


BAXTER INTERNATIONAL INC.

MEETING DATE	Tue, 07 May 2019 9:00 am	TYPE	AGM	ISSUE DATE	Mon, 01 Jul 2019
MEETING LOCATION	One Baxter Parkway, Deerfield, Illinois 60015				
CURRENT INDICES	S&P500				
SECTOR	Surgical and medical instruments and apparatus				

PROPOSALS		ADVICE
1a	Re-elect José (Joe) E. Almeida Chair and CEO. Combined roles at the head of the Company. There should be a clear division of responsibilities at the head of the Company between the running of the board and the executive responsibility for the running of the Company's business. No one individual should have unfettered powers of decision. Combining the two roles in one person represents a concentration of power that is potentially detrimental to board balance, effective debate, and board appraisal.	Oppose
1b	Re-elect Thomas F. Chen Independent Non-Executive Director.	For
1c	Re-elect John D. Forsyth Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is chair of the Remuneration committee which is not fully independent which Triodos does not support.	Oppose
1d	Re-elect James R. Gavin III Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is Chair of the Nomination committee which is not fully independent which Triodos does not support.	Oppose
1e	Re-elect Peter S. Hellman Non-Executive Director. Not considered independent owing to a tenure of over nine years. However, there is sufficient independent representation on the Board.	For
1f	Re-elect Michael F. Mahoney Independent Non-Executive Director.	For
1g	Elect Patricia B. Morrison Independent Non-Executive Director.	For
1h	Re-elect Stephen N. Oesterle Independent Non-Executive Director.	For
1i	Re-elect Cathy R. Smith Independent Non-Executive Director.	For
ij	Re-elect Thomas T. Stallkamp Lead Independent Director. Not considered independent owing to a tenure of over nine years. There is sufficient independence on the board.	For
1k	Re-elect Albert P.L. Stroucken Non-Executive Director. Not considered independent owing to a tenure of over nine years. He is chair of the Audit committee which is not fully independent which Triodos does not support.	Oppose
1l	Elect Amy A. Wendell Independent Non-Executive Director.	For

2 Advisory Vote on Executive Compensation

Oppose

The performance targets used to award the variable payout have been fully disclosed and quantified. Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. However, the Company uses adjusted performance metrics for most elements of compensation. The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer. 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: ACE. Based on this rating, opposition is recommended.

3 Appoint the Auditors

Oppose

PwC proposed. Non-audit fees represented 5.03% of audit fees during the year under review and 5.30% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. 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.

Proposed by: Kenneth Steiner

Proponent's Argument: If the Board determines that a Chairman, who was independent when selected is no longer independent, the Board shall select a new Chairman who satisfies the requirements of the policy within a reasonable amount of time. Compliance with this policy is waived if no independent director is available and willing to serve as Chairman. There is concern that the Baxter Chairman/CEO, José Almeida, received 10-times the negative votes as certain other Baxter directors. Also Thomas Stallkamp, Baxter Lead Director, had 18-years long-tenure. Long-tenure can impair the independence of a director no matter how well qualified. And independence is an all-important qualification for a Lead Director.

An independent Chairman is best positioned to build up the oversight responsibilities of our directors while our CEO addresses the challenging day-to-day issues facing the company. The roles of Chairman of the Board and CEO are fundamentally different and should not be held by the same person. There should be a clear division of responsibilities between these positions to insure a balance of power and authority on the Board.

Company's Argument: The Board recognizes the need for it to effectively operate independent of management and to have the benefit of meaningful independent leadership. As such, the Board regularly evaluates and reviews its leadership structure to determine if any changes are appropriate based on the current needs of the Board and the company. The Corporate Governance Guidelines provide that so long as the Chief Executive Officer is also the Chairman of the Board, the independent directors will annually elect a lead director from among the independent directors. The independent directors have determined that Mr. Almeida remains eminently qualified to fill this combined role and the Board believes doing so is optimal for the company and its stockholders.

