Supply Chain

Baxter’s supply chain extends from producers of raw materials to end-users of Baxter products. Given its size, scope and complexity, Baxter’s efforts in this area play a central role in the company’s overall sustainability efforts. As a healthcare company, maintaining a safe, secure and reliable supply chain has a heightened importance as it is essential to ensuring patient safety.

Approximately 35,000 suppliers in more than 100 countries provide the goods, services and raw materials required by Baxter’s operations worldwide. In 2013, Baxter’s total supplier spending was approximately $7.3 billion. About 29% of this total spend was on “direct” supplies - raw materials and components used in Baxter products. In general, Baxter buys most of its direct supplies from companies located near its manufacturing operations. All other supplies are considered “indirect” - goods and services that support other aspects of the company’s operations.

Baxter is committed to building and driving a sustainable supply chain. This is one of the company’s nine sustainability priorities, and reflects the fact that Baxter’s suppliers represent a substantial portion of its overall environmental impacts. For example, Baxter estimates that the purchase of goods and services contributes approximately 20% of the company’s carbon footprint. Likewise, the transportation and distribution of raw materials to Baxter facilities and distribution to its customers contribute more than 11% to the company’s carbon footprint. Recognizing these impacts, Baxter helps suppliers understand and mitigate sustainability-related risk, improve environmental performance, minimize transport-related emissions, and promote human rights.

The company engages its suppliers on key sustainability issues including energy use, greenhouse gas emissions, waste reduction, and the environmental impacts of raw materials used in Baxter’s products. Responsible sourcing is a focus area as well, including conflict minerals as well as other supply chain-related human rights issues. Lastly, Baxter strives to maintain a diverse supplier base that reflects the markets and communities in which the company operates.

Baxter continues to pursue opportunities to improve efficiency in product transport and decrease related emissions. This includes adding greater efficiencies to the company’s distribution network, shifting to less energy-intensive modes of product transport and optimizing loads to increase vehicle utilization.
Supplier Standards

Baxter’s Global Supplier Sustainability Program builds on several sustainability-related standards that govern the company’s relationships with suppliers. Baxter maintains a culture of strict compliance with applicable laws, rules and regulations, and the highest standards of ethics and business conduct. This extends to the company’s relationships with suppliers.

The Supplier Quality Standard and Ethics and Compliance Standards for Baxter Suppliers provide a framework for consistent supplier evaluation and selection, and define policies and expectations for ethical behavior when doing business with Baxter. The company evaluates and approves suppliers before purchasing materials, components, products and select services.

The Supplier Quality Standard addresses sustainability issues, including child labor, employment standards, waste and energy reduction, materials of concern and supply chain due diligence and ethics. Baxter’s Ethics and Compliance Standards for Baxter Suppliers, available in 19 languages and included with supplier agreements, also cover child labor, as well as confidential information, intellectual property, gifts and entertainment, anti-corruption, conflicts of interest, trade compliance, fair employment opportunities, and environment, health and safety.

Baxter does not tolerate any form of forced labor or human trafficking and slavery in its operations or supplier base. The company takes a number of steps to ensure suppliers operate in an ethical manner and do not engage in these practices. As part of the company’s annual supplier sustainability survey, Baxter asks questions to assess the human rights programs of its suppliers. (Also, see Baxter’s statement in response to the California Transparency in Supply Chains Act of 2010.)

The company expects all suppliers to comply with these standards and expectations as well as all laws governing purchasing, and may terminate agreements with suppliers that do not. To support these efforts, employees in Baxter’s Purchasing and Supplier Management (PSM) organization complete mandatory ethics training. All PSM employees that interact with suppliers must take an online ethics and compliance course as well as a live training session conducted by Baxter’s Ethics and Compliance organization.

To ensure Baxter maintains a continuous supply of vital raw materials used in its products, the company also asks key suppliers to provide emergency response plans describing how they will continue to provide vital supplies in the event of a catastrophe or other business interruptions.

