRESS
PRODUCT INNOVATION *Improve sustainability and performance of products and services*	Enhance product quality and patient safety by achieving a 15% reduction in product complaints, compared to 2015 (aggregate)	The company achieved a 19% decrease through 2018, compared with 2015, exceeding our goal.[1]
	Achieve at least 15% material reduction on three therapies/products compared to those currently on the market, without affecting efficacy	In 2018, we launched **Spectrum IQ** Infusion System and **Evo IQ** Infusion System, which utilize our single set technology that can help reduce use of IV tubing by up to 30%. The **Evo IQ** lightweight, portable pump is 47% lighter than its predecessor. Our **Kaguya** automated peritoneal dialysis (APD) system cycler, also launched in 2018, is 40% lighter than the previous generation technology and may reduce the weight of disposables by up to 14%. Based on these products and Baxter's **Amia** APD system cycler, launched in 2015, we have exceeded our goal.
	Eliminate 3,000 metric tons of packaging material from Baxter products shipped to customers	We have eliminated 1,593 metric tons of packaging material from products shipped to customers from 2016 through 2018.[2]
	Eliminate or minimize the presence of chemicals of concern (as defined by regulations) in new products	During 2018, Baxter continued to eliminate and reduce chemicals of concern by changing existing products and processes. This included expanding our offering of DEHP-free intravenous access sets and reducing usage of cyclohexanone in manufacturing processes at multiple locations. We continued to screen all new products under development to minimize, or preferably eliminate, the use or presence of chemicals of concern.
	Partner with organizations to implement recycling of product waste at hospitals and increase participation from 60 hospitals to 200	Participation in a program in Australia and New Zealand to recover PVC in hospitals increased to 178 hospitals in 2018. During the year, we also established a PVC recycling initiative in Guatemala with 25 participating facilities. Combined, the number of participating facilities exceeded our goal.
WORKPLACE CULTURE *Promote inclusion, diversity and employee engagement*	Aspire to diversity in leadership at or above benchmarks	At most career levels, we remained at or above benchmarks for women (globally) and ethnic minority representation (in the United States) during 2018.
	Achieve an employee engagement score comparable to top quartile companies as measured by Baxter's Best Place to Work survey	We continued to improve our results, increasing our 2018 score in the engagement category of Baxter's Best Place to Work survey by two percentage points compared with 2017. The company's score was 7 percentage points above the global average, and 4 percentage points below the top quartile benchmark.[3]
ETHICS AND COMPLIANCE *Drive a culture of integrity and the highest ethical behavior*	Drive highest integrity and compliance to achieve zero government enforcement actions over compliance issues	Baxter had zero corruption-related enforcement actions in 2018.
	Achieve overall compliance culture scores in the top quartile of general industry benchmarks	Baxter achieved favorable ratings on the two employee survey questions related to ethics culture during 2018. Although above average, the scores were 1 and 2 percentage points below top quartile companies.
EMPLOYEE HEALTH AND SAFETY *Achieve a zero-harm workplace and improve employee well-being*	Achieve the top quartile in total recordable incident rate among global companies across all industries as measured by ORC HSE	In a comparison of 36 global companies across all industries,[4] Baxter's total recordable incident rate in 2018 ranked eighth, or top 22%, achieving our goal.
	Reduce employee health risk by increasing participation from 35% to 45% in BeWell@Baxter health promotion program initiatives and by expanding family participation	During 2018, Baxter achieved an average employee participation rate of 38% for the Personal Wellness Profile, the Exercise Challenge and Healthy Eating Month.

Our 2020 corporate responsibility priorities and goals support Baxter's top quartile goals, which include: Patient safety and Quality • Growth through innovation • Best place to work • Industry-leading performance

Baxter 2020 Corporate Responsibility Priorities and Goals

Baseline is 2015 unless otherwise stated.

PRIORITIES	GOALS	PROGRESS
OPERATIONS *Reduce environmental footprint through increased efficiency and resource conservation*	Pursue zero waste-to-landfill by achieving a landfill diversion rate of 95% or higher at all manufacturing locations	Twenty-one manufacturing sites, representing nearly 40% of the total, achieved landfill diversion rates of 95% or higher through 2018. We are working with outside experts to accelerate progress in the coming years.
	Reduce total energy and water use and total waste generation by 15% indexed to revenue	Through 2018, Baxter reduced energy use by 7%, water use by 7% and total waste generation by 10%, all indexed to revenue and compared with 2015. We anticipate potential challenges with further decreases due to product and manufacturing changes.
	Reduce absolute greenhouse gas (GHG) emissions by 10%	Baxter reduced absolute GHG emissions by 14% during 2018 compared with 2015, exceeding our goal.
RESPONSIBLE PROCUREMENT AND LOGISTICS *Implement world-class sustainability practices with key partners*	Increase Baxter's spending with diverse suppliers by 50%, from 4% of relevant spending in 2015 to 6% in 2020[5]	Baxter increased purchases with diverse suppliers to 6.1% of relevant spending during 2018, exceeding our goal.
	Expand green transport partnerships with government agencies, nongovernmental organizations and/or private companies from one business region to all business regions globally	During 2018, Baxter continued participating with the U.S. Environmental Protection Agency's SmartWay program as both a Carrier and Shipper Partner. As of December 2018, we are using carbon credits to offset all of our UPS shipping outside of the United States.
INNOVATION THAT EXPANDS ACCESS TO CARE *Improve access to healthcare for the underserved*	Proactively pre-position Baxter's donated products with donor partners, which will enable them to optimally distribute and be first on scene to address critical medical needs	In 2018, Baxter donated nearly $6 million in products to partners Americares, Direct Relief and Partners In Health. These organizations distributed Baxter products in 84 countries in response to disasters, and to support ongoing humanitarian aid and medical missions. This is a part of our manufacture-to-donate program launched in 2016 to pre-position our products.
	Establish the Baxter International Foundation Partnership Grant program in 2016 to drive increased access to healthcare for an incremental 10,000 patients annually	Since 2016, we have partnered with Direct Relief and the Driving Your Health program to increase access to healthcare for people in and around Mexico City. From 2016 through 2018, approximately 69,000 people benefited directly and 562,000 benefited indirectly through this program, exceeding our goal.
	Launch two new emerging market business models in Baxter's renal business	In partnership with a government hospital in rural Indonesia, we launched a pilot clinic during 2018 to promote best clinical practices in peritoneal dialysis and improve patient outcomes.
SERVING OUR COMMUNITIES *Support communities worldwide in enduring ways*	Complete two projects, including one by 2018, that support access to clean water or enhance sanitation in water-stressed areas where Baxter has an operational presence	During 2018, we launched Project Srujal—an initiative to provide 11 villages with clean drinking water near our manufacturing plant in Ahmedabad, India. This is in addition to our partnership with Fundación Solar in Guatemala, established in 2017.

Our 2020 corporate responsibility priorities and goals support Baxter's top quartile goals, which include: Patient safety and Quality | Growth through innovation | Best place to work | Industry-leading performance
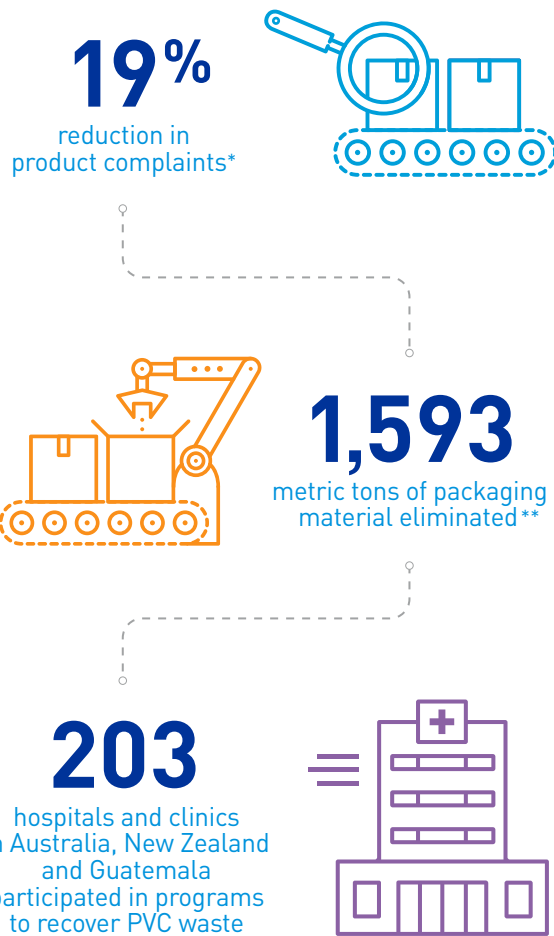
Introduction

2020 Priorities and Goals

Product Innovation

Workplace Culture

Ethics and Compliance

Employee Health and Safety

Operations

Responsible Procurement and Logistics

Innovation That Expands Access to Care

Serving Our Communities

Baxter

Product Innovation

Improve sustainability and performance of products and services

2018 HIGHLIGHTS

19%

reduction in product complaints*

1,593

metric tons of packaging material eliminated**

203

hospitals and clinics in Australia, New Zealand and Guatemala participated in programs to recover PVC waste

* Compared with 2015   ** Since 2016

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

Baxter develops products that save and sustain lives worldwide, delivering on our mission and representing our most important contribution to society. Patient safety and quality are fundamental to our ongoing success. We have extensive policies and processes to ensure excellence in these areas, and we continue to innovate new products and services that enhance patient safety and drive improved patient outcomes.

Demand for our products is expected to continue growing as the global population pushes toward 9.8 billion people by 2050[1] and standards of living improve globally. To minimize our environmental impacts, we work to capture the most value possible from the natural resources needed to manufacture, transport, use and recover our products. We are beginning to shift from a linear approach of "take, make, dispose" to the circular approach illustrated in the graphic below. This can save money and reduce our environmental impact and that of our customers.

SUSTAINABILITY ACROSS THE PRODUCT LIFE CYCLE

We are beginning to transition from a linear to a circular approach that maximizes the value gained from materials, while improving environmental performance and the customer experience.

Sustainable Design

We use Environmental, Health, Safety and Sustainability reviews and life cycle assessments to understand product environmental performance and requirements and drive ongoing improvements across the value chain.

Patient Safety and Quality

We have an unrelenting dedication to patient safety and quality that is foundational to the company's mission and ongoing success.

Materials Use

We innovate to reduce materials use in our products, decrease waste in manufacturing and packaging, and minimize use of materials of concern.

Product End-of-Life

We work to repair and reuse electromechanical medical products when possible and collaborate with partners around the world to recycle medical waste.

New, Innovative Products Showcase Patient Safety and Resource Efficiency

As Baxter develops new products, we strive to make them safe, user friendly and effective for patients and caregivers while minimizing the environmental impact of production and use. We launched several products in 2018 that highlight our focus in these areas, including the following:

PrisMax System is our next-generation technology for continuous renal replacement and organ support therapies. This product, which has launched in select markets, features innovative technology to make delivering therapy simpler and more efficient while improving treatment accuracy in the intensive care unit. It consumes 15% less energy than our previous generation technology. **PrisMax** System can also automatically empty into a drain instead of waste bags if the proper facilities are available. This markedly decreases use of disposables as one auto-effluent accessory can take the place of 72 effluent bags for every 144 hours of use.

Launched in select markets, the **Spectrum IQ** Infusion System with **Dose IQ** Safety Software is the first of its kind. It was designed specifically for bi-directional electronic medical record integration, with exclusive features to help ensure the correct medications and fluids are delivered to the patient. We partnered with First Databank to integrate an evidence-based library of IV medications into our **Dose IQ** Safety Software, making delivery of IV infusions safer. In addition, single set technology enables clinicians to easily switch between gravity and pump applications without changing sets. This may help reduce use of IV tubing by up to 30%, lower IV tubing set costs by up to 53% and decrease opportunities for touch contamination that can lead to patient infection and the potential spread of pathogens.

Our **Evo IQ** Infusion System, launched in select markets, features a scalable platform, user-centric design and intuitive workflows that optimize clinician efficiency. Like **Spectrum IQ**, **Evo IQ** works with Baxter's customizable **Dose IQ** Safety Software to streamline programming and help reduce the chance of medication error. **Evo IQ** features a lightweight, portable pump that is 47% lighter than its predecessor, and its modular design enables easy and cost-effective service and maintenance, potentially extending the life of the product. Because **Evo IQ** also uses single set technology, it provides similar benefits to **Spectrum IQ** in terms of reduced use and costs for IV tubing and reduced opportunities for touch contamination.
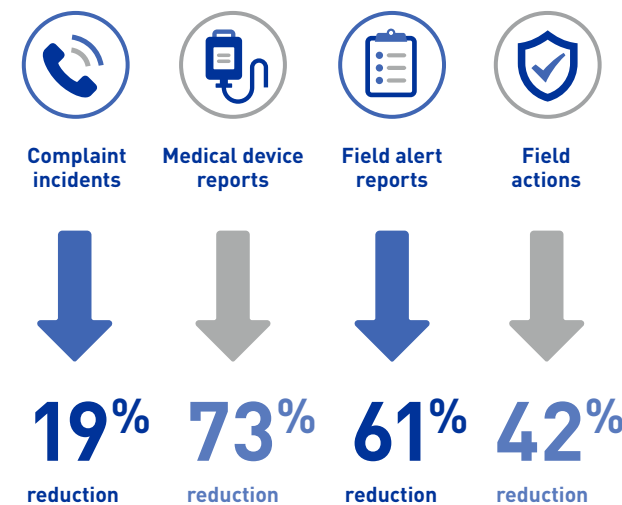
Available in Japan, **Kaguya** is an innovative automated peritoneal dialysis (APD) system designed to improve access to renal therapy at home. Together with **Sharesource** remote patient monitoring, the system provides remote visibility and proactive patient therapy management for healthcare providers. The **Kaguya** APD cycler is about 40% lighter than the previous generation technology and may reduce the weight of disposables by up to 14%.

Patient Safety and Quality

Baxter's commitment to patient safety is at the core of all we do. Our success depends on the safety and quality of our products and services. We focus on quality across the product life cycle, from product development and enhancements to post-market surveillance.

Building on years of steady work in this area, our patient safety and product performance approach and processes are driven by our commitment to continuous improvement. In 2018, we continued to make progress on complaint reduction as well as improvements on other quality-related metrics (see graphic).

PROGRESS FROM 2015 TO 2018*

Complaint incidents	Medical device reports	Field alert reports	Field actions
19% reduction	**73%** reduction	**61%** reduction	**42%** reduction

* "Complaint incidents" are the number of alleged product defects globally. "Medical device reports" are reports submitted to U.S. Food and Drug Administration (FDA) of certain medical device malfunctions, serious injuries or deaths associated with the use of a medical device. "Field alert reports" are reports submitted to FDA for a specific drug application and defect category. "Field actions" include both recalled products and non-recall actions taken on distributed products globally. All data include acquisitions and supplier-related data.

In 2018, we implemented more than 100 improvements to Baxter products.

ENABLERS → **100+** → RESULTS

PRODUCT IMPROVEMENTS

- Design control
- Change control
- Labeling process

- Enhanced patient safety and quality
- Improved product performance
- Improved customer service

During 2018, we standardized our Product Quality Data Review process globally, which has created a consistent, multi-tiered approach to evaluating our products. We took a "one Baxter" approach to ensure alignment across the organization and significantly improved our design control, change control and labeling processes. This enabled swifter implementation of product improvement actions and established the framework for future improvements across our diverse product portfolio. Ongoing efforts include the following:

- Stronger oversight and increased monitoring of suppliers and external contract manufacturers, and tighter product specifications to help reduce supplier-related defects and recalls.
- Manufacturing improvements and increased use of automated visual inspection systems to help reduce potential recalls.

- Labeling improvements to institute tighter controls and monitoring to help eliminate potential recalls due to labeling defects.
- Product design changes and enhancements to help eliminate errors in use.

Since 2015, we have successfully lifted five U.S. Food and Drug Administration (FDA) Warning Letters. We are working diligently to remove the two FDA Warning Letters that remain: the combined Warning Letter issued in May 2013 for the Marion (North Cove), North Carolina, and Jayuya, Puerto Rico, facilities, and a Warning Letter issued in July 2018 for the Ahmedabad, India, facility, which was acquired through the Claris Injectables purchase in July 2017. FDA inspections of the Marion (North Cove) and Jayuya facilities, in 2018 and 2019, respectively, were classified as Voluntary Action Indicated (VAI); final resolution is pending, which may be sufficient to lift the Warning Letter. We are preparing for a re-inspection of our Ahmedabad facility, with a goal to have the Warning Letter lifted in 2020.

We continue to strengthen our relationships with regulatory bodies. In 2017, we were among a select few of industry leaders to join a pilot program with FDA, which included Capability Maturity Model Integration appraisals at two sites. During 2018, an additional seven Baxter plants were included in the appraisals as we worked with FDA to move the program beyond the pilot stage and into sustainable operations. This new approach is expected to develop standards and metrics that the agency can use to compare companies more effectively, identify leaders in safety and quality, and determine inspection frequency.

Sustainable Design

Baxter's product sustainability program embeds product stewardship across the company in partnership with our Research and Development, Marketing and Supply Chain groups.

To support our sustainable design efforts, we utilize an Environmental, Health, Safety and Sustainability (EHS&S) review. This required assessment occurs during the product development process for all new products to assess environmental, health and safety, sustainability and regulatory considerations and requirements across the value chain. This includes high-level review as well as more detailed life cycle assessment (LCA)-based computer modeling of proposed products and may involve comparison with existing products. Key metrics have demonstrated progress in avoiding materials of concern, minimizing customer waste and reducing product carbon footprint. EHS&S review also helps us to continually improve our operations, meet customer expectations and manage regulatory risk.

For select new and established products, we use full LCAs to evaluate and improve product sustainability performance. During 2018, we conducted an LCA of our **Revaclear** and **Theranova** dialyzers. Based on this analysis, we estimate that the carbon footprints of these products range from 2.0 to 2.5 kg CO_2e per dialyzer for the EU market. The facility in Germany where Baxter manufactures these dialyzers has reduced its energy and water use per unit of production, reduced the waste it

GREENHOUSE GAS EMISSIONS FOOTPRINT: REVACLEAR AND THERANOVA DIALYZERS*

[Kg CO_2e]

	Revaclear 300	Revaclear 400	Theranova 400	Theranova 500
Materials	40%	38%	39%	39%
Manufacturing	33%	36%	35%	36%
Distribution	1%	1%	1%	1%
Disposal	26%	24%	25%	24%
Total Kg CO_2e	2.0	2.3	2.2	2.5

* Global warming potential, excluding biogenic carbon, of **Revaclear 300**, **Revaclear 400**, **Theranova 400** and **Theranova 500** dialyzers—EU Market.

generates in production, is a zero waste-to-landfill facility and has used 100% renewable electricity since 2017. The procurement of 100% renewable electricity alone reduced the carbon footprint of the dialyzers by 34–37% compared with the carbon footprint the dialyzers would have if the facility used average electricity grid energy sources.

As a founding member of the Sustainable Healthcare Coalition (SHC), we work to understand customer needs and trends related to sustainable healthcare and help drive the industry forward. We published two environmental case studies on the SHC website in 2018, using the SHC's healthcare products and care pathways carbon footprinting guidance: one related to the environmental impact of continual renal replacement therapy with **Prismaflex** System, and another related to the environmental impact of our **CWP 800** water purification system.