The Board believes it is important that it retain the flexibility and ability to exercise judgment, in accordance with its fiduciary duties, to determine the most effective Board leadership structure to best serve the interests of the company and its stockholders today and in the future.

PIRC's Analysis: There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision. It is considered that an independent Chairman can provide independent oversight of management and facilitates clearer lines of accountability with respect to corporate decisions. Support is recommended.

Proposed by: John Chevedden

Proponent's Argument: Shareholders request that our board of directors 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. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle. Dozens of Fortune 500 companies provide for both shareholder rights-to act by written consent and to call a special meeting. Our higher 25% threshold for shareholders to call a special meeting is one more reason that we should have the right to act by written consent.

Company's Argument: The Board believes that all stockholders should have the opportunity to deliberate and vote on pending stockholder actions, not just those acting privately, without open deliberation and discussion, in the majority. The Board also believes that it is preferable to have stockholders take action that affects all stockholders, using the open and transparent process of an annual or special meeting that provides sufficient notice and the opportunity for all voices to be heard before voting. This proposal may actually diminish the rights of minority stockholders to participate in corporate governance, and reduce corporate due process, transparency and minority stockholder protections. Currently under the company's organizational documents holders of just 25% of the outstanding shares of the company's common stock are already permitted to call a special meeting, where notice is provided up and contrasting viewpoints can be shared, heard and deliberated prior to decision-making. Moreover, there are thousands of combinations of different stockholders that can be aggregated to reach the 25% special meeting threshold, with no aggregation cap or minimum duration of ownership requirement.

In short, the Board believes that implementation of the proposal is not in the best interests of the company or its stockholders. The company's charter already provides stockholders with the ability to call a special meeting at which they could elect to take any action that would otherwise be included in a written consent. Furthermore, the Board has adopted strong corporate governance practices, including ongoing Board refreshment efforts, and established mechanisms through which stockholders can communicate with the Board.

PIRC's Analysis

There are emergency situations where convening a special meeting might take too long or be too difficult, and written consents may be gathered more quickly. Since the company has weak or no special meeting rights, written consent rights are very important. A vote for the resolution is recommended.

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 2 - Advisory Vote on Executive Compensation

Disclosure: A The peer groups used for the purpose of pay comparison have been fully disclosed by the Company. The performance targets used to award the variable payout have been fully disclosed and quantified. However, the Company has not disclosed the fees it paid the Compensation Consultants. The disclosure of these fees is encouraged in the interests of greater transparency.

Balance: C Awards under the annual-incentive plans are tied to multiple performance conditions, which is considered

best practice. Performance measures attached to long-term incentives do not duplicate those attached to other awards, which is considered acceptable practice. The annual incentive award made during the year under review is not considered to be overly excessive as it amounts to less than 200% of base salary. Maximum long-term award opportunities are limited to 200% of base salary, which is considered as acceptable practice. Executive compensation is aligned with peer group averages. However, the Company uses adjusted performance metrics for most elements of compensation. The use of non-GAAP metrics prevents shareholders from being able to assess fully whether the performance targets are sufficiently challenging. Stock ownership and holding requirements are not considered appropriate. Retention awards make up a significant portion of the long-term incentives and therefore the scheme does not link pay to performance. Variable remuneration payouts are considered to be excessive as they represent more than 200% of base salary. Performance shares have a three-year performance period, which is a market standard. However, a five-year performance period is considered best practice.

Contract: E The Company does not appear to have double-trigger provisions in place, which is a concern as single-trigger vesting allows for awards to automatically vest in the event of a change-of-control. 'Good reason' is not defined appropriately, such that the Remuneration Committee is able to apply discretion when determining the status of a departing executive. The Company does not have an appropriate clawback policy in place as it only allows for the recoupment of payment if in the event of misconduct by an officer. The Company maintains a supplemental executive retirement plan for the benefit of certain officers, which is not in line with best practice. Potential severance entitlements in a change of control scenario are considered excessive as they exceed three times the base salary. The Compensation Committee has full discretion to accelerate the vesting of awards upon a change of control, which is a concern.

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