Pharmaceutical Supply Chain Initiative

In 2013, Baxter joined the Pharmaceutical Supply Chain Initiative (PSCI), a healthcare industry group working toward improving responsible procurement, risk mitigation and building shared suppliers’ capabilities in addressing sustainability risks and performance improvement. Baxter shares in the belief that it can have greater influence and achieve greater efficiencies by working with other members of the industry to advance responsible procurement and sustainability.

PSCI has developed its code and expectations covering ethics, labor, safety, environmental and management systems standards and expectations for suppliers to the healthcare industry. In 2013, two Baxter suppliers participated in the joint industry audit program, one each in Mexico and India, of performance against these standards. PSCI’s independent auditor and audit committee monitor the audit results and subsequent supplier corrective and preventive actions implemented. The company continues to encourage its suppliers to participate in the audit program and is sponsoring additional suppliers to audit through this program in 2014.

Additionally, Baxter supports the PSCI supplier capability building committee, which aims to utilize risks and trends uncovered in industry audits and other topics of interest to create training and resources for suppliers to address the risks and advance responsible procurement. During the year, Baxter through PSCI provided introductory training to suppliers to educate on responsible procurement and the PSCI organization. PSCI will also consider additional supplier training opportunities, such as safety, that can be tailored to specific country or regional needs.

Product Material Regulatory Compliance

Customers and governmental regulations increasingly require companies to disclose information about materials and chemical substances used in products and manufacturing. Tracking this information is complex since Baxter’s products, such as infusion pumps and dialysis machines, may contain components from numerous suppliers worldwide. Baxter’s suppliers play a critical role in helping the company assess material compliance risk. The Materials Use section of this report provides more information about Baxter’s initiatives.

The Dodd-Frank Act requires companies to file annual reports with the U.S. Securities and Exchange Commission beginning May 31, 2014, indicating if their products contain tantalum, tin, tungsten or gold originating from the Democratic Republic of Congo or adjoining countries (known as “conflict minerals”). See Baxter’s Conflict Minerals Report. In 2013, in addition to conducting due diligence on its global suppliers consistent with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Conducting Due Diligence on Minerals from Conflict-Affected Areas, Baxter offered training and information regarding conflict minerals to its global suppliers that were considered at potential risk for conflict minerals based on the raw materials purchased. The objectives were to educate them on current regulations and to enable them to provide Baxter the information it needs regarding the raw materials in its products.
Baxter also updated its supplier quality standards, purchase order terms and conditions and other procurement practices to address conflict mineral risk in its supply chain. The company plans to offer additional training and guidance to its suppliers in 2014, along with integrating the Gambro supplier base to conflict mineral compliance in 2014.

U.S. Customs-Trade Partnership Against Terrorism (C-TPAT) Program

As a manufacturer, Baxter is also a supplier to other companies, and works to ensure it meets the highest standards of ethical standards and business conduct. Baxter’s efforts to establish a secure supply chain, such as through the Customs-Trade Partnership Against Terrorism Program (C-TPAT), for its raw materials and shipments of products to customers represents a significant step toward secure supply of life-saving medical products. C-TPAT is a joint U.S. government-business initiative that builds cooperative relationships to enhance U.S. border security, with a focus on strengthening security throughout the supply chain. As a supplier, Baxter has been recognized as a Tier III Partner in the U.S. C-TPAT program since 2011. Tier III is the highest level an importer can achieve in the C-TPAT program. As of early 2014, only 3% of the nearly 11,000 program participants had achieved this status. Baxter’s internal C-TPAT steering committee remains committed to monitoring and enhancing its supply chain practices and implementing process improvements as needed.

Additionally, the company was an early adopter of GS1 standards, which are used to uniquely distinguish all products, trade items, logistic units, locations, assets, and relationships in the supply chain—from manufacturer to consumers. See Product Integrity for more information.

Sustainable Procurement

Baxter considers several environmental and social factors as it integrates sustainable practices into procurement. The company collaborates with its suppliers to identify opportunities to improve environmental performance, such as reducing energy use, greenhouse gas emissions and waste. Baxter also promotes human rights throughout its supplier base.