Materials Use

Materials use is a key driver of Baxter's environmental footprint, so getting the most value possible from materials is central to our transition toward a more circular approach. Reducing plastic waste and increasing recycling is critical, as plastic scrap from manufacturing is Baxter's largest waste stream. Compared with our 2015 baseline, we have reduced plastic scrap per unit of production by 10% at 18 sites globally, representing nearly 85% of our overall plastic volume. Our facility in San Vittore, Switzerland, is the main manufacturer in Europe of the plastic film used

10% less ⬇

plastic scrap per unit of production at sites representing nearly 85% of our overall plastic volume*

* Compared with 2015 baseline

in our products for the European market. This site has implemented a series of projects over the past several years to reduce plastic scrap. These projects have led to a reduction of 140 metric tons (13% per unit of production) in 2018 compared with 2017 and a reduction of 268 metric tons (24% per unit of production) compared with 2015.

We also innovate to decrease the environmental impact of product packaging, without adversely affecting product safety or efficacy, by reducing the amount used and substituting with environmentally preferable materials. From 2016 to 2018, we have reduced packaging globally from products shipped to customers by 1,593 metric tons.

Keeping materials of concern out of the waste stream increases the value of discarded material and the potential for such material to be reused for other high-value purposes. We have global strategies and programs to help ensure that we meet product materials restrictions, such as the EU RoHS2 Directive and EU REACH Regulation, among others. We also work to avoid or minimize the use of conflict minerals in our products, beginning in the early stages of product development. As part of our EHS&S product reviews, we consult a number of lists, which help us avoid chemicals of concern. These lists include, but are not limited to:

- California Proposition 65
- EU Medical Devices Regulation
- EU REACH Substances of Very High Concern
- EU RoHS
- Montreal Protocol on Substances that Deplete the Ozone Layer
- Stockholm Convention on Persistent Organic Pollutants
- US SEC conflict minerals

Additional substances we seek to avoid or minimize include endocrine disrupters, latex, phthalates, volatile organic compounds and others that might not appear on the lists above. See Baxter's position statement on conflict minerals and our most recent Conflict Minerals Report.

Packaging Reduction Efforts

During 2018, we initiated several projects to reduce packaging, including:

- We changed the shipping carton we use at our Amata, Thailand, facility for our 2-liter peritoneal dialysis (PD) solution—leading to a reduction of 197 metric tons in cardboard (a 10% decrease) and $25,000 in savings annually.

- At our facility in Atlacomulco, Mexico, we reduced the thickness of our renal **Twin Bag** Containers, which reduced the weight of the bags by 30%. We also reduced the amount of stretch film we use to package the product by 60%. These projects saved 11 metric tons of plastic and more than $30,000 annually.

- Our facility in Lille, France, is working with a local hospital system to use reusable totes rather than corrugated boxes for our deliveries. We then pick up the empty containers so we can reuse them for the next shipment. This will save 2 metric tons of packaging annually and serves as a model for expansion to other hospitals.

Striving for Full Materials Disclosure

Baxter undertakes a variety of activities to comply with product chemical and medical device regulations. Working with a third party, we collect data from suppliers to determine the use of substances of very high concern. This helps us to confirm compliance with global material regulations and assists us in proactively monitoring the impact that changes in global legislation might have on our product portfolio. We also continue to leverage third-party testing, which provides us with full material data and LCAs

for many of our devices. This helps to validate that the devices are in compliance with chemical legislation and provides information we need to respond to environmental questionnaires from customers. As of the end of 2018, we completed testing for six of our electromechanical devices, which included more than 7,500 parts.

Additionally, in Europe, we are a member of MedTech, where we work with other multinational pharma/medical device companies to drive full material disclosure in global material compliance. As members, we also monitor RoHS and REACH developments and contribute to greater understanding of the hazardous substances requirements for the EU Medical Device Regulation to enable consistent interpretation and efficient compliance.

Product End-of-Life

Baxter works to recapture valuable materials for reuse at the end of product life. Some of the electromechanical medical devices we sell, such as renal APD cyclers, support progress toward the circular economy through serviceability, repair and reuse. We lease certain types of electromechanical medical products to customers and patients, which helps ensure they have the technology that best meets their needs and provides more flexibility than owning the devices. This model also ensures those products will be returned to Baxter after a set period of time for repair and reuse.
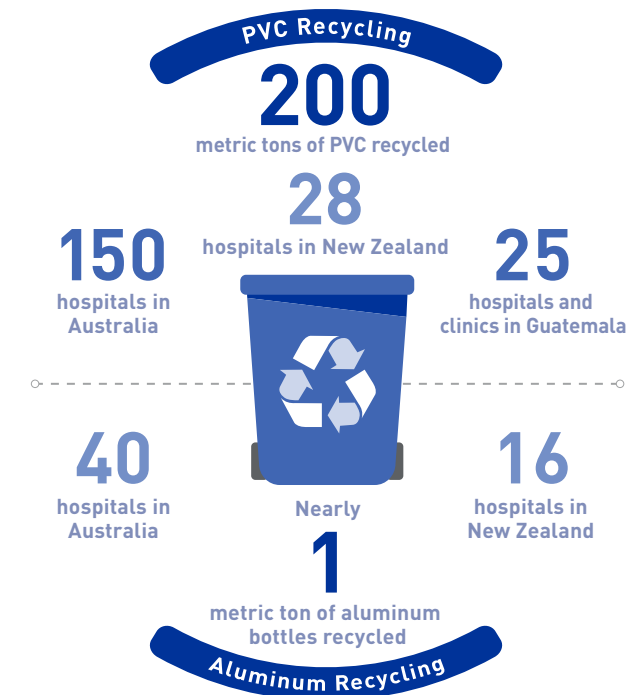
Regulations in many countries worldwide require responsible recycling of electronic products when reuse is no longer an option. For example, the EU Waste Electrical and Electronic Equipment (WEEE) Directive requires manufacturers to arrange for the take-back of electronic products at end-of-life. Our WEEE website provides customers detailed information on how to return or dispose of Baxter products in accordance with the directive.

We also work with customers, industry peers and recycling and disposal vendors to facilitate the recycling and responsible treatment of disposable medical products. Baxter is a charter member and leads the technical working group for the Healthcare Plastics Recycling Council (HPRC). As part of this working group, we help apply the collective technical knowledge, experience and resources of the HPRC to address barriers to healthcare plastics recycling and to drive change in the industry. During 2018, we partnered with HPRC to run a workshop in the Netherlands, bringing together stakeholders from across the plastics value chain to explore solutions to barriers in hospital plastic recycling. In addition, several of the HPRC projects in which we have participated were completed, including:

- A case study that explores the recycling programs and related partnerships that Kaiser Permanente and the Cleveland Clinic put in place to facilitate recycling at their facilities

- An update to the HospiCycle Toolbox with space guidelines for hospitals, including two tools on which Baxter took the lead: dock space guidelines and small space guidelines

- A value chain map for vendors and stakeholders that illustrates the various paths materials might take within healthcare plastics recycling

Practicing what we have helped to develop, Baxter has introduced a number of programs to facilitate recycling for patients and hospitals. In Australia and New Zealand, we assist patients who receive regular home deliveries of dialysis solutions to recycle related waste. As of the end of 2018, about 30% of Baxter PD home patients in these countries (more than 800 patients) participated in the Home PD Recycling Program. In 2018, the program collected and recycled 268 metric tons of plastic and 132 metric tons of cardboard.

HOSPITAL WASTE RECYCLING IN AUSTRALIA, NEW ZEALAND AND GUATEMALA, 2018

PVC Recycling
200 metric tons of PVC recycled

28 hospitals in New Zealand

150 hospitals in Australia

25 hospitals and clinics in Guatemala

40 hospitals in Australia

16 hospitals in New Zealand

Nearly **1** metric ton of aluminum bottles recycled

Aluminum Recycling

Also in Australia and New Zealand, Baxter actively collaborates with the Vinyl Council of Australia to offer PVC and aluminum recovery initiatives for hospitals. We have established a similar program in Guatemala, in partnership with Biotrash, a Central American waste management company. Through the program, we collect and recycle PVC and other plastics from hospitals and dialysis clinics. As of the end of 2018, 25 facilities were participating in the program and Biotrash had recovered 2 metric tons of PVC, which was recycled into the soles of shoes distributed to children who attend the Thelma Arroyo School, Valle de Guatemala in Guatemala City. The shoes were handmade in Totonicapán by indigenous Kekchis women, providing jobs and income to this minority group.

Workplace Culture

Promote inclusion, diversity and employee engagement

2018 HIGHLIGHTS

1.64 million training hours

completed, approximately 32.8 hours per employee*

Employee engagement score increased

2 percentage points

compared with 2017, seven percentage points above global average**

Baxter's eight Business Resource Groups introduced

I'm All IN(clusive)

to advance a culture of inclusion

* These data do not represent all employee training, but do capture a large portion of web-based training for most employees.
** Data are from Aon Hewitt. The global average represents approximately 500 companies and approximately 11 million employees.

Baxter is committed to providing our approximately 50,000[1] employees worldwide with a Best Place to Work. We remain steadfast in driving a high-performing, inclusive and diverse organization where employees pursue rewarding careers and take pride in bringing the company's mission to life. To help employees realize their full potential and reward them for their contributions, we offer a wide range of learning and development opportunities and competitive compensation and benefits. (View workforce data.)

Employee Engagement

Performance and Career Development

At Baxter, we embrace a continuous feedback model for performance management. This includes monthly check-ins between employees and their managers that focus on feedback and career development. During 2018, we continued to drive adoption of regular check-ins and enhancement of managers' skills to engage in productive performance conversations with employees. We've found that employees who take part in monthly check-ins have engagement rates that are 23 percentage points higher than employees who do not.

Historically, we've focused our talent review and planning process on senior leaders. During 2018, we expanded this process down through the manager level. This helped us better understand our global talent pipeline, identify high-potential employees and mitigate retention-related risk.

Talent Development

Baxter's talent development philosophy emphasizes continuous learning, building relationships (including mentoring) and enhancing work experiences.

Continuous Learning   We provide virtual, online and classroom offerings worldwide on topics such as business/financial acumen, leadership, management, product knowledge and a wide range of job-specific skills. During 2018, we worked to improve the training we provide to employees, offering a broad range of relevant, high-quality content with a focus on helping employees advance their personal and professional development. As of January 2019, our training is consolidated into a single, mobile-friendly learning platform, called BAXU.

In 2018, we recorded a total of 1.64 million training hours, which equals approximately 32.8 hours per employee.[2]

Rotational Development Programs   Early-career employees can develop skills and enhance knowledge of Baxter through rotational programs. We recruit early-career professionals in Finance, IT, Marketing, Operations/Quality, Research and Development, and Sales to participate in these programs. Learn more about our rotational development programs.

Summer Internships   To invest in our future workforce, we host a 12-week internship/co-op program to provide college students with hands-on experience and networking opportunities. Participants are often invited back to join one of our development programs. Learn more.

Learn more about talent development at Baxter.

Manager and Leadership Development

During 2018, Baxter continued offering a range of programs to more fully engage our managers and drive effective leadership across the company. This includes leadership programs related to change management, quarterly calls about culture change with Baxter's CEO and curriculum for senior leaders to improve coaching and strengthen presentation skills. We also offer various leadership development programs, including Leadership Challenge, Situational Leadership, Managing the Matrix, Leading for Results and Growing Emerging Leaders. In 2018, 41% of senior leaders globally participated in one or more of these leadership development programs. In 2019, we will introduce a global manager development program focused on increasing manager effectiveness.

Transforming Company Culture

In 2017, Baxter engaged our managers in conversations about decision-making, overcoming bureaucracy and removing obstacles. Building on that work, in 2018 we established four culture levers—speed, simplicity, courage and collaboration—which form the basis for our cultural transformation. We've embedded the levers into established processes ranging from interviews to new employee orientations to monthly check-ins. We've also introduced a new initiative that helps us address inefficient processes. Using monthly pulse surveys, we evaluate the impact of these levers across the company to ensure we are making progress.

Every year, we conduct a Best Place to Work survey. In 2018, 82% of our employees worldwide participated. We exceeded the cross-industry global average in all eight categories, including the new Culture category we added to measure our cultural transformation efforts. Scores improved between one and three percentage points in each of the categories assessed, except for the Organization and Workplace categories, which maintained the same scores from 2017. Survey results were shared broadly across Baxter, and teams created action plans to stimulate continuous improvement.

BAXTER 2018 BEST PLACE TO WORK SURVEY (CATEGORY SCORES)*

		2016	2017	2018	2018 Global Average**
Culture	Culture levers are the critical behaviors that will help us achieve a winning culture	–	–	71%	68%
Development	Providing employees with the opportunity to grow and the resources to achieve their career aspirations	65%	67%	68%	59%
Engagement	An employee's personal investment in the organization and motivation to contribute to its success	66%	67%	69%	62%
Inclusion	Ensuring everyone is able to contribute their best and that the company has a diverse employee population to drive innovation	61%	63%	66%	63%
Leadership	Growing leaders who inspire commitment and engagement, develop their teams and align goals	62%	63%	66%	62%
Organization	Driving productivity through goal alignment, agility and teamwork; ensuring clarity on direction and vision	71%	72%	72%	62%
Rewards	Providing competitive pay and benefits; attracting and retaining the best talent with our programs	56%	59%	61%	46%
Workplace	Providing a safe work environment; enabling employees to do their best work	69%	71%	71%	65%

* Scores indicate the percentage of survey participants who responded favorably to statements related to each of the categories listed.
**Data are from Aon Hewitt and represent approximately 500 companies and approximately 11 million employees.

Compensation and Benefits

Baxter's total compensation philosophy is to provide market-competitive pay and benefits globally while rewarding employees for strong individual and business performance. Learn more about employee compensation and benefits and executive compensation.

Pay Equity Study

During 2018, we worked with an independent firm to conduct a pay equity study for our U.S. salaried workforce and found no significant pay differences among men, women and ethnic minorities. At Baxter, we have equitable compensation practices, regardless of gender or ethnicity. This study confirmed that our managers are following our practices.

Global Inclusion and Diversity

Baxter is committed to attracting, motivating, developing and retaining an inclusive and diverse workforce. This drives innovation, creates trusted

Global Inclusion and Diversity Focus Areas

- **Workforce**   Recruit and build diverse and high-performing teams that are engaged and innovative.
- **Workplace**   Advance an inclusive culture, where every employee feels valued, respected and safe to be their authentic self.
- **Communities**   Cultivate strategic and diverse supplier and community partnerships.
- **Marketplace**   Consider the needs of customers and their patients in all aspects of our business.

partnerships with customers, suppliers and community partners, and contributes to the success and sustainability of our business.

During 2018, Baxter focused on driving inclusive leadership capabilities across the company and attracting, advancing and engaging women and other underrepresented minority groups, including U.S. veterans, people with disabilities and from various races/ethnicities, early career professionals and the LGBTQ community.

Highlights of some of these activities include:

Gender IQ Program   We expanded a leadership development program for our global leadership team to help them better understand gender biases and blind spots, foster more productive working relationships, positively leverage gender differences and advance women within our company. From the program's inception in 2017 through the end of 2018, 137 leaders have completed the program.

Sponsorship   We have a formal sponsorship program to advance the careers of women and underrepresented minorities (U.S.), through which we encourage senior leaders to advocate for the advancement of high-performing, diverse talent.

Working Parents/Caregiver Program   We provide resources to help U.S. employees prepare for and manage parenthood and caregiving as working professionals. We launched a new, easy-to-navigate portal in 2018. This one-stop resource includes information on parental and maternity leave, childcare, adoption assistance and workplace flexibility.

Mentoring for New Women Leaders   In 2018, we formally launched our WoMentoring program, piloted in 2017, to support women who were newly hired or promoted into executive roles.

In 2018, our eight Business Resource Groups joined together to introduce an all-employee inclusion pledge: I'm All IN(clusive). Employees who make the pledge, commit to advocating for and supporting all their co-workers and doing their part to create a culture of inclusion based on fairness and open and honest communication.

Board Diversity

We are committed to further increasing the diversity of our board of directors through strategic board refreshment efforts. The last three appointments have been female directors. As of May 2019, women comprise 25% of our board of directors. See information regarding board diversity on page 5 of Baxter's 2019 Proxy Statement.

Global Inclusion Council

Baxter's Global Inclusion Council (GIC), chaired by a member of our senior leadership team, is composed of approximately 15 leaders from our businesses, regions and functions. These leaders serve as inclusion and diversity champions, advocates and thought leaders across the company. The GIC is responsible for advocating and driving our global inclusion and diversity priorities, as well as developing and implementing local inclusion plans.

Building Cultural Competence

Baxter provides employees with training, tools and resources to build cultural awareness and competence, and engage more authentically with each other. Many employees also work on global teams, enabling them to build cultural competence through daily interactions.

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

Baxter works to embed awareness of unconscious bias throughout our company. We prompt employees to think through their biases in key processes, such as talent assessment, succession planning, feedback and hiring. In 2019, we initiated a process called "Pause and Discuss" during our hiring process. This is a structured discussion to help us check for unconscious bias in the selection decision before moving forward with an offer. We also encourage employees to practice simple acts of inclusiveness in their day-to-day routines.

Business Resource Groups

Baxter's Business Resource Groups (BRGs) are an important component of creating an inclusive and diverse culture and advancing our priorities as a company. Our BRGs are employee-run affinity groups that support the recruitment, retention, engagement and development of diverse employees across Baxter. Learn more.

Equal Opportunity

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

Workplace Flexibility

Baxter recognizes the increasing demands on employees to manage their personal and work lives, and respects the need for different approaches to where, how and when work gets done. With tools and resources available for employees and managers to navigate ad hoc or ongoing flexible arrangements, employees are encouraged to discuss with their managers what options might be right for them and their jobs.

Learn more about workplace flexibility at Baxter.

Our BRGs celebrate the differences that make us unique. Built on shared interests and affinities, BRGs engage with diverse communities where we live and work.

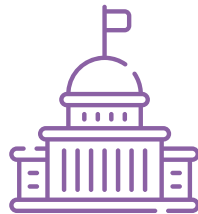**BAXTER'S BUSINESS RESOURCE GROUPS**

Ethics and Compliance

Drive a culture of integrity and the highest ethical behavior

2018 HIGHLIGHTS

0

corruption-related enforcement actions

99%

of employees completed annual Code of Conduct training

Favorable ratings

achieved on employee survey questions related to ethics culture (within 1 and 2 percentage points of top quartile)

As a global healthcare company operating in more than 100 countries, we incorporate ethics and compliance into everything we do. Baxter's success is based on personal accountability for results and integrity. Patients, doctors, customers, regulators, investors, communities and employees count on it. We prioritize being honest and fair, keeping promises, encouraging questions, valuing discussion and following legal requirements.

Companywide Accountability

Baxter has compliance committees for each country or cluster of countries where we operate to further integrate ethics and compliance across our company in strategic plans and day-to-day activities. To ensure the local implementation of our global ethics and compliance program, the business lead of each country/cluster holds mandatory quarterly meetings to facilitate discussion among local leadership about key issues, challenges and risks in their area. This approach, in conjunction with Baxter's established codes, policies, trainings and monitoring and assessment practices, enables the company to more effectively target specific needs and drive ownership of and responsibility for ethics and compliance worldwide.

