


## BAXTER INTERNATIONAL INC.

MEETING DATE	Tue, 03 May 2016 9:00 am	TYPE	AGM	ISSUE DATE	Mon, 25 Apr 2016
MEETING LOCATION	One Baxter Parkway, Deerfield, Illinois				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

PROPOSALS		ADVICE
<b>1a</b>	<b>Elect Thomas F. Chen</b> Independent Non-Executive Director.	<b>For</b>
<b>1b</b>	<b>Elect John D. Forsyth</b> Non-Executive Director. Not considered independent as he has served on the Board for more than nine years. There is insufficient independent representation on the Board. Triodos oppose this resolution.	<b>Oppose</b>
<b>1c</b>	<b>Elect Michael F. Mahoney</b> Independent Non-Executive Officer.	<b>For</b>
<b>1d</b>	<b>Elect Carole J. Shapazian</b> Non-Executive Director. Not considered independent as she has served on the Board for more than nine years. There is insufficient independent representation on the Board. Triodos oppose this resolution.	<b>Oppose</b>
<b>3</b>	<b>Advisory vote on executive compensation</b> 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 Company has achieved: an average level of disclosure; a poor balance for rewards; and an average approach to contracts with executives. Annual cash incentives are based on adjusted EPS and adjusted sales. The Company has disclosed the financial targets for its short-term incentives but has not provided sufficient information with respect to individual performance factors. The Company granted long-term incentives in the form of stock options (50%) and Restricted Stock Units (RSUs) (50%). There is a concern over compensation being potentially excessive due to the Compensation Committee's use of discretion when awarding annual bonuses. Payouts are subject to individual performance adjustments. Long-term incentives have no performance conditions which is contrary to best practice. RSUs vest one-third per year over a three-year period. Also, stock options vest one-third per year over a three-year period, starting on the first anniversary of the grant date. The Company has a compensation claw back policy. The compensation rating is: CDC. Based on the ability to make discretionary bonus payments and the lack of performance conditions, Triodos opposes this resolution.	<b>Oppose</b>
<b>2</b>	<b>Approve the Auditors</b> PwC proposed. Non-audit fees represented 67.24% of audit fees during the year under review and 29% on a three-year aggregate basis. This level of non-audit fees raises serious concerns about the independence of the statutory auditors. The current auditor has been in place for 31 years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. Triodos therefore oppose this resolution.	<b>Oppose</b>

#### 4 Shareholder Resolution:Independent Board Chairman

For

Proposed by: John Chevedden, on behalf of Kenneth Steiner. The Proponent requests the Board of Directors to adopt a policy to require the Chair of the Board, whenever possible, to be an independent member of the Board. The Proponent argues that a board of directors is less likely to provide rigorous independent oversight if the Chairman is the CEO. Also, the Proponent argues that adoption of the proposal will promote greater management accountability to shareholders and lead to a more objective evaluation of management. The Board recommends shareholders oppose and argues 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 argues that the Company's Corporate Governance Guidelines provide that so long as the CEO is also the Chairman of the Board, the Board will annually elect a lead director and Mr. Stallkamp currently serves as lead director.

It is considered that an independent Chairman can provide independent oversight of management and facilitates clearer lines of accountability with respect to corporate decisions. It is also considered that all board meetings (not just those of independent directors) should be led by an independent director, and judge that in practice this means that there should be an independent Chairman. Acceptable proposal. Triodos support this resolution.

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### SUPPORTING INFORMATION FOR RESOLUTIONS

#### Proposal 3 - Advisory vote on executive compensation

The Company has achieved: an average level of disclosure; a poor balance for rewards; and an average approach to contracts with executives.

**Disclosure: C-** Annual cash incentives are based on adjusted EPS and adjusted sales. The Company has disclosed the financial targets for its short-term incentives but has not provided sufficient information with respect to individual performance factors. The Company granted long-term incentives in the form of stock options (50%) and Restricted Stock Units (RSUs) (50%).

**Balance: D-** There is a concern over compensation being potentially excessive due to the Compensation Committee's use of discretion when awarding annual bonuses. Payouts are subject to individual performance adjustments. Long-term incentives have no performance conditions which is contrary to best practice. RSUs vest one-third per year over a three-year period. Also, stock options vest one-third per year over a three-year period, starting on the first anniversary of the grant date.

**Contract: C-** The Company has a compensation claw back policy.

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