Requests for Proposal and Supplier Agreements

Baxter considers price, quality, environmental criteria and other factors when selecting and evaluating its suppliers, to reduce the company’s environmental impact while maintaining continuity of supply and managing costs. To support these efforts, Baxter incorporates language related to sustainability in requests for proposal (RFP) and supplier contract templates. This reiterates Baxter’s commitment to sustainability and provides a means to assess each supplier's ability to support Baxter’s sustainability goals and conduct their business consistent with the company’s supplier standards. Sustainability related language is included in these documents in Australia, Brazil, Canada, Chile, China, Colombia, Mexico, New Zealand and the United States.

Baxter's RFPs in those countries ask suppliers to provide:

- Their sustainability policy and mission statement;
- A description of company sustainability initiatives and outcomes;
- A list of sustainability-related awards received;
- Disclosure of environmental violations and fines for the past three years;
- Details on purchasing from diverse suppliers, particularly related to products and services in the RFP (as applicable); and
- Information about other initiatives that would support Baxter’s sustainability goals.

Baxter's standard supplier agreement requires U.S.-based suppliers to certify compliance with federal and state equal opportunity laws. Suppliers also commit to making good-faith efforts to consider small, minority-owned, women-owned, veteran-owned and other diverse suppliers when engaging their own suppliers. Baxter maintains a diverse supplier base that reflects the markets and communities in which the company operates and is looking to expand this program globally in 2014.

The agreement also encourages suppliers to identify products and/or services for Baxter’s use with reduced environmental impact. Baxter asks its suppliers to provide regular updates on their sustainability activities.

Annual Supplier Sustainability Survey

Each year, Baxter surveys its significant suppliers about their environmental, safety, ethics, human rights and other sustainability programs and progress. The company uses responses to identify opportunities for sharing best practices and collaborating to improve the performance of both Baxter and its suppliers. To encourage honest and accurate disclosure, suppliers’ responses do not affect whether Baxter will continue to work with them. Approximately 70% of invited suppliers completed the survey. In previous years, Baxter focused on a similar group of suppliers in its survey participant list with some variations as suppliers changed.
This change in strategy was designed to:

- Expand the reach of Baxter’s sustainability efforts;
- Focus on suppliers of raw materials used in Baxter products;
- Include suppliers that may represent potential dependency risk; and
- Broaden the geographical reach of the survey, including with suppliers in emerging markets.

In 2014, Baxter will share each supplier’s responses with the Baxter purchasing employee responsible for the relationship. This will enable the relationship manager to incorporate this information into regular supplier meetings to verify responses, discuss gaps and identify opportunities for further collaboration. Additionally, Baxter is using aggregated results to determine focus areas for additional training or collaboration. These efforts can be tailored by region. While suppliers are ultimately accountable for their performance, Baxter will engage and influence where it can to advance the sustainability of its supply base, as an extension of its sourcing and operations sustainability and ultimately product responsibility.

The graph below describes results by sustainability category and by region. While results generally improved between 2009 and 2012 (see table), data in 2013 is much lower. Baxter attributes this decrease to its extension of the survey to new survey participants and believes it shows opportunities to enhance performance with additional suppliers. Baxter now has baseline information on more than 120 of its key suppliers (combined survey results from the four prior surveys plus the 2013 survey responses).