Ethics and Compliance Training

In 2018, 99% of employees completed annual Code of Conduct training and affirmed that they have read the Code and will report any violations to Baxter's Ethics and Compliance Helpline. Employees also complete online courses relevant to their jobs, covering topics addressed in Baxter's Global Interactions Policy and Third Party Program. In addition to the anticorruption content covered by the Code of Conduct and Global

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DRIVING A CULTURE OF ETHICS AND COMPLIANCE

Interactions Policy training, our sales force participates in business-led, interactive workshops/trainings related to interactions with the medical community and government officials, including discussion of real-life scenarios.

Third Party Program

Baxter is committed to conducting business with integrity and in compliance with the law wherever we operate. Our Third Party Program, policy, and training outline the standards and processes used to review, retain and monitor new and existing third parties for compliance with our anticorruption expectations. The program and policy apply to Baxter employees, officers and directors involved in the review, retention and monitoring of third parties. Through December 2018, approximately 4,500 targeted employees received training on the company's

Third Party Program, in addition to the anticorruption content covered by Code of Conduct training. We also provide training to all new and existing third parties.

Compliance Assessments

Baxter conducts risk audits and assessments at least annually, and more often as needed, covering corruption, among other topics. Our Corporate Audit and Ethics and Compliance functions select the locations of operations to audit and assess based on factors such as size, Transparency International's Corruption Perception Index, the nature of interactions with the medical community and third parties, industry trends, and the results of local and regional compliance monitoring and investigations. These assessments may focus on relationships with third parties, considering possible risk factors such as the nature of the working arrangement with Baxter, adherence to contractual terms and our Ethics and Compliance Standards for Baxter Suppliers, the level of interaction with governments and healthcare professionals, and training history and needs.

In 2018, we conducted four compliance assessments using Corporate Audit and Ethics and Compliance resources, one in each of the following areas: Asia Pacific; Europe, Middle East and Africa; Latin America; and U.S./Canada.

Compliance Monitoring

Baxter has deployed a data analytics-based monitoring system in 15 key countries around the world, including Brazil, China, India and Russia. This system enables us to perform near-real-time monitoring of metrics related to travel, entertainment, and interactions with healthcare professionals and government officials. Transactions identified as potentially problematic are reviewed by the Ethics and Compliance investigation team as appropriate.

We will continue to expand the monitoring program across additional countries and examine risk metrics to identify new areas of focus for our monitoring efforts.

Relationships with Healthcare Professionals and Government Officials

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

We have local Contributions Management Committees, which act as independent entities to review and process contribution requests from nonprofit and for-profit healthcare organizations.

Ethics and Compliance Helpline

In 2018, Baxter logged 503 reports from 33 countries into our Ethics and Compliance Helpline system and closed 499. Not all of the reports involved allegations of misconduct. Nevertheless, all were promptly triaged and have either been addressed or are in the process of being addressed.

Privacy and Data Protection

We respect the privacy of our patients, employees and customers. Baxter's Global Privacy Policy defines our privacy standards and guides our global operations to follow similar controls for protecting personal information. During 2018, we focused on successful

ITEMS REPORTED TO THE ETHICS AND COMPLIANCE HELPLINE IN 2018

Reports Closed by Category	% of total*
Work Environment/Employee Relations	57%
Manufacturing/EHS&S/R&D/Regulatory/Quality	14%
Interactions with Government Officials Including HCPs/HCOs (outside the U.S.)	10%
Asset or Information Misuse or Misappropriation/Confidential Data	5%
Marketing and Sales	5%
Financial Management and Reporting	4%
Competitive Practices	3%
Conflict of Interest	3%
Payments/Gifts/Entertainment with HCPs/HCOs (U.S.)	0%

* Segments add up to more than 100%, due to rounding. The category Payments/Gifts/Entertainment with HCPs/HCOs (U.S.) had two reports closed, which rounded to 0%. "HCPs" are healthcare professionals. "HCOs" are healthcare organizations.

implementation of and compliance with the EU General Data Protection Regulation (GDPR). We have established a GDPR Policy and related training for employees.

Baxter's Information Protection Policy outlines our approach to information security and the standards we require employees and suppliers to follow. In response to growing and changing cyber threats, we consistently assess and strengthen our cyber defenses and response capabilities. The Global IT Security Operations team protects Baxter against cyber attacks using a range of defenses that secure our assets, reduce detection time and improve recoverability. We continue to raise security awareness with all Baxter users through mandatory training and in-person events. The Enterprise Cybersecurity and Information Council oversees efforts in this area.

Employee Health and Safety

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

2018 HIGHLIGHTS

Recordable case rate

9% ⬇ *

our lowest ever

Cases with days lost rate

20% ⬇ *

100%

of campuses with 25 or more employees were smoke-free**

* Compared with 2017
** In countries where smoke-free status is allowed by law

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

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

We track and evaluate each major incident that occurs in our workplace to fully understand root causes and prevent recurrence. The Environmental, Health, Safety and Sustainability (EHS&S) organization reports employee safety performance to senior leadership and manufacturing and supply chain management weekly. EHS&S also communicates performance to Baxter's board of directors.

Performance

In 2018, we achieved Baxter's lowest ever recordable case rate, a decrease of 9% from the prior year. We also improved our cases with days lost rate by 20% and our days lost rate by 20% compared with 2017.

Key contributors to overall improvement included:

- Further engagement of employees in ongoing hazard identification prior to events occurring
- Continued visibility to all recordable injuries through weekly management reporting and Recordable Roundtable calls
- Increased management engagement in safety performance
- Accountability systems for root cause analysis and corrective action plans

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RECORDABLE CASE RATE AND CASES WITH DAYS LOST RATE
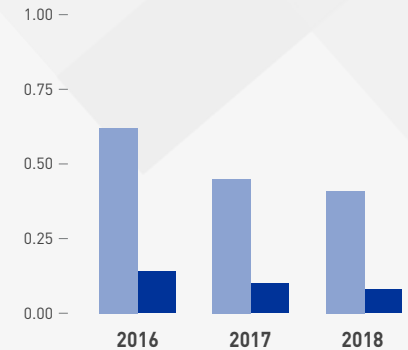
	2016	2017	2018
Recordable Case Rate	0.62	0.45	0.41
Cases with Days Lost Rate	0.14	0.10	0.08

DAYS LOST RATE AND RESTRICTED DAYS RATE
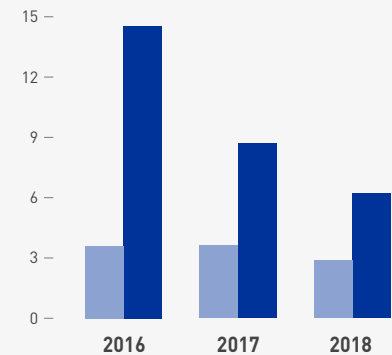
	2016	2017	2018
Days Lost Rate	3.60	3.62	2.88
Restricted Days Rate	14.53	8.69	6.20

🔍 **VIEW THE DATA SUMMARY FOR MORE DETAIL.**

Injuries and Major Incidents

We regularly evaluate our main sources of work-related injuries to identify trends and opportunities for improvement.

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

Seven major incidents occurred at Baxter in 2018, the same as in 2017. Two of those were fatalities, one involving a contractor.

VIEW THE DATA SUMMARY FOR MORE DETAIL.

Enhancing Safety Culture

In 2018, based on a review of historical performance trends, we further enhanced Baxter's safety culture. We accomplished this through detailed safety action plans for targeted facilities, heightened oversight of case reporting (with recordkeeping audits), completion of corrective and preventive actions following major injuries, and initiatives aimed at personalizing the value of safety for our employees.

Focused Injury- and Illness- Reduction Strategies

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

Emphasis on High-Hazard Sources

During 2018, Baxter continued to categorize all EHS&S incidents by potential severity. We worked to determine the root causes of incidents, correct them and prevent recurrence. We continued our Safety Alert system to enhance learning from major incidents. The system requires applicable sites to verify awareness of occurrences, associated risks and any needed remediation.

Health and Wellness Program Management and Initiatives

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

BeWell@Baxter

Healthy employees are more engaged and productive and less vulnerable to safety incidents and injuries. Through BeWell@Baxter, our global employee health and wellness effort, we strive to create a culture that raises awareness of and promotes work-related and personal health.

The cornerstone of BeWell@Baxter is the Personal Wellness Profile, an online health risk assessment that helps employees understand how lifestyle choices, family history and other factors influence health and related risks. We use this data to focus our health

Baxter employees in Sweden participating in a local 10K race during the annual BeWell@Baxter Exercise Challenge held every May.

promotion program on areas of highest health risk for employees. As of the end of 2018, 36% of employees worldwide had completed a Personal Wellness Profile.[1]

In 2018, more than 11,500 employees logged more than 230,000 hours of exercise as part of the BeWell@Baxter Exercise Challenge, a 15% increase in hours compared with 2017. In addition, 54% of facilities worldwide took part in Healthy Eating Month.

Other Programs and Initiatives

Baxter's occupational health team also works to continually improve the company's performance with the following programs and initiatives:
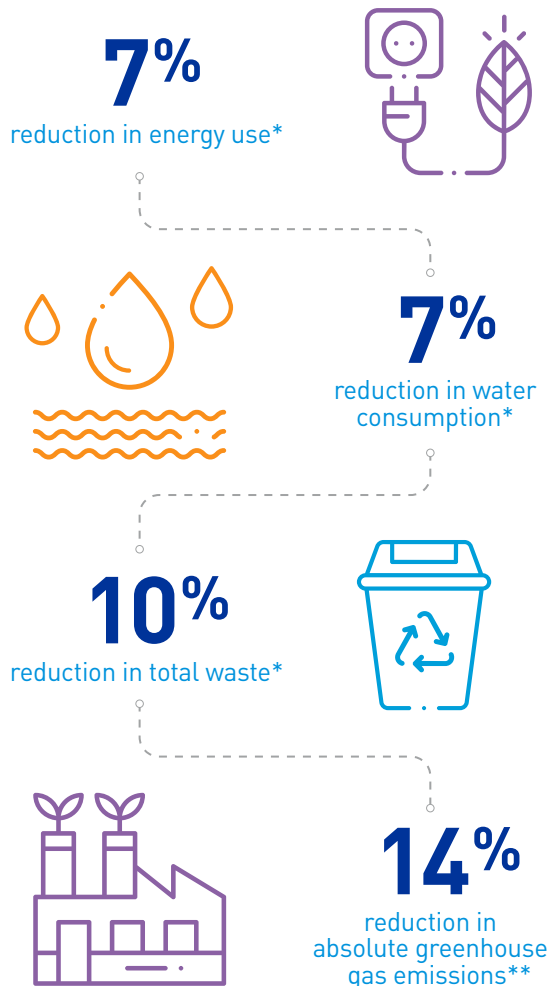
Flu vaccinations   In 2018, we offered free seasonal flu vaccinations to all employees working at sites with 25 or more employees; nearly 12,700 employees worldwide received vaccinations through this program.

Smoke-free workplaces   In 2018, in countries where smoke-free status is allowed by law, 100% of campuses with 25 or more employees were smoke-free, up from 93% in 2017.

Operations

Reduce environmental footprint through increased efficiency and resource conservation

2018 HIGHLIGHTS

7%
reduction in energy use*

7%
reduction in water consumption*

10%
reduction in total waste*

14%
reduction in absolute greenhouse gas emissions**

* Compared with 2015 and indexed to revenue
** Compared with 2015

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

At Baxter, we are committed to driving sustainability throughout our global manufacturing operations.[1] We strive to use energy, water and raw materials efficiently, while reducing waste and greenhouse gas (GHG) emissions. This improves environmental performance while saving money and demonstrating environmental leadership.

Our Environmental, Health, Safety and Sustainability (EHS&S) vision is to achieve a sustainable enterprise that creates stakeholder value by advancing superior environmental stewardship, optimum employee health and well-being, and a zero-harm workplace. Baxter's EHS&S Policy outlines our commitments within our operations and across the value chain. Our EHS&S governance structure helps us achieve our goals and create long-term business value.

We follow a management-systems approach guided by our global EHS&S requirements. We apply the ISO 14001 standard to manage our environmental aspects and the OHSAS 18001 standard to manage our health and safety hazards and risks. As of year-end 2018, 59 Baxter locations, including 43 of our manufacturing sites, met the requirements of ISO 14001. Also, in 2018, 45 sites were certified to OHSAS 18001.

Baxter's EHS&S audit program helps to ensure that our facilities have programs that satisfy applicable regulatory requirements and are consistent with our EHS&S requirements, objectives and goals. In 2018, we conducted EHS&S audits at 14 facilities.

In 2018, we received nine environmental Notices of Violation (NOVs). We paid a $4,500 fine related to one of those NOVs. The other eight NOVs did not result in a fine. During 2018, we also paid a $75,000 fine related to three NOVs from 2016. We settled four health and safety NOVs during the year and paid $7,130 in health and safety fines.

PROGRESS TOWARD 2020 ENVIRONMENTAL GOALS

% Change, Indexed to Revenue

- **Energy Use**
- **Water Use**
- **Waste Generation**
  2020 Goals: -15%

Metric Tons CO₂e

- **GHG Emissions**
  2020 Goal: -10%
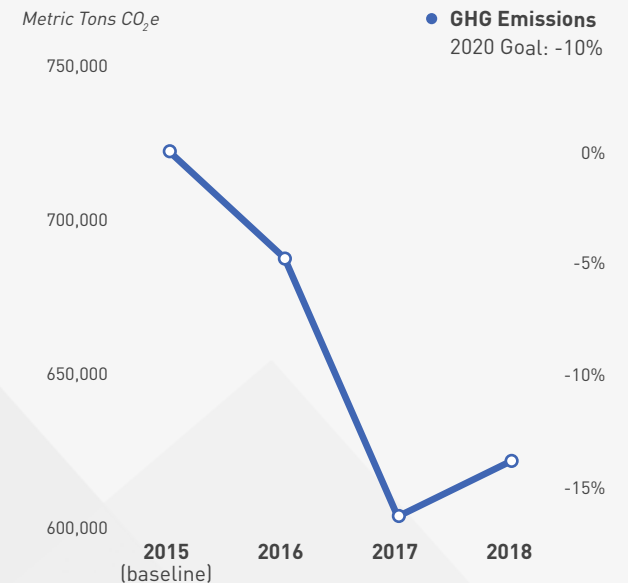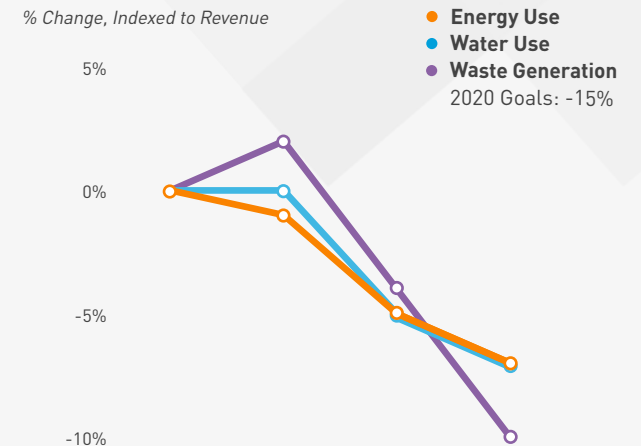
Energy

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

Baxter has a goal to reduce total energy use by 15% indexed to revenue by 2020, from a 2015 baseline. In 2018, we used 9,473 trillion joules of energy—7% less than in 2015, indexed to revenue. This includes electricity, fuel and purchased steam used by Baxter-managed and Baxter-operated facilities; it excludes energy related to company-operated vehicles. In 2018, we increased absolute energy use by 3% compared with 2017, due mainly to facility expansions and production increases. During that period, energy use indexed to revenue decreased by 2%.

2018 ENERGY CONSERVATION PROJECTS

190 projects implemented

231 trillion joules

$4.2 million+

savings during 2018

19,700 metric tons

CO$_2$e of GHG emissions avoided

Energy is one of our most significant manufacturing costs, so energy conservation is important to our business. Our energy costs rose 3% between 2017 and 2018, up $4.8 million, due to increased energy use for production.

Site-specific energy assessments identify opportunities to conserve energy and to apply and share new technologies and best practices across the company. In 2018, we performed energy assessments at six facilities worldwide. From those, we identified 113 potential energy conservation projects, with possible annual savings of $3 million. Sites determine which projects to implement based on feasibility and return on investment. Facility personnel also uncover possible energy conservation projects.

During 2018, we implemented 190 energy conservation projects that saved more than $4.2 million and 231 trillion joules of energy on an annual basis, avoiding more than 19,700 metric tons carbon dioxide equivalent (CO$_2$e) of GHG emissions.

Responsible energy procurement is integral to our GHG emissions reduction strategy. In 2018, at manufacturing sites in Europe, 96.4% of the total electricity procured was from renewable power.

We have operated a Lean Energy Program for our main manufacturing facilities since 2007. It includes four sets of Lean Energy standards—Gold, Silver, Bronze and Prerequisite—defining 14 to 35 requirements a facility must meet at each level, with a focus on process and system energy efficiency. By year-end 2018, 7 sites achieved Gold status, 18 achieved Silver, 35 achieved Bronze, and 45 achieved Prerequisite.

2018 BAXTER LEAN ENERGY PROGRAM ACHIEVEMENTS

7 Gold | **18** Silver | **35** Bronze | **45** Prerequisite
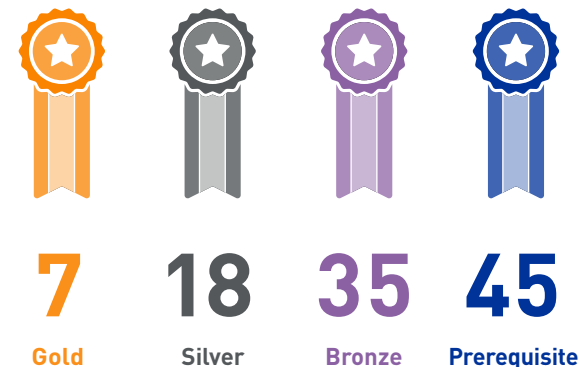
The Baxter global energy program began to apply the ISO 50001 standard in 2014 to its facility-level energy management systems. By the end of 2018, 11 company locations met relevant requirements under an ISO 50001 Group Certificate, as verified by an accredited third party.

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

Water and Wastewater

Water issues continue to grow in importance worldwide. Although these concerns are global, they must be addressed at the local and regional levels. Baxter works to better understand the impacts of our water use across the value chain and implements conservation and efficiency projects at our manufacturing facilities.
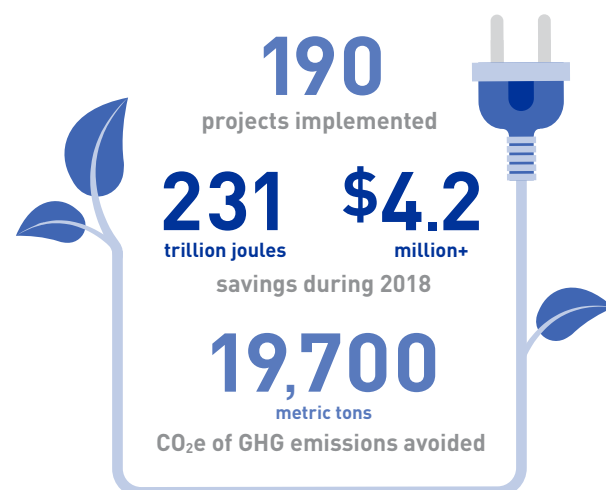
Baxter has a goal to reduce total water use by 15% indexed to revenue by 2020, from a 2015 baseline. We reduced water consumption by 7% indexed to revenue from 2015 to 2018.

