BAXTER INTERNATIONAL INC.

Meeting Date:	Tue, 06 May 2014 9:00am	**Type:**	AGM	**Issue date:**	Thu, 24 Apr 2014
Meeting Location:	One Baxter Parkway, Deerfield, Illinois.				
Current Indices:	S&P500				
Sector:	Surgical and medical instruments and apparatus				

	PROPOSALS	ADVICE
1a	**Re-elect Wayne T. Hockmeyer** Independent Non-Executive Director, to be elected for a three year term.	**For**
1b	**Re-elect Robert L. Parkinson Jr** Chairman and Chief Executive Officer, to be elected for a three year term. Combined roles at the top of the Company which Triodos does not support. It is considered best practice for these positions to be separated with a Chief Executive responsible for the running of the business and the Chairman responsible for the functioning of the Board.	**Oppose**
1c	**Re-elect Thomas T. Stallkamp** Non-Executive Director, to be elected for a three year term. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Oppose**
1d	**Re-elect Albert P.L. Stroucken** Non-Executive Director, to be elected for a three year term. Independent by Company, but not considered to be independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board.	**Oppose**
2	**Approve the Auditors** PricewaterhouseCoopers proposed. The total unacceptable non-audit fees were approximately 9% of audit and audit related fees during the year under review. Non-audit fees over a three-year period were approximately 9% of audit and audit related fees. The auditors have been in place for more than ten years which Triodos does not support.	**Oppose**

3 Advisory vote on executive compensation **Oppose**

The company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. The commentary on the disclosures made by the company are contained in the body of this report and the voting outcome for this resolution reflects the balance of opinion on the adequacy of disclosure, the balance of performance and reward and the terms of executive employment. The compensation rating is: BDA (the rating for 2013 was BDB).

Disclosure rating: B - Specific target for awards have been provided for the last three years, but not the target range and the link between achievement and payout. The Company discloses the payout scale of the two performance targets used under the long-term performance plan, but not the targets themselves. The disclosure does not allow judgement as to whether the goals are challenging. However, the payouts of performance share awards in 2011, 2013 and 2014 were 37%, 65% and 30%, respectively, of the original targets for those awards, demonstrating that the performance of the company, based on a TSR measure only, was significantly below the peer group, and that pay was consequently adjusted.

Balance rating: D - The CEO received a $3.1m one-time grant "to recognize his career achievements and to provide for leadership continuity through a critical period". Stock options vest in three equal instalments over three years, based on continued employment only. Half of the retention RSU grant to the CEO will vest two years after the grant, and the other half will vest on the third anniversary of the grant.

Contracts rating: A

Based upon the concerns noted above regarding the annual vesting of stock options and the one-time grant to the CEO, Triodos does not support this resolution.

Note: At the 2013 Annual Meeting, this proposal received approximately 2.2% of the votes cast in opposition to the compensation package.

4 Shareholder Resolution: Right to Act by Written Consent **For**

Proposed by: John Chevedden

The proponent requests the Board to undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. It argues that this proposal would empower shareholders by giving them the ability to effect change at the company without being forced to wait until an annual shareholder meeting.

The Board recommends a vote against this proposal. It believes that it is unnecessary in light of the existing ability to call special meeting of shareholders. The Board believes that all shareholders should have the opportunity to deliberate and vote on pending shareholder actions and that therefore shareholders should generally act only in the context of an annual or special meeting. It notes that Baxter allow holders of 25% of the outstanding shares to call a special meeting. Its argues that written consent rights as proposed could deprive many shareholders of the opportunity to deliberate in an open and transparent manner, or even receive accurate and complete information on important pending actions.

It is considered that the Board should remain accountable to its shareholders, regardless of the size of their shareholding or the method of communication chosen. The sanctioning of communication in writing with Directors as an option for shareholders when seeking to protect their interests in the Company would constitute an improvement in shareholder rights. Triodos supports this resolution.

5 Shareholder Resolution: Executives to Retain Significant Stock **Abstain**
Proposed by: Kenneth Steiner

The proponent requests that the Compensation Committee adopt a policy requiring senior executives to retain a significant percentage of shares (50% net after-tax) acquired through equity pay programs until reaching normal retirement age and to report to shareholders regarding the policy before our Company's next annual meeting. It believes that requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus them on the company's long-term success.

The Board recommends to vote against this proposal. The Board believes that Baxter's current share ownership guidelines balance the importance of aligning executives' and shareholders' interest against the need to allow executives to prudently manage their personal financial affairs. It adds that the proponent's proposal would unnecessarily damage Baxter's ability to attract and retain talent, and that this would be acutely true in the competition for young and mid-career executive talent.

It is considered that the Board has provided a sufficient argument as to why retaining stock would be detrimental to the recruitment and retention of Executive officers. Also, 60% of the total compensation is paid in shares, and therefore the total number of shares to be retained by an executives until retirement would be high. On the other hand, the policy would contribute to align executives with shareholders' long-term interests and prevent disproportionately high compensation to Triodos abstains on this resolution.

**** = Special resolution***

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