### Baxter Supplier Sustainability Survey Results, 2009-2013

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental / Sustainability Program</td>
<td>34%</td>
<td>30%</td>
<td>36%</td>
<td>40%</td>
<td>24%</td>
</tr>
<tr>
<td>Example criteria: Measures and reports environmental information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reductions in Carbon Footprint</td>
<td>46%</td>
<td>61%</td>
<td>60%</td>
<td>66%</td>
<td>36%</td>
</tr>
<tr>
<td>Example criteria: Has a goal and program to reduce GHG emissions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in Natural Resources Use</td>
<td>61%</td>
<td>55%</td>
<td>63%</td>
<td>66%</td>
<td>40%</td>
</tr>
<tr>
<td>Example criteria: Has a goal and activities to reduce waste generation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enhanced Product Stewardship</td>
<td>24%</td>
<td>35%</td>
<td>46%</td>
<td>48%</td>
<td>17%</td>
</tr>
<tr>
<td>Example criteria: Uses a product stewardship / life cycle approach</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protection of Human Rights</td>
<td>(Added in 2010)</td>
<td>88%</td>
<td>96%</td>
<td>90%</td>
<td>83%</td>
</tr>
<tr>
<td>Example criteria: Has ethical and legal employment practices for employees and suppliers -</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall</td>
<td>34%</td>
<td>44%</td>
<td>43%</td>
<td>51%</td>
<td>26%</td>
</tr>
</tbody>
</table>

* Suppliers are considered sustainable in a category when they respond positively (“yes” or “in progress”) to at least 90% of the questions in that section.

### Recognizing Supplier Environmental Efforts Globally

During 2013, Baxter’s e-Impact program continued to identify opportunities to collaborate with suppliers to improve environmental performance and to recognize results. To acknowledge successful projects, Baxter leaders award both the supplier and the relevant Baxter employees with an electronic certificate of appreciation.
Although Baxter fell short of its goal to collect 100 new project ideas, employees submitted 60 ideas for projects in 2013. Of these, 23 initiatives were successfully completed during the year, with combined benefits to Baxter and its suppliers summarized below. Collectively, these projects reduced greenhouse gas (GHG) emissions by an estimated 5,620 metric tons of CO$_2$e, which is equivalent to removing more than 1,100 cars from the road for that same period of time.1

<table>
<thead>
<tr>
<th>Combined Results of e-impact Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>------</td>
</tr>
<tr>
<td>Project Ideas Submitted</td>
</tr>
<tr>
<td>Projects Completed</td>
</tr>
<tr>
<td>Combined Cost Savings*</td>
</tr>
<tr>
<td>Combined CO2e Emissions Reduction (metric tons)*</td>
</tr>
</tbody>
</table>

*Metrics only include successfully completed projects completed in the year indicated

For example, based on an e-Impact submission, in 2013 Baxter purchased reusable plastic pallets to replace wooden pallets previously used by a supplier that delivers raw materials to one of Baxter’s manufacturing facilities. The supplier will use these new pallets in a “closed loop” system. Baxter is also exploring additional ways to partner with this supplier to reduce environmental impacts, such as a possible corrugate reuse program. Projects such as this bring together a cross-functional team within Baxter to collaborate with the supplier.

For additional information and examples of past projects recognized through Baxter’s e-Impact program, see past case studies.


Product Transport

Baxter transports large amounts of raw materials and more than 100 million cases of finished products each year throughout the company’s global supply chain. In some instances, Baxter directly operates its product distribution system. For example, the company manages its own private fleet to home deliver Renal products in certain countries. In other cases, the company partners with third-party vendors and carriers.

Baxter works to understand its environmental impacts from these activities, including by estimating greenhouse gas (GHG) emissions for upstream and downstream product transportation and distribution. The company then pursues several approaches to improve performance in this area, including:

- Optimizing the distribution network
- Using intermodal transport
- Increasing capacity utilization
- Engaging in environmentally responsible partnerships
- Reducing air freight product transportation

Performance in 2013

Baxter continued to refine a system to track GHG emissions from the company’s product transport worldwide. Baxter again worked with United Postal Service, Inc. (UPS) and The Carbon Neutral Company to determine its worldwide transportation-related GHG emissions by truck, rail, air and ocean.