During 2018, we used approximately 14 million cubic meters of water.[2] This represents an increase in water usage of 3% in absolute terms and a 2% decrease indexed to revenue, compared with 2017.

We consider several factors to identify water use reduction opportunities and possible water conservation projects at sites, including total water used, water usage efficiency, and water cost and availability. Due to the strong link between energy use and water processing, optimizing water systems remains a key focus of our facility energy assessments. Additionally, we integrate lean manufacturing principles and tools such as value stream mapping[3] with water management to help facilities identify areas for additional conservation. While we have implemented numerous water reduction projects to date, we anticipate potential challenges with further decreases due to business growth and manufacturing changes.

During 2018, our manufacturing facility in Marion (North Cove), North Carolina, Baxter's largest water user, reduced total water use by 73,000 cubic meters compared with 2017. We attribute this reduction to improvements in production efficiency.

Water issues vary significantly by location. In 2016, we applied the World Business Council for Sustainable Development Global Water Tool to evaluate the availability of renewable water supply at our 53 largest water-use locations for which the tool provided data. These locations represented 95% of our total water use. In 2018, facility water use in water-stressed, water-scarce and extreme water-scarcity areas

BAXTER SITES IN LOCATIONS WITH WATER RISK

Country	Water Stressed	Water Scarce	Extreme Water Scarcity
Australia		2	
Belgium		1	
China			1
Dominican Republic			1
Germany	4		
Mexico	1	1	1
Philippines	1		
Singapore	1		
Sweden		1	
United Kingdom		1	2
United States	1		1

combined increased by 3% in absolute terms and decreased 2% indexed to revenue compared with 2017. We attribute the absolute increase to production increases at some sites located in water-scarce areas.

Wastewater

Managing wastewater discharged from Baxter's production operations is one of our most significant environmental priorities. In 2018, six of our nine self-reported environmental incidents were exceedances of permitted wastewater discharge limits. None of those items resulted in a fine.

To address existing wastewater compliance issues globally and to prepare for potential future ones, we pursue an aggressive approach to wastewater compliance, evaluation and risk mitigation. Based on recent experience, we have implemented a systematic

wastewater risk management program that proactively identifies emerging issues. This involves a holistic review of major manufacturing locations including the following activities:

- Evaluate effectiveness of facility change management processes used to assess possible impacts to wastewater generation and compliance

- Review wastewater compliance history and recent data to identify possible trends and areas of concern

- Verify the effectiveness of procedures used to monitor compliance with wastewater permit conditions and methods used to investigate and remedy causes of noncompliant wastewater discharges

- Use five-year production forecasts to compare wastewater treatment capacity and capabilities with anticipated production changes

- Gauge employee awareness of wastewater operations and roles in ensuring compliance

VIEW THE DATA SUMMARY FOR MORE DETAIL.

Waste

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

2018 RECYCLING AT BAXTER

$5.0 million
net income generated

80%
nonhazardous waste recycled

77%
overall recycling rate

51%
regulated waste recycled
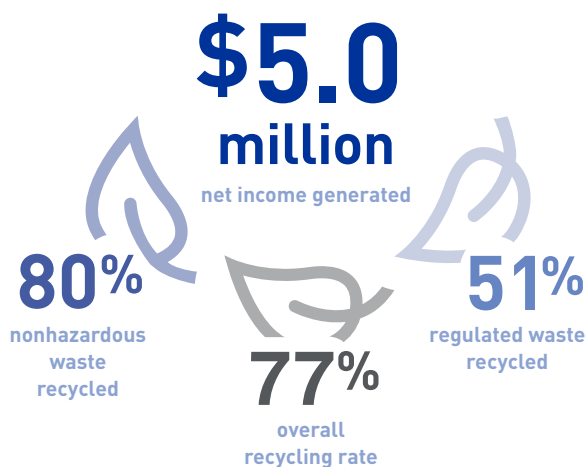
During 2018, our operations generated 69,900 metric tons of total waste, up 1% from 2015 in absolute terms and down 10% indexed to revenue.[4]

Our operations generated 62,800 metric tons of nonhazardous waste during 2018, flat in absolute terms and a 5% decrease indexed to revenue, compared with 2017. We attribute this change to waste reduction initiatives implemented and efficiency improvements at some of our largest manufacturing facilities.

Reducing plastic waste and increasing recycling is a priority; plastic scrap from manufacturing is our largest waste stream, representing roughly one-third of our nonhazardous waste. We also innovate to mitigate the environmental impact of product packaging. Read more in Product Innovation.

Regulated waste[5] represents 10% of Baxter's total waste. During 2018, our operations generated 7,100 metric tons of regulated waste, 12% less in absolute terms than in

2017, and 17% less indexed to revenue. This decrease was due to improvements in regulated waste material handling. For example, a project implemented at our Hechingen, Germany, facility reduced regulated waste by a total of 1,550 metric tons during 2017 and 2018. Adding a drum dryer enabled the site to remove and reuse the hazardous liquid portion from the waste and then recycle the remaining content.

In 2018, we recycled 80% of nonhazardous waste and 51% of regulated waste for an overall recycling rate of 77%. Recycling at Baxter generated nearly $5.0 million in net income in 2018.[6]

We have a goal to pursue zero waste-to-landfill by achieving a landfill diversion rate of 95% or higher at all manufacturing locations by 2020. In 2018, 21[7] manufacturing sites (nearly 40% of the total) and one R&D facility achieved or exceeded this rate. We are working with outside experts to accelerate progress in the coming years.

Our Toongabbie, Australia, manufacturing facility improved waste diversion from landfill from 77% to 94% from 2017 to 2018. The team did this by implementing a series of projects, including improved waste segregation, enhanced mixed plastics recycling using new technology and food waste composting.

⊕ VIEW THE DATA SUMMARY FOR MORE DETAIL.

GHG Emissions Across the Value Chain

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

BAXTER'S GLOBAL GHG EMISSIONS FOOTPRINT

(% of 2018 Total)
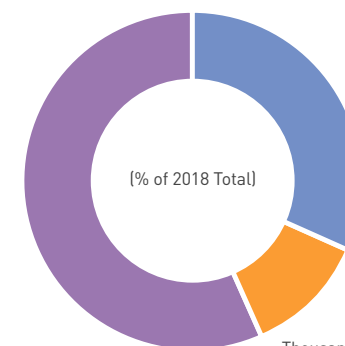
	Thousand Metric Tons CO$_2$e		% of Total
Upstream (Scope 3)	**2017**	**2018**	**2018**
Purchased Goods and Services	745	785	15%
Capital Goods	79	85	2%
Fuel- and Energy-Related Activities	130	151	3%
Upstream Transportation and Distribution	453	517	10%
Waste Generated in Operations	13	11	0%
Business Travel	52	54	1%
Employee Commuting	30	29	1%
Upstream Leased Assets	0	0	0%
Baxter Operations (Scope 1 and 2)			
Facility/Vehicle Fuel Usage and Refrigerant Losses (Scope 1)	301	307	6%
Purchased Energy (Scope 2)	302	314	6%
Downstream (Scope 3)			
Downstream Transportation and Distribution	122	132	3%
Processing of Sold Products	15	17	0%
Use of Sold Products	2,369	2,658	51%
End-of-Life Treatment of Sold Products	157	171	3%
Downstream Leased Assets	0	0	0%
Franchises	0	0	0%
Investments	0	0	0%
Total	**4,768**	**5,231**	**100%**

Multinational companies can help address climate change by understanding their impacts across the value chain and decreasing GHG emissions. These are core elements of Baxter's sustainability efforts. We began reporting our Scope 1, Scope 2 and certain Scope 3 (see descriptions in table above) GHG emissions in 1997 and

contributed to the development of the initial version of the Greenhouse Gas Protocol. See our Climate Change & Energy position statement.

We estimate our 2018 GHG emissions footprint (Scope 1, 2 and 3) at 5.2 million metric tons CO_2e,[8] up 10% from the prior year. The main factor contributing to this increase was GHG emissions associated with the increased sales and production of certain products in 2018.

Since 2015, we have offset GHG emissions related to global business travel with United Airlines through the CarbonChoice program. During 2018, this included 3,900 metric tons CO_2e offset on Baxter's behalf through the Asorpar Colombian Reforestation project, a Verified Carbon Standard/Climate, Community & Biodiversity Standards project.

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

GHG Emissions from Operations
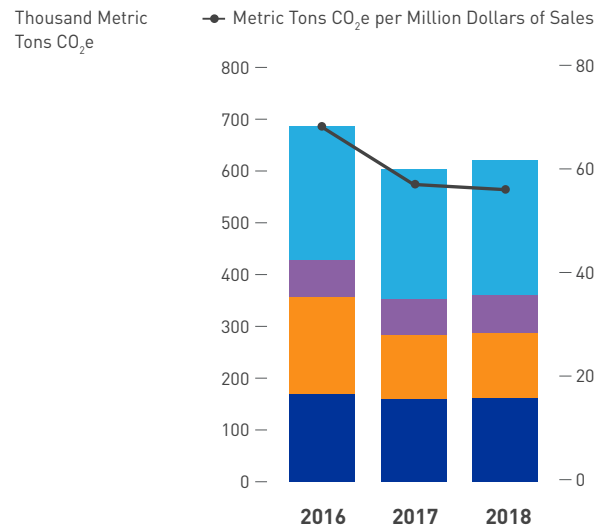
Baxter has a goal to reduce absolute GHG emissions from operations by 10% by 2020, compared with 2015. Through 2018, we reduced GHG emissions from operations by 14%, exceeding our goal. Total net emissions from operations equaled 621,000 metric tons CO_2e in 2018, including a subtraction of 176,500 metric tons CO_2e of carbon credits.

Reduction of energy use is vital to our sustainability strategy, as energy use accounts for 99% of Baxter's GHG emissions from operations. In 2018, Baxter facilities completed 190 energy-conservation projects that reduced annual GHG emissions by more than 19,700 metric tons CO_2e, equivalent to about 3% of our net GHG emissions

GHG EMISSIONS FROM BAXTER OPERATIONS*

Thousand Metric Tons CO_2e — Metric Tons CO_2e per Million Dollars of Sales

	2016	2017	2018
● North America	260	250	262
● Latin America	70	69	72
● EMEA	189	125	125
● Asia Pacific	168	159	162
Metric tons CO_2e per Million Dollars of Sales	**68**	**57**	**56**

*The regional breakdown of the data included in this graph reflects the structure of the Environmental, Health, Safety and Sustainability (EHS&S) organization and the categorization of data in the EHS&S global information management system through 2018. The sum of the 2016 segments differs slightly from the 2016 total stated in the Baxter Operations Total line of the Baxter Value Chain Energy Usage and GHG Emissions table, due to rounding.

from operations during the year. Other tactics to decrease GHG emissions included fuel switching, cogeneration, onsite renewable energy systems, renewable power procurement and green buildings.

By the end of 2018, 29% of our energy use for operations was from renewable sources; biomass fuel for boilers at two of our locations[9] accounted for 10%, and the renewable energy component of purchased electricity and renewable energy certificates together represented 19%. On-site geothermal, solar photovoltaic and solar hot water systems contributed a small amount.

Baxter's energy procurement team works to provide sustainable and economical energy to all manufacturing sites. Globally in 2018, we purchased more than 380,000 MWh of electricity generated from 100% certified renewable power, a 10% increase from 2017; this included all electricity purchased in Illinois.

We were recognized as the 32nd largest corporate purchaser of renewable energy in the United States during the year.[10] Since 2007, we have maintained carbon neutrality at our headquarters in Deerfield, Illinois, through electricity generated from certified renewable energy sources. We offset facility-related emissions from purchased electricity.

During 2018, we sourced about 235,000 MWh of 100% renewable electricity for our European manufacturing sites. This represented 96.4% of total electricity for manufacturing in the region. In most cases, savings from our energy sourcing strategy in Europe finance the premium for green electricity contracts.

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

## Air Emissions

Since 2015, we have reduced toxic air emissions by 9% indexed to revenue. Due to reductions realized under an aggressive air toxics program initiated in 1988, we did not establish a goal in this area in 2015, instead focusing our environmental goals on other material areas. We continue to monitor our air emissions and support facility-led initiatives in this area.

Responsible Procurement and Logistics

Implement world-class sustainability practices with key partners

2018 HIGHLIGHTS
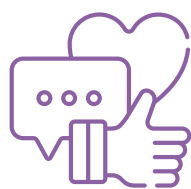
85% of participating suppliers earned Advanced or Moderate scores on our Supplier Corporate Responsibility Survey

Purchases with diverse suppliers equaled **6.1%** of relevant spending during the year*

100% of UPS shipping outside the United States offset using carbon credits**

* Includes spending with women-owned businesses and minority-owned businesses. Spending with suppliers that qualify for both categories is included in the total for each category. United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted).
** As of December 2018

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

Baxter's global supply chain extends from the producers of the raw materials we use in manufacturing to the patients and healthcare providers that use our products. We are committed to building and driving a responsible supply chain. Collaboration is central to our approach, and we engage our suppliers on key corporate responsibility issues, including human rights, business ethics, labor practices, health and safety, and environmental performance. We also work to mitigate environmental impacts from product transport.

Responsible Procurement

Baxter works to support sustainable practices within and across our supply chain. In addition to traditional considerations, such as price and quality, we integrate social and environmental criteria into our requests for proposal and supplier contract templates.

Protecting Human Rights

As outlined in Baxter's Global Human Rights Policy, we respect human rights, dignity and the diverse contributions of all individuals. We updated our policy in 2018 to provide more information about external organizations we collaborate with on human rights; further articulate our commitment to labor issues such as child and forced labor; and signal our intent to conduct human rights training and assessments and report on progress.

Fostering human rights takes many forms at Baxter and is reflected in our policies and initiatives in areas including employment practices, privacy, safety, supply chain, ethical conduct and access to healthcare. We work to ensure that our suppliers share Baxter's high standards. In 2018, our Supplier Diversity and Sustainability team completed SA8000 Introduction and Basic Auditor Training through Social Accountability International and received

the related certification. This education will aid our work to identify areas of concern related to forced and child labor during our supplier audits.

In certain countries or areas we are required to demonstrate transparency on our global supply chain due diligence through publicly available statements. In addition to our Global Human Rights Policy, Baxter's UK Modern Slavery Statement declares our commitments and approach to ensuring that our local operations and global supply chain are free from modern slavery practices, including child labor, forced and bonded labor and human trafficking. We also have a position statement related to the California Transparency in Supply Chains Act of 2010.

In addition, for some products sold in the UK, we have implemented a Labor Standards Assurance System (LSAS). It includes a UK LSAS Policy, a relevant labor standards supply chain risk assessment, management commitment, employee awareness training and key performance indicators.

This management system provides us with a clear framework to approach human rights and labor standards and improves our ability to manage supply chain risks in these areas. In 2018, Baxter's LSAS underwent an audit to successfully maintain Level 2 compliance with the UK National Health Service Supply Chain. We have a cross-functional team that maintains our LSAS program and integrates it with our supplier sustainability work. In addition, we participated in a multi-stakeholder group to establish LSAS best practices for the medical device industry.

Managing Procurement Risks

Baxter takes a risk-based approach to managing corporate responsibility issues in our supply chain. Our Supplier Quality Standards and Ethics and Compliance Standards for Baxter Suppliers outline expectations and requirements for all of our suppliers.

We integrate supplier sustainability into our overall supplier management and assessment processes. In 2018, we developed a robust tool to enable comprehensive assessment of key suppliers (representing 70% of Baxter's supplier spend) for cost, delivery, quality and risk, including corporate social responsibility performance. Scores from our annual Supplier Corporate Responsibility Survey feed directly into this assessment. As part of this process we also examine the financial risk of suppliers to ensure we don't have any disruptions in supply. We work with suppliers who receive low scores on this assessment to develop continuous improvement plans, which we review regularly to monitor progress.

Using a trusted third-party service, we receive notifications if there are disruptions in areas of the world where our suppliers are located. Such disruptions could include natural disasters, fires, major weather events or geopolitical activity. Using this information, we're able to respond quickly to ensure supply continuity.

Supplier Corporate Responsibility Survey

Baxter conducts an annual Supplier Corporate Responsibility Survey to better understand the programs and performance of our suppliers and drive continuous improvement. In 2018 and early 2019, we engaged EcoVadis to use its sustainability ratings platform to survey our supplier base and validate responses in the areas of environment, labor and human rights, ethics, and sustainable procurement. Ninety-one suppliers participated. Of those, 46% were from Europe, Middle East and Africa (EMEA); 40% from the Americas; and 14% from Asia Pacific (APAC). As illustrated in the table directly below, participating suppliers outperformed the cross-industry average by a wide margin. Suppliers receive detailed scorecards on their corporate responsibility management practices, including information about strengths and benchmark comparisons, as well as actionable improvement areas.

Supplier Audits

Baxter's Supplier Sustainability team works with our Environmental, Health, Safety and Sustainability team to conduct supplier audits. The audit format aligns with the Pharmaceutical Supply Chain Initiative (PSCI) protocol. PSCI is a healthcare industry group focused on responsible procurement, risk mitigation and supplier capability building. The PSCI protocol covers ethics; labor; environment, health and safety; and related management systems.

From the launch of our supplier audit program in 2016 through the end of 2018, we conducted nine supplier sustainability audits: one in APAC, two in EMEA and six in the Americas. To drive continuous improvement and help suppliers advance their sustainability programs, we work with suppliers to develop corrective action plans for identified nonconformances.

SUPPLY CHAIN CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM

Establish Policies	
Communicate clear policies and standards	• Supplier Quality Standards • Ethics and Compliance Standards for Baxter Suppliers • Global Human Rights Policy • UK Labor Standards Assurance System
Assess Risk	
Identify and prioritize suppliers based on risk	• Identify top suppliers by annual spend • Assess comparative risk based on geographic location, commodity type and other factors • Conduct Supplier Corporate Responsibility Survey
Monitor and Manage Performance	
Use established processes and metrics to monitor progress	• Conduct supplier audits • Develop and confirm progress on corrective action plans
Report Performance	
Regularly disclose performance and highlight progress	• Supplier Corporate Responsibility Survey report card • Annual Corporate Responsibility Report • Investor surveys • Ratings and rankings

SUMMARY OF SUPPLIER CORPORATE RESPONSIBILITY SURVEY SCORES, 2018*

	% of Participating Suppliers			
	Advanced	**Moderate**	**Partial**	**Insufficient**
Environment	40%	45%	12%	2%
Labor and Human Rights	23%	55%	21%	1%
Ethics	17%	55%	26%	1%
Sustainable Procurement	18%	40%	40%	2%
Overall	25%	60%	14%	1%
Cross-Industry Average	3%	38%	55%	3%

* The performance categories presented in this table align with the EcoVadis methodology. "Advanced" indicates structured and proactive corporate responsibility (CR) approach; policies and tangible actions on major topics with significant CR reporting. "Moderate" indicates structured and proactive CR approach; policies and tangible actions on major topics with basic CR reporting. "Partial" indicates no structured CR approach; few tangible actions on selected topics; certifications related to sites and/or products are only partial. "Insufficient" indicates no engagements or tangible actions regarding CR. Evidence in certain cases of misconduct (e.g. pollution, corruption).

NONCONFORMANCES IDENTIFIED IN SUPPLIER AUDITS, 2016–2018*

	Critical Findings	**Other Findings**
Ethics	0	0
Labor	1	2
Environment	1	8
Health and Safety**	5	54
Management Systems	2	6
Total	**9**	**70**

* "Critical findings" are high risk and require immediate corrective action by the supplier to protect human life, employee health or the environment. "Other findings" are low risk and require corrective action by the supplier within an appropriate period of time.

