Triodos Investment Management

BAXTER INTERNATIONAL INC.

MEETING DATE	Tue, 05 May 2015 9:00 am	TYPE	AGM	ISSUE DATE	Tue, 28 Apr 2015
MEETING LOCATION	One Baxter Parkway, Deerfield, Illinois				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

	PROPOSALS	ADVICE
1a	**Elect Uma Chowdhry, Ph.D.** Independent Non-Executive Director.	**For**
1b	**Elect James R. Gavin III, M.D., Ph.D.** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board. He is the chair of a committee that is not fully independent which Triodos does not support.	**Oppose**
1c	**Elect Peter S. Hellman** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
1d	**Elect K. J. Storm** Non-Executive Director. Not considered independent owing to a tenure of over nine years. There is insufficient independent representation on the board.	**Oppose**
2	**Approve the Auditors** PricewaterhouseCoopers proposed. Non-audit fees represented 14.33% of audit fees during the year under review and 11.78% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditors. However, the current auditor has been in place for more than ten years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos opposes this resolution.	**Oppose**
3	**Advisory vote on executive compensation** The Company has submitted a proposal for shareholder ratification of its executive compensation policy and practices. 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: ADA. Based on the ability to make discretionary bonus payments and the inadequate vesting schedule, Triodos opposes this resolution.	**Oppose**

4 Approval of 2015 Incentive Plan **Oppose**

The board is seeking shareholders' approval of the 2015 Incentive Plan.

Shareholders are asked to approve the 2015 Plan to qualify stock options as incentive stock options for purposes of Section 422 of the Internal Revenue Code of 1986, as amended, to qualify certain compensation under the 2015 Plan as performance-based compensation for purposes of Section 162(m) of the Code and to satisfy New York Stock Exchange guidelines relating to approval of equity compensation plans.

21.9 million shares remained available for grant under the Company's current incentive compensation plans as of December 31, 2014, and approximately 9.1 million shares remained available for grant under the Company's incentive compensation plans as of March 11, 2015, following its annual equity grant which occurred in March. Stock options or stock appreciation rights may not be granted or awarded with a then-established exercise price of less than the fair market value of Baxter's common stock on the date of grant or award. All officers, directors or other employees of Baxter or its subsidiaries, consultants, independent contractors or agents of Baxter or its subsidiaries, and persons who are expected to become officers, employees, directors, consultants, independent contractors or agents of Baxter or a subsidiary, including, in each case, directors who are not employees of Baxter or a subsidiary, are eligible to receive awards under the 2015 Plan. However, the Compensation Committee will have the authority and discretion to select eligible individuals who will receive awards under the 2015 Plan. The Committee also has the discretion to determine the time or times of receipt of awards; determine the types of awards and the number of shares covered by the awards; and establish the terms, conditions, performance targets, restrictions, and other provisions of such awards; modify the terms of, cancel, or suspend awards; reissue or repurchase awards; and accelerate the exercisability or vesting of any award. The maximum number of shares that may be delivered to Participants and their beneficiaries under the 2015 Plan may not exceed 35,000,000 shares of Baxter's common stock.

There is no disclosure of targets and their relationship to payouts: accordingly, shareholders are unable to determine the robustness of performance measures. Under the Plan, the Company may grant non -qualified stock options and restricted stock units, which are time-based and do not have any performance targets attached to them.

Based on the lack of specific performance conditions and the potentially excessive awards, Triodos opposes this plan.

5 Shareholder Resolution: Limit Accelerated Executive Pay **For**

Proposed by: John Chevedden

Shareholders ask the board of directors to adopt a policy that in the event of a change in control, there shall be no acceleration of vesting of any equity award granted to any senior executive, provided however, that the board's executive pay committee may provide in an applicable grant or purchase agreement that any unvested award will vest on a partial, pro rata basis up to the time of the senior executive's termination, with such qualifications for an award as the committee may determine.

The proponent states that the vesting of equity pay over a period of time is intended to promote long-term improvements in performance. The link between executive pay and long-term performance can be broken if such pay is made on an accelerated schedule. Accelerated equity vesting allows executives to realize pay opportunities without necessarily having earned them through strong performance.

The board opposes the proposal, stating that the board and the Compensation Committee believe the Company's current treatment of outstanding and unvested stock-based awards in the event of a change in control of the company appropriately aligns the interests of senior executives and shareholders and should be retained. In addition, the board believes that adoption of the proposal would place the Company at a disadvantage when competing for executive talent. We note that the Company has double trigger provisions in place, unless the change in control results in the company no longer being a public company or the awards are not assumed by the successor entity, which is a concern. Triodos agrees that accelerated vesting can break the link between pay and performance and, given the potential for such vesting in certain circumstances at the Company, Triodos supports this proposal.

6 Shareholder Resolution: Independent Board Chairman **For**

Proposed by: Kenneth Steiner

Shareholders request that the board of directors adopt a policy that the Chairman of the board shall be an independent director who is not a current or former employee of the company, and whose only nontrivial professional, familial or financial connection to the company or its CEO is the directorship. The board would have discretion to deal with existing agreements in implementing this proposal. This policy should allow for departure under extraordinary circumstances such as the unexpected resignation of the chair.

The proponent states that when the CEO is the board chairman, this arrangement can hinder the board's ability to monitor the CEO's performance. This proposal topic won 50%-plus support at 5 major U.S. companies in 2013 including 73%-support at Netflix. This proposal topic, sponsored by Ray T. Chevedden, won 55% support at Sempra Energy.

The board opposes the proposal as it believes that the decision of who should serve as Chairman is the responsibility of the board and that the board should not be constrained by a requirement that the position of Chairman be limited to a director who is an independent member of the Board. The board recognises the need for the board to operate independently of management and to have the benefit of independent leadership. Accordingly, the company's Corporate Governance Guidelines provide that so long as the Chief Executive Officer is also the Chairman of the board, it will annually elect a Lead Director from among the independent directors.

It is a well-established norm of good governance that the Chairman should be independent of any connection that could fetter his or her discretion in this role. Triodos supports this resolution.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 3 - Advisory vote on executive compensation

Disclosure: A - Disclosure of performance targets and potential payout is adequate.

Balance: D - Certain NEOs are eligible for discretionary cash bonus payouts. The Company grants stock options that vest one-third per year over a three-year period, starting on the first anniversary of the date of grant.

Contract: A - Disclosed severance and change in control awards are potentially excessive.

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