Baxter’s total worldwide GHG emissions from product transport equaled 450,300 metric tons CO$_2$e in 2013. Overall CO$_2$e impact efficiency was 128 kilograms CO$_2$e per metric ton of products transported. By tracking this metric, Baxter aims to drive supply chain transportation decisions toward the most environmentally efficient modes for product shipments. For example, despite Baxter’s efforts to reduce the air transportation of finished products in 2013, 1% of its product shipped by weight in the year resulted in 28% of the company’s transportation-related carbon footprint.
In accordance with the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, total product transport emissions equaled 473,300 metric tons CO$_2$e in 2013, including a portion of Baxter’s Scope 3 Category 4: Upstream Transportation and Distribution emissions (450,300 metric tons CO$_2$e) and Baxter’s Scope 3 Category 9: Downstream Transportation and Distribution emissions (23,000 metric tons CO$_2$e).

In this table, Baxter’s Asia Pacific region includes countries in Asia and Oceania; Latin America comprises countries in Latin America and the Caribbean, including Mexico; North America includes the United States, Canada, and Puerto Rico.
Optimizing the Distribution Network

To decrease transport distance and cost, Baxter identifies opportunities to ship products to customers from local manufacturing facilities when possible. For example, the company’s customers in Poland had previously received products from Baxter’s manufacturing facilities in Western Europe via the company’s distribution facility in Belgium. In 2012, Baxter began to manufacture and distribute certain products from its manufacturing facility in Poland directly to local customers, saving approximately 1,400 metric tons CO$_2$e.

In its largest U.S. replenishment center, Baxter deployed a new application that assists transportation planners to maximize the total weight of a truckload. This application suggests an optimal product mix and loading pattern to increase the total truckload weight, while not exceeding the legal weight limitations. Based on 2013 results, it is expected that deploying this technology will result in 900 fewer truckloads annually, or 2,300 metric tons of CO$_2$e. Baxter plans to roll out the application to other replenishment centers over the next 18 months.

In Europe, Baxter launched a program in 2013 to decrease the number of shipments made by air between replenishment centers in Europe and Latin America. As a result, the company transported 64 metric tons of product to Chile and Colombia by ocean that would have otherwise been shipped by air.

In 2013, Baxter began to deliver products from the company’s warehouse in Jundiaí, Brazil, directly to renal patients in the interior of the state of São Paulo with itinerant routes avoiding passage through distribution freight centers. This reduced transport distance and is expected to save $180,000 and more than 2 metric tons CO$_2$e per year.

Intermodal Transport

Different modes of transport - such as air, ocean, river barges, trucks and rail - have varying levels of environmental impact. This is largely because they use different amounts of fuel per metric ton of product shipped. Using intermodal transport, which combines multiple modes for a single shipment, can decrease costs and reduce GHG emissions.

Baxter continues to use this approach in Europe and the United States when possible to shift toward more energy-efficient modes. For example, shipping containers are moved from manufacturing plants by truck and then transferred to more efficient and cost-effective rail or barge transport for longer distances, and then shifted back to truck for final delivery. Baxter used intermodal transport for approximately 20.5% of its shipments to replenish the company’s U.S distribution network in 2013.

### Intermodal Transport in the United States

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermodal Loads</td>
<td>6,800</td>
<td>7,600</td>
<td>7,800</td>
<td>7,600</td>
<td>6,900</td>
</tr>
<tr>
<td>Calculated Fuel Savings (liters)*</td>
<td>6,672,000</td>
<td>7,326,000</td>
<td>7,355,000</td>
<td>8,606,000</td>
<td>6,504,000</td>
</tr>
<tr>
<td>Metric Tons of carbon dioxide equivalent (CO$_2$e) Emissions Reduced</td>
<td>18,000</td>
<td>20,000</td>
<td>20,000</td>
<td>23,000</td>
<td>18,000</td>
</tr>
</tbody>
</table>

*Fuel savings is the difference between the total calculated fuel use of intermodal shipments versus truck shipments on the same routes.

Capacity Utilization

Baxter also improves transport efficiency by increasing capacity utilization. For example, use of double-decker trucks to replenish distribution centers across Europe has enabled Baxter to transport loads in two trucks that have historically required three, reducing overall GHG emissions. Another way to advance capacity utilization is through cooperation agreements with others to share routes and trucks to move combined loads most efficiently.