** These findings are primarily related to areas for continuous improvement such as personal protection equipment, production area machine guarding, fire safety and others.

Supplier Diversity

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

$80 million to women-owned businesses

$378 million to small businesses, up 9% compared with 2017

$94 million to minority-owned businesses
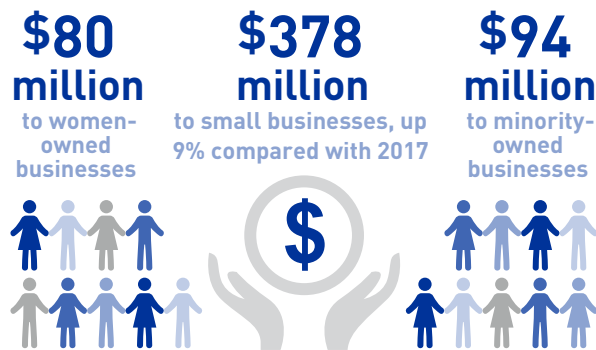
We spent $378 million in 2018 with small suppliers in the United States and Puerto Rico, up 9% compared with 2017. In those locations, we spent $80 million with women-owned businesses and $94 million with minority-owned firms. Veteran-owned, service-disabled-veteran-owned, small disadvantaged and HUBZone-certified businesses represented $12.8 million, $1.3 million, $25.3 million and $1.1 million of Baxter's spending, respectively.[1]

VIEW THE DATA SUMMARY FOR MORE DETAIL.

We also work to develop the capability of diverse suppliers through targeted matchmaker conferences and networking events. In 2018, we hosted our third annual Supplier Diversity Fair at our corporate headquarters. The half-day networking event educated small, minority-owned, women-owned and other diverse business enterprises on best practices for conducting business with Baxter. In addition, we have sponsored a certified

Our 2018 Supplier Diversity Fair featured renowned minority business speaker and Dartmouth College Professor Leonard Greenhalgh, PhD.

minority supplier to attend the National Minority Supplier Development Council's (NMSDC) Advanced Management Education Program since 2014.

The Puerto Rico Minority Supplier Development Council awarded Baxter the 2018 Supplier for Success Award. The award recognized our commitment to diversity and our efforts to encourage small and diverse-owned businesses to certify and/or register with the Small Business Administration. We accomplished this through a series of targeted communications and a HUBZone and minority certification workshop we held at our Guayama, Puerto Rico, facility.

We maintain corporate memberships with the NMSDC, the National Gay & Lesbian Chamber of Commerce, Diversity Alliance for Science, and Disability:IN, formerly the U.S. Business Leadership Network. We also support diversity through local business partners including the Chicago Minority Supplier Development Council, Women's Business Development Center, Chicago United and Chicagoland Business Leadership Network. During 2018, Baxter was elected to the NMSDC Board of Directors. Our presence on the Board provides greater visibility to further expand our commitment to diversity.

Learn more about supplier diversity at Baxter.

Industry Collaboration

Baxter collaborates with other companies and organizations within the healthcare industry to enhance our influence, improve efficiency and advance responsible procurement.

We are a member of PSCI, and we encourage our suppliers to participate in the PSCI supply chain audit program and leverage other PSCI capability-building opportunities. In addition, we take part in the PSCI Supplier Capability Building Committee and several subcommitties, including the Human Rights and Labor subcommittee. Through this work, we help to establish industrywide best practices, including those related to management systems, human rights/labor, and ethics and compliance in the pharmaceutical and healthcare industries. In 2018, we began serving on the PSCI advisory panel.

As a corporate member of the Sustainable Purchasing Leadership Council, we work to advance the organization's mission of supporting and recognizing purchasing leadership that accelerates the transition to a prosperous and sustainable future. In 2018, we continued to collaborate with other member organizations to establish best practices for supplier development and help suppliers advance sustainability within their companies.

Our efforts to establish a secure supply chain include participating in programs such as the Customs Trade Partnership Against Terrorism Program (CTPAT), which supports a secure and reliable supply of lifesaving medical products. This includes shipments of raw materials and finished products both to and from various Baxter locations, foreign suppliers, distributors and customers. In 2018, CTPAT validated our Cuernavaca, Mexico, site with a positive report indicating we are meeting all CTPAT standards. As an importer and exporter, Baxter has been recognized as a Tier III Partner (the highest level possible) in the program since 2011.

Green Logistics

Baxter transports more than 5 million metric tons of raw materials and finished goods each year throughout our global supply chain, primarily in partnership with third-party vendors and carriers.

Our worldwide greenhouse gas (GHG) emissions from product transport totaled 516,700 metric tons CO_2e in 2018. This is equivalent to 98 kilograms CO_2e per metric ton of products transported, an 8% increase from 2017. This increase was primarily due to a significant increase in the emission factors used to calculate ground transport emissions outside of Europe in 2018.[2]

WORLDWIDE GHG EMISSIONS FROM PRODUCT TRANSPORT BY MODE

Metric Tons CO_2e

- **Air**
- **Ocean**
- **Rail**
- **Road**
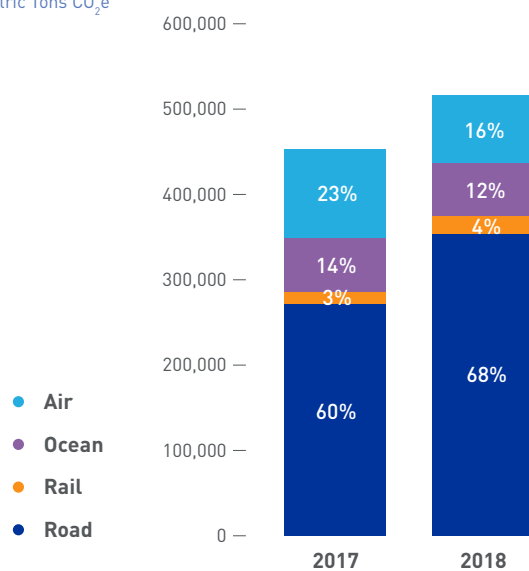
VIEW THE DATA SUMMARY FOR MORE DETAIL.

Baxter manufactures **Mini-Bag** and **Mini-Bag Plus** (small volume parenterals) Container Systems in Puerto Rico. Following the destruction caused by Hurricane Maria in 2017, we took steps to support product supply for the U.S. market by activating targeted recovery strategies across our global manufacturing network. For instance, we worked with U.S. Food and Drug Administration to secure regulatory discretion for the temporary special importation of certain products from our facilities in other countries. These efforts increased our air transport emissions in 2017 and early 2018.

Baxter's approach to improving efficiency and decreasing GHG emissions from product transport includes:

Technology innovation   We collaborate with Integra2 to use ECO vehicles at our distribution center in Valencia, Spain. Data from a limited rollout in the immediate area shows that the vehicles, which use 70% gasoil and 30% gas, reduced CO_2 emissions by 15% and nitrogen oxide emissions and particulates by 50%. Based on this successful pilot, which accounts for 4.5% of the total weight we ship in Spain, we are working to deploy ECO vehicles more broadly. In Puerto Rico, we work with ocean carriers that are switching to ships powered by liquefied natural gas (LNG), with a small amount of low-sulfur diesel used for low-speed maneuverability and as back-up fuel. Using LNG emits almost no sulfur oxide or particulate matter emissions, 90% less nitrogen oxide emissions, and 20–25% less CO_2 emissions.[3]

Intermodal transport   Combining multiple transportation modes for a single shipment—for example, converting road to rail for parts of a route—can decrease costs and overall GHG emissions. Although Hurricane Maria disrupted our ability to take

full advantage of intermodal transport options in the Caribbean during 2017 and 2018, we have continued to make strides elsewhere. To replace air freight with ocean and rail wherever possible, we have implemented an air approval process across the company, which requires all large, unplanned shipments to receive senior manager approval. GHG emissions from air transport decreased by 23% in 2018 compared with the prior year, despite increased air shipments in early 2018 associated with the disruption caused by Hurricane Maria. In EMEA, we continued converting road freight to rail.

Optimizing the distribution network   The use of innovative technologies, such as transport management systems and route optimization tools, saves time and money while improving environmental performance. We have implemented an ocean export consolidation center for the majority of our EMEA export shipments. The center combines shipments from different warehouse locations in Europe and optimizes loads so that containers are less likely to be shipped partially full. This reduces the total number of containers shipped and saves money while increasing supply frequency. During 2018, we increased the number of shipping lanes to 39 (up from 13 in 2017) and avoided the use of 204 ocean containers that we would have shipped if we didn't have the consolidation center (up from 125 containers avoided in 2017).

Environmentally responsible partnerships   Baxter is one of a select number of companies that participate in the U.S. Environmental Protection Agency's SmartWay program as both a Carrier and Shipper Partner. As of December 2018, we are using carbon credits to offset all of our UPS shipping outside of the United States.

Innovation That Expands Access to Care

Improve access to healthcare for the underserved

2018 HIGHLIGHTS

Nearly
$6 million*
in products donated

30 grants
made by the Baxter International Foundation to improve access to healthcare

630,000+
people benefited by the Driving Your Health program since 2016

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

Guided by our mission and inspired by the millions of patients and caregivers that rely on our products, we are dedicated to nurturing, developing and delivering innovative healthcare solutions. We employ Baxter's leading portfolio of critical care, nutrition, renal, hospital and surgical products to help solve pressing healthcare challenges and expand access to healthcare worldwide. Baxter and the Baxter International Foundation invest in new collaborations and partnerships with world-renowned institutions, deploying our products, product donations and grants globally.

Collaborating to Improve Healthcare

Through partnerships and stakeholder engagement, Baxter works to tackle global health challenges and expand the availability of our treatments, strengthen health systems and support public health worldwide.

Our work includes educating patients, training physicians and healthcare professionals, and sharing best practices in manufacturing and treatment. Additionally, we collaborate with governments, companies and nonprofit organizations to influence policies and standards that promote patient access to therapy and products. Through these efforts we are working to provide transformative solutions to improve healthcare.

Sharing Best Practices for Renal Care

Chronic kidney disease affects 10% of the global population.[1] Additionally, we estimate there are as many as four million people with end-stage renal disease globally, which is the last stage of the disease progression and requires dialysis or a kidney transplant to stay alive. It's further estimated that millions more go undiagnosed and untreated globally. At Baxter, we seek to make a meaningful contribution to addressing the burden of renal disease worldwide—striving to make renal care available to people in need while driving better outcomes through new standards of care.

In 2018, **Baxter Renal Care Services**, in partnership with a government hospital in rural Indonesia, launched a pilot clinic to promote best clinical practices in peritoneal dialysis (PD) and improve patient outcomes. After a successful launch, we are expanding the initiative to additional locations in 2019, providing more Indonesians access to high-quality renal care.

Additionally, in 2018, we announced a partnership with the International Society of Nephrology to advance chronic kidney disease awareness and help improve access to therapy, particularly in low- and middle-income countries—commonly referred to as emerging markets—where the disease prevalence is growing fastest. The collaboration will support greater disease and therapy research and education, as well as work to help establish better care models that support high standards of care at a lower cost in these countries.

Beginning in 2012, we partnered with the Chinese National Health and Family Planning Commission to support the "Flying Angel" program, which focused on a sustainable care and delivery model for PD patients with end-stage renal disease in rural parts of China. Over the course of this six-year partnership from 2012 to 2018, thousands of patients received a higher standard of care, and benefited from expanded infrastructure and improved accessibility and affordability of PD therapy in China.

In 2018 we announced the continuation of the Dialysis Health Imperative for Access, Choice and Equity program, a collaboration among Baxter, the NAACP and the Alliance for Home Dialysis, with the goal of informing individuals within African American communities in the U.S. about access to kidney care and the disproportionate impact kidney disease has on African Americans and other people of color. This brings our three-year partnership investment to nearly $850,000.

Product Donations

Targeted product donations play a vital role in both saving lives and enhancing access to care for underserved communities globally. Baxter employs a manufacture-to-donate strategy—an industry best practice—to provide critically needed, long-dated products that support the missions of leading humanitarian partners. In 2018, we donated approximately $6 million in products, enhancing access to care for patients worldwide. We supported our humanitarian aid partners—Americares, Direct Relief and Partners In Health—to distribute products to address critical needs and improve health outcomes in underserved communities in 84 countries around the world.

Our product donation strategy aligns with the guidance established by the World Health Organization Drug Donation Guidelines and the Partnership for Quality Medical Donations (PQMD). Baxter serves on the board of PQMD to support global best practices in product donations.

During 2018, we responded to eight disasters worldwide. In addition to product donations, Baxter and the Baxter International Foundation provided short-term disaster response and recovery grants to the following partners: American Red Cross, Americares, Direct Relief and International Medical Corps. Additionally, our Baxter Employee Disaster Relief Fund enabled employees to donate funds to help co-workers impacted by disasters globally.

Medical Missions

When healthcare professionals travel overseas to provide charitable medical care to underserved populations, they often work in hospitals and clinics that lack surgical supplies. Our hemostatic and tissue sealant products and anesthesia products are among the most requested items in these situations. During 2018, Baxter products were used in 51 countries as part of more than 300 medical outreach trips supported by Americares. Learn more about Americares medical missions and how to request products.

The Baxter International Foundation

The Baxter International Foundation is the philanthropic arm of Baxter International Inc. It focuses on three key areas: improving access to healthcare, fostering innovation, and promoting community wellness.

"*Americares relies on support from Baxter and the Baxter International Foundation to meet the needs of over 4,000 partner clinics worldwide. Together we are increasing access to medicine and putting health within reach for families affected by poverty or disaster.*"

MICHAEL J. NYENHUIS   President and CEO, Americares
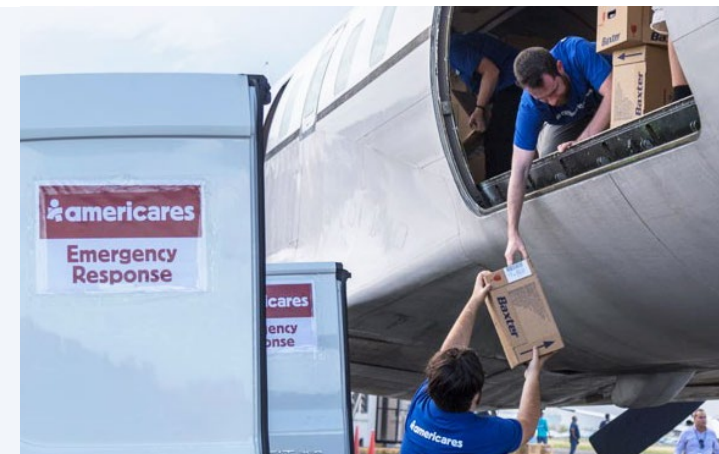
Americares relief workers unload medicine and supplies, including Baxter products, in Puerto Rico.

A health professional providing care to a patient through the Driving Your Health mobile clinic partnership.

"*Baxter and the Baxter International Foundation's extraordinary commitment to and support for people who have limited access to health services has made a tremendous difference over the years. Baxter plays a critical role in Direct Relief's humanitarian activities globally, from earthquake response efforts in Haiti to mobile health campaigns in Mexico.*"

THOMAS TIGHE   CEO, Direct Relief

IMPACT OF DRIVING YOUR HEALTH, 2016–2018*

68,900
Direct Beneficiaries

562,000
Indirect Beneficiaries

216
Medical campaigns

45
Health professional trainings

55,900
Patients attended to during medical campaigns

2,450
Health professionals trained

10,600
Patients transported to specialized hospitals

363,000
Estimated number of patients who benefited from medical professional trainings

6,650
Personal hygiene kits packed and distributed

199,000
Fliers and educational materials distributed

Driving Your Health—A Free Community Mobile Medical Program

* Source: Direct Relief

In 2018, the Baxter International Foundation provided nearly $7 million in cash contributions to 14 countries, excluding future commitments. This included 72 active grants reaching more than three million individuals through programs that target underserved communities. The grants funded programs such as mobile healthcare, nutrition and STEM education.

Driving Your Health [Manejando Tu Salud]

Driving Your Health, a free community mobile medical program, is a multiyear initiative through 2019 aiming to enhance access to healthcare in underserved communities throughout greater Mexico City. It focuses on improving health outcomes through basic preventive care, managing chronic conditions

and providing transportation assistance to and from hospitals. From 2016 through 2018, the program directly benefited approximately 69,000 people and indirectly benefited 562,000 people. Baxter partners on this project with Direct Relief, Asociación Mexicana de Diabetes de la Ciudad de México A.C., Casa de la Amistad para Niños con Cáncer, I.A.P., and Asociación Gilberto and Orden de Malta de México A.C.

Baxter International Foundation Prize Programs

Baxter sponsors three prize programs that recognize organizations and individuals who have made outstanding contributions and exhibited leadership in healthcare research and health service delivery. The William B. Graham Prize is the highest distinction that researchers in the health services field can achieve, recognizing global contributions to improving public health through research. The Foster G. McGaw Prize recognizes U.S. healthcare organizations that deliver innovative programs to improve community health and well-being. The Episteme Award is bestowed biennially to a nurse who has contributed significantly to discovery, practice and knowledge development in the field of nursing.

Public Policy

Many legislative issues affect our business globally, including reimbursement, tax, trade and a variety of regulatory concerns. Baxter's Government Policy and Reimbursement team works with lawmakers, governments and policymakers worldwide to support patient access to Baxter's lifesaving therapies, improve the regulatory environment and reimbursement structure for our therapies, and increase understanding of the benefits of those therapies. We also collaborate with clinicians, nongovernmental organizations and patient groups to improve access to healthcare for millions of people worldwide.

See Baxter's 2018 Political Contributions Report for details about our political contributions as well as our membership in certain trade and industry groups.

During 2018, our key public policy focus areas included:

Promoting Innovation in Products for End-Stage Renal Disease During 2018, we supported U.S. legislation and administration policy that provides incentives to develop new, innovative devices for patients suffering from end-stage renal disease.

Tax Cuts and Jobs Act of 2017 We supported U.S. Congressional passage of the Tax Cuts and Jobs Act of 2017 and its implementation during 2018. This legislation is intended to provide tax relief for businesses and individuals.

Home Dialysis We belong to the Alliance for Home Dialysis, an organization focused on advocacy, policy and thought leadership. In 2018, the Alliance championed a provision of the CHRONIC Care Act, signed into law and implemented via regulation during

the year, which enables home dialysis patients and their providers to conduct monthly clinical visits via telehealth in the patients' homes. Additionally, the Alliance secured home dialysis Current Procedures Terminology codes for the Medicare telehealth list and prompted Center for Medicare and Medicaid Services interest in more information about requirements related to access site inspections that may limit telehealth uptake. These actions will help increase the number of patients with end-stage renal disease who can dialyze in their homes—providing a better quality of life and saving federal resources.

Home Delivery of Renal Products In the United States, state laws and regulations govern pharmaceuticals dispensing. We work to help shape state policies to better align with our Renal Home Patient service.

Supporting Diverse Populations During 2018, Baxter representatives attended a number of events to learn more about health disparities affecting diverse populations and engage key leaders about our efforts to serve patients with end-stage renal disease, which disproportionately impacts minority populations. These events included the National Minority Quality Forum Summit, the Congressional Black Caucus Foundation Annual Legislative Conference, the National Black Caucus of State Legislators Annual Meeting and the Congressional Hispanic Caucus Institute Public Policy Conference.