In 2013, Baxter signed a contract with TRI-VIZOR to deploy its platform to consolidate Baxter’s transport routes in Europe. TRI-VIZOR acts as a neutral third-party to identify opportunities to collaborate with other companies to co-load shipments to reduce CO$_2$e emissions and costs. The success of this collaborative platform depends on the willingness of other shippers to “carpool” their cargo with Baxter’s. Baxter is prepared to gradually open up a large part of its European transport network for this type of collaboration. In 2013, Baxter began a project to increase the capacity of its truck trailers from 24 pallets to 30 for the route between the company’s manufacturing and warehouse facilities in Brazil. This decreased the number of trips between the two facilities by approximately 700, reducing GHG emissions by nearly 4 metric tons CO$_2$e annually.
Environmentally Responsible Partnerships

Baxter is one of a select number of companies that participate in the U.S. Environmental Protection Agency (EPA) SmartWay® program both as both a Carrier and Shipper Partner. SmartWay is a partnership between the EPA and industry to reduce air pollution and GHG emissions through cleaner, more fuel efficient product transport.

Baxter became a SmartWay Carrier Partner in 2009 with its U.S. Renal truck fleet, and achieved the highest possible score of 1.25, recognizing the company’s “outstanding” commitment to using commercially available fuel-saving options and evaluating emerging technologies that help reduce its fleet’s environmental impact.

Besides the company’s own Renal fleet, Baxter works with shipping carriers to deliver other products. In 2011, Baxter’s operations in the United States also became a SmartWay Partnership Shipper. Since 2009, the company requires all of its carriers in the United States to be SmartWay members. In 2013, Baxter’s operations in Canada also became a SmartWay Partnership Shipper.

See Case Study: Decreasing the Environmental Impact of Product Transportation for additional examples of how Baxter has partnered with external groups in Canada, throughout Europe, and in the United States.

Pallet Recovery and Waste Minimization Efforts

Pallets are used to consolidate cases of products for transport and to move products within Baxter facilities. The company works to use pallets more efficiently to save materials and cost. In 2013, Baxter started an initiative with one of its U.S. suppliers to use reusable plastic pallets in a “closed loop” system, instead of using wooden ones.

In other countries, including Brazil, Colombia and Mexico, teams work to optimize the used wooden pallets, and recycle them when feasible. In Cali, Colombia, Baxter repurposed pallets used to deliver raw materials and other goods to the company to make them suitable for exporting finished products. This enabled the facility to reduce the number of wooden pallets it purchased by about 40% and reduced CO2e by 38 metric tons in 2013.

In Italy, Poland, Spain, Sweden and the United Kingdom, pallet recovery programs resulted in nearly 71,000 pallets being refurbished for an additional reuse. In Germany, a recovery program for temperature controlled shipping boxes resulted in approximately 450 of these boxes being reused a month in 2013.

In 2013, Baxter also added improvements to several facilities to reduce the environmental impact of its warehouse and distribution facility. For example, the company added a dock tunnel and quick door into its loading bay at its facility in Italy. This allows less energy to escape while Baxter loads product from the facility onto a truck for delivery. See the GHG Emissions from Operations section for additional activities.

In Australia, Baxter’s Supply Chain organization runs a recovery program for its patients who use Baxter’s peritoneal dialysis products at home. Patients who choose to participate in the voluntary program are able to recycle Baxter’s corrugated cartons, over-pouches and printed solution bags in bins provided by Baxter. Items are collected by Baxter drivers when they deliver new products to the patients. Also see Case Study: Baxter Australia Partners in Hospital Waste Recycling Program.

Supplier Diversity

Baxter works to develop mutually beneficial relationships with small and diverse suppliers, and strives to continue to increase the diversity of its supplier base. The company increased its spend with small suppliers in the United States and Puerto Rico to nearly $422 million in 2013, 15% more than in 2012.