Natural Disaster and Pandemic Relief During 2018, we continued to work with members of congress, the administration, U.S. Food and Drug Administration and the healthcare stakeholder community to minimize disruptions to patients caused by natural disasters. Among other activities, this included promoting U.S. public health preparedness in the case of a pandemic.

Serving Our Communities

Support communities worldwide in enduring ways

2018 HIGHLIGHTS

Every day, Baxter and the Baxter International Foundation strive to make a meaningful difference in the lives of those who depend on our products and in the communities where we live and work. We partner with organizations around the world to underline access to healthcare, develop the next generation of innovators for our industry and strengthen our communities. We are proud to engage our employees to make a positive and lasting impact in underserved communities worldwide.

Fostering Tomorrow's Innovation

Innovation is Baxter's lifeblood. We take a hands-on approach to developing the next generation of scientists, engineers and healthcare professionals by supporting teachers and science, technology, engineering and math (STEM) education; supporting employees to serve as mentors in communities worldwide; and creating diverse learning opportunities in the sciences. Through our STEM partners and committed employees, we are helping to advance tomorrow's healthcare breakthroughs.

In 2018, we celebrated the 10-year anniversary of **Science@Work: Expanding Minds with Real-World Science**. This commemorates a multiyear commitment to Chicago Public Schools (CPS) to support STEM teacher training and student enrichment in the health sciences. Critical to the implementation of this program is our partnership with Northwestern University and the creation of the Baxter Center for Science Education.

The success of Science@Work is embodied by our employees and multiplied by our partners. Our collaborative approach with community organizations such as Lindblom Math & Science Academy, Muchin College Preparatory High School, Instituto Health Sciences Career Academy and the Illinois Science and Technology Institute has enabled us to give back to our community, leverage our employees' expertise and advance STEM education for hundreds of thousands

Nearly $18 million
in cash and products contributed to communities worldwide*

90
countries reached through philanthropic initiatives*

$825,000+
in employee giving through Matching Gift Program and Dollars for Doers grants

" The decade long partnership [with Baxter] has allowed Lindblom and its students to grow their STEM skills and ambitions, which has resulted in Lindblom growing from an unranked small school in Illinois to one of the largest in CPS and ranked #11 in Illinois by U.S. News & World Report."

WAYNE BEVIS   Principal, Lindblom Math & Science Academy

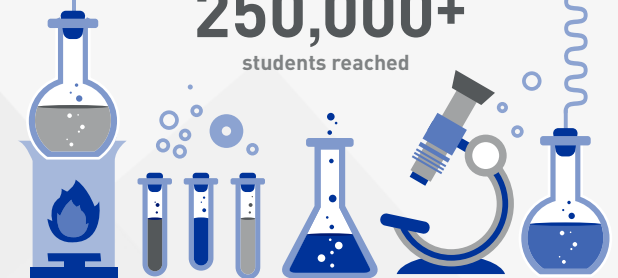**SCIENCE@WORK BY THE NUMBERS, 2008–2018**

600+
CPS schools reached

1,100
Baxter science lab kits distributed

3,040
teachers reached

1,600+
Baxter volunteers

250,000+
students reached

* By Baxter and the Baxter International Foundation

"*Our mission is to support quality STEM education for all students. Our partnership with Baxter and the Baxter International Foundation allows us to build authentic and engaging science programs for students and their teachers that use cutting-edge, real-world science. With Baxter's support, we have trained over 1,800 science teachers and over 150,000 students have benefited from our programs.*"

EMILY HOOD FERRIN Program Director and Resident Scientist, Northwestern University / Baxter Center for Science Education

Northwestern University, Baxter Center for Science Education, Teacher Professional Development

of students. Additionally, this year, we supported the opening of a Baxter Innovation Lab at College of Lake County in Grayslake, Illinois.

During 2018, in continued partnership with Northwestern University, the Baxter Center for Science Education hosted 28 life science workshops for more than 350 teachers across 130 schools in Illinois. The partnership also expanded into Lake County during 2018 with an on-site presence at Round Lake High School, bringing the total number to more than 150,000 students reached.

Community and Employee Engagement

Baxter's global reach allows us to serve communities in enduring ways through partnerships, donations, matching gifts and employee volunteerism.

In 2018, Baxter Pharmaceuticals India launched a program to provide clean water to 11 villages near Baxter's manufacturing site in Ahmedabad, home to 1,500 of our employees. The project will enable testing of current water sources to verify purity levels, installation of a community-level water purification system, and education of villagers on the effects of consuming contaminated water. This multimillion dollar initiative aims to benefit 25,000 community members by 2021 with infrastructure support such as rooftop rainwater harvesting tanks, borewells and water storage tanks.

We are also working with the NGO Fundación Solar in Guatemala to reduce natural resource use, improve community health, provide access to clean drinking water and empower women in Aguacatán, Huehuetenango. During 2018, Fundación Solar provided more than 270 families in six Aguacatán communities with water filters and wood-burning stoves that are safer and more

760+
employees requesting matching gifts

$710,000
Foundation match amount

650+
organizations

energy-efficient than the traditional method of open-fire cooking. Other partners engaged in this initiative include the Guatemalan Ministry of the Environment, Universidad del Valle and the United Nations.

Employee Engagement and Giving

Each year, our employees donate thousands of dollars and hours to help make a meaningful difference in Baxter communities globally. The Baxter International Foundation Matching Gift Program matches employee donations of $25 or more, up to $5,000 each per year, to qualifying U.S. public charities.[1]

In 2018, employees volunteered more than 31,000 hours in 21 countries worldwide. In the United States and Puerto Rico, employees are eligible for Dollars for Doers, our volunteer grants program that supports eligible organizations. In 2018, 274 employees applied for Dollars for Doers grants, which provided $115,000 in support to 243 organizations.

To enable our employees to help co-workers in need, the Baxter Employee Disaster Relief Fund, a global program, provides grants to employees impacted by disasters.

Scholarship Program

The Baxter International Foundation has a longstanding commitment to the education of employees' children through annual merit-based scholarships. A third-party agency evaluates student applications based on academic, extracurricular and employment accomplishments. Recipients receive a cash award, and scholarships may be renewed for up to three additional years.

67 new scholarships

162 renewed scholarships

26 countries worldwide

Baxter World Environment Week

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

Through Baxter World Environment Week, we engage and educate employees on the topics of environmental sustainability and our commitment to environmental responsibility. In 2018, employees and their family members, representing 75 facilities in 20 countries, sponsored events such as refuse clean-ups, tree plantings, green living fairs, flower planting to encourage pollinators, and visits to local nature preserves, parks and gardens. In addition, many Baxter employees shared best practices related to environmental responsibility, such as reusing newspapers as an alternative to recycling, opting for reusable bags instead of plastic, avoiding the use of Styrofoam, keeping food waste out of landfills and ways to save energy at home.

Summary of 2018 Giving

During 2018, Baxter and the Baxter International Foundation donated nearly $18 million in products and cash. Baxter makes charitable contributions to organizations in the communities where its employees live and work.

BAXTER AND THE BAXTER INTERNATIONAL FOUNDATION CHARITABLE GIVING [DOLLARS IN MILLIONS]

	2016	2017	2018
Baxter Product Donations to Aid Organizations*			
Products/Patient Assistance Programs	$13.65	$8.83	$5.60
Business and Facility Cash Donations			
Within U.S.	$3.39	$3.35	$1.55
Outside U.S.	$5.73	$4.49	$3.81
Total	**$9.12**	**$7.84**	**$5.36**
The Baxter International Foundation Contributions			
Within U.S. (including Puerto Rico)			
Grants**	$2.05	$1.72	$4.64
Matching Gifts and Dollars for Doers	$0.88	$1.03	$0.83
Scholarships	$0.27	$0.26	$0.20
Prize Programs	$0.31	$0.32	$0.41
Subtotal	*$3.51*	*$3.33*	*$6.08*
Outside U.S.			
Grants	$0.86	$0.64	$0.43
Scholarships	$0.12	$0.12	$0.15
Subtotal	*$0.98*	*$0.76*	*$0.58*
Total Foundation Contributions	**$4.49**	**$4.09**	**$6.66**
Total Charitable Giving	**$27.26**	**$20.76**	**$17.62**

* Variations in Baxter's annual product donations are due to fluctuations in community needs, the need and volume of disaster relief response, the regulatory environment, manufacturing processes and changes in product mix and marketing. We identify opportunities to donate and respond to community and humanitarian aid partners as appropriate. This number may be greater or less than the value of Baxter products distributed during the year by our relief partners. See Innovation That Expands Access to Care.

** Contributions to U.S.-based 501(c)(3) organizations for programs within and outside of the United States.

GIVING BACK THROUGH EMPLOYEE VOLUNTEERISM IN 2018

655 organizations

21 countries

31,000+ volunteer hours

Photos left to right: Baxter summer interns participating in conservation efforts at Shedd Aquarium. / Employees volunteering for Habitat for Humanity. / Baxter representatives support Girls in Engineering Mathematics and Science 2018 conference.

APPENDIX: About This Report and Recognition

About This Report

External Reporting Standards

To develop our corporate responsibility reporting approach, we have considered the disclosure frameworks and guidance of leading sustainability standards and reporting organizations, including the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board, the U.N. Sustainable Development Goals, the Dow Jones Sustainability Index and third-party research providers focused on environmental, social and governance issues.

We were one of the first companies to pilot the GRI Sustainability Reporting Guidelines, in 1999, and belong to the GRI GOLD Community. We referenced the GRI 2016 Sustainability Reporting Standards in the development of this report. See the GRI Index for detail.

Feedback

Readers of this report can provide comments and suggestions to us via email: corporate_responsibility_report@baxter.com.

Scope of This Report

The performance and other data in this report are from calendar year 2018 unless stated otherwise. Some examples and program descriptions include information from 2019.

- This report covers Baxter's global operations, including subsidiaries, unless stated otherwise. Environmental, health and safety data include joint ventures where we have a controlling interest.

- The performance data in this report do not include parts of Baxter that became Baxalta on July 1, 2015, unless stated otherwise.

- All currency in this report is in U.S. dollars unless stated otherwise.

- Significant restatements of data compared to prior years are noted in the sections where they appear.

- This report is intended for global use. Please consult the appropriate country-specific Baxter website for information regarding activities in that country.

- Some statements in this report about products or procedures may differ from the licensed indications in specific countries. Therefore, always consult the country-specific summary of product characteristics (SPC), package leaflets or instructions for use. For more information, please contact a local Baxter representative.

Recognition

Baxter is proud to be recognized by numerous global, national and local industry associations and publications around the world. These examples of our recent accomplishments highlight Baxter as an employer of choice, as a company that works to nurture an inclusive and diverse workplace, and as a socially and environmentally responsible business.

AWARDS AND RECOGNITIONS HIGHLIGHTS

- **CDP Climate Change**
  Leadership Score of A- (2018)

- **National Association for Female Executives**
  Top Companies for Executive Women (2019)

- **RobecoSAM**
  Sustainability Yearbook (2019)

- **Women's Choice Award**
  Best Companies for Women (2019)

- **Working Mother**
  Best Companies for Multicultural Women (2019)

APPENDIX: Baxter Data Summary

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

SECTION AND INDICATOR	2016	2017	2018
Financial Performance			
Net Sales ($ millions)	$10,163	$10,561	$11,127
U.S. Net Sales ($ millions)	$4,259	$4,510	$4,723
International Net Sales ($ millions)	$5,904	$6,051	$6,404
Net Income ($ millions)	$4,965	$717	$1,624
Stock Price ($ at year end)	$44.34	$64.64	$65.82
Dividend ($ per share)	$0.51	$0.61	$0.73
Research and Development ($ millions)	$646	$613	$655
Workplace Culture			
Global Workforce by Job Level[1] (as a % of total)			
Executive	0.3%	0.3%	0.3%
Management	11.3%	11.6%	11.1%
Professional	30.5%	25.3%	24.8%
Technical/Clerical	57.8%	62.8%	63.8%
Global Workforce by Gender (as a % of total)			
Women	49.3%	49.4%	48.0%
Men	50.7%	50.6%	52.0%
Global Workforce by Region (as a % of total)			
Americas[2]	48.2%	49.6%	49.8%
Europe, Middle East and Africa (EMEA)	29.1%	28.6%	26.6%
Asia Pacific	22.6%	21.8%	23.6%
Representation of Women by Region (as a % of total)			
Americas[2]	49.9%	49.8%	49.9%
EMEA	48.4%	47.4%	48.2%
Asia Pacific	49.3%	51.2%	43.7%
Representation of Women by Job Level[1] (as a % of total)			
Executive	26.0%	28.9%	33.3%
Management	39.1%	40.1%	40.0%
Professional	49.1%	49.2%	48.7%
Technical/Clerical	51.5%	51.4%	49.1%
Ethnic Minority Representation by Job Level[1, 3] (as a % of total, U.S. only)	37.8%	37.5%	38.5%
Executive	22.2%	19.0%	19.3%
Management	25.4%	26.3%	26.4%
Professional	30.2%	30.4%	30.4%
Technical/Clerical	44.5%	43.6%	45.0%
Employee Health and Safety[4]			
Recordable Case Rate[5]	0.62	0.45	0.41
North America	1.37	0.91	0.72
Latin America	0.26	0.18	0.26
EMEA	0.56	0.38	0.44
Asia Pacific	0.09	0.04	0.08
Cases with Days Lost Rate[6]	0.14	0.10	0.08
North America	0.26	0.21	0.12
Latin America	0.05	0.03	0.01
EMEA	0.19	0.10	0.18
Asia Pacific	0.01	0.00	0.00

SECTION AND INDICATOR	2016	2017	2018
Employee Health and Safety[4] (continued)			
Days Lost Rate[7]	3.60	3.62	2.88
North America	8.98	7.62	6.54
Latin America	0.22	1.48	1.02
EMEA	3.76	2.70	2.36
Asia Pacific	0.04	0.00	0.00
Restricted Days Rate[8]	14.53	8.69	6.20
North America	0.17	20.85	15.23
Latin America	1.62	0.42	0.56
EMEA	45.52	4.75	4.05
Asia Pacific	13.37	1.23	1.00
Days Away (Lost), Restricted or Transferred Rate (DART)	18.12	12.31	9.08
Employee/Contractor Major Incidents (total number)	8/0	7/0	6/1
Employee/Contractor Fatalities (total number)	0/0	0/0	1/1
Health and Safety Notices of Violation Settled	1	2	4
Health and Safety Fines Paid (in dollars)	$1,529	$8,500	$7,130
Sources of Recordable Injury and Serious Incidents (as a % of total)			
Ergonomic	25%	22%	22%
Involving the Body (nonergonomic)	2%	7%	6%
Punctures	5%	6%	12%
Struck by Object	19%	20%	16%
Slips, Trips and Falls	22%	19%	24%
Caught in, on or Between	11%	12%	13%
Forklifts and Other Vehicles	3%	3%	4%
Other	13%	11%	4%
Operations[9]			
Baxter Process-Related Toxic Air Emissions[10] (metric tons)	23	24	27
Cumene	3	3	3
EtO	1	1	3
Methylene Chloride	2	2	3
Methanol	0	0	0
DEHP	17	18	18
Other	0	0	0
Kg Process-Related Toxic Air Emissions per Million Dollars of Sales	2	2	2
NOx and SOx Emissions[11] (metric tons)	550	529	478
NOx	418	412	406
SOx	132	117	72
Kg NOx and SOx Emissions per Million Dollars of Sales	54	50	43
Energy Usage from Baxter Operations[12] (trillions of joules)	9,256	9,196	9,473
North America	3,721	3,858	4,036
Latin America	943	954	996
EMEA	2,893	2,801	2,822
Asia Pacific	1,699	1,583	1,619
Billions of Joules per Million Dollars of Sales	911	871	851
Renewable Energy Purchased (trillions of joules)	2,554	2,722	2,727
Facility Usage of Renewable Energy (as a % of total energy use)	28%	30%	29%

APPENDIX: Baxter Data Summary (continued)

SECTION AND INDICATOR	2016	2017	2018
Operations[9] (continued)			
Lean Energy Program Performance[13] (% of program criteria implemented across all manufacturing facilities, at year-end)			
Prerequisite	97%	97%	99%
Bronze	89%	92%	96%
Silver	76%	80%	85%
Gold	60%	64%	66%
Baxter's Global Greenhouse Gas (GHG) Emissions Footprint (Scope 1, 2, and 3) (metric tons CO_2e). See Baxter Value Chain Energy Usage and GHG Emissions for detail.	5,130,000	4,768,000	5,231,000
GHG Emissions from Baxter Operations (metric tons CO_2e)	687,000[14]	603,000	621,000
North America	260,000	250,000	262,000
Latin America	70,000	69,000	72,000
EMEA	189,000	125,000	125,000
Asia Pacific	168,000	159,000	162,000
GHG Emissions from Operations per Million Dollars of Sales (metric tons CO_2e)	68	57	56
Total Waste[15] (metric tons)	72,600	71,000	69,900
North America	25,500	26,700	27,700
Latin America	10,500	8,100	8,200
EMEA	28,700	28,400	25,900
Asia Pacific	8,000	7,800	8,100
Metric Tons of Total Waste per Million Dollars of Sales	7.14	6.72	6.28
Nonhazardous Waste[16] (metric tons)	64,000	62,900	62,800
North America	23,700	25,100	25,700
Latin America	9,000	6,800	6,900
EMEA	23,500	23,400	22,400
Asia Pacific	7,800	7,600	7,800
Metric Tons of Nonhazardous Waste per Million Dollars of Sales	6.29	5.95	5.64
Regulated Waste[17] (metric tons)	8,600	8,100	7,100
North America	1,800	1,600	2,000
Latin America	1,500	1,300	1,300
EMEA	5,200	5,000	3,500
Asia Pacific	200	200	300
Metric Tons of Regulated Waste per Million Dollars of Sales	0.85	0.77	0.64
Waste Management at Baxter (% of total)			
Recycled (on-site or off-site)	56.0%	60.3%	62.7%
Incinerated with Energy Recovery	14.2%	15.3%	17.1%
Incinerated	4.9%	4.8%	5.2%
Sent to Landfill	16.6%	15.4%	12.6%
Other Disposal	8.3%	4.2%	2.4%
Water Usage (thousand cubic meters)	13,898	13,776	14,258
North America	5,130	5,046	5,071
Latin America	1,558	1,672	1,793
EMEA	3,966	4,094	4,278
Asia Pacific	3,244	2,964	3,116
Thousand Cubic Meters Water Usage per Million Dollars of Sales	1.37	1.30	1.28
Water Usage, by Availability[18] (thousand cubic meters)	13,190	13,052	13,540
Extreme-Scarcity Water Resources	387	644	684
Scarce Water Resources	565	620	771
Stressed Water Resources	3,695	3,652	3,599
Sufficient Water Resources	3,772	3,360	3,537
Abundant Water Resources	4,771	4,776	4,949

SECTION AND INDICATOR	2016	2017	2018
Operations[9] (continued)			
Wastewater Flow[19] (total direct discharge, thousand cubic meters)	3,754	3,395	3,414
BOD_5 (metric tons)	38	29	24
BOD_5 (mg/L)	10	9	7
COD (metric tons)	92	78	61
COD (mg/L)	24	23	18
TSS (metric tons)	40	31	24
TSS (mg/L)	11	9	7
Environmental Compliance			
Environmental Notices of Violation	4	5	9
Environmental Fines Paid[20] (in dollars)	$0	$4,727	$79,500
Responsible Procurement and Logistics			
Spend with Suppliers[21] (United States and Puerto Rico) (approximate, dollars in billions)	$2.9	$2.1	$2.8
Supplier Diversity[22] (dollars in millions)			
Spend with Small Businesses	$370	$347	$378
Spend with Minority-Owned Businesses	$40	$40	$94
Spend with Women-Owned Businesses	$89	$84	$80
Spend with Veteran-Owned Businesses	$7	$5	$13
Worldwide GHG Emissions from Product Transport, by Mode (metric tons CO_2e)	336,000	453,300	516,700
Air	71,600	104,500	80,400
Ocean	20,400	63,200	62,300
Rail	15,300	14,500	21,100
Ground	228,700	271,200	352,800
Worldwide GHG Emissions from Product Transport, by Region (metric tons CO_2e)	336,000	453,300	516,700
North America	167,600	176,100	197,000
Latin America	9,000	53,900	50,800
EMEA	126,600	175,700	185,400
Asia Pacific	32,800	47,600	83,400
Baxter and the Baxter International Foundation Charitable Giving (dollars in millions)			
Total Charitable Giving	$27.26	$20.76	$17.62
Product Donations[23]			
Products/Patient Assistance Programs	$13.65	$8.83	$5.60
Business and Facility Cash Donations	$9.12	$7.84	$5.36
Within the United States	$3.39	$3.35	$1.55
Outside the United States	$5.73	$4.49	$3.81
The Baxter International Foundation Contributions	$4.49	$4.09	$6.66
Within the United States (including Puerto Rico)	$3.51	$3.33	$6.08
Grants[24]	$2.05	$1.72	$4.64
Matching Gifts and Dollars for Doers	$0.88	$1.03	$0.83
Scholarships	$0.27	$0.26	$0.20
Prize Programs	$0.31	$0.32	$0.41
Outside the United States	$0.98	$0.76	$0.58
Grants	$0.86	$0.64	$0.43
Scholarships	$0.12	$0.12	$0.15
Political Contributions			
See Baxter's 2018 Political Contributions Report for detailed data.			