Small and diverse suppliers offer many advantages. Small suppliers are often more agile than larger companies and have an entrepreneurial outlook that can foster creativity and collaboration. Baxter’s patient and customer base is increasingly diverse, and using niche suppliers with proven processes and successes helps Baxter to better meet their needs. Focusing on supplier diversity also extends Baxter’s commitment to inclusion beyond the company’s workforce. Additionally, Baxter’s use of local and diverse suppliers contributes to economic stability in local communities. Sourcing locally also helps Baxter reduce its transport-related environmental impacts.

Baxter looks for ways to keep supplier diversity prominent throughout the supplier bidding and contracting process. For example, in addition to RFPs, Baxter includes supplier diversity information in its supplier agreement summary sheets approved by senior management. These checklists include questions such as: How many diverse suppliers were included in the selection process? What classification were those suppliers? Was the selected supplier diverse? If not, why?

Baxter also uses its annual supplier sustainability survey and contracting process to assess the supplier diversity programs of its own suppliers.

In 2014, Baxter became a member of the National Gay & Lesbian Chamber of Commerce (NGLCC). The NGLCC is the largest global not-for-profit advocacy organization dedicated to expanding the economic opportunities and advancements of the lesbian, gay, bisexual and
transgender (LGBT) business community. Additionally, the NGLCC supplier diversity initiative includes efforts to establish international supplier diversity programs.

Baxter has sponsored the National Minority Supplier Development Council (NMSDC) for more than 20 years, and in 2006 joined the NMSDC Health Care Industry Group. In 2014, Baxter partnered with NMSDC to fund a scholarship to Northwestern University’s Kellogg School of Management for a certified minority-owned supplier, to help advance the capabilities of that company. In 2013, Baxter participated in the NMSDC annual meeting and the Chicago Business Opportunity Fair to meet new minority suppliers. In 2014, the Chicago MSDC recognized a Baxter purchasing manager for her efforts to promote small and diverse suppliers in 2013.

The company is also a corporate partner of the Women’s Business Development Center. Baxter participates regularly in vendor fairs to promote supplier diversity, and maintains an online database that enables small and diverse businesses in the United States to share their capabilities with Baxter procurement representatives.

Baxter is exploring possibilities to grow its supplier diversity program from a U.S.-based effort into a global one. In 2014, Baxter signed the Charter of Diversity in Austria, an initiative by the Austrian Chamber of Commerce for private and public corporations, organizations and institutions to publically disclose their engagement efforts for inclusion and diversity networking in Austria. Regional teams at Baxter will meet during the year to plan additional opportunities to pursue and learn about supplier diversity in other parts of the world.

### 2013 Supplier Diversity Performance

In 2013, Baxter spent nearly $422 million with small businesses in the United States and Puerto Rico, approximately 16% of Baxter’s total supplier spending of $2.6 billion in those markets. During the year, the company spent approximately $86 million with women-owned businesses and nearly $37 million with minority-owned firms in the United States and Puerto Rico. Veteran-owned, service-disabled veteran-owned, small disadvantaged and HUBZone-certified businesses represented approximately $10.3 million, $4.8 million, $3.9 million and $2.5 million of Baxter’s spending, respectively.

<table>
<thead>
<tr>
<th>Baxter Supplier Diversity Spending (Dollars in Millions)*</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Businesses</td>
<td>$484</td>
<td>$491</td>
<td>$388</td>
<td>$366</td>
<td>$422</td>
</tr>
<tr>
<td>Women-Owned Businesses</td>
<td>80</td>
<td>97</td>
<td>87.5</td>
<td>90</td>
<td>86</td>
</tr>
<tr>
<td>Minority-Owned Businesses</td>
<td>20</td>
<td>34</td>
<td>36</td>
<td>34</td>
<td>37</td>
</tr>
</tbody>
</table>

*United States and Puerto Rico. Fiscal year basis (October 1 through September 30 of the year noted). Accounts payable data are sent to a third party, which categorizes spending. Other categories include veteran-owned, service-disabled veteran-owned, small disadvantaged and HUBZone-certified businesses. HUBZone is a United States Small Business Administration program for small companies that operate and employ people in Historically Underutilized Business Zones (HUBZones).