APPENDIX: Baxter Value Chain Energy Usage and GHG Emissions

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

	Units	Energy Usage			Joules (trillions)			Energy Costs (dollars in millions)			Carbon Dioxide Equivalents[1,2] (thousand metric tons)		
		2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Upstream Scope 3 Emissions													
Purchased Goods and Services (Category 1)[3]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	717	745	785
Capital Goods (Category 2)[4]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	90	79	85
Fuel and Energy-related Activities (Category 3)[5]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	139	130	151
Upstream Transportation and Distribution (Category 4)[6]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	336	453	517
Waste Generated in Operations (Category 5)[7]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	14	13	11
Business Travel (Category 6)[8]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	102	52	54
Employee Commuting (Category 7)[9]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	30	30	29
Upstream Leased Assets (Category 8)[10]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0
Upstream Scope 3 Emissions Total	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**1,428**	**1,502**	**1,632**
Baxter Operations[11]													
Stationary Sources (facilities)													
Electricity (purchased)	Million kWh	980	962	988	3,542	3,477	3,571	$104.3	$104.3	$107.6	466	448	460
Electricity (on-site renewable)	Million kWh	4	4	4	15	13	13	n/a	n/a	n/a	n/a	n/a	n/a
Natural Gas	Million Cubic Meters	106	105	111	4,062	4,018	4,257	$35.6	$32.3	$32.7	202	199	214
Fuel Oil	Million Liters	9	9	6	367	365	248	$4.3	$4.1	$3.5	26	26	17
Propane and LPG	Million Kilograms	6	6	7	292	301	341	$3.8	$4.5	$5.7	18	18	21
Purchased Steam	Million Kilograms	11	36	48	25	83	113	$0.3	$0.4	$0.4	24	29	30
Biomass[12]	Million Kilograms	133	136	135	963	950	940	$4.4	$4.1	$4.4	2	2	2
Carbon Dioxide Offsets[13]	Million Kilograms	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	116	175	176
Subtotal		n/a	n/a	n/a	9,266	9,207	9,483	$152.7	$149.7	$154.3	738	722	744
Mobile Sources (Baxter-operated vehicles)[14]													
Aviation Fuel	Million Liters	0.7	0.4	0.4	23	16	13	$0.5	$0.2	$0.2	2	1	1
Gasoline	Million Liters	6.0	5.4	5.2	217	197	189	$6.2	$5.9	$5.9	14	12	12
Diesel Fuel	Million Liters	12.7	12.9	12.3	489	494	475	$10.1	$9.8	$13.0	34	34	33
Subtotal	**Million Liters**	**19.4**	**18.7**	**17.9**	**729**	**707**	**677**	**$16.8**	**$15.9**	**$19.1**	**49**	**48**	**46**
Refrigerants[15]													
Refrigerant Losses (facilities)	Metric Tons	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	14	9	8
Scope 1 Total		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**311**	**301**	**307**
Scope 2 Total (market-based)		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**373**	**302**	**314**
Scope 2 Total (location-based)		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**446**	**433**	**447**
Baxter Operations Total		**n/a**	**n/a**	**n/a**	**9,995**	**9,914**	**10,160**	**$169.5**	**$165.6**	**$173.4**	**684**	**603**	**621**
Downstream Scope 3 Emissions													
Downstream Transportation and Distribution (Category 9)[16]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	143	122	132
Processing of Sold Products (Category 10)[17]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	15	15	17
Use of Sold Products (Category 11)[18]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,680	2,369	2,658
End-of-life Treatment of Sold Products (Category 12)[18]		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	180	157	171
Downstream Leased Assets (Category 13)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0
Franchises (Category 14)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0
Investments (Category 15)		n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0	0	0
Downstream Scope 3 Emissions Total		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**3,018**	**2,663**	**2,978**
Total GHG Emissions (including CO$_2$e offsets in Baxter operations)[19]		**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**5,130**	**4,768**	**5,231**

APPENDIX: Baxter Facilities with ISO 14001, OHSAS 18001, ISO 50001 and Green Building Certifications[1]

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

Region/Country/State/Province	City	ISO 14001	OHSAS 18001	ISO 50001	Green Building Certification
North America					
Canada, Ontario	Alliston	X	X		
Canada, Ontario	Mississauga				Canada LEED Silver (2014)
United States, Alabama	Opelika	X	X		
United States, Arkansas	Mountain Home/Midway	X	X	X	
United States, California	Hayward	X	X		
United States, California	Irvine	X			
United States, Illinois	Round Lake, Manufacturing	X		X	
United States, Illinois	Round Lake, R&D				LEED Silver (2013)[2]
United States, Indiana	Bloomington	X	X		
United States, Minnesota	St. Paul	X			
United States, Mississippi	Cleveland	X	X		
United States, New York	Medina	X			
United States, North Carolina	Marion (North Cove)	X	X		
Latin America					
Brazil	São Paulo	X	X	X	
Colombia	Cali	X	X	X	
Costa Rica	Cartago	X	X	X	
Mexico	Atlacomulco	X	X		
Mexico	Cuernavaca	X	X		
Puerto Rico	Aibonito	X	X		
Puerto Rico	Guayama	X			
Puerto Rico	Jayuya	X			
Europe, Middle East and Africa					
Belgium	Lessines	X	X	X	
Belgium	Lessines BDCE	X	X		
France	Jonage-Lyon	X			BREEAM Good (2011)
France	Meyzieu	X			
Germany	Bielefeld	X	X	X	
Germany	Halle Westfalen	X	X	X	
Germany	Hechingen	X	X	X	
Greece	Athens (Herakleio)	X			
Ireland	Castlebar	X	X	X	
Ireland	Swinford	X	X		

Region/Country/State/Province	City	ISO 14001	OHSAS 18001	ISO 50001	Green Building Certification
Europe, Middle East and Africa (continued)					
Ireland	Dublin/Blackrock	X			
Ireland	Dublin/Sandyford	X			
Italy	Grosotto	X	X		
Italy	Medolla	X	X		
Italy	Monselice	X	X		
Italy	Rome	X	X		Italia LEED Gold (2015)
Italy	Sesto Fiorentino	X	X		
Italy	Sondalo	X	X		
Malta	Marsa	X	X		
Portugal	Sintra	X	X		
Spain	Sabiñánigo	X	X	X	
Spain	Valencia	X	X		
Sweden	Lund	X			
Sweden	Rosersberg				EU GreenBuilding (2011)
Switzerland	Zurich				Minergie Plus (2010)
Tunisia	Oued Ellil	X	X		
United Kingdom	Elstree	X			
United Kingdom	Northwood	X	X		
United Kingdom	Northampton	X	X		
United Kingdom	Stockport	X	X		
United Kingdom	Oxford	X	X		
United Kingdom	Thetford	X	X		
Asia Pacific					
Australia	Toongabbie	X	X	X	
China	Guangzhou	X	X		
China	Shanghai	X	X		
China	Suzhou	X	X		
China	Tianjin	X	X		
India	Ahmedabad Office				LEED Gold (2018)
Japan	Miyazaki	X			
New Zealand	Auckland	X	X		
Philippines	Canlubang	X	X		
Singapore	Woodlands	X	X	X	
Thailand	Amata	X			

APPENDIX: Independent Assurance Statement

Introduction and Objectives of Work

Baxter engaged Bureau Veritas North America, Inc. (BVNA) of the Bureau Veritas Group to conduct an independent assurance of selected sections in Baxter's 2018 Corporate Responsibility Report (the Report). This Assurance Statement applies to the "Selected Information" included within the scope of work described below.

Selected Information

The scope of work included reasonable-level assurance of the following Selected Information:

Data and information included in the following sections of the Report:
- Product Innovation except the Patient Safety and Quality subsection
- Employee Health and Safety
- Operations
  - Greenhouse gas (GHG) emission verification is documented under a separate verification statement
- Serving Our Communities—Baxter World Environment Week subsection

Related material in the Report Appendix, including:
- Baxter Data Summary—Employee Health and Safety and Operations subsections
- Baxter Value Chain Energy Usage and GHG Emissions
- Facilities with ISO 14001, OSHAS 18001, ISO 50001 and Green Building Certifications

The scope of work also included limited-level assurance of the following Selected Information:

Data and information included in the following section of the Report:
- Responsible Procurement and Logistics

Related material in the Report Appendix:
- Baxter Data Summary—Responsible Procurement and Logistics subsection

Limitations and Exclusions

Excluded from the scope of our work is any assurance of information relating to:
- Activities outside the defined assurance period, the 2018 calendar year
- Positional statements (expressions of opinion, belief, aim or future intention) by Baxter and statements of future commitment
- Any financial data previously audited by an external third party
- Data and information included in sections of the Report that are not listed in the scope of work above

This assurance engagement relies on a risk-based selected sample of data and the associated limitations that this entails. This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

Responsibilities

The preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of Baxter. BVNA was not involved in the drafting of the Report. Our only responsibilities were to provide independent assurance on the accuracy and reliability of the Selected Information; to form an independent conclusion based on the assurance procedures performed and evidence obtained; and to report our conclusions.

Assessment Standard and Reporting Criteria

We performed our work in accordance with BVNA's standard procedures and guidelines for external Assurance of Sustainability Reports and the International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

The Reporting Criteria for this assurance were Baxter's reporting requirements for facility Environmental, Health, Safety and Sustainability performance.

The work was planned and carried out to provide reasonable, rather than absolute, assurance of the Selected Information except for the Responsible Procurement and Logistics section of the Report, which was carried out to provide limited assurance. We believe that our work provides an appropriate basis for our conclusions.

Summary of Work Performed

As part of BVNA's assurance process, BVNA undertook the following activities:
- Assessed the appropriateness of the Reporting Criteria for the Selected Information
- Conducted interviews with relevant Baxter personnel responsible for collecting and reporting performance data and other subject matter for the Selected Information
- Attended a conference call with Baxter representatives and stakeholders to observe management involvement and stakeholder inclusion in corporate responsibility at Baxter
- Reviewed documentary evidence produced by Baxter to support the Selected Information
- Assessed the disclosure and presentation of the Selected Information with emphasis on principles of accuracy, accessibility, balance, clarity, comparability, reliability and timeliness and to ensure consistency with the Reporting Criteria
- Audited performance data during visits to operating sites located in: Jayuya, Puerto Rico; Grosotto, Italy; Guangzhou, China; Mountain Home, Arkansas; Sondalo, Italy; and Tijuana, Mexico
- Audited consolidated performance data including review of a sample of data-to-source documentation
- Reviewed Baxter data and information systems used for collection, aggregation, analysis and review of Selected Information during visits to Baxter's offices in Round Lake, Illinois, and Deerfield, Illinois, United States

Conclusions

On the basis of our methodology and the activities described above, it is our opinion that the Selected Information within the Product Innovation (except the Patient Safety and Quality subsection), Employee Health and Safety, Operations, and Serving Our Communities, Baxter World Environment Week sections of the Report and related material in the Report Appendix:
- is accurate, reliable and free from material mistake or misstatement;
- is presented in a clear, understandable and accessible manner;
- is presented based on the Reporting Criteria;
- provides a fair and balanced representation of activities; and
- allows readers to form a balanced opinion of Baxter's 2018 activities and performance.

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

It is also our opinion that Baxter has established appropriate systems for the collection, aggregation, analysis and review of the Selected Information.

Additional Commentary

During the assurance process, BVNA observed that Baxter has continued to improve its overall data collection and reporting processes at the site and corporate level. Opportunities for improving facility-level data collection, reporting and procedural documentation at some facilities were noted.

We recommend Baxter initiate the gathering of input for development of goals related to material issues for the next reporting interval beyond 2020.

Statement of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specializes in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification of environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified[1] Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)[2], across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behavior and high ethical standards in their day-to-day business activities.

No member of the assurance team has a business relationship with Baxter, its Directors or Managers beyond that required of this assignment. We have conducted this verification independently, and there has been no conflict of interest.

The assurance team has extensive experience in conducting assurance of environmental, social, ethical and health and safety information, systems and processes and an excellent understanding of the Bureau Veritas Group's standard methodology for the Assurance of Corporate Responsibility Reports.

Bureau Veritas North America, Inc.
Lakewood, CO | June 2019

[1] Certificate of Registration No. 44 100 160145 issued by TUV Nord
[2] International Federation of Inspection Agencies—Compliance Code—Third Edition

GLOBAL REPORTING INITIATIVE (GRI) INDEX

This index references information related to disclosures from the Global Reporting Initiative 2016 Sustainability Reporting Standards. The reported information may meet in part or in full the requirements of each GRI disclosure listed.

Disclosure		2018 Reporting
GRI 102: General Disclosures		
Organizational Profile		
102-1	Name of the organization	Company Profile
102-2	Activities, brands, products and services	Baxter 2018 10-K
102-3	Location of headquarters	Baxter's corporate headquarters is in Deerfield, Illinois.
102-4	Location of operations	Baxter 2018 10-K
102-5	Ownership and legal form	Baxter International Inc. (BAX) is a publicly traded company listed on the New York Stock Exchange.
102-6	Markets served	Baxter 2018 10-K
102-7	Scale of the organization	Operations; Baxter 2018 10-K
102-8	Information on employees and other workers	Baxter Data Summary
102-9	Supply chain	Responsible Procurement and Logistics
102-10	Significant changes to the organization and its supply chain	Baxter 2018 10-K
102-11	Precautionary Principle or approach	Patient Safety and Quality; Sustainable Design; Materials Use
102-12	External initiatives	Examples are included throughout this report.
102-13	Membership of associations	Stakeholder Engagement
Strategy		
102-14	Statement from senior decision-maker	From the Chairman and CEO
Ethics and Integrity		
102-16	Values, principles, standards and norms of behavior	Ethics and Compliance; Responsible Procurement and Logistics
102-17	Mechanisms for advice and concerns about ethics	Ethics and Compliance Helpline
Governance		
102-18	Governance structure	Our Governance
102-19	Delegating authority	Corporate Responsibility at Baxter
102-20	Executive-level responsibility for economic, environmental and social topics	Corporate Responsibility at Baxter
102-22	Composition of the highest governance body and its committees	Our Governance
102-23	Chair of the highest governance body	Our Governance

Disclosure		2018 Reporting
GRI 102: General Disclosures (continued)		
Organizational Profile		
102-24	Nominating and selecting the highest governance body	Corporate Governance Guidelines
102-25	Conflicts of interest	Corporate Governance Guidelines
102-31	Review of economic, environmental and social topics	Corporate Responsibility at Baxter
102-33	Communicating critical concerns	Baxter 2019 Proxy Statement
102-35	Remuneration policies	Corporate Governance Guidelines
102-36	Process for determining remuneration	Corporate Governance Guidelines
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement; Baxter 2019 Proxy Statement
102-43	Approach to stakeholder engagement	Stakeholder Engagement; Baxter 2019 Proxy Statement
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Baxter 2018 10-K
102-46	Defining report content and topic Boundaries	Materiality
102-47	List of material topics	Materiality
102-50	Reporting period	Calendar year 2018
102-51	Date of most recent report	June 2018
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	corporate_responsibility_report@baxter.com
102-55	GRI content index	This section
102-56	External assurance	Assurance and Verification
GRI 200 Economic Standard Series		
GRI 201: Economic Performance		
	Management approach	Innovation That Expands Access to Care; Serving Our Communities
201-1	Direct economic value generated and distributed	Serving Our Communities; Baxter Data Summary; Baxter 2018 10-K
201-2	Financial implications and other risks and opportunities due to climate change	Baxter CDP submission

GLOBAL REPORTING INITIATIVE (GRI) INDEX (continued)

Disclosure		2018 Reporting
GRI 200 Economic Standard Series (continued)		
GRI 203: Indirect Economic Impacts		
Management approach		Innovation That Expands Access to Care; Serving Our Communities
203-1	Infrastructure investments and services supported	Innovation That Expands Access to Care; Serving Our Communities
203-2	Significant indirect economic impacts	Innovation That Expands Access to Care; Serving Our Communities
GRI 205: Anticorruption		
Management approach		Ethics and Compliance
205-1	Operations assessed for risks related to corruption	Ethics and Compliance
205-2	Communication and training about anticorruption policies and procedures	Ethics and Compliance
GRI 300 Environmental Standards Series		
GRI 301: Materials		
Management approach		Sustainable Design; Materials Use; Product End-of-Life
301-3	Reclaimed products and their packaging materials	Product End-of-Life
GRI 302: Energy		
Management approach		Operations; Energy
302-1	Energy consumption within the organization	Energy; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions
302-3	Energy intensity	Energy; Baxter Data Summary
302-4	Reduction of energy consumption	Energy
GRI 303: Water		
Management approach		Operations; Water and Wastewater
303-1	Water withdrawal by source	Water and Wastewater; Baxter Data Summary
303-2	Water sources significantly affected by withdrawal of water	Water and Wastewater; Baxter Data Summary

Disclosure		2018 Reporting
GRI 300 Environmental Standards Series (continued)		
GRI 305: Emissions		
Management approach		Operations; GHG Emissions Across the Value Chain; GHG Emissions from Operations
305-1	Direct (Scope 1) GHG emissions	GHG Emissions Across the Value Chain; GHG Emissions from Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions
305-2	Energy indirect (Scope 2) GHG emissions	GHG Emissions Across the Value Chain; GHG Emissions from Operations; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions
305-3	Other indirect (Scope 3) GHG emissions	GHG Emissions Across the Value Chain; Baxter Data Summary; Baxter Value Chain Energy Usage and GHG Emissions
305-4	GHG emissions intensity	GHG Emissions from Operations; Baxter Data Summary
305-5	Reduction of GHG emissions	GHG Emissions from Operations
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant air emissions	Baxter Data Summary
GRI 306: Effluents and Waste		
Management approach		Operations; Waste
306-1	Water discharge by quality and destination	Baxter Data Summary
306-2	Waste by type and disposal method	Waste; Baxter Data Summary
GRI 307: Environmental Compliance		
Management approach		Operations
307-1	Non-compliance with environmental laws and regulations	Baxter Data Summary
GRI 308: Supplier Environmental Assessment		
Management approach		Managing Procurement Risks; Supplier Corporate Responsibility Survey; Supplier Audits
308-2	Negative environmental impacts in the supply chain and actions taken	Supplier Corporate Responsibility Survey; Supplier Audits; Green Logistics; Baxter Value Chain Energy Usage and GHG Emissions

GLOBAL REPORTING INITIATIVE (GRI) INDEX (continued)

Disclosure		2018 Reporting
GRI 400 Social Standards Series		
GRI 401: Employment		
Management approach		Workplace Culture
401-1	New employee hires and employee turnover	Voluntary employee turnover was 14.6% in 2018.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Compensation and Benefits All benefits are generally provided to full-time and part-time employees.
GRI 402: Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	Minimum notice period varies by country. The length of the notice period is dependent on the type of change being made. Baxter is committed to providing appropriate notice and follows all relevant consultation and notice requirements.
GRI 403: Occupational Health and Safety		
Management approach		Employee Health and Safety
403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Employee Health and Safety; Baxter Data Summary
GRI 404: Training and Education		
Management approach		Employee Engagement
404-2	Programs for upgrading employee skills and transition assistance programs	Employee Engagement
GRI 405: Diversity and Equal Opportunity		
Management approach		Global Inclusion and Diversity
405-1	Diversity of governance bodies and employees	Baxter Data Summary; Our Leadership
GRI 408: Child Labor		
Management approach		Responsible Procurement; Baxter Global Human Rights Policy; Baxter Code of Conduct; Baxter Supplier Quality Standard; Ethics and Compliance Standards for Baxter Suppliers
408-1	Operations and suppliers at significant risk for incidents of child labor	Supplier Corporate Responsibility Survey; Supplier Audits

Disclosure		2018 Reporting
GRI 400 Social Standards Series (continued)		
GRI 409: Forced or Compulsory Labor		
Management approach		Responsible Procurement; Baxter Global Human Rights Policy; Baxter Code of Conduct; Baxter Supplier Quality Standard; Ethics and Compliance Standards for Baxter Suppliers; Baxter California Transparency in Supply Chains Act Position Statement; Baxter UK Modern Slavery Statement; Baxter Conflict Minerals Position Statement
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supplier Corporate Responsibility Survey; Supplier Audits
GRI 414: Supplier Social Assessment		
Management approach		Managing Procurement Risks; Supplier Corporate Responsibility Survey; Supplier Audits
414-2	Negative social impacts in the supply chain and actions taken	Supplier Corporate Responsibility Survey; Supplier Audits
GRI 415: Public Policy		
Management approach		Public Policy
415-1	Political contributions	Baxter 2018 Political Contributions Report
GRI 416: Customer Health and Safety		
Management approach		Product Innovation
416-1	Assessment of the health and safety impacts of product and service categories	Patient Safety and Quality; Sustainable Design
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Baxter 2018 10-K
GRI 418: Customer Privacy		
Management approach		Privacy and Data Protection
GRI 419: Socioeconomic Compliance		
Management approach		Ethics and Compliance
419-1	Non-compliance with laws and regulations in the social and economic area	Baxter 2018 10-K

APPENDIX: Endnotes

2020 PRIORITIES AND GOALS

[1] 2018 is the first year we are including Baxter Hemodialysis products in this value. Excluding these products (comparable to 2015), we achieved a 56%, reduction compared with 2015.

[2] This represents the total savings attributable to identified projects across the company, counted only for the first year the packaging innovation was implemented.

[3] Data are from Aon Hewitt. The global average represents approximately 500 companies and approximately 11 million employees. Top quartile is a subset of the global average.

[4] In a comparison of 36 global companies across all industries, 29 reported global safety data to ORC HSE and 7 reported data on their public websites.

[5] Includes spending with women-owned businesses and minority-owned businesses. Spending with suppliers that qualify for both categories is included in the total for each category. United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted).

PRODUCT INNOVATION

[1] United Nations Department of Economic and Social Affairs, "World Population Prospects, The 2017 Revision: Key Findings and Advance Tables," https://population.un.org/wpp/Publications/Files/WPP2017_KeyFindings.pdf. Last accessed April 2019.

WORKPLACE CULTURE

[1] As of December 31, 2018.

[2] These data do not represent all employee training but do capture a large portion of web-based training for most employees. Beginning in 2019, we will capture more complete data through our new training platform, BAXU.

EMPLOYEE HEALTH AND SAFETY

[1] Each year, profiles untouched for the previous three years are removed from the active database.

OPERATIONS

[1] The environmental data included in this report are based on 159 reporting locations, of which 52 are manufacturing, 19 are warehouse, and 88 are pharmacies, administrative, clerical or other. Several of the reporting units comprise multiple locations that report as a single entity. For example, in 2018, Baxter's 46 renal therapy sites in Colombia reported as a single entity. The reporting scope excludes certain leased facilities for which environmental performance data are not available or are not material to Baxter's overall environmental performance. The health and safety data included in this report are based on 164 reporting locations. The Environmental, Health, Safety and Sustainability (EHS&S) information reported covers 100% of Baxter's operations unless noted otherwise. EHS&S data are revised to reflect acquisitions, divestitures and plant closings as well as to incorporate any corrections necessary due to additional data verification activities (such as EHS&S audits). See the Baxter Data Summary for additional detail.

[2] One cubic meter equals 1,000 liters or 264 gallons.

[3] Water value stream mapping is an interactive, lean manufacturing tool that helps facilities better understand the quantity and quality of water used in their processes and identify opportunities for reduction or reuse.

[4] To more closely reflect production efficiency and support consistent evaluation of facility performance and trends, we exclude certain nonroutine, non-production-related waste streams from our total waste performance data and progress against our 2020 waste goal. These waste streams are construction and demolition debris, remediation waste and wastewater treatment sludge.

[5] We report "regulated waste" rather than "hazardous waste." This term includes some materials that would otherwise be classified as nonhazardous waste in some countries, which helps Baxter harmonize waste reporting across locations. In addition to wastes typically considered hazardous (such as toxics and corrosives), we also include oils, biohazardous or infectious materials, batteries, fluorescent lamps, asbestos and other materials that may not be defined as hazardous waste by national legislation at the point of origin.

[6] Incineration with energy recovery is considered recycling.

[7] A single waste stream at a facility in Europe has government-mandated requirements. This waste stream is excluded from the total.

[8] Our Scope 1 and Scope 2 emissions have a high level of certainty and have been verified for the past eight years to a reasonable assurance level by Bureau Veritas North America. Scope 3 categories are based on various assumptions and estimates. For the past six years, Bureau Veritas North America has verified to a limited assurance level Baxter's methodology and emission factors for calculating Scope 3 GHG emissions. The market-based method is used for Scope 2 unless otherwise stated. Data in this report are presented in accordance with the GHG Protocol (Scope 1 and Scope 2) and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

OPERATIONS [CONTINUED]

[9] In 2018, we used biomass fuels to generate energy in boilers at two Baxter locations, one in the United States and one in Italy. During the year, emissions from the Baxter-operated biomass boilers equaled 145,000 metric tons CO_2. In accordance with the GHG Protocol, these are not included in reported Scope 1 and Scope 2 emissions. However, also in accordance with the GHG Protocol, we include CO_2e emissions from the CH_4 and N_2O components of biomass combustion in our reported Scope 1 emissions.

[10] U.S. Environmental Protection Agency Green Power Partnership Fortune 500 Partners List. As of April 22, 2019.

RESPONSIBLE PROCUREMENT AND LOGISTICS

[1] We have processes to avoid double-counting suppliers that certify with more than one classification.

[2] In the latest update to the U.S. Environmental Protection Agency GHG Emission Factors Hub, published in March, 2018 (https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf), the CO_2 factor increased by 39%, CH_4 by 34%, and N_2O by 8% due to a methodology change.

[3] Source: https://www.porttechnology.org/technical_papers/lng_as_a_ship_fuel_perspectives_and_challenges

INNOVATION THAT EXPANDS ACCESS TO CARE

[1] Source: https://www.kidney.org/kidneydisease/global-facts-about-kidney-disease

SERVING OUR COMMUNITIES

[1] Houses of worship and political organizations are not eligible for the Foundation Matching Gift Program.

BAXTER DATA SUMMARY

[1] "Executive" includes vice presidents and above. "Management" includes directors and managers. "Professional" includes individual contributors. "Technical/Clerical" includes employees in operational and administrative/clerical roles.

[2] Americas includes the United States (with Puerto Rico), Canada and Latin America.

[3] Includes American Indian/Alaska Native, Asian, Black/African American, Hispanic/Latino, Native Hawaiian/Other Pacific Islander and two or more races.

[4] The regional breakdown of the data included in this section reflects the structure of the Environmental, Health, Safety and Sustainability (EHS&S) organization and the categorization of data in the EHS&S global information management system through 2018.

[5] Work-related injuries or illnesses requiring medical attention beyond first aid, including cases with days lost. All rates based on 100 full-time employees working one year, which equals 200,000 work hours. For tracking purposes, Baxter follows U.S. Occupational Safety and Health Administration recordkeeping requirements worldwide. Thus, in cases where an injury occurs and conflicting medical opinions arise as to the number of days away and/or restricted days that should be recorded, we record on the basis of the most authoritative physician's opinion. For 2016 and 2017, rates exclude acquisitions until January 1 of the first year following at least 18 months with Baxter. We include occupational diseases and illnesses, such as hearing loss and ergonomic disorders, within our broader categories of cases, but do not track or report those items separately. Due to privacy regulations in our Europe, Middle East and Africa region, we do not classify or report injuries by gender. Supervised contracted employees are included in the injury statistics reported below and are not tracked separately. Independent contractors are not included in Baxter's injury data, because they are supervised by other organizations.

[6] Work-related injuries or illnesses that cause an employee to lose at least one full day after the date of the incident.

[7] The number of days lost (including weekends and holidays) recommended by the most authoritative physician's opinion due to work-related injuries or illnesses. We do not count the date of injury and date of return to full duty as lost days.

[8] The number of days recommended by the most authoritative physician's opinion that an employee or supervised contractor is unable to work full duty (including weekends and holidays) due to a work-related injury or illness. We do not count the date of injury and date of return to full duty as restricted days.

[9] The regional breakdown of the data included in this section reflects the structure of the Environmental, Health, Safety and Sustainability (EHS&S) organization and the categorization of data in the EHS&S global information management system through 2018. Some data for 2016 and 2017 are updated from data reported in the Baxter 2017 Corporate Responsibility Report, largely due to integration of data from our Ahmedabad, India, facility (acquired through the Claris Injectables purchase in July 2017) into our 2015 baseline and subsequent years. Some totals vary from sum of items in category, due to rounding.

[10] Totals reflect the removal of methyl ethyl ketone (MEK) as an air toxic by the United States Environmental Protection Agency. EtO = ethylene oxide; DEHP = di(2-ethylhexyl) phthalate.

Introduction | 2020 Priorities and Goals | Product Innovation | Workplace Culture | Ethics and Compliance | Employee Health and Safety | Operations | Responsible Procurement and Logistics | Innovation That Expands Access to Care | Serving Our Communities

Baxter

APPENDIX: Endnotes (continued)

BAXTER DATA SUMMARY [CONTINUED]

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

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

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

[14] This data differs slightly from the 2016 total stated in the Baxter Operations Total line of the Baxter Value Chain Energy Usage and GHG Emissions table, due to rounding.

[15] Excludes waste associated with U.S. Renal Home Care operations, since patients dispose of unused product rather than returning it to Baxter for disposal. Also excludes construction and demolition debris, remediation waste and wastewater treatment sludge. Removing these waste categories from the company total allows for more consistent evaluation of facility performance and trends over time. In 2017, we reclassified a waste stream as wastewater, thereby excluding it from waste calculations.

[16] Excludes production by-products reused on-site, construction and demolition debris and wastewater treatment sludge. Includes discarded/returned products (such as intravenous solution, dextrose solution, etc.) that are nonhazardous in nature but may be classified as regulated in some countries. Excludes waste associated with U.S. Renal Home Care operations, since patients dispose of unused product rather than returning it to Baxter for disposal.

[17] Excludes waste recycled on-site, remediation waste, construction and demolition debris and wastewater treatment sludge. Includes certain waste streams (such as waste oils, batteries, fluorescent lamps, light ballasts and asbestos) not classified as regulated in some locations. In 2017, we reclassified a waste stream as wastewater, thereby excluding it from waste calculations.

[18] Water usage from Baxter's 60 sites with the greatest use, representing 95% of the company's total annual water consumption. Availability of renewable water supplies evaluated using the World Business Council for Sustainable Development Global Water Tool. Extreme-scarcity areas have less than 500 cubic meters of renewable water resources per person per year. Water-scarce areas have at least 500 cubic meters but less than 1,000 cubic meters. Water-stressed areas have at least 1,000 cubic meters but less than 1,700 cubic meters. Water-sufficient areas have at least 1,700 cubic meters but less than 4,000 cubic meters. Water-abundant areas have greater than 4,000 cubic meters.

[19] Estimated total water pollutant levels for treated wastewater discharged directly into waterways. Data do not include two facilities that operate zero-discharge systems in accordance with local regulatory requirements. BOD_5 refers to five-day biological oxygen demand; COD refers to chemical oxygen demand; TSS refers to total suspended solids. When actual performance data were not available, estimates are based on performance at similar facilities or on other measured performance indicators.

[20] Of the $79,500 in environmental fines Baxter paid in 2018, $75,000 was associated with three Notices of Violation received in 2016.

[21] Fiscal year basis (October 1 through September 30 of the year noted).

[22] United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted). Accounts payable data are sent to a third party, which categorizes spending. Other categories include disability-owned, service-disabled-veteran-owned, LGBT-owned, small disadvantaged and HUBZone-certified businesses. HUBZone is a U.S. Small Business Administration program for small companies that operate and employ people in Historically Underutilized Business Zones. Spending with suppliers that qualify for more than one category may be included in the totals for each of the relevant categories.

[23] Variations in Baxter's annual product donations are due to fluctuations in community needs, the need and volume of disaster relief response, the regulatory environment, manufacturing processes and changes in product mix and marketing. We identify opportunities to donate and respond to community and humanitarian aid partner requests as appropriate. This number may be different than the value of Baxter products distributed during the year by our relief partners. See Innovation That Expands Access to Care.

[24] Contributions to U.S.-based 501(c)(3) organizations for programs within and outside of the United States.

BAXTER VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS

[1] Baxter used the World Resources Institute and World Business Council for Sustainable Development Greenhouse Gas Protocol to calculate emissions data from fossil fuel use. We used country electricity emission factors published by the International Energy Agency and the U.S. Environmental Protection Agency (EPA) E-Grid U.S. regional electricity emission factors to calculate GHG emissions related to electricity consumption.

[2] Bureau Veritas North America, Inc. verified to a reasonable level Baxter's 2017–2018 Scope 1 and Scope 2 GHG emissions. Bureau Veritas North America, Inc. also verified to a limited level Baxter's methodology for determining 2017–2018 Scope 3 GHG emissions.

BAXTER VALUE CHAIN ENERGY USAGE AND GHG EMISSIONS [CONTINUED]

[3] Estimated based on an environmentally extended input-output model from an independent third party and Baxter's revenue and sector of operation.

[4] Estimated based on capital expenditures and an estimated emission factor per million dollars of capital expenditure from benchmarking with industry.

[5] Estimated based on Baxter's actual yearly energy usage by energy type and GHG emission factors for each energy type per GaBi life cycle assessment software.

[6] Estimated by Baxter's independent transportation service provider based on shipment of products to our customers.

[7] Estimated emissions for wastewater treatment by municipalities and off-site waste recycling and disposal based on Baxter's waste generation by type, guidance provided by the Massachusetts Department of Environmental Protection (United States), and the U.S. EPA WARM model.

[8] Estimated based on domestic and international air mileage, rental vehicle mileage, and hotel room stays provided by Baxter's global travel providers, and using emission factors from UK Government GHG Conversion Factors for Company Reporting, Greenhouse Gas Protocol Mobile Combustion GHG Emissions Calculation Tool, and Carbonfund.org Business Travel Calculator.

[9] Estimated based on the number of Baxter employees by country and statistics on commuting time and transport mode split into public transport, passenger cars, taxi and motorcycle, and walking or bicycling. Emission factors for each mode were obtained from Defra.

[10] Emissions associated with upstream leased assets are included in Baxter's Scope 1 and 2 emissions.

[11] Some data for 2016 and 2017 are updated from data reported in the Baxter 2017 Corporate Responsibility Report, largely due to integration of data from our Ahmedabad, India, facility (acquired through the Claris Injectables purchase in July 2017) into our 2015 baseline and subsequent years.

[12] We used the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, Revised Edition to determine GHG emissions associated with using biomass fuel, principally wood/wood waste, as a boiler fuel at two Baxter locations. These emissions were calculated as 148,000, 146,000 and 145,000 metric tons CO_2 in 2016, 2017 and 2018, respectively. CO_2e emissions from CH_4 and N_2O components of biomass combustion are included in reported Scope 1 emissions.

[13] Includes the purchase of electricity generated from 100% certified renewable electricity (Belgium, Brazil, Czech Republic (except 2018), France, Germany, Ireland, Italy, the Netherlands (except 2018), Spain, Sweden, Switzerland (except 2018), United Kingdom and United States), and the purchase of carbon credits from the EU Emissions Trading Scheme.

[14] Baxter used the Greenhouse Gas Protocol to estimate GHG emissions associated with reported fuel usage by company-managed sales and distribution fleet vehicles and other vehicles. We estimated fuel usage for international sales and distribution vehicles based on regional sales information.

[15] Refrigerant emissions represent reported CFC, HCFC and HFC refrigerant losses by each Baxter location. We calculated associated GHG emissions using actual emission factors for each reported refrigerant.

[16] Estimated based on previous Baxter product LCAs as well as the company's revenue by product type. Category 1 emissions were extrapolated to other categories depending on the product type.

[17] Estimated based on an environmentally extended input-output model from an independent third party and revenue from Baxter's contract services business.

[18] Estimated based on production quantities and global warming potential information for certain types of products. Emissions for certain other products estimated based on previous Baxter product LCAs as well as the company's revenue by product type. Category 1 emissions were extrapolated to other categories depending on the product type.

[19] Totals do not include CO_2 emissions from Baxter-owned wood-fired boilers. See endnote 12 above for detail.

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

[1] As of December 31, 2018, unless stated otherwise.

[2] The building with green certification noted is one of several buildings at the designated location.

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Cover Photo:

By collaborating with international partners, we work to increase access to healthcare for those who need it most—including these two patients from Casa de la Amistad, a residential pediatric cancer center near Mexico City. In partnership with Direct Relief, we launched the Driving Your Health program, a free community mobile medical initiative to serve patients with oncology treatment, diabetes screening and community education fairs. Since its inauguration in 2016, the cross-sectoral partnership has directly benefited nearly 69,000 people through health services and indirectly benefited 562,000 individuals through medical consulting and